

**Energy Commission Resolution Recommending Ann Arbor City Council
Authorize a Municipal Utility Feasibility Study and Initiate Work Towards Creation
of a Municipal Sustainable Energy Utility (SEU)**

Original dated November 2, 2021
Revised November 9, 2021
Revised November 26, 2021

based on work done by Mark Clevey, Chuck Hookham, Ember McCoy, John Mirsky,
and Missy Stults, as agreed in the November 9, 2021 Commission Meeting

WHEREAS, City Council on November 4, 2019 approved a resolution declaring a
climate emergency and setting a goal of achieving a just transition to community-wide
carbon neutrality by 2030 (R-19-498);

WHEREAS, City Council at its June 1, 2020 meeting approved the Living A²ZERO Ann
Arbor Carbon Neutrality Plan (R-20-193), incorporating the 2030 goal;

WHEREAS, The generation of electricity accounts for roughly 40 percent of Ann Arbor's
1.8 million metric tons of annual greenhouse gas emissions;

WHEREAS, The vast majority of this electricity is purchased from DTE Energy, which
holds the franchise to serve Ann Arbor;

WHEREAS, In 2020 DTE generated 70% of its electricity by burning fossil fuels,
mainly coal;

WHEREAS, DTE's continued long-term reliance on fossil fuel combustion to generate
electricity, as reflected in their Integrated Resource Plan (IRP), is incompatible with Ann
Arbor's official carbon neutrality goals;

WHEREAS, To help support the transition to clean energy and evaluate energy-related
options for achieving Ann Arbor's clean energy goal, the Energy and Environmental
Commissions recommended, and City Council adopted, Core Criteria and Principles for
Achieving Ann Arbor's Renewable Energy Goals, including: reducing greenhouse gas
emissions; ensuring projects are additional; grounding actions in equity; enhancing
resilience; maximizing local generation; acting fast; finding solutions that are scalable and
transferable; and implementing cost effective solutions;

WHEREAS, The Energy Commission has been exploring multiple pathways to achieve
the City's clean energy, equity, and climate action goals;

WHEREAS, One possible pathway that necessitates further research is the creation of a
municipal electric utility;

WHEREAS, Michigan law authorizes municipal electric utilities that
either *replace* or *compete* with existing franchise holders;

WHEREAS, the Ann Arbor City Charter, section 15.1, states that "The City shall have all
the powers granted by law to acquire, construct, own, operate, improve, enlarge,
extend, repair, and maintain public utilities," including electric light and power;

Commented [JM1]: Unchanged except SEU acronym added.

Commented [JM2]: Revision history updated.

Commented [JM3]: Unchanged

Commented [JM4]: Unchanged

Commented [JM5]: Unchanged

Commented [JM6]: Unchanged

Commented [JM7]: Unchanged

Commented [JM8]: Unchanged

Commented [JM9]: Unchanged except: (1) "Commission" changed to Commissions"; and (2) the formal name for "Core Criteria and Principles for Achieving Ann Arbor's Renewable Energy Goals" replaces the original text reading "a series of energy criteria and supporting principles".

Commented [JM10]: Unchanged

Commented [JM11]: Unchanged except "idea" changed to "pathway".

Commented [JM12]: Unchanged

Commented [JM13]: Unchanged

WHEREAS, Some members of the community have expressed interest in exploring the creation of a traditional municipal utility that would *replace* DTE;

Commented [JM14]: Unchanged.
A proposal had been made to change the text to “to exploring the extension of the City’s existing municipal utility to include electricity supply” but this isn’t technically or legally correct.

WHEREAS, Municipal utility feasibility studies generally include estimates of both the municipal utility’s and the incumbent utility’s future revenues and rates, the cost of acquiring its distribution network – including physical assets as well as any separation, reintegration, and stranded asset costs, and estimated power supply costs to a municipal utility – emphasizing costs to power the utility with 100% renewable energy, an assessment of the quality of those assets and any needed repair or replacement costs, along with the annual all-in operations and maintenance costs, as well as financing sources for start-up costs and debt service, to determine the feasibility of the municipal electric utility based on its future ability to supply reliable power at comparable rates to DTE, while providing a revenue stream for the city;

Commented [JM15]: This entire WHEREAS clause is new although the content is, for the most part, cut and pasted from a former RESOLVED cause, as agreed in the Nov. 9 commission meeting. Its addition was precipitated by: (1) the Commission’s 8 to 5 vote (taken btw. 3h 01’ 34” to 3h 02’ 05” on the CTN video, where the tallies announced in the video were wrong; see the hand count) to make the resolution less prescriptive by cutting and combining the first and second RESOLVED clauses; and (2) Missy Stults’s and Commissioner McCoy’s agreement (mentioned at 2h 55’ and at 3h 04’) to move content to a new (nonbinding) WHEREAS clause. The subgroup agreed this was a good suggestion and to add the phrase at the end of the clause.

WHEREAS, A recent report by the Office of Sustainability and Innovations and five technical advisors outlined a pathway to *competing* with DTE through the creation of a municipal Sustainable Energy Utility (SEU);

WHEREAS, These two pathways are not mutually exclusive or collectively exhaustive, but both necessitate additional investigation, typically conducted by qualified consulting entities;

Commented [JM16]: Unchanged

RESOLVED, that the Ann Arbor Energy Commission recommends that the Ann Arbor City Council authorize and fund a feasibility study to analyze and propose multiple potential pathways the City could take to meet its A²ZERO energy-related emissions reduction and clean energy goals;

Commented [JM17]: Changed “qualified firms” to “qualified consulting entities” to be more explicit and open up the opportunity to send the RFPs to not only for-profit firms but also nonprofits and government-affiliated units (e.g., NREL).

RESOLVED, The Energy Commission recommends that any such study analyze the economic, legal, and technical feasibility of each pathway, along with a rate analysis of each pathway, and other potentially significant impacts on the City and its stakeholders, to the extent feasible;

Commented [JM18]: Unchanged other than: (1) the addition of the word feasibility before study to be consistent with the use of feasibility study elsewhere; and (2) changed “approach” to “pathway” for consistency’s sake.

RESOLVED, The Energy Commission recommends that the feasibility study also systematically evaluate how pathways align with Council’s adopted: 1) goal of community-wide carbon neutrality by 2030; 2) A²ZERO plan and its three principles of equity, sustainability, and transformation; and 3) Energy Criteria and Principles;

Commented [JM19]: Changed as follows: (1) “legal” added (as a precaution); and (2) added “any other potentially significant impacts on the City and its stakeholders”.

RESOLVED, The Ann Arbor Energy Commission recommends that the feasibility study be conducted by a qualified consulting firm(s), using industry best practices;

Commented [JM20]: Changed: (1) “options” to “pathways”; and (2) “recommends that all studies systematically evaluate” to “recommends that the feasibility study also systematically evaluate” since there will be only one study, to be consistent with usage in earlier clauses, and to indicate these three points also be evaluated in addition to the economic, legal, and technical feasibility in the clause above.

RESOLVED, The Ann Arbor Energy Commission recommends that, simultaneous with the above action, the City continue investigating the creation of an SEU by:

- Developing a proposed governance model and staffing support structure;
- Starting to register public interest in an SEU, including through wide-spread public outreach, with an emphasis on starting in underrepresented neighborhoods;
- Conducting a rate analysis for the first phase of the SEU;

Commented [JM21]: Changed “such studies” to “the feasibility study” consistent with earlier usage.
The subgroup considered adding text regarding the cost of and schedule for the study but, after considering input in its second meeting from Missy and concerns expressed by both council members during the Nov. 9 commission meeting, it decided to leave this clause largely unchanged.

- Initiating technical studies into the creation of micro and nano-grids within Ann Arbor; and
- Drafting an ordinance to formally create the SEU.

Commented [JM22]: Unchanged except: (1) added the third bullet point "Conducting a rate analysis for the first phase of the Sustainable Energy Utility"; (2) substituted "SEU" for "Sustainable Energy Utility" (4x); and (3) corrected punctuation in the list.