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STATE OF MICHIGAN
UTILITY CONSUMER PARTICIPATION BOARD

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MEETING OF MONDAY, JUNE 1, 2015

12:34 P.M.

611 West Ottawa, 4th Floor
Lansing, Michigan

- - -

- PRESENT: James MacInnes, Chairperson
 Paul Isely, Board Member
 Ryan Dinkgrave, Board Member
 Susan Licata Haroutunian, Board Member
 Michelle Wilsey, Board Assistant
 Emerson Hilton, Michigan Environmental
 Council (MEC)
 Don Keskey, Great Lakes Renewable Energy
 Association (GLREA)
 Dan Scripps, Institute for Energy Innovation (IEI)
 Michael Moody, Assistant Attorney General
 Shawn Worden, LARA
 Jim Wilson, LARA
 Susan Weber, LARA
 Ed Haroutunian, Member of the Public
 Jim Ault, Michigan Electric & Gas Association

- - -

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

1 Great Lakes Renewable Energy Association.

2 MR. HILTON: Emerson Hilton on behalf of
3 the Michigan Environmental Council.

4 MS. WORDEN: Shawn Worden from LARA.

5 MS. WILSEY: Michelle Wilsey, assistant
6 to the board.

7 MR. MacINNES: Okay. We have an agenda,
8 consent agenda. And do we have a motion to approve the
9 consent agenda as written?

10 MS. HAROUTUNIAN: So moved.

11 MR. ISELY: Support.

12 MR. MacINNES: Is there support? Any
13 discussion? All those in favor, please say aye.

14 BOARD MEMBERS: Aye.

15 MR. MacINNES: Opposed, same sign.

16 Okay. I see we don't have someone from
17 IEI here yet, so maybe we'll move that around a little
18 bit. Maybe we can go ahead and move on to the MEC
19 transfer of funds.

20 MR. HILTON: Sure. Thank you. What
21 we've requested here, as outlined in our submission, is a
22 relatively straight-forward transfer of \$15,000 from the
23 expert budget previously granted to us in DTE's PSCR plan
24 case for 2015, and we are proposing to shift 10,000 for
25 legal and 5,000 for expert work to Case No. U-17793,
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1 which is DTE's renewable energy biennial review, which
2 has not even yet been filed, but there's been a notice of
3 intent filed and we expect that to be filed within the
4 next couple of days.

5 The aim here really is to continue our
6 focus, which we've done for a long series of cases now,
7 with DTE in particular, in pushing down the renewable
8 energy surcharge. Over the course of several cases now
9 we've really assembled a lot of evidence I think that DTE
10 surcharges can come down, and in some sense we're looking
11 to get into this case because the Commission itself has
12 been directing folks for the last few rounds to really
13 look at this in the next biennial review plan case as
14 opposed to in the reconciliation filings which come along
15 every year. I would just note that we do disagree with
16 that interpretation of the statute, and we do think that
17 surcharges ought to be visited in every reconciliation
18 case. That's an issue that we have taken up on appeal to
19 the Court of Appeals in Case No. U-17322, which is DTE's
20 2013 reconciliation case. That aside, I think we
21 recognize the importance of being in the plan case to
22 continue that advocacy.

23 So I know Chris was able to give you a
24 pretty extensive overview of these renewable cases the
25 last time. I would just also note that we did return

1 about \$8,000 in expert funds in Case No. U-17632, in some
2 sense because we were -- we made a strategic decision to
3 hold back a bit in anticipation of this next biennial
4 review.

5 MR. MacINNES: Okay. Are there any
6 questions, comments, thoughts? Okay.

7 MR. ISELY: The record was pretty clear.

8 MR. MacINNES: Okay. Let's move on then
9 to the GLREA supplemental grant request.

10 MR. KESKEY: Thank you, Mr. Chairman.
11 Last August when we filed and presented our grant
12 request, we had indicated that we were requesting a
13 modest budget for the renewable -- or biennial renewable
14 energy plan cases, but deferred the discussion until they
15 were more imminent. And the GLREA board, total member
16 board approved the project at their annual -- or their
17 board of directors' meeting in July 2014 by unanimous
18 vote.

19 I would note that Detroit Edison did file
20 a notice of intent to be filing their biennial report or
21 plan in U-17793, and that Consumers Energy has filed its
22 application and testimony with the testimony filed on the
23 26th of May in U-17792, and Consumers has also recently
24 filed a plan amendment to the previous biennial energy
25 plan case, renewable energy plan case in U-17752 in which

1 they are proposing a community solar program, and they
2 recently also filed an ex parte application in U-17875
3 for what they call a new solar distributed generation
4 pilot program.

5 In the plan cases we've participated in
6 and are participating in under the grant budgets the
7 Consumers and DTE both had objected to our intervention
8 in part on the basis that the biennial plan cases are the
9 important part to look at issues like solar energy, and
10 the Commission order also indicated that that would be
11 important, although they would welcome participation in
12 rate and plan cases, including the cases we are in. So
13 there is a nexus; in other words, if the utilities are
14 not up to this point forecasting accurately the growing
15 realization of what solar can contribute to the resources
16 in their five-year plan cases and Act 304, and if they're
17 complaining in part that you should also be in the
18 renew -- biennial renewable plan cases, then it seems to
19 me, to close the circle, it would be important to
20 participate in the biennial renewable plan cases of both
21 utilities.

22 I would also note that the Commission in
23 its recent order in Consumers' amendment to its recent
24 biennial plan case in U-17752 reordered the reinstatement
25 of the collaborative process. There was a collaborative

1 process that was undertaken without clear result a year
2 or two ago to examine the value of solar, and in our PSCR
3 cases, our expert had recommended there should be a
4 reinstitution of that process, and the Commission has
5 ordered that, although in that separate case, 17752, to
6 commence within 30 days, and the Staff is now organizing
7 the agenda for that and the first meeting will be on June
8 9, and there probably will be two or three meetings, and
9 then the Staff is to issue a report in September.

10 So based on what we presented to you last
11 August and based on my memo of August 20 and the budgets
12 that we've attached, we've asked the board to approve our
13 supplemental request to intervene in the biennial
14 renewable plan cases for both DTE and Consumers Energy,
15 and it would have a complementary effort there with
16 respect to the Act 304 case participation that you
17 approved for both utilities.

18 MR. MacINNES: Okay. Any questions for
19 Don? Comments?

20 MR. DINKGRAVE: This would, just to
21 clarify, this would, if we grant this, would have to
22 increase our essentially borrowed amount from the
23 Attorney General's office, correct?

24 MR. MacINNES: I think that's right,
25 yeah.

1 Any other comments or questions,
2 thoughts?

3 I think there's a good case for looking
4 at the value of solar, it's happening all over the
5 country really, however, you know, we've been pretty
6 clear I think in our funding and our concern about going
7 into debt. We don't like going into debt. And we're
8 already in debt 283,000 according to the last budget
9 reconciliation that I have. Part of the reason for that
10 is we've had to fund the cost-of-service rate cases to
11 the tune of \$250,000, so that's been a very expensive
12 undertaking for us, but something that we felt is very
13 important, and so that's where we put the money and one
14 of the reasons we've incurred this debt.

15 So I think, to me, I'm, you know,
16 sympathetic to what you're doing, but I'm not -- I'm
17 really not interested into going into more debt
18 personally. I don't know how the other board members
19 feel. But that's until we start, you know, paying that
20 debt down, I think we're going to be limited in what we
21 can to. So, and actually, one of the things I would like
22 to talk about maybe a little later in the meeting is, you
23 know, when we should start deciding to pay the debt down.
24 So anyway, that's my comment on it.

25 MR. KESKEY: Let me suggest perhaps a
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1 bridge idea, and that is although we're behind in
2 submitting our bills and there's not much budget left in
3 the cases you've already approved because the testimony
4 has been filed, presented, accepted, and bills are
5 following the focus on that, but realizing that sometimes
6 as cases start, you have to file an intervention, there's
7 some discovery and, you know, possible settlement
8 meetings and discussions, that if the board would approve
9 adding these two cases and allow us to use anything that
10 we can squeeze out of the PSCR budgets you've already
11 approved, that that would be able to get the start for
12 the, perhaps until we get to a new grant year.

13 MR. MacINNES: Can we to that? I mean I
14 don't know.

15 MS. WILSEY: You could approve the
16 addition of the cases, with the caveat that whatever
17 funds or resources you would still have to request a
18 transfer, which hasn't been done yet, and the financial
19 constraints that the board will face next year, if the
20 decision is made to begin the payback, will be
21 substantial, and there may not be funds to continue. So
22 you've made the argument in the past that once you get
23 into a case, you want to continue, but I think this
24 coming grant year, there is a higher likelihood than in
25 the past that you wouldn't get approved for funds, so you

1 would need to know that. David Shaltz just experienced
2 that, where he was awarded partial funding to get into
3 some gas cases and came back for a supplemental grant and
4 it was declined because of the limited resources, and he
5 had to make extreme adjustments to his intervention plan,
6 and was willing to do that. But it's a very clear
7 situation that the board finds itself in that,
8 notwithstanding any legislative change or funding change,
9 which nobody could predict right now, that given today's
10 circumstances, the expected funds for next year, there
11 will be less than \$500,000 for all work available.

12 MR. KESKEY: No, I would accept those
13 risks and those conditions. I think some of it will be
14 known better when you get into the new grant cycle and
15 into the new year; things may change, they may not
16 change. But there is an important nexus between these
17 Act 304 cases and this, these particular biennial cases,
18 and it makes sense that that complementary and that
19 symmetry should hopefully be allowed to proceed on that
20 basis.

21 MR. MacINNES: Okay. Well, as long as
22 you understand --

23 MR. KESKEY: And we can at the next
24 meeting submit a specific transfer request for the two
25 cases.

1 MR. MacINNES: Okay. Well, we'll have to
2 see I guess. It's going to be hard to make a promise,
3 but we hear you, and certainly that's relevant, you know,
4 what you're working on is relevant, we know that. So I
5 guess the board will have to deliberate on that.

6 Okay. Anything else for Don?

7 Well, we can welcome Mr. Scripps here
8 representing IEI.

9 MR. SCRIPPS: Thank you, Mr. Chairman.

10 MR. MacINNES: Maybe you can update us on
11 your work.

12 MR. SCRIPPS: Yeah. I wanted to be here
13 both to provide an update on the status of our two
14 interventions under the fiscal year 2014, the two power
15 supply cost recovery cases, and also to bring to your
16 attention the request for a grant extension that we had
17 filed last month. This is a fairly routine intervention.

18 And I'll start by saying I apologize.
19 Being a first-year grantee, I guess I had assumed wrongly
20 that the grant sort of followed the course of the
21 intervention and hadn't realized that they sort of --
22 they stopped at the end of the fiscal year unless they
23 were extended. I note on the financial report in front
24 of you all today that all the other grantees from 2014
25 had theirs extended, so this is not typically I think a

1 controversial thing.

2 Both of the cases which we were involved
3 in at time of the writing of the request are still
4 opened, the U-17317, the Consumers Energy 2014 PSCR case,
5 which is still awaiting a proposed final decision, and
6 then it goes obviously to the Commission after an
7 opportunity for filing exceptions and responses; and
8 U-17319, the DTE 2014 PSCR, which since the -- since I've
9 sent this is actually, we've gotten a Commission decision
10 in that. So I think our -- and we're not going to appeal
11 the decision, so in that case we know fully sort of where
12 we stand financially. We did file exceptions in that,
13 they were noted in the final Commission decision. So one
14 we still have some work to do, and the other has, since
15 the request for the extension, been resolved.

16 And so I guess I'm happy to provide an
17 update on sort of where things stand in the cases, but I
18 also wanted to sort of truncate between the update on
19 interventions and the request for the extension. And I
20 should note that, especially given the last discussion,
21 this is not a costly extension, this is a no-cost, we're
22 not asking for additional budget room or anything else,
23 it's just the opportunity to go beyond September 30,
24 2014.

25 MR. MacINNES: Okay. Well, I think what
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1 we'd like to do is -- we can cover the reports in the
2 Section III here, so we'll hold off on that for now.

3 But any questions for Dan Scripps?

4 MS. WILSEY: Dan, was there a time
5 period -- were you asking for the extension through a
6 certain time, I didn't make a note of it, or was that to
7 be determined?

8 MR. SCRIPPS: I can't remember. It
9 was --

10 MS. WILSEY: Because we should have a
11 through day.

12 MR. SCRIPPS: Yeah. No, I didn't have a
13 firm date. And I'll be honest, I don't have a great
14 sense of timing. We are well beyond the expected time
15 lines that were contained in case documents in --

16 MS. WILSEY: Sure.

17 MR. SCRIPPS: -- 17317.

18 MS. WILSEY: So one is concluded and --

19 MR. SCRIPPS: One is concluded.

20 MS. WILSEY: -- you're waiting for the
21 other. So are we looking for -- we're in June, so are
22 you looking for, say, September 30 --

23 MR. SCRIPPS: I think that that would
24 be --

25 MS. WILSEY: -- which would be the end of
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1 this fiscal year?

2 MR. SCRIPPS: I think that would be fair.
3 If for whatever reason we still don't have a Commission
4 decision --

5 MS. WILSEY: You can come back.

6 MR. SCRIPPS: -- yeah, September 30 --

7 MS. WILSEY: But let's do it through --

8 (Multiple speakers.)

9 MR. SCRIPPS: Sorry. Yeah, September 30
10 would be great of this year, with the understanding that
11 we may have to come back if we're still waiting for a
12 final decision.

13 MR. MacINNES: Okay. Any other --

14 MR. SCRIPPS: Talking fast and talking
15 over each other doesn't help, does it?

16 MR. MacINNES: Okay. Any other questions
17 or comments?

18 From my perspective, we're glad to have
19 you here, we're looking -- we like to have more
20 potential, you know, qualified intervenors and grantees,
21 but part of that responsibility is being here. So I
22 would encourage you, this is my second encouragement, to
23 show up a little more often and be more engaged in what
24 the board's doing, and I think it will be beneficial for
25 everyone and, you know, you won't -- this won't happen.

1 But I think it's important. And also, I just think since
2 you're new to this process -- I know you're very
3 experienced in other areas -- but this process, the more
4 you're here and hearing what's going on, I just think it
5 will -- you'll do a better job, you know. So I wanted to
6 just make that comment.

7 Any other thoughts, comments?

8 MR. DINKGRAVE: I think the September 30
9 date make sense. That's the first thing I was looking
10 for, an extension to when. So that's appropriate. And
11 just second that, you know, more communication goes
12 better. So look forward to having you.

13 MR. MacINNES: Okay. That concludes the
14 business items. Maybe we can adjourn for a couple
15 minutes and decide what we want to do as a board.

16 (At 12:55 p.m., there was a 20-minute recess.)

17 MR. MacINNES: Okay. We'd like to bring
18 the meeting to order here, and we have some response, the
19 board has some response --

20 MR. ISELY: Just a second here.

21 MR. MacINNES: -- on the business side.

22 MR. ISELY: I'm just doublechecking a
23 date on here.

24 MR. MacINNES: I think that was
25 September.

1 MS. WILSEY: September 30, 2015.

2 MR. ISELY: I think the grant year typo
3 came through to the e-mail as well, right?

4 MR. MacINNES: It said 2014.

5 MS. WILSEY: Probably.

6 MR. ISELY: Is it 2014 or is it 2013?

7 MS. WILSEY: For IEI.

8 MR. ISELY: IEI is 2013?

9 MS. WILSEY: Yes.

10 MR. MacINNES: Okay. So do we have a
11 motion on the -- well, let's start with the IEI grant
12 extension request.

13 MR. ISELY: All right. Motion to approve
14 the IEI 2013-14 UCRF grant extension request to September
15 30, 2015.

16 MR. DINKGRAVE: Support.

17 MR. MacINNES: We have support. Is there
18 any discussion? All those in favor, please say aye.

19 BOARD MEMBERS: Aye.

20 MR. MacINNES: Opposed, same sign.

21 Okay. Moving on to MEC transfer of
22 funds.

23 MR. ISELY: Motion to approve the MEC
24 transfer request as presented.

25 MR. MacINNES: Is there support?

1 MR. DINKGRAVE: Support.

2 MS. HAROUTUNIAN: Support.

3 MR. MacINNES: Is there any discussion?

4 All in favor, please signify by saying aye.

5 BOARD MEMBERS: Aye.

6 MR. MacINNES: Opposed, same sign.

7 GLREA supplemental grant request.

8 MR. ISELY: Motion to approve the GLREA
9 grant request to add biennial renewable energy plan cases
10 for DTE and Consumers Energy to their 2014-2015 grant
11 with no additional funds and pending a further request
12 for transfers from existing approved funds.

13 MR. DINKGRAVE: Support.

14 MR. MacINNES: Any discussion?

15 The only discussion I would say is, you
16 know, we can't guarantee that's going to happen, that
17 there will be additional funds, which we've talked about
18 already.

19 So all those in favor, please signify by
20 saying aye.

21 BOARD MEMBERS: Aye.

22 MR. MacINNES: Opposed, same sign.

23 Okay. Those are the business items.

24 Grantee reports. Why don't we start out
25 with IEI.

1 MR. SCRIPPS: Excellent. So reports on
2 the two cases that we're involved in, U-17319, which is
3 the DTE 2014 PSCR. We raised three issues in the case:
4 The first was better forecasting of day-ahead demand
5 bids, the second involved voltage control in the
6 distribution system, and the third is expanding the
7 Company's energy optimization program to include all
8 cost-effective energy efficiency.

9 In the PFD, the administrative law judge
10 agreed with us on better forecasting of day-ahead demand
11 bids saying -- and she was careful in terms of her
12 language on this -- saying that there was not a sort of
13 presumption that everything could be done, but -- I'm
14 looking for the --

15 It is clear that DTE is already actively engaged in
16 analyzing the sources of error and potential for
17 improvement in its day-ahead bidding, so it should
18 be not be burdensome for the Company to report on
19 its progress in the next plan case. Nonetheless,
20 in requiring a further analysis, the Commission
21 should not set an expectation that DTE will be able
22 to demonstrate an improvement in its forecasting
23 ability, but should only expect DTE to demonstrate
24 that it is taking reasonable steps to investigate
25 and to minimize sources of error.

1 The Commission in its decision on May 14
2 fully adopted this recommendation. So looking at whether
3 the -- whether DTE's taking reasonable steps to
4 investigate and minimize sources of error will be
5 included in future five-year plans. Our estimates are
6 that that could save between 5 1/2 and 7 3/4 million,
7 \$5.5 to \$7.75 million. The Commission -- or the Company
8 disagrees, they think that that's too high, but they set
9 a number at somewhere around 3 million, and it was on
10 that basis I think that even if you accept the Company's
11 perspective on this, that it's worth doing. So we don't
12 estimate this will be of much cost to the Company, but
13 could result in substantial savings to ratepayers.

14 On the second issue, distribution system
15 voltage control, we estimated that you could save
16 approximately 2 1/2 percent of energy, utility-side
17 energy efficiency as opposed to customer-side energy
18 efficiency through distribution system voltage control,
19 and an even larger amount at peak, up to 4 percent of
20 energy saved at peak times. There was some back and
21 forth on this, but largely the discussion was over
22 whether this was appropriate for a PSCR case or whether
23 it was better left to rate cases, and ultimately the PFD
24 found that, absent sort of the Commission deciding to
25 include this in the scope of PSCR, that she felt it was

1 better left to a rate case. We didn't appeal that, but
2 it's -- it was something that I think the idea of,
3 distribution system voltage control was one that the
4 Commission is looking at, they adopted that
5 recommendation as well, but that they largely left it to
6 other cases.

7 The third issue is expanding energy
8 optimization to include all cost-effective energy
9 efficiency. This was the one issue that we took
10 exemption [sic] to the PFD. There was really thoughtful
11 analysis on this point and going back and forth and
12 ultimately reciting some Commission orders that didn't
13 sort of forbid it, but in previous cases it said we're
14 not going to consider this, and on that basis said,
15 absent a clear signal from the Commission that they want
16 to revisit this issue, we're not going to require this.
17 We filed an exemption [sic] to that on the basis that we
18 basically wanted to give the Commission an opportunity to
19 change their mind. We thought this was the right
20 opportunity, that the case that we had made was, we felt,
21 strong, and if the Commission wanted an opportunity to
22 change their mind, we wanted to present them with it.

23 They, I think in a pretty thoughtful
24 analysis of it, walked through some of the arguments and
25 in fact walked through some of the reasons why it might

1 be a good idea, and ultimately chose not to based on the
2 current legislative discussions around this, and
3 basically saying we don't necessarily want to go there
4 now in the midst of an ongoing legislative discussion
5 around this that may actually end up with a different set
6 of rules at the end of it. And so I think it was still
7 worth doing, and depending on what the ultimate
8 legislative discussion looks like, we may want to go back
9 and basically give them another opportunity now that
10 their rules are set. But it was something where I think
11 the arguments were well heard and well considered, and
12 ultimately just based on the timing of the legislative
13 discussion, which was hard to predict back in 2013, they
14 said not right now.

15 So one out of three on the issues, but
16 the other two I think well considered, and particularly
17 the expanding energy efficiency to include all
18 cost-effective, which would move from a sort of 1 percent
19 per year, which is basically the current standard, to
20 something in the 3 1/2 percent per year, so it would have
21 been a substantial increase and one that I think both in
22 Commission proceedings, legislative discussions, the
23 planned workgroup around the utility of the future will
24 be part of the discussion in a number of different ways.

25 We raised the same three issues in

1 U-17317. Our testimony survived a motion to strike from
2 Consumers Energy in that case, and in that, in responding
3 to that motion, the ALJ noted the importance of policy
4 and economic considerations related to the integration of
5 advanced technologies into the electric supply mix,
6 particularly given the dynamic environment in which
7 utilities are operating in a changing mix of generation
8 resources over the next five to ten years, and that the
9 review of a utility's five-year forecast filed
10 contemporaneously with a PSCR can provide insights into
11 load fueling and power supply trends and options in a
12 more forward-looking manner.

13 So I don't want to read tea leaves here,
14 but -- and I don't think that surviving a motion to
15 strike is in any way comparable to actually getting a
16 favorable proposed final decision, but at least the
17 arguments that we've been raising have been heard and
18 are -- have been deemed within the scope of the
19 proceeding, and like I said earlier, we're still waiting
20 for a PFD much less a final Commission order in that
21 case.

22 Happy to take any questions.

23 MR. MacINNES: Board have any questions?

24 I've got a couple of questions here. You
25 talked about the ALJ, and I -- you had different ALJs

1 on --

2 MR. SCRIPPS: We did.

3 MR. MacINNES: -- different -- how many
4 times have you worked or gone before the ALJ on these, on
5 electricty issues?

6 MR. SCRIPPS: In these cases, or me
7 personally?

8 MR. MacINNES: Just in general.

9 MR. SCRIPPS: My experience in front of
10 the ALJs in Michigan has been limited to the cases in
11 which we're involved. We have, as you know, the law firm
12 that we've been working with is Varnum, and they have
13 substantial experience in this area.

14 MR. MacINNES: Okay. So that's who's
15 doing it, then?

16 MR. SCRIPPS: Largely, yes.

17 MR. MacINNES: Okay. Because I was just
18 curious as to the background of the ALJ people. Do you
19 know -- I mean are they --

20 MR. SCRIPPS: Others can probably speak
21 better. But the ALJ that we've had in the DTE case is
22 Sharon Feldman. I think that Judge Feldman has a well-
23 deserved solid reputation for being thoughtful. My sense
24 is that she's very process-oriented and runs a very tight
25 ship when it comes to the proceedings before her. We

1 thought that -- we didn't agree with everything that she
2 wrote, but we thought it was fair and well-considered.

3 The ALJ that we have in the Consumers
4 case is Mark Eyster, and I think that he -- his
5 reputation is that his decisions and rulings are always
6 very, very thoughtful and thorough, hundreds of pages
7 sometimes in PFDs. The timing has been, as I mentioned,
8 we're not on the time that was established at the
9 beginning of the case, we're waiting, and I don't have a
10 great sense of when we'll get the PFD. So others
11 probably can speak more, but that's been my experience in
12 these cases.

13 MR. MacINNES: How do they deal with the
14 technical aspects? I mean you talk about process -- and
15 I'm just trying to learn here, I'm not trying to put you
16 on the spot or anything, but just trying to learn a
17 little bit more about the ALJ background and how they --
18 you know, they're process-oriented, from what you just
19 said, but how do they deal with some of the technical
20 physics and the, that sort of thing, how do they deal
21 with that?

22 MR. SCRIPPS: My sense, and again,
23 limited to the cases that it's not deep experience, but
24 has been that they largely rely on the record before
25 them. So we presented a number of things, in certain

1 cases the Company directly refuted some of the things
2 that we've said, and I think that they look at the
3 arguments made on both sides and basically I think try
4 and come to a conclusion of which is more compelling. So
5 but I don't -- my sense is that they're not going out and
6 asking an engineer or a, or anybody, you know, for a
7 special outside opinion on sort of who's right as a
8 matter of physics or engineering.

9 MR. MacINNES: So they'll just take the
10 input from the case, the discussion, and try to weigh the
11 facts as best they can?

12 MR. SCRIPPS: That's what I've seen in
13 the cases that I've been involved in.

14 MR. MacINNES: Okay. Good. On your work
15 on voltage control, at our electrical engineering
16 conferences, you know, we meet each year, the Institute
17 of Electrical and Electronics Engineers, we have a Power
18 Energy Society that's been 2,800 power engineers from all
19 over the world, we meet various places, and one of the
20 big topics that people have been working on is
21 reconfiguring the distribution system with normally open
22 and normally closed switches that would allow, in the
23 event of a big storm, big outage, that rather than having
24 thousands of people out, there are some ways you can
25 analyze this, the distribution system particularly, and

1 open some circuits and close some other circuits and that
2 sort of thing. Is that anything that you have got
3 involved with in this, in your cases, or was that
4 discussed at all or --

5 MR. SCRIPPS: It's not. This is largely
6 about the losses both over the transmission system, but
7 particularly when we're looking at it, in the
8 distribution system from point of generation to point of
9 consumption. And there are ways that I think through
10 better engineering, more regular maintenance, that those
11 losses can be reduced, and that's largely what we've been
12 focused on.

13 I mean our state, the energy optimization
14 standard that we have is very much a customer-sided
15 energy efficiency standard, whereas the utility energy
16 efficiency improvements that are possible are largely
17 sort of left out of the consideration, at least under the
18 current, which means that in a case like this or in other
19 proceedings, that those are important to raise. We are
20 doing some work with the University of Michigan, Five
21 Lakes and Advanced Energy Economy Institute on a new
22 model called STEER (sp), which I should be able to tell
23 you what it stands for, but it's based on an earlier
24 model, and it's basically looking at what are the most
25 cost-effective things that you could do in order to

1 reduce emission is largely what's driving it. But what
2 we're finding is that in addition to customer-sided
3 energy efficiency, one of the things that makes sense
4 even without Commission's consideration, so even absent
5 sort of the need to comply with forthcoming EPA
6 regulations, is utility-sided efficiency improvements,
7 like distribution system voltage control and volt VAR
8 improvements -- volt V-A-R improvements. And so those
9 are -- we'll be releasing a report later this month on
10 some of those things. But from a purely cost-effective
11 standpoint, I think there's a solid case to be made.

12 MR. MacINNES: Well, and some of that --
13 and the reason I brought this subject up is some of that
14 volt VAR, which is the reactive power, optimization can
15 be done by moving, you know, by changing the wires, the
16 interconnection in the distribution system. That, you
17 know, that is a tool that could also be used as part of
18 reducing the losses. So I just, as you're digging into
19 it, you know, you might take a look at that --

20 MR. SCRIPPS: Thank you.

21 MR. MacINNES: -- as an another tool.
22 There's a lot of work that needs to be done on the
23 distribution systems.

24 MR. SCRIPPS: There is.

25 MR. MacINNES: And I know it's not

1 inexpensive either, but from a resilience standpoint and
2 regulating the voltage and all of that, some of that can
3 be accomplished I think with some redesigns of
4 interconnection of the -- on the distribution system
5 wires.

6 Okay. Any other questions or thoughts
7 for Dan?

8 Next, let's go to Don.

9 MR. KESKEY: At the last meeting I think
10 we discussed quite a bit, some of the points that we had
11 presented in testimony on solar capacity and energy in
12 the Act 304 cases, and I don't want to belabor it. You
13 may recall we talked about how the solar energy in
14 Michigan in the summer months can help to mitigate peaks,
15 cost of peaks, Act 304 costs, can help diversify the
16 energy sources over a longer term, empower customers,
17 communities, utilities to use that resource more, and a
18 number of other points like that. We had presented
19 testimony, let's say, in U-17317 and U-17319 pointing out
20 these various benefits and also demonstrating in exhibits
21 and using the MISO costs at certain points of the utility
22 that increasing solar can blunt the system peaks and
23 exactly how it happens in chart form.

24 One of the main points and
25 recommendations in the testimony was that we were

1 pointing out that the five-year forecast of the utilities
2 as to a flat or declining input of solar sources in their
3 five-year forecast was inaccurate and not complete, and
4 recommended that in the ongoing cases, that they do more
5 on that subject, recommending a working collaborative
6 again, and a number of these kind of things. In other
7 words, it wasn't saying here's a rate adjustment, it was
8 saying that these are policy points, these are planning
9 points, these are part of the purposes of Act 304.

10 In U-17317, that's the Consumers Energy
11 2014 PSCR plan, as has been pointed out, the hearings and
12 the briefing are complete, except we don't have a PFD
13 yet, so we don't have a Commission order yet either.

14 With respect to the DTE Electric U-17319,
15 the 2014 PSCR case, there we did have the hearings, we
16 had the PFD, and we had the Commission order issued on
17 May 14, 2015. The ALJ covered the points that we made,
18 but then did not make any specific recommendation as to
19 requiring the utility to do anything specific new in its
20 next case. It did mention also that the biennial plan
21 cases are important as well, and they were upcoming. The
22 Commission in its order pretty much adopted a lot of what
23 the administrative law judge had done on a number of
24 issues with respect -- they more or less came out the
25 same way, but they did point out that this whole area is

1 fast changing, there are a number of things that are
2 going on, and said that parties should be able to present
3 these points in ongoing rate cases, of which PSCR,
4 general rate cases and biennial plan cases are the three
5 principle kind of cases like that.

6 Then moving on to the new PSCR cases for
7 2015 of each utility, Consumers Energy is U-17678 for
8 2015. In that case, the discovery has occurred and the
9 hearings have been held. The testimony of GLREA was
10 expanded from what was done in the previous case and
11 included some discussion about the Governor's new energy
12 policies and emphasis and leadership on expanding
13 renewable energy, energy efficiency, and a percentage of
14 what that can make up for Michigan's portfolio.

15 Our testimony and exhibits were fully
16 accepted into the record, except for about 2, 2 of some
17 30 pages of testimony where Witness Crandall was
18 discussing the law and the legal points, and the ALJ said
19 that you can put that in your brief, the expert part of
20 it will stand, but not the two pages of legal advocacy,
21 which is fine, because we will put that in a brief. So
22 the testimony was, in that case was presented and
23 included in the record on May 18, 2015, and then the
24 briefing schedule will go on from there. I believe, you
25 know, the briefing schedule is I believe in July and

1 August.

2 With respect to the DTE 2015 PSCR case,
3 U-17680, again, that went through the intervention,
4 discovery phase, and the direct testimony and exhibits of
5 the GLREA witness was adopted in full at the hearing held
6 on May 4, 2015, in the sense that it was entirely
7 admitted into the record. And the briefing schedule
8 there is, I believe the briefs, the initial briefs are
9 due on June 18, the followup briefs in July.

10 So the issues are there. The renewable
11 plan cases will be a good opportunity to participate
12 again on these points, maybe expand it some more. And it
13 just seems that solar energy and capacity, like Minnesota
14 is showing on the issue, is still a valuable opportunity
15 even though we're in a northern climate. And hopefully
16 we'll fall in within the trend of policies that's
17 consistent with what the Governor recently outlined.

18 MR. MacINNES: Okay. Are there any
19 questions for Don? Yes, Susan.

20 MS. HAROUTUNIAN: You mentioned the
21 northern climate. Does the constant cloud cover that
22 Michigan has affect that negatively?

23 MR. KESKEY: Well, it's not Arizona, it's
24 not Nevada, it's not California, but the summer months
25 when we have the air conditioning peaks and the, you

1 know, basically from June on into even sometimes into
2 October, but peak months of July, August, really of July
3 and August, much more sun and longer days and efficiency
4 and reliable -- reliability of solar.

5 MR. MacINNES: Well, for example, I have
6 time-of-day metering at my house, and my summer rate is,
7 from 2:00 in the afternoon until 6:00 p.m. is 22 cents a
8 kilowatt hour, so there's a lot of need for power during
9 that period for the air conditioning.

10 MR. KESKEY: And there's, besides the
11 fact the costs are going down and it's a diverse source,
12 it's a form of hedge, depending on the customer, whether
13 it's a residential or a commercial or an industrial
14 customer, if they were to take advantage of solar behind
15 the meter, for example, in other words, just reduce what
16 energy they're taking from the system, or perhaps there
17 will be opportunities for, with the utility-owned,
18 community solar, and even customer solar, an opportunity
19 to contribute to the grid besides taking care of much of
20 your own needs and then thereby reduce congestion on
21 transmission and reduce your, some of the various other
22 costs under Act 304, and just give you another, just
23 another part of the portfolio of energy sources besides
24 the traditional sources of nuclear or coal-burning plants
25 or oil or gas even.

1 MR. MacINNES: But it's not simple
2 either, because if you have solar, a large amount of
3 solar PV on the distribution system, kind of going back
4 to our earlier discussion, that can cause, you know, too
5 high a voltage and kind of cause problems, you know, that
6 the utility has to deal with, and that's where they bring
7 in smart inverters to help manage that, but that's a
8 whole process, and that may require them having to be
9 able to communicate with the inverters and --
10 complicated. I mean it's doable, but it's -- I think
11 that may be some of the issue, too.

12 MR. KESKEY: Yes. And it's like anything
13 else, I mean you incrementally learn and adjust the
14 system, and as you get more diverse sources of energy,
15 eventually the whole industry learns how to do that.

16 MR. MacINNES: Right.

17 MR. KESKEY: I mean --

18 MR. MacINNES: Are there any other
19 questions for Don?

20 Why do you think, Don, that we haven't
21 had -- you know, most, many of the other states have had
22 a much higher penetration of solar PV into their system.
23 Why do you think Michigan has not had that?

24 MR. KESKEY: Well, you know, I've -- I
25 fought the cases for actually decades, I don't want to
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1 embarrass myself, but when we fought for energy
2 efficiency, the Commission had an energy efficiency
3 program until 1994 and basically was told by the
4 administration at the time that basically this is going
5 to end. The courts in cases in the Court of Appeals when
6 we advocated energy efficiency as being under Act 304
7 ruled against us, and then the statute in 2008 was
8 passed, this is all sort of happening, you know, sort of
9 synergetically at the same time, and now, of course, we
10 have a more robust energy efficiency program now than
11 there used to be, and the utilities are, at least I hope
12 are on board in reality, not just in, not in complete
13 reality.

14 MR. MacINNES: But you would think
15 with --

16 MR. KESKEY: So there's a change in
17 politics to a large degree that overlays the policy of
18 the state. And some states, like Minnesota, I think have
19 been open to the political leadership of doing more, at
20 least sooner; it doesn't mean we won't get there. That's
21 part of it. That's part of it. I mean it's not the
22 entire thing.

23 MR. MacINNES: You would think there
24 would be some room there given that -- like I say, I'm
25 paying 22 cents a kilowatt hour in the summer from 2:00

1 to 6:00 p.m., so I know not all that's energy charge, you
2 know, but you would think there would be some room within
3 that 22 cents a kilowatt hour to force some solar to be
4 valued more during that period when it's generating its
5 maximum.

6 MR. KESKEY: Absolutely. And I guess if
7 they want totally granular peak load pricing someday with
8 Smart Meters and everything else, well, shouldn't the
9 energy go both ways; in other words, a customer could
10 sell energy at the same price that the utility is trying
11 to sell you the price at the same instant in time. I
12 don't know whether we're going to end up there because
13 there are obstacles and constraints put in the path of
14 really a completely level platform on some of this stuff,
15 at least for sometimes long periods of time.

16 But there's -- there's other aspects to
17 this in the sense I had case that we went up to the
18 Michigan Supreme Court on trying to help the state defend
19 its new energy efficiency building code, which was still
20 way behind Wisconsin and Minnesota, and the Home Builder
21 Association was, as an entity was highly resistant to
22 requiring basic well-developed new technology on energy
23 efficiency in terms of, you know, building basements and
24 building the new buildings, which is the best time to do
25 the energy efficiency because you don't have to retrofit

1 later, and there was a high resistance to this, this is
2 several years ago, and I believe that resistance is still
3 there, whereas if we were building homes that were very
4 energy efficient and maybe with a diversity of energy
5 supply, we'd be permanently saving over the years of that
6 home a substantial amount of energy and a substantial
7 amount of savings. And so there's opposition to change
8 coming from various quarters.

9 MR. MacINNES: Well, if you look at the
10 present value of the benefits, a lot of times they
11 greatly exceed the, you know, the short-term cost, but
12 people still have to write the check up front, that's the
13 challenge.

14 Any other questions for Don?

15 I notice we have our representative,
16 Michael Moody, or a representative from the AG's office
17 here, Michael Moody.

18 MR. MOODY: Thank you.

19 MR. MacINNES: And just wondered if you
20 have any updates on things that you're working on in
21 conjunction with us or otherwise?

22 MR. MOODY: We're still in the midst
23 mostly of most cases that we talked last time. I think
24 the cost allocation cases are still moving along. We got
25 the, you know, generous PFD from ALJ Feldman in the

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1 Consumers Energy one I think it was, and nothing has
2 really moved yet. Though I noticed there was a letter
3 from the legislature, I don't know if you saw that, to
4 the Commission not agreeing with that, the PFD, saying
5 that the statute didn't really, you know, provide for
6 that, so that's some interesting politics to that going
7 on.

8 But in terms of litigation, we're still
9 in the midst -- we're in the midst of the Consumers
10 Energy rate case and the Edison one, we just filed
11 testimony, the Attorney General did. And we have a \$370
12 million rate increase that Edison is seeking, we filed
13 testimony supporting a \$50 million increase, so it's
14 about 320 negative where, you know, we subtracted out in
15 our testimony. Of course, you know, what will end
16 upcoming out will be somewhere between I'm sure. And
17 like I said, that's cross-examination at the end of this
18 month for DTE Electric's rate case, and I believe
19 Consumers Energy is going on earlier this month, their
20 cross on that big one. Those are the two big rate cases.

21 In terms of 304 cases, a lot of them got
22 delayed because of some, the Commission was slow in
23 getting some orders out, so a bunch of the Act 304 cases
24 I'm working on are going into a second prehearing,
25 setting new schedules and stuff because of a backload of,

1 or backlog, I'm sorry, of cases. I can't think of
2 anything significant that's come down on the PSCR or GCR
3 right off the bat, you know, anything since last time we
4 talked. But we're still, you know, moving along in all
5 those cases, filing testimony.

6 We have our one major expert, Sebastian
7 Coppola, who does a really good job on electric and gas,
8 he covers most of it. One of our other experts retired
9 recently, Ralph Miller, who was a 20-, 25-year veteran
10 for us, he's done a great job, but he's recently retired.

11 I don't know if you have any questions
12 for me on anything that you saw or --

13 MR. MacINNES: Any questions from the
14 board? Michelle.

15 MS. WILSEY: With Don's retirement and
16 yourself, how many attorneys does the AG have working on
17 these cases?

18 MR. MOODY: Currently just the two of us.
19 We are -- we posted and received a bunch of resumes. I
20 heard, of course, you know, I haven't seen them, but I
21 heard that they are doing some actual interviews of
22 these. We took the resumes probably months ago, and the
23 actual interviews I think are just starting now.

24 Of course, Don retired back in like
25 October, but the benefit is we have been using Don as
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1 Special Assistant Attorney General, so it's almost like
2 we still have Don with us, he's still doing the cases and
3 still participating in some Act 304 cases just as a
4 Special, and we do that a lot of times with other
5 attorneys and, too, you know, retirees sometimes, that we
6 use them on cases and so we can fill the gap.

7 But I think we're on track to still bring
8 in another attorney into the division and bring it back
9 to three, which has been pretty much where we've been the
10 last several years. I mean when I first started, the
11 division was maybe five or six attorneys, but through
12 attrition and budgetary stuff. And in fact we used to
13 have one on, I know Keskey, Don knows, we used to have,
14 you know, Bill Peloquin was our expert that was in-house,
15 that was kind of handy, and then he retired and then, you
16 know, they never fill those things up. But we've made
17 use of outside experts and done a great job with that.
18 Just giving some background as to our size and stuff.

19 But we do have the benefit of being in a
20 larger division, Peter Manning's, you know, environmental
21 division is much larger, and so a lot of times we can tap
22 those other attorneys to come sit in for us or assist.
23 But right now we are still down to the two.

24 MS. WILSEY: That's a lot of work.

25 MR. MOODY: Yeah.

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

3 How to you feel about the -- how does
4 your office -- you're our lawyer, right?

5 MR. MOODY: Yep.

6 MR. MacINNES: So I'm going to ask for
7 some counsel. How does your office feel about where
8 these cost-of-service cases are in terms of the PFDs from
9 the ALJ, the two separate ones, the arguments that were
10 made; are you supportive of the position that has been
11 taken here by our grantees?

12 MR. MOODY: Yeah. Our position has been
13 that, you know -- I was surprised that it was successful
14 in a way, I've got to say. Well, the other attorney,
15 John Janiszewski, has been handling it. Our argument's
16 been that Edison as well as Consumers Energy haven't
17 shown the evidence to move away from the 50/25/25. We
18 haven't really presented an in between number like some
19 of parties have, or detailed stuff, as I know MEC or, you
20 know, MEC's group, that's a combined with John Liskey's
21 group, they did a little more extensive in between, and
22 then Staff came up with a 75/25; we didn't do that
23 either, we didn't support that. So I think we are, you
24 know -- trying to think of the word -- working well
25 together, we're not conflicting, I don't think, because

1 ours is that the companies haven't, you know, shown us
2 that moving from 50/25/25 is better or, you know, what's
3 the --

4 MR. MacINNES: So --

5 MR. MOODY: -- evidentiary support for
6 it.

7 MR. MacINNES: So would it be safe to say
8 that you're not -- you don't agree with the 4 CP 100/0/0?

9 MR. MOODY: That's correct. Our position
10 has been that that is -- well, I guess the evidence
11 hasn't been shown to us that that's the true cost of
12 service, you know, and that -- their argument would be
13 that yes, the option -- the utilities would say that the
14 residential are the main cost causers and we are going
15 to spend -- our argument has been that the utilities
16 haven't shown us the evidence that that is the true cost
17 causers in this.

18 MR. MacINNES: So you would --

19 MR. MOODY: Yeah, we would agree --

20 MR. MacINNES: -- agree with the ALJs'
21 PFDs, yes or no, or --

22 MR. MOODY: We're in favor of the PFD.
23 The PFD sided with our position essentially.

24 MR. MacINNES: Right. Okay. So I'm
25 going to get some more advice from my counsel. There is

1 a letter here that you refer to, it's from Jim Stamas and
2 Aric Nesbitt, dated May 21,2015, it's to John Quackenbush
3 of the Michigan Public Service Commission.

4 MR. MOODY: That's correct.

5 MR. MacINNES: And I'd like to read it
6 and get your opinion on it. It says:

7 Dear John:

8 We're writing in regards to two current rate cases
9 before the Michigan Public Service Commission.

10 Thank you for reviewing our concerns.

11 We are watching with interest the proceedings
12 before the Public Service Commission relating to
13 U-17688 and U-17689, and write today to express
14 concern over the recent opinions of the
15 administrative law judges in both cases.

16 We are hopeful that the Public Service Commission
17 exercises its authority in line with the clear
18 legislative intent expressed in Act 169 of 2014
19 which established that the Public Service
20 Commission should adopt cost allocation
21 methodologies that "better ensure rates are equal
22 to the cost of service" than is the case under the
23 current cost allocation methodologies. The
24 legislature passed and the governor signed PA 169
25 in response to the clear need to establish true
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1 cost-of-service rates for Michigan's
2 energy-intensive manufacturers. The collective
3 intent was subsequently reflected in the output of
4 the working group that the Michigan Economic
5 Development Commission convened last year at the
6 request of the administration.

7 As you know, the working group recommended the
8 4 CP 100/0/0 cost allocation methodology as the
9 most accurate embodiment of a true cost-of-service
10 allocation for Michigan's energy-intensive
11 manufacturers. This recommendation is in line with
12 the expectations we had when PA 169 was debated and
13 passed with broad bipartisan support.

14 It's our sincere hope that the Public Service
15 Commission's decisions in U-17688 and U-17689
16 respond to the legislature's charge, as it
17 represents the expectations and intent of the
18 legislature.

19 Thank you for your consideration.

20 So this is a letter to the chairman of
21 the Public Service Commission from a Senator Stamas and
22 State Representative Nesbitt basically asking to support
23 the 4 CP 100/0/0. I'm not a lawyer, but that's how I
24 understand it. So my question to you, our counsel, is
25 would this letter -- should this be entered as part of
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1 the facts of the case when the MPSC makes its decision
2 and considers these matters?

3 MR. MOODY: Probably not. I mean no
4 party probably admitted it. I mean you could as maybe an
5 expert could refer to it, you could potentially attach it
6 as an exhibit. It's not really evidentiary value, I
7 don't think, for the Commission.

8 MR. MacINNES: Well, this wasn't
9 presented to the ALJs, or was it?

10 MR. MOODY: No, it doesn't sound like it,
11 it came after. It would become -- DTE hasn't issued
12 their PFD, I don't think.

13 MR. MacINNES: I think they've both been
14 issued.

15 MR. MOODY: Okay. Both been issued.

16 MR. MacINNES: And we're going to hear
17 more on this in a little bit.

18 MR. MOODY: Okay.

19 MR. MacINNES: But I think they've both
20 been issued, so this letter is after the PFDs have been
21 issued, so it's not -- it's outside the case.

22 MR. MOODY: You could do a judicial
23 notice or some type of administrative notice that, you
24 know, attached to your brief and argue that the
25 Commission should take notice of it. But as to its

1 evidentiary value, it's going to be limited, obviously
2 interpreting the statute.

3 MR. MacINNES: Its evidentiary value is
4 going to be limited, in your opinion?

5 MR. MOODY: I would think so, for that
6 case. And obviously when you interpret a statute, it's
7 going to be up to the courts, so the intent of two
8 legislators is, you know, not going to be swaying of a
9 court; they don't even look at the actual stuff that's on
10 the website, you know, where they give you their, what
11 are those, the bill analyses, they don't even use that
12 for legislative intent.

13 MR. MacINNES: Okay. Well, thank you for
14 your opinion.

15 MR. MOODY: Yeah.

16 MR. MacINNES: Is there anything else
17 that you have for the board on your work?

18 MR. MOODY: No. I think that it's moving
19 along on those same cases. If there was any questions on
20 any particular one, I might be able to answer for you
21 guys. And sometimes it's hard because John Janiszewski
22 handles a bunch on his own and I don't always keep up
23 with data and where he is on everything, but I pretty
24 much know where we are.

25 MR. MacINNES: Well, I think this
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1 cost-of -- these two cost-of-service cases that we've
2 invested a quarter of a million dollars in are probably
3 the most important to us right now --

4 MR. MOODY: Those are big.

5 MR. MacINNES: -- and we're hoping to get
6 a favorable decision on that.

7 MR. MOODY: You can see the two, I think
8 the two electric cases, they both filed their
9 self-implementations, and I think they both did like a
10 100/0/0 somewhat self-implementation, but with the
11 argument that they would switch it back depending on what
12 the Commission did. So it's interesting that --

13 MR. MacINNES: So we have two ALJs on two
14 different cases more or less coming to the same
15 conclusion?

16 MR. MOODY: I think so.

17 MR. MacINNES: Similar?

18 MR. MOODY: If I remember correctly. I
19 have to go back, because like I said, it's John actually
20 doing both of those, even though I handled the cross on
21 the one. So I'd have to go back and doublecheck, but I
22 believe so, which is causing a letter to be issued and
23 everything else.

24 MR. MacINNES: Right. Okay. Any other
25 questions for Michael?

1 Okay. Let's move on to Michigan
2 Environmental Council.

3 MR. HILTON: Thank you, Mr. Chairman.

4 MR. MacINNES: And we have a nice update
5 here, maybe you could kind of cover some of that with us.

6 MR. HILTON: I have several things I want
7 to touch on.

8 MR. MacINNES: Okay.

9 MR. HILTON: I probably will be brief
10 about several of them, unless have you specific
11 questions. But I also have a handout. I only have ten
12 copies. Well, nine, I guess.

13 (Document distributed.)

14 MR. HILTON: This is an exhibit from
15 Consumers' cost-of-service case, 17688, Exhibit A-12 in
16 that case, so it's available on the E-docket if anyone
17 wants to see it. And I passed that out simply for
18 illustrative purposes. As has already been mentioned,
19 but I don't think a detailed update has been given at one
20 of these meetings, we did receive a very favorable PFD
21 from Judge Cummins in that case, very much along the
22 lines of Judge Feldman's PFD in the DTE cost-of-service
23 case really rejecting pretty much altogether the
24 utility's proposal to shift to the 4 CP 100/0/0 cost
25 production allocation methodology, and so we're very

1 pleased with that proposal for decision. And I think
2 it's important in some ways because it now represents the
3 second ALJ to independently reach the same conclusion,
4 which really is, as Mike said, utilities haven't come
5 forward to, you know, really justify that shift and, you
6 know, we're quite pleased in that regard.

7 As far as specific numbers, the reason I
8 handed this out, if you look in the second column about
9 five rows down, this comes from Consumers' own
10 cost-of-service study from its last rate case, 17087, and
11 what it's showing here is an anticipated increase in
12 residential rates of \$46 million a year with the shift to
13 4 CP 100/0/0. The practical cost increase is probably
14 higher in conjunction with Consumers' current rate case.
15 But I think what the current PFD represents, assuming
16 it's upheld and, of course, you know, that's a big if --
17 the Commission is ultimately the final decision-maker --
18 is a potential savings for residential ratepayers or
19 avoided cost increase for residential ratepayers of \$46
20 million.

21 And I think obviously MEC and CARE
22 working together, with support of this board, supported
23 any change -- or excuse me -- opposed any change in the
24 production cost allocation method. The Staff kind of
25 came in with a middle ground position, as they did in

1 DTE's case, so it's hard to say exactly what MEC and
2 CARE's advocacy on this board's funding ultimately
3 resulted in, but if we say perhaps, you know, at least
4 half of this savings we feel is, you know, attributable
5 to our advocacy, that's looking like approximately \$23
6 million a year on a \$100,000 investment. So I think the,
7 the equivalent number in DTE's case was about 18 million
8 a year, so we're looking at just over \$40 million between
9 the two cases per year if these proposals for decision
10 are fully upheld. And again, we don't know.

11 MR. MacINNES: So --

12 MR. HILTON: Go ahead.

13 MR. MacINNES: 40 million per year
14 savings?

15 MR. HILTON: Between the two cases.

16 MR. MacINNES: Between the two cases.

17 MR. HILTON: And that's a very rough
18 number, because obviously a whole lot goes into what the
19 exact shift would do to rates. But as I said, Staff kind
20 of takes a middle ground in those two cases. The PFDs
21 reject the Staff's position, as well as the utilities'
22 positions, but, you know, absent MEC and CARE's
23 intervention, it's possible that, you know, and obviously
24 the Attorney General's work as well, you know, if the
25 Staff's position had been accepted, then there'd still be

1 some savings or avoided cost.

2 MR. MacINNES: Let me ask now, did the
3 AG's office actually intervene in these cases?

4 MR. MOODY: That's correct, and we filed
5 testimony.

6 MR. MacINNES: You did. Okay.

7 MR. MOODY: Yes.

8 MR. MacINNES: So they were part -- was
9 that together or was that --

10 MR. MOODY: Separate.

11 MR. MacINNES: -- separately?

12 MR. MOODY: It was separately filed
13 testimony with a separate expert. I think it was
14 McGarry.

15 MR. MacINNES: Okay.

16 MR. HILTON: But we generally had the
17 same position, you know, on many of these issues with the
18 AG.

19 I should note that in the DTE case, as I
20 know Chris explained at length at your last meeting, the
21 ALJ included some favorable recommendations on some of
22 the dynamic pricing testimony that Douglas Jester
23 submitted on behalf of MEC and CARE. Judge Cummins
24 reviewed that in the Consumers case, and although the PFD
25 included some favorable language, Judge Cummins' PFD

1 recommends holding off on implementing some of those
2 dynamic pricing provisions.

3 MR. MacINNES: I wonder, could you
4 clarify again for me how that, you know, what kind of --
5 were there specific dynamic pricing recommendations, I
6 mean was it like instantaneous dynamic pricing, or were
7 there periods -- how did that -- how was that presented?

8 MR. HILTON: I wish I could explain in
9 more detail. As between Chris and my division of labor,
10 this case was really his. And I had hoped Douglas would
11 be here so that he could help me out, but I can't provide
12 you a whole lot of detail on that. I'm sure Chris can at
13 the next meeting.

14 But I just wanted to say that, you know,
15 we appreciate the board's support, and we really think
16 that, you know, so far, so good, it looks like there's
17 the potential to be quite a return on its investment in
18 these cases and, you know, ultimately we are hopeful that
19 the Commission is going to review the very extensive
20 records that were put together by all the parties in
21 these cases and the very extensive and thoughtful
22 proposals for decisions that were issued by the two ALJs,
23 and hopefully a lot of these savings, if not all of them,
24 will be preserved. We are -- that's all I have in terms
25 of an update for an actual decision or proposal for

1 decision.

2 We are actively engaged in Consumers' and
3 DTE's rate cases. Like the AG, we submitted testimony in
4 both. The DTE rate case testimony was submitted
5 recently. In that case MEC is working with a coalition
6 of -- with a number of partners. We submitted testimony
7 by five experts, which is I think our own record, and the
8 main issue, the big issue in that case is the cost
9 effectiveness of DTE's proposed retrofits to a number of
10 its smaller and older coal units. These are units that
11 have been in service in some cases since the '40s, and
12 everybody including DTE I think recognizes are on their
13 way out just in terms of their age and effectiveness.

14 So we looked at in that case a number of
15 the input assumptions essentially that DTE used to
16 justify the retrofits. And I think, you know, of note
17 for the board, a lot of those input assumptions are Act
18 304/PSCR type issues; market energy and capacity
19 forecasts, pollution control, sorbent costs, things like
20 that. In some ways the Commission has been indicating,
21 as I think Don mentioned earlier, a desire to shift some
22 of those things into consideration in rate cases, you
23 know, I guess in part because those issues are driving
24 major capital spending decisions by DTE in particular.

25 We also submitted testimony in the DTE

1 rate case opposing the utility's proposal to increase its
2 fixed charges kind of across the board, and that's in
3 line with some of the advocacy we've done regarding, you
4 know, muting price signals, and we'd like to keep those
5 fixed charges lower, not only because they tend to
6 burden, according to our experts, lower income ratepayers
7 more than others, but also because they do mute price
8 signals to some extent.

9 And then Douglas Jester submitted
10 testimony kind of building on the dynamic pricing
11 testimony he submitted in the cost-of-service cases. So
12 we've got a lot going on in that case. I think we've got
13 great testimony filed. The hearing is coming up in the
14 end of June and into the early part of July, so there's a
15 long way to go yet.

16 E are also involved in our PSCR plan
17 cases, the 2015 plans for both utilities. We've got some
18 testimony submitted in both, the hearings have concluded
19 in both. We are raising issues in those cases, as you've
20 heard before, that are consistent with the issues we've
21 raised in them in the last couple of years, principally
22 the accuracy and methodology used by the utilities in
23 their production cost modeling, or PROMOD, and we were
24 able to do our own PROMOD modeling in both cases.

25 I think the big takeaway that I'll leave

1 you with in both of those cases is that even with the
2 Company's rebuttal to our arguments, there seems to be no
3 dispute that some of our proposals regarding increased
4 cycling of the units and some different methodologies
5 would increase savings for ratepayers, and again, even
6 with the Company's criticism, even accounting for those
7 criticisms, I think we've identified some savings and
8 present us a good opportunity I think in those cases to
9 start to push to some changes in how the production costs
10 are modeled.

11 MR. MacINNES: One of the areas you've
12 been talking about for years is Consumers Energy must-run
13 designation of coal units.

14 MR. HILTON: That's right.

15 MR. MacINNES: That's been ongoing for
16 since -- years.

17 MR. HILTON: That's right. And that's an
18 issue actually both in the DTE PSCR plan case as well as
19 Consumers. And again, our modeling shows pretty
20 substantial savings to the tune of a couple million
21 dollars a year by moving to increased cycling, and again,
22 that's using a program that makes the decisions for you,
23 it's nobody imposing, you know, shutdowns, it's simply
24 the program determining what's more economic. And again,
25 even accounting for -- I should step back and say, a lot

1 of what gets argued about in these cases where we use the
2 modeling programs is how you use the program. You know,
3 ultimately it's very complex and it's technical, and if
4 you turn one switch off here or you put in a number wrong
5 here, you know, it creates grounds for arguing about the
6 accuracy of the results. But again, even accounting for
7 the criticisms that were levied against our modeler,
8 which we disagree with, even then we've identified
9 savings in those cases principally through the use of
10 more cycling.

11 MR. MacINNES: Well, it puts you on a
12 better footing to have that rather than it being a black
13 box, you can actually do the modeling, and you can argue
14 over the assumptions maybe, but since the models are the
15 same, or very similar is my understanding.

16 MR. HILTON: That's correct. And that's
17 one of the things that we've been using funds from the
18 board for is, you know, purchasing the license in order
19 to get the program, and then of course we have to find an
20 expert who's used the program, and our expert, George
21 Evans, is very experienced using PROMOD and then the
22 other model which is sometimes called Strategist.

23 MR. MacINNES: Right.

24 MR. HILTON: But I think, honestly I
25 think the modeling a big issue and will continue to be.

1 We've managed to put together the resources to actually
2 do some modeling. I know the AG has had a proposal in a
3 recent case that the Commission require the utilities to
4 actually re-run its own model using some inputs given to
5 them by the intervenors, which is another interesting
6 suggestion and certainly would be more cost-effective for
7 intervenors. It's true, it's quite an unlevel playing
8 field where you have a lot of these decisions being made
9 by a computer program that nobody can afford.

10 MR. MacINNES: Right. Well, this whole
11 idea, also, of the mix between generation and
12 transmission, which I know that you all are getting into,
13 you know, finding the low cost sweet spot basically,
14 which is a combination of generation and transmission, to
15 really reduce the rates for all the ratepayers.

16 And, you know, there was an article, this
17 is operations research, which is a program that's part of
18 what you're working with to really optimize things, an
19 optimization program, and Fred Smith, who was -- ran
20 FedEx years ago, 40 years ago, based his, the whole
21 operation of his company around this idea of operations
22 research and, you know, that's how he was able to deliver
23 the mail and all of that at a -- arrive at the low-cost
24 solution, and I'm glad to see us exploring that because
25 that's what's going to help Michigan and all the

1 ratepayers arrive at the low-cost energy solution. Now,
2 yeah, we have to look at making sure we have enough local
3 generation and that sort of thing for voltage support and
4 all that, but the more we can take a regional look at it
5 rather than, oh, all our power plants need to be in the
6 state, when we look at it regionally, we're going to get
7 a better result for everyone. So and that's what MI -- a
8 lot of what MISO does, and you all are getting involved
9 in some of that, too. So thanks for doing that.

10 MR. HILTON: I should add that, you know,
11 it's -- we build on this with every case, you know, we
12 learn more about the program, we learn more about how it
13 operates, we learn more about how there are differences
14 between what the program models and what the utility
15 actually does, and so, you know, with continued advocacy
16 on that front, I think we will only get better and
17 better.

18 MR. MacINNES: We talk about this at our
19 electrical engineering meetings, about how you can change
20 two wires in one state and affect the price of electricity
21 in another state, that's how it works. So we need to be
22 thinking regionally when we're trying to come up with a
23 low-cost reliable solution.

24 Okay. Any other thoughts or comments
25 on --

1 MR. HILTON: No, I don't believe so.
2 Again, we appreciate the board support. We have a lot of
3 irons in the fire at the moment. Chris and I are
4 covering a lot of ground.

5 MR. MacINNES: Very good. Any other
6 comments or thoughts from the board?

7 And if anyone is interested in that
8 article, it's called, I think it's called "Absolutely
9 Positively Operations Research", written about Fred Smith
10 and about how he used operations research to maximize the
11 value of his company and reduce the cost of delivering
12 packages throughout the world, I would be glad to share
13 it with you, and I have shared it with many others
14 already, but if you're interested, even some of the
15 people in some of this material. So I'd be glad -- it's
16 a fun read.

17 Okay. Any public comment? No public
18 comment. Michelle.

19 MS. WILSEY: I was just curious, Jim, you
20 were rapidly taking some notes over there. Do you have
21 any thoughts about the cost-of-service proceeding and the
22 comment by Stamas and Nesbitt on the --

23 MR. AULT: I was hoping you wouldn't --

24 MS. WILSEY: -- CP 4?

25 MR. AULT: -- ask me. I was on the
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1 workgroup that looked at it, and there was a lot of --
2 there's a lot of good issues there, let's put it that
3 way, about cost of service is an art, not a science, and
4 there's a lot of room to have differences of opinion on
5 it, as you've done with this group, and I guess we'll
6 wait and see what happens.

7 I had a -- I did recall a case where a
8 letter like the one that you mentioned was done in a case
9 I was working on as a utility -- or it was a telecom
10 case, and I remember the Commission in that case, a
11 letter had come in from legislators, there was a whole
12 bunch of them signed it on an issue, and they -- in the
13 order, it was John Shea was the Commissioner I think that
14 had written this -- but anyway, in the order they
15 acknowledged getting that letter and then disclaimed that
16 it would, because they're bound to decide things based on
17 the administrative record, the letter wasn't part of the
18 record, and so they just put a footnote into the order
19 saying they wanted to disclose that it had come, but that
20 it would bear no effect on their decision. So that was
21 probably in the '90s, 1990s.

22 MR. MacINNES: So since you were in the
23 room working on this, this committee for energy-intensive
24 users, were there any representatives from residential
25 ratepayers in there?

1 MR. AULT: There were some that were
2 sitting in early on it, but, you know, the AG was part of
3 that, or Staff, Staff was --

4 MR. MacINNES: Staff was there, okay.

5 MR. AULT: -- probably the main one, and
6 they did a pretty good overview of how cost of service is
7 done, functionalization and allocation and everything
8 else, in the workgroup. But I think the funding that you
9 gave and the fact that the law provided for funding was
10 intended to make sure that customer, residential
11 particularly I think, and small commercial input was
12 given into that case.

13 MR. MacINNES: But they -- it sounds like
14 the workgroup was primarily energy-intensive users; is
15 that a safe assumption?

16 MR. AULT: Utilities were a part of it.

17 MR. MacINNES: And utilities.

18 MR. AULT: I know our role, we were asked
19 to kind of indicate what was there now in the tariff
20 structure of the utilities that tried to -- we have some
21 metal melting rates and things like that, time of use,
22 possibilities that already existed, I know that was our
23 presentation in that group.

24 MR. MacINNES: Well, in fairness, you
25 know, in looking at rates throughout the world, I mean

1 industrial users get much better rates throughout the
2 world, so it's not unusual, it's just a question of how
3 far do you go with that, and I, you know, what's the
4 math.

5 MR. AULT: And it's not exact, that's the
6 problem. But --

7 MR. MacINNES: No, but there's a lot of
8 good --

9 (Multiple speakers.)

10 MR. MacINNES: There's a lot of good math
11 in there that could be relied upon, from what I've seen
12 anyway.

13 Okay. Any other comments, thoughts?

14 Next meeting, August 3, 12:30.

15 Okay. Do we have a motion to adjourn?

16 MR. DINKGRAVE: So moved.

17 MR. MacINNES: Okay. We're adjourned.

18 Thank you.

19 (The meeting concluded at 2:19 p.m.)

20 - - -

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17 June 4, 2015
Date

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