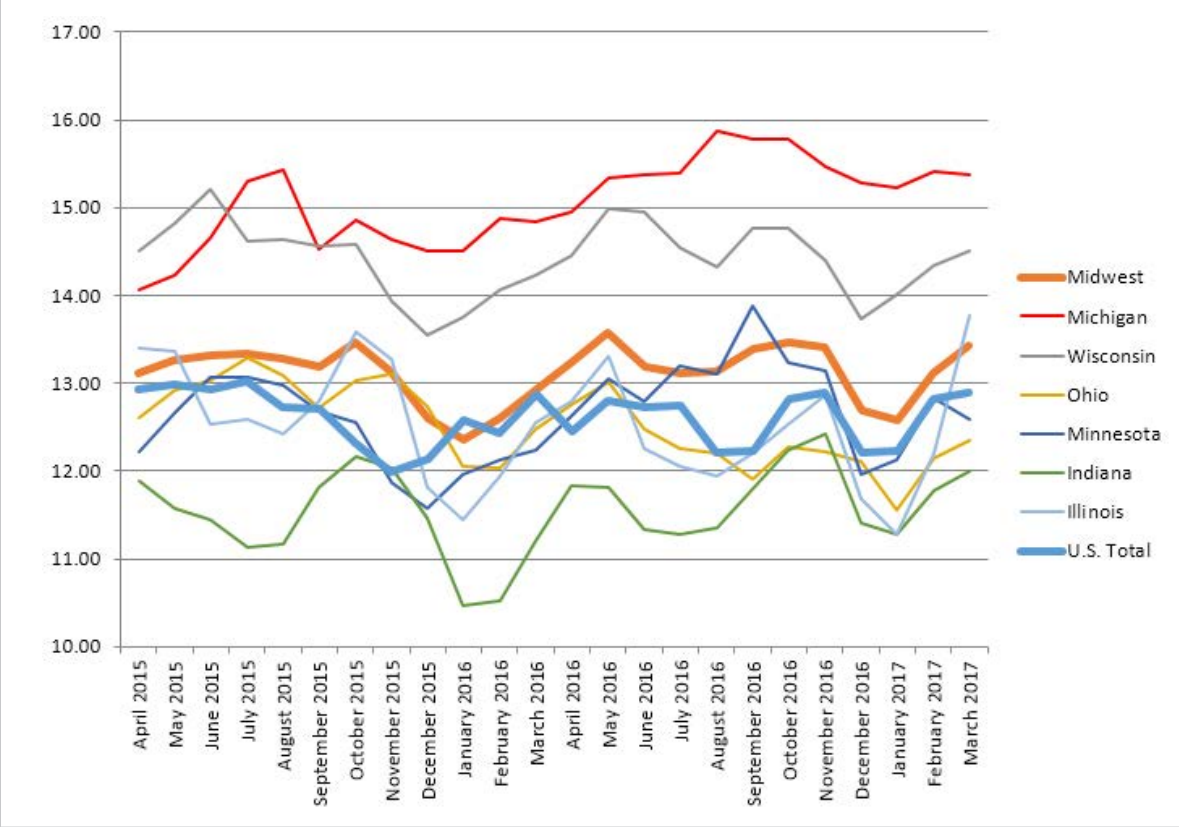
ENERGY DELIVERY CRITICAL TO MIDWEST ECONOMY

FAMILIES IN REGION PAY MORE FOR ELECTRICITY THAN AVERAGE U.S. HOUSEHOLD

According to the Energy Information Administration (EIA), Midwesterners pay more for their electricity than the average American household in other parts of the country.[1] Over the past year in the Midwest, households in Wisconsin chipped in $196.37 more than the national average, while Michiganders paid $265.75 more than the national average for their energy.[2]

The Midwest is also home to six of the nation's top 18 agricultural producing states based on cash receipts, with Minnesota, Illinois, Wisconsin, and Indiana in the top 10.[3] Believe it or not, adequate energy delivery



infrastructure is vital to keep crops, farmers, and the Midwest economy moving.

American Farm Bureau Federation Chief Economist Bob Young makes the connection between agriculture and energy delivery in a 2015 report[4] analyzing the effects of rail congestion on the U.S. grain industry:

American farmers depend upon rail freight to move their products to market. The surge in rail transportation of crude oil has affected that ability and timing in recent years…Construction of new pipelines would certainly be a more effective way to move that product to market. It would take crude oil off the rails and, in doing so, improve the overall efficiency of the transportation system. Improved pipeline infrastructure will also help enhance American energy security for everyone.[5]

Families across the Midwest will also benefit from the expansion of energy delivery infrastructure.

Implications of Energy Delivery in Midwest[6]

- A recent analysis found that the bottom 20 percent of earners spend almost 10 percent of their income solely on electricity, more than seven times the portion of income that the top fifth pays.[7]
- Of those low-income earners that spend 10 percent of their income on power bills, 50 percent of them are African-American families.[8]
- Citizens at or near the poverty level are disproportionately impacted.
- U.S. Census Bureau data estimates that more than 7.8 million people in the Midwest live at or below the poverty line[9]
- Of the 43.3 million people on food stamps nationwide, more than 6.8 million reside in the Midwest (IL-1,924,612, IN-714,806, MI-1,445,487, OH-1,556,937, MN-476,536, and WI-713,065)[10]
- In Illinois, 15% of residents depend on food stamps[11]
- The electricity grid is not serving the communities, resulting in a "reliability gap" of 44.8% is something that that the poor, young people, seniors and hard-working families in the Midwest simply can't afford[12]
- The region's residential electricity prices are 4% higher than the national average, according to EIA data[13]
- Based on information from the EIA, the Midwest region would be one of the most impacted by a Shortfall Case scenario described by Consumer Energy Alliance (CEA). Per a report by CEA, the region could experience a 46% energy shortfall by 2030. This shortfall would occur if all proposed pipeline infrastructure projects were denied and more baseload electricity delivery was prematurely shut down in accordance with demands made by activist groups[14]
- Unfortunately, the current lack of a quorum at the Federal Energy Regulatory Commission (FERC) is holding back the federal approval of an estimated $50 billion in major energy delivery projects, including those that would secure energy and economic security for Midwest families and businesses[15]
- The current pipeline backlog includes the $2 billion Nexus project, which would deliver 1.5 billion cubic feet per day of natural gas to families and businesses in Ohio, Michigan, Illinois, and beyond[16]

The Need for Pipeline Infrastructure

The recent approval and construction of new pipelines, such as Dakota Access, will assist in providing access to resources that will help power Midwest homes and businesses more affordably and reliably , helping the region avoid the sky-high prices seen in other parts of the country, like New England. It will also open up critical capacity for the region's agriculture industry to efficiently and more cost-effectively run their businesses and ship their products to market – benefiting not only the farmers but families and businesses across the region and nation. As the 2015 Farm Bureau report concluded:

Expansion of U.S. pipeline capacity…represents the best alternative to add overall freight system capacity and relieve the congestion that has threatened grain movement during recent marketing years.

The need for expanded pipeline infrastructure can be underscored by the anticipated increase of natural gas and wind to the Midwest's energy portfolio. With these changes, the Midcontinent Independent System Operator (MISO), the entity responsible for electricity delivery in states including Illinois, Indiana, Michigan, Minnesota, and Wisconsin, projects the following:

- Coal-fired power plant activity in the region is expected to decrease in the coming years, and natural gas is expected to supply MISO with 35% of the region's energy in 2030, compared to 23% in 2015.[17]
- Installed natural gas capacity will increase by 7,400 MW through 2020, while 10,000 MW of coal capacity will be retired[18]
- By 2030, wind generation capacity in the MISO region is expected to double or triple the 15,000 MW capacity that was reached in 2015[19]

Importantly, given its intermittent nature, the expected rising contribution of wind to the region's energy mix in the coming years not only highlights the importance of natural gas and related energy-delivery infrastructure, to ensure reliable, affordable electricity for families and businesses in the Midwest.

The importance of increased access to energy resources and the infrastructure that transports them was underscored by the 2017 OMS MISO Survey Results. The survey projects that in 2022, the Indiana/Kentucky and Michigan Lower Peninsula zones are expected to face electricity generation shortfalls of up to 400 MW and 1500 MW, respectively.[20]

Expansion of energy delivery from pipeline buildouts has had a positive effect on consumers across the Midwest region and nation at-large. Currently, families and motorists in the region are saving, on average, more than $26 billion in gasoline costs compared to 2012, based on data compiled by the EIA. With pipelines responsible for moving roughly 70% of the nation's crude oil and petroleum products,[21] these savings are largely due to stable energy delivery[22] - and many families and households in the Mid-Atlantic are turning those savings into more travel and leisure activities. Just this year, over Memorial Day Weekend, AAA estimated that Memorial Day travel was at its highest levels since 2005, with more than 39.3 million Americans driving or flying more than 50 miles from home.[23] To put that in perspective, a Midwest road trip from Titletown in Green Bay, Wisconsin, to the NFL Hall of Fame in Canton, Ohio, would cost $54.51 less than it would have in 2012.[24]

Families, Communities and Finances: The Consequences of Denying Critical Pipeline Infrastructure

CEA's aforementioned report, found that rejecting pipeline infrastructure and baseload power generation would remove almost a third of U.S. electricity generation capacity by 2030, dangerously raising electric rates nationwide, especially on poverty-stricken households. It also found significant impacts on energy security and fuel supplies as well as varying harmful regional implications.

About Consumer Energy Alliance

Consumer Energy Alliance (CEA) brings together families, farmers, small businesses, distributors, producers and manufacturers to support America's energy future. With more than 450,000 members nationwide, our mission is to help ensure stable prices and energy security for households across the country. We believe energy development is something that touches everyone in our nation, and thus it is necessary for all of us to actively engage in the conversation about how we develop our diverse energy resources and energy's importance to the economy. Learn more at ConsumerEnergyAlliance.org.

1. ***Electric Power Monthly,*** U.S. Energy Information Administration, https://www.eia.gov/electricity/monthly/epm_table_grapher.cfm?t=epmt_5_6_a

2. ***Electric Power Monthly***, U.S. Energy Information Administration, https://www.eia.gov/electricity/monthly/epm_table_grapher.cfm?t=epmt_5_6_a

3. https://data.ers.usda.gov/reports.aspx?ID=17844

4. http://www.ourenergypolicy.org/wp-content/uploads/2015/07/InsufficientFreight-WhitePaper-D7.pdf

5. http://www.fb.org/newsroom/new-pipeline-infrastructure-key-to-unloading-freight-rail-backlog-helping-a

6. Consumer Energy Alliance (CEA) recently issued a report entitled, "Families, Communities and Finances: The Consequences of Denying Critical Pipeline Infrastructure," which found that rejecting pipeline infrastructure and baseload power generation would remove almost one-third of U.S. electricity generation capacity by 2030, dangerously raising electric rates nationwide, especially for poverty-stricken households. It also found significant impacts on energy security and fuel supplies as well as varying harmful regional implications.

7. http://groundswell.org/frompower_to_empowerment_wp.pdf

8. http://groundswell.org/frompower_to_empowerment_wp.pdf

9. http://www.census.gov/content/dam/Census/library/publications/2016/demo/p60-256.pdf , Table 3

10. http://frac.org/wp-content/uploads/2011/01/snapdata2016-jul.pdf

11. See http://www.census.gov/quickfacts/table/PST045215/17 ; http://frac.org/wp-content/uploads/2011/01/snapdata2016-jul.pdf

12. The reliability gap is the gap between current grid reliability and desired reliability. This gap is due to a lack of natural gas capacity to reduce bottlenecks and supply shortages.

13. EIA October 2016 Electricity Report, https://www.eia.gov/electricity/monthly/epm_table_grapher.cfm?t=epmt_5_6_a

14. "Families, Communities and Finances: The Consequences of Denying Critical Pipeline Infrastructure" Id.

15. https://www.bloomberg.com/news/articles/2017-05-05/trump-s-delay-stalls-50-billion-of-energy-projects-in-pipeline

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21. https://www.manhattan-institute.org/pdf/ib_23.pdf

22. https://www.eia.gov/opendata/qb.php?category=40715

23. http://newsroom.aaa.com/tag/memorial-day-travel-forecast/

24. Based on the most recent gasoline price and consumption data available from the Energy Information Administration.