ENERGY REDUCTION COALITION
A MICHIGAN NONPROFIT CORPORATION

Ms. Kavita Kale
Executive Secretary
Michigan Public Service Commission
7109 West Saginaw Highway
PO Box 30221
Lansing, MI 48909

Re: DTE ELECTRIC COMPANY's Distribution Operations Five-Year (2018-2022) Investment and Maintenance Plan Draft Report filed pursuant to Case No. U-18014

Dear Ms. Kale:

We at the Energy Reduction Coalition appreciate the opportunity to comment on the 5-year distribution and investment maintenance plan submitted by DTE Electric ("DTE"). The Energy Reduction Coalition ("ERC") is a Michigan non-profit corporation with a mission to foster the more rapid adoption of energy-efficient technology.

We appreciate the concerted effort by the Michigan Public Service Commission and DTE to develop thorough plans for the development and maintenance of Michigan's energy infrastructure. Most of the DTE plan is beyond the scope of our capacity to comment but we are able to offer insight and help in relation to one aspect of the plan. We can help with the practical implementation of targeted non-wire alternatives that might help reduce system load, improve system reliability, defer and reduce the need for utility investment and related rate increases, reduce total energy cost for Michigan's energy users, and generate additional environmental and economic benefit for a variety of stakeholders in Michigan.

Section 5.1.4 of DTE's plan refers to Non-Wire Alternatives to Address System Loading, including an Energy Efficiency (EE) Non-Wire Alternative Pilot Study, Demand Response Programs (DR), Distributed Generation (DG), and Energy Storage. With regard to Energy Efficiency, DTE studied the impact of increasing energy efficiency incentives and marketing efforts around a certain substation, and "the study concluded that geographically targeted energy efficiency programs would not be a cost-effective solution to defer capital investment for the selected substations in this study."

Given the wide-ranging benefits of Energy Efficiency upgrades, their relatively low cost, and their high sustainability for energy security, this conclusion by DTE is disheartening, but is fully supported by our experience. After seven years of work in this area, we believe that it is unlikely that utility-provided incentives covering a portion of EE upgrade product and labor costs are sufficient to change energy efficiency sufficiently to significantly defer or reduce utility capital investment. Our experience also indicates to us what can be done differently to create systemic enduring change in a relatively short period of time, creating the desired impact on DTE's need for investment, energy-user cost, etc.

The key to implementing any energy-efficiency project lies with the organization's ability to absorb all risks, costs and burdens associated with such a project. The direct costs of product and labor typically represent less than half of the total project costs. While utility-offered incentives reduce the overall conversion and upgrade costs for initial direct product and labor, many organizations cannot absorb the additional risks, costs and burdens of allocating time and resources to the management of these sizable projects. Other programs such as PACE and Michigan Saves are also great financial resources for the organizations, but these programs also only address the direct financial burden of the project and do not address the non-financial burdens that exist for an organization wishing to adopt new energy-efficient technology.

The ERC was formed to fill whatever gaps remained that hindered energy users from rapidly adopting energy-efficient technology. The ERC takes on all risks and costs associated with energy-efficiency upgrades, allowing for a much more rapid and systemic reduction in energy use, without using additional utility resources and without increasing rates paid by customers, and allows the energy users to retain the majority of the economic benefit generated. If adopted throughout Michigan, this approach has the potential to defer and/or reduce some forms of utility investment more significantly than market programs or offering higher utility-provided incentives alone.

Since 2011, the ERC has offered a pilot Lighting Conversion Program to pay for and take the ownership risk of upgrading inefficient lighting for all energy users in Michigan other than single-family residential. This pilot program has been embraced by 32 organizations across a variety of geographical and customer segments. The individual project costs have ranged from $12 thousand to $1.7 million.

The ERC has another $50 million of funding available for a pilot project with Michigan utilities to explore the targeted use of ERC programs for geographic areas where a utility has an interest in demand reduction, especially during peak-use periods. This could be as simple as an informal relationship where the utility communicates to customers in targeted areas the availability of the ERC program to pay all costs and take all risk of upgrades, generating immediate financial benefit for the customers and reduced energy demand for the utility.

A successful pilot project could be followed up with a more formal agreement between the ERC and utilities, with the utilities having more direct control of the allocation of billions of dollars of

ERC capital to help the utilities accomplish their demand-reduction goals, help the utility customers reduce costs to offset potential increases in rates due to utility investment programs, and generate the environmental, economic, and social benefits that come with a reduction of energy waste.

We look forward to creating similar programs for other energy upgrades on request and have been approached by operators to work on programs for energy-efficient pumps, current-balancing systems, a variety of HVAC systems, building envelopes, solar generation, and fuel cells. The ERC plans to eventually develop ERC-funded programs for a wide variety of energy efficiency, demand response, distributed generation, energy storage, current balancing, and other non-wire alternatives.

Over the last 7 years we have proven that this approach, where a non-profit organization does 100% of the work, takes 100% of the risk, and pays 100% of the cost of energy efficiency upgrades, works in situations where a partial financial incentive by a utility or subsided funding does not. ERC would be happy to work with any Michigan utility to foster the more rapid adoption of energy-efficient technology by its energy-using customers.

Sincerely,

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