



Michigan Municipal Association for Utility Issues

Municipalities in Michigan have too little control over energy costs, providers and technologies

Energy costs can eat up 5% or more of a municipality's budget, leading many to pursue energy efficiency and renewable energy initiatives in hopes of cutting costs, reducing environmental impacts and improving quality of life. Unfortunately, many attractive energy projects aren't feasible for municipalities because of regulatory or ownership barriers. For example, conversion to LED streetlights in Michigan has gone slower than many municipalities would like because utilities own the fixtures and thus control the pace of conversion, as well as what wattage and brand of LED are installed.

Likewise, municipalities have little control over energy costs because they generally cannot choose their energy providers, and prices are set by the Michigan Public Service Commission rather than through direct negotiation with the providers in a competitive market.

Finally, most municipalities lack expertise and capacity on staff to negotiate effectively with utilities about priorities, technology choices and costs of energy infrastructure projects.

Municipal budgets remain tight. It is widely recognized that good energy management can sharply reduce costs, yet many solutions are either unavailable to municipalities or very difficult to pursue. A shared resource is needed to give municipalities a stronger voice in regulatory proceedings, and more effective representation in their business relationships with utilities.

The Michigan Street Lighting Coalition provides a proven model for giving municipalities a voice in management of energy

The MSLC formed in 2014 to challenge changes to street lighting tariffs proposed to the Michigan Public Service Commission (MPSC) by DTE Energy, which would have reduced the savings municipalities can realize by investing in LED streetlight conversions. Twenty-five municipalities in southeast Michigan joined the Coalition, which SEMREO managed, retaining attorneys, expert witnesses and clean energy experts. Following extensive analysis and testimony, the MPSC rejected DTE's proposal and mandated a collaborative process. Over the following months, the MSLC team worked directly with DTE Energy and MPSC staff to craft fair and reasonable tariffs that reward municipal energy efficiency investments, which were approved by the MPSC on January 31, 2017.

MSLC's intervention increased potential savings from LED conversion dramatically. A city with 1,000 DTE-owned streetlights distributed among incumbent technologies (mercury



vapor and high-pressure sodium), wattages and wiring types representative of the region-wide DTE system will be able to save about \$27,000 more per year by converting 100% to LEDs under the newly approved streetlight tariffs, compared to the rates DTE originally proposed. The new rates also offer better return on investment in LED conversions than the experimental LED rates that were in effect until now – protecting the projected return on investment of cities that already installed LEDs. We estimate that over 98% of older-technology streetlights owned by DTE could be converted to LEDs with annual savings that pay back the city’s conversion expense in less than five years.

These significant, annual savings were cheaply won: our hypothetical, “average” city would have contributed about \$3,500 to MSLC dues over two years, meaning it has received a greater than tenfold annual return on its investment.

Municipalities need ongoing, not episodic, representation in utility issues

Despite these solid victories, many issues related to streetlight tariffs, conversion costs and policies, and technology choices remain before us. DTE, for example, has no plans for converting approximately 70,000 high-pressure sodium streetlights to LED, even though each converted light would cost municipal customers \$41-to \$184 less per year to operate under the new tariffs. Also, LED streetlights can support various “smart grid” and “smart urban network” functions, and municipalities need to be deeply involved in discussing how these opportunities are pursued.

MAUI’s agenda is not devoted only to streetlight issues, either. Municipalities receive many other regulated electric and gas services from utilities. Salient issues related to clean energy include utility and regulatory policies for municipal microgrids; for siting and net metering of solar PV or other renewable energy installations serving municipal facilities; and for gas and electric costs for municipal facilities. The organization may also tackle energy facility siting policies and decisions (e.g., utility-scale solar PV and wind turbine placement).

Without expert and regular municipal engagement, policies, regulations and costs of municipal clean energy initiatives will continue to be shaped primarily by utilities and regulators, who may have other interests in mind. No single municipality has the information, expertise and resources to meaningfully balance a utility company’s influence in regulatory matters or its knowledge and motivation in business negotiations. Thanks to our successes in the MPSC rate cases, MSLC has momentum, credibility, experience and a team to tackle these issues and level the playing field for



municipalities, but structural changes are needed to move away from MSLC's single-issue campaign model to a standing association model.

The Michigan Municipal Association for Utility Issues (MI-MAUI)

By bundling resources and clout, and retaining experts in economics, energy and regulation, the Association will give municipalities a stronger voice in energy utility issues. General services will include:

- Engage regulated utilities in ongoing dialogue on regulatory and business policy issues related to clean energy programs, to identify issues of common concern and collaboratively craft solutions;
- Monitor, and participate when necessary in MPSC and other utility regulatory proceedings that impact municipalities' ability to pursue money-saving clean energy projects. However, MAUI will emphasize collaboration with utilities in preference to intervention in regulatory processes;
- Provide technical and financial advice and support to municipalities in their business relationships with utilities.

The Association's core mission will be to save money for municipalities by making clean energy projects pay, but it may engage with other utility issues when they arise incidental to its priority agenda. A relevant example would be MSLC's advocacy for fair and gradual rebalancing of the difference between DTE's tariffs for streetlights served by overhead and underground wiring: this issue had no energy efficiency implications but MSLC was the logical, and only, party able to represent municipal interests on that issue.

The Association will not engage directly in advocacy activities, but may cooperate with partners such as Michigan Municipal League, Michigan Townships Association, and non-profit energy and environmental organizations to advance relevant policy proposals.

Issues: Members will set the Association's priorities and assess themselves fees to cover necessary expenses in excess of the annual membership assessment. The scope is expected to remain focused on electricity and gas services provided by regulated utilities in Michigan.

Service area: Geographically, whereas MSLC has focused on the DTE Energy service territory, the Association will represent municipalities served by regulated utilities throughout the state. Doing so will allow us to apply lessons learned statewide, even



out the work flow from year to year, and get to a politically and financially effective scale faster.

Structure: The Association will have a membership structure and will be organized as a Board subcommittee of Southeast Michigan Regional Energy Office. All members will have voting participation in the Association's priorities, leadership elections and budgeting. SEMREO will staff and administer the Association, and will retain legal, regulatory and technical experts as authorized by the Association membership.

Membership: Cities, villages, townships, counties and other local government agencies in Michigan are eligible to join the Association. Municipal associations (including MML, MTA and MAC) and non-profit organizations that support municipal energy programs (including EcoWorks, SEEDS, Michigan Energy Options, Clean Energy Coalition, Michigan SAVES, NextEnergy and Metro Matters) may join as Associate Members without voting privileges.

Dues: Initial membership dues for the Association will be \$0.05 per resident; for example, a municipality with population of 10,000 will have initial dues of \$500. Minimum dues will be \$250 and maximum will be \$6,000.

Dues have been calculated to support a baseline, startup agenda. Association members may vote to undertake a broader program agenda or service offerings, or to intervene in MPSC rate case(s). To expedite implementation of these decisions, municipalities are asked to allow their staff to contribute up to a specified additional amount, suggested as equal to the initial dues, during the first year of the association.

Contact

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