

**Testimony of
Art Thayer, Director of Energy Efficiency Programs
Michigan Electric Cooperative Association (MECA),
Okemos, Michigan
for
The Michigan Electric Cooperative Association
Before the Senate Energy & Technology Committee
Tuesday, March 11, 2013
Lansing, Michigan**

Good afternoon, my name is Art Thayer. I am the Director of Energy Efficiency Programs for the Michigan Electric Cooperative Association in Okemos, Michigan. I am testifying today on behalf of the 11 electric cooperatives represented by the Michigan Electric Cooperative Association. Michigan's Electric Cooperatives thank Chairman Nofs for the invitation to testify on the Energy Optimization provisions of PA 295 of 2008 before the Committee this afternoon.

The Michigan Electric Cooperative Association (MECA) is the statewide trade association that provides services to its 11 cooperative members in the areas of Safety Training, Communications (including publishing the Michigan Country Lines Magazine), Legal, Legislative, Regulatory, Administrative services, and Energy Optimization. Collectively MECA's member-cooperatives serve more than 300,000 homes, farms and businesses in 59 of Michigan's 83 counties.¹

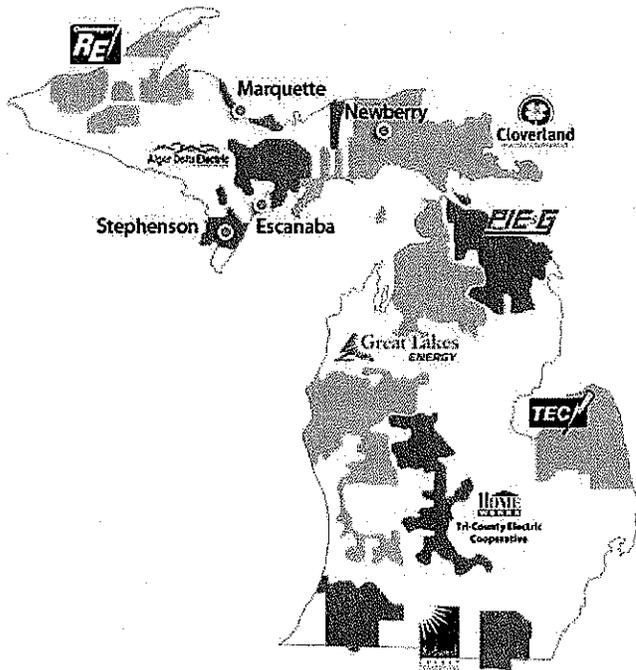
¹ MECA's membership consists of the following: Alger Delta Cooperative Electric Association, Cherryland Electric Cooperative, Cloverland Electric Cooperative, Great Lakes Energy Cooperative, HomeWorks Tri-County Electric Cooperative, Midwest Energy Cooperative, The Ontonagon County Rural Electrification Association, Presque Isle Electric & Gas Co-op, Thumb Electric Cooperative, Wolverine Power Marketing Cooperative, and Wolverine Power Supply Cooperative, Inc. Michigan's electric cooperatives maintain over 36,000 miles of line to serve approximately 310,000 meters. This results in an average of approximately eight customers per mile of line. This compares to approximately 35 customers per mile for the average investor-owned utility and over 90 customers per mile for some municipal systems. As for annual kWh sales per mile of line, the cooperatives average 60,500; the IOUs 725,000; and municipals top the scale at 1,950,000 kWh per mile per year.

Approximately 95% of cooperative customers are residential. Several cooperatives serve a considerable number of seasonal homes and cottages where annual usage is low, but maintenance and the annual cost to serve may be higher.

My comments this afternoon will provide some background on how Michigan's electric cooperatives are: (1) complying with the energy optimization statute; (2) how we intend to work toward the goals of the statute over the next several years; and (3) lastly, I will offer a suggestion for how Michigan's electric cooperatives believe energy optimization programs can be tailored as we move forward to better meet the needs of smaller utilities, such as electric cooperatives.

First, I need to point out that 8 of the 9 electric distribution cooperatives in Michigan have formed an Energy Optimization "Collaborative." In addition, four

municipal utilities have joined the MECA EO Collaborative. Our purpose is to work together to reduce the administrative burdens of PA 295, to assist in obtaining the highest level of expertise that otherwise could not be obtained individually, and to share the costs of various third-party vendors and contractors that are required under PA 295 to implement a program of this magnitude across our vast geographic footprints. **Michigan's**



rural electric cooperatives cover nearly 60% of Michigan's geographic area yet deliver less than 5% of Michigan's energy.

While the MECA EO Collaborative has successfully achieved the energy reduction goals outlined in PA 295 each year since implementation in 2009, MECA believes that this goal achievement will become much more difficult and much more expensive. We support the concept of helping our member-consumers be wise users of electricity.

However, the mandated goals currently contained in PA 295 are problematic for Michigan's electric cooperatives – particularly on a go-forward basis.

By the end of 2015, the MECA EO Collaborative will have invested more than \$30 million in implementation, evaluation, and administrative costs to achieve the eight-year energy reductions required under the statute. The MECA EO Collaborative has achieved efficiencies valued at nearly \$10 million dollars through coordinating and centralizing program planning, implementation, administration, evaluation, and promotional expenses through 2015.

It is important to point out that this \$30 million that we have invested in achieving the goals of the EO program comes from our member-customers in the form of a monthly surcharge on their bills. While the costs of achieving the targets contained in PA 295 are of little concern to the state's investor-owned utilities, they are a major concern for smaller utilities such as Michigan's electric cooperatives.

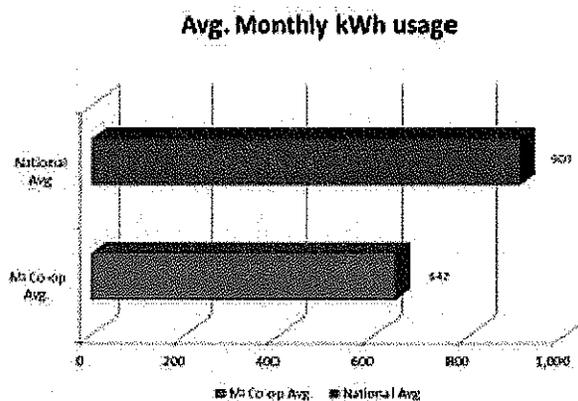
Our job as electric cooperatives in meeting the EO targets contained in PA 295 will become more difficult, more time consuming, and more expensive as we move forward with our four-year plan for 2012-2015. In fact, in the State's report "[Readying Michigan to Make Good Energy Decisions: Energy Efficiency](#)" released November 26, 2013, it stated that constrained energy efficiency potential moving beyond 2015 would be 0.7% per year compared to the 1% annual goal today (the report defines constrained potential as targets achieved at the current spending caps of 2% of utility revenues in the current law). The report goes on to state **"The available energy efficiency potential may vary between individual utilities in Michigan, particularly in the territories of rural cooperatives and Michigan's Upper Peninsula."**

The "one-size-fits-all" nature of the EO program will make meeting the statutory targets more difficult and more costly for our electric cooperative members.

Michigan's electric cooperatives face a number of major obstacles in meeting the objectives of the EO provisions on a go forward basis. However, there are two that I would ask each of you to think about for a minute.

First, 40% of the nearly 300,000 electric cooperative member-consumers in Michigan we serve are seasonal. This means that more than 100,000 of the residences, cabins, and vacation homes we serve are not a principal residence for the electric cooperative member-consumer. Secondly, electric sales on a per meter basis for Michigan's electric cooperatives are approximately 2/3 the national average. This fact alone will make our jobs in meeting the EO targets contained in PA 295 very difficult on a go-forward basis. We simply start from a much smaller base than other electric utilities in Michigan.

Finally, I would like to conclude with a recommendation for how energy optimization could be more realistic for smaller utilities, such as Michigan's electric cooperatives. MECA suggests that the Michigan Public Service Commission (MPSC) be granted additional authority to work with smaller utilities such as electric cooperatives to ensure the unique needs and energy optimization targets of our members can be attained in a cost-effective manner. The MPSC is familiar with the state's energy providers and the unique challenges our member-cooperatives are experiencing. The MPSC is clearly in the best position to work with electric cooperatives to help us tailor our EO programs to more cost effectively meet the needs of our rural member-consumers. A simple way to do that is by simply having a different set of EO targets for smaller utilities such as rural electric cooperatives. This simple step will help electric cooperatives



continue to assist our member-consumers in becoming wiser users of energy but in a more economic manner.

On behalf of Michigan's electric cooperatives, I want to thank Chairman Nofs and members of the Senate Energy & Technology Committee for your time today. I am happy to answer any questions. Thank you.
