

MEMORANDUM

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To: Members of Ann Arbor City Council
Stephen Postema, Tim Wilhelm, Tom Crawford, Missy Stults

From: Valerie J.M. Brader

Date: April 11, 2021

Re: Proposed Settlement Agreement (DTE VGP case: U-20713 and U-20851)

Introduction

We now have a formal settlement agreement to consider in the DTE Voluntary Green Energy program case at the Michigan Public Service Commission (“MPSC”). This settlement contains all the priorities discussed with the City Council previously. No later than April 20, the City will need to join or object to the settlement. (You can also remain silent, in which case you will be deemed not to object to the settlement.) For the reasons below, I am requesting and recommending that the City sign the Settlement Agreement and related MOU.

Ann Arbor had four major objectives that it wanted to achieve through participating in this case. The table below summarizes these and the proposed settlement structure. (The term sheet markup is attached as well offering more detail, but this offers a non-technical summary.)

Objective	Related Issue	Proposed Settlement
Lower prices for participation in MI Green Power programs	Small users (residents) now pay much more than large users (City, businesses) for VGP offerings.	<ul style="list-style-type: none">• Eliminates differential treatment of residential customers vs. larger users in the VGP program by eliminating the prior divisions between projects (i.e. eliminates the 17/19 split).• Allows all categories of customers to access the same lower-cost projects.

Objective	Related Issue	Proposed Settlement
Ensure supply of renewables can meet demand	Federal tax credits mean projects built sooner are cheaper.	<ul style="list-style-type: none"> • Despite push from others, there is no reduction to the proposed build plan. • Commitment to explore strategies that will maximize tax credits even for projects built in later years, to keep prices down. • Regular review of forecasts to adjust to changes in demand. • Commitment to increase build plan to accommodate approx. 400 MW for Ann Arbor if we sign such an agreement.
New program offerings that offer near-term carbon reductions	Current program offerings add renewables, but don't reduce energy demand or eliminate fossil-fueled units, meaning they might not reduce carbon emissions.	<ul style="list-style-type: none"> • DTE commits to meet and discuss suggested products with us with a goal of proposing new offerings in the next VGP filing (2022). • Since the law doesn't require such an offering, and only DTE can legally implement some of the suggested programs, <i>can only be achieved through settlement.</i> • One potential product, Voluntary Power Reduction Agreements, would allow our investments to not only cost-effectively reduce near-term carbon emissions by lowering demand, but do so in a way that addresses environmental justice, equity & inclusion.
Want a community solar offering	Our solar project at the landfill could be a Community Solar offering (with optional low income component).	<ul style="list-style-type: none"> • The settlement requires DTE to create a pilot program that allows "anchor tenants" to sponsor community solar projects, and subscribers (any DTE customer – residential or business) get the same deal as the anchor tenant does per kWh. • Since the law doesn't require such an offering, and community solar constructs are legally difficult to achieve without DTE partnership, <i>can best be achieved through settlement.</i> • Settlement includes the Ann Arbor landfill being such a program, which would allow Pittsfield Township (and others) to participate in a very simple way. Ann Arbor can decide how much of the project to open to others or reserve. • Optional low-income component is included. • Joint commitment to making a decision in time to begin construction by the <u>end of this year</u> to maximize tax credits on landfill solar project.

As described above, all of our major objectives are reflected in the settlement agreement, and most of them could not be achieved outside of a settlement. In addition, the settlement contains a number of things that other parties secured, including an improved competitive bidding process, a small scale solar procurement, and a framework for non-anchor tenant community solar.