



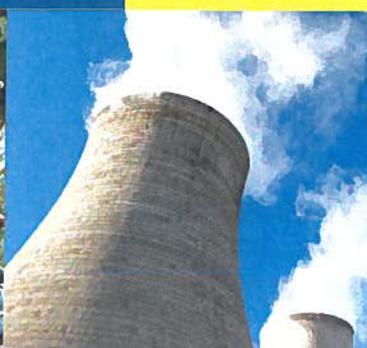
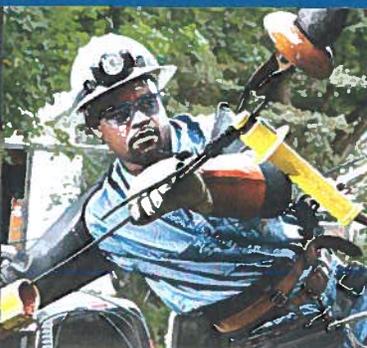
**DTE Energy®**

# House Bill 4303

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Vice President of Gas Sales and Supply**

**Michigan House of Representatives  
Energy Policy Committee**

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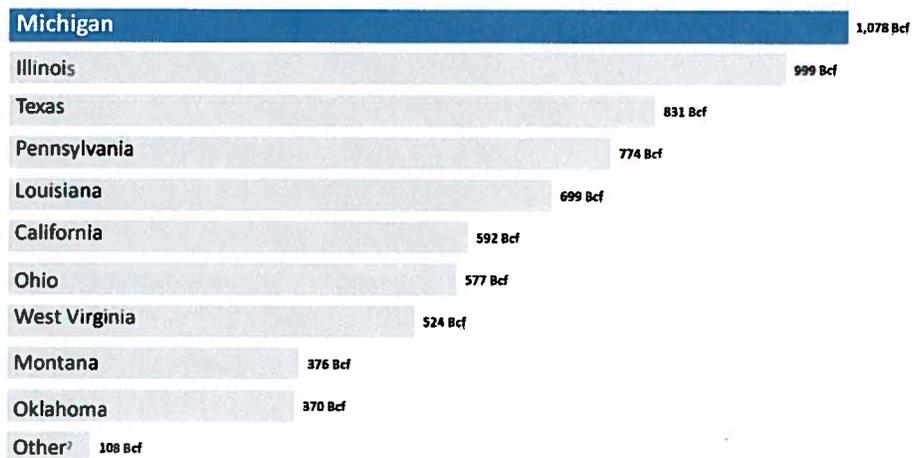
## Introduction

Chairman Nesbitt, Vice Chairman Glenn, and Vice Chairman LaVoy, members of the House Energy Committee: good morning. My name is Dan Brudzynski and I am the Vice President of Gas Sales and Supply at DTE Energy. It is an honor to be here this morning with you, and thank you for your commitment to Michigan as you continue to evaluate energy policy proposals for our state. I commend your holistic approach to energy policy for the state. More specifically, I am here today to advocate for the economic expansion of the state’s natural gas infrastructure to address the needs of Michigan’s unserved and underserved communities.

## The Role of Natural Gas in Michigan’s Energy Future

It is critical to consider the important role of natural gas in Michigan’s energy future. The natural gas industry has changed dramatically in recent years. The development of shale resources has shifted the outlook on natural gas from 40 years to 100 years of supply. This progress will have significant economic benefits for the US that are just now starting to be realized. Michigan is uniquely positioned to take advantage of this resource, as our state has the greatest underground natural gas storage capacity in the country.

### Underground Natural Gas Storage Capacity by State<sup>1</sup>



1. US Energy Information Administration: Natural Gas Underground Storage Capacity 2012 Data  
 2. Average of natural gas underground storage for all other US states with capacity

The majority of Michigan’s families and businesses rely on natural gas to heat their homes in the winter. However one in five Michigan households, or approximately 850,000 Michiganders, do not have access to natural gas, relying instead on alternative, more expensive and economically volatile heating sources like propane and heating oil.

I am here today to testify in support of Representative Brett Roberts’ House Bill 4303 to extend natural gas infrastructure to reach homes and businesses that currently do not have access to the natural gas distribution system. HB 4303 is good policy for Michigan because it ensures safety, affordability, reliability and fairness for Michigan’s families and businesses, and puts Michigan on a path to better provide homes and businesses access to necessary energy resources.

## **Economic Development**

Understanding the economic opportunities, as well as the affordability and reliability benefits, several other states have adopted similar legislation to extend natural gas service to underserved populations, including Connecticut, Georgia, Indiana, Minnesota, New York, Ohio, Pennsylvania and Tennessee to name a few. Georgia adopted what they call a Strategic Infrastructure Development and Enhancement (STRIDE) Program. As a result, natural gas customers of Georgia's AGL Resources have lower monthly bills, they are ensured increased reliability on the outer regions of their system, and the region has fostered increased economic development. Driven by economic development opportunities, in December 2014, Ohio's Governor John Kasich signed into a law similar legislation that we are here to discuss today. The Ohio legislation allows gas utilities to file an application with the public utilities commission for approval of an infrastructure development rider to recover prudently incurred infrastructure development costs of one or more economic development projects.

HB 4303 recognizes that wider access to natural gas presents an opportunity for Michigan, and ensures that there are economic ways to include families and businesses currently underserved. It makes sense for customers to switch to natural gas from other sources of energy. This switch could provide a broad range of benefits including a cleaner, more efficient home heating fuel, use of efficient natural gas appliances, and safer, more reliable and affordable service.

## **Affordability and Reliability**

Natural gas is an affordable home heating resource, and a much more cost-effective option for families and businesses. Customers who switch from other home heating fuels to natural gas service could save more than \$1,600 per year. Businesses could save even more - freeing up capital to continue local investment and job growth.

Also, as I mentioned before, in addition to being a large natural gas producing state, Michigan has a unique ability to store more natural gas than any other state, which helps to ensure that our state has a reliable supply of natural gas. Storage also contributes to keeping natural gas affordable by enabling flexible purchasing strategies. Access to natural gas supply guarantees that in extreme weather conditions, like last year's Polar Vortex, Michigan has the opportunity to mitigate market volatility and minimize the risk of diminished supply.

## **Fairness**

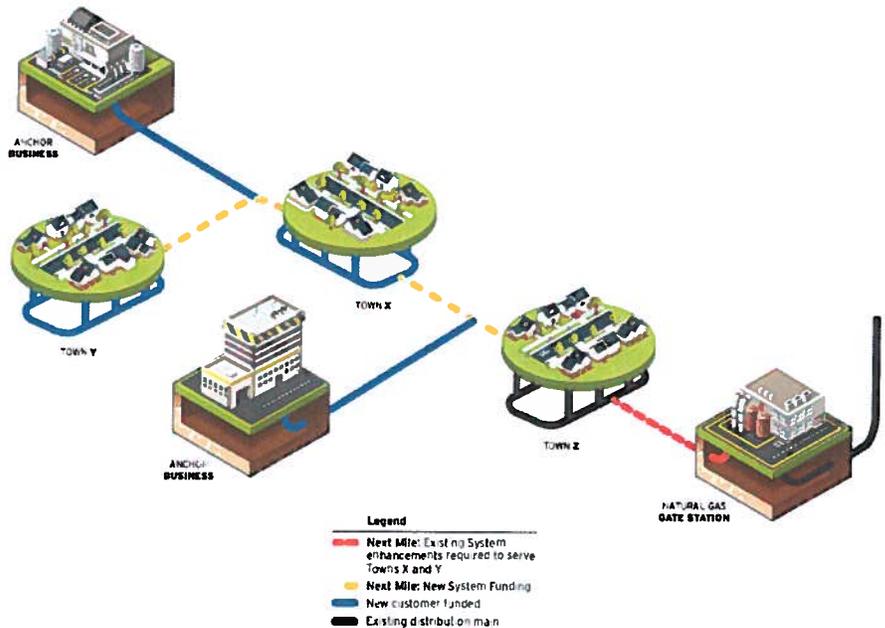
This legislation also prioritizes fairness for all customers. I would like to explain the current process for attaching new customers to natural gas infrastructure and what this legislation does to address economic challenges posed by the current process.

Today, when residential and business customers want to attach to the utility pipeline system, it involves installing new main and service lines to support that access. New customers pay for these

costs either in a lump sum or spread out over time, typically 10 years. The savings they realize outweigh the cost to them of the new infrastructure.

At times, however, new attachments require the outer edges of the existing system to be enhanced, bridged, or reinforced to allow for increased gas supply to reach new communities. For example, a stretch of 2 inch pipe may need to be retrofitted with 6 inch pipe to make room for higher system demand. Today, while all customers on the system benefit from that expansion and system investment, the new customers are required to pay for all of these changes.

### Under House Bill 4303, New Customers Will Still Fund the Cost of Connecting Their Home or Business



HB 4303 addresses the portion of system enhancement and bridging costs that benefits all customers. I want to emphasize that new customers will still pay for the cost of connecting their home or

business to their communities distribution main and service lines. This legislation simply makes it more economic by sharing the cost of the system enhancements, which are typically the smaller portion of expansion investment with all customers.

An analogy to this can be seen when a utility repairs, renews, or replaces an existing pipe in its service territory. The benefits of renewing a pipe and ensuring reliable and safe infrastructure are shared by all customers – not just those who live in the area where the pipe is being renewed. This is the shared model of utility service, not a subsidy. Everyone who enjoys the benefits of the system funds the reliability and safety investments across all parts of the distribution system. The same principal applies here in the case of natural gas infrastructure expansion.

As I mentioned earlier, existing customers also benefit beyond a strengthened gas system, by extending natural gas infrastructure to include underserved or unserved customers, they will also see downward pressure on energy rates. Again, in the shared service model, as the customer population grows and is now larger, the overall system costs are spread over a wider base, placing downward pressure on rates. While the newer customers may see a near term benefit of getting connected to the grid, they will also share both the current and future support costs of maintaining, renewing, and removing the existing aged infrastructure in our communities across the state for years to come.

## **MPSC Oversight and Transparency**

Finally, this proposed legislation is not expansion at any cost. Economics will still be a central consideration and for some customers it will not make sense to convert. There are also provisions in place to ensure transparency and value for our customers for natural gas infrastructure development to ensure fairness.

In order to extend access to natural gas, we would first identify areas that are economically feasible to reach and develop a detailed plan on how to provide natural gas access to homes and businesses in that area.

We will file annual plans with the MPSC detailing expected investments and costs of any expansion projects, as well as the benefits derived therefrom. The MPSC will conduct a thorough review to ensure the plans make sense and are cost-effective, just as they do with other energy infrastructure plans.

## **Conclusion**

I want to thank you again for your initiative on Michigan's energy future and for considering the important role of access to natural gas for Michigan's families and businesses. I look forward to continuing our dialogue and would be happy to take any questions you may have.