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STATE OF MICHIGAN
UTILITY CONSUMER PARTICIPATION BOARD

- - -

MEETING OF MONDAY, OCTOBER 13, 2014

12:47 P.M.

611 West Ottawa, 4th Floor
Lansing, Michigan

- - -

PRESENT: Paul Isely, Board Member
Conan Smith, Board Member (via telephone)
Susan Licata Haroutunian, Board Member
Ryan Dinkgrave, Board Member
Michelle Wilsey, Board Assistant
David Shaltz, Residential Ratepayer Consortium (RRC)
John Liskey, Citizens Against Rate Excess (CARE)
Douglas Jester (GLREA and CARE)
Don Keskey, Great Lakes Renewable Energy
Association (GLREA)
Christopher Bzdok, Michigan Environmental
Council (MEC)
Susan Weber, LARA
Shawn Worden, LARA
Jim Wilson, LARA
James Ault, Michigan Electric & Gas
Ed Haroutunian

- - -

REPORTED BY: Lori Anne Penn, CSR-1315
33231 Grand River Avenue
Farmington, Michigan 48336

1 MR. WILSON: Jim Wilson, LARA.

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

4 MR. JESTER: Douglas Jester, also on
5 behalf of CARE.

6 MR. BZDOK: Christopher Bzdok on behalf
7 of the Michigan Environmental Council.

8 MR. AULT: Jim Ault Michigan Electric &
9 Gas Association.

10 MR. HAROUTUNIAN: Ed Haroutunian, member
11 of the public.

12 MR. ISELY: All right. Excellent. So we
13 have a quorum. So we need to approve the agenda and the
14 consent items. So remember, we have two sets of minutes.
15 Do we have a motion?

16 MR. DINKGRAVE: So moved.

17 MR. SMITH: I'll support that.

18 MR. ISLEY: Any discussion?

19 MS. WILSEY: Just, Susan, do you know the
20 members, or do you want them to say their name when they
21 make a motion until you're --

22 MS. WEBER: Say their name, yeah.

23 MS. WILSEY: Could you -- Susan is going
24 to try minutes.

25 MR. DINKGRAVE: Ryan Dinkgrave. So

1 moved.

2 MR. SMITH: And Conan Smith on support.

3 MR. ISELY: So any discussion? All

4 right. Then we vote. All those in favor?

5 BOARD MEMBERS: Aye.

6 MR. ISLEY: Opposed? Excellent.

7 All right. So that brings us to business

8 items, according to the agenda. And we can start with

9 the CARE/MEC joint requests.

10 MR. LISKEY: I'll start, and then if
11 there's questions, Doug and/or Chris can help. This is
12 the third case that, I think it's the third and final
13 case that you'll see on these cost-of-service proceedings
14 during this fiscal year. Every investor-owned utility
15 will eventually have to go through this process, but the
16 Commission has permitted and the legislature permitted
17 the smaller utilities to file their applications all the
18 way into 2016.

19 So but I&M is a big utility, it's
20 different. When we were putting this together, we were
21 looking for some cost savings given that we're also going
22 to be in the Detroit Edison and Consumer cases, but this
23 is a nuclear plant and there's some -- so it's not going
24 to be a cookie-cutter type of approach. So our request
25 is 84,000; and I think the board granted for the DTE and

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1 Consumers cases 100,000 each, so this is a little bit
2 lower. And we won't know until they file, we won't know
3 until we get in the case how, you know, if this is going
4 to be enough or if we're going to have excess. I will
5 say that we have a good record of frugality, and if we
6 don't need the money, we don't spend it, and you can see
7 that on your financial statement. There's, you know, a
8 grant back from 2012 where we did not spend \$17,000 in
9 that grant. And so that's about all I can say right now.
10 If you have any questions.

11 MR. ISELY: Questions?

12 MR. SMITH: I don't think so. Makes
13 sense to me.

14 MR. ISELY: Makes sense.

15 MS. WILSEY: If I could ask a quick
16 question. John, when is the filing? When do you expect
17 the filings in the three cases that have been approved?

18 MR. LISKEY: Well, Detroit Edison has
19 filed. Probably between now and your next board meeting.

20 MS. WILSEY: Okay. So you expect the
21 filing.

22 MR. LISKEY: Yes.

23 MS. WILSEY: And then that will be in
24 that 270-day process that was mentioned?

25 MR. LISKEY: (Nodding.)

1 MR. DINKGRAVE: I just want to comment.
2 We appreciate the frugality and when you've been able to
3 return funds in the past, and I like seeing the
4 collaboration. So encouraged.

5 MR. LISKEY: It makes a lot of sense.

6 MR. ISELY: So let me get the timing a
7 little bit firmer here. So realistically right now we're
8 looking at a filing between now and December. When do we
9 expect the heavy lifting on this, or is there any more
10 information we'll understand prior to the beginning of
11 December?

12 MR. LISKEY: Probably the heavy lifting
13 will be January or so. The heavy lifting is when the
14 experts study the filing. And so in terms of our ability
15 to come back and say this is the big issue, we won't know
16 that until the experts really roll their sleeves up and
17 get into it. And so we need the funding now so the
18 experts can do that.

19 MR. ISELY: Okay. Thank you. All right.
20 Do we have anymore from the team, or is that the
21 presentation?

22 MR. JESTER: Perhaps I should just tell
23 you, more for information about the other two cases than
24 anything else, but the filings have been made and the
25 proposed increase, which would be beginning 2015 and

1 continue indefinitely for residential ratepayers, is just
2 about 4 percent for DTE and around 2 1/2 percent for
3 Consumers. It varies by specific residential ratepayer
4 class, but that gives you an idea of the scale of these
5 cases. And then there is risk as capacity constraints
6 kick in in future years that that will become even more
7 skewed.

8 MR. LISKEY: And I think, correct me if
9 I'm wrong, but that equates to, I think in the DTE case
10 perhaps as much as \$300 million increase to residential
11 ratepayers.

12 MR. ISELY: Chris.

13 MR. BZDOK: I think in the notice of
14 hearing on DTE, it was a monthly figure that worked out
15 to \$50 a year for the typical, you know, they say for a
16 customer using this many kilowatt hours.

17 MR. ISELY: Excellent. I think we'll go
18 through the presentations, right?

19 MS. WILSEY: Yep.

20 MR. ISELY: So if there's nothing else
21 and we have no other questions -- I have to go back to my
22 agenda, that's the problem with doing it electronically.
23 So now we're continuing with CARE and the MISO issue.

24 MR. LISKEY: With regards to the MISO
25 involvement that we've had over the last five years, and

1 understanding your budget constraints, we, Douglas and I,
2 thought carefully about this, and we've come back with a
3 significantly smaller request, \$9,900, in that range, and
4 that would be enough to allow Douglas to continue his
5 involvement. In the application, I attached e-mail
6 correspondence between Douglas and MISO staff to show you
7 the detail of the benefit that I think we're providing
8 MISO with regards to especially Rule 111d, the EPA rule.
9 And it's important because MISO wants to play a role that
10 if they -- they want to do a study, and if they don't
11 have the fundamentals right on all these costs, and
12 especially with alternative energy sources, the results
13 of the study are going to be very skewed. And so it's
14 not like we can put this off and come back a year from
15 now; we feel this is a very critical time, and that's why
16 we came back with this proposal. And Douglas has been
17 staying active in MISO on his own dime on a pro bono
18 basis because of the importance that both he and I think
19 it's worthwhile.

20 MS. HAROUTUNIAN: Could you be a little
21 more explicit about the impact that doing, keeping track
22 of this will have?

23 MR. LISKEY: Yes.

24 MR. JESTER: Sure. MISO's current
25 analysis will lead to their formulation of the future

1 generation and load scenarios within the MISO region that
2 they will then use for transmission planning. So if
3 those analyses lead them in the wrong direction, then
4 they will make inappropriate transmission investment
5 decisions, either too little or too much, which then
6 later on creates a higher cost parsed by environment. I
7 would say right now the main risks are that they're
8 tending to undercount energy efficiency, which will lead
9 then to them planning for higher both transmission and
10 generation capacity than would otherwise be required that
11 will bring us costs.

12 And then on the power supply side,
13 there's sort of three different sources of power that are
14 in play here: The existing power plants, which are
15 dominated by coal and sort of secondarily nuclear within
16 the region; new natural gas, as well as increased
17 operation of existing combined-cycle natural gas plants;
18 and then renewables. And the interactions are sort of
19 subtle and complicated, but I guess the important thing
20 is, from MISO's point of view, they affect where you need
21 transmission. So if you're doing, you know, a scenario
22 with lots of renewables, you need a lot of sort of
23 east-west transmission, and if you're dominated by
24 natural gas, it's more north-south transmission and, you
25 know, that kind of thing. So making sure that these

1 scenarios are a good approximation of what we ultimately
2 need in the real world is important to getting their
3 planning right.

4 MS. HAROUTUNIAN: Thank you.

5 MR. SMITH: So -- I'm sorry, Susan.

6 MS. HAROUTUNIAN: No, go.

7 MR. SMITH: Have you guys looked, since
8 this is -- there's a clear potential impact for Michigan
9 consumers, but your work has regional impact, right, so
10 it's going to help everybody across the MISO footprint.
11 Have you looked to other folks to fund this work?

12 MR. JESTER: We collaborate with
13 similarly-situated organizations from the other states.
14 Most states, as you probably know, have government-
15 designated consumer advocates, and so for many of the
16 states, that's who we talk to. But we're just trying to
17 hold up Michigan's share, and they contribute as well.

18 MR. SMITH: How are those other ones
19 funded, are they state?

20 MR. JESTER: Most of them are actually
21 state employees.

22 MR. SMITH: It strikes me that Energy
23 Foundation or Kresge, you know, folks who are engaged in
24 these energy questions could be good supplementary
25 sources, especially given the groundwork that you've been

1 able to lay with UCPB funding over the last year or so.
2 Is there any potential interest there to supplement our
3 investment?

4 MR. JESTER: There might be. We
5 haven't -- I haven't talked to them.

6 MR. LISKEY: No, I haven't.

7 MR. SMITH: So I'd be happy to help you
8 with that and to explain to funders in the foundation
9 community why we felt this was important in its formative
10 stages, and the impact that we see, you know, from a
11 state perspective and a regional perspective for
12 continuing it. I think the rationale that we've talked
13 about over the last couple of months for reducing our
14 investment in MISO is solid, but that doesn't mean the
15 work isn't important. So if there's some way that we can
16 help to see our investment leveraged, I'd be more than
17 happy to work with you guys in that regard.

18 MR. JESTER: Thank you.

19 MR. SMITH: And maybe we lean on a
20 professional fundraiser to help us figure that out.

21 MR. DINKGRAVE: I'd be happy to. I was
22 going to suggest it anyway.

23 MS. WILSEY: I just wanted to build on
24 that. That was a significant point of discussion at the
25 funding meeting was that most organizations involved in
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1 this are government-designated agencies, like the
2 Attorney General or the Office of Consumer Advocate, and
3 there was a lot of I think discussion about having
4 demonstrated the benefits, could there be broader
5 participation by our own government-designated agencies,
6 and I think in one part CARE has pointed out that MISO is
7 supporting some of the travel and some of the costs
8 associated with this, but it might be in addition to what
9 Conan just suggested, maybe the ask to the AG's office to
10 even extend this beyond what might be done here would be
11 well timed and appropriate, because they've opened that
12 door and I think it at least shows good faith that this
13 is good work that's valued, and might be another way to
14 build support beyond just the board funding.

15 MR. JESTER: Okay.

16 MR. ISELY: Do we have other questions?

17 MS. HAROUTUNIAN: No.

18 MR. ISELY: That brings us up to the MEC
19 grant amendment request.

20 MR. BZDOK: Thank you. Mr. Chairman and
21 members of the board, Chris Bzdok on behalf of MEC. This
22 is a no new funds set of transfer requests. There's
23 really two categories of requests I guess I would say.
24 One is we are proposing to move the money that the board
25 granted last spring for PSCR reconciliation cases, to

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1 consolidate that and put that into the DTE renewable
2 energy reconciliation case. As you will recall, in the
3 spring there was a -- the board made a grant for the PSCR
4 reconciliations that was sort of a halfway on the board's
5 approach that it adopted within the last year of
6 partially funding cases and then come back once the case
7 is -- once you're deep into the case with a fuller
8 explication of the issues and we'll look at additional
9 funding at that time. Obviously with the funding
10 situation having changed, we were not anticipating and
11 the board took no action on a request for additional
12 funds in those cases in the last meeting. While that
13 happened, we also were able to use a little bit of
14 starter money that was left over from something else to
15 start on the DTE renewable energy reconciliation case.

16 And really what this comes down to is, in
17 a scarcity type of a situation where we're making choices
18 between cases really, it seems to us that the renewable
19 energy reconciliation is the most important one, and
20 there's really two reasons for that. One is that we have
21 been able to apply sustained pressure on those cases as a
22 result of prior investments by the board and prior
23 efforts by us and our consultants and by the organization
24 that has been in a steady way bringing down surcharges
25 and also laying foundation via some of these other

1 issues, depreciation, transfer prices, et cetera, for
2 continuing to push those surcharges down, and we don't
3 want to let that up. And I don't know where -- I don't
4 feel that it's something I can come in and ask you for a
5 bunch of new money for given the scarcity situation, but
6 I don't want to let up on that, because we've been
7 applying pressure, we've been pushing that down, we've
8 been having some success, and because I think by the time
9 we get to biennial plan review, which will be later next
10 year, '15, I'm anticipating that that plan is going to
11 finally acknowledge the downward pressure on costs some
12 of these other efforts have yielded, but is then going to
13 turn around and find additional unanticipated costs going
14 forward. I fully expect the cost of some other things is
15 going to come up to compensate. And I don't know that,
16 but that's just I guess maybe my -- that's where my
17 instincts are. And so we want to try to continue to push
18 these issues in the reconciliation case for the
19 renewable.

20 And the PSCR reconciliations, as I had
21 mentioned before, they are both over-recovery cases, so
22 there are issues, there are fights we can pick out, but
23 they're over-recovery cases, and those are generally I
24 think less compelling in a PSCR reconciliation context
25 for an electric utility than the under-recovery cases,

1 like where we had that, you know, fairly earth-shattering
2 PFD in the Edison reconciliation, that was driven in
3 large part by the size of that under-recovery. In an
4 over-recovery situation, I think just generally it's
5 going to be a little less compelling, and so I think that
6 generally our prospects in that case are lower than they
7 are in this reconciliation where you've still got one
8 utility billing much more for these costs than another
9 one. So that's one category.

10 And then the other category is we had a
11 little bit of expert money left over in the DTE PSCR
12 plan, we have a little additional need in the Consumers
13 PSCR plan because they more or less redid their entire
14 filing in the spring because as sort of this Polar Vortex
15 plus some outages, and so we had some additional costs
16 with the modeling consultant, we had some additional
17 legal on discovery, so really we're just taking that
18 leftover expert money on the DTE, we're retaining a
19 little bit of it and moving it to legal to deal with some
20 of the latter stages of the briefing, and then the rest
21 we're just putting into the Consumer side to help shore
22 up some shortfalls that we are anticipating before the
23 case is over based on where we are in those budgets and
24 where we are in the case. And that's it.

25 MR. SMITH: That was not two and a half

1 hours.

2 MR. BZDOK: I wanted to under-promise and
3 over-deliver.

4 MR. ISELY: Cool. So do we have
5 questions? All satisfied? Okay.

6 Do we want to handle the board assistant
7 contract before or after we think about these?

8 MS. HAROUTUNIAN: Either way, whatever
9 suits.

10 MS. WILSEY: You can give the
11 presentation.

12 MS. HAROUTUNIAN: Now?

13 MS. WILSEY: Yeah. Why don't we go ahead
14 since it's --

15 MS. HAROUTUNIAN: O.K. Ryan and I, along
16 with Michelle's input, have studied the proposal for the
17 board assistant contract based on what LARA sent to us as
18 a base. A few revisions were made to clarify the
19 position and everything; and I want to mention one more,
20 that we're going to add the language "and other
21 activities as directed by the board" so that Michelle is
22 not limited and the board is not limited in what they can
23 have her do. And so with that minor addition to what
24 everybody got, I move that the contract as submitted by
25 Michelle and amended by Ryan and myself be adopted.

1 MR. SMITH: Support.

2 MS. HAROUTUNIAN: Questions?

3 MR. ISELY: We have support from Conan,
4 right?

5 MR. DINKGRAVE: I would just say every
6 job I've ever had had other duties as assigned, and every
7 job I've ever hired for has had that line, so just play
8 it safe. But no, we're --

9 MS. HAROUTUNIAN: It was well done.

10 MS. WILSEY: I was surprised not to see
11 it there, and I thought that that was consistent with the
12 intent of the board in some other discussions and the
13 general desire to have discretion, or maximum discretion
14 to use this role in whatever way they feel is needed.

15 MR. DINKGRAVE: And I thank Susan for
16 taking the lead on reviewing that, and glad we were able
17 to do it and keep your expert service here.

18 MS. HAROUTUNIAN: You bet.

19 MS. WILSEY: Thank you.

20 MR. ISELY: Thank you both for spending
21 the time on this.

22 MS. WILSEY: And Jim for tackling that --

23 MS. HAROUTUNIAN: Oh, yes.

24 MS. WILSEY: -- old statement of work.

25 MR. ISELY: Thank you.

1 All right. Well, do we have other
2 discussion on this, or do we need to vote on this one?

3 MS. WILSEY: I would go ahead.

4 MR. ISELY: So all those in favor?

5 BOARD MEMBERS: Aye.

6 MR. ISLEY: Opposed? Excellent.

7 So we have completed hearing all the
8 information, and we have moved on the board assistant.
9 So let's take a few minutes so that we can sort of think
10 through the testimony we received so far. So take a
11 short recess.

12 (At 1:10 p.m., there was a 20-minute recess.)

13 - - -

14 MR. ISLEY: Sounding like we're ready to
15 recommence and move forward. So we're having a highly
16 efficient meeting today. All right. So I believe we may
17 have some motions.

18 MR. SMITH: All right. Let's start with
19 the MEC/CARE proposal. I will move to approve the 2015
20 UCRF grant request for CARE and MEC to participate in the
21 I&M Power cost-of-service proceedings, Case U-17698, in
22 the total amount of \$50,000.

23 MR. ISELY: Is there support?

24 MR. DINKGRAVE: Support. Ryan.

25 MR. ISELY: Excellent. Further

1 discussion?

2 MR. SMITH: Yeah. So one of the things
3 that I am concerned about is maintaining some of our
4 flexibility since these are the new, this is all new,
5 right, and it's new in terms of our participation, too.
6 I don't know exactly know how these cases are going to
7 manifest, so I want us to make sure that we're, as a
8 board, able to respond differently in the future. We're
9 also looking at I think you guys now have a healthy chunk
10 of money, about a quarter million bucks, so I think if
11 there are -- if there's a need to shift those within your
12 existing cases to address the, to shift those funds, you
13 know, we probably welcome that insight from you. But
14 just for my own wellbeing, I think I want to have a
15 little pocket change on the side. Knowing that these
16 cost-of-service cases are critically important, we want
17 you substantively and meaningfully engaged, but we also
18 want to maintain the flexibility for the board. That's
19 my perspective.

20 MR. ISELY: Well said.

21 MR. DINKGRAVE: I just want to second
22 what Conan said and say the proposal got great feedback,
23 was a very solid one, and we wanted to at least be able
24 to encourage the work and make a meaningful investment in
25 it still. So look forward to hearing how it goes.

1 MS. WILSEY: Just in addition to that,
2 there were a lot of questions about what amount is going
3 to the offensive strategy and what's in the defensive
4 strategy, so I think that there's the -- illuminating the
5 work plan as these cases unfold will help the board kind
6 of move forward in step with you, so keep them informed,
7 because those are just questions they can pose to you,
8 but what I suggested is you probably can't answer them at
9 this point because the filings are just too new or
10 unfiled.

11 MR. JESTER: That's right.

12 MR. SMITH: Thank you for reminding me of
13 that. So that is really of interest to me at least,
14 especially since we're laying new ground here and we
15 don't know where you're going to need the most emphasis
16 until you've got those filings in front of you. So I'm
17 curious, please keep us informed as we go along about how
18 both sides of that strategy are developing to the extent
19 that you can in the public setting.

20 MR. ISELY: Excellent. Further
21 discussion? Then we should vote. All in favor?

22 BOARD MEMBERS: Aye.

23 MR. ISLEY: Against? All right. Caries.
24 Next.

25 MR. BZDOK: Members of the board, may I?

1 MR. ISELY: Yes.

2 MR. BZDOK: So on the break my office
3 contacted me, and a PFD was just issued in the last DTE
4 renewable reconciliation, so it's a PFD and it's a
5 recommendation, and obviously it doesn't -- it's really
6 not terribly conclusive, but I didn't know if you'd want
7 to hear about that before -- it's information I didn't
8 have when I was presenting to you and now I have. And
9 it's more or less the PFD is somewhat equivocal and says,
10 we agree -- I agree that surcharges need to be reduced,
11 but she said either in this case or the next one,
12 depending on what the Commission wants to do, and she
13 didn't specify an amount. Again, I haven't read it, I've
14 only read the text that somebody sent me, but that's --
15 before you -- I don't think it has bearing, but it
16 certainly seemed like material information when you're
17 looking at a transfer request for the next case, that's
18 why I interrupted.

19 MR. ISELY: Thank you.

20 MR. SMITH: Would it change your request?

21 MR. BZDOK: No.

22 MS. WILSEY: We do have status report,
23 grantee reports, so maybe that would be the appropriate
24 time to inform the board.

25 MR. BZDOK: Okay.

1 MR. SMITH: Next one. I'd like to move
2 to approve the CARE grant request for limited
3 intervention in MISO for proceedings as presented in the
4 amount of \$9,999.

5 MR. ISELY: Support?

6 MS. HAROUTUNIAN: Support.

7 MR. ISELY: Thank you. All right.

8 Discussion?

9 MR. SMITH: Just what we said before.

10 MR. JESTER: Thank you. We'll visit
11 about that.

12 MR. ISELY: Excellent. So let's vote.

13 All in favor?

14 BOARD MEMBERS: Aye.

15 MR. ISLEY: Opposed? All right. So that
16 motion carries.

17 MR. SMITH: And finally, I'll move to
18 approve the MEC Grant No. 14-03, the amendment request as
19 presented.

20 MR. DINKGRAVE: Support. Ryan. Sorry.

21 MR. ISELY: All right. Any further
22 discussion? All right. So we will vote. All those in
23 favor?

24 BOARD MEMBERS: Aye.

25 MR. ISLEY: Opposed? Excellent.

1 MR. BZDOK: Thank you.

2 MR. ISELY: So that concludes the
3 business items. So we are up to grantee reports, so I
4 guess we'll go around this way.

5 MR. SHALTZ: Thank you, Mr. Chair. We've
6 had one interesting development in one of our cases in
7 the DTE Gas GCR plan case for 2014-2015. The Commission
8 at the end of September issued an order on a motion that
9 the AG and the RRC filed jointly to stop Detroit Edison
10 from self-implementing an increase in its GCR factor
11 simply by amending its plan and waiting three months to
12 implement the increased charge. Both the AG and the RRC
13 took the position that Act 304 doesn't authorize that,
14 and the Commission has come back and said they do think
15 it authorizes it. So we will likely be filing a joint
16 appeal with the Court of Appeals on this issue because we
17 think it's a dangerous precedent, it could result in
18 multiple amendments during the year which would require
19 no advance hearing, which would really sort of make Act
20 304 almost worse than the old automatic adjustment clause
21 system that it replaced back in the '70s. So we'll be
22 filing that appeal probably Friday, and we'll keep you
23 apprised of how that goes.

24 MR. ISELY: Questions?

25 MR. SMITH: Was the Commission unanimous
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1 in that?

2 MR. SHALTZ: Yes. Now, we've seen steady
3 erosion by this Commission of these fine points of how
4 the statute is supposed to be implemented, and the
5 Commission I think just doesn't think it's important.
6 But when you see when a utility can simply make a filing,
7 put a new projection of a cost in, and then implement it
8 simply by arguing, well, we would never charge customers
9 more because we had to pay interest on it in the
10 reconciliation, the fact of the matter is there are other
11 reasons that the utilities may want to use their
12 customers as a cash-flow mechanism to cover all types of
13 things. So we think it's important to appeal this and,
14 like I said, we'll keep you apprised of how it goes.

15 MR. ISELY: Okay. All right. Let's
16 continue around the table. Don.

17 MR. KESKEY: Thank you, board members. I
18 would like to report on mostly two cases. U-17319, which
19 is DTE Electric's 2014 plan and five-year forecast case;
20 in that case, there were hearings held in August, initial
21 briefs were filed in mid September, and reply briefs are
22 due on this coming Wednesday, which then goes with the
23 rest of the schedule of the proposal for decision at a
24 later date by the administrative law judge. The next
25 case is U-17317, Consumers Energy Company's 2014 plan and

1 five-year forecast case, which has been the subject of
2 extensive discovery, and the hearings on that will start
3 on October 21, and our briefing schedule will be
4 implemented thereafter.

5 The issues that GLREA has focused on in
6 these cases is a criticism and an analysis as to why the
7 five-year forecast presented by both utilities is
8 incomplete and faulty or flawed, and that is because the
9 utilities have forecast either a flat or declining level
10 of solar or capacity and energy contribution to their
11 systems over the next five years, which really runs
12 counter to events that are happening in the industry with
13 other utilities in Michigan and in other parts of the
14 country, it doesn't seem to be consistent with the
15 policies of Act 295, which -- and Act 304, which sort of
16 encourage the building of diversity in energy supply and
17 capacity, and also to recognize renewable energy,
18 including the statute that provides for net metering and
19 other policies to encourage the development of renewable
20 energy, including solar, given the ability of those
21 resources to complement the system, to reduce system peak
22 costs, to provide diversity in the energy supply, to
23 provide clean energy, and to reduce a number of costs
24 that are really -- or to address peak costs that are
25 directly recoverable under Act 304. So those cases are

1 ongoing.

2 In the meantime, under the new grant for
3 2015, the utilities had to file their new plan and five-
4 year forecasts for 2015, which then we would, according
5 to the grant approval at the last meeting, we would
6 pursue these issues and see if we can bring these
7 utilities around to some more realistic and complete
8 plans with respect to solar energy in the next five
9 years.

10 That completes my presentation, unless
11 someone has some questions.

12 MR. ISELY: Excellent. Questions?

13 MR. SMITH: Thanks, Don.

14 MR. ISELY: Thank you. All right.

15 MR. LISKEY: I'll just give a brief
16 update on the border wars in the Upper Peninsula versus
17 Wisconsin. A brief background. The Wisconsin Public
18 Service Commission had filed a proceeding at the FERC
19 level to reallocate some costs that pushed about \$50
20 million of costs on the Upper Peninsula residential
21 ratepayers. There's been a flurry of activity at the
22 federal level, and now also at the state level, because
23 the Wisconsin Energy has also filed a merger proposal to
24 merge with Integrys, which owns one of the companies,
25 Wisconsin Public Service Corporation, in the U.P. So

1 there's just a lot of -- it's a spider web of action,
2 activity.

3 CARE has intervened in the merger case on
4 a pro bono basis, and that has taken almost all of my
5 time at this point. The merger case is also at the FERC
6 level; comments are due this Friday. CARE is not
7 intervening in that case. But the issues are related, so
8 they will raise issues at the state level.

9 So in terms of the last meeting, you all
10 granted \$25,000 for our plan cases, which is, in light of
11 the budget constraints that you have, it's
12 understandable, and I have not yet determined how I'm
13 going to -- what cases or what issues I'm going to focus
14 that on for the plan cases that were filed September 30.

15 I can tell you that already in the Upper
16 Peninsula, though, we're starting to see a 13-percent
17 increase in transmission costs for UPPCo, and there's
18 probably \$5 million of that is this cost allocation
19 directly from keeping the Presque Isle plants open.

20 So I don't have anything definitive to
21 report, but that's pretty much what we're doing, and
22 keeping up the good fight. Any questions?

23 MR. SMITH: What would the -- how many
24 households is it that transfer potentially impact?

25 MR. LISKEY: Households?

1 MR. SMITH: Yeah, or people. Like what's
2 the --

3 MR. LISKEY: The merger?

4 MR. SMITH: No, no. Excuse me. The
5 reallocation.

6 MR. LISKEY: Well, there's over 300,000
7 people in the U.P., about 85,000 residential households,
8 and then most of the load in the U.P. goes to the Mines.
9 But they -- Jim could give you a better history of this.
10 The Mines are purchasing their power now from Integrys,
11 and that kind of -- this whole thing, that was kind of
12 lighting the fuse when that happened, and they were
13 looking for lower costs, which is understandable;
14 apparently they weren't able to work out a deal with
15 Wisconsin Energy. So it's, you know, it's a chess game.

16 MR. SMITH: So if all of that goes the
17 way of the companies, that's a \$500-\$600 impact on the
18 household in the U.P.?

19 MR. LISKEY: I don't think it will be
20 that much. You're taking the 50 million --

21 MR. SMITH: Yeah.

22 MR. LISKEY: That's by load.

23 MR. SMITH: Okay. So a chunk of it will
24 go to the industry?

25 MR. LISKEY: Yeah. It's probably \$50 a
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1 year to residential ratepayers. Now, the Michigan
2 Commission has gotten involved to a much greater extent
3 than they were previously, and they have filed a petition
4 for a rehearing. FERC has granted -- for petitions for
5 rehearing, they're automatically rejected on day 30
6 unless FERC does something, and FERC did something; they
7 didn't grant the rehearing, but they said we'll stop the
8 clock and look at it. So it's keeping the lawyers in
9 Washington, D.C. very busy.

10 MR. SMITH: And that's to all our
11 benefit.

12 MR. KESKEY: Could I ask a question,
13 since I have great interest in the U.P., having grown up
14 there. You said that Wisconsin Electric is planning to
15 merge with Integrys, and Integrys is the one that's
16 selling the power to the Mines. So if there is a merger
17 and Wisconsin Electric becomes part of Integrys, how does
18 that relate to this purchase by, you know, of power by
19 the Mines from Integrys, or does it become a unified
20 system at that point?

21 MR. LISKEY: Well, I think -- and again,
22 Jim Ault knows this better than I do -- but the business
23 unit that is selling the power to the Mines is not part
24 of the merger, but it's my -- it's called Integrys
25 Business Services. And it's my understanding -- well, I

1 don't know. It's a rumor that that will be sold perhaps
2 to another entity, like Exelon, so I don't know. I have
3 no information on that. But that, as I understand it, is
4 not part of the merger.

5 MR. AULT: Can I comment on that?

6 MR. LISKEY: Yeah.

7 MR. SMITH: Please.

8 MR. AULT: When they announced -- when
9 they issued quite a lengthy press release announcing that
10 and indicated quite clearly that We Energies would not
11 acquire Integrys Energy Services, which is the alternate
12 energy supplier that's supplying the Mines, so it's --
13 that won't be combined.

14 MR. LISKEY: Right.

15 MR. KESKEY: It sounds that the
16 infrastructure that the ratepayers supported in the U.P.
17 is being separated from the monetization by the
18 independent so-called affiliate energy services, Business
19 Services, which is capturing perhaps a windfall profit
20 from the sales, none of which is going back to the
21 ratepayers, and this is just another one of these kind of
22 corporate financial models, I think, that leaves the
23 general public with the burdens and gives the benefits to
24 some third-party distant financial people who are
25 maneuvering this market. That's not a question, it's

1 just a fear, and hopefully it's an issue that somebody
2 could get into.

3 MR. ISELY: Other questions?

4 All right. That brings us to the end
5 with MEC.

6 MR. BZDOK: Sure. Three quick things.

7 One is we got a PFD in the Consumers Energy PSCR plan
8 case from 2013 -- or 2012. Yeah, 2013. Excuse me. And
9 that PFD had a favorable recommendation on line losses.
10 And so what happens with line losses is that the
11 companies total up all of their system power supply
12 costs, and then they divide those total costs by the
13 number of kilowatt hours that they anticipate selling
14 across the system, and that produces a factor, and then
15 they multiply that factor by a number, which is the line
16 loss factor, which is a 1.0 something number. Consumers
17 does 1.086, which represents an estimate that their line
18 losses are 8.6 percent, which we have for a long time
19 said is too high. The PFD -- and the higher that number
20 is, the more additional money is being put into the total
21 factor, because it's an add to the factor of 8.6 percent
22 basically.

23 The PFD in 17095 recommended that the
24 line loss factor be reduced from 1. -- from 8.6 percent
25 to 7.2 percent, which is again not stellar, but a

1 significant improvement, and that was at our
2 recommendation. That will not result -- so in terms of a
3 total factor times a total system power requirement for a
4 year that's already over, that's a \$27 million difference
5 across all ratepayer classes. That doesn't mean
6 anybody's getting \$27 million back, because in the
7 reconciliation we know that Consumers over-recovered and
8 that they did not apply their maximum factor for
9 significant parts of the year. So this would trim
10 back -- so this is really a going-forward issue if this
11 is successful at the Commission level to try to reduce
12 total factors going forward and reduce the total amount
13 that's collected via the self-implemented PSCR factor
14 attributable to line losses. And also we think to, you
15 know, one of the things we want to do long term, one of
16 the environmental goals, as well as a ratepayer goal, is
17 to take some of that cushion out, right, and force a
18 lower number to be assumed in this planning -- for
19 planning purposes for line losses, because it's wasted
20 energy, wasted coal, wasted pollution, wasted everything
21 else that just goes as heat outside of lines mostly. So
22 that was a good news.

23 We also got this PFD, and I apologize for
24 the interruption, I just was trying to figure out if I
25 should say something before you did a motion on the next

1 reconciliation, so I know that was out of order, and I
2 apologize.

3 Here's what the ALJ said, and I'm reading
4 from an e-mail, I haven't read the PFD. The ALJ agreed
5 with DTE that the Commission is to not required to adjust
6 the surcharge at this time because they're not going to
7 exceed the maximum surcharge. The ALJ, however, is
8 persuaded by MEC's position that delay in implementation
9 of a surcharge adjustment will create a much larger
10 surcharge reserve than is necessary. While this ALJ
11 believes an adjustment to the surcharge per MEC's
12 argument is advisable, this ALJ also recognizes that a
13 significant adjustment, et cetera, et cetera, had just
14 happened in the last plan case where they went from \$3.00
15 down to the 42 cents. So then the recommendation is to
16 basically do it, a surcharge reduction either in this
17 case or in the next case is what she is recommending that
18 the Commission do. The ALJ, if the Commission adopts --
19 opts not to make a second adjustment to the surcharge at
20 this time, this ALJ recommends the Commission consider a
21 reduction in the surcharge during the next REP
22 reconciliation, the one we just transferred funds into,
23 instead of a future plan case. And then recommendation
24 No. 7 and the conclusion is that surcharges be adjusted
25 at this time or at the time of the next REP

1 reconciliation. So there's not a specific number. I
2 think so basically now we can fight about it in the
3 exceptions, and whether the Commission wants to do
4 something, and if so, how much. But that's where we're
5 at on that.

6 And then the third thing, just so the
7 board's aware, and maybe you were aware, that Don
8 Erickson, long-time counsel to the board, is retiring,
9 and I don't know if you knew that or not.

10 MS. WILSEY: In January?

11 MR. LISKEY: No.

12 MR. BZDOK: I think it's November 1.

13 MS. WILSEY: Oh, November.

14 MR. BZDOK: That's it. He will be
15 missed.

16 MR. SHALTZ: But he may not be completely
17 gone. He may be a SAC, a Special Assistant Attorney
18 General, as a contract worker.

19 MR. BZDOK: Okay.

20 MR. ISELY: Any questions? Thank you.

21 That brings us to public comment.

22 MR. AULT: I'll make -- there's a couple
23 things. I know the AG's office was looking for someone
24 for that position, so if anybody knows anybody they want
25 to recommend. I got contacted about recommending

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1 somebody, and I did make a few, but I don't know, I
2 haven't heard back whether anything's come of that, for
3 that Erickson position.

4 The U.P. situation is something you
5 should definitely be concerned about. It's kind of come
6 to a head this month at something called the U.P. Energy
7 Forum that's taking place in about two weeks. UPPCo
8 sponsors this conference. I'm going to have to talk --
9 Doug, are you going to be there? I mean there's a lot of
10 anticipation of how this is going to play out in terms of
11 the discussion. The costs are actually over, they're
12 going up over a hundred million for the SSR related to
13 the Wisconsin -- to keeping the Presque Isle plant going,
14 and the impact of that falls on Cloverland Co-op on the
15 eastern U.P., UPPCo and We Energies primarily, those
16 companies. Others in the U.P., like Xcel is not even
17 interconnected with the rest of the U.P. I think
18 Ontonagon is in that situation, so they're not feeling --
19 it's mainly three utilities and the -- to give you a
20 little perspective on this, UPPCo's residential rate
21 bottom is now 22 cents a kilowatt hour roughly, and
22 that's -- you're getting to European levels with that
23 kind of rate. Partly, there's a lot of hydro factors in
24 there, upgrades, but this situation up there is a major
25 concern, and there's a lot of political interest in it

1 now.

2 And it's kind of a combination of the --
3 I could give you the long history, but I don't think you
4 want to hear it. But originally that plant was built by
5 the Mines to serve their load, and then We Energies took
6 it off their hands when they were suffering a downturn,
7 and operated it as part of their Michigan/Wisconsin
8 system, and then, you know, this Choice loophole that was
9 left in in '08, the Mines took advantage, that took away
10 somewhere between 80 to 85 percent of the We Energies'
11 load that was paying for that plant. And there's a lot
12 of argument about who's to blame, but then their position
13 would be that kind of forced the issue of now we've got
14 this power plant, we don't have any way to pay for it,
15 which led to the SSR, MISO and FERC, and here we are, and
16 it's still got a ways to play out.

17 MR. ISELY: Thank you.

18 All right. I guess that concludes the
19 public comment, which means I'll entertain a motion to
20 adjourn.

21 MR. SMITH: So moved.

22 MR. ISLEY: See you in December. Thanks.

23 MR. SMITH: Thanks. Excellent meeting.

24 (At 2:00 p.m., the meeting concluded.)

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2 COUNTY OF MACOMB)

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October 20, 2014
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