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STATE OF MICHIGAN

UTILITY CONSUMER PARTICIPATION BOARD

- - -

MEETING OF THURSDAY, AUGUST 13, 2015

12:46 P.M.

611 West Ottawa, 4th Floor
Lansing, Michigan

- - -

PRESENT: Paul Isely, Acting Chair
Ryan Dinkgrave, Board Member
Susan Licata Haroutunian, Board Member
Conan Smith, Board Member
Michelle Wilsey, Board Assistant
Christopher Bzdok, Michigan Environmental
Council (MEC)
Sarah Mullkoff, MEC
Don Keskey, Great Lakes Renewable Energy
Association (GLREA)
Michael Moody, Assistant Attorney General
John Liskey, Citizens Against Rate Excess
(CARE)
Douglas Jester, 5 Lakes Energy
Shawn Worden, LARA
Jim Wilson, LARA
Susan Weber, LARA
Ed Haroutunian, Member of the Public
Jim Ault, Michigan Electric & Gas Association
John DeAngelis, Steelcase

- - -

REPORTED BY: Lori Anne Penn, CSR-1315
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Metro Court Reporters, Inc. 248.426.9530

1 MS. MULLKOFF: Sarah Mullkoff,
2 M-u-l-l-k-o-f-f, Michigan Environmental Council.

3 MR. BZDOK: Chris Bzdok on behalf of MEC.

4 MR. SMITH: Conan Smith, I'm on the
5 board.

6 MS. HAROUTUNIAN: Susan Licata
7 Haroutunian, member of the board.

8 MR. DeANGELIS: I'm John DeAngelis with
9 Steelcase.

10 MR. AULT: Jim Ault, Michigan Electric &
11 Gas Association.

12 MR. ISLEY: Excellent. Thank you. So
13 that means we move to the consent items. Are there any
14 objections to the consent items?

15 MR. SMITH: I'll move them.

16 MR. DINKGRAVE: Support.

17 MR. ISLEY: Thank you. So since we have
18 unanimous support, we will move forward.

19 And it looks like we are within a minute
20 of being able to start the board education.

21 MR. JESTER: If you want to move on.

22 MR. ISLEY: You want us to do the --

23 MR. JESTER: We may be stuck.

24 MR. ISLEY: We'll give them one minute,
25 and if it doesn't work, we'll go to the business items so

1 that we aren't all here at 4:00 o'clock.

2 (A pause was had in the proceedings.)

3 MR. ISLEY: Well, since we have
4 non-surety about the technology, why don't we move to the
5 business items, and that way we can come back to this
6 because hopefully within 30 minutes it will be fixed.

7 MR. DINKGRAVE: There you go.

8 MR. ISLEY: Or maybe just threatening it
9 will cause it to actually work. Let's see if the
10 PowerPoint comes up since we've waited this long.

11 (A pause was had in the proceedings.)

12 MR. ISLEY: Well, I apologize for the
13 delay, but we appear now to have technology that will
14 work, and we will move forward. He has stated that he
15 will take questions while presenting; however, we ask
16 that if you ask a question, that you state your name so
17 she knows that you're talking and we can actually keep up
18 with it with the transcription.

19 MR. JESTER: Thank you. And I apologize
20 for the difficult beginning. On the materials table over
21 here was a paper from the Institute for Energy
22 Innovation, and that's the longer version of what I'm
23 going to talk about today. Here's an extra copy if
24 anybody is in need.

25 Okay. Most of you probably heard that
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1 last week the Environmental Protection Agency released
2 the final rule for the Clean Power Plan. In addition to
3 the final rule that establishes carbon emissions
4 standards for existing electric power plants, they also
5 released a draft rule that would be the federal plan that
6 would take effect if a state didn't create its own, as
7 well as a model rule that states could look at, and then
8 there was some other sort of supplementary materials.
9 All together, there's about 3,000 pages, and I'm deep
10 into my second reading now. I am far enough in to know
11 that the materials I'm going to present today, which are
12 mostly based on the draft rule, are still valid. So I
13 made a few adjustments, but otherwise it should still
14 apply.

15 The reason that I'm presenting is that
16 I've been working on a tool called STEER, the State Tool
17 for Electricity Emissions Reduction, for Michigan and a
18 bunch of other states that helps to find the least-cost
19 compliance plan for the Clean Power Plan, and some of the
20 conclusions from that should be informative for you as
21 you think about the interests of residential ratepayers
22 as we go forward. So that's really the motivation for
23 the presentation. Institute for Energy Innovation is my
24 client for the Michigan model, and they have been a
25 grantee, so elaborate, but basically a nonprofit

1 representing the interests of clean energy technologies
2 in Michigan.

3 So the Clean Power Plan requires
4 utilities to reduce carbon dioxide emissions from
5 existing power plants; there's a separate rule that
6 applies to new power plants. The draft was published
7 about a year ago; the final, as I said, was last week.
8 The final rule established plant-specific and then state-
9 aggregate carbon emissions goals for 2030, they vary in
10 stringency amongst the states, but national aggregate is
11 a 32-percent reduction in carbon emissions from the 2005
12 level. Michigan's reduction is 26 percent from the 2005
13 level. Nationally, in 2015 we were already about halfway
14 there based on existing state policies, efficiency
15 standards, renewable standards, things like that, as well
16 as the general drift from coal to gas that has followed
17 from gas becoming cheap the last few years.

18 There are incremental improvements
19 required in three tranches, and then we get to the 2030
20 goals, and states have to develop their own
21 implementation plan by 2018, and if not, the federal
22 implementation plan will be put into place. And the
23 federal implementation plan isn't a harsh thing, but we
24 gain some flexibility and probably lower our costs by
25 doing a state plan that takes advantages of other

1 opportunities that we can do as a state that the federal
2 government can't impose on its own.

3 Carbon emissions can be reduced by fuel
4 efficiency at power plants by doing end-use energy
5 efficiency with what we call energy optimization here in
6 Michigan, by switching to renewables or nuclear, by
7 switching from coal to natural gas because natural gas
8 produces less carbon dioxide per unit of electricity than
9 does a coal plant, and a lot of other measures. It's
10 really about the result rather than how you get there.

11 The model that I'm going to use to talk
12 about this is intended to facilitate all stakeholder
13 access. You'll see down here at the bottom there's a
14 URL, info.aee.net/STEER; from there you can download the
15 Michigan model. It runs in Excel, it's large, it's 107
16 tabs and 60 megabytes, but you are welcome to download it
17 and play an energy system video game, if you will. Not
18 quite that pretty, but. And it is intended to be usable
19 really by any interested party. There's no charge for
20 it, our whole strategy has been to make it available to
21 enable stakeholder engagement.

22 This was a project that we conceived with
23 5 Lakes Energy, the initial version was funded by The
24 Energy Foundation, that was just the Michigan, and then
25 additional development with the Advanced Energy Economy

1 Institute, this was done jointly with Jeremiah Johnson
2 and graduate students at the University of Michigan, and
3 you'll see we're under way in a number of states.

4 So key takeaways from the model:

5 Compliance with the Clean Power Plan can save Michigan
6 ratepayers money versus the business-as-usual scenario,
7 but it won't necessarily, depends on whether we do the
8 right things in implementing it. Many of the compliance
9 options that contribute the most are cost-effective, even
10 absent new carbon regulations, things like energy
11 efficiency, and should be pursued without the Clean Power
12 Plan. To the extent that we go from coal to gas, we run
13 risks related to the uncertainty and volatility of gas
14 prices, and for that reason we should think about
15 renewables as a hedge and avoid making too much of a
16 commitment to gas.

17 The least-cost compliance options do need
18 supportive public policy and regulatory treatment in
19 order to be fully realized, so if we don't do these
20 things, it will cost us more to comply, and many of the
21 opportunities were articulated by Governor Snyder. I
22 will say now that we see the final rule, the goals that
23 he recommended in terms of eliminating energy waste and
24 moving from coal to some combination of gas and
25 electricity are approximately what we need to do to comply

1 with the Clean Power Plan. So we both need to get close
2 to those goals, and if we meet those goals, we satisfy
3 the Clean Power Plan. So this is not something that's
4 sort of out of the realm of the policy discussion that
5 we're having in Michigan.

6 Some of those key considerations: In
7 essence, the Clean Power Plan requires us to reduce the
8 use of coal and do other things, and that will naturally
9 lead to the need to retire some coal plants that are ripe
10 for retirement. The Clean Power Plan does not require us
11 to close those plants, so we can keep them around for
12 reliability reasons if we need to, but we will need to be
13 planning for retirement. You may recall there was an
14 issue with securitization of Consumers' plants, the ones
15 that they're closing next year, things like that will
16 have to be worked through.

17 We do need to enable additional
18 customer-side energy efficiency. Eliminating some
19 statutory barriers and better aligning utility business
20 considerations with the vested interests of ratepayers so
21 that in doing all of the cost-effective energy efficiency
22 is in the utilities' interest.

23 We should encourage network efficiency;
24 this is something that IEI pursued in DTE and Consumers
25 PSCR cases in 2014 with a grant from the UCPB. The

1 Commission didn't order those measures, but acknowledged
2 the argument and suggested that they should be taken up,
3 and Consumers is now making some moves in this direction
4 as of their current general rate case, though they're
5 really just beginning.

6 Distributed generation installations can
7 contribute, and I'm speaking here both things like solar,
8 but also cogeneration, and there are barriers to those in
9 project size, and then on the industrial cogeneration
10 size, some of the economic terms offered by the utilities
11 are not favorable, even though total cost to society
12 would be less if we did these kinds of projects.

13 And then the last thing is, not only with
14 respect to gas prices, but other things, we need to get
15 smarter about incorporating risk considerations into the
16 utility planning that goes through the Commission.

17 The model starts from some generator
18 data, the existing generators, load that we have now, we
19 model the grid in the same way that the markets operate
20 with merit order dispatch for plants, things of that
21 sort, and then we incorporate the building blocks for
22 carbon emissions reduction and do so in the way that
23 mathematically minimizes the cost of the power system,
24 essentially minimizing the total utility bill to the
25 state, including the costs of those measures, and does so

1 until we meet the carbon rules, recomputing everything
2 along the way to take account of interactions between the
3 different measures. And I won't elaborate much on it,
4 but as I said, it automatically finds these costs, it's
5 self-contained Excel, it has the kind of resolution that
6 we use in utility planning and before the Commission
7 dealing with, you know, individual plants and renewable
8 energy sites, energy efficiency measures, and the like,
9 so it's tailored to the decision-making structure that we
10 have.

11 So I want to talk a little bit about some
12 of those outcomes, that's what's most interest to you.
13 First, the network efficiency. What we're talking about
14 here is systems that dynamically control voltage and
15 reactive power on the grid to minimize losses in the
16 grid, and then also can do voltage reduction as an energy
17 efficiency measure at high load times, and as you can see
18 here, that can contribute about three percent of the
19 carbon emissions. These pie charts are the contribution
20 of different types of measures to carbon reduction. And
21 the difference in the net cost of compliance is on the
22 order of \$110 million, depending whether we do this
23 network efficiency work. This is the single most
24 cost-effective measure that we have available, even
25 though it doesn't contribute a large part of the

1 compliance, we certainly want to do it.

2 Energy efficiency programs. The
3 Commission, DTE, and Consumers sponsored an energy
4 efficiency potential study, which you've previously heard
5 about, in 2013, it was incorporated in the Governor's
6 reports right at the end of 2013, and then has been in
7 the backdrop to the administration's views of what we
8 should be doing. That potential study identified sort of
9 three levels of energy efficiency that we could consider:
10 Constraint potential, meaning that it stays within the
11 two percent per year spending cap, two percent of revenue
12 spending cap that the utilities have under current law;
13 achievable potential is if we didn't have a spending cap
14 and offered 50 percent of the incremental cost of the
15 more efficient stuff to the customers, what would they
16 adopt; and then the economic potential is if we did
17 everything that is cost-effective, that pays for itself
18 in reduced energy consumption. And you can see that you
19 gets a range of contributions of energy efficiency to the
20 solution here. If we continue business as usual with the
21 constrained potential, the plan will cost us money, and
22 this is on an annual basis. If we can eliminate the
23 limitation on spending for efficiency and do what is
24 achievable, considered achievable, it will save us money
25 compared to business as usual. If we were able to find

1 ways to increase adoption even beyond that, we would save
2 even more. So there's a very big swing in our annual
3 utility bill around how much energy efficiency we do.

4 Net metering can contribute to Clean
5 Power Plan implementation. I don't want to spend much
6 time on it, but basically this shows you that the rate of
7 return on a solar system just in -- just this year has
8 really gone positive in the Lower Peninsula and gives a
9 sort of ordinary financial rate of return on the
10 investment. If you look at what we forecast the price of
11 power and price of solar systems to be in 2030, you get
12 extraordinary rates of return. That's not actually what
13 you would expect the situation to be in 2030. If it's
14 that good, we'll see a lot of solar and the price of
15 power will go down, but it gives you an idea of the --

16 MR. BZDOK: Mr. Chairman.

17 MR. JESTER: Yes.

18 MR. BZDOK: Chris Bzdok. May I ask a
19 question? What's the source of the IRR numbers, Douglas,
20 and is that with or without the production tax credit?

21 MR. JESTER: All of the things I'm
22 presenting today are without production tax credit and
23 with the investment tax credit for solar only for the
24 next two years; after that, it assumes no further federal
25 tax benefits for renewable energy. Already wind is gone.

1 And the internal rate of return calculation is from the
2 modeling results that we did.

3 MR. BZDOK: Okay. Thank you.

4 MR. JESTER: The Upper Peninsula,
5 remember, power's a good deal more expensive there now,
6 there's a very good rate of return on solar now, and my
7 friends who are solar installers in the U.P. are seeing
8 an upkick in business.

9 So if we assume that the energy
10 efficiency is done at the achievable level, we do the
11 network efficiency, and we have a current net metering
12 cap, that accounts for about 35 percent of our carbon
13 mitigation. Varies a little bit with the scenarios I'm
14 going to show you, but roughly speaking, about 65 percent
15 has to be by shifts in how we generate power at utility
16 scale.

17 Brief side point, I'm not going to read
18 all the words to you here, but we do address reliability.
19 The model builds gas combustion turbines as needed to
20 meet peak load plus reserve margin; if nothing else is
21 needed for energy purposes, if other kinds of generation
22 are a better economic deal, then it builds those, but
23 that's the way that we assure sufficient reliability.
24 And absent the Clean Power Plan, we would need to acquire
25 some additional capacity because of the planned coal

1 retirements. I think everybody's well aware of that.
2 That, plus load growth out to 2030.

3 So natural -- yes.

4 MR. ISLEY: Can you move just a little
5 bit, because you're covering --

6 MR. JESTER: I'm sorry. I'm leaning in
7 here.

8 MR. ISLEY: Thank you.

9 MR. JESTER: Natural gas is sort of a key
10 factor in compliance here. You can use -- the model
11 builds natural gas generation if it's the best option,
12 you can use the existing gas plants and dispatch them.
13 We'll add combustion turbines for reliability, as I
14 mentioned, we will add natural gas-fueled industrial
15 cogeneration, and we'll add new natural gas
16 combined-cycle plants, and each of those is evaluated on
17 its economic merits in light of the carbon limitation.

18 Renewables in here. Just general
19 picture, wind is economically viable everywhere that's
20 pink on the map, but based on wind speed and times, the
21 places the model chooses are in the thumb, central
22 Michigan, sort of Gratiot/Clinton County area, and then
23 in the region between Marquette and Keweenaw Bay in the
24 Upper Peninsula, which currently doesn't have sufficient
25 transmission, so that would have to be a part of the

1 build.

2 Solar resources are more uniform, except
3 Lansing is the worst area in the state. That said, there
4 will soon be an announcement of a utility-scale solar
5 system in the Lansing area that is price competitive with
6 the price of power from conventional power plants, so
7 another indication that solar is arriving in Michigan.

8 Landfill gas is the only form of biomass
9 that's sort of economically viable statewide wherever
10 it's not yet been tapped. Other forms of biomass may be
11 appropriate in certain places where biomass is already
12 being brought together for some reason other than for
13 producing power.

14 Offshore wind is productive, but far from
15 cost competitive. I do not see us doing offshore wind as
16 an economic option in Michigan certainly before 2030
17 unless there's some really surprising technology
18 breakthrough.

19 Then a little bit of news coverage on
20 this point. Recently people have been arguing that
21 Ludington should get credit as being clean power. It's
22 not. Using any storage for price arbitrage now means
23 that you charge, or pump in the case of Ludington, when
24 the marginal plant is a coal plant, and then you have
25 round-trip energy losses, and then you produce power when

1 otherwise the marginal plant would be a gas plant, and
2 the net effect is a pretty significant increase in carbon
3 emissions. It is what it is. It may still be very much
4 worthwhile to operate Ludington for cost savings, but
5 it's just not carbon mitigation measuring.

6 The same is true for battery storage. If
7 we could use it to avoid curtailing renewables and
8 nuclear rather than price arbitrage for coal, it would
9 potentially add to carbon mitigation, but in achieving
10 compliance with the Clean Power Plan, we're not going to
11 use that much renewables or nuclear that that becomes
12 viable. It could still be useful in Michigan, but just
13 not sort of bulk power transfer as carbon mitigation.

14 This slide is -- yes.

15 MR. SMITH: Conan. Douglas, how does the
16 battery stuff play into the challenge of intermittency
17 with renewables?

18 MR. JESTER: At the levels of renewables
19 that we will need to achieve to comply with the Clean
20 Power Plan, the problem of intermittency doesn't become
21 an issue. We, as you'll see, need to hit sort of 27- to
22 29-percent renewables to comply at the most, and we could
23 go 35 percent, maybe 40 percent with Ludington and the
24 existing grid capability. Beyond that, it would become
25 irrelevant.

1 MR. SMITH: Thank you.

2 MR. JESTER: The Clean Power -- in terms
3 of transmission, the Clean Power Plan rule, the final
4 rule doesn't mandate but certainly encourages states to
5 establish allowances for carbon, and for those to be
6 tradeable between states. If you go the other way that
7 they allow, which is to sort of build credits from
8 renewables and efficiency, those also can be tradeable,
9 but again, not mandatory. But that is likely to then
10 lead to, you know, a concentration of renewables in the
11 places where conditions are best.

12 PJM modeling produced results similar to
13 STEER, which said that we really didn't need in the
14 eastern U.S. to do a whole lot of additional
15 transmission, but there will be some.

16 MISO's modeling results are, that they
17 presented to date are just wrong. They assumed that
18 emissions from new natural gas plants wouldn't count, and
19 so their modeling results were that we should build a
20 bunch of new natural gas plants and avoid using the old
21 plants. That is not what the final rules says, and so
22 all of their results should be ignored until we come out
23 with new ones. And I, on behalf of CARE with a grant
24 from you, have been participating in, you know, some of
25 the MISO activities and, in particular, had advised that

1 they were making this mistake. They chose not to listen.
2 We are now engaged in defining the futures that they will
3 model for the 2016 transmission plan, and I think they'll
4 get it right this time.

5 MR. AULT: I have a question on that.
6 Jim Ault from MEGA. You're talking about kind of
7 conducting sort of a peer review of what MISO has done.
8 Has the industry and regulators conducted a peer review
9 of your model, because this all sounds pretty promising
10 and optimistic, and the real world doesn't seem to work
11 that way?

12 MR. JESTER: The version of the model
13 that is now about five months old has been in the hands
14 of the Staff of the Public Service Commission and both of
15 Michigan's major utilities for about five months, six
16 months, National Renewable Energy laboratory had reviewed
17 it, and a large number of clean energy interests around
18 the country have reviewed it. The academic paper is near
19 final draft and will be submitted to a journal within the
20 month I think. So it's been reviewed, but I'm not
21 suggesting it's been -- has the seal of approval from
22 anyone, but no one's said that it's wrong.

23 So the next four slides are related, so
24 the first two are with industrial cogeneration being
25 enabled, the last two are without, and in each pair

1 there's the generation capacity and then the actual
2 generation.

3 So just things I want to quickly point
4 out. The no Clean Power Plan bar here represents the
5 generation capacity we would have, this is in 2030, if we
6 just didn't have a carbon limitation, and it's assuming
7 current natural gas price, so it's just a bookend in
8 this. The remaining bars are with the Clean Power Plan,
9 and 4.50 is approximately current natural gas price, and
10 then we go up to \$6.73, which is the Energy Information
11 Administration forecast of natural gas prices in 2030,
12 and each of these represents the least-cost plan given
13 that natural gas price.

14 So the things I want to point out are, if
15 we allow for cogeneration, coal capacity doesn't really
16 retire much until we -- unless we look at that higher
17 price, but you'll see in a moment it's sitting around
18 being run a good deal less. We would add to our natural
19 gas capacity, and it's only when we get to somewhat
20 higher prices for gas that we start to add wind capacity.
21 At the forecast natural gas price, we do a lot less
22 natural gas and, interestingly, we switch over to a lot
23 of solar, and that reflects the value of solar as
24 capacity on summer afternoons distinct from wind. If you
25 look at the generation that we would do, you can see here

1 that as the price of natural gas goes up, the amount of
2 gas generation gets squeezed out and you get a bit more
3 wind generation and -- than in solar.

4 If we don't go to cogeneration,
5 cogeneration has a lower cost per unit of carbon
6 mitigation than a combined-cycle plant, so if we don't
7 enable cogeneration to play a big part here and just are
8 looking at utility scale combined-cycle plants, gas gets
9 squeezed out of the generation mix at a lower price
10 point. You can see here that in terms of capacity, we
11 start to build a lot more wind at about \$5.00, and in
12 terms of actual generation, gas gets squeezed out pretty
13 early.

14 So the overall point is that the
15 generation strategy really is in some sense a bet on the
16 future price of natural gas. And the other things that
17 are in the mix across the next sort of ten years of
18 expected gas prices are wind and industrial cogeneration,
19 and then if prices go up as expected and the cost of
20 solar keeps coming down, we see this massive
21 reorientation of a portfolio toward utility-scale solar,
22 this is not rooftop, this is utility-scale solar, at the
23 higher gas prices. So managing the risks associated with
24 this transition should be our principal preoccupation.

25 So if we bet on persistent low gas

1 prices, we should go with gas; if we think the -- follow
2 the referenced forecast, we should be using some
3 industrial cogeneration and renewables, basic
4 combination.

5 And natural gas price is uncertain, and
6 these are different forecasts from the Energy Information
7 Administration; I'm not endorsing them, just stating the
8 forecasts that are out there, and it very much depends on
9 assumptions you make about the supply of frackable
10 natural gas in the major formations.

11 Chris.

12 MR. BZDOK: Chris. Can you go back one
13 slide? The without cogeneration renewable generation
14 profile goes down at high, at the higher end of the gas
15 price range. Why is that?

16 MR. JESTER: The optimum strategy at that
17 point is to retire additional coal plants because of a
18 tradeoff between the cost of the substitute and the cost
19 of maintaining existing coal plants, and so we wind up
20 needing a bit more gas for reliability up there. It's a
21 complicated interaction factor.

22 MR. BZDOK: Okay. Thanks.

23 MR. JESTER: Yes.

24 MR. AULT: A question, too, on that, on
25 the third item there. Converting to coal -- from coal to

1 renewables is least cost. In general, renewables can't
2 substitute for coal, at least wind and solar, because of
3 the dispatch problem. How do you build that into your
4 model?

5 MR. JESTER: Well, first the combination
6 of solar and wind doesn't -- certainly doesn't provide
7 8,760 hours of the year, but it's a much more even
8 pattern than just wind or just solar, and the way the
9 model fills in the gaps is with natural gas. So it's a
10 mix of natural gas and renewables.

11 MR. AULT: So you -- but you do have to
12 have enough dispatchable capacity on a 24/7 basis --

13 MR. JESTER: Yes.

14 MR. AULT: -- to meet a situation where
15 wind production and solar production go to zero or close
16 to zero?

17 MR. JESTER: That's correct. And we have
18 Ludington, and there would still be more than half of our
19 coal capacity online even in that scenario. So --

20 MR. AULT: I'm sorry, I'm -- I don't want
21 to hog this. Thinking of Germany, then, where they've
22 done a program similar, you end up with your installed
23 capacity figure, and you have to pay for all of that,
24 being like two times or more your peak. It seems like
25 that's excess, particularly given the footprint of wind

1 and solar, that's an awful lot of infrastructure that
2 you've got to put in to do --

3 MR. JESTER: It's a higher nameplate
4 capacity, there's no question about that, because of the
5 variability of the renewables, but it's a zero fuel form
6 of generation, so you avoid the cost of fuel even as you
7 pay the cost of capacity, so the net still is better this
8 way than going to gas at those gas prices that I'm
9 illustrating.

10 Yes.

11 MR. DeANGELIS: This is John DeAngelis
12 from Steelcase. Just a quick question on the price of
13 natural gas. I understood the bookend on the high side.
14 Can you explain again why the low side is at 4.50 per
15 MMBtu rather than closer to current levels?

16 MR. JESTER: Well, these are prices at
17 the plant, and we are currently, the last few months may
18 be a little lower, but last year we were in the
19 neighborhood of 4.50 average cost of gas delivered to the
20 plant.

21 MR. DeANGELIS: Thanks.

22 MR. LISKEY: John Liskey. Does fracking
23 play into this in terms of price of gas?

24 MR. JESTER: Fracking is the only reason
25 gas is cheap now, so and the forecasts of gas supply and

1 therefore gas prices are dependent on the assumption that
2 we continue fracking in the major formations that we've
3 been developing the last few years.

4 MR. LISKEY: I think I've read where
5 there's some group gathering signatures to prohibit
6 fracking.

7 MR. JESTER: Yeah. Michigan only
8 produces about 20 percent of the natural gas we consume,
9 and even if we vigorously developed the gas fields we
10 have, we wouldn't substantially change that, so we are
11 going to be importers of natural gas and price takers.
12 Traditionally that was from the southwestern U.S., Texas,
13 Louisiana, Arkansas, to some extent it's shifting to
14 Pennsylvania, Ohio, New York is preventing it there, but
15 otherwise we're still at the end of the pipe.

16 MR. LISKEY: What about our storage
17 capacity here in Michigan?

18 MR. JESTER: We have more storage
19 capacity than any other state, and all of our natural gas
20 companies make good use of it to meet high wintertime
21 demand without having pipeline capacity for that, so it
22 reduces our cost for gas pretty considerably.

23 MR. AULT: Followup on that. Sorry. So
24 just for gas to do at least probably almost any of these
25 where you're going to increase natural gas, you've got to

1 dispatch gas, I know it was one of the building blocks,
2 they said go from 30 percent to 70 percent; my
3 understanding is due to the pressure and the volume
4 limitations on the existing system, you would have to
5 upgrade that system at considerable expense as well.
6 Does your model bring that in, too?

7 MR. JESTER: Only in the form of the
8 delivered price of gas, so whatever forecast you make
9 about the delivered price of gas needs to reflect those
10 costs. This is an electricity system only model. The
11 model does tell you what effect we expect this to have on
12 the amount of gas used, and then you can back from there
13 into, you know, doing the gas modeling.

14 And some contact information. That was
15 my presentation.

16 MR. AULT: Can I ask one more question?
17 They are going to have a process, assuming the
18 legislation passes, either version really, and step one
19 of the regulatory process is going to be for the
20 Commission to develop modeling to be used by utilities
21 then as they develop their integrated resource plans
22 individually. Will you be -- will you enter this and
23 present this model for consideration as part of that
24 process?

25 MR. JESTER: I expect so, and certainly

1 we'll be happy to give it to you and your members for
2 them to look at if it's useful. There are some
3 simplifying assumptions here to make the model tractable
4 as an Excel spreadsheet even as big as it is, and I know
5 that the utilities are going to go off and do modeling
6 with the tools that they usually use, but those take
7 consultants and weeks of turnaround; you can do this
8 yourself in seconds. So I think this is helpful as a
9 screening tool for strategies, but then we know, you
10 know, that they will go off and use more sophisticated
11 models to get to the right and presumably, or final and
12 presumably right answers.

13 Chris.

14 MR. BZDOK: Can we review the document
15 titled Beer Tourism next?

16 MR. JESTER: It's not my laptop.

17 MR. ISLEY: You can see my entire
18 (inaudible). That will actually be public in about two
19 weeks.

20 MR. BZDOK: I'll give you my card, you
21 send that direct.

22 MR. JESTER: I probably -- since Chris
23 asked that question, I probably should point out that the
24 model also says which coal plants are likely to be used a
25 great deal less and therefore are candidates for

1 retirement, and the ones that MEC has been questioning in
2 the rate cases are the right ones to question.

3 MR. ISLEY: Additional questions?

4 MR. DeANGELIS: Yeah, a couple quick
5 questions. On some of your earlier slides, I wanted to
6 let you get through your slide deck, but you said from
7 demand-side resources, we'd need to eliminate statutory
8 barriers. Can you elaborate on that a little bit?

9 MR. JESTER: The principal one is that
10 the current energy optimization standard limits utility
11 expenditures on energy efficiency programs to two percent
12 of revenue, and that is what caps the constrained
13 potential in that GDS report.

14 MR. DeANGELIS: No, so I understood that,
15 it was actually the slide before. I'm talking about
16 demand-side resources. So you said demand, for example,
17 demand response, right, and you said we'd need to
18 eliminate statutory barriers to demand response. Is
19 that -- you're still referencing the two percent? I
20 assumed you were referencing something else, such as
21 interruptible tariffs or something like that.

22 MR. JESTER: Yeah. So I think that
23 entire sentence said, referred to both law and regulatory
24 barriers, and some of this can certainly be done with the
25 permission of the Commission. The real trick is to make

1 it worthwhile. So if you take volt VAR control, for
2 example, reducing voltage reduces power consumption which
3 reduces sales, and the utility naturally wants to be made
4 whole for that, and so we have to -- we have to think
5 through how we treat their investments in those kinds of
6 tools and also the consequences of the sales reduction in
7 order to align their utility interests with these
8 interests. That's really the sort of thing we're talking
9 about.

10 MR. DeANGELIS: That makes sense. And
11 then on the -- the last question is, on your pie graphs
12 you show a constrained system, you know, and a more
13 aggressive system and one more, and what I didn't see on
14 there is what happens if, as we've seen possibly in the
15 legislature where some of the EO programs can get
16 eliminated, what would happen on the other end; are you
17 planning to model that as well to say if we did not have
18 an energy optimization program, whether it's on
19 electricity or the natural gas side, what -- how does
20 that change our cost of compliance with the Clean Power
21 Plan?

22 MR. JESTER: I didn't put it in, but I
23 have modeled it, and the difference in cost of compliance
24 between the achievable energy efficiency and no energy
25 efficiency is on the order of \$780 million a year.

1 MR. DeANGELIS: Thanks.

2 MR. ISLEY: Any other questions for
3 Douglas?

4 I think almost all the ones I had written
5 down were asked. I do, having modeled this type of stuff
6 myself, I know you're handling capital costs in here, so
7 can you talk a little bit about depreciation and which
8 accounting schedule you're using to do the depreciation?

9 MR. JESTER: Yeah. The -- almost all of
10 the capital investments that we modeled are utility
11 investments, and so we depreciated them in exactly the
12 way that they do in the utility rate cases. The
13 nonutility investments are in cogeneration and in the
14 metered solar principally, and in those cases we used the
15 standard accelerated depreciation methods for tax
16 purposes and just ordinary straight-line depreciation in
17 terms of getting to a levelized cost of energy for the
18 person making the decision.

19 MR. ISLEY: Okay. And then as we saw the
20 solar grove, and I'm assuming a lot of the solar is
21 behind the meter, are you expecting --

22 MR. JESTER: Actually, most of it is
23 utility scale. So it's, you know, 20-, 30-megawatt
24 systems covering a field owned by the utility is what
25 shows up in big numbers.

1 MR. ISLEY: Okay. So are we seeing
2 intrusion at that point which is causing a cost shift in
3 transmission to residential consumers?

4 MR. JESTER: Well, because that's a
5 utility-owned and utility scale, it becomes just
6 delivered power like all the rest, and so there's no cost
7 shift implied in distribution costs. The behind-the-
8 meter generation we capped at the one percent. In these
9 model runs, I can change that. I draw your attention to
10 very recent article out of Lawrence Berkley National
11 Laboratory where they modeled what happens if utilities
12 adopt time-of-use pricing, and then solar becomes its own
13 worst enemy in the sense of more solar suppresses the
14 price of power at the time that solar generates, making
15 it less attractive to do. It becomes a self-limiting
16 process at about 15 percent of sales. And so there's
17 cost shift, but it doesn't sort of get out of hand. So
18 the utility death spiral we've all heard about is self-
19 limiting if utilities adopt the right sort of pricing
20 policy.

21 MR. AULT: Question again. On that,
22 related to that point, so we had the president, or the
23 number two guy from AEP up at our conference a couple
24 weeks ago, and he said that utility-scale solar is about
25 from a third to half cheaper than rooftop solar for the

1 same bang for the buck. Are you assuming something like
2 that?

3 MR. JESTER: Yeah.

4 MR. AULT: Does that sound far-fetched
5 or --

6 MR. JESTER: No, that's about right.
7 And, you know, for that reason people have other
8 motivations, but the best way for utilities to kill off
9 rooftop solar is to build a bunch of solar, suppress the
10 price. Yeah.

11 MR. ISLEY: Any other questions?

12 Excellent.

13 MR. JESTER: Thank you.

14 MR. ISLEY: Thank you very much.

15 MR. JESTER: I appreciate your time, and
16 sorry about the rough start.

17 MR. ISLEY: So we're up to business
18 items, then. And according to my agenda, that brings us
19 to the MEC grant amendment request.

20 MR. BZDOK: Thank you, members of the
21 board. Chris Bzdok on behalf of MEC. Along with me is
22 Sarah Mullkoff, who is the energy point person at MEC as
23 well.

24 These are no new cost transfer requests
25 using leftover funds in some of the cases to support work

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1 that is ongoing. There are two categories of work that
2 we are seeking transfers to do. The first is the
3 Commission is requiring -- so as you had some briefing on
4 at your June meeting from Emerson and then subsequently
5 in our status report, the cost-of-service cases, which at
6 the last time you met were at the PFD stage, are now at
7 the Commission order stage, and one of the things that
8 did survive Commission order was an embrace by the
9 Commission in both cases of proposals by MEC and CARE,
10 supported by Douglas Jester's testimony, to the effect
11 that there needed to be broader implementation and
12 further adjustment to rates that the utilities offer for
13 dynamic peak pricing and for time-of-use rates, and that
14 a lot of that was being driven by the same types of
15 conditions in the market that were driving this
16 discussion about changing the way production costs were
17 allocated and the costs of new capacity and the costs of
18 the way that the system is used, and that this is a form
19 of pricing that (A) is responsive to what is driving some
20 of those costs, summer peaks, and (B) is a form of
21 pricing that allows a customer to have some control over
22 what's going on by managing their energy use differently,
23 and that all of this is enabled by very large investments
24 that the utilities have been making over the past several
25 years and continue to make in smart grid. So we argued

1 that there ought to be a much broader implementation of
2 those types of rates, we had a proposal for how those
3 rates should be structured. The Commission's response,
4 which was recommended in one of the PFDs, was to state
5 that those rates do need to be opened, the existing rates
6 which currently have no customers need to be opened
7 without limit to customers on an opt-in basis once they
8 have Smart Meters at their homes. And in addition, the
9 Commission required the opening of new dockets in which
10 the utilities are to file reports essentially describing
11 issues involving implementation of this type of adoption.
12 So these are outgrowths, these dockets are outgrowths of
13 the Act 169 cases in which the utilities have to
14 describe, for example, what types of rates could be
15 advantageous to offer, how these things are going to be
16 marketed, what the strategies are going to be, et cetera,
17 et cetera.

18 And so the Commission obviously is
19 interested in taking this a step further, and so what we
20 would like to do is to, you know, file responsive
21 comments to those reports when those are done. We view
22 that as an outgrowth of the Act 169 cases where there was
23 funding authorization. And so the transfer requests
24 there are to use leftover funds from the Act 169 cases to
25 support the filing of responsive comments or reports in

1 these dockets when they occur. That's one of the areas
2 of work for which we're seeking to transfer funds.

3 And the other is to take some leftover
4 funds from the expert budgets of the PSCR plan cases and
5 use them to support the later stages of briefing in the
6 Consumers rate case about which we've given you a
7 detailed update on the various PSCR Act 304-related
8 issues that we're working on, including PSCR cost
9 projections associated with the investment recovery
10 mechanism and line losses, which has been a long subject
11 of discussion, and a number of other issues. So that's
12 it, unless the board has questions.

13 MR. ISLEY: Is there a motion?

14 MR. SMITH: I move to the transfer.

15 MS. HAROUTUNIAN: Support.

16 MR. ISLEY: Okay. All those in favor?

17 BOARD MEMBERS: Aye.

18 MR. BZDOK: Thank you very much.

19 MR. ISLEY: All right. So I think the
20 next three business items are actually by Michelle.

21 MS. WILSEY: Hi. Michelle Wilsey,
22 assistant to the board. Yes, these are informational
23 items, so there's really no action required by the board,
24 but as points of advisement.

25 The first one, UCPB administrative
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1 services contract. I've served as the board assistant
2 for I don't know, a decade I would guess, I haven't
3 calculated it, but I took on a new role about a year and
4 a half ago, which has grown, successfully, and with
5 blessings come challenges, and keeping up with the board
6 and the responsibilities has become impossible really to
7 do both well; and so sadly I'm not going to be able to
8 seek extension of my contract to continue in this role.
9 Jim and I spoke about it several weeks ago, and we have
10 exchanged the scope of work, and he's going to be
11 consulting with LARA and others and looking to the board
12 to look at what form and fashion filling this kind of
13 role will take in the future and whom might fill that,
14 and so I'm sure he'll be seeking any input or advise that
15 anyone has to kind of identify someone deserving that
16 role. So you all know it, but I wanted to share that
17 generally and kind of start moving that forward as an
18 action item.

19 I'll continue through the term of the
20 contract, that will take us through the grant cycle, and
21 I will, I will plow through the end of it. It's a
22 challenge. But we'll get through that, and then we'll
23 advise, you know, whatever the board needs to get through
24 December and whatever the next step is, I'll be
25 available. But we don't have to extend the contract like

1 we normally would.

2 MR. SMITH: I would advise the board that
3 we extend the contract and force Michelle to stay. Is
4 that possible?

5 MS. WILSEY: I appreciate that, but --

6 MR. ISLEY: I wish it was.

7 MS. WILSEY: Yes, and I wish it was as
8 well. As I said, if I could, I would.

9 But I can segue to the very next item,
10 the annual report. I expected to have a copy to you
11 today; there are still some gaps in it that I need to
12 fill, so I'll be sending that to you. But it's a symptom
13 of the bigger challenge. I travel a great deal, and
14 carving out time to focus on this is very, very
15 challenging right now. So I will deliver it very soon.
16 We're still having our meeting on the 24th, following
17 Monday, and we can take it up with you having reviewed it
18 then. But it's just like I said, symptomatic of the
19 bigger challenge, and getting home last evening was clear
20 to me that it was going to be a challenge to get through
21 that today.

22 So any questions on those items, other
23 than we'll move forward together and figure out the path
24 forward? Okay.

25 And then as far as the 2016 grant cycle,
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1 again, just informational. The next meeting will be
2 review of the first phase of grants that were submitted.
3 We've received those from three entities, MEC, CARE, and
4 GLREA. The total amount of requests to date are
5 \$564,280. As was described in the grant announcement,
6 the appropriation level, the board anticipates granting
7 at the 486 or approximate level to help with the
8 rebalancing of the funds with the AG's office, so there's
9 a little bit of a deficiency, so some decisions to be
10 made.

11 In addition, a late case was decided
12 after the deadline for submissions for this grant cycle.
13 RRC notified the board that they would like to submit a
14 grant if it was permissible to do so; in the time you've
15 received a brief on explanation of that, they would need
16 it reviewed at the upcoming meeting as well, and wanted
17 to know if that was possible. If would be added as an
18 agenda item, the board can take it under, you know,
19 consultation. My recommendation was, you know, we
20 receive them in phases, to maybe fully hear the cases
21 presented -- or the grant requests presented, make your
22 decisions on those first, and then if you want to add
23 that as a subsequent business item if you agree with the
24 reasons, then that would probably be fine.

25 MR. SMITH: So I appreciate that

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1 recommendation, but I have a little bit different take on
2 it. The deadlines that we put in place are to facilitate
3 administration of the funds effectively on behalf of the
4 consumers, so I would prefer, knowing that this arose, to
5 have it incorporated in as part of our granting for 2016,
6 or our evaluation; but I think, Michelle, it would only
7 be the case if Dave were able to get you a full
8 application with sufficient time for its review to be
9 incorporated. If he can't, if there's some reason that
10 he can't get it until I think he said August 10 -- did he
11 say August 10 he could get something to us? Oh, that was
12 the deadline.

13 MS. WILSEY: Yeah, if he was allowed to,
14 he'll deliver it immediately.

15 MR. SMITH: Yeah. So I feel like knowing
16 that this is something that we have invested in in the
17 past, we're seeing success there, I would want to
18 consider it as part of the 2016 package; not necessarily
19 invest in it, but to know it's part of the potential,
20 unless there's some administrative reason that would
21 block us from doing that.

22 MR. ISLEY: Any other comments?

23 MS. WILSEY: So again, the board can take
24 it up, the order of the agenda and whether to admit it or
25 not at the next one, but with some discussion in advance.

1 But I will tell David to submit it.

2 MR. ISLEY: Yes, I believe so.

3 MS. WILSEY: Okay. Thank you. That's
4 all I have.

5 MR. ISLEY: That's all you have. All
6 right.

7 So that gets us through the business
8 items, and that brings us to reports by the grantees.

9 So I'm going to start on this side and go
10 that way. So Chris.

11 MR. BZDOK: Thank you. We submitted a
12 lengthy status report, we have a lot of cases going right
13 now, which include PSCR plan cases, general rate cases,
14 the conclusion of the cost-of-service cases, and a few
15 things going on on the renewable energy front. Is there
16 anything in particular you'd like me to address or like
17 to hear more about?

18 MR. ISLEY: I understood the reading, so
19 I'm not in much need myself. Is there any particular
20 area that you want to flag?

21 MR. BZDOK: Not necessarily. Maybe I
22 will just, you know, briefly update you on the, kind of
23 the final result of the cost-of-service cases since this
24 may be the last time we talk about them prior to this
25 time-of-use rate report discussion, which may be a little

1 ways off.

2 As you'll recall, the board supported
3 grants to, joint grants to MEC and to CARE in three
4 cost-of-service cases, DTE, Consumers, and also Indiana
5 Michigan, which I will defer to John on that settlement.
6 The two primary issues that we worked on, as we talked
7 about, were, on the one end, some of the cost
8 reallocation proposals that had been made, and on the
9 other end, this time-of-use and dynamic peak pricing
10 issue.

11 On the cost allocation, the two places --
12 so just as a recap, the DTE proposal was a net \$93
13 million increase for residential customers, the Consumers
14 Energy was a \$75 million increase for residential
15 customers total. The places where we chose to make our
16 stand in DTE were primarily on the production cost
17 allocator and the proposal to shift that from the
18 50/25/25 method, that was 50-percent peak use, 25-percent
19 on-peak energy use, and 25-percent total energy use, to
20 this 100-percent demand-based on the four peak hours of
21 each summer month, and the same in Consumers. We also
22 stood I guess aligned with the Staff and DTE on the
23 reallocation of uncollectible expense, which currently is
24 allocated as, more or less as a cost of doing business
25 among the classes and was proposed to be more

1 proportional to the writeoffs that occur per class, which
2 is again an allocation to hit residential customers, and
3 Consumers has made a similar proposal in its pending rate
4 case.

5 The PFDs that we got from the two
6 different administrative law judges in these cases were
7 very favorable. MEC, CARE, and the Attorney General were
8 the, who's here, Mr. Moody is here, were the only parties
9 who stood for 50/25/25 on the production cost allocation,
10 and both PFDs by two different ALJs agreed with us, and
11 so we were very elated, although we had some, you know,
12 we were sort of sober, and I think in our presentation to
13 you we were sort of sober about, you know, where might
14 this be headed ultimately, and ultimately the Commission
15 did dial it back somewhat and went with the 75-percent
16 peak, 25-percent total energy use, which was the Staff
17 proposal. If when we had started out you had told us
18 that would be the outcome of that particular issue, I
19 think we would have been pleased with it. Obviously we
20 were disappointed with it having had the very favorable
21 PFDs which were very extensive and very detailed and
22 very, you know -- any time a lawyer gets a favorable
23 opinion, they say, boy, that's a well-reasoned opinion,
24 but, you know, these were 150-page PFDs that were very
25 detailed in their discussion of the evidence, and so we

1 were disappointed in that.

2 I was disappointed on a personal note
3 that the evidence, the testimony the Commission cited in
4 reversing the PFDs and going to 75/25 was a certain
5 amount of direct testimony by a Staff person who agreed
6 with me in cross-examination in both cases that he also
7 felt that the 50/25/25 was just as reasonable as what he
8 had outlined. And so I mean at some level, I mean if I
9 was to, you know, appeal that, which we're not, you know,
10 we'd say, well, the Commission relied on this testimony
11 to say that the Staff method was better, but the Staff
12 person who testified to that said that our method was
13 just as good or the historical method was just as good.
14 So it really was problematic from an evidence standpoint,
15 but, you know, evidence isn't the only thing that goes
16 into these decisions, and I think there was some of that
17 going on as well.

18 So going back and getting out of the
19 weeds, I think it's a decent result on that issue. The
20 overall net, you know, impact to residential customers is
21 tough, it's -- the ultimate result of these cases was a
22 clawback more or less of about \$20 million in DTE and \$18
23 million in Consumers, which sounds pretty good. If you
24 say, well, the ultimate result was an increase in DTE for
25 residential customers of, you know, 75 million and for

1 Consumers customers of 55 million, 56 million, that
2 doesn't sound so good, so it's kind of, you know, which
3 way do you look at it.

4 But, you know, we do appreciate the board
5 support, we feel that the board support was vital, as
6 well as the Attorney General's participation was vital.
7 We feel like it really was the intervening parties that
8 were standing most vigorously in defense of residential
9 customers here, and that there was some, you know,
10 positive -- there was some clawback from these proposals
11 and then there was also this positive move by the
12 Commission relative to, you know, time-of-use rates and
13 further implementation and broader application of those.
14 So, you know, I think we can tell a story of some mixed
15 results here, but some things to feel good about against
16 a greater backdrop of what was going to be very much a,
17 you know, a primarily, you know, very, very large
18 negative, just purely negative move for residential
19 customers. So I think, you know, I feel good about where
20 MEC and CARE and the board ended up and the Attorney
21 General, and I hope you do, too. I know it was a
22 significant investment and a strong stand that the board
23 took, and we sure do appreciate it. So that's my report.

24 MR. LISKEY: Chris, I'd like to switch to
25 the I&M case real quick, because I know Douglas has to

1 leave here in about a minute or two, to update the board
2 on the I&M cost-of-service case, which we have settled.

3 MR. JESTER: Indiana Michigan prior to
4 this case had a 75-percent peak demand/25-percent energy
5 allocator on production plant, so with the decisions by
6 the Commission, and that as background, we were able to
7 settle at the 75/25 split, same as with the other
8 companies. The real change there was they had been
9 measuring peak demand based on 12, the peak of each of
10 the 12 months, that is now reduced to 4, which again is
11 identical to the outcome for Consumers and DTE, so this
12 is now the standard practice I guess.

13 The other thing that Indiana Michigan
14 proposed was a pretty substantial initial increase with
15 an intent to go further in increasing the fixed monthly
16 charge to all customers, and particularly residential
17 customers, which has also emerged in the general rate
18 cases for DTE and Consumers, sort of a natural movement
19 amongst utilities to do this. We argued against that,
20 and so did Staff, and the settlement has no increase in
21 the fixed monthly charge other than some minor technical
22 changes. So that's really the substance of the outcome.

23 MR. ISLEY: Okay. Excellent. So do we
24 have anything else on the cost-of-service cases since we
25 have all the parties here?

1 MR. MOODY: It's in the rate cases a
2 little bit, and the Edison one, we just filed our brief
3 supporting the Commission's 75/25. We just said -- we
4 didn't put testimony in, but in our reply brief we just
5 supported it because it's a done deal seemed to us, so
6 we're just cementing it in with, you know, our argument
7 that support the Staff's position on that.

8 MR. BZDOK: In the rate cases, Consumers
9 said, without agreeing with it, they accept the outcome
10 for purposes of their rate case, DTE said they do not,
11 and is still pushing the 100/0/0 in their rate case, so
12 whether that goes anywhere, you know, is anybody's guess,
13 but that's -- the utilities are taking different
14 positions in their rate cases about that.

15 MR. ISLEY: Any questions from the board?

16 MR. SMITH: I would just say in terms of
17 the interpretation of the work, that the -- because these
18 are utility rate cases, it is the utilities who set the
19 base line, and your role as protecting the consumers
20 should be measured from there. So to me, I recognize
21 that this is a significant cost increase on the
22 residential class, but it could have been, you know,
23 25-percent worse had you all not been there.

24 MR. BZDOK: Thanks, Conan.

25 MR. SMITH: So in terms of doing the work

1 of this board and protecting the consumers, I think it's
2 a pretty substantial success and you should be commended
3 for the work.

4 MS. HAROUTUNIAN: I agree.

5 MR. ISLEY: Okay. Any other -- okay. So
6 do we have any other --

7 MR. LISKEY: The only other report I
8 would give real briefly is in your packet you'll see a
9 letter from the Iowa Attorney General's office thanking
10 CARE, which I meant to thank -- I included it or asked
11 them to send it to you to thank you for Douglas's
12 participation in MISO. As you know, we were operating
13 under about a \$10,000 grant this last year, but we have
14 continued on a pro bono basis to go above and beyond that
15 \$10,000 because these issues are too important and we
16 have too much base knowledge given all the years of
17 support that you've provided, so I just wanted to ask you
18 to, if you haven't read that letter, read it. We also
19 played a small role in supporting Michigan Commissioner
20 Sally Talberg's election to the nominating committee for
21 the board of directors, so we -- and doing some behind-
22 the-scenes work as well just to help Michigan.

23 MR. DINKGRAVE: I appreciate you
24 providing that letter, I always think another endorsement
25 of the work is very powerful, so thank you.

1 MR. LISKEY: And that was sent really on
2 behalf of 14 other states.

3 MR. DINKGRAVE: That's great.

4 MR. ISLEY: All right. Other questions
5 for CARE?

6 So we're last, but not least.

7 MR. KESKEY: I'm last. Oh. Great Lakes
8 Renewable Energy Association, and my name is Don Keskey.
9 Basically there's not a whole lot of new decisions or
10 events since the June meeting in which I prepared
11 comments or provided a report.

12 In U-17317, which is the Consumers Energy
13 PSCR plan case for 2014, the Commission issued an order
14 in May of 2015, which while it did not make adjustments,
15 which we did not propose adjustment, we proposed various
16 approaches that should be taken up by the utilities, the
17 Commission order did state that they felt there were a
18 lot of things fast changing in the energy industry,
19 including the Governor's new policy, that GLREA has some
20 good points and that they should participate in
21 continuing rate cases and PSCR cases basically. And one
22 of our recommendations was that they would reconvene the
23 Solar Working Group, which is a discussion group of
24 utilities, intervenors, stakeholders, people interested
25 in the subject of solar energy, was one of our

1 recommendations, and the Commission has undertaken that
2 approach, they have reconvened that group, which is
3 meeting approximately every month, and they are going to
4 be issuing a report by the Staff in September.

5 U-17319 is the DTE Electric PSCR plan and
6 five-year forecast case for the year 2014, and all the
7 briefing and the hearings were completed, but we still do
8 not have a proposal for decision by the administrative
9 law judge yet as of a few days ago. I was going to check
10 it this morning, and I completely forgot.

11 U-17678 is the PSCR plan and five-year
12 forecast for Consumers Energy Company starting with the
13 year 2015, and that case has been -- the hearings are
14 over, the briefing is complete, and we're awaiting a
15 proposal for decision. That's the same status with
16 respect to the DTE Electric PSCR plan case and five-year
17 forecast case, U-17680, where we're awaiting a PFD.

18 GLREA successfully intervened in the
19 Consumers Energy biennial renewable energy plan case,
20 U-17792, and also in the DTE biennial renewable energy
21 plan case, U-17793, and testimony will be due soon in
22 those cases, and the schedule goes out for hearings into
23 October.

24 Now, just to end -- or just to summarize,
25 again, the ideas and the expert testimony that we've

1 submitted in these PSCR cases, and the second round was
2 enhanced and incrementally expanded from the first cases,
3 is to point out that the five-year forecast cases for the
4 utilities do not match or align with what is happening in
5 the real world, that there is going to be an expansion of
6 solar capacity and energy resources, and particularly
7 opportunities for that, some of which even the utilities
8 are now starting to propose that there will be an
9 expansion of solar resources from customer-owned
10 facilities, community-owned facilities, and utility
11 facilities, and there can be a real positive impact on
12 other Act 304 costs because the solar in Michigan for the
13 four summer months aligns so well with the air
14 conditioning loads which residential customers are big
15 contributors to. The more energy that you can generate
16 from solar to fit in the resource mix, the more that
17 you're going to be diversified and in power customers and
18 the Michigan economy to generate more power on its own.
19 And just, nationally there's just a, solar energy is
20 making inroads. The Staff issued its net metering report
21 last week, or the early part of August, and again, there
22 was a 25-percent increase in participation, and the cost
23 of solar implementation is declining still. So that
24 report came out after my grant proposal was submitted,
25 but what I'm saying is the trends that we've talked

1 about, the impact on other Act 304 costs, the ability to
2 add to the diverse mix of energy over time, the way that
3 you can offset peak costs, all of the various advantages,
4 and that's not even to mention your environmental
5 benefits, if you can talk about the rules under the
6 carbon rules, about reducing that, an energy source
7 that's not dependent on fuel, except the hydrogen from
8 the sun, is a positive development. And so, you know,
9 this is the kind of track that we have gone on in these
10 cases, along with demonstrating statistically from
11 comparing of locational marginal prices from MISO in
12 comparison to what solar can do to the peak costs, that
13 it can blunt and reduce and ameliorate those peak costs,
14 and so that's where we're at right at the moment.

15 MR. ISLEY: Excellent. Thank you. Are
16 there any questions from the board? Okay.

17 Do you have any additional stuff to
18 contribute?

19 MR. MOODY: I guess I would say we're
20 working closely with Valerie's, you know, moved
21 department there, the Michigan Agency for Energy, and
22 we're currently sitting on a group, and MEC's on it, too,
23 it's a roadmap to Michigan's energy future, whatever the
24 title is, I can't remember, but it's a bunch of
25 stakeholders, all like utility, car companies and other

1 big users and stuff, and a couple -- myself as a consumer
2 advocate there on behalf of the AG, and a couple other
3 kind of consumer groups. So it's good to be in the group
4 because that way we can kind of hear what, you know, what
5 everyone's thinking and, you know, probably have some
6 type of policy, you know, formulation that maybe Valerie
7 will take to the Commission or take to the legislature
8 and, you know, something -- because being on the ground
9 floor, it's good to watch it and be involved with it, and
10 so I'm glad we're participating there.

11 And then we're also working with Valerie
12 on some FERC cases dealing with Upper Peninsula and SSR
13 stuff, and actually I'm using some of John's experts on
14 that, so we, you know, utilize each other's resources a
15 lot, and bumping into everybody here some way or another
16 in some cases, so it's been great, the people that John
17 uses, like Ken Rose and Bob Burns, are great minds, and
18 Connie Groh, using them on this stuff.

19 MR. DINKGRAVE: Is that new agency under
20 MEDC, then, or --

21 MR. MOODY: They're a separate
22 department, I think. Is that it? Or are they underneath
23 LARA?

24 MS. MULLKOFF: I think they're under
25 LARA.

1 MR. MOODY: They're under LARA, okay.
2 Yeah, I guess it wouldn't be a department head, but they
3 have MPSC underneath them I guess, right, stuck
4 underneath their group, and so Valerie kind of heads up
5 that whole thing. And so we've been going to meetings
6 with them and working with her closely, so it's been
7 good.

8 It's probably just well-needed to have
9 someone like Valerie to, you know, kind of fit all the
10 pieces of Michigan, you know, look out for the whole
11 state and kind of work us all in together. So it's kind
12 of, you know, brand new for us to actually be sitting in
13 the same place with the Public Service Division of our
14 office who represents the Commission and also with
15 Valerie's group and myself as a consumer advocate type
16 group all together in meetings together and talking about
17 Michigan as a whole, so it's kind of I think a good mix
18 that we haven't had in the past.

19 MR. ISLEY: Excellent. Okay.

20 Any other questions?

21 That brings us to public comment. Is
22 there any public comment?

23 Having heard none, I will suggest that we
24 adjourn. Is there a motion?

25 MS. HAROUTUNIAN: So moved.

1 MR. SMITH: Okay.

2 MR. ISLEY: Excellent. So our next
3 meeting is August 24. Thank you.

4 (At 2:15 p.m., the meeting adjourned.)

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1 STATE OF MICHIGAN)
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2 COUNTY OF MACOMB)

3 I, Lori Anne Penn, certify that this
4 transcript consisting of 55 pages is a complete, true,
5 and correct record of the proceedings held on Thursday,
6 August 13, 2015.

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10 signature.

11 I also certify that I am not a relative
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September 2, 2015
Date

Lori Anne Penn

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