

# *Michigan Municipal Association for Utility Issues*

## **Municipal Streetlights Rate Victory: Consumers Energy and MPSC case U-20134**

*Thanks to rate-case intervention of municipalities organized and supported by MI-MAUI, public street lighting customers of Consumers Energy avoided \$3 million in rate increases in 2019, and almost \$6 million in additional increases phased in over 2020 and 2021. In particular, Consumers' originally proposed 61% increase in LED streetlight rates was held to only 2.2% in 2019.*

Consumers Energy filed electric rate case U-20134 with the Michigan Public Service Commission (MPSC) in May, 2018. While the company proposed changes to its residential, commercial and industrial rates, the biggest fiscal impact on municipalities would come from changes to street lighting rates. Consumers proposed to increase its total street lighting revenue about \$3.3 million, by imposing a 10% increase on unmetered lights (the most common service type), a 15% increase for metered lights and a 61% increase for LEDs. Because most municipalities plan to convert to all-LED systems over the next few years, the proposed LED increase was of the greatest concern for municipal budgets. Slower return on investment in LEDs would decrease rate of adoption, also impacting cities' efforts to conserve energy and achieve their climate change targets.

### *Big Tax Cut Not Passed on to Ratepayers*

The rate increases were substantially bigger than they appeared, because Consumers benefitted from \$113 million in reduced federal taxes owing to the 2018 federal tax law. Consumers' proposed rate increases would consume their entire tax cut – passing nothing on to ratepayers – and add on \$59 million in net increases, making the gross rate increase (net of tax cut) \$172 million. In addition, the proposed increases came on top of rate increases that had only taken effect in January, 2018.

### *Automatic Increases for 2020 and 2021 Weakly Supported*

The \$97 million in additional all-ratepayer increases programmed for 2020 and 2021 were presented as an “Infrastructure Recovery Mechanism” (IRM) that would assure Consumers recovery of accelerated – but vaguely described – investments in reliability and safety of its electrical distribution system. While the cities agreed that safety and reliability improvements were badly needed, given Consumers' spotty record of investing in maintenance the cities were unwilling to allow these increases to go forward automatically, without the usual MPSC accountability processes.

### *Municipal Intervention*

Out of concern for the fairness of the proposed rate changes, the cities of Grand Rapids, Flint, East Grand Rapids, Kentwood, East Lansing and Meridian Township worked with MI-MAUI to formally intervene in the MPSC rate case. After intervening, the cities quickly learned that the proposed 61% increase in LED rates resulted from a math error by Consumers, which Consumers acknowledged. The cities' testimony proposed a fix to this error to which Consumers stipulated, ultimately resulting in an average increase of only 2.2% for LED customers.

Subsequent evidence discovery, testimony and briefs focused on a wide variety of cost, rate design and technology issues. In December, 2018, Consumers proposed a global settlement to all

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intervenors in the case that reduced the 2019 street lighting increase to 3.7%, and tabled the IRM increases in 2020 and 2021. In addition:

- Consumers' fees for converting to LED street lights will be audited by MPSC staff: Consumers' conversion fees are very high compared to peer utilities, reducing the financial incentive for customers to invest in conversions.
- Consumers agreed to ongoing dialog with municipal customers to address concerns over costs, maintenance practices, technology issues, conversion issues and more. Michigan Municipal Association for Utility Issues (MI-MAUI) will organize these dialogs.

### **MPSC case U-20134 settlement highlights**

<b>Overall case facts</b>	
Consumers Energy 2019 "Tax Cuts and Jobs Act of 2017" electric-business tax cut	\$113 million
Consumers Energy requested increase in electric revenue, net of tax cut	+\$59 million
Consumers Energy requested increase in electric revenue, before tax cut	+\$172 million
Consumers Energy decrease in electric revenue per settlement, net of tax cut	-\$24 million
Net ratepayer savings, settlement vs original Consumers filing	\$83 million
<b>Residential electric rates</b>	
Consumers Energy requested change in residential electric rates	+1.4%, +\$27,329,000
Consumers Energy settled change in residential electric rates	-1.1%, -\$20,866,000
Residential ratepayer savings, settlement vs original filing	\$48,195,000
<b>Municipal streetlighting rates</b>	
Consumers Energy requested change in LED streetlight rates	+61%
Consumers Energy settled change in LED streetlight rates	+2.2%
System-wide 2019 savings for streetlight customers, settlement vs original	\$3m/year