

UTILITY CONSUMER PARTICIPATION BOARD

August 3, 2009

MINUTES

A meeting of the Utility Consumer Participation Board was held Monday, August 3, 2009 in the Ottawa Building, 4th Floor Training Room, Lansing, Michigan.

I. Call to Order

Chairman Alexander Isaac called the meeting to order at 10:20 a.m. Board members present: Alexander Isaac; Harry Trebing (telephonically); Sister Monica Kostielney and Marc Shulman (arrived at 10:25 a.m.). Members absent: None. Others present: Michelle Wilsey, Board Assistant; Chris Bzdok, Michigan Environmental Council; Don Keskey, Michigan Environmental Council and Michigan Community Action Agency Association; Wes VanMalsen, DLEG Purchasing; John Liskey, Citizens Against Rate Excess; and Leah Hall, Citizens Against Rate Excess.

II. Agenda

Kostielney moved, second by Trebing and motion carried to approve the agenda as printed.

III. Public Comment

John Liskey introduced Leah Hall, an new associate that will be working with him on board matters.

IV. Minutes

Trebing moved, second by Kostielney and motion carried to approve minutes of June 1, 2009 as printed.

V. Correspondences (Received and placed on file)

- A. MEC June 2009 Status Report including PA 295 Implementation Cases Update (Bzdok)
- B. MEC June 2009 Status Report – Supplement (Keskey)
- C. MCAAA Case Status Report Grant UCRF 09-05 dated 3/27/09 and 6/01/09 (Keskey)
- D. UCRF Financials as of 6/01/2009 (Eklund)
- E. UCPB Transcript 6/1/09 meeting (Penn)
- F. RRC Case Status Report 07/14/2009 (Shaltz)
- G. MCAAA Budget Amendment Request Case 09-05 (Keskey)
- H. MEC Case Status Report 7/23/09 (Bzdok)
- I. MEC 2010 Grant Applications (Bzdok)
- J. UCPB Assessment Memo 8_3_09 Mtg. (Wilsey)

Wilsey noted that items received after the agenda submission date will be included on next month's agenda.

VI. New Business

MCAAA 09-05 Request for Budget Amendment - Keskey explained that they were requesting budget transfer from some cases which are concluding or have concluded to two new reconciliation cases which are starting, have been filed as of June 30, 2009. They had been granted a small amount of funds for initial intervention in the cases. They want to transfer the funds to begin review and discovery. They will likely not expend all of the funds by the end of the grant year. They have indicated some issues that they may explore but will not know exactly what issues will be pursued until there is a comprehensive review of the filings.

Isaac asked Wilsey for comment. Wilsey noted that she based her review on the work plan presented in the budget request. She noted that the request was revenue neutral with regard to the approved grants. However, the amount requested was significant. A few concerns and questions raised were: the amount of the grant for the reconciliation cases given the more limited role in the plan cases; a few of the issues presented in the work plan for the reconciliation cases were not accepted in the plan cases; and what assurance is that that MCAAA will add value or not duplicate efforts of the attorney general and RRC who are also UCRF funded participants in the case? Wilsey noted that she discussed these concerns with Keskey in advance and he explained that their participation spanned grant years and that they played a significant role in settlement agreements. He further stated that the workplan was subject to review of the actual filing and coordination with the other UCRF participants. They would look for the most fruitful issues to pursue and in the process may develop facts that will be helpful for further pursuit of the gas storage issue, the accounting issues, and the emergency situation issue in the upcoming rate case and the upcoming plan case. Wilsey didn't disagree, she noted that her review is based on the workplan developed and presented by the grantee in support of their request. Supplemental information is sought when the facts as presented do not necessarily support the request. She further responded that the extent of participation in settlement negotiations is difficult to assess independently unless testimony is filed (positions that can later be compared to the settlement terms). With those comments, Wilsey stated that she did not have any specific objection to the amendment request. Keskey again noted that actual expenditures would likely be significantly lower than this budget given the time left in the fiscal year, but it would allow them to get a jump on review and discovery.

Shulman asked Chairman Isaac if there was any comment from the attorney general's office? Isaac said no due to Liskey's departure. Isaac asked Liskey if he was aware of the replacement? Liskey said he expected it would be Michael Moody but he was not certain of that and had not discussed the issue with Moody. Shulman noted that Wilsey had raised the issue of the attorney general's participation and he wanted to ask them specifically about that. Wilsey confirmed with Shultz that RRC is approved and is planning to participate in the case. She noted that the board has required each UCRF funded intervenor to assure non-duplication. Keskey responded that the issues that we have raised substantially in the last several years regarding the NYMEX contingency clause, the hurricane price spikes, the emergency price spikes, our concern about the latent windfall in the gas storage in terms of the booked cost and LIFO accounting studies, some of which MichCon has performed as a result of settlements we have reached, all of these positions are predominantly unique to MCAAA. **Shulman moved, second by Kostielney and motion carried to approve the budget amendment request of MCAAA to transfer of funds between cases in grant 09-05 as follows, noting no new funds are approved for these cases:**

Approved Budget MichCon U-15628 \$28,684 (\$ 18,000 legal, 10,400 expert, 284 admin)
Amendment Request -7464.40 (\$ -5,850 legal, -1,540.50 expert, -73.90 admin)
Total Budget (as amended) \$ 21,219.60 (\$ 12,150 legal, 8,859.50 expert, 210.10 admin)

Approved Budget MichCon U-15701 \$39,592 (\$ 28,800 legal, 10,400 expert, 392 admin)
Amendment Request -20,691.87 (\$ -14,000 legal, -6,487 expert, -204.87 admin)
Total Budget (as amended) \$18,900.13 (\$ 14,800 legal, 3,913 expert, 187.13 admin)

Approved Budget MichCon U-15042-R \$25,048 (\$ 14,400 legal, 10,400 expert, 248 admin)
Amendment Request -19,028.40 (\$ -12,366 legal, -6,474 expert, -188.40 admin)
Total Budget (as amended) \$ 6,019.60 (\$ 2,034 legal, 3,926 expert, 59.60 admin)

Approved Budget MichCon U-15451 \$ 6,767 (\$ 5,400 legal, 1,300 expert, 67 admin)
Amendment Request -1,399.86 (\$ -1,386 legal, 0 expert, -13.86 admin)
Total Budget (as amended) \$5,367.14 (\$ 4,014 legal, 1,300 expert, 53.14 admin)

Approved Budget CECO U-15454 \$ 1,818 (\$ 1,800 legal, 0 expert, 18.00 admin)
Amendment Request -1,636.20(\$ -1,620 legal, 0 expert, -16.20 admin)
Total Budget (as amended) \$ 181.80(\$ 180 legal, 0 expert, 1.80 admin)

Approved Budget MichCon U-15451-R \$ 909 (\$ 900 legal, 0 expert, 9 admin)
Amendment Request 31,310 (\$ 18,000 legal, 13,000 expert, 310 admin)
Total Budget (as amended) \$32,219 (\$ 18,900 legal, 13,000 expert, 319 admin)

Approved Budget CECO U-15454-R \$ 909(\$ 900 legal, 0 expert, 9 admin)
Amendment Request 18,910.73 (\$ 10,222 legal, 8,501.50 expert, 187.23 admin)
Total Budget (as amended) \$ 19,819.73 (\$ 11,122 legal, 8,501.50 expert, 196.23 admin)

Isaac asked if anyone had received an email from someone from one of the State of Michigan departments about attending meetings. No one had so he said he would forward it.

VII. Old Business

- A. 2008 Annual Report – Wilsey distributed the 2008 Annual Report with the changes and additions suggested from the board and others. It included independent assessment of all of the cases participated in during the annual year of the grant, grantee comments, and a compilation of the new appendix of grantees membership scope and description. She noted that MEC and MCAAA have stated they want to include input but have not provided that yet. Keskey said he would get that to Wilsey this week. Wilsey said that she would provide the document in electronically to facilitate adding comments. Wilsey noted that she had to have the input soon in order to complete the report and provide it to the board for review prior to the August 24, 2009 board meeting.

Shulman asked what to plan as a schedule for the meeting on August 24, 2009. Isaac said that he would like to allow 10-15 minutes for a grant proposal presentation and an additional 15 minutes for discussion and action. Wilsey said there were at least 4 grants. From brief review of the requests, the total amount of grants requested would exceed the appropriation for the fiscal year. She said the board would have to look at paring down or accepting only proposals up to the \$902,500 appropriation expected to be available for grants, or possibly requesting to use unspent funds from previous years. Isaac directed Wilsey to request information from DELEG on the process or procedure for using accrued funds.

Shulman asked Wilsey to also inquire with DELEG if there any way to analyze over the period of the last grant cycle the amount of money that we have originally approved for certain grants and then amended to transfer those monies to other grants, so it hasn't been an outright additional fund, but there's been transfers, just like the one that we've made today, just to see the type of pattern in terms of how this money that we originally allocate for a certain case is being spent and what percent of that dollar is really being spent as opposed to later being transferred over to another case? Keskey commented on grantee concerns regarding uncompensated hours. Shulman asked if he could provide data/report Shultz if he could provide the same type of report. Shultz agreed he could do that.

Trebing commented that a concern he has developed in the process of research on a paper he is preparing for the American Economic Association is auctions for generating capacity. PJM recently spent \$26 billion to auction 10,000 megawatts of capacity. That is approximately three and a half to four times the cost of building a new power plant for the same capacity. That indicates there may be problems with the competitiveness of the auction. The question is: How do you insure adequate data at the state level to verify that the capacity auction price bears a reasonable relationship to the cost of building a new plant? It is a critical question as to what the appropriate safeguards and standards are that will protect Michigan residential ratepayers. Keskey commented that RTOs set their own budget and they're ballooning in cost each year, and it's added on to transmission costs that's passed through to the Act 304 electric customers in Michigan. The difficulty is that they are essentially unregulated. Trebing stressed that this is a potentially huge problem.

Kostielney commented that she felt it was important to develop operative principles and a framework for reviewing and approving grants. Wilsey noted that the grant application provides a scoring system. All grantees have access to the system in advance. This could be used for the assessment and also for the meeting. Isaac asked that the assessment memo be circulated in advance.

VIII. Next meeting

The next regular meeting of the UCPB is scheduled Monday, August 24, 2009, 10:00 a.m.
Meeting materials due July 24, 2009.

IX. Adjournment

Meeting adjourned at 11:00 a.m.