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Chair Nofs, Vice Chair Proos, Vice Chair Hopgood, and members of the Energy and Technology Committee, thank you for providing Steelcase with this opportunity to provide our perspective on this important issue for Michigan businesses and residents. My name is John DeAngelis. I am the Energy Program Manager Steelcase Inc. I am responsible for Steelcase's electricity and natural gas purchasing strategies in Michigan, I manage our global renewable energy portfolio, and I help to implement energy efficiency projects at various Steelcase facilities.

Steelcase Background Information

Based in Grand Rapids, Michigan, Steelcase Inc. is the global leader of the office furniture industry:

- ~\$3 billion in annual revenue
- Provides jobs for over 3,000 people in Michigan
- Strongly engaged in the local community

For Steelcase, energy has a significant impact on our costs:

- We have been purchasing electricity as a part of Retail Open Access since 2009.
- We have historically saved an average of 20-25% when compared to tariff rates.
- Participating in Retail Open Access allows us to be more competitive as a business and frees up capital that we can further invest in our business and additional jobs in Michigan.

Steelcase is also a strong supporter of renewable energy:

- We currently purchase renewable energy credits equivalent to 100% of our global electricity consumption.
- We are constantly looking for additional opportunities to invest in economically sound renewable energy projects.
- Additional renewable energy investments could take the form of signing a power purchase agreement for renewable energy in Michigan, which is possible because Steelcase participates in Retail Open Access.

Outlook on SB 437

We were happy to hear that SB-437 is not in final form. In its current form, we believe it would have dramatic detrimental impacts on Michigan ratepayers, Retail Open Access customers including schools, manufacturers, and hospital, and competitive suppliers.

Steelcase Supports a Fair Energy Policy

As many have previously testified, we could go through our concerns about SB 437 line-by-line, but we would rather spend time our time expressing what we *do* support in energy policy:

- We support a reliable, healthy, and adaptable grid system. This is our first priority and it includes ensuring resource adequacy for all of Michigan.

- We support energy policy that is fair to all Michigan ratepayers including residents and businesses, protects the environment, and promotes increased employment throughout the state through the most competitive rates.
- We support healthy utilities. Utilities provide an essential public service and are important to Michigan's success.

We would like to offer an example of sound energy policy changes that would accomplish these goals:

1. Institute a periodic integrated resource plan (IRP) as a planning process. Have the results of the IRP trigger a procurement process that includes a more robust alternatives assessment to ensure the most affordable resources are used to satisfy the capacity needs of a utility, and a rate of return on power purchase agreements so that the utilities will remain financially stable.
2. Utilize competitive bidding to procure capacity for any other retail electric supplier that cannot demonstrate that it will be able to provide adequate capacity for its customers.
3. Adjust return to service provisions to address a scenario under which ROA customers want to return to full-service and there is not adequate capacity available in the system.

Capacity

Capacity concerns were largely based on a MISO report that originally stated that Michigan could see a significant capacity shortfall as soon as 2016. MISO has since updated their report to show that there is adequate capacity throughout their entire footprint until 2020¹. We believe this window of time gives Michigan the opportunity to deliberately develop a competitive energy framework that advances solutions to provide affordable and reliable energy for all Michigan businesses and residents.

Integrated Resource Plan (IRP) and Certificate of Need (CON)

If implemented correctly, an IRP will determine a portfolio that is “the most reasonable prudent alternative, which is cost-effective, complies with applicable reliability standards and environmental regulation, and maximizes adaptability.”² To prove that a plan is “the most reasonable and prudent” and ensure that the optimal solutions are selected, the MPSC should facilitate a more robust alternative assessment process to meet any need outlined in its IRP. If the procurement process is enhanced then it makes sense for utilities earn a fair rate-of-return on power purchase agreements. This will appropriately incentivize the most competitive option for meeting Michigan's energy and capacity needs.

Additionally, third parties must be able to participate in developing the modeling assumptions within the IRP, obtain evidence concerning the plan, and propose alternative ways of meeting the needs outlined in the plan. Allowing robust third-party participation in the IRP process and paying a rate of return to utilities on power purchase agreements will create a system through which all full-service ratepayers benefit from a competitive process while fairly compensating Michigan's utilities.

Incremental Capacity Needs

In competitive markets, the most affordable option is naturally selected because each supplier competes on price. However, to alleviate any concerns about a potential capacity shortfall that would adversely impact reliability in Michigan, we suggest implementing a competitive bidding process for any retail electric supplier that cannot demonstrate that it will be able to provide adequate capacity when there is a projected capacity shortfall that will detrimentally affect reliability. This process will fulfill any incremental capacity needs identified in Michigan that are not addressed by retail electric suppliers or through the integrated resource planning processes. It would also appropriately allocate the costs of the incremental capacity to those load-serving entities that have not demonstrated sufficient capacity to meet their load.

Retention of Competitive Markets

Electric choice is good for Michigan. Competition drives innovation, benefits ratepayers, and allows individuals and businesses to manage their own risk.

In order to truly preserve a 10% competitive electric market, we must:

- Allow new customers to enter ROA
- Allow customers to return to ROA if they leave
- Prevent burdensome and unnecessarily punitive return to service provisions while ensuring reliability for all Michigan businesses and residents

Return to Service

Below is a tiered plan for return to service that could serve as an example of how we can protect all ratepayers and retail electric suppliers in Michigan. These provisions address the remote possibility of many ROA customers returning to an integrated utility's full-service at once and acknowledge the positive impacts of available capacity and a queue of customers waiting to take service from an alternative electric supplier:

Scenario #1 – Queue of Customers + Adequate Capacity

- Situation: There is a queue of customers waiting for ROA. Therefore, an "exchange of capacity" will take place when ROA electric load moves to full-service and an equivalent amount of electric load moves from full-service to ROA.
- Result: ROA customer may return to utility full-service if customer provides the utility a six-month notice.

Scenario #2 – No Queue of Customers + Adequate Capacity

- Situation: There is no queue of customers waiting for ROA, but there is capacity available in the system. The utility will purchase or utilize existing capacity to serve the returning ROA customer.
- Result: ROA customer may return to utility full-service if customer provides the utility a six-month notice.

Scenario #3 – No Queue of Customer + Not Adequate Capacity

- Situation: There is no queue of customers waiting for ROA and there is not capacity available in the system.
- Result: ROA customer may return to utility full-service if:
 1. ROA customer provides an irrevocable notice three years in advance or
 2. ROA customer participates in one of the following for a total of three years:
 - a. Interruptible utility tariff service
 - b. A new tariff that includes the incremental costs and benefits to the utility

Steelcase Supports Creative Solutions to Improve Michigan's Energy Market

We greatly appreciate the opportunity to speak with the Committee and look forward to working with Committee members and the Governor's Administration to develop innovative improvements to Michigan's electricity market to ensure reliability, adaptability, affordability, and the protection of the environment that will benefit all Michiganders.

Respectfully,

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Citations

¹ 2015 OMS MISO Survey Results. June 2015.

² Valerie Brader, Testimony to Senate Energy and Technology Committee, 9/10/15.