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October 20, 2017

Michigan Public Service Commission

Re: MEEA's Reply Comments on #U-18418 IRP Guidance

The Midwest Energy Efficiency Alliance (MEEA) submits the following comments for the 2017 Michigan Public Service Commission's consideration in completing its initial integrated resource planning assessment pursuant to PA 341 Sec. 6t. These comments are submitted in response to IRP Guidance (#U-18418) comments submitted by Michigan Energy Efficiency Contractors Association (MEECA) and those developed by participants in the Michigan Low Income Energy Work Group (MILIE). In the referenced comments, several issues were raised including the value of baseline EWR, the economic benefits of EWR, equal merit treatment of energy resources and stakeholder process importance. MEEA is writing to respond to and expand upon some of the issues raised in the comments previously submitted to the MPSC.

MEEA is a non-profit, membership association working across a 13-state region in the Midwest. Our members include utilities (investor-owned, municipal, and cooperatives), energy efficiency technology and service providers, manufacturers, state and local governments, and research and advocacy organizations. We are the Midwest's key proponent and resource for energy efficiency policy, helping to educate and advise a diverse range of stakeholders on ways to pursue a cost-effective, energy-efficient agenda. DTE Energy, Consumers Energy and the Michigan Electric Cooperative Association are some of the valued members of MEEA based in Michigan.

As the region's leading voice for energy efficiency, MEEA is pleased to see that energy efficiency, or energy waste reduction as it is described in PA 341 and PA 342, is well represented. We hope that our comments will lead to continued increased investments in energy efficiency and subsequent energy savings throughout Michigan.



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Energy Waste Reduction in Integrated Resource Planning

The goal in IRP planning, within Michigan's existing statutory and regulatory framework, is to arrive at the most reliable, achievable and cost-effective suite of energy resources over the planning period timeframe and to position the state for successful supply mix longevity beyond the immediate timeframe. The MPSC's current guidance incorporates a baseline EWR target, marking EWR as a policy certainty. This is important as it signals to all involved in the process that EWR will be accounted for over the next five years of planning and resource allocation, in turn informing the various other rate case, EWR plan and CON processes going forward.

Separately, the #U-18418 draft guidance document (Section X(11)) also directs energy providers to consider all supply and demand-side resource options on equal merit. As an example, utilities in Indiana and Minnesota identify bundles or "power plant" alternatives comprised of energy efficiency measures/programs that provide a path to redistributing a power-plant equivalent amount of energy elsewhere. Incorporation of energy waste reduction within each of the scenarios will ensure energy efficiency portfolios are weighed against generation as part of the holistic IRP process. The cost-effectiveness of energy efficiency *programs* is often the result of lower-cost measures balancing out higher-cost measures, not on the cost-effectiveness of individual measures.¹ Basing selection on measure-level cost-effectiveness could be leaving savings on the table that could be achieved with a well-designed portfolio of programs. Coupled with the baseline EWR, the energy efficiency bundles set up apples-to-apples competition of supply-side resources. After all, the resulting IRP should be the most cost-effective, as well as reliable, suite of energy resources to meet customer demand.

¹ As the Regulatory Assistance Project points out, "although the achievable framework is useful from a practical standpoint, too often projections of achievable savings are seen as precise forecasts or even upper limits on what level of demand reduction can be attained through energy efficiency initiatives... Other factors, such as effective program design and the strength of motivation on the part of the utility, can significantly influence what level of savings will ultimately be realized." Kramer, C. and Reed, G. 2012. Ten Pitfalls of Potential Studies. Burlington, VT: Regulatory Assistance Project. Accessed at <http://www.raonline.org/knowledge-center/ten-pitfalls-of-potential-studies/>

Lastly, and in response to the MILIE comments referencing those measures that do not need to meet cost effectiveness testing (low-income program offerings pursuant to PA 342 Sec. 71 (4)(g)), the MPSC's guidance should develop an approach to account for these programs separately, to either prioritize those offerings as a baseline consideration or otherwise incorporate them in the bundles of EWR that will compete with other supply-side resources beyond the baked-in EWR target baseline. Since low-income measures are not required to be cost-effective, it might be possible to incorporate them without hindering an otherwise cost-effective EWR bundle's ability to compete against less cost-effective supply-side resources. Identifying and committing resources to this sector will aid the entire state's energy system by shoring up leaky affordable housing to reduce the state's baseload energy demand.

Energy Efficiency in Michigan

The ramp-up of ratepayer funded energy efficiency programs since the EO standard went into effect has been dramatic – annual electricity savings have tripled since 2009. With increased savings, come significant benefits for every customer class. As a result of the 2015 Energy Optimization Plans, for every \$1 spent on energy efficiency in Michigan, residents and businesses will realize \$4.35 in benefits.² The calculated benefits include energy- and capacity-related avoided costs such as the cost of building new generation, transmission and distribution facilities.

At \$17 per megawatt hour, energy efficiency is nearly four times cheaper than new natural gas and coal fired power plants and two times cheaper than wind generation.³ Moreover, the value of energy efficiency in avoided costs and the staving off new generation cannot be overstated. Accordingly, it will be critically important that energy efficiency is properly factored into Michigan's Integrated Resource Plan process, as both a demand-side and supply-side resource.

² Licensing and Regulatory Affairs (LARA), 2016 Report on Energy Optimization Programs and Cost-effectiveness of PA 295 Standards, Michigan Public Service Commission (2016). pg. 1.

³ Billingsley, et. al, The Program Administrator Cost of Saved Energy for Utility Customer-Funded Energy Efficiency Programs, Lawrence Berkeley National Laboratory - Environmental Energy Technologies Division (March 2014).



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Economic Impact of Energy Waste Reduction

MEECA raised the economic value of lifecycle savings and walked through recent reports of current energy efficiency industry employment figures. In fact, energy efficiency investments will continue to create jobs across an array of sectors in Michigan (not just energy efficiency jobs) and increase incomes in the Michigan. Analysis conducted by The Cadmus Group concluded that the economic impacts of energy efficiency investments persist, providing positive returns for Michigan residents and businesses long after the utilities' initial investments.⁴ Over the entire 25-year study period, the 2014 energy efficiency programs alone are estimated to create more than 15,200 jobs, increase net statewide income by nearly \$1.4 billion, add nearly \$2 billion of total value to the state's economy and generate approximately \$3.2 billion in net sales. It behooves the entire state to invest in energy waste reduction for these reasons, as well as supply mix diversity, supply mix longevity and keeping energy prices low, among other things.

Stakeholder Process

In MEECA's and MILIE's comments, references were made to the stakeholder process with each noting a desire for MPSC clarity on what should be included in a robust stakeholder IRP process going forward. IRP processes can be very complicated and technical. MEEA supports a process that incorporates customer feedback, in addition to that of intervenors, to keep the utilities apprised of customer concerns regarding the continued delivery of cost-effective and reliable energy resources.

There are many helpful examples throughout the Midwest. For instance, in Indiana, "A customer or interested party may comment on an IRP submitted to the commission."⁵ Indiana also affords flexibility on the part of utilities to hold advisory group (stakeholder) meetings, but they also "provide an opportunity for public participation in a timely manner that may affect the outcome of the utility resource planning efforts."⁶ Similarly, in Minnesota, "Parties and other

⁴ Bicknell, Charles, et.al, The Economic Impacts of Energy Efficiency in the Midwest. The Cadmus Group, Inc. October 2016.

⁵ 170 IAC 4-7-2 (g).

⁶ 170 IAC 4-7-2 (h)(B).



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interested persons have until [a date] to review and comment upon the resource plan filings...[which] may include proposed alternative resource plans.”⁷ These practices appear to be consistent in principle with the PA 341 (6t(1)i) directive that “Before issuing the final modeling scenarios and assumptions each electric utility should include in developing its integrated resource plan, receive written comments and hold hearings to solicit public input regarding the proposed modeling scenarios and assumptions.” The most important component to the stakeholder process going forward is that it be clearly defined to ensure all involved are aware of the requirements and expectations in addressing concerns and developing a successful IRP.

Conclusion

Thank you for this opportunity to comment on Michigan's integrated resource planning process, and we look forward to continuing to engage further in this initial MPSC assessment as well as in the IRP process for individual Michigan utilities to advance energy waste reduction as a valued resource in the state.

For questions, please contact Nick Dreher, Policy Manager, at (312) 784-7271 and via email at ndreher@mwalliance.org.

Respectfully,

Stacey Paradis, Executive Director
Midwest Energy Efficiency Alliance

⁷ MAR 7843.0300 (7) and (10).