Upper Peninsula Economic Development Alliance

Overview of Energy Challenges & Opportunities in the Upper Peninsula

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U.P. ENERGY CHALLENGES

- WE Energies - Presque Isle Power Plant
- System Support Resource (SSR) payments to WE Energies
  - > $117 MM/year imposed by MISO & FERC
- WE is actively working to increase its market power
  - Acquiring Integrys
  - Owning ATC
    - Build a $800+ MM transmission line from Wisconsin
  - Creating a Local Balancing Authority (LBA) that would penalize U.P. customers
  - Imposing 99% of PIPP costs on Michigan’s U.P. ratepayers
- No increase in energy reliability, affordability or adaptability for U.P. ratepayers
A GOOD START…
- Eliminate the SSR & stop WE’s over “Recovery”
- Impose Historical Cost Allocation
- MISO & FERC need to follow MI & WI PSC process
- Eliminate the LBA split & increase grid reliability

CONTROLLING OUR ENERGY FUTURE…
- Develop Affordable, Adaptable Energy Security
- Establish Platform for U.P. Growth & Prosperity
- Utility-Scale Renewables
- Retrofit Existing Building Stock
- Property Assessed Clean Energy (PACE) Financing

MISO constraints impact on price provides potential markets for new projects
COAL IS COSTLY

Coal accounts for nearly 50% of Michigan's energy production, but more than 80% of its carbon emissions.

Michigan does not have a single operating coal mine and each year squanders over $1 billion importing coal at a premium.

Coal deprives Michigan's economy of money that otherwise would have been spent in-state & the costs associated with transporting the coal thousands of miles drives the price of electricity up.

Coal is the ultimate empty calorie, providing very little economic nourishment.
WIND

BIOMASS

SOLAR

GEOTHERMAL
• Building operations account for 43% of all US energy consumption.
• Efficient building retrofits today can be expected to reduce energy consumption by an average of 22%.
• How energy is used in a commercial building has a large effect on efficiency project selection.
• Lighting retrofits present the greatest opportunity for energy savings at 25% of total use.
• Installing distributed generation technology such as rooftop solar, wind & cogeneration produces energy where it is needed.
PACE - Property Assessed Clean Energy is an innovative program that provides real estate owners up to 100% financing for qualifying capital improvement projects on existing buildings. Improvements that increase energy efficiency, conserve water, and even generate electricity are eligible.

With PACE, capital costs are financed over the useful life of completed improvements and secured by the building through a limited-term tax assessment. Under this unique structure, the obligation to repay the assessment is linked to the building and not the owner.

As a result, PACE helps owners complete capital improvement projects that might otherwise be delayed. The positive cash flow and lower operating expenses associated with the finished project improve profitability and enhance the value of the real estate asset for years to come.

Examples of projects eligible for PACE financing:
- LED Lighting
- Building Controls
- HVAC Systems
- Building Seal
- Solar PV & Thermal
- Cogeneration
- Fuel Cells
- Boilers / Chillers
- Storm Windows & Doors
- Insulation
- Energy Storage
- Water Efficient Fixtures
- Irrigation Systems
- Business Equipment
- and more…
A GROWING OPPORTUNITY…

Over 800 Municipalities have created PACE Districts
+25,000 projects completed Nationwide

More than $83M in commercial PACE projects have been
completed including office, retail, industrial, and hotel properties.

Completed projects range anywhere from $50k to over $7M.
PACE works for partial or full retrofit, and in some jurisdictions
even new construction is eligible.

Source: PACENow Commercial PACE Dashboard 12/26/2013

Cumulative Commercial Project Financings - millions

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SETTING THE PACE IN MICHIGAN

COUNTRIES:
- Eaton County
  Population 108,008
- Genesee
  Population 415,370
- Grand Traverse County
  Population 89,113
- Huron County
  Population 32,462
- Ingham County
  Population 281,723
- Macomb County
  Population 847,883
- Saginaw County
  Population 198,253
- Washtenaw County
  Population 350,946
- Wayne County
  Population 1,792,000

CITIES
- Rochester Hills
  Population 72,283
- Royal Oak
  Population 58,410
- Southfield
  Population 72,507

- 9 counties + 3 cities have joined
- Urban & rural, big and small
- 4,320,314 people in the market
- That’s 44% of MI’s population
- Expanding at a rapid rate

“Educating our business leaders and community stakeholders about the benefits of PACE will be key to economic growth, creating jobs, and strengthening businesses in Michigan”

-David Goodman, Managing Director
PACE Corporate Advisors
WHAT MAKES PACE EFFECTIVE?

PACE is a real problem solver...

Problem: “I have looked at energy efficiency improvements before, but the payback seems too long.”

Solution: PACE assessments allow longer term financing to ensure the project has positive cash flow from the first year on.

Problem: “What happens if I sell my property before the end of the PACE assessment term?”

Solution: PACE runs with the property, not the owner. New ownership assumes the tax assessment at purchase.

Problem: “My tenants are responsible for paying the energy bills, how does it make sense to invest my capital to save them money?”

Solution: Since PACE is a tax expense, it can be prorated and assessed to the tenant(s) who benefit from the project savings.

Problem: “I don’t have the capital to complete all the improvements my property could use.”

Solution: With PACE, most projects are able to finance 100% of the qualifying improvements.

HOW DOES PACE BENEFIT OWNERS?

Protect Your Cash ■ Improve Your Property ■ Increase Asset Value

• 100% financing - no net capital investment required.
• Long term, fixed interest rate financing provides stable, value-added cash flow.
• Financing qualified through property value and project savings, not owner credit.
• Off-balance sheet - only current year expense.
• Repayment obligation transfers to new owner if property is sold.
• No acceleration at any time.
• Can be combined with incentive programs and tax credits creating additional value.
• With improved cash flow, your business is better able to compete.
WHAT QUALIFIES FOR PACE?

Who Can Use PACE?

• Commercial property owners
  • Office, retail, industrial, hotel, multi-family and more…
  • Agricultural
  • Private non-profits (churches, hospitals, private schools and colleges, etc.)
  • Privately owned Government facilities
• Property managers
• Asset / Portfolio managers
• Institutional investors
• Who can not use PACE under the MI statute?
  • Single family homes
  • Government owned buildings

What Types of Projects?

• Lighting Fixtures / Daylighting
• Building and energy control systems
• HVAC systems
• Building Seal & Insulation
• Solar PV & Solar Thermal systems
• Wind Turbines
• Geothermal systems
• Cogeneration
• Fuel Cells
• Boilers / Chillers
• Storm Windows & Doors - Weatherization
• Energy Storage
• Water Efficient Fixtures & Equipment
• Any “Utility Cost-Saving Measure” including efficient manufacturing equipment as determined by the PACE Administrator.
Economic Development Benefits of PACE...

- No taxpayer $ is required to fund PACE
- Economic gardening – helps all home grown industries
- Property owners: accelerate capital improvements without cash outlay (save money, get green PR)
- Tenants/employees: buildings are more comfortable, less expensive, and greener
- Contractors: get a new way to earn / finance business
- Citizens: put local residents to work on retrofits, etc.
- County: increase tax base, cutting edge of greening; improve biz climate
- Planet: reduce carbon footprint
Founded in 2003, Mackinaw Power has played an integral role in the development of renewable energy in Michigan. Founder and President, Rich Vander Veen, lead the development efforts to develop the first privately financed wind power project in the Great Lakes, which received unanimous approvals by Mackinaw City, Emmet County, the Michigan Public Service Commission (MPSC) and the first PPAs signed by Consumers Energy that launched the CMS Green Power Pilot Program in 2002. This program was sold out from day one, and the Project was constructed on time and on budget, achieving Commercial Operation December 3, 2001.