



Good day distinguished committee members. I am Janet Langlois, Executive Director for the Building Owners & Managers Association of Metro Detroit; with me is Laura Mullins of Moylan Energy Management, a Michigan-based corporation specializing in the commercial and industrial tenant utility resale industry. Laura is a 20 year industry veteran dealing with the complexities of the rate structures of Michigan’s energy marketplace. We thank you for this opportunity to address you regarding House Bill 4298 thru House Bill 4302 and the future of Electric Choice in Michigan.

BOMA members represent every aspect of the commercial real estate industry from building owners, building managers, real estate developers, and various suppliers including landscapers, roofers, janitorial services, utilities, construction firms and architects. In Southeast Michigan the office market comprises 205 million square feet of office property which contribute 3 billion dollars in operational expenses to the economy and support 27,000 jobs.

In an increasingly competitive economy it is essential to understand the significance of the impact of utility costs for commercial properties when considering competitive and strategic energy policies for our state. For business, the cost of office space is second behind salaries. The largest portion of a property’s operating expenses are utilities making up 30% overall followed by building management, 26%, maintenance and repairs 23% and building services 21%. A telling example of the financial significance of utility cost and its impact on an asset is the seen in the savings realized by the Coleman A. Young Municipal Center. Through energy efficiency improvements they were able to reduce costs for county and city government by 2.1 million annually. This is a significant reduction in consumption/demand and in greenhouse gas emissions. Even though substantial savings can be realized through efficiencies, the cost of electric remains a significant expense just barely behind real estate taxes (1.94sf). Energy Choice contracts have done much to lower electric costs for many private sector business. The utility cost per square foot in Metro Detroit is \$ 2.32, electric is 80% or an average of \$1.85. In a 200,000 sf building that’s nearly \$370,000 dollars per year.

BUILDING UTILITIES COST		Bldg.Size
	<u>Dollars/SF</u>	200,000
Market	Avg	
Chicago Downtown	1.35	\$ 270,000.00
Suburban Chicago	1.29	\$ 258,000.00
Indianapolis	1.76	\$ 352,000.00
Minneapolis	2.08	\$ 416,000.00
Cincinnati	1.81	\$ 362,000.00
Cleveland	2.03	\$ 406,000.00
Columbus	2.04	\$ 408,000.00
Metro Detroit	2.32	\$ 464,000.00

Comparatively, Metro Detroit is higher than 7 surrounding Midwestern markets per square foot.

Currently, only a fraction of the office inventory use an Alternative Energy Supplier (AES), less than 5%. Member properties using an AES across their portfolio report savings of 32% over full service. That translates to a savings of \$100,000 average building. There are approximately 15% of our member properties which are either on the waitlist or would like to be. Many also have properties in other states that are being served by an AES and realize substantial savings in operating expense in a side by side comparison. When it comes down to it, it is just good business sense, and for many, economics aside, it is a competitive edge for both the tenant and the investor.

These bills would force our members to leave their current, lower cost energy suppliers and require them to purchase electricity from the big utilities at much higher rates and therefore we do not support the legislation that would completely eliminate electric choice in Michigan.

We are committed to working with the sponsor and committee members in order to find a fair solution that ensures electric reliability and a choice market for electric that will keep Michigan business strong and competitive. Again, thank you for this opportunity and we look forward to answering any questions you may have.

Further information contact: Janet Langlois

janglois@bomadet.org

248.848.3747

*Founded in 1908, BOMA/Metro Detroit is a professional, not for profit trade association whose 400 plus members either own or manage commercial real estate, or provide goods and services to the industry. **BOMA members represent organizations managing more than 250 million square feet of office and industrial space, with employees and tenants totaling more than 1.25 million people in Michigan. Member's annual expenditures contribute \$3.2 Billion to the State's economy and support over 27,000 jobs.** BOMA/Metro Detroit provides commercial real estate professionals the opportunity to work together for professional growth, advocacy rights, corporate profit, and the benefit of the nine Southeastern Michigan communities it serves.*