

Ann Arbor Energy Commission – Meeting Minutes
April 14, 2009
Washtenaw County Administration Building
220 N. Main St. 5:30-7:30 PM

Attendees: David Wright – Interim Chair, Bill Verge, Wayne Appleyard, Stephen Miller, and Mike Delaney.

Staff: Andrew Brix, Merry Tondro

Approval of Minutes

Motion from Commissioner Verge to approve the Minutes. Seconded by Commissioner Delaney. Minutes were approved.

Public Input – Doug King introduced himself and announced that he was opening an energy auditing firm called Pro Energy Consultants. It is a national franchise and he will be covering Ann Arbor and southeastern Michigan. The company will focus primarily on residential audits, aimed to lower energy costs and reduce the carbon footprint of the house.

Energy News

Energy Report:

- *Solar America Cities* – In the previous week, Andrew Brix and Major Hieftje attended the 2nd Annual SAC meeting in San Antonio. There were many productive discussions and it was a successful conference.
- *PV Training for Code Officials* – will be held April 20, 2009 at the Washtenaw Community College. We've sold out for this training, with a total of 200 attendees.
- *Earth Day* – Washtenaw Community College will hold their celebration on April 16, 2009. The Ann Arbor celebration will be held on April 26, 2009 at the Leslie Science and Nature Center.
- *Wind Turbine Project at the Water Treatment Plant* – Andrew is still waiting to get further information from the Department of Energy. Then he will update the Energy Commission on the status of the project.

Other News from Commissioners: An article ran in the Ann Arbor News stating that the City's new LED lights were being billed at old rates. Andrew Brix responded by saying that this is related to two issues: 1.) the City is still hammering out how the LED lights will be billed with DTE, and 2.) the interconnection at the Farmer's Market has been delayed because of the new rules. Commissioner Wright asked Mr. Brix if he felt there were any real issues here. Mr. Brix responded that no, there are no real issues of concern here. Commissioner Delany confirmed this, pointing out that this is still a new process and the two entities are working together to figure it out.

- Commissioner Verge: Noted that there was an article run in the Michigan Daily on solar energy that mentioned a few interesting projects that are happening at the University.

- Commissioner Appleyard: Noted that on Earth Day, a new website will be rolled out that provides the real time information about the solar panels at the Leslie Science and Nature Center.
- Commission Delaney: Noted that the final prize winners at the UM Energy competition were announced. First place was taken by a project that utilized algae to capture CO₂ and generate biofuel. He also noted that in October a plug-in electric vehicle convention called “The Business of Plugging-In” will be held focusing on the business end of electric and hybrid vehicles. And finally, he also noted that there are now four advanced battery companies located in Michigan.
- Commissioner Bing: Noted that the Michigan Energy Conference held on Thursday will include a session on how to become a certified home energy rater.

Ann Arbor Community Updates

- Energy Futures Film Project Update: No updates.
- Municipal Utility Case Studies – UM Student Team: Becky Taylor and Laura Palombi from UM’s SNRE program presented a case study of the attempt to municipalize the local utility in Alma, Michigan. A municipal utility is defined as a public power provider that is owned and operated by a city, town, county, or state. Currently, there are about 2,000 “muni’s” in the U.S. that serve a total of 45 million customers. The pros of municipalization include: potential source of revenue, access to tax exempt bonds, and potentially lower-cost electricity. Cons include: operation risks are assumed by the municipality, potential loss of tax base, and potentially higher-cost electricity. The municipalization process is not well-defined by state regulation. It is primarily a legal procedure and a 3-4 year process. Alma, Michigan began exploring municipalization in 1994, led by a large local industrial company that got the process started. A series of lawsuits followed by the closing down of the large industrial company has led to no progress to date. However, Alma has said that they may look into municipalization again.
 - Commissioner Miller noted that about 1/3 of the generation by LAWP (Los Angeles Water and Power – a municipal utility) comes from coal, which has emissions consequences, whereas other investor owned utilities in California are at nearly zero coal-related emissions.
 - Commissioner Appleyard responded by saying that many large municipal utilities, such as SMUD (Sacramento Municipal Utility District) and Austin Energy, have very aggressive green energy standards.
 - Commissioner Verge asked the presenters if they have any feel of how this might apply to a City like Ann Arbor? Laura Palombi said that at first glance, she was concerned – it’s a long, costly process. But given some of the benefits, it could be good for Ann Arbor given our energy goals. Becky Taylor echoed that statement, she said that it depends very much on the assets of both the community and the utility. There are a lot of variables that must be considered.
 - Commissioner Wright asked if the 60% voter approval that was needed in the Alma case was an Alma-specific requirement? Becky Taylor said that she was told by the city manager of Alma said that it was a state law, but she hasn’t seen physical documentation of that. Commissioner Wright

then asked about the stranded cost that Alma owed to the utilities being \$0 by 2005. Becky said that the number was specific to Alma, based on the FERC ruling. The stranded cost goes down over time because it assumes that the utility has been “put on notice” by the municipality/ Commissions Wright then noted that if this was something Ann Arbor chose to do, then the City would find itself in the transmission and distribution business. Given our community’s strong interest in renewables and Michigan’s partial deregulation, have you looked at the possibility of creating a municipal alternative energy supplier that could procure energy based on an option that is done in Austin? Would this be a better option? Laura responded that it’s certainly worth looking into. Becky noted that they did not specifically look into that alternative.

- Commissioner Delaney noted that these are specific cases. He mentioned that Foot Act may be an issue for Ann Arbor, which is a state law that was passed in the early 1900s and said that if the franchise agreement with the utility occurred during a specific time period, it lasted indefinitely. Commissioner Delaney also noted that DTE was a large employer in the Ann Arbor area and that the loss of those jobs should be a consideration. There are certainly mechanisms currently for the City to purchase more renewable power generation; the State also has an RPS. We’re making a big investment in that. DTE is also developing programs, such as the Green Currents program, as part of trying to be a good community partner. Laura Palombi responded by saying that it was worthwhile to note that if the utility is willing to work with the community to move towards renewable energy, then that may be a more effective mechanism than the long, legal process to municipalize.

- Energy Efficiency Masters Project – Joshua Brugeman: He presented his preliminary recommendations last month. This presentation focused on more refined recommendations as he is preparing his final report. He talked about some of the barriers to and opportunities for energy efficiency programs. The largest barrier for consumers is certainly the capital/cost barrier to energy efficiency improvements. Other barriers include split incentives, the market limits consumers, government restrictions, and consumer habits. Opportunities include local economic development, reduced environmental impacts, low-income residents really save, and monetary savings from efficiency. He included short-term and long-term recommendations for Ann Arbor, which include: generating demand, leveraging and providing resources, building the community network, build human capital capacity, and ease government regulation.

- Commissioner Delaney: The State is implementing an energy efficiency surcharge for the two largest utilities. Also, the DTE Energy Optimization plan is going through in June. From a personal perspective, one of the other barriers I would add is regulatory structure. Think about decoupling or incentive-based rates to change the way in which utilities are compensated.
- Commissioner Bing: You mentioned working with City departments to grow the education base. I think that’s very important. In a home, sometimes the different building components end up working against one

another in relation to our long term energy goals. In looking at all these different programs, who would you say is the stand out in terms of education or user-friendliness? Josh responded that Austin Energy has a lot of great education materials, as does the State of Vermont and Ft. Collins. Lots of user outreach. But there was no real stand out.

- State Legislative Update / DTE Energy Optimization (EO) Plan – James Peters: The state is now putting forth energy optimization plans, along with DTE. Disclaimer: the cases are currently active, so the opinions stated here are mine only and don't necessarily represent anyone at the MPSC. DTE worked with Morgan Marketing Partners to develop a 31 month program with multiple strategic objectives, including selecting tested measures that have the ability to be quickly implemented. The EO programs were chosen based on "best practices". Over the 31 months period, the NPV is \$127 million and it's expected to result in a lifetime savings of 6,633GWh of energy. To determine the quantity of energy needed to be reduced in 2009, 2010, 2011, a baseline projection or "load forecast" of MPSC-defined retail sales first must be developed. Third party contractors have been hired to administer all of these programs. Residential EO Programs include:
 - Residential and Small Energy Star products (provides incentives for Energy Star purchases);
 - Residential Appliance Recycling (provides incentives to retire refrigerators/freezers);
 - Residential HVAC Program (direct payments to homeowners to buy energy efficient HVAC systems);
 - Multifamily Programs (for commercial units with greater than 4 units, provides direct installation of energy efficient measures);
 - Residential New Construction Programs (provides incentives to either the homeowners or builders to install energy efficient products and systems);
 - Residential Audit and Weatherization (level 1 – simplified audit, level 2 – more comprehensive audit, level 3 – same as level 2 but includes blower door test, thermal vision of the home, and combustion testing);
 - Low-Income Program (Edison will provide weatherization organizations with money to run HVAC improvements for low income housing, the definition of which is 200% above the federal poverty level, direct installation of low cost energy installations in targeted neighborhoods);
 - Commercial and Industrial EO Programs: Custom program, RFP program, and New Construction;
 - Educational Programs (including pamphlets, DVDs, brochures, etc.);
 - Self-Directed EO Programs (allows customers of a particular size, currently 2 MW, you can apply to DTE and choose to run your own EO program and the savings will be claimed by DTE, but those savings will have to be proved to the MPSC).
- Seven RFPs have been issued already for these projects. Every year by March 31st, Edison will submit a filing which is a cost reconciliation related to the EO program. It's a report on the previous year's activities.
- Detroit Edison Renewable Portfolio Standard: Disclaimer: the opinions stated here are James Peters only and don't necessarily represent anyone at the MPSC. This is a 20-

year plan that by 2015, 10% of retail sales will be derived from a combination of renewable energy sources and advanced cleaner energy as defined by the legislation. Based upon the graph presented, the energy portfolio will include varying amounts of wind, solar, co-firing, power purchase agreements, unbundled REC purchases, and advanced cleaner energy credit purchases, and base load (PERPA contracts and Ludington pump storage contracts). A solar pilot program will also be launched to cut down the upfront cost to customers who want to install a solar system.

- DTE Rate Case Update: The Ecology Center has intervened in the Rate Case, but because there are many issues with that, we did not raise the issue of the voluntary green power purchase program. At this point, there is no case before the Commission related to the green power purchase program.
- Environmental Commission Update – David Wright: No update.

Ann Arbor Area - Energy Conservation and Environmental Sustainability Issues and Activities

Commercial and Residential Audits: Commissioner Bing will be placed on the agenda at the next meeting to discuss residential audits in further detail.

Building Codes/Guidelines/Recommendations: No update.

Ann Arbor Area - Renewable Energy Issues and Activities

Solar America Cities: No update.

5000 Solar Roofs Project Update: No update.

Solar Access Zoning: Commissioner Black not present, so no update.

AAEC Subcommittee Updates

Energy Plan: Commissioner Hookam not present, so no update.

Outreach Plan: Commissioner Kurz not present, so no update.

Funding for Energy Conservation and Renewable Energy: EECBG Stimulus Update:

Andrew Brix presented an EECBG Funding Scenario as a proposed plan for the use of the stimulus funds. The American Recovery and Reinvestment Act allocated funds for energy-related projects and the City of Ann Arbor will receive \$1,243,400. To access these funds, we must submit an application by June 25, 2009. The application includes an Energy Efficiency and Conservation Strategy which details how the funds will be spent. Only \$250,000 will be disbursed before approval of the Energy Efficiency and Conservation Strategy by the DOE. The total grant period is 36-months, but you do have to obligate all the funds within the first 18 months or you lose them. The administrative costs are limited to 10% of the total; revolving loan funds can be no more than \$250,000; and sub-grants to Non-Governmental Organizations can be no more than \$250,000. Lots of project candidates were reviewed (totaling \$8.5 million!) and one primary scenario has emerged. Given the DOE timelines, the financing program could be made the cornerstone of the overall program. Other projects include: expansion of the LED streetlight program, a wind turbine, community awareness and education programs, PV systems at certain city facilities, small commercial revolving loan fund (short-term bridge loans to small scale commercial operations to make upgrades and retrofits), and the Michigan Suburbs Alliance Regional Energy Office collaboration.

Other Business

Public Input – None.

Adjourn

The meeting was adjourned at 7:40 pm