

U-17767 Rate Case Intervention & Municipal Coalition Summary Description

The City is aware of a filing by DTE Electric Company (U-17767) to adjust electricity rates throughout their territory, including service to Ann Arbor. The last such rate case was in 2011. The established process for any party to be engaged with the state regulatory body that approves rate changes (the Michigan Public Service Commission – MPSC) is to petition as an intervener.

While recognizing DTE's need to recover costs and the fact that many rate classes may be positively impacted by DTE's filing, several municipalities have concerns over the changes to rates for streetlights in particular. Specifically, the City understands that DTE-owned LEDs will increase (possibly as much as 11%) while the cost of their conventional fixtures (namely high pressure sodium) will drop if this rate proposal is approved. While "on average" total streetlight rate impacts resulting when taken altogether appear nearly flat or only modestly increasing, the rates as proposed create a financial disincentive for cities like Ann Arbor that are adopting LEDs (a technology typically requiring half the energy of traditional streetlights and as such reducing atmospheric pollution).

The Michigan Municipal League (MML) has formed a coalition (the "Municipal Coalition") to represent the interest of cities in the proceedings to come before the MPSC. MML has petitioned for cities in rate cases across the state and brings experience in successfully representing government interests and achieving positive outcomes. A petition to intervene on the proposed DTE rates was filed by the MML on January 22, 2015 to meet the MPSC's deadline. On January 29, 2015 the rate case was officially opened and a timetable is being set. These proceedings can sometimes take the better part of one year, and despite this, DTE has the ability to implement their proposed rates by July 1, 2015 before full resolution of their filing is reached. The MPSC can request utilities modify their proposals, even after any initial implementation, if convincing arguments and information are presented during the rate case.

Staff is looking to track any necessary budget impacts that would result if the proposed rates were to take effect. Savings in many places is anticipated in some form, such as from the cost reduction of DTE's high pressure sodium streetlight rates. However, regardless of their fiscal impact, the *rates appear to discourage further LED conversions in the DTE inventory in favor of the status quo*. A debrief from DTE on cost impacts of their proposed rates is expected in late February, more than a month after the deadline for participating in the rate case process.

Many rates are proposed to be restructured and disaggregated, making an analysis of the potential direct budget impacts difficult at this time. However large customers, such as the city utilities and general/smaller facilities in DTE's commercial class should see flat or decreased charges according to statements from DTE. This appears to mostly stem from proposed increases to residential rates making up the difference.

The Municipal Coalition members list is growing, and founding participants in addition to Ann Arbor include Dearborn and Warren, among others. In addition to MML's own contribution, participating cities are committing resources proportionate to their total affected streetlight

inventory as a share of the coalition total count of lights, and the City is not presently anticipating a need to authorize a level of funds requiring City Council authorization.