



TESTIMONY:
SENATE ENERGY AND ENVIRONMENT COMMITTEE
SEPT. 20, 2023

Thanks so much for the time today. My name is Mike Alaimo, and I am the Director of Environmental and Energy Affairs for the Michigan Chamber of Commerce. I am here before you to speak to our concerns and opposition to SBs 271, 273 and 502. I will focus most comments on 271.

The Michigan Chamber believes that climate change is a significant challenge to Michiganders and its economy. We are supportive of the clean energy transition and believe that the right policy that incentivizes both the owners and operators of our grid, as well as industrial and commercial businesses to de-carbonize their operations can be a driver of growth for our state. It is critical that the policy approach taken balances the importance of a lower carbon future with the fundamental need to access energy that clean, affordable and reliable.

Right now, we have concerns around reliability in this state. When most people talk about reliability, they bring up storms and other natural events that have led to outages throughout the state. And it's true, utilities have faced historic weather conditions. These events have cost implications both to correcting the damage done to the grid, as well as the investments needed to further harden it to prevent outages in the future. But there are also concerns regulators have been voicing on reliability with regards to capacity shortfalls to the grid. In fact, very recently MISO, our regional grid regulator, stated, "Projections based on publicly announced plans captured in the 2023 Regional Resource Assessment show declining accredited capacity even as installed capacity grows to meet demand.....Committed capacity projections from the OMS-MISO Survey show an increasing deficit beginning in 2025-26; capacity additions are needed, and retirements [of existing generation assets] may need to be delayed to mitigate reliability risks." So at its core essence, in looking at our grid today, we need to make significant investments to 1) harden our infrastructure to increase reliability and 2) better understand the capacity needs of the state and region to ensure our generation portfolio has the capacity to keep the lights on when we need it at an affordable rate. This in and of itself is a significant issue of policy that this legislature should focus on.

When we talk about accredited capacity, it is important to understand what that means because it has large implications to the bills before you today. Renewable energy resources like solar and wind are intermittent. When the sun doesn't shine or the wind doesn't blow, the number of electrons these sources create goes down. That's why when we talk about fossil fuel generation it isn't just for the sake of supporting natural gas, it is because there are very benefits realized by ensuring we have enough dispatchable energy connected to our grid. That's why I have another quote from MISO that is worth noting, and that is, "Aggressive decarbonization goals and policies are driving rapid portfolio change, resulting in increasing variability and diminishing reliability attributes". So we have regulators voicing concerns with reliability and importantly that the aggressive approaches take by state legislatures around de-carbonizing policies that risk exacerbating that problem further. The Integrated Resource Plan has shown to be a successful model in making sure that this balanced approach of clean,

affordable and reliable are all properly taken into account. Any substantive changes to that risk posing severe negative consequences to a grid already facing these unique challenges.

Draft 8 of Senate Bill 271 is, generally speaking, an improvement from previous drafts and I want to voice my appreciation to Senator Singh for working with the Chamber and some of our members to make changes to the bill. We believe there is still work to be done. Our concerns fall into a few key categories:

COST

The bills continue to put into place aggressive mandates on electric providers to achieve renewable and carbon-free benchmarks that would have an indeterminate cost to the grid and will have to be shouldered by ratepayers. We simply don't know what the cost will be to 1) site and build the thousands of megawatts of additional generation assets, 2) securitize the retirement of other generation assets prematurely and 3) retrofit, whether through CCUS, hydrogen or otherwise, natural gas plants so that they comply under the carbon free mandate. While there are Federal dollars available, they are finite and may help to offset some upfront costs over a short period of time, they will not address the long-term costs of such an abrupt shift to our energy portfolio that will likely take decades to absorb. The Commission should, at the very least, should be placed in the role of developing the necessary analysis and recommendations around what level of renewable energy penetration and displacement of existing assets is economically feasible before any new de-carbonization mandate be in effect.

RELIABILITY

The Chamber is very supportive of the continued build-out of renewable energy in our state. In fact, it is a top policy priority of the Chamber to see renewable energy siting reforms pass this legislature before the end of the year. However, it remains critical that the Michigan Public Service Commission remain charged with ensuring that we have reliable and accessible energy. We know that the MPSC is conducting a reliability and safety audit in light of this year's power outages, and we welcome those findings. This and other regulatory functions are critical to any legislative mandates on renewable energy moving forward. While the bill does contain off ramps to allow for some flexibility to electric providers to obtain an extension, more can be done to ensure that grid reliability remains a core focus of Michigan's regulatory schema.

PERMITTING

As noted above, the legislation is silent on the need for a better permitting process for how we site renewable energy systems in the state. While we are engaged in discussion on this issue in the House and are optimistic something will pass this year, it remains to be seen whether we will be capable of achieving the siting and buildout necessary to meet the mandates as stipulated in the bill. Additionally, we believe carbon capture, utilization and storage are fundamental to meeting any clean energy goal. The state should develop its own program for permitting CCUS facilities and technology and better understand the costs associated with doing so at scale before de-carbonization mandates are put into effect.