



SENATE ENERGY AND TECHNOLOGY COMMITTEE

Patti Poppe

May 25, 2016

OPENING

Good afternoon Chairman Nofs, Vice Chairman Proos, Vice Chairman Hopgood and distinguished committee members. My name is Patti Poppe. I'm Senior Vice President of Distribution Operations, Engineering and Transmission for CMS Energy, and its principal subsidiary, Consumers Energy. Beginning July 1, I will assume the role of President and CEO.

Thank you for the opportunity to testify in support of Senate Bills 437 and 438, and thank you for the time you have spent in Committee and workgroup meetings working toward good energy legislation for our state. Energy is a complex issue, but it is critical to the way we live. That's why Senate Bills 437 and 438 are so important to the families and businesses you represent.

The state's last major energy reform has served Michigan well since 2008. However, in the last eight years, Michigan has experienced dramatic changes in its economic and energy landscape. As power plants retire and the excess generation capacity retail energy marketers have traditionally relied upon disappears, the current nature of the Retail Open Access (ROA) provisions put our state and citizens at unnecessary risk. We have an opportunity to quell that risk today and avoid the higher prices and compromised reliability that would result from insufficient local electric generation capacity.

These new bills offer the chance to build on the solid foundation of the 2008 law, protect our state's energy infrastructure and provide Michigan families and businesses with affordable, reliable and clean energy.

RELIABILITY AND FAIRNESS

A couple of weeks ago, you heard testimony from the Midwest Intercontinental System Operator (MISO) — the federal grid operator — that Michigan's electric supply is tightening, which can lead to higher prices and a threat to reliability if not addressed. While MISO can warn us and send price signals that the market is tightening, the state is responsible for ensuring adequate power generation capacity is built to serve Michigan's families and businesses.

MISO sent a warning with its capacity auction in April when the price for capacity increased by 2,000 percent. You have an opportunity today to act to prevent an energy infrastructure problem, ensure reliability and eliminate an unfair cost-shifting subsidy.

This legislation strikes a balance that prepares for an uncertain future but does not change access to the market if Michigan maintains adequate supply.

On the other hand, if you fail to pass this legislation and we fall short of Michigan-made power, then we've got a problem.

Without the reliability and fairness safeguards established in these bills, no one will look out for Michigan businesses that rely on alternative suppliers. Senate Bill 437 preserves the 10 percent ROA cap and implements common-sense reliability protections by subjecting ROA suppliers to

forward-capacity requirements. This is less stringent than requirements Michigan's utilities must meet, but provides a solid level of protection for the state's electric customers. In addition, new ROA customers would be required to pay their fair share of fixed generation costs for 10 years.

With this legislation, we can act now to ensure our energy infrastructure and policies are secure and fair now and into the future. And with these bills, we can do that without restricting access for customers currently taking advantage of ROA.

AFFORDABLE AND CLEAN ENERGY WITHOUT MANDATES

Once we have secured a reliable electric system for all Michigan customers through the reforms in SB 437, we have the opportunity to work together to define the future of Michigan's electric generation fleet through an Integrated Resource Plan (IRP). The IRP provides an open and transparent forum to chart the transition of Michigan's power system by requiring utilities to meet the "most reasonable and prudent" plan to meet energy needs, eliminate energy waste and comply with environmental requirements. This standard is the highest benchmark in the country, establishing an open and transparent process to help make smart decisions, balancing reliability, affordability and environmental compliance. Customers' needs and expectations for energy are evolving and the IRP provides the right forum to meet Michigan's energy needs — today, tomorrow and in the future.

The IRP broadens the current Certificate of Need (CON) process to include other forms of generation planning options such as transmission, renewable energy, demand response and energy waste reduction.

We're learning that businesses care today what their utility can do for them BEYOND supplying affordable energy. They care about price **and** reliability **and** access to renewable energy. That's why we're working with companies like Switch Data Centers in Grand Rapids and Michigan International Speedway in Jackson to support their goals of 100 percent renewable energy.

Our commitment to help Switch meet its renewable energy goals helped bring this new facility to Michigan rather than seeing Switch build their business in another state.

In a similar fashion, we're working with Arauco in Grayling and Citic Dicastal in Greenville to accommodate unique energy needs with a range of new rate designs and energy efficiency programs — helping build these businesses and create jobs here at home.

Grand Valley State University in Allendale and Western Michigan University in Kalamazoo wanted to move toward a more sustainable future and inspire their students and staff to get involved in renewable energy solutions — and we're hosting brand new solar energy projects on their campuses.

I'm sharing these examples to show how important energy is not only to Michigan families, but also to Michigan businesses. When companies look to build in a new location, energy policy and infrastructure factor into the decision making process. With a yes vote on these bills, you can ensure

we have the policies and infrastructure in place to attract business and grow Michigan's economy, while keeping energy reliable and affordable for all residents.

CLOSING

The reliability provisions I've outlined prevent an electric infrastructure crisis in our state. We have a mutual obligation to the people of Michigan to keep the lights on. I call it our Promise. In addition, the IRP allows critical stakeholders to collaborate on determining the right mix of Michigan's future generation portfolio. This legislation is a reasonable compromise to address problems created by the current ROA system and position Michigan for a bright and flexible energy future.