

**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)**

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 A<sup>2</sup>ZERO 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;

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

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;

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;

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 A<sup>2</sup>ZERO energy-related emissions reduction and clean energy goals;

RESOLVED, that the Ann Arbor Energy Commission recommends the municipal electric utility feasibility study shall incorporate elements such as: a direct engineering assessment of local DTE infrastructure; a preliminary asset valuation; an estimate of acquisition costs and related costs, as well as annual operations and maintenance expenses; and total revenue; identification of debt financing sources, amounts and schedules; and the modeling of future DTE rates against city utility rates.

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;

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) A<sup>2</sup>ZERO plan and its three principles of equity, sustainability, and transformation; and 3) Energy Criteria and Principles;

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

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;

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

RESOLVED, That the Ann Arbor Energy Commission recommends that the City ensure a just transition for workers, and that worker compensation and training be considered core components in any decision relating to meeting the energy needs of the City.