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May 13, 2020

Ms. Kavita Kale
Executive Secretary
Michigan Public Service Commission
7109 West Saginaw Highway
Lansing, Michigan 48917

Re: Comments in COVID-19 docket (U-20757)

Dear Commissioners and Staff,

The Michigan Energy Innovation Business Council (Michigan EIBC) and the Advanced Energy Economy Institute (AEE Institute) respectfully submit these additional comments in Case No. U-20757. Michigan EIBC and AEE Institute (also referred to here as "we" or "our") appreciates the opportunity to provide comments in Docket No. U-20757 on the impact of COVID-19 on Michigan's utilities, customers, and the advanced energy industry.

If there are any questions or concerns related to these comments, feel free to contact us directly.

Regards,

Handwritten signature of Laura Sherman in black ink.

Laura Sherman
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Introduction

The Michigan Energy Innovation Business Council (Michigan EIBC) and the Advanced Energy Economy Institute (AEE Institute) appreciate the opportunity to provide comments in Docket No. U-20757 on the impact of COVID-19 on Michigan's utilities and customers. The ongoing pandemic continues to cause challenges to our members working across the advanced energy industry. According to a [report](#) released on May 13, 2020 by E2, E4TheFuture, and ACORE, the advanced energy industry in Michigan lost more than 30,000 jobs in March and April. While not directly related to this docket, Michigan EIBC and AEE Institute broadly encourage the Commission to continue to consider the impacts of the pandemic on the advanced energy industry, especially as those impacts relate to legislative requirements, grid modernization, transportation electrification, and utility programs such as energy waste reduction, demand response, voluntary renewable programs, and distribution system planning.

Utility Accounting

We understand that there may be extraordinary costs incurred by Michigan's utilities related to the pandemic. The unprecedented economic circumstances caused by the coronavirus warrants examination of financial measures that might not normally be explored. It makes sense for utilities to defer coronavirus-related costs for future recovery to avoid additional financial pressures on customers during the crisis. While standard practice would allow utilities to capitalize these costs at their cost of capital and with standard debt/equity ratios, the Commission should consider whether a greater reliance on debt would yield benefits to customers given historically low borrowing costs. Low interest rates and a high market appetite for low risk utility debt may provide more financing options to the Commission and utilities than existed before the crisis.

In a filing in this docket, DTE Electric highlighted uncollectible expenses, sequestration costs, health and safety costs to monitor the illness, and personal protective equipment (PPE) costs to maintain safety. In a filing in this docket, Consumers Energy highlighted sequestration labor and support costs, home reserve labor costs, health and safety, work from home costs, and enhanced infrastructure replacement project labor costs.

Specifically related to health and safety costs, it is understandable that the utilities have needed to acquire additional PPE, add incremental cleaning staff and supplies, and institute illness tests. We also would point out that implementers of the utility energy waste reduction (EWR) programs will also, similarly, have to obtain PPE and incremental cleaning supplies, and institute illness testing. In order to safeguard customers, in addition to ensuring that utility workers are operating safely, it is essential that implementers of the utility programs who interact with customers are able to do so safely. We also encourage DTE Electric and Consumers Energy to consider increasing incentives for EWR projects that can be done safely without unnecessary human interactions and significant PPE costs (e.g., exterior work, upgrades in common areas of multi-family housing, virtual residential self-installations, etc.).

Regulatory Activities

We support the Commission's decision to continue its regulatory functions with increased flexibility to enable stakeholder participation. Michigan EIBC and AEE Institute continue to participate in contested cases and workgroups including the MI Power Grid initiative. It is important that these activities enable stakeholder participation by incorporating increased flexibility and extended timelines. However, it is also important that the Commission not decrease or detract from the overall goals or ambitious nature of MI Power Grid. Arguably, the regulatory innovations that the Commission is exploring with MI Power Grid will be even more important than ever, and as such, we urge the Commission to stay the course with this timely investigation. For example, exploring innovative programs and utility earning opportunities around distributed energy resource (DER) solutions provided by customers and third parties could give utilities more flexibility in the face of greater uncertainty with respect to load growth and patterns of consumption.

We support the Commission's decision to extend the deadlines for some of the current workgroups and convert the Energy Programs and Technology Pilots workplan from in-person, all-day sessions to a series of shorter web-conferences. The Commission may find it valuable to offer trainings for MPSC staff on best practices for virtual interactions and methods to allow stakeholder interaction. For example, because this technology is new to many stakeholders, it may be helpful to wait 3-5 minutes before starting each virtual event for stakeholders to login successfully. Additionally, it may be helpful, at least in some instances, to structure small-group breakout discussions with staff leads to allow more in-depth, open conversations. We also support the Commission's plan to issue timely guidance and maintain the current schedule in Case No. U-20147 (distribution system planning).

Finally, Michigan EIBC and AEE Institute support the Commission's plan to launch Phase II MI Power Grid activities including competitive bidding and advanced planning in late summer. We have long espoused the inclusion of independent power producers and properly-structured competitive solicitations for project selection processes to ensure that customers have access to competitively-priced renewable energy. Michigan's utilities are increasingly reliant on renewable energy for new generation and competitive bidding. However, because there are no Commission rules governing requests for proposals or competitive bidding, each utility is using their own procedures, which do not always follow best practices. Improved competition ultimately decreases costs for consumers. With a deep economic recession looming, it is essential that the Commission continue to pursue activities that will improve affordability.

Energy Waste Reduction and Demand Response Program Continuity

Michigan EIBC and AEE Institute appreciate the Commission's acknowledgement that EWR and demand response (DR) programs represent critical energy management tools for Michigan's utilities, residential customers, and businesses. Our member companies

implement EWR programs for investor-owned utilities, install EWR measures, manage customer energy usage data, and utilize the DR programs. We offer the following suggestions for the Commission's consideration.

1. **Maintain the EWR targets but allow increased flexibility in meeting those targets.** It is critical during this pandemic that the Commission and investor-owned utilities do not abandon goals set in legislation or integrated resource plans for EWR and DR. As noted by the Commission, affordability is especially important to customers at this time and EWR and DR, therefore, present increasingly critical solutions. In addition, indoor air quality is an important factor in determining morbidity and mortality outcomes related to COVID-19. EWR upgrades including building envelope improvements, insulation, and HVAC system upgrades, can both improve indoor air quality and save customers money, thereby minimizing costs while maximizing safety. However, given the current stay-at-home orders and requirements to maintain safe social distancing, it may not be possible for contractors to conduct some EWR installations – especially in residential properties – in the normal manner.

While some EWR installations may not be possible, there are opportunities to conduct lower risk residential EWR work such as exterior building upgrades, virtual residential self-installations, and retrofits of common areas in multi-family housing units, all while maintaining overall EWR and DR targets. The Commission could encourage investor-owned utilities to increase incentives through the EWR programs for these kinds of lower-risk upgrades, thereby focusing residential EWR efforts on the safest activities.

While it is currently more difficult to conduct some residential EWR upgrades, there are opportunities to conduct work in currently shuttered commercial, municipal, and school buildings. We recommend that in addition to granting flexibility in how the EWR and DR targets are achieved, the Commission consider requiring the utilities to increase spending and/or target levels for commercial buildings. Although these changes might ordinarily require plan amendments, there may be an opportunity, given the current crisis, for the Commission to ensure it will make sure these expenses are accounted for accurately in future reconciliation cases.

If, after evaluating options, it becomes apparent that meeting the current targets this year is unreasonable, it may make sense for the Commission to allow the targets to be met over a multi-year period. For example, the utilities could be allowed to achieve 90% of their annual targets this year and shift 10% of their 2020 targets to the 2021 targets, while still receiving the full expected incentives for 2020. In this way, the aggregate total targets from 2020 and 2021 would remain the same, but the utilities would have more flexibility in when installations occur. If this is allowed, the utilities should be required or at least encouraged to extend similar

flexibility and incentives to the companies implementing their programs. Our member companies who implement EWR programs are on the frontlines and their employees are at a potentially high risk of exposure to COVID-19. If the Commission grants flexibility to the utilities to achieve the EWR targets, these implementers should be given similar flexibility without jeopardizing any contract terms or expected bonuses/incentives.

2. **Develop safety standards for EWR programs.** Our member companies who implement residential EWR programs or are energy efficiency contractors are concerned both about the safety of their customers and the safety of their employees during this pandemic. Some of these companies are large and employ health and safety managers who are working on detailed safety protocols to ensure they are able to restart operations safely. However, it may be difficult for smaller companies to sort through all of the recommendations and develop appropriate protocols. We encourage the Commission to work with Michigan's investor-owned utilities, OSHA, the Michigan Department of Health and Human Services, and the Governor's Michigan Economic Recovery Council to set baseline safety standards for EWR program implementers. This should build on the safety guidance for construction projects provided in the Executive Order 2020-70. Additionally, the Commission should provide, in partnership with the investor-owned utilities, a standardized dissemination process for these guidelines to ensure industry partners receive the latest guidance. This will help avoid a potential "race to the bottom" wherein those companies without strict protocols are able to out compete those who are focused on protecting public health and completing installations.
3. **Encourage virtual EWR installation options.** Our members are developing new methods to allow customers to complete their own (simple) EWR installations while a contractor is on-site or nearby, but outside of the residence or with a representative guiding them virtually. Michigan's investor-owned utilities should be encouraged to support these innovative virtual solutions, perhaps through increased incentives as described above.
4. **Encourage utilities to investigate costs for instituting on-bill financing.** Given the current economic crisis, it will be more difficult for customers to afford energy-saving projects. At the same time, and as the Commission has noted, the affordability provided by EWR and DR measures will be more important than ever. Many of the EWR retrofits that are the most expensive produce deeper long-term energy savings and often have more impactful health co-benefits. However, because these technologies are mature, the rebates associated with them are relatively lower. Combined with the high up-front cost of these retrofits, it can be difficult for customers to afford these options.

The 2016 energy legislation enabled Michigan's utilities to institute on-bill financing programs, which can enable customers to access deeper, more expensive energy retrofits. These programs allow customers to pay back expenses for energy retrofits on their utility bill, both simplifying access to capital and improving access for low-income customers. Several municipal utilities in Michigan including the Holland Board of Public Works and Traverse City Light and Power have implemented successful on-bill financing programs and the Commission has conducted a series of workgroups over the last few years focused on on-bill financing. Given the potential value of this financing mechanism to encourage and enable EWR retrofits that will save money and improve safety, it is important that Michigan's investor-owned utilities move forward to implement these programs. We recommend that the Commission require utilities, whenever they are proposing billing system upgrades, to investigate costs for implementing on-bill financing. If possible, upgrades such as the addition of loan servicing modules could be made while other billing system upgrades are being undertaken to save time and lower costs.

5. **Expand residential demand response programs.** For the foreseeable future, more Michigan residents will be spending more of their time at home and less time in public workplaces. It is possible, therefore, that there will be new opportunities to expand residential demand response programs. It is important that any capped residential demand response programs are fully subscribed and that any uncapped programs enroll as many participants as possible. To the extent that there are additional expenses incurred as a result of these additional (perhaps unexpected) enrollments, these could be addressed in future reconciliation cases.