



Ann Arbor for Public Power

WHAT IS ANN ARBOR FOR PUBLIC POWER?



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Public Power**

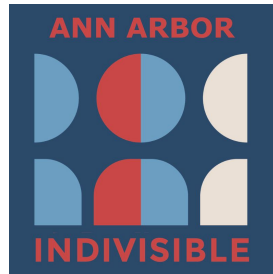
We are....



a coalition of members from many local organizations, with representation from DSA, Sunrise, Indivisible, Climate Action Movement, Washtenaw 350, Ann Arbor Beyond Bernie and more.

We believe in a green and publicly owned future.

Our goal is to democratize, decommmodify, decarbonize and decolonize our energy sources.



PROBLEM:

DTE is not transitioning to renewables fast enough to meet global or local emissions targets.



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Potential Solutions



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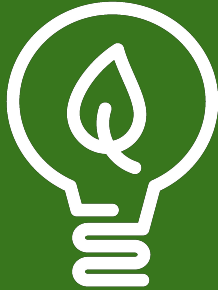
CCA

Municipalization

Sustainable Energy Utility

MUNICIPALIZATION:

Benefits and Questions



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Municipalization Benefits



- **Reliability**
 - Public Power Utilities lose power about half as often as private power utilities
- **Affordable Rates**
 - Public Power Utilities rates are about 14% lower nationwide
- **Local Democratic Control**
 - We control the rates, source of power, and infrastructure investment
- **Revenue Generation/Community Investment**
 - Municipal utilities are revenue positive and provide stable sources of income for cities that have them
- **Environmentally Responsible**
 - The muni would be able to build renewable sources and purchase renewable power on the open market



Unanswered Questions



- **Cost of establishing a municipal utility**
 - How much the current infrastructure costs in addition to ongoing maintenance
- **Revenue generated by the municipal utility**
 - How much revenue will the muni generate for the city
 - Will it cover the cost to service debt or more
- **Quality of existing infrastructure**
 - It is unclear how much infrastructure we'd ideally want to purchase and how much would be better to rebuild



FEASIBILITY STUDY:

The path forward



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What is a feasibility study?



- **A rigorous, realistic, forward-looking and professional assessment of the net benefits (if any) of establishing a municipal electric utility**
- **A feasibility study should be conducted by a qualified engineering firm**



What is a feasibility study?



- **A feasibility study will:**

- Project the future electric usage of Ann Arbor commercial and residential utility customers
- Project DTE's anticipated future revenues from Ann Arbor customers under current IOU model
- Estimate the cost of acquiring DTE's distribution network, including--but not limited to--the costs of the physical assets to be acquired, as well as DTE's stranded costs [infrastructure made redundant], and its separation costs and reintegration costs [cost to DTE to disconnect Ann Arbor from its functional regional grid, and to reconnect].
- Project the power supply costs to the municipal utility
- Project the annual all-in operations and maintenance costs to the public utility.
- Identify financing sources for the city's start-up costs and estimate debt service.
- Using all the above information, determine the feasibility of municipal power by comparing it to the IOU model. Feasibility depends on the ability of the muni, after costs and debt service, to supply reliable power at lower rates than DTE while providing a revenue stream for the city.

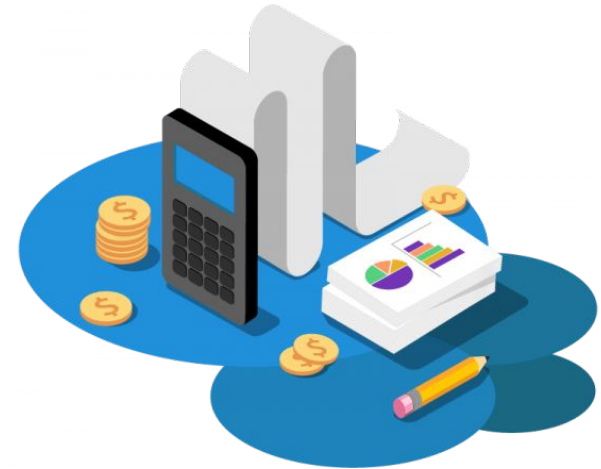


What will it cost?



Our best estimate: approximately \$120,000

- In 2017, Decorah, Iowa (population 8,000) paid \$70,000 to NewGen Strategies and Solutions LLC for its feasibility study on establishing a municipal utility.
- In 2018, Pueblo, Colorado (population 112,000) paid \$122,000 to EES Consulting, Inc. for a phase 1 feasibility study.
- In 2019, Chicago, Illinois (population 2.7million) paid \$120,000 to NewGen Strategies for a preliminary feasibility study.
- The American Public Power Association identified a town of 56,000 paying \$25,000 and a town of 700,000 paying \$150,000 for municipal electric utility feasibility studies.



A Feasibility Study for a Just, Sustainable Energy Future



We are NOT asking the Energy Commission to commit to municipalization; we are asking you to help us gather information to make the best decision for Ann Arbor!

- Currently there is no clear path to implementing A2Zero Strategy 1: "Power our electrical grid with 100% renewable energy."
- Climate change is HERE: we need to keep all options on the table
- All-of-the-above approach: CCA, municipalization, more!
- Our resolution is consistent with this approach



Olson, Bzdok, and Howard

Legal Context for Municipalization



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THANK YOU, Questions?

Join us at annarborpublicpower.com



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LEGAL AND COST ISSUES ROADMAP TO A MUNICIPAL UTILITY

PRESENTED BY:
OLSON, BZDOK & HOWARD AND
ANN ARBOR PUBLIC POWER

ANN ARBOR CAN FORM ITS OWN MUNICIPAL PUBLIC POWER UTILITY

- Cities are authorized by the Michigan Constitution and statute to form their own municipal electric companies.
- Cities may acquire the incumbent investor-owned utility (IOU) by eminent domain, or may form their own muni to operate alongside the IOU.
- DTE has a permanent franchise in the City of Ann Arbor but that franchise is not exclusive as to a muni that operates within the city limits.

Conduct a Feasibility Study

Determine economic viability of a muni.

Conduct a preliminary cost assessment, estimating costs to sever the new muni from DTE's existing system.

Conduct a Valuation

Determine whether it is more economical to buy, condemn, or build.

Hold a regular/special election on proposal to acquire by purchase, condemnation, or build - required by law.

Purchase or Condemn Option

Determine price through agreement or condemnation.

Purchase: amend charter to provide procedure for voting.

Condemnation: declare by resolution necessity to take absolute fee title

Potentially Participate in FERC Stranded Cost Proceeding

May be necessary if Ann Arbor opts to use DTE's transmission system as a retail-turned-wholesale customer.

Evaluate Financing Alternatives

City Council is allowed to issue and sell mortgage bonds to acquire or construct public utility.

Sinking fund must be created, if the City chooses this route.



Obtain Franchise

See Article VII, § 29 of the 1963 Constitution.



Fix Rates

According to procedure described by the Ann Arbor City Charter.



File Capacity Demonstration

With the Michigan Public Service Commission (MPSC) for the applicable planning year.

WHY MUNI RATES TEND TO BE LOWER

■ Taxes

- IOUs pass their taxes on to their customers.
- Munis are exempt from most taxes.

■ Return on Equity

- IOUs earn a return on equity (profit) on their rate base.
- Munis are able to borrow at municipal bond rates. They do not earn an ROE.
- Some munis make payments to the city which owns them.

■ Embedded Costs of Legacy Generation

- IOUs own old power plants whose costs are embedded in rates.
- IOUs continue to recover the costs of old plants, plus ROE, after the plants retire.
- Munis have many options for obtaining generation: including renewable PPAs.
- New munis would not need to take on embedded costs of legacy fossil-fuel generation.

COMPARISON OF DTE & MUNI RATES

Electric Provider	Approximate Rate for 500 kWh per month
Bay City	13.95¢
Coldwater Board of Public Utilities	18.06¢
Crystal Falls	
On Peak Hours	16.62¢
Off Peak Hours	15.12¢
DTE Electric	17.88¢
Escanaba	13.31¢
Grand Haven Board of Light and Power	14.44¢
Holland Board of Public Works	12.05¢
Lansing Board of Water and Light	16.22¢
Marquette Board of Light and Power	16.00¢
Traverse City Light & Power	17.49¢