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MEC 3

MICHIGAN ENERGY CONFERENCE - CONFERENCE SUMMARY

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## EXECUTIVE SUMMARY

The 3rd Annual Michigan Energy Conference, held in Detroit, Michigan, brought corporate buyers of renewable energy together with utilities, their regulators, non-governmental organizations, and renewable energy solution suppliers to discuss pathways that would facilitate greater access to renewable energy.

U.S. businesses, including General Motors, Dow Corning, Whirlpool Corporation, Herman Miller, and Switch, laid out the reasons they see renewable energy procurement options as a key driver of competitive advantage, employee engagement, and as a hedge against future volatility in energy prices and availability. For these companies and their peers, access to clean energy is a key variable affecting decisions regarding site selection and expansion.

Data colocation provider Switch was the conference's keynote corporate buyer. Switch recently announced a \$5 billion investment in a new data center in Grand Rapids, Michigan.<sup>1</sup> In early 2015, Rob Roy, the driven leader of the company staffed by 70% veterans, mandated that all of its data centers be powered 100% with new, local, renewable energy.<sup>2</sup> Switch's ability to partner with Consumers Energy to procure green energy was an essential part of its decision to site the new facility in Michigan.

1) VandeBunte, Matt. "Gov. Snyder signs tax breaks for \$5B Switch data center." mLive. Dec. 24, 2015. < [http://www.mlive.com/business/west-michigan/index.ssf/2015/12/switch\\_snyder\\_michigan\\_data\\_ce.html](http://www.mlive.com/business/west-michigan/index.ssf/2015/12/switch_snyder_michigan_data_ce.html)> Accessed March 8, 2016.

2) Many point out that electrons cannot be sent to particular users. Companies and other electricity users can claim to use renewable energy if they retire tracked and credible Renewable Energy Certificates generated by a qualified renewable energy project. For example, in Nevada, Switch is paying for both the solar energy and RECs from a 100 MW project. While the solar facility's output does not match the data center's electricity use on a daily basis, the RECs ensure Switch's statement is credible and no one else is claiming to use that clean power. This is aligned with best practice and widely used public carbon disclosure standards.

- 11:00** **PANEL 2**  
 Considerations in Building and Managing Clean Energy Portfolios  
**Moderator:** **Stanley "Skip" Pruss**, Principal, 5 Lakes Energy  
**Panelists:** **Kevin Parzyck**, Vice President - Development, Invenergy  
**Nancy Popa**, Executive Director of Renewable Energy, Consumers Energy  
**Gabe Wing**, Director of Environmental Health and Safety, Herman Miller

The panel will discuss how clean energy procurement and energy efficiency affect the role of energy management within corporations with focus on the specialized skills, capacities, resources and expertise that must be assembled. Panelists will also identify the benefits and unanticipated consequences of businesses becoming active components of the power system.

- 12:15** **LUNCH**  
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- 1:00** **RECONVENING AND UPDATE**  
**Laura Chappelle**, Counsel, Varnum

- 1:15** **PANEL 3**  
 Barriers to Acquiring Clean Energy Resources  
**Moderator:** **Greg White**, Executive Director, National Association of Regulatory Utility Commissioners  
**Panelists:** **Jay Dietrich**, Program Manager - Climate Stewardship and Energy, IBM,  
**Ron Voglewede**, Global Sustainability Director, Whirlpool  
**Rod Williamson**, Global Energy Category Manager, Dow Corning

This panel will explore the challenges created by customer preferences for clean energy and the market and regulatory innovations that need to occur to meet the growing demand for clean energy resources from the perspective of both the customer and the energy service provider.

- 2:30** **NETWORKING BREAK**

- 2:45** **PANEL 4**  
 Creating the Future: Market Innovations in Corporate Energy Purchases  
**Moderator:** **Letha Tawney**, Director of Utility Innovation and Polsky Chair for Renewable Energy, World Resources Institute  
**Panelists:** **Myles Burnsed**, Director of New Markets, groSolar  
**Aakash Chandarana**, Regional Vice President of Regulatory Affairs, Northern States Power – MN

The panel will highlight private- and public sector innovations that are helping to bridge the gap between buyers and sellers and leading to successful deals for companies seeking to integrate advanced energy solutions.

- 4:00** **CLOSING REMARKS**

## CONFERENCE DESCRIPTION

Welcome to Detroit – and to MEC3 – the 3rd Annual Michigan Energy Conference – a discussion on Corporate Pathways to Advanced Energy: Increasing Access to Next Generation Energy Resources. This conference is one of the first of its kind to bring together high-profile corporate leaders in what has become an important international dialogue on accelerating opportunities to source, procure, and manage 21st Century energy resources.

Michigan is well placed to host this conference. Many of the largest firms headquartered in Michigan – including General Motors, the Ford Motor Company, the Dow Chemical Company, Whirlpool, Herman Miller, Amway, Steelcase, Dow Corning, and others – are actively seeking additional renewable energy sources to power their operations. Others with a presence in Michigan, including Google, Switch, Nestle, Ikea, and many others, are pursuing similar strategies.

This conference seeks to identify the market trends, opportunities, and existing barriers that shape how companies evaluate purchases of advanced energy, and to spark a dialogue on developing the necessary infrastructure to allow this sector to continue its growth.



## CONFERENCE AGENDA

### 8:00 REGISTRATION AND NETWORKING

### 8:30 WELCOME AND OPENING REMARKS

**Tom Catania**, Executive-in-Residence, Erb Institute for Global Sustainable Enterprise  
**Liesl Eichler Clark**, President, Michigan Energy Innovation Business Council

### 8:45 OPENING KEYNOTE

**Adam Kramer**, Executive VP of Strategy, Switch

### 9:00 Conversation between **Adam Kramer** and Michigan Public Service Commissioner **Norm Saari**

### 9:30 PANEL 1

Corporate Access to Advanced Energy: The Growth of Market Demand for Clean Energy Solutions  
**Moderator:** **Anne Kelly**, Senior Director of the Policy Program and Business for Innovative Climate and Energy Policy (BICEP) Coalition, Ceres

**Panelists:** **Rob Threlkeld**, Global Manager - Renewable Energy, General Motors  
**Steve Vavrik**, Chief Commercial Officer, Apex Clean Energy

Panelists will explore the considerations that are driving businesses acquisition of clean energy resources, how corporate clean energy preferences are impacting business performance, and the extent to which access to clean energy is affecting new investment and locational decisions.

### 10:45 NETWORKING BREAK

## THE BUYERS' PRINCIPLES FRAME THE NEEDS OF LARGE RENEWABLE ENERGY BUYERS

Because current renewable energy procurement options have often been limited and overly complex, Switch joined 50 large companies as a member of the Corporate Renewable Energy Buyers' Principles, a group facilitated by the World Resources Institute (WRI) and World Wildlife Fund (WWF). The signatory companies<sup>3</sup> consider their renewable energy goals as core to their ability to compete. Together they need to buy more than 42 million MWh of renewable energy nationally by 2020. With the goal of maximizing the availability and usage of renewable energy resources, these corporations joined the Buyers Principles to articulate their common requirements for regulators, legislators, and energy generators. Some cost-effective on-site and off-site renewable energy procurement options already exist, but access to these options varies by state and utility market. Like Switch, many large buyers are crafting first-of-a-kind procurement arrangements in various markets, and have outlined the principles that should guide policymakers to enable more streamlined and cost-effective access to renewable energy. The principles include:

- Greater choice in procurement options,
- More access to cost competitive options,
- Longer- and variable-term contracts,
- Access to new projects that reduce emissions beyond business as usual,
- Streamlined third party financing, and
- Increased purchasing options with utilities.

## COMPANIES SEEK FLEXIBILITY RATHER THAN ONE-SIZE-FITS-ALL SOLUTIONS

In line with the first point outlined in the Buyers' Principles, panelists at MEC3 stressed that companies have diverse energy needs that cannot be met by a single provider or product. Ikea, for example, recently celebrated adding solar to its new 44,000 square-foot addition to its store in Canton, consisting of a 240-kW system.<sup>4</sup> In contrast, Switch rules out on-site options for security reasons. Adam Kramer stated that Switch, "...will never penetrate our roofs. And because we tend to build in more urban environments, the land is very valuable. We seek off-premises solutions." This divergence illustrates the need for a variety of procurement options. Many industrial sites, such as GM's factories, cannot meet their full energy demand with on-site renewable energy and need tariff or contract options for off-site procurement.

Other companies, such as Whirlpool Corporation, have hybrid arrangements where some renewable energy is generated on or near the site, for the site's use, while maintaining access to backup generation from other locations on the grid.

3) Including: Cisco, Equinix, Kellogg's, Starbucks, Sealed Air, Hewlett Packard Enterprise, Salesforce, GM, Microsoft, HP, Etsy, Nestle, Yahoo, Intuit, Unilever, Amazon, Johnson & Johnson, Workday, Arup, Walmart, P&G, EMC<sup>2</sup>, REI, 3M, Intel, Avery Dennison, DuPont, Target, Hilton, Starwood, Switch, Volvo, Google, Mars, Facebook, Ikea, Aditya Birla Novelis, McDonalds, Adidas Group, Digital Realty, BD, Novo Nordisk, Staples, IO, Genentech, Autodesk, Ebay, Sprint, Adobe, Kaiser Permanente, and Bloomberg. Source: <http://buyersprinciples.org/about-us/>

4) Welch, Sherri. "Ikea adds 781 solar panels to Canton Townships store rooftop." Crain's Detroit Business. Jan. 27, 2016. <<http://www.crainsdetroit.com/article/20160127/NEWS/160129845/ikea-adds-781-solar-panels-to-canton-township-store-roof-top>> Accessed March 8, 2016.

## ACCESSING LONGER-TERM, FIXED-PRICE RENEWABLE ENERGY IS AS CRITICAL AS COST COMPETITIVENESS IN OTHER PARTS OF THE BUSINESS

A significant part of the value of renewable energy for companies is the ability to lock in energy price predictability and avoid fuel price volatility. In his role as Chief Commercial Officer, Steve Vavrik of Apex Clean Energy has spent a significant amount of time speaking with CFOs about risk mitigation. “Long-term fixed prices present one of the biggest value propositions. Just like the way CFOs manage interest rates and currency exchange, renewable energy products are another tool in the toolkit to manage volatility.”

## CREATIVE PARTNERSHIPS ARE LEADING THE WAY FORWARD, BUT REGULATORY GUIDANCE IS NEEDED

Creative partnerships like Switch’s work with Consumers Energy to power its Michigan data center with renewable energy are illustrative, but more proactive integrated resource planning and rate structures will be needed to unlock corporations’ ability to meet their renewable energy goals. States like Michigan that want to retain their industrial heritage and economic base could view access to renewable energy as integral to its strategy for attracting and retaining companies. Switch successfully lobbied for a green rider tariff in Nevada, and it intends to “...push what we think is a fair and equitable green rider/renewable energy tariff [in Michigan] that adequately reflects both the value of the resource and the work that utilities do, but which also fundamentally restructures the rate structure to create socially desirable incentives.”<sup>5</sup>



Rob Threlkeld, General Motors’ Global Manager of Renewable Energy, can see the stars aligning financially for fruitful collaboration with utilities. “With renewables now, it should become a win-win... We’ve collaborated a lot with DTE and Consumers Energy.” As General Motors’ product portfolio increasingly includes electric vehicles, the company examines how state energy policies will impact its bottom line, including whether those policies facilitate or hinder the market penetration of the electric vehicle projects that have become so prominent in the company’s business strategy.

Aakash Chandarana of Xcel Energy reported that that multi-state utility is already developing creative price and procurement options to meet its customers’ needs. “From a utility perspective, we have to continue to provide safe, reliable power. That’s what we’re mandated to do. But we also need to operate as a business and go out to meet what customers want. When we think of our customers and what they’re trying to do—corporate customers and residential customers have different needs. We don’t want to do anything that results in cross-subsidies. The best way to solve these issues (in the regulatory space) is via partnerships.”

5) Adam Kramer, Executive Vice President of Strategy, Switch, February 2, 2016.



## CREATIVE ENERGY POLICY IS A KEY PART OF A STATE’S ECONOMIC DEVELOPMENT STRATEGY

Steve Vavrik of Apex Clean Energy suggested that with companies’ growing demand for access to renewable energy options, Public Utility Commissions are actually becoming Economic Development Commissions. Utilities have traditionally been active participants in state presentations to potential corporate entrants that require electricity for their operations, but the discussions are now moving beyond solely a discussion of the price of electricity, with an agnostic attitude to generation source, to a focus on the environmental impact of the electricity source.

## CONCLUSION

The world’s largest companies are considering a site’s ability to meet the company’s renewable energy goals when determining where to locate facilities. Switch’s Adam Kramer stressed the importance of corporate renewable energy targets, noting that if Consumers Energy hadn’t been willing to work with them on renewable energy options, “then the tax policy doesn’t matter. If you can’t check off that first box, you’re not going to check the second one.”<sup>6</sup> The MEC3 Conference illustrated the growing interest and commitment by the corporate sector to collaborate with legislators, regulators, and suppliers to improve access to renewable energy.

Liesl Eichler Clark, president of the Michigan Energy Innovation Business Council, summarized the conference’s two biggest themes as: “Collaborate outside of your comfort zone” and “Change knocks on your door regardless.” It was clear that the desire for access to renewable energy had moved from the “toe in the water” experimental phase to a “roll up the sleeves and let’s get this done” operational activity. The challenge for regulators, legislators, and utilities is whether they can they keep up with this rapidly changing set of requirements set by their constituents and customer base.

6) Adam Kramer, quoted in Balaskovitz, Andy. “Switch’s love affair with Michigan started with reliable, renewable energy.” *MiBiz*. Feb. 7, 2016. < <http://mibiz.com/news/energy/item/23332-switch%E2%80%99s-love-affair-with-michigan-started-with-reliable-renewable-energy>> Accessed March 8, 2016.

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