



## MEMORANDUM

TO: Michigan House of Representatives  
FROM: Larry Ward, Executive Director  
Michigan Conservative Energy Forum  
DATE: Monday, November 28, 2016  
RE: Improving Senate Bills 437 & 438

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During this Lame Duck session, you will be asked to consider Senate Bills 437 and 438, bills that will set the course for Michigan's energy and economic futures for years to come. While the Michigan Conservative Energy Forum (MCEF) wants to commend the Senate for their hard work in crafting these bills, and we are supportive of the progress that has been made thus far, **there is still more work ahead to protect Michigan ratepayers.**

Without question, SB 437 and 438 demonstrate a step in the right direction for Michigan's energy economy and job creation. MCEF would like to thank Senator Dale Zorn for responding to ratepayers and demonstrating leadership and commitment to our energy future through his amendment to SB 438, which calls for increasing our successfully-met 10% RPS to 15% by 2021.

For political reasons, opponents cite objections to mandates as a reason to oppose increasing the RPS. But, it is important to note that this is no more a mandate than guaranteed profits, the level of competition or anything else in the bill package that influences the state's energy markets. As Hillsdale College's Director of Economics Dr. Gary Wolfram wrote in [Improving Michigan's Electric Utility Industry](#), in our *regulated* electric utility market, it is the duty of legislators like you to establish incentives for our investor-owned utilities that are aligned with desired outcomes. Lower rates, diversified generation and transition to clean energy are overwhelmingly supported by Michiganders.

If past behavior is any indicator, our investor-owned monopoly electric utilities will always prioritize shareholder profits over the needs of consumers – so it is up to you to write rules that protect Michigan ratepayers. An increased commitment to renewable energy and energy efficiency will position Michigan as a leader in the Midwest and the nation, creating more jobs, drawing further investment and lowering electric rates for all Michiganders.

As a legislator who is dedicated to serving your constituents, below we have listed some suggested improvements to SB 437 and 438 that we urge you to consider:

- Amend the energy efficiency program's expiration to align with the newly increased renewable energy standard in 2021 rather than in 2019 as currently written. Energy efficiency is the most cost-effective way to meet energy demand, and puts money back in the pockets of ratepayers who need it most. In fact, Michigan's current energy efficiency standard has saved ratepayers more than \$4 for every \$1 invested.
- Remove the requirement of the Public Service Commission to institute a grid charge for net metering customers by December 31, 2017 or allow the Commission to treat customers with behind-the-meter generation as a subclass and assign costs to them using the same

principles as for all other customers. As written, the newly defined “grid usage fee” in SB 437 does not fairly reflect the cost of distributive generation. Requiring power generators to pay for distribution, transmission, and generation when they are not creating those costs is essentially a new and unfair tax that will effectively kill Michigan’s solar market, denying homeowners control they want over their own energy production and use.

- Finally, retain the 50/50 split currently required under PA 295, which states that not more than 50% of new renewable energy projects be owned by state regulated utilities, while the other half is built and owned by independent power producers. A 50/50 split ensures competition, supports state small businesses and entrepreneurs, and helps keep costs low for Michigan ratepayers.

If the results of the November 8 election are any indication, Michigan voters want elected officials to demonstrate a willingness to support them over the establishment, such as government-created monopolies. Your support for these MCEF-recommended changes will do much to demonstrate whose side our GOP-led state legislature is on.

MCEF remains committed to working with you to improve this bill package and promote conservative solutions for our energy future. Thank you for your consideration and for your commitment to crafting a forward-thinking Michigan-first energy plan that increasingly provides affordable, reliable, and adaptable clean energy to all Michiganders.