



**DTE Energy®**

# 2016 Energy Law

Senate Energy & Technology Committee

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Good morning Chairman Lauwers, Vice Chair Horn, Vice Chair McCann, and members of the Senate Energy and Technology Committee. My name is Jerry Norcia. I am the President and Chief Operating Officer of DTE Energy. Thank you for providing the opportunity to share an overview of our company, our deep Michigan roots, and the transformation of the energy infrastructure serving your constituents since the 2016 energy law.

DTE has powered Michigan's homes and businesses for 170 years. We have more than 10,000 employees. And we aspire to be the best-operated energy company in North America, and a force for growth and prosperity in the communities where we live and serve.

Like most utilities in the US, DTE's electric and gas services are regulated by the state to ensure that Michigan's families and businesses have safe, stable, and reliable access to affordable energy. DTE serves 2.2 million electric customers in Southeast Michigan, and we provide heat to 1.3 million homes and businesses across the Upper and Lower Peninsulas through our natural gas utility.

In addition to our electric and gas utilities, DTE also operates several non-utility businesses. These businesses are regulated by federal entities and operate both inside Michigan and in 20 states. DTE Gas Storage & Pipelines, or GSP, operates midstream natural gas assets, such as underground storage facilities and interstate pipeline infrastructure.

DTE Power & Industrial and DTE Trading provide a host of energy services to both manufacturers and energy providers. Power and Industrial services include on-site energy generation for large commercial or industrial customers and environmental protection controls. DTE Trading operations include the procurement of wholesale market energy to support utility planning across the country.

Michigan's current energy infrastructure has served the state and the economy well, but we are in the midst of a significant transformation.

During the deliberations on the 2016 energy law, we shared that the state would retire 60 percent of its coal-fired power plants, or 30 percent of its total generation by the early 2020s. This transition is now underway, but it focused our attention in 2016 on two key priorities:

- First, how do we prepare the state for the transformation of energy infrastructure while prioritizing reliability, affordability, and fairness?
- Second, how would we ensure that cleaner, more efficient technologies and long-term investments are being evaluated and applied appropriately through this transition?

These priorities focused the development and passage PA 341 and PA 342. But you have Senators Nesbitt and Horn, and others here, who could provide a more inside look at how the legislation came together.

The 2016 energy law established a foundation that has enabled:

- A significant investment in our electric and natural gas infrastructure and accelerated the pace of renewal
- Investment in a new power plant
- Further progress in achieving renewable energy and energy efficiency goals
- And, significant reductions in carbon emissions.

Through our electric utility, we are investing \$4.6 billion into distribution infrastructure over the next 5 years. The main areas of investment are infrastructure resilience and hardening, infrastructure redesign, technology and automation, and tree trimming. We are upgrading and replacing equipment throughout our service territory, and, in areas where work is complete,

customers have seen a 70 percent improvement in reliability. This is the beginning of a 20-year journey to upgrade our distribution system.

On the natural gas side, we have invested almost \$400 million in our main renewal program since 2011, replacing 688 miles of cast iron and bare steel, minimizing leaks. We plan to invest an additional \$1.2 billion over the next five years as we accelerate the modernization of aging cast-iron and steel gas mains to an 18-year pace.

Just five months after the energy law passed, DTE was able to announce our commitment to reduce carbon emissions from our electric generation by more than 80 percent by 2050, consistent with the range of pathways that climate scientists have identified as needed to mitigate climate change.<sup>1</sup> We are also on track to reduce methane emissions from our natural gas utility by 80 percent by 2040 as part of our environmental commitment. These goals are achievable, and if done carefully and thoughtfully, it can be done in a way that's affordable and reliable. We are taking very deliberate and thoughtful actions to make progress on our carbon reduction commitments, all of which leverage the successful framework established and refined by the law.

I will highlight some key near-term milestones:

- We will exceed the law's Clean Energy Goal of 35 percent by 2025, and achieve a 50 percent Clean Energy Goal by 2030. The Clean Energy Goal is met through a combination of renewables and energy waste reduction. At least half of this will be from renewable energy in 2030.
- We are doubling our renewable energy capacity by investing \$1.7 billion in renewables between 2018 and 2022 alone, building on the \$2.5 billion we've already invested.
- We will retire three coal-fired power plants by 2023.

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<sup>1</sup> Rose, SK, M Scott, 2018. "Grounding Decisions: A Scientific Foundation for Companies Considering Global Climate Scenarios and Greenhouse Gas Goals." EPRI. October 2018.

- We are growing our energy efficiency and demand response programs to help customers reduce demand and manage their energy bills.
- Just last year, we received approval of a Certificate of Necessity application for a new power plant, a key component of the 2016 law. This approval triggered the construction of the Blue Water Energy Center. This \$1 billion investment in St. Clair County will be a 24/7 state of the art, highly efficient resource, fueled by natural gas. It represents a 70 percent reduction in CO<sub>2</sub> compared the three coal-fired plants it is replacing.<sup>2</sup> The technology is dispatchable, meaning it is there when you need it, and is the most efficient, cost effective technology available today.

I would also note that this power plant helped anchor another piece of important infrastructure into Michigan, which is the NEXUS pipeline that went into service in 2018. This pipeline connects a world class reservoir to our state. It also played a fundamental role supplying the state in February.

Michigan's weather is variable; the sun does not always shine, and the wind doesn't always blow. This flexible power plant will balance the variability of renewables, and along with our share of the Ludington pumped hydro plant, will complement the continued expansion of renewables, and support Michigan's 24/7 economy.

Additional details of our generation transformation will be shared in our upcoming Integrated Resource Plan filing, also known as the IRP. This will be filed at the end of this month. The IRP was refined under the 2016 energy law, creating a competitive, holistic framework and process for generation planning through collaborative energy resource planning. Prior to the 2016 energy

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<sup>2</sup> In addition to significant reductions in CO<sub>2</sub> emissions, the Blue Water Energy Center will reduce SO<sub>2</sub> and NO<sub>x</sub> emissions more than 95 percent compared to the coal units planned for retirement. Particulate matter and mercury emissions will be reduced substantially as well.

law, utilities conducted IRP's to plan for customers, but there was no centralized, streamlined process for reviewing utilities plan for electric generation.

There is one exciting program that is growing under the framework of the 2016 energy law that I want to highlight; the development and expansion of our voluntary renewable program called MIGreen Power. This program makes it easier for our 2.2 million residential and business customers to enroll in an affordable program to achieve their sustainability or carbon reduction goals.

The renewable power supporting MIGreenPower customers is incremental to the Renewable Portfolio Standard. Today, we have over 5,300 customers enrolled, and we expect the program to double in 2019.

We are also growing our large customer program. In the last two weeks, Ford Motor Company and General Motors announced they are going to power several of their Southeast Michigan operations with renewables through MIGreenPower.

Our commitment to Michigan and the people of this state is deeply rooted in our 170-year history. Michigan's success is DTE's success by the nature of our business. The transformation I have described in our generation mix and infrastructure renewal is underway, and will play out in the years ahead. As we move forward we cannot lose sight of our responsibility to manage affordability and reliability as we invest in critical infrastructure. We take that responsibility seriously.

I'm looking forward to your questions regarding my testimony, or other activities in the energy sector that I have not touched on. Thank you Chairman Lauwers for the invitation to appear here today.