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STATE OF MICHIGAN
UTILITY CONSUMER PARTICIPATION BOARD

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MEETING OF MONDAY, OCTOBER 12, 2015

12:45 P.M.

611 West Ottawa, 4th Floor
Lansing, Michigan

- - -

- PRESENT: Jim MacInnes, Chair
 Paul Isely, Board Member
 Ryan Dinkgrave, Board Member
 Susan Licata Haroutunian, Board Member
 Conan Smith, Board Member
 Michelle Wilsey, Board Assistant
 David Shaltz, Residential Ratepayer Consortium (RRC)
 Christopher Bzdok, Michigan Environmental
 Council (MEC)
 Colleen Mulligan, MEC
 Brian Coyer, Great Lakes Renewable Energy
 Association (GLREA)
 John Liskey, Citizens Against Rate Excess
 (CARE)
 Douglas Jester, 5 Lakes Energy
 Shawn Worden, LARA
 Jim Wilson, LARA
 Leann Droste, LARA
 Jim Ault, Michigan Electric & Gas Association
 Kwafo Adarkwa, ITC

- - -

REPORTED BY: Lori Anne Penn, CSR-1315
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Farmington, Michigan 48336

Metro Court Reporters, Inc. 248.426.9530

1 Lansing, Michigan

2 Monday, October 12, 2015

3 At 12:45 p.m.

4 - - -

5 MR. MacINNES: 1245. Okay. Welcome,
6 everyone. We're glad we had a good turnout for
7 Michelle's last meeting, so to celebrate -- we can
8 celebrate her future, but we're going to miss her.

9 MS. WILSEY: Thank you.

10 MR. MacINNES: We have a, it's a little
11 board education today, which, as you know, we try to do
12 as much as we can because it's all complicated subject.

13 So maybe we could start off with the roll
14 call of the members of the board. Well, just basically
15 let's go around the room here and have everyone introduce
16 themselves. Paul.

17 MR. ISELY: Paul Isely, member of the
18 board.

19 MR. SMITH: Conan Smith, member of the
20 board.

21 MR. SHALTZ: David Shaltz, counsel for
22 the RRC.

23 MR. BZDOK: Chris Bzdok, Olson, Bzdok &
24 Howard, on behalf of MEC.

25 MS. MULLIGAN: Colleen Mulligan, Olson,
Metro Court Reporters, Inc. 248.426.9530

1 Bzdok & Howard.

2 MR. LISKEY: John Liskey on behalf of
3 CARE.

4 MR. WILSON: Jim Wilson, LARA.

5 MS. DROSTE: LeAnn Droste, LARA.

6 MR. COYER: Brian Coyer on behalf of the
7 Great Lakes Renewable Energy Association.

8 MS. WORDEN: Shawn Worden, LARA.

9 MS. WILSEY: Michelle Wilsey, assistant
10 to the board.

11 MR. DINKGRAVE: Ryan Dinkgrave, member of
12 the board.

13 MS. HAROUTUNIAN: Susan Licata
14 Haroutunian, member of the board.

15 MR. MacINNES: I'm Jim MacInnes, the
16 chair. And we have some folks on the wall over there.

17 MR. ADARKWA: Hi. Kwafo Adarkwa with ITC
18 Holdings.

19 MR. AULT: Jim Ault, Michigan Electric &
20 Gas Association.

21 MR. JESTER: Douglas Jester, 5 Lakes
22 Energy.

23 MR. MacINNES: Okay. Shall we -- we need
24 a motion to approve the consent agenda, so --

25 MR. ISELY: So moved.

1 MR. DINKGRAVE: Support.

2 MR. MacINNES: Is there any discussion?

3 All in favor, please signify by saying

4 aye.

5 BOARD MEMBERS: Aye.

6 MR. MacINNES: Opposed, same sign.

7 Okay. Well, we're going to start out
8 today with -- it's been a while since we've heard some
9 updates on the transmission side, and ITC is doing a lot
10 of transmission work, and maybe you could update us,
11 Kwafo, on what you see happening in the world of
12 transmission.

13 MR. ADARKWA: Sounds good, Jim.

14 Appreciate the opportunity to come in and talk to the
15 board. You all have important work to do, which is very,
16 very critical to how the utility world functions and
17 operates, so I'm going to reach out to kind of give you,
18 as an update, because it's been a couple years since
19 we've been in front of the board, so I wanted to make
20 sure I was able to kind of let you know what's happening,
21 the lay of the land on the transmission side, because I
22 know you're hearing about the investor-owned utilities in
23 the state, so I wanted to do that and provide a little
24 bit of context about what we're doing and answer any
25 questions you might have about what's happening in

1 transmission.

2 So with that, are you going to drive for
3 me?

4 MS. WILSEY: I'll drive.

5 MR. ADARKWA: Okay. Going to go over
6 just a few things today. That beautiful picture is our
7 headquarters in Novi, Michigan. Talk a little bit about
8 the Company for those that don't know. I think most
9 people probably have a good sense of who we are, but if
10 not, we'll go into that a little bit. Talk about some of
11 the energy challenges, both on a regional level and on a
12 state level. We'll talk about advancing regional
13 transmission ideas, so the Green Power Express, the
14 project we're most proud of here in Michigan, the Thumb
15 Loop Project, talk a little bit about congestion costs,
16 and kind of wrap up with a discussion on interregional
17 planning, because as you'll find out as we go through
18 this stuff, sometimes the best project might not be in
19 our state, too, lower cost for our customers here in
20 Michigan.

21 So ITC, who we are. So big, broad
22 overview, leader in grid development. We own and operate
23 the transmission system. We are the preferred
24 transmission provider for a lot of folks, and some are
25 mandated that we're the transmission provider. We're a

1 leader in interconnection generators. We're starting to
2 get into this nontraditional infrastructure. I'm
3 actually working on a team doing some work in
4 Pennsylvania and Ontario, we're looking at a conceptual
5 project that goes from Erie, Pennsylvania, into
6 Nanticoke, Ontario, so a DC project. It's very kind of
7 cool, and if those want to know about that, I can give
8 you my card afterward and you can see me afterward and I
9 can give you the website there, but it's a very
10 interesting project called the Lake Erie Project.

11 So how we've grown the grid. So we
12 started here in Michigan back in 2003. Our initial
13 company, ITC Transmission, was a spinoff from Detroit
14 Edison's transmission assets. Then in 2006 we acquired
15 the west side of the state's assets, so Consumers
16 Energy's old transmission assets, and that's what we call
17 METC, Michigan Electric Transmission Company. Since, you
18 know, in the last 12 years, again, we've acquired and
19 integrated three transmission businesses; the one
20 business I neglected to talk about outside of the
21 Michigan businesses was our Iowa acquisition, which is
22 ITC Midwest. The greenfield transmission-only utility is
23 a little bit interesting as well, we call that ITC Great
24 Plains, it's out west. We've got a few stations in
25 Oklahoma City, Kansas, in that area, and that was just a

1 startup basically transmission entity out there within
2 the SPP footprint. So we're very proud of the successes
3 there.

4 We take it as our mission to identify and
5 facilitate critical regional projects; I'll talk about
6 that in a couple slides. We also partner with local
7 utilities on projects both here in Michigan and across
8 the rest of our footprint. And we try to have a creative
9 approach to modernizing the grid. You know, one project
10 in particular that falls in that camp is the Thumb Loop
11 Project, and again, I'll talk a little bit about that as
12 we go forward. But we -- it's a very fun company to work
13 for in that sense that we're really looking to be
14 innovative on the transmission space. Next slide.

15 So with respect to planning, and this
16 slide here kind of shows where we're at and where we plan
17 to go. You can see -- it's a little bit difficult to
18 see, but, you know, MISO in the midwestern part of
19 country, SPP, sort of the south and south central area,
20 and we're doing some, if you want to call it kicking the
21 tires out in California and over in the east coast in
22 PJM, so and a little bit in Texas as well, so kind of
23 sort of all over the place. We got a little testimonial,
24 you know, got to put that plug in as well for the
25 company. We really are looking at a broader approach to

1 planning. Again, we love being here in Michigan, this is
2 our headquarters, we're not going anywhere, I've been
3 told we're not going anywhere, but sometimes the best
4 projects are maybe not only just those local projects,
5 there's some regional projects that provide benefit
6 that -- to help lower the cost of energy, which I know
7 we're all concerned about here in the room.

8 Again, little bit more background and
9 history. Since 2005, you can kind of see the work we've
10 done in either new transmission or rebuilt transmission
11 lines. So as of 2014, we're upwards of 544 miles for
12 that year, and over 2,000 miles in totality, so it's a
13 quite steep curve, but again, it's all needed investment.
14 It's no -- you know, a lot of times we get told that
15 we're maybe building too much in the system, but each one
16 of our projects has a purpose and a mission and a driving
17 focus is to lower the cost of energy for customers. So
18 just kind of a little illustration of kind of what we've
19 done since inception.

20 So bringing it back home to Michigan, we
21 look at kind of the stuff we've done here. Dedicated
22 crew that's based here in Michigan, a contract true that
23 does all of our work and maintenance; you know, we have
24 training programs across the state as well. When we look
25 at some of the projects we've done statewide, that metric

1 there I think is really illustrative: 5.5 additional
2 jobs for every ITC job that's out there created; spent a
3 loft money in investment in the state, and we're really
4 trying to be stewards of being a part of that one
5 Michigan idea and helping out with the state's economy.
6 You know, we talk about sort of the no-brainer, that the
7 workers here spend their money locally, we generate jobs
8 in retail and all that other stuff. So just a slide to
9 kind of show you what we do and how big our footprint is.

10 This is a global slide, I mean I won't
11 spend a lot of time on it, but we all know I think in the
12 room just having been involved in the industry, a lot of
13 challenges in the system, a lot of infrastructure and
14 investment needed both in the electric utility space, but
15 also just overall. The grid, even with all the rebuilds
16 and stuff we're done here in Michigan and other places,
17 still in need of a lot of work. An investment number
18 there, maybe even a little understated, the \$120-160
19 billion investment needed going out to 2030 across the
20 country, that comes from The Brattle Group study from
21 last year. You know, we've got things like micro-grids
22 and plug-in hybrids and all this stuff; the grid is
23 structured in a way that was probably very efficient for
24 the 20th century, but needs to be modernized for what the
25 uses we have now and the uses we haven't even thought

1 about going forward, so. And we all know in the room the
2 changing generation fleet, we see it here in Michigan, we
3 see the influx of wind and other type of generators, and
4 so the grid needs to be reflexive and able to deal with
5 that, and we kind of sit positioned well to be conduits
6 to get that done. Talking about Clean Power Plan, that's
7 a hot topic for a lot of people, and we're right in the
8 center of how you achieve some of those state goals.

9 So here in Michigan, again, this stuff is
10 going to be sort of elementary for all of you because I
11 know you're intimately involved in what's happening, but
12 there's a lot of changes undergoing right now. We look
13 at the Governor's energy focus on adaptability,
14 reliability, affordability, and the environment, all
15 things we're very supportive of. We don't -- we want to
16 make kind of the right decisions from a transmission
17 perspective, and blending that in with whatever else
18 happens on the gen and the distribution side.

19 We all know about retirements in the
20 state. I mean it's a, you know, it's a fact of life,
21 especially when you look at the Clean Power Plan, and
22 there's a ton of new generation coming online via some
23 traditional forums in the way of natural gas, you know,
24 Wolverine is doing a plant, we're working with them to
25 get some of those assets online, but you have a variety

1 of wind farms and other types of generation and stuff
2 again that we haven't even thought of and, you know,
3 we're right in the center of that in terms of this state.

4 Demand response, energy efficiency, as I
5 mentioned, plug-in hybrids, all those things, big ticket
6 items that are going to change how the industry goes
7 forward and, you know, transmission at the center of all
8 of that.

9 National security issues and the
10 environment and the changing energy policies, I know all
11 that stuff is happening here in Lansing, also happening
12 at the federal level. I know there was a bill sometime
13 last month that was introduced at the federal level to
14 kind of, overall kind of some of our energy policy there;
15 it's not going away, it's only changing, and again, we're
16 right in the center of that.

17 And also what I'll underscore as I go
18 forward, there's changes outside of the state that are
19 going to affect what's happening in the state, and so I
20 want us to, as we're thinking about these policy
21 discussions and going forward, I want us to understand
22 that sometimes, again, the fix that happens outside of
23 our footprint is what's going to drive lower costs for
24 all of our customers.

25 Okay. So regional transmission, I was

1 talking a little bit about that. That map on the right,
2 it's not the best map, but it's kind of one of the ones I
3 could come up with, shows all of the MVPs, so the Multi
4 Value Projects within the MISO footprint.

5 You know, I'm going to take a little
6 credit because I'm not too shy to do that. The ITC's
7 Green Power Express, which is a conceptual idea we came
8 up with back in 2009, and it was a transmission overlay
9 where we looked and said, all right, all of, especially
10 in MISO, all of the population centers are, you know,
11 east of the Mississippi in MISO, so you have Detroit,
12 Columbus, all these other, Indianapolis, cities that are
13 big energy users, and you have a big wind regime out
14 west, so how can we get that low cost energy to the
15 population centers, so we came up with this concept
16 called the Green Power Express. On its face, it, you
17 know, wasn't approved through MISO, but what ultimately
18 came out of that is what you see here, this sort of
19 spiderweb of lines, and it really is, if you overlay what
20 we came up with as a concept and overlay what ultimately
21 got approved from MISO, it's really much -- part and
22 parcel of the same thing. So the Multi Value Project
23 concept and idea spawned 17 projects across the upper
24 midwest. Again, you can see them there. MISO has, you
25 know, a lot of their website devoted to talking about

1 these MVPs. Our midwest footprint, so out in Iowa, we're
2 involved in -- let me stand this way -- in these projects
3 right here, so 3, 4, 5 and 7, all, you know, looking to
4 improve that transfer of power from the wind centers that
5 you have out in Iowa and get those out east. MISO
6 approved that whole portfolio back in 2011. I know some
7 folks here had different thoughts about it, but I think
8 at the end of the day what you're going to find is these
9 projects ultimately are going to lower the cost of energy
10 across the footprint, but even in our state as well.

11 MR. MacINNES: So Kwafo.

12 MR. ADARKWA: Yes.

13 MR. MacINNES: So maybe you could just
14 confirm this: So that means sometimes when you change a
15 wire in Iowa, it lowers the power price in Michigan?

16 MR. ADARKWA: It does, because as the way
17 the markets work and I know, again, I feel like I see
18 most of you guys --

19 MR. MacINNES: We've rehashed this a few
20 times.

21 MR. ADARKWA: Yeah, yeah, yeah. And so
22 the way the integrated network works is that, yeah, you
23 do something over here and that reduces congestion not
24 only here but other parts of the system, right, and
25 that's going to ultimately bring -- you know, the rising

1 tide lifts all boats, and the same in the opposite
2 direction. It can, you know, a project in another part
3 of the region can bring down costs because you're able to
4 import power from cheaper regions of the country.

5 So yeah to your point, you could do a
6 project -- in fact -- it's really hard to see, but
7 Project 12 kind of in northern Indiana and kind of just
8 touching the tip of southwest Michigan, that's a project
9 that's going to drive costs down, it's going to allow for
10 more imports out of that region. And then the one,
11 again, we're most proud of is the Thumb Loop Project that
12 was completed, fully put into service this year. We'll
13 talk about that in the next couple slides. But it's a --
14 it was the first MVP, and again, I know a lot of you all
15 had thoughts and discussions on that when it was going
16 through, but it's really providing a benefit, it's really
17 a good project.

18 These are kind of the ITC projects we
19 have out in Midwest in a little bit more detail. We've
20 got a lot of joint projects, we've got one here with ATC
21 kind of going through Wisconsin, we have one with Ameren
22 and Mid American, kind of in the Iowa-Missouri period --
23 or part of the country I should say. We've got another
24 one with Mid Am on the northern part of Iowa, and some
25 into Minnesota there. So all of these projects, right,

1 as a part of the portfolio really are looking to lower
2 that delivered cost, and on a 20-year lifeline, you're
3 talking about a 3-time, 4-time multiple in terms of cost
4 benefit.

5 MR. MacINNES: That's on a present value
6 basis?

7 MR. ADARKWA: Yes, present value basis.

8 So the Thumb Loop, the one we are, again,
9 the first one in the hopper, the one we're most proud of,
10 we've talked about this and I've gone a lot of places and
11 talked about the Thumb Loop Project, was the largest
12 project in our company's history, a lot of collaboration
13 between state entities, the legislature, Public Service
14 Commission, the Wind Zone Board that folks will recall,
15 and other stakeholders, you know, our customers. So it's
16 a very good effort. I think it was a right sort of
17 planning for the state, right. Identifying a problem,
18 identifying then the ways to solve that, and then coming
19 up with a solution to solve a problem that existed,
20 because before the Thumb Loop Project, the infrastructure
21 in that region of the state wasn't robust enough to deal
22 with the wind penetration that was happening, and so this
23 project kind of looked at, boy, there's a lot of wind
24 that's going to come out of this region and how do we
25 best get that on the system. So this is a little bit of

1 a timeline on how we went through and got some of the
2 approvals needed for that, you know, and again, the
3 energization which was a big deal happened earlier this
4 year, 2015.

5 Little bit more specificity about the
6 project. It's about a 140-mile line, 345 kV double
7 circuit, so two big circuits that kind of wrap around the
8 Thumb. If you go up there in any of those regions, Caro,
9 Bad Axe, you can kind of see the line working in
10 conjunction with the wind farms, it goes kind of right
11 around where you see a lot of the wind farms in that
12 region. Pretty impressive site. There's four new
13 substations. The full capability would be about 5,000
14 megawatts, so it's definitely sized for any new growth in
15 the area, and it was done that way purposefully. Again,
16 it was completed in the spring. Right now we've got
17 about a little over a thousand megawatts in that region
18 that's currently online in the grid.

19 This last piece I really wanted to touch
20 on a little bit. You know, when we were in construction
21 of the project, the economic impact to the state was
22 almost \$400 million; had about 300 construction jobs, a
23 big boom for that area. We talked to a lot of the people
24 and the locals there really appreciated having the
25 project in their footprint, really brought a lot of

1 benefits, you know, restaurants were full, hotels were
2 full, it's a really, really good project in that aspect.

3 MR. BZDOK: My wife is from southwestern
4 Ontario --

5 MR. ADARKWA: Yes.

6 MR. BZDOK: -- and we came back today
7 from Canadian Thanksgiving, and every time we go under
8 the Thumb Loop, I excitedly point it out to my family --

9 MR. ADARKWA: And I appreciate that.

10 MR. BZDOK: -- and they roll their eyes
11 primarily, but I want you to know that I always point it
12 out.

13 MR. ADARKWA: And I like that. And my
14 family does the same thing as I'm driving like this down
15 the road like, oh, look at that, that's one of our
16 towers. They're like, pay attention to the road, where
17 are you going. It's like what are you doing; I'm like,
18 but that's our stuff.

19 MR. BZDOK: So I drove under it three
20 hours ago, and I was excited.

21 MS. WILSEY: You're still feeling it.

22 MR. ADARKWA: It's a pretty cool thing,
23 everybody should take a chance to go up there and look.

24 The bill, everyone is concerned about the
25 bill. I am concerned, I pay the bill, you all the pay

1 the bill, everyone is concerned about what all this
2 investment means for the bill. I go out of my way to
3 mention that transmission is a small fraction of the bill
4 in Michigan. A lot of times on my day-to-day I'm looking
5 at bill comparisons and viewing that stuff and trying to
6 make sense of it. You know, on the right-hand panel, it
7 shows you where we're at. That's pretty recent data,
8 that's within the last month or so. You know, Michigan's
9 percentage is less than the national average; so for all
10 of this expansion I've talked about, all of our growth
11 portfolio and everything like that, when we look at, for
12 the residential customer, the typical residential
13 customer is paying approximately four percent on their
14 bill for transmission.

15 MR. AULT: Kwafo, does that include the
16 U.P., or did you -- how did you do that, establish --

17 MR. ADARKWA: This was our -- this was
18 the lower Michigan footprint. I, you know, I let my
19 friends in that part of the state talk about their own
20 stuff. But for lower Michigan -- it's a very good
21 distinction, Jim. For lower Michigan, so across
22 southeast Michigan and the other side of the state,
23 that's where we're at, you know, when you look at the
24 full-on rate for people.

25 The benefits of regional transmission, if

1 I haven't already talked about it, I mean you're opening
2 wholesale markets by investing in the grid across state
3 boundaries and hopefully lowers all of that, that whole
4 bill down by doing that. And again, it provides kind of
5 that cost benefit across all the different rate classes,
6 because at the end of the day, if you're paying less for
7 the actual power you needed, that's going to flow through
8 to customers, it just has to.

9 So congestion, right, little bit of
10 market stuff for you. In MISO, which many of you know,
11 is the regional transmission operator and also
12 administers energy markets, the cost of the locational
13 marginal price is developed by energy, congestion, and
14 losses, and so congestion, being a part of that three-
15 pronged thing, is -- there's a real cost to it, and the
16 best way to mitigate congestion is to build transmission.

17 This slide is little busy, but I'll try
18 to summarize it a little bit. The deliverability of wind
19 generation, still an issue. So we've got the MVPs out
20 there, a lot of them are not in service yet, so that's
21 why you're seeing some of these issues, but you can't get
22 that power from west to east, that's why they developed
23 this process, that's why they conceptualized and went
24 ahead and approved the process of getting power west to
25 east through these projects. Realtime congestion costs

1 in central MISO went up. I've got some numbers here I
2 think that I'll go to like at the end of the
3 presentation.

4 But the other thing that should be noted
5 as we talk about congestion, you know, the west-to-east
6 flows also are causing -- the lack of the good
7 west-to-east flows are causing higher realtime congestion
8 costs at the interface between MISO and PJM. So PJM, the
9 other RTO that operates in our state, there's a seam
10 between the rest of the state and southwest Michigan, and
11 then also through MISO through the Chicagoland area,
12 they're in PJM and their surrounding area is in MISO, and
13 so there's interface issues and congestion pinchpoints at
14 both of those interfaces.

15 MR. MacINNES: So Kwafo, there's been a
16 lot of discussion about Michigan power --

17 MR. ADARKWA: Right.

18 MR. MacINNES: -- versus you're talking
19 about moving power from the western MISO area, --

20 MR. ADARKWA: Right.

21 MR. MacINNES: -- and some people say we
22 have to have Michigan power because we have to. You're
23 an electrical engineer, right?

24 MR. ADARKWA: Yes, I am.

25 MR. MacINNES: So could you talk to us

1 about that and, you know, I mean the trade-off, you know,
2 why do you need Michigan power, how much do you need, you
3 know, and how does it compare with power coming in from
4 the western MISO area?

5 MR. ADARKWA: Sure. I mean there's a
6 couple-prong way to approach the question. You know,
7 we're supportive of what the Governor is trying to do and
8 the concept of having some Michigan-based solutions, but
9 we also realize what's happening on the system in a
10 broader sense. We have the ability, because we monitor
11 the system as far as west as Iowa and as far east as here
12 in Michigan, to see that there's a generation that's a
13 lower cost that outside of the state that can help
14 mitigate prices. That's not to say that there isn't a
15 need in some form, and I don't know what the right number
16 is, to build in-state generation, that's not what I'm,
17 you know, proposing at all, I think there's a nice
18 balance between the two, right, they should go
19 hand-in-hand. While we want to control our own destiny,
20 and that makes sense to some extent, we also need to look
21 that there's a broader footprint out there, there's a
22 broader mechanism to get power from other regions into
23 the state. And if, you know, to me, if it's cheaper to
24 import that, that might be a little bit something to look
25 at. You know, there's reliability benefits from building

1 generation in-state for sure, but the transmission system
2 is at about 99., I think, 2-percent reliable as well, so
3 it's all things to consider. So I don't know if that
4 answered your question.

5 MR. MacINNES: Yeah. I think one of the
6 issues is also that in order to provide voltage support
7 inside the state, you need generation, you know, large
8 support for --

9 MR. ADARKWA: Without question. You need
10 spending reserves, you need some peaking plants, and
11 you'll see plants that we do have in the state, that's
12 never going to go away. And a lot of times you have
13 this, well, if I don't build generation, you guys are
14 going to build a bunch of transmission, and then it --
15 the two go hand-in-glove, like there's not this, you
16 know, either/or proposition, the two have to work
17 together. So as we look at a future policy and the
18 future plans, yes, you need some in-state generation, but
19 you also can solve some of your needs by bringing the
20 transition -- having the transmission available to bring
21 power into the state.

22 Just some, for numeric illustration, you
23 know, day-ahead, so the market operates in a day-ahead
24 and the realtime basis, two separate markets; most
25 transactions take place in the day-ahead, so that's

1 planning for the next day in terms of energy. So I
2 looked back in Independent Market Monitor, who kind of
3 watches these market issues, and he said, you know, from
4 2013 to 2014, the day-ahead congestion costs rose 71
5 point to \$1.44 billion, that's across the footprint, and
6 that's real money, that's real money that needs to be
7 mitigated, right, because customers are paying that,
8 they're paying a portion of that in their bills. So part
9 of that also, you know, the congestion had to deal with
10 the Polar Vortex and some other issues, but at the end of
11 the day, there wasn't enough transmission to help
12 mitigate the congestion that was happening on the system.

13 So again, as I just was talking about, we
14 have the ability because we operate in so many different
15 places to see the bigger picture. You have this federal
16 policy called Order 1000 that looked at inter -- and I
17 think I talked about it when it was first coming out, I
18 think I brought it before this board -- was looking to
19 really deal with interregional planning, to deal with
20 interregional cost allocation, those type of issues. It
21 hasn't gone far enough, as many things happen at that
22 level, there's still -- the devil's in the details and
23 it's not really borne the kind of fruit that you would
24 like to think would happen. It was supposed to be this
25 panacea for getting some of these regional projects that

1 are going to deliver power across wide areas built, and
2 it hasn't.

3 And so, you know, we still maintain, and
4 I still maintain that, you know, getting interregional
5 planning right is going to help the entire footprint and
6 the entire country. There's issues between these
7 different RTOs you see on the board, each one has its own
8 different mechanism for allocating costs and for how they
9 plan the system, and we think that they should be working
10 together to mitigate these seams, to allow for
11 transmission to be built. You know, there's good
12 projects that are on the table -- I know we spoke just
13 beforehand about a position that CARE took with respect
14 to the market efficiency projects, and I appreciate you
15 taking that position because, you know, those type of
16 projects, when you talk about market efficiency projects
17 within MISO, that purpose is not only a reliability
18 benefit, but to lower the delivered cost of energy, which
19 should be the mainstay of the RTO and, quite frankly,
20 should be the goal of all of us that are operating in the
21 utility space in Michigan.

22 So, I don't know if there's anymore
23 slides. So my contact stuff is there; the presentation,
24 Michelle has.

25 A couple other things I just wanted to

1 touch on real quickly. We talked about the day-ahead
2 situation in the midwest. One thing that you all know if
3 you follow the market is that Michigan remains the
4 highest LMP in all of the midwest part of MISO; there's
5 some pockets down in the south because they don't have
6 transmission that are a little bit higher on an average
7 basis, but, you know, we try to look for solutions that
8 are mitigating that; I sound redundant in that regard.

9 One thing that's happening on a state
10 legislative level that we are supportive of is this
11 concept of connecting the Peninsulas. We think that
12 Representative Cole and Senator Casperson's concept makes
13 some sense, and we think that if you open up that
14 flowgate a little bit more, allow for more transmission
15 capacity, that we can get to those lower LMPs, we can
16 take advantage of some of the other generation that's in
17 the system that's not necessarily getting into Michigan
18 right now.

19 MR. MacINNES: So has MISO done an
20 analysis of that on the cost basis?

21 MR. ADARKWA: They did through the --
22 they had a midwest look, they had two different midwest
23 studies, they looked at projects like what's being
24 discussed, but part of legislation is there is no project
25 on the books right now that would do exactly what's being

1 talked about, connecting the Peninsulas. A lot of what
2 MISO looked at was going from the west side of the state,
3 northwest side of the state, cutting across the lake and
4 going into the western U.P. So they've not looked at
5 anything like what's on the table as a conceptual idea.

6 MR. MacINNES: So how would we know if
7 that's got a high enough benefit-to-cost ratio?

8 MR. ADARKWA: Well, that's part of I
9 think what's embedded in the legislation is there's going
10 to be -- the last thing I read is that there would be a
11 board established, almost similar to the Wind Zone Board,
12 that would take a look at all these factors and figure
13 out if it made sense. If it doesn't make sense, I think
14 this board would be able to dictate I don't think that's
15 a project that makes sense, but it would be an
16 independent board made up of --

17 MR. MacINNES: But do you think it
18 would --

19 MR. ADARKWA: I think right now -- I mean
20 I think right now you're looking at that cost basis
21 differential between the U.P. and the L.P. and then the
22 whole state and the rest of MISO, and the ability to kind
23 of go in the Lake Michigan Loop, it's got benefits, and
24 you're not achieving that full benefit of doing things
25 like pumping Ludington at an even cheaper cost than you

1 get now by not having that in place. So I think there's
2 some good merit to a project like that.

3 I talked a little bit about congestion
4 numbers. Just so you all know as well, you know, MISO as
5 of 2014, and this is pretty consistent as a whole, as a
6 net importer of energy for both the day-ahead and
7 realtime, I think as a state we are a net importer as
8 well, and I think, you know, congestion did come down in
9 2015, but, you know, that's in part due to some of the
10 new projects that came online and some weather concerns
11 as well.

12 So I'll take any questions. Sorry I'm
13 long-winded. I hope I wasn't too fast. Okay.

14 MR. SMITH: Kwafo, thanks for coming out.

15 MR. ADARKWA: No problem.

16 MR. SMITH: Can you talk a little bit
17 about the role of net metering and transmission
18 congestion, what you guys are looking at and how you're
19 facing that policy.

20 MR. ADARKWA: Well, as in terms of a
21 policy, we haven't taken a position on net metering,
22 right, we're going to let that shake itself out. I mean
23 on a personal level, I think there's merit to that, I
24 mean there's merit to when you look at, you know, what --
25 I think the biggest thing I should say is, from a

1 reliability standpoint, right, when you're looking at --
2 I'm assuming you're going into the context of the lower,
3 or the kind of more distributed generation and what that
4 happens to customers. What I've talked to when I've
5 talked to the engineering sense, forget the policy stuff,
6 the engineering part of it, the actual practical
7 application is, to the extent that generators are known
8 or could be aggregated and there's some sort of sense for
9 what's happening on the system, that's workable. It's
10 the unknown and it's the piece where you don't know
11 what's on the other end of that line that causes a lot of
12 heartburn from an engineering standpoint. Forget the
13 policy, forget -- and that's kind of what we really at
14 the end of the day are most concerned with is reliability
15 and the safety of the people in the field. And so if you
16 look at it from that and you take all the policy
17 positions out from it, just from that standpoint, if you
18 can do it reliably, you can do it maybe in an aggregated
19 basis, makes some sense.

20 MR. SMITH: So that makes -- so there's
21 an information sharing component to that that's missing;
22 is that what you're saying?

23 MR. ADARKWA: Well, no, I mean -- yeah,
24 actually there is. I mean there is. Like I don't
25 know -- I know that the distribution utilities have some

1 sense of net metering customers; what I don't know is if
2 that -- and I'm, actually, I'm pretty positive that that
3 aggregate number of net metering customers, whatever that
4 number is, if that's being transmitted up to us at our
5 level. And you wouldn't care about, you know, if you're
6 putting --

7 MR. SMITH: Right, right.

8 MR. ADARKWA: -- you know, 5 kW, that's
9 no big deal, but if we're up to half a megawatt or
10 something like that, you know, something like a smaller
11 scale peaking plant, I mean that's important, that's
12 impactful, we need to know that; and that's been where
13 the whole debate is, again, policy -- you know, take the
14 policy out of it, it's more from the guys I talk to when
15 I'm talking to crew members out there, they're like,
16 that's all fine, we just need to know where it's at,
17 because they don't -- the last thing you want is to know
18 that a lot of energy being injected in the system and
19 they're out working on the line.

20 MR. SMITH: Yeah. How about the -- how
21 is the pricing, the cost of that distributed, so is that
22 based on generation or consumption --

23 MR. ADARKWA: I'm not familiar exactly --

24 MR. MacINNES: -- for transmission I
25 guess, just generally?

1 MR. ADARKWA: Oh. Well, transmission is
2 billed to the retail electric utilities, --

3 MR. SMITH: Okay.

4 MR. ADARKWA: -- so it doesn't -- it
5 filters down vis a vis the PSCR, which you all know
6 about, like that, but we don't directly bill, we wouldn't
7 bill a net metering customer per se. The transmission
8 component isn't a part of -- you don't see it as a line
9 item on your bill.

10 MR. SMITH: So a utility is passing that
11 on, passing on the transmission cost to a consumer is the
12 utility's choice?

13 MR. ADARKWA: The mechanism how they do
14 that, yeah, it's their choice. I mean MISO serves as a
15 conduit, so we send our bill to MISO, who then sends it
16 on to the utilities, and then the utilities pay MISO, who
17 then pays us, so they serve as the conduit, so we don't
18 get down at the granular level of a, at the customer
19 level in terms of the residential. We do have some
20 connection at a, you know, industrial level, but not
21 nothing down there. We're the big wires.

22 MR. SMITH: So when the utility is paying
23 you, how are you -- what's the basis for that cost for
24 you?

25 MR. ADARKWA: The basis, so you're saying
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1 how do we levy a charge to --

2 MR. SMITH: Yeah.

3 MR. ADARKWA: So it's funny, I just did
4 this morning, maybe that will be another presentation,
5 Rates 101, I can do that, Transmission Rates 101, I just
6 did that --

7 MR. MacINNES: That would be good.

8 MR. ADARKWA: -- at 10:00 o'clock this
9 morning for some folks from the Public Service Commission
10 and some folks from the legislature. But basically I'll
11 drill down my 45 minutes there into two seconds
12 hopefully.

13 We have a projected amount that we have,
14 that we require, revenue requirement. That revenue
15 requirement is based on what we have in service, the
16 return on equity, and then also our operation and
17 maintenance costs, some of those general costs, taxes and
18 that type of stuff. So we develop a revenue requirement,
19 it flows through to a rate, you take the revenue
20 requirement, divide it by the amount of load we have in
21 the system, and that spits out a rate, and that rate is
22 what's levied to all the customers that take transmission
23 service within Michigan. And so that rate, you can find
24 in PSCR cases, but that rate is what's levied to the
25 retail electric customers. So it's a whole process. And

1 again, I'll be more than happy at some point in the
2 future to come in and talk about the ratemaking process.
3 But we have a, what's called a formula rate.

4 MR. SMITH: Okay.

5 MR. BZDOK: What is ITC's ROE these days?

6 MR. ADARKWA: I'm sorry?

7 MR. BZDOK: What is ITC's ROE these days?

8 MR. ADARKWA: For ITC Transmission, it is
9 13.88, and for METC, it's 13.38.

10 MR. SMITH: Could you explain that? I
11 don't know what that is.

12 MR. ADARKWA: Return on equity, so the
13 authorized return we're allowed to get on our
14 plant-in-service, so the stuff we've put in the ground.
15 That ROE is currently being litigated, so I'm assured
16 that we probably won't be earning that same return going
17 forward.

18 MR. BZDOK: What are the transmission
19 companies' arguments for why they have a higher risk or a
20 higher difficulty attracting capital than your generation
21 distribution facilities?

22 MR. ADARKWA: Sure. Especially starting
23 up, right, people didn't know what an ITC was or, you
24 know, they knew there was some investment, but they
25 didn't know, you know, what it meant or what it was going

1 on with it. There's a lot of delay that, you know,
2 that's incurred in building a transmission project. You
3 know, when you look at something like the Thumb Loop, if
4 you look at the slides from conception in 2008-9 to
5 energization in 2015, you're talking about six years, so
6 anywhere along that continuum you could have had some off
7 ramps and, you know, your investment profile that needs
8 match that risk, right, we all know that.

9 The argument that a lot of folks are
10 making is that, well, you guys have matured to a level,
11 all of you transmission owners have matured to a level;
12 are those returns still needed to attract capital?
13 Obviously we're going to say, you know, you do need to
14 earn a return on that stuff. What that number is, again,
15 that's going to be left for FERC to decide. But there is
16 an inherent risk still in building transmission versus
17 some of these other investment things that you could put
18 your money into, not even just, you know, generation. I
19 try to get away from the G&T, generation versus
20 transmission; there's still inherent risks when trying to
21 build these big, big projects.

22 MR. COYER: I've got a question.

23 MR. ADARKWA: Yeah.

24 MR. COYER: I'm familiar with how
25 Minnesota and Iowa and encouraging wind generation, and

1 your illustration up there really showed that in a couple
2 of different places. We were talking about the movement
3 of that, the generation to Michigan.

4 MR. ADARKWA: Right.

5 MR. COYER: You talked about the
6 reliability of the transmission system itself. What do
7 you see as the major roadblocks, sort of bottlenecks to
8 moving that power from the west, this wind-generated
9 cheap power, into Michigan, what do you see as the main
10 issue is?

11 MR. ADARKWA: Well, again, the congestion
12 is always an issue. Congestion can be mitigated by, you
13 know, by a variety of factors, none the least of which is
14 investing in the grid and building more transmission
15 there. Building that transmission means that you have to
16 go through, and believe me, we've gone through the state-
17 specific siting requirements of all those states that you
18 need to try to build a transmission project through, and
19 look at an outfit like Clean Line Energy, which was
20 trying to build a project doing that, but it was a DC,
21 direct current, from the wind regime overall to the east
22 coast just with some off ramps, and they had all sorts of
23 problems, they weren't able to do it, they're in
24 litigation trying to go back and forth with it.

25 But it's really more of a site-specific

1 issue, and it's also a planning-level issue. So the MVPs
2 are in place, or they're going to be in place to help
3 with that, but to go beyond that next level, which you
4 may need to do for that west-to-east import, it's going
5 to take some more foresight by the RTOs and foresight by
6 the transmission owners to kind of come up with a more
7 global holistic approach for transmission planning that
8 gets these right projects built that help facilitate it.
9 The MVPs are going to go a long way to do that, but
10 there's still a gap missing that can be filled by kind of
11 some smarter planning and broader ideas.

12 MR. COYER: Just to follow up on that, I
13 follow that industry out there, I watch it --

14 MR. ADARKWA: Yeah.

15 MR. COYER: -- and I'm seeing it's
16 expanding rapidly, and it's growing, --

17 MR. ADARKWA: Oh, yeah.

18 MR. COYER: -- and there are towers going
19 up all over the place out there. The energy is being
20 generated; where is it going?

21 MR. ADARKWA: Right. It's going to, and
22 as we go into the engineering piece of it, the path of
23 least resistance, right. It's being generated, and it's
24 going to some low pockets, it's not going all the way,
25 you know, where it needs to go here in the east. I mean,

1 you know, obviously the megawatt injected here isn't
2 necessarily that same megawatt that's consumed, say, in
3 Michigan, but it's finding its way to the east, but not
4 enough of it's way finding its way to the east. A lot of
5 times you have, because of congestion and the times of
6 when the wind generation is online, you have some min.
7 gen. events where you're having to ramp down other
8 generation to kind of have that wind stay online and go
9 places, you know, go to where it needs to go. It's
10 still -- it's not a perfect system yet in terms of that
11 import-export type of capability, but it's moving towards
12 that effort. So that wind, that Minnesota/Iowa wind,
13 some of it gets to the Twin Cities, some of it gets out
14 of, like to Iowa City and on east, but, you know, it's
15 still not making its way all the way through to --

16 MR. MacINNES: I think the best way to
17 think of it is just what he said, it takes the path of
18 least resistance. I've got a really good paper on it I'd
19 be glad to share with you.

20 MR. COYER: I'd love to look at it.

21 MR. ADARKWA: Yes, John.

22 MR. LISKEY: This is a good segue, if you
23 could take a minute and talk about the market efficiency
24 projects as one of those kind of intermediate steps to --

25 MR. ADARKWA: Yeah. So MISO has three

1 buckets of projects, they have what are called baseline
2 reliability projects, they have the MVPs, which we talked
3 a lot about here in this presentation, and they have
4 market efficiency projects. That last bucket, the market
5 efficiency projects are sort of the third rail, things
6 have just not been built under that bucket of projects,
7 and we think, as John kind of looked at some of our
8 comments we made, we think that that's wrong, we think
9 that that's part of the issue with these higher LMPs
10 quite frankly is that we're not building projects that
11 have economic benefit. Some of those projects can be
12 found at a lower voltage. Right now, the threshold for
13 market efficiency projects are 345,000 volts, so it's a
14 high threshold, some different cost benefit ratio metrics
15 that are needed to have a project go through that
16 approval process, and that doesn't even take into account
17 some of the other benefits that would accrue to building
18 a project maybe at a lower voltage that's more localized
19 that can solve some issues, get some of that west-to-east
20 going, get some of the more imports into the state. So
21 we've been on that charge ever since that concept was
22 brought into MISO is that, you know, you should look at
23 your policy, MISO, and say, we haven't had any projects
24 built that are in this bucket of projects, maybe
25 something's wrong there. So that's, you know, the long

1 form -- or short form of what we were going for in our
2 comments at MISO.

3 MR. LISKEY: And just to follow up, the
4 transmission developers made a proposal just last month
5 to lower the threshold to 200, and Michigan CARE has
6 supported that in stakeholder comments we filed on
7 Friday. Not all consumer groups in all the states agree
8 with us, but we definitely think it helps in the U.P. and
9 it helps in the Lower Peninsula, and this is one of those
10 issues where we're in agreement with ITC, UPPCo, We
11 Energies, DTE, so we're all kind of singing from the
12 Michigan handbook here, or songbook, whatever you --

13 MR. ADARKWA: Yeah, it's -- to me, that's
14 the engineering part, it's a simple concept, like if you
15 do that, if you lower the threshold, you're able to build
16 projects, that's going to lead to lower cost energy.
17 It's simple. So it's quite frustrating at the MISO level
18 that they're not able to come up with a mechanism that
19 allows these projects to go forward.

20 MR. LISKEY: Oh, we're going to be
21 successful.

22 MR. ADARKWA: I hope so, you and me both.

23 MR. LISKEY: The timeframe is by February
24 that MISO is going to vote on this. So it's moving, it's
25 on the front burner to evaluate.

1 MR. MacINNES: So Kwafo, what is your --
2 do you know what your I squared R losses are for the ITC
3 transmission?

4 MR. ADARKWA: Boy, it's going to vary
5 from --

6 MR. MacINNES: I mean as an average.

7 MR. ADARKWA: -- system to system.

8 MR. MacINNES: I mean it's going to vary,
9 but as an average.

10 MR. ADARKWA: (Inaudible). I'm sorry, I
11 was thinking --

12 MR. MacINNES: He was thinking out loud.

13 MR. ADARKWA: -- and then something was
14 coming out, I don't know if I was talking or what.

15 Yeah, I don't know, Jim, our I squared R
16 losses for Michigan. They're less than they are in ITC
17 Midwest, because we operate a lower voltage system out
18 there, we go down to 345 in the Midwest, so obviously
19 they have greater losses, a lower kV threshold. I don't
20 know, I'd have to go bother my true engineers in the
21 building to get you a number, but I can look that up and
22 see what the losses are. It's not a lot.

23 MR. MacINNES: It seems like some of the
24 data I've seen show nationally it's about 6 1/2 percent,
25 somewhere in there.

1 MR. ADARKWA: Yeah, I mean that's
2 probably the ballpark for Michigan, maybe a little lower,
3 I mean, because you think of the improvements made on the
4 system, different conductor and stuff that you're putting
5 in to help mitigate some of those losses.

6 MR. MacINNES: There are a lot of
7 factors.

8 MR. ADARKWA: Yep.

9 MR. MacINNES: Okay. One question, one
10 other question I had: Have you been involved with any
11 utility-scale battery installations and looking at those?

12 MR. ADARKWA: Not yet. How about that,
13 does that work?

14 MR. MacINNES: Yeah.

15 MR. ADARKWA: I mean that's something --

16 MR. MacINNES: It's coming.

17 MR. ADARKWA: -- we're looking at. It's
18 coming.

19 MR. MacINNES: California.

20 MR. ADARKWA: Yeah, you saw, California
21 ISO looking at that. But yeah, utility-scale battery is
22 sort of that next wave of change, disruptive change
23 within the utility industry, so we're definitely looking
24 at what that could do, you know, try to stay in our lane,
25 but also be forward-thinking like we have been, things

1 like Green Power Express, we want to be in front of the
2 curve instead of letting the train hit us as technology
3 goes by. So stay tuned on the battery stuff.

4 MR. MacINNES: Well, thank you. That was
5 a great presentation. We appreciate it.

6 MR. ADARKWA: No problem. Thank you all
7 for your time today.

8 MS. WILSEY: And as Kwafo mentioned, I
9 have an electronic version that I can distribute or have
10 it sent out.

11 MR. MacINNES: Okay. Let's move on to
12 the business items, and maybe we could start with the MEC
13 transfer request.

14 MR. BZDOK: Thank you, Mr. Chairman and
15 members of the board. I will apologize before for
16 referring to my phone in part for this presentation, but
17 that's the only place I have the e-mail that I sent to
18 the board on Thursday evening in an excited fashion.

19 We put in front of you a transfer request
20 with the consent of CARE for unused funds from the DTE
21 side cost-of-service case, this was just the leftover
22 money, to help support the briefing on exceptions and
23 replies to exceptions in the DTE rate case. We gave you
24 a detailed writeup in the status memo of the primary
25 issue that we were working on in the DTE rate case, which

1 is an issue we've talked about at length on a number of
2 different occasions having to do with the cost of
3 pollution control sorbents, activated carbon injection or
4 ACI, dry sorbent injection or DSI, to comply with the
5 Mercury Air Toxics Standard, Michigan Mercury Rule, and
6 similar related regulations, and there are retrofit
7 projects ongoing at DTE, and in several PSCR cases now, I
8 believe three now, there have been issues litigated
9 regarding the potential all-in cost of energy from these
10 units with the retrofits and these sorbents which are
11 collected in the PSCR and also raise the dispatch price
12 which affects the net generation and sales in the PSCR.
13 And we've gotten favorable findings in proposals for
14 decision, and then the Commission said, we don't
15 disagree -- or we think you have a good point in essence,
16 but you have to litigate it in the rate case.

17 And so now we're in the rate case, and we
18 gave you a detailed writeup on what the modeling issues
19 were there. And then we also, when we had a memo for a
20 rate case request back in February, we also gave you a
21 raft of other issues; we said some of these are Act 304,
22 some of them are outside, we have some other outside
23 source of money, and we're letting you know everything
24 we're up to.

25 And so then we had this request for the
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1 briefing phases, and we got the PFD on Thursday, it was
2 340 pages, that the longest PFD I've ever seen. I mean I
3 haven't been doing this -- I guess I've been doing this
4 the eight years, nine years now, but I've never seen one
5 that big. And it's very thorough on a number of
6 different issues, and it has very strong findings in our
7 favor on this ACI/DSI issue. It in essence says, adopts
8 Dr. Ron Sahu's testimony and says the chemical side of
9 this doesn't make any sense, the projections have been
10 all over the map, they've been inconsistent. I think I
11 mentioned to you in the last meeting that DTE had
12 rebuttal testimony and an exhibit where they said, you
13 know what, changes are changes but these are the numbers,
14 these are truly the numbers this time, and then we had
15 cross-exam where the witness couldn't explain the crazy
16 numbers in the backup spreadsheet to the main spreadsheet
17 that was part of that evidence. And the PFD basically
18 found that, found the witness didn't know what he was
19 talking about, the spreadsheet didn't make sense, the
20 chemistry didn't make sense, et cetera, et cetera.

21 So the recommendations there were to
22 reduce a recovery of the ACI/DSI back to the 2013-2014
23 projections, which were much lower, when the Company was
24 making the decision to move forward with the retrofits.
25 The Company says, you can't judge us based on today's

1 information for decisions we made in '13-14. And so the
2 PFD says, I think very astutely, fine, but hold them to
3 that level of recovery, and then additionally, initiate
4 an investigation about why essentially the Company is
5 providing all these -- all this inconsistent information
6 about these cost estimates and whether any further action
7 is warranted.

8 And so those are the recommendations
9 there; we think they're very strong, very powerful, we
10 think they're very well thought out, and that's that
11 issue.

12 We also had --

13 MR. MacINNES: How much is that going to
14 save ratepayers, would you say?

15 MR. BZDOK: I don't have that number
16 sitting here today because the information is so new, but
17 I will have it to you before your next meeting.

18 MR. MacINNES: Okay.

19 MR. BZDOK: Let me -- yeah, I will have
20 some more information for you for your next meeting; and
21 the reason I say that is I don't know how much of that is
22 dependent upon different assumptions about dispatch --

23 MR. MacINNES: It's complicated.

24 MR. BZDOK: -- versus just the raw -- I
25 know I can get you raw differences in cost over, you

1 know, some period of time.

2 We also litigated in both Consumers and
3 DTE the issue of contingency amounts included in
4 projected spending budgets for capital expenditures; we
5 were shoulder-to-shoulder with the Staff on that, and we
6 helped at the hearing with cross-examining witnesses on
7 those issues, got a favorable recommendation there.
8 Stood shoulder-to-shoulder with the Attorney General on
9 putting the East China gas plant, which is an affiliate
10 plant, into rate base essentially based on just it
11 doesn't -- DTE had a -- in their filing they said we're
12 going to buy a gas plant to be named later, it's going to
13 be of this size, and we think it's going to cost
14 somewhere around this much money, and they had an RFP,
15 and our expert said, well, there's only one plant that
16 qualifies for that RFP and it's the affiliate plant. And
17 then, surprise, two days before Staff and intervenor
18 testimony was due, they announced they had bought the
19 East China plant and that's what they wanted to put in
20 rate base. And so the Attorney General and us both said,
21 you can't do that, you can't just -- you know, you can't
22 just spring this information essentially. And so the
23 recommendation was deny that for now. Does that mean
24 it's out forever? No. But, you know, that's a strong
25 recommendation, probably about process as much as

1 anything else.

2 And then we also opposed their request to
3 start amortizing \$100 million of -- there was a
4 presentation/board education from DTE about the Fermi 3
5 nuclear license development, and I had asked at that
6 time, I asked -- the only question I asked was how much
7 money do you have into this now, and he said 89 million
8 at the time, and so now it's up to a hundred, and they
9 admit they don't know if they're ever going to build this
10 plant, but they feel these are reasonable and prudent
11 costs to have incurred, and they say the license is
12 somehow a used and useful asset itself, even though the
13 plant, we don't know if it will be ever built. So
14 there's a recommendation to deny that.

15 And then we also litigated --

16 MR. MacINNES: I have a question on that.

17 MR. BZDOK: Yeah.

18 MR. MacINNES: So would that be under
19 CWIP provisions or AFUDC, allowance for funds used during
20 construction?

21 MR. BZDOK: They were proposing to
22 amortize it over a fixed period with rate of return. So
23 I think I -- and then a little bit, kind of like at the
24 very edge of my knowledge and ability and in responding
25 to your question in this sense, but I think the answer

1 was neither. I think this was in some -- in a third
2 category, and there was some precedent back and forth
3 dealing with that, and it was similar in its accounting
4 treatment to the way investments in cancelled plants are
5 amortized. And the Staff supported the amortization, but
6 didn't support DTE having a rate of return on it.
7 Basically said, yeah, let them take the money, but they
8 don't get a rate of return unless they're in rate base,
9 and we and the Attorney General said no, you can't --
10 this doesn't fit any acknowledged category. It's not
11 used and useful. I mean they were arguing the license
12 itself is used and useful.

13 MR. MacINNES: And the reason I ask --
14 first of all, CWIP is C-W-I-P, construction work in
15 progress. And the reason I raised this is because in the
16 IRP discussions, there's a lot of talk about allowing the
17 utilities to use CWIP, which is giving them basically
18 financing, you know, ratepayer financing as opposed to --
19 you know, typically when you do a large project like
20 that, you would have something of interest during
21 construction that you would add on to the capital cost of
22 the plant, and then when it's done, you would depreciate
23 the whole thing, but this CWIP allows them to basically
24 get money from the ratepayers ahead of time to finance
25 the project. And then what that means is that the

1 ratepayers end up taking the construction completion
2 risk, which is not a good thing. So you might keep that
3 in mind when you're looking at these matters.

4 MR. BZDOK: I agree with you completely.
5 The utilities will say that the lifetime cost is cheaper
6 with CWIP than AFUDC for the ratepayer.

7 MR. MacINNES: Right. But that's
8 assuming you complete. And, you know, you're putting the
9 completion risk, I mean the utilities are making the
10 plant, they're the developer, they should be taking the
11 construction risk, not the ratepayers.

12 MR. BZDOK: Right. Or the ratepayer
13 should be getting some of that return on equity back,
14 credited back --

15 MR. MacINNES: Yeah, exactly.

16 MR. BZDOK: -- if it's their equity in
17 the plant.

18 But last issue was a request to increase
19 fixed charges. We talked about this a little bit in the
20 context of the cost of service cases and the desire on
21 the one hand to send productive price signals about the
22 cost of energy use decisions and ways of mitigating that,
23 and then on the other hand, saying, well, we're going to
24 increase the fixed portion of your bill so it really
25 doesn't matter how much energy you use or when, at least

1 as to that portion, you're just going to pay a fixed
2 amount, which makes energy efficiency investments,
3 distributed generation investments, all of those things
4 more economic. And it wasn't a huge move of the needle,
5 but it was a significant move of the needle. Douglas
6 Jester and also a witness named Karl Rabago weighed in on
7 that, and the PFD recommends rejecting that as well, both
8 because it's counter-productive in this sense, and also
9 because it's economically regressive. And so Mr. Rabago
10 had -- you know, we put in a whole bunch of evidence on
11 economically regressive nature that, you know, energy --
12 electric use tends to be positively correlated with
13 income, and so at the low levels of energy use and the
14 low levels of income, you know, then you're basically,
15 you're -- it's a bigger proportional increase. So those
16 are all favorable recommendations.

17 I don't anticipate filing exceptions, I
18 mean that's not -- you know, that's where I am right now,
19 so I don't think we're going to use the full amount of
20 the transfer request; I just don't know exactly where to
21 say, you know -- because originally it was the context of
22 exceptions and then replies to exceptions, so I don't
23 know exactly where to snip that. I would just stand by
24 the request and then commit that we're going to give
25 money back out of that. So that's my request.

1 MR. MacINNES: Okay. Are there any other
2 questions?

3 MS. WILSEY: Just a clarification. So
4 there's no money transferring, and all the cases are
5 currently approved under the grant?

6 MR. BZDOK: Yes. This is -- yeah, and
7 that's --

8 MS. WILSEY: So there's no case numbers
9 we need to add?

10 MR. BZDOK: Correct. It's leftover funds
11 from 17689 to 17767. And I think there will be funds
12 leftover then when this is done that we'll just pass
13 back.

14 MR. MacINNES: Okay. Should we go ahead
15 and -- what does the board think, should we go ahead and
16 decide on this now, or do we want to wait until we hear
17 the rest of -- really I guess we've only got one more.
18 There's no change in funds, so --

19 MS. WILSEY: Call for a motion?

20 MR. MacINNES: -- what would you like to
21 do?

22 MR. SMITH: Do them all together.

23 MR. MacINNES: Huh?

24 MR. SMITH: Let's do them all together.

25 MR. MacINNES: Do them all together?

1 MR. ISELY: That's fine with me.

2 MR. MacINNES: Okay. So then we'll go on
3 to the CARE grant request.

4 MR. LISKEY: Thank you. Since our last
5 meeting, UPPCo has filed a rate increase case, and it's
6 the first one since 2013. It's approximately a \$10 per
7 month increase for residential ratepayers.

8 We have not previously been in rate cases
9 in the U.P., but this one I think deserves intervention
10 because the -- the existing rates are some of the highest
11 in the country.

12 MR. MacINNES: What are they?

13 MR. LISKEY: The existing rates --

14 MR. MacINNES: About, roughly.

15 MR. JESTER: Roughly 21 cents a kilowatt
16 hour for residential.

17 MR. LISKEY: And then there's a fixed
18 charge they pay on top of that of like \$12, something
19 like that.

20 MR. JESTER: Yes.

21 MR. MacINNES: So are they talking about
22 increasing the fixed charge or the volumetric rate?

23 MR. JESTER: Mostly the volumetric.

24 MR. LISKEY: So I'll let Douglas go
25 through the specific issues. But just in general, that's

1 why we've submitted this proposal. The Attorney General
2 is -- I don't believe the Attorney General will be in it.
3 I spoke to the office last week, they were not in the
4 rate case previously. And so I think that this is a very
5 important case. I'll let Douglas go through the specific
6 issues.

7 MR. JESTER: UPPCo was part of Wisconsin
8 Public Service until late 2010 or early 2011, and then
9 they've been operating since then in a transitional
10 process where management services have been provided by
11 Wisconsin Public Service, and UPPCo is putting in the
12 infrastructure, staffing, and information technology
13 principally to become a free-standing utility. In this
14 case, they're asking for large increases, part of which
15 are to cover those transitional expenses and some
16 increases in their fundamental costs due to being
17 free-standing. Their actual request would be for a
18 15.2-percent increase in rates, but they are recommending
19 deferring roughly half of that increase until the next
20 rate case, so this time all they're asking for is a
21 little bit over half of that. And then in addition,
22 they're still going through the rate realignment process.
23 DTE and Consumers, I think you all know, basically
24 finished that last year. So there's another 2 1/2-
25 percent increase sort of built in for residential

1 ratepayers. So the overall request, although we're
2 characterizing it for now as basically 8 1/2 percent, or
3 \$9.90 a month for an average residential ratepayer, is
4 really for about 15 1/2 percent and about \$17 a month
5 increase for the average residential ratepayer.

6 This is a utility that has relatively
7 small generation of its own. It owns a few small
8 hydropower plants and a couple of peaking units; most of
9 its power it purchases from Wisconsin Public Service
10 under a power purchase agreement. And they have a very
11 large share of their customer load under interruptible
12 power arrangements. So about 55 percent of their load is
13 not contributing in any way to the cost of production and
14 capacity, only paying energy costs, and the remaining 45
15 percent, which are essentially residential and commercial
16 customers, are carrying the freight entirely on capacity
17 costs. So it's a highly distorted situation.

18 In the 2013 rate case, there were no
19 intervenors on behalf of residential ratepayers, and the
20 sort of startup with the merger and acquisition activity
21 also didn't really have representation, so these guys
22 haven't been looked at very hard in a long time, and it's
23 a situation that has a large list of potential issues.
24 What we're going to have to do within the budget request
25 is take a look at all of it and then be thorough on a few

1 big issues.

2 MR. MacINNES: You know, on this issue of
3 the intermittent rate schedule, I don't think that's
4 unusual; I think Consumers and DTE, the large customers,
5 some of the large customers --

6 MR. JESTER: Well, that -- it's just the
7 proportion that's unusual.

8 MR. MacINNES: Oh, okay.

9 MR. JESTER: It's 55 percent of their
10 load.

11 MR. MacINNES: Oh. So proportion of the
12 total. Okay.

13 MR. JESTER: Yeah.

14 MR. MacINNES: But, you know, it brings
15 up an interesting question, because there's a lot of high
16 intensity energy users that, you know, they basically
17 haven't had -- you know, they've had this interruptible
18 rate, and now the utilities are saying, well, hey, you
19 know, we've never had to interrupt you, and the way
20 things are going, we may have to, and that's causing some
21 concern because they're going to have to -- you know, if
22 they want to run their factories, they're going to have
23 to pay a higher price. Right?

24 MR. JESTER: Uh-huh.

25 MR. MacINNES: So, you know, so in
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1 effect, we've, for some time now we've been shifting
2 costs away from the high intensity users, using that rate
3 and saying, that's interruptible, but don't worry about
4 it, it's probably not going to happen. And so who pays
5 for those costs? The residential ratepayers. Right. So
6 that's, you know -- it could happen here on a larger
7 scale, I guess. Is that right?

8 MR. JESTER: That's right.

9 MR. MacINNES: Okay. Anything else on --

10 MR. LISKEY: No, I think that's it.

11 MR. MacINNES: And amount you're looking
12 for?

13 MR. LISKEY: Is \$50,000.

14 MR. MacINNES: Okay. And what's the,
15 what is the revenue from these, for these -- for this
16 utility, for UPPCo, you know, how many millions of
17 dollars do they take in and, you know, what's the size, I
18 guess the size of the -- and I know you've submitted
19 it -- but what's the size of this utility?

20 MR. JESTER: The revenue request, the
21 incremental revenue request between the deferred and
22 proposed is about 12 million.

23 MR. MacINNES: But what I'm looking for
24 is the size of the utility, how big, what's the total
25 revenue?

1 MR. JESTER: It's 47,000 customers, and
2 it's about \$127 million a year revenue.

3 MR. MacINNES: Okay. Okay. So it's a
4 pretty small utility --

5 MR. JESTER: It is, yeah.

6 MR. MacINNES: -- compared to the
7 Consumers and DTE?

8 MR. JESTER: It is, yeah.

9 MR. MacINNES: But that could be a pretty
10 stiff charge, a hundred or hundred -- well, say \$10 or
11 \$15 a month, that's a lot when you add it up.

12 Are there any -- does the board have any
13 other questions about this request?

14 Michelle, what's our cash situation here,
15 how much we've spent --

16 MS. WILSEY: Yep. So this year the board
17 has committed to granting no more than \$486,674, which is
18 the amount of money that's available for grants from
19 current revenue, less the share of payback that the board
20 was planning to not grant in order to replenish the
21 reserve fund. Okay. So 486,674. Grants to date were
22 \$256,360 out of the 200 -- or 2016 funding authorization,
23 and leaving the remaining of \$230,314.

24 MR. MacINNES: Okay. So we have --

25 MS. WILSEY: For what's been approved to
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1 date and future requests.

2 MR. MacINNES: Okay.

3 MR. ISELY: And how much has been
4 deferred that we're not going to -- that was part of the
5 original proposals that we deferred to February?

6 MS. WILSEY: We had the MEC request for
7 the Consumers Energy and DTE PSCR reconciliation cases in
8 the amount of roughly \$152,000, 70,700 and 80,800. And
9 grab the top sheet. Then we had CARE's request for
10 approximately \$75,000 for I&M Power, WEPCo, and UPPCo
11 PSCR reconciliation cases.

12 MR. LISKEY: Can I add something there?

13 MS. WILSEY: You had removed the WEPCo
14 cost of service and UPPCo cost of service from the
15 original request, so that's not included.

16 MR. LISKEY: Right. Based on our grant
17 for the plan cases, it was 25,000, we're doing more of a
18 laser target and just picking a couple of companies and
19 not trying to do them all. So instead of our request
20 being 75,000, it will probably be more like 25,000.

21 MS. WILSEY: Okay. So 150, 70, roughly
22 \$180,000 then.

23 MR. MacINNES: That we're going to see
24 coming at us?

25 MS. WILSEY: That is deferred to later
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1 consideration for the February meeting.

2 MR. MacINNES: Right. Okay. Okay.

3 MR. SMITH: Do you guys have a sense of
4 what the AG's involvement in this?

5 MR. LISKEY: Yes. I don't believe
6 they'll be in this case as all; and even if they are,
7 they will not -- I was talking to Michael Moody, he said
8 even if they are, and it's very unlikely they will, he
9 would have known by now, interventions need to be filed
10 by Thursday of this week. But even if they are, because
11 the Attorney General can intervene in a case at any time,
12 they -- we would divide the issues and we would focus on
13 the PSCR issues.

14 MR. MacINNES: What about any work you're
15 doing or had in the plan to do relating to MISO, do you
16 have any more requests you see coming down on that?

17 MR. LISKEY: No.

18 MR. MacINNES: No.

19 MR. LISKEY: No. We're pretty judicious.
20 I think things pop up, like the market efficiency
21 proposal and the transmission developer, so we took a
22 look at that and we think there's an opportunity there,
23 so we dedicated some resources, wrote up a position and
24 circulated it, not only to people like Valerie Brader and
25 Sally Talbert, but all the other consumer members of our
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1 sector.

2 MR. MacINNES: So Michelle, if you've
3 done the math there, if we were to do all of this, what
4 we see coming on and approve this, we would have money
5 for all that?

6 MS. WILSEY: Based on John's kind of
7 modification of the 25 plus roughly the money from him
8 leaves roughly \$50,000.

9 MR. MacINNES: Okay. And how about does
10 GLREA see anything coming down the pike?

11 MR. COYER: I can't speak for Mr. Keskey
12 at this point in detail, but I can tell you that there's
13 a good chance that that will happen.

14 MR. MacINNES: So we had how much,
15 50,000, left, or if we do all this, we do what we just
16 talked about?

17 MS. WILSEY: Back to my notes. So with
18 the 230,000, minus the 70 and 80,000, 150,000, 151,000,
19 152,000 by MEC that's pending for consideration, plus
20 25,000, it's roughly 175,000, and then the difference
21 between the 230 and the 180, you just round it off.

22 MR. MacINNES: Because I know there was
23 some --

24 MS. WILSEY: That doesn't consider --

25 MR. MacINNES: Yeah. But the net

1 metering I know is really hot, it's topic right now.

2 MR. COYER: That is an issue that we have
3 a strong interest in.

4 MR. MacINNES: Oh, I know. Well, I think
5 a lot of people have a strong interest in that, it's a
6 big issue. But it's being -- I think now is the time to
7 be dealing with it, right?

8 MR. COYER: Yes.

9 MR. MacINNES: So --

10 MS. WILSEY: You did ask at the grant
11 review meeting last time if there was anything not
12 provided that would be considered, and at the time, the
13 responses were no. Of course, this has emerged, and
14 maybe net metering would emerge, but at least at the
15 meeting in August, everyone said no, this what was what
16 their plan was for the year, so.

17 MR. MacINNES: Okay. That whole net
18 metering thing is going on across the country right now,
19 it's a big deal. Okay.

20 Do we want to take a break and sort this
21 out here or adjourn the meeting?

22 Yes, Jim.

23 MR. AULT: Can I ask a question before
24 you go to vote on this?

25 MR. MacINNES: Sure, Jim.

1 MR. AULT: What I heard in the discussion
2 of the UPPCo intervention was pretty much going to
3 ratemaking issues that are not Act 304 issues, this is
4 getting into their, you know, cost of the transition, IT,
5 employment, which they are going through, I think it was
6 a pretty accurate summary of what UPPCo is doing, and I
7 just wondered before you vote, because I didn't hear any
8 discussion of whether this is a legitimate request given
9 the --

10 MR. MacINNES: Good point.

11 MR. AULT: -- restriction to Act 304
12 cases.

13 MR. JESTER: If I can respond. As I
14 mentioned, most of their power is from power purchases,
15 so they're bilateral and market power purchases we want
16 to look at; their fuel purchases are small, but they're
17 there; there are line losses and loss factors that need
18 to be looked at. Their plant maintenance costs are
19 pretty high right now, they're claiming that that's some
20 of their transition. And then there are -- there are
21 elements of their rate design that bear on, you know,
22 what the load behavior is, and in the past those have
23 been considered to be appropriate for 304.

24 MR. LISKEY: And cost allocation.

25 MR. JESTER: And cost allocation.

1 MR. MacINNES: So in your opinion, John,
2 being the lawyer here, this would qualify under Act 304?

3 MR. LISKEY: Yes. Just as it does in DTE
4 and Consumer rate cases that you've awarded grants for.

5 MS. WILSEY: And Jim Ault raised a good
6 question, we should always discuss that on record;
7 however, it was covered in detail, that specific issue
8 was addressed in the grant request, which, again, pointed
9 out that the focus of the intervention would be on those
10 items discussed. So I think, again, bringing that into
11 the record publicly is helpful, but it's also reiterated
12 in the grant application itself.

13 MR. MacINNES: Okay. Thanks, Jim. I
14 think it's important to bring those things up.

15 Okay. Anything else, any other things we
16 should be considering?

17 Okay. Maybe we could adjourn the meeting
18 for a few minutes and try to decide what to do here.

19 (At 2:04 p.m., there was a 25-minute recess.)

20 MR. MacINNES: Okay. We'd like to
21 re-adjourn, having had time to caucus here on all this.
22 So we've got a couple of decisions to make here, and we
23 have some motions. And if you would, Susan, if you would
24 care to do that.

25 MS. LICATA HAROUTUNIAN: Okay. I make a
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1 motion to approve MEC transfer request of funds from DTE
2 cost of service Case U-17689 in the total amount of
3 \$10,100 to DTE Electric general rate case, U-17767.

4 MR. SMITH: Support.

5 MR. MacINNES: Okay. Is there any
6 discussion?

7 All in favor, please say aye.

8 BOARD MEMBERS: Aye.

9 MR. MacINNES: Opposed, same sign. Okay.

10 MR. BZDOK: Thank you.

11 MS. LICATA HAROUTUNIAN: The second
12 motion is a motion to approve the CARE grant request to
13 intervene in UPPCo Case U-17895 on Act 304 issues in the
14 total amount of \$50,000.

15 MR. SMITH: Support.

16 MR. MacINNES: Is there any discussion?

17 MR. SMITH: Yeah, Jim. So one of my
18 concerns, obviously we don't have a ton of money and
19 there's some sort of big, long-term systemic issues
20 coming up, but this strikes me as a really painful issue
21 for the folks who live up in the U.P., so I'm grateful
22 that you brought it to us and that you're going to take a
23 good, hard look at it. Please be as frugal as possible,
24 just because it's, it was -- this was kind of a tough
25 toss around.

1 MR. LISKEY: We always are. And as you
2 know, we've brought more money back to the board, and I
3 think we'll probably have some money left over in some of
4 our plan cases.

5 MR. SMITH: Yeah, I trust you guys to do
6 that, I'm not suggesting anything otherwise, just wanted
7 you to know how -- the tension on this particular
8 investment.

9 MR. LISKEY: Yeah.

10 MR. MacINNES: Anymore discussion?

11 MR. DINKGRAVE: Yeah. I'd second what
12 Conan said, and just want to say, also, try and be
13 mindful of having some geographical balance and not
14 forgetting about our friends up in the most northern part
15 of state, so I appreciate that you guys continue to pay
16 attention to that, I think this is a good investment.

17 MR. LISKEY: Thank you.

18 MR. MacINNES: Anymore discussion?

19 Okay. All those in favor, please say
20 aye.

21 BOARD MEMBERS: Aye.

22 MR. MacINNES: Opposed, same sign. Okay.
23 Motion passes.

24 Okay. Thank you. We wish you good luck
25 with that, taking care of the people in the U.P. who are
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1 under a very high rate situation.

2 Next item is the UCPB Annual Report.

3 Michelle.

4 MS. WILSEY: We collected -- we reviewed
5 the draft report, we collected additional information,
6 clarifications, made the edits, received and circulated
7 the final draft for your consideration and review,
8 including a summary cover letter, and it's awaiting final
9 approval.

10 MR. MacINNES: Okay. Is there any -- is
11 there a motion to approve the --

12 MS. LICATA HAROUTUNIAN: So moved.

13 MR. DINKGRAVE: Support.

14 MR. MacINNES: Is there any discussion?

15 MR. SMITH: I feel like Michelle should
16 sign this one as her last one.

17 MR. DINKGRAVE: I always enjoy reading it
18 and getting a chance to review it, and reminds me of the
19 impact that all of the grantees here have every year and
20 helps me explain it when I'm telling people what this
21 board does that don't live this stuff every day like you
22 all do, it helps me, so thank you.

23 MR. SMITH: I would call out for everyone
24 in the room, too, that one of the clauses in here is a
25 request to the legislature to consider additional funding

1 because we don't have the capacity to engage in every
2 rate case that we think is important, and if you have the
3 opportunity to put a bug in someone's ear as they go
4 through the energy policy over the next little while and
5 remind them of the importance of consumer representation
6 in this process, that would be valuable.

7 MR. MacINNES: And I would second that.

8 When you look at -- and I've asked for a report from some
9 of the grantees on their success, successes, and just, if
10 you just look at three of the grantees, we've spent over
11 the years, of the five years, we've spent, oh, hundreds
12 of thousands of dollars granting requests, and we've
13 saved ratepayers hundreds of millions of dollars. The
14 returns are phenomenal for this process. Not every case
15 has, some are more successful than others, but the
16 returns are very -- I wish I could get that kind of
17 return on my 401k. So it's a good process and that.

18 We have been arguing to expand the scope
19 of our intervention before the Michigan Senate Energy
20 Policy Committee and increasing the funding, and
21 continuing to be active as a board as opposed to shifting
22 it all over, for example, to the AG's office. We work I
23 think very cooperatively with the AG's office and they do
24 a lot of things, good things, but I think we add some
25 additional capability, our experts, our grantees, and I

1 think we, you know, we're I think pretty independent
2 doing what we do, and so I think it's been a big success,
3 and I hope that we're able to continue along these same
4 lines. So I second your suggestion, if you know
5 somebody --

6 MR. SMITH: I know one.

7 MR. MacINNES: -- talk to them. I'm
8 going to be talking with my senator here this week, and
9 I've talked with a few other senators, and I will
10 continue to make that argument.

11 So if there's any other -- do you have
12 any other comments or --

13 MS. WILSEY: No. I think it just, you
14 know, it stands for itself. It was a challenging year,
15 again, with the restricted funds and the growing need,
16 and the growing scope through legislative activity. I
17 think there's a, if not direct, there's a pretty
18 convincing need for residential consumer representation
19 in these cases and, you know, hopefully there's a
20 solution by Michigan in whatever fashion or form it takes
21 to continue to offer that in an effective way, because,
22 you know, based on the work the legislature has done to
23 add cost of service cases, to add renewable energy cases,
24 and to use this board as a mechanism to represent them
25 has been great; it's gone without funding, which led to,

1 you know, leads to increasing pullback from work, but
2 it's obviously work that needs to be done, so let's all
3 hope Michigan finds a good solution.

4 MR. MacINNES: Well, you know, one last
5 comment, I think, too, and I've pointed out, I'm a member
6 of the Michigan Chamber of Commerce, I've pointed out to
7 them that not only does this board help reduce, you know,
8 the rates, protect residential ratepayers, but it also
9 reduce -- they have something like 6,700 members,
10 businesses like ours, who are not large, high-intensity
11 energy users, and so to the extent that we can attack
12 some of these issues, it not only saves residential
13 ratepayers, but it saves many businesses, reduces their
14 costs. You know, high energy prices are like a tax, and
15 it reduces the cost of business and it allows business
16 owners to invest in their own plant and equipment and
17 hire their own people. So we've tried to make -- I mean
18 that's the reality, and we try to make that case, and so
19 it goes beyond even -- I know our main issue is the
20 residential ratepayer and that's what we focus on, but it
21 has extra benefits for smaller businesses, too.

22 Okay. Do we have a motion to accept this
23 report?

24 MS. LICATA HAROUTUNIAN: So moved.

25 MR. DINKGRAVE: Support.

1 MR. MacINNES: Okay. Is there any
2 further discussion?

3 Okay. Thank you. All in favor, please
4 say aye.

5 BOARD MEMBERS: Aye.

6 MR. MAVC: Opposed, same sign. Okay.
7 Very good.

8 Let's move on to the reports from the
9 grantees. Anything from the GLREA today?

10 MR. COYER: Well, of course Mr. Keskey
11 sends his regrets that he couldn't be here today; he's on
12 family business in California.

13 I guess the only thing that he's asked me
14 to report on is very briefly on Case U-17793, which is a
15 biennial renewable energy case. This case has just had
16 an order issued by the MPSC in which there are likely to
17 be very abbreviated hearings and testimony presented,
18 rebuttal testimony, and waiver of Act 81 PFD, with a
19 decision on that fairly soon. So if there are any
20 questions about it, I could address those, but otherwise,
21 that's the status of the case.

22 Basically the issue is, one of the issues
23 would be the extent to which the Governor's renewable
24 energy policy or proposal is being considered by the
25 MPSC, and of course GLREA would like to see it considered

1 as well.

2 MR. MacINNES: Okay. How about RRC?

3 MR. SHALTZ: Well, this morning Consumers
4 Energy reported that the average residential customer is
5 going to see a decrease in their gas bill by over \$100
6 this winter, and I did some checking, that will also be
7 true with SEMCO and MGU; and that's primarily due to the
8 fact that those utilities, after a lot of prompting in a
9 couple proceedings, changed their purchasing practices to
10 rely more heavily on current market-based index prices
11 for most of their purchases. The one outlier we have
12 right now is DTE Gas Company, and we just got through a
13 protracted case with them where we made an excellent
14 record showing that they haven't provided the Commission
15 with the kinds of information the Commission was looking
16 for to allow them to continue buying 75 to 80 percent of
17 their supply. So we briefed that, we're waiting to file
18 our reply brief, and hopefully we'll get some relief for
19 those customers for next winter.

20 Other than that, in mid October we have
21 testimony that will be due in the case that you recently
22 funded that allows us to get changes in the tariffs for
23 Consumers Energy Company that addresses when we have a
24 colder than normal winter, GCR and residential customers
25 subsidizing Gas Customer Choice and end-user

1 transportation customers in their use of storage
2 facilities, which can cost \$10 to \$20 to \$30 million a
3 year that's cost shifting between those customer groups,
4 so we're hoping we're going to get a positive change in
5 the tariff to alleviate that problem going forward.
6 That's about it.

7 MR. MacINNES: Well, the information you
8 sent me about some of your work over the years was very
9 impressive, so thank you for that.

10 MR. SHALTZ: You're welcome.

11 MR. MacINNES: You've saved ratepayers a
12 lot of money in your work.

13 Okay. How about if we go with MEC.

14 MR. BZDOK: Thank you, Mr. Chairman,
15 members of the board. My primary focus today is the
16 Consumers Energy rate case proposal for a decision, which
17 was also in our status report. I'm happy to also touch
18 on anything else the board wishes, the new PSCR plan
19 cases, the cost of service cases which concluded a couple
20 meetings ago, or anything else you really want to talk
21 about.

22 We did, like the DTE rate case, we, a few
23 weeks ago, got a proposal for decision in the Consumers
24 Energy rate case, and I will say once again, these are --
25 you know it, I know it, but maybe it's therapeutic for me

1 to say, these are the recommendations and we don't know,
2 you know; but I also feel always that if we don't get the
3 good recommendations, we're done. I mean we have to go
4 through the process anyway, but, you know, we generally
5 don't have come-from-behind wins, right, so we have to
6 start with a lead. And we are in the Consumers Energy
7 rate case as well.

8 The proposal for decision recommends
9 denying the investment recovery mechanism. We had talked
10 to you about how we were raising issues relative to
11 projections of natural gas prices, projections of market
12 energy prices that were very stale, that were very old,
13 that were being used to justify continued spending on
14 generating units and a desire to have basically spending
15 more or less automatically added to rate base through the
16 year 2019, and so we opposed that. We were not the only
17 party to oppose that, although we were the only party to
18 bring this piece of it into the mix. Other parties made
19 more arguments sort of about just generally ratemaking
20 policy, whereas we basically said, look, in addition to
21 that, you've got, you know, the support for these -- for
22 these investments is very old data and it will be even
23 older and it's obsolete and it doesn't meet any current
24 market projections, and so unit dispatch, fuel costs, all
25 of that, so -- and that angle was cited by the PFD, and

1 we gave you those, that page cite in the status report.

2 The Jackson plant and the fuel supply
3 issue, largely we just wanted confirmation that, because
4 we've had issue relative to the Zeeland generating plant
5 where we raise issues in the PSCR cases and we say, boy,
6 that's an awful lot of -- that's an awfully high demand
7 charge for that seven mile long pipeline that runs from
8 the ANR main to the plant, you know, and Consumers says,
9 well, you know, we bought that contract when we bought
10 the plant. And the Commission said, yeah, that makes
11 sense. So really what are you going to do? And so the
12 proposal for decision does -- and I gave you the
13 quotes -- you know, specifically say that the Commission
14 in approving incorporation of the Jackson plant into rate
15 base needs to be very clear that they're not preapproving
16 any existing fuel supply arrangements, they're not
17 preapproving any affiliate arrangements or anything like
18 that. And so I feel that's important, you know, just so
19 that we have a -- so those issues are live when they
20 arise in the PSCR cases. And so I don't know if
21 Consumers will contest that. I don't think they will.
22 They didn't contest it very hard, but I think we needed
23 to be very clear because of what has happened in Zeeland.

24 Line losses was a disappointment. There
25 were three different line loss projections involved in

1 the rate case. In a PSCR plan case we reported to you
2 that we got a favorable PFD saying line loss estimates
3 are too high; that's a multiplier that's added to the
4 total sum of system costs to set the PSCR factor, right.
5 So it's -- it's you're going to have this much generation
6 requirement and this much cost for that, and then you're
7 going to have line losses, and then so that adds an extra
8 whatever, eight percent. And that's a plan issue, right.
9 So it's -- it gives them extra head space, right, which
10 we'd prefer they not have.

11 And in this case, there was a line loss
12 study that was -- and so in a PFD in a Consumers plan
13 case the ALJ recommended that, no, the line loss factor
14 should be reduced, and Consumers said you can only do
15 that in a rate case, and the Commission said, yes, we
16 agree, you can only do it in a rate case. So now we're
17 in the rate case, there was a line loss study, there was
18 a revised line loss study, and there also was a loss
19 projection done by the load forecasting department.

20 Douglas Jester, we hired to deal with --
21 so it's a PSCR issue because you can -- it's in the PSCR,
22 but you can only raise it in the rate case. Douglas put
23 in testimony about why some of the numbers in the line
24 loss study didn't add up, and then we got this revised
25 line loss study, and we also argued about some cost

1 allocation stuff relative to the line losses, and we also
2 argued that, you know, they want to make all these
3 investments relative to the distribution system, and
4 there was testimony at the hearing about, well, this is
5 all going to help with losses and that generation load
6 forecast projection is the losses are going to go down
7 over time, but that's not the one that they want to put
8 in the PSCR. So we said, you want to put the one in the
9 PSCR that reflects what's going on right now in terms of
10 your system investment and what load forecasting is
11 projecting is going to happen with your losses over time,
12 right, you don't want to just be locked into some stale
13 number again that you can't revisit. So those are the
14 arguments we made. Obviously I'm convinced by them, but
15 the ALJ was not. And so we filed exceptions on that.

16 And I mean part of the exception is just
17 to present them with the problem, right. You lock these
18 in in the rate case, they think they're going down; we've
19 said, at a minimum, Douglas said, if you're going to
20 approve all these distribution capital expenditures and
21 they're telling you on the stand that this is all going
22 to help with losses, at least make them file a plan as to
23 how those two are going to connect.

24 MR. MacINNES: That's why you make the
25 investment, right, to reduce the losses?

1 MR. BZDOK: They say we make the
2 investment for a number of reasons, and loss reduction is
3 a reason and a benefit, but not a driver.

4 MR. MacINNES: That's fair enough.

5 MR. BZDOK: The ALJ disagreed, and it was
6 kind of the only major thing that he didn't find in our
7 favor on that, you know, that were our priority issues,
8 and so, you know, at some point, I don't want to be
9 greedy, but this is an important issue and I don't want
10 to be stuck on it again for some unknown period of time.

11 Contingency amounts in coal plant,
12 capital expenditures was an issue that I had mentioned
13 earlier, it's an issue that is not necessarily Act 304,
14 but we had some other fundings in this case. I was sort
15 of proud of that one because the ALJ specifically found
16 that the cross-exam I did showed that the Consumers'
17 witnesses couldn't -- they said, well, we've got all
18 these very specific budgets and they're developed very
19 specifically and these are, you know, the project
20 management ways, but nobody could tie this to the numbers
21 that they wanted. Right. The one witness said, well,
22 I've never seen that before, and the other witness said,
23 well, I don't know how those connect. Right. So they
24 say this is why we're doing really good project
25 management, but they couldn't say how that, you know --

1 so they -- and the ALJ said, no, they can't connect those
2 two, so that is one of two reasons why the cap ex.

3 Incentive compensation is not a 304
4 issue, but we're just reporting it to you because we were
5 involved in it, and there was a recommendation to deny
6 there. That's consistent with prior Commission
7 precedent.

8 And then the right design stuff that we
9 talked about, the -- again, about price signals and the
10 desire to reduce the difference between summer and winter
11 and the desire to reduce the difference between off peak
12 and on peak in terms of the power supply charges, and we
13 opposed that, Douglas was our expert on that, Staff also
14 opposed it, and Consumers midway through the case said,
15 okay, we agree. So the PFD recommends that, now that
16 everybody is basically in agreement on that, or Consumers
17 has agreed to drop that, that that be, you know,
18 reflected in the Commission order. So that was good,
19 too.

20 So that's my report on that. But I'm
21 happy to talk about any other cases that we've reported
22 on.

23 MR. MacINNES: How about the cost of
24 service cases, maybe you could -- I know that's, we're
25 done with that, I believe we're done with it. There were

1 favorable decisions, I've read -- I read the Consumers
2 Power one, and -- the ALJ decisions were favorable, shall
3 we say, the MPSC decision was not as favorable. So maybe
4 just for everyone's benefit, if you can kind of explain
5 maybe one more time, I know you've done it before, but
6 what the problem, you know, kind of a big picture view of
7 what's the problem here that we were arguing and how did
8 it come out? Just, you don't have to get into all the
9 exact numbers, but just conceptually so that everyone has
10 a good understanding of what the problem was and where we
11 ended up.

12 MR. BZDOK: Sure. So -- and I can update
13 the board a little bit about what's happened
14 subsequently. So the cost of service cases, John
15 Liskey's idea was that MEC and CARE would go in together
16 and we would litigate these cases, and the board
17 supported that very strongly. And the proposal was to
18 shift a number of costs from large industrial customers
19 to residential customers, and there were arguments that
20 were being made of policy; basically we need to take care
21 of our large industries because they provide jobs and we
22 want them here in Michigan, and there were arguments
23 about why rate -- they were rate design arguments for why
24 that should be. The rate design arguments were really,
25 more or less, more or less paraphrases of long-time filed

1 positions by ABATE and by one other large industrial user
2 called Hemlock Semiconductor in the rate cases. They've
3 been arguing for these things for a long time, hadn't
4 prevailed, hadn't had their arguments prevail, and so
5 there was a process, and these arguments were made again.

6 The main ones where we took a stand had
7 to do with the allocation of production-related fixed
8 costs.

9 MR. MacINNES: So what does that mean,
10 production-related fixed costs, tell us, what is the
11 definition of that?

12 MR. BZDOK: Sure. So the costs --
13 basically the cost of owning and the non-variable cost of
14 maintaining generating plants; capital, investment,
15 depreciation, rate of return, fixed O&M.

16 MR. MacINNES: So it's the cost of the
17 power plant?

18 MR. BZDOK: The fixed costs of the power
19 plants.

20 MR. MacINNES: Fixed costs. So no fuel
21 costs, just what does it cost to build it --

22 MR. BZDOK: Right.

23 MR. MacINNES: -- and, you know, you put
24 in depreciation and all that?

25 MR. BZDOK: And so the argument is, you

1 know, a 500-megawatt plant that provides 500 megawatts of
2 capacity, and --

3 MR. MacINNES: Of production capability;
4 is that a fair statement? Capacity production
5 capability, is that the same?

6 MR. BZDOK: I don't know enough to know.
7 I don't disagree, I just don't know enough to know. And
8 the cost of that should be allocated by each class's
9 contribution to peak demand over some number of peaks;
10 and the argument here was it should be the four peaks in
11 the summer, June, July, August, September, the highest
12 peak each month, average each class's contribution to
13 that, and then allocate production costs on that basis.
14 And the problem with that argument is that not all of
15 capacity costs the same. You spend a lot more money on
16 owning a nuclear plant, on owning a coal plant, than you
17 do on owning a combustion turbine.

18 MR. MacINNES: Because they're more
19 expensive to build. I know in my own experience in
20 working on power plants and doing cost estimating for
21 power plants, you can build a gas turbine simple-cycle
22 plant much cheaper than you could a coal plant or a
23 nuclear plant.

24 MR. BZDOK: And then the fuel cost is
25 much more expensive, so the energy cost is much more

1 expensive, so you spend more money on the machine so that
2 you can run it at a cheaper cost, and that, we believe,
3 benefits large users of energy more than it benefits
4 someone whose main contribution is they crank the air
5 conditioning on July 13 from 4:00 p.m. until 9:00 p.m.,
6 there's a cost to that, but it's the cost of the CT. So
7 that was the main issue that we ultimately prevailed on,
8 at least in part.

9 MR. MacINNES: So let me see if I
10 understand this correctly. So the utility wanted to put
11 a hundred percent of that production cost and have the
12 residential ratepayer pay that?

13 MR. BZDOK: Yes. Well, the residential
14 ratepayer isn't paying a hundred percent of the
15 production cost, but a hundred percent of the cost is
16 being allocated on contribution to peak demand. I had a
17 chart in here at some point --

18 MR. MacINNES: Right.

19 MR. BZDOK: -- that basically showed that
20 the, you know, the energy profiles and for the
21 industrials, it's this all year, and for the commercials,
22 it's this, and then for the residential, it's this.

23 MR. MacINNES: Right.

24 MR. BZDOK: Right. So that, you know, so
25 that is the time when the residential class is

1 contributing most to demand, and so it's, you know, you
2 can argue about whether that's a principled rate design
3 argument or whether that's just an outcome, like starting
4 with the outcome you want and working backwards --

5 MR. MacINNES: So that's what percentage
6 of -- there's 8,760 hours in a year, so what percentage
7 of those 8,760 hours would that be?

8 MR. BZDOK: The allocation would be based
9 on four of -- four hours, contribution and demand and
10 four hours, those peaks. And the administrative law
11 judges in both cases, two different ALJ's, said no, we
12 don't agree with that. I mean they're -- and we should
13 stick with the allocation, which is still 50-percent
14 that, and then 25-percent on-peak energy and 25-percent
15 total energy. The Commission took half of that away and
16 went -- and more or less went 75/25, so 75-percent
17 contribution to peak demand, 25-percent total energy, and
18 cited Staff testimony -- and cited Staff testimony.
19 That's probably all we have to say about that.

20 MR. MacINNES: So I'm still confused.
21 Maybe Douglas can help me in here, too. I don't know.
22 I'm still kind of confused. So the goal was to allocate
23 a hundred percent, that was the ask, of production
24 capacity, the cost of the power plants, all the power
25 plants, to the residential ratepayers?

1 MR. BZDOK: No. A hundred percent of --
2 to allocate a hundred percent of the cost based upon
3 contribution to peak demand.

4 MR. MacINNES: Okay. So that gets back
5 to my question of the percent. How much -- what
6 percentage of the time did residential ratepayers
7 contribute to peak demand?

8 MR. JESTER: This isn't exactly right,
9 but, you know, something like 52, 53 percent of the peak
10 demand is attributable to residential ratepayers.

11 MR. MacINNES: Okay.

12 MR. JESTER: Something like 35 percent of
13 the total energy use over the year is attributable to
14 residential ratepayers. So if you emphasize the peak
15 demand, they're going to pay a larger share than if you
16 emphasize the energy. And those numbers that I gave are
17 sort of averages across the --

18 MR. MacINNES: So 50 percent --

19 MR. JESTER: -- utilities, they differ
20 between DTE and Consumers and I&M and others, but that's
21 the --

22 MR. MacINNES: So 50 percent of the time,
23 the residential ratepayers contribute to the peak; is
24 that right?

25 MR. JESTER: Well, out of the peak, I

1 mean whenever that hour occurs, residential ratepayers
2 are consuming about half of it.

3 MR. MacINNES: Okay. But when it comes
4 to -- I guess I'm getting hung up on the time here. It
5 just seems to me that a -- let's take a nuclear plant.
6 If you build a nuclear plant, it's going to operate at a
7 90-percent capacity factor, and while the ratepayer, the
8 residential ratepayers need the nuclear plant and part of
9 the capacity of the nuclear plant, doesn't everybody
10 else?

11 MR. JESTER: Yeah.

12 MR. MacINNES: Doesn't the big industrial
13 companies, don't I need part of that as a small business,
14 I mean doesn't everybody need capacity from that nuclear
15 plant? I mean that's like base load, right, so it's
16 running 90 percent of the time, and we all use that,
17 right?

18 MR. JESTER: Yes.

19 MR. MacINNES: So shouldn't some of that
20 capacity be allocated -- I mean rather than saying it
21 should all be allocated to the residential ratepayers,
22 shouldn't some of it be allocated to everybody else?
23 What am I missing? I'm just having trouble with this.

24 MR. AULT: Can I try that?

25 MR. MacINNES: Jim.

1 MR. AULT: Take that -- just let's say
2 there's one peak hour of the year you were doing instead
3 of averaging four, so that the demand for electricity in
4 that hour is the highest it is in the year.

5 MR. MacINNES: Right.

6 MR. AULT: So your total number is big,
7 and it happens that the residential share of that total
8 on that day is much higher than normal, like say the 52
9 percent. Well, so you're allocating -- you're adding all
10 those plants costs into sort of --

11 MR. MacINNES: Right.

12 MR. AULT: -- a lump sum, and you're
13 allocating that cost to the residential as if, you know,
14 they're using the 52 percent, which they are then, you
15 know, so they are getting an allocation of that nuclear
16 plant or the coal plants --

17 MR. MacINNES: Right.

18 MR. AULT: -- that are base load, but if
19 you didn't take the peak day, they would have less of
20 that allocation.

21 MR. MacINNES: But if the residential
22 ratepayers are only -- only, I mean I don't say only --
23 but let's say they're using, they're causing 50 percent
24 of that peak, right, just like what you both said, why
25 would you allocate -- why would the utility come in and

1 say, we want the residential ratepayers to pay a hundred
2 percent of that peak?

3 MR. AULT: Can I answer that?

4 MR. MacINNES: Why was that?

5 MR. AULT: Can I answer that?

6 MR. MacINNES: Yeah, please. That's what
7 I'm looking for.

8 MR. BZDOK: I'm referring all questions
9 to my lawyer, Jim Ault.

10 MR. AULT: You have to understand how the
11 process in Michigan works. I mean the utilities didn't
12 come to the Commission or come forth saying we really
13 want to stick it to the residential customers and
14 allocate costs to them and depart from the long-standing
15 kind of compromise, you know, there is no exact formula
16 for this. But the pressure, you know, the bill was
17 originally drafted, and I think it -- and there's a
18 version of it now in legislation that would go to
19 4-CP-100, so they're trying to get that entire amount,
20 the little piece they lost, you know, they're trying to
21 get that in. This is a political issue and it's who's
22 got clout, what those customers want. We had a working
23 group on it beforehand and they really pushed for this.
24 There was a reason, you could argue it, but --

25 MR. MacINNES: What was the reason?

1 MR. AULT: Well, you're just looking
2 at -- the reason is you're trying to make industrial
3 rates more competitive to the other states around it.

4 MR. MacINNES: But on the backs of
5 residential ratepayers. It's not fair.

6 MR. AULT: I think you could say that
7 about any slice you took, though, where you measured;
8 you're not going to get it right every time, you're
9 always going --

10 MR. MacINNES: Okay. But to go to a
11 hundred percent, it's like, oh, well, we're not going to
12 get it right so let's just go to a hundred percent.

13 MR. AULT: Well, you're not allocating a
14 hundred percent of the nuclear plant cost to the
15 residential class, that's not what happens; you're
16 allocating all the plants' fixed costs, you know, and the
17 residential is getting 52 percent of those in Doug's
18 number. So it's the peakers. And you might say that
19 another argument would be, well, the residentials should
20 get allocated most of the peaker plant costs as that's
21 what you're turning --

22 MR. MacINNES: That's what I would
23 probably say --

24 MR. AULT: But that -- you know, as a
25 matter of policy.

1 MR. MacINNES: -- because they're the --
2 they're like the incremental, you know, I mean the cost
3 curve goes, it's a J curve, right, the cost curve goes
4 like this and so you use the cheap plants to make, you
5 know, I mean --

6 MR. BZDOK: There are methods -- I'm
7 sorry to interrupt. There are methods in the NARUC cost
8 allocation manual that say exactly that, they're called
9 equivalent peaker methods and related methods, and they
10 say, take all the plants that are providing energy and
11 allocate those based on how much energy each class is
12 using, and then take the cost of the peakers and stick
13 that to the customers who are --

14 MR. MacINNES: Causing the peaks.

15 MR. BZDOK: -- causing the peaks, and
16 that's still -- residential customers come out better
17 even if you give them their slice of the energy and
18 essentially all the costs of those CTs because CTs are
19 cheaper to build and --

20 MR. MacINNES: They're cheap, they're --

21 MR. BZDOK: -- expensive to operate.

22 MR. MacINNES: -- like one-third of the
23 cost or one-fourth of the cost, roughly, to build. I
24 know, I used to cost estimate these plants, I know the
25 ratio.

1 MR. BZDOK: Two footnotes. One is it
2 doesn't appear anybody's appealing that, I don't know
3 that rock solid, but it doesn't appear so. Some parties
4 in Consumers' rate case tried to basically re-litigate
5 those issues, and the PFD rejected that, so we were there
6 again.

7 MR. MacINNES: Well, and that was part of
8 the, one of the -- this case here, wasn't it, one of your
9 cases?

10 MR. BZDOK: That's the -- is that 17735
11 or 17768?

12 MR. MacINNES: 17688.

13 MR. BZDOK: Right.

14 MR. MacINNES: I think it, one of them
15 said basically, hey, we're done with that, right?

16 MR. BZDOK: Yes. Yeah, the PFD said that
17 in the rate case.

18 MR. MacINNES: Yeah.

19 MR. BZDOK: And then two, the -- one of
20 the solutions that we had offered was rates that more
21 reflected the costs at the time of use and offering those
22 type of options, and the Commission said, yes, we do
23 think you need to do that, and further, we want you to
24 basically file a plan, and we sought board assistance
25 with being able to comment on that plan, and we have

1 DTE's plan, and so we will be commenting on that.

2 MS. LICATA HAROUTUNIAN: Doesn't it come
3 down to the fact that the residential ratepayers are a
4 diffused group with no particular lobbying strength in
5 this area and, therefore, those that have lobbying
6 strength can push whatever they want, but we're just not
7 there?

8 MR. BZDOK: Let me offer an anecdote that
9 I believe is illustrative. I've been living more or less
10 in Ohio this last month because there are cases going on
11 in Ohio where generation is unregulated and competes on
12 the market where the utilities want to take their
13 subsidiary-owned coal units, and then they want their
14 distribution utility, which is regulated, to enter into
15 lifetime contracts with these old coal units where
16 they're going to pay all the costs of the coal units
17 until they retire and then they're going to pay all the
18 retirement costs, and the units are going to provide
19 power. You know, some people call it a -- the energy
20 press calls it a subsidy, my client calls it a bailout,
21 different client than MEC. One party in the case,
22 there's 27 parties, one party supports it, it's the group
23 of largest industrial customers in Ohio, and they support
24 it so long as the costs, if any, are allocated based on
25 hundred-percent demand.

1 MR. MacINNES: So going to the
2 residential --

3 MR. BZDOK: So it's fine -- yeah. So
4 they're saying, well, we don't really think it's going to
5 cost, but if it does, allocate it, I think it's 1CP100,
6 but -- no, it might be 5CP100. Yeah, it's 5CP100 -- my
7 lawyer knows -- which was really interesting, you know,
8 that there's -- yeah, some customers have the ear of the
9 utility.

10 MS. LICATA HAROUTUNIAN: Yeah.

11 MR. BZDOK: -- which is understandable.

12 MS. LICATA HAROUTUNIAN: It's just how do
13 you make your own voice heard? Sorry.

14 MR. BZDOK: Yeah.

15 MR. MacINNES: Well, I think an answer to
16 that is to have a group like, you know, some consumer
17 advocate that has broad scope and can intervene and at
18 least do what they can to represent the residential
19 ratepayer who is -- I mean this is not on their radar
20 screen at all, so.

21 Jim.

22 MR. AULT: I have one more comment on
23 this as long as I can. It's never as simple as, you
24 know, black/white on these things. The legislature
25 thought enough of the residential customer to fund it, to

1 put in the Act that this group could fund intervention so
2 they got heard in those cases. But the issue of -- it's
3 a political issue as much as anything, whether you need
4 to get these industrial rates down any way you can,
5 because otherwise you're going to get no job growth and
6 no expansion of facilities in Michigan when every state
7 around us is competing for the same thing, and we're in a
8 kind of tight situation with jobs, and I think a lot of
9 that gets into this. And, you know, they, the utilities
10 didn't just come up with this, I mean a statute was
11 passed that pretty much gave guidance under where the
12 legislation wanted to see this go.

13 MR. MacINNES: But see, I would argue
14 that the way to do that is to encourage developing low
15 cost energy solutions, such as energy optimization and
16 bringing in low cost wind and other things that everyone
17 benefits from as opposed to just the big industrials,
18 to -- you know, that way it's like everybody, you know,
19 the costs are lower, we all benefit, the industrials
20 benefit, small business benefits, residential ratepayers
21 benefit. Because this affects small business, too, this
22 is not just residential ratepayers, the small business
23 got hit I think 4 million a year or something, I forget
24 what the exact number was, so my -- I'm through
25 Cherryland so I didn't get affected, but others who are

1 with Consumers Power or DTE, they're small business,
2 they're not high-intensity energy users, the high-
3 intensity people shifted cost to small business so they
4 can't build as many machines for their business, they
5 can't hire as many people. So it's more than just
6 residential. So.

7 But thank you -- I think that all -- each
8 of you for helping to clarify that. And I recognize it's
9 political, and I think I know the reasons, and but
10 it's -- I think a question of fairness comes into this
11 thing, too, and I just think it needs to be out there
12 what's happening so everybody understands.

13 Yes.

14 MR. LISKEY: Just to put in a fine point
15 on this. In terms of the consumer movement in this
16 state, Act 304 was ultimately passed because of a ballot
17 initiative in 1984 put on the ballot by citizens, and
18 that citizens' movement isn't as robust today as it was
19 then. So this board really came out of -- it's a very
20 complicated history. There was a ballot initiative, then
21 there was a legislative counter to that, and then the
22 Supreme Court had to rule. But anyway, I thought it,
23 based on what you just said.

24 MS. LICATA HAROUTUNIAN: Yes. Thank you.
25 And thank you, too.

1 MR. MacINNES: Okay. Well, I think we've
2 kind of beat that to death, but I appreciate -- it's
3 confusing, and I appreciate your helping us to understand
4 it.

5 John, do you have anything on CARE?

6 MR. LISKEY: No. I'm going to -- in the
7 interest of time, I'll pass. I will say I did some
8 numbers, we've got at least I think \$10,000 that we're
9 not spending from --

10 MS. WILSEY: 2015.

11 MR. LISKEY: -- '15. Once the year,
12 once, you know, the books catch up with the fact that
13 we're now in a new fiscal year, so that should help.

14 MR. MacINNES: Very good.

15 Next item, public comments. Any public
16 comments?

17 MR. AULT: Can I make another one or two?

18 MR. MacINNES: Sure.

19 MR. AULT: The Commission developed a Gas
20 Choice comparison website, it took a long time, a bunch
21 of us were on a workgroup, but it was mainly people at
22 the gas utility, it just went live within the last month.
23 So you can go on this thing and it's, access it through
24 the Commission website, and the customer -- this is
25 really for the residentials who get approached by

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1 marketers a lot on Gas Choice, they can look and see the
2 utility price to beat basically, and then they can see
3 what the offerings are.

4 Interesting, I went on it just to see
5 kind of where things stood, and almost, the vast majority
6 of the alternative gas provider prices were above the
7 utility benchmark, and I think that reflects some of what
8 RRC was saying about, you know, the costs have declined
9 of natural gas across the market, and that's been a
10 benefit to the -- really it's helped in Michigan because
11 your energy bill is two parts, gas and electric, and as
12 the electric's been higher, the gas prices have really
13 come down.

14 So the only other comment I'll make is on
15 the issue of reasons again, I mean all these things have
16 reasons, things like investing in the nuclear licensing
17 to preserve an option, if you don't preserve it, maybe
18 it's gone, you know, and it's getting into the queue to
19 at least have the chance that if nuclear ever comes back,
20 it's a clean source, you'd have it.

21 On the construction work in progress, or
22 CWIP, again, that's been a controversial issue in the
23 past when we used to have base load plants. One of the
24 reasons for that is if you don't have CWIP, if you don't
25 have that payment in rates, when you get to the point

1 where a plant goes into service, all that has been in the
2 queue waiting to come in, and it increases the rate shock
3 quite tremendously, we saw that back in the '80s when the
4 base load plants were still coming on. And in the
5 current, you know, it's not really a transferring the
6 risk to the customer because you're not talking about the
7 capital actual investment costs of the plant, it's the
8 interest, you know, in construction and you're earning a
9 return on that, it's not the whole thing you're
10 transferring to the customer. And the IRP proposals that
11 are out there now that we're looking at, they would
12 actually allow abandonment recovery if a project, you
13 know, you start to do one, it gets approved in the IRP,
14 and then something changes like we had happen with
15 nuclear power, there's a provision in the drafts I've
16 seen that basically allows recovery of that, in a way to
17 keep you from going -- doing what happened with Midland
18 and some other projects and going all the way to the end
19 and then having, you know, financial catastrophes.

20 MR. MacINNES: Well, and I think that's a
21 good point, that would certainly help. I think back, I
22 worked on Washington Public Power supply units 4 and 5,
23 which costs billions of dollars, and they were cancelled,
24 and, you know, if those -- if something like that
25 happens, and the ratepayers have paid that money all

1 along, that's their out, you know, potentially I mean.
2 So that's the, you know, that's one of the issues. So I
3 think whatever they come up with, and I know they're
4 looking at a number of things, that we have to protect
5 the ratepayer along the way. But you're right, it does
6 mean a bigger number at the end and more rate shock.

7 But I'll give you an example, though, of
8 our utility was proposing to build a coal plant, and they
9 started putting their expenses into our rate base right
10 from the get-go to the tune of 30 million. So they
11 raised their -- they said, hey, we want to do this, we're
12 going to build this 650-megawatt coal plant -- I watched
13 this whole thing happen -- and we're going to, to keep
14 from, people from getting the shock, rate shock, we're
15 going to go ahead and we're going to charge everybody, so
16 they charged all of us more money on our electricty
17 rates, and then they found out that it didn't make sense
18 to build the coal plant for all the reasons we know
19 about, and but yet we ended up writing a check for \$30
20 million, the customers did. It's that kind of thing we
21 want to stay away from. It happens.

22 Okay. Next meeting is December 7. And
23 do we have a motion to adjourn?

24 MR. BZDOK: May I ask one question, which
25 is perhaps public comment?

1 MR. MacINNES: Yes.

2 MR. BZDOK: Until further notice, to whom
3 should we direct communications related to board
4 business, be it business items for meetings or otherwise?

5 MR. MacINNES: Probably me for now,
6 unless somebody else wants to do it.

7 MR. ISELY: Not it.

8 MR. SMITH: Not it.

9 MR. BZDOK: Thank you.

10 MR. MacINNES: Yeah. I've been very busy
11 at my job, and I haven't had a chance to really go out.
12 I mean I've done some work trying to find another person
13 who could help us as Michelle has, have not been
14 successful so far, but I'm going to start working on
15 that. But for now, just get in touch with me, so.

16 And we'll probably need an update from
17 LARA on our budget next time just to make sure we know,
18 because we're going to kind to need to know where we're
19 -- maybe you guys could help us with that -- know where
20 we are in our spending so we don't overspend.

21 MS. DROSTE: Yep.

22 MR. MacINNES: So we don't overspend,
23 it's really important.

24 Okay. So do we have a motion to adjourn?

25 MR. SMITH: So moved.

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MR. MacINNES: Okay. We're adjourned.

Thank you.

(At 3:18 p.m., the meeting adjourned.)

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1 STATE OF MICHIGAN)
)
2 COUNTY OF MACOMB)

3 I, Lori Anne Penn, certify that this
4 transcript consisting of 100 pages is a complete, true,
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October 22, 2015
Date

Lori Anne Penn

Lori Anne Penn, CSR-1315
Notary Public, Macomb County, Michigan
My Commission Expires June 15, 2019