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STATE OF MICHIGAN  
UTILITY CONSUMER PARTICIPATION BOARD

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MEETING OF MONDAY, AUGUST 24, 2015

12:48 P.M.

611 West Ottawa, 4th Floor  
Lansing, Michigan

- - -

- PRESENT: Jim MacInnes, Chair  
 Paul Isely, Board Member  
 Ryan Dinkgrave, Board Member (Via Telephone)  
 Susan Licata Haroutunian, Board Member  
 Michelle Wilsey, Board Assistant  
 Christopher Bzdok, Michigan Environmental  
 Council (MEC)  
 Sarah Mullkoff, MEC  
 Don Keskey, Great Lakes Renewable Energy  
 Association (GLREA)  
 John Liskey, Citizens Against Rate Excess  
 (CARE)  
 Douglas Jester, 5 Lakes Energy  
 David Shaltz, Residential Ratepayer Consortium  
 (RRC)  
 Shawn Worden, LARA  
 Leann Droste, LARA

- - -

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



1 MS. MULLKOFF: Sarah Mullkoff, Michigan  
2 Environmental Council.

3 MS. HAROUTUNIAN: Susan Licata  
4 Haroutunian, board member.

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

7 MR. MacINNES: And Jim MacInnes, chair.

8 Okay. I'd like to start with an approval  
9 of the agenda, a consent agenda, which hopefully you've  
10 all received. Do we have a motion to approve that?

11 MS. HAROUTUNIAN: So moved.

12 MR. MacINNES: Is there support?

13 MR. ISELY: Support.

14 MR. MacINNES: Is there any discussion?  
15 All those in favor, please say aye.

16 BOARD MEMBERS: Aye.

17 MR. MacINNES: Opposed, same sign.

18 Okay. Let's get into the business items.  
19 Let's start with the RRC grant submission acceptance.  
20 And apparently at, I guess it was a meeting or two ago,  
21 was it two meetings ago --

22 MR. ISELY: Last meeting.

23 MR. MacINNES: -- last meeting that this  
24 was discussed. Do you want to update us real quick on  
25 this, and then we'll have a motion to place it on the  
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1 agenda for a grant approval?

2 MR. SHALTZ: Thank you, Mr. Chair.

3 Shortly after the deadline for submission of grant  
4 applications this year, we became aware that the  
5 Commission issued an order out of the blue which  
6 essentially took a decision it had issued earlier in the  
7 year and said, we want to start a new docket because what  
8 we think what we ought to do is with the changes that  
9 we've ordered in a prior GCR plan case, we think those  
10 need to be translated into changes in the alternative gas  
11 supplier tariff. So they issued an order, they set a  
12 schedule, and this is basically to implement the  
13 recommendations that my client made in the earlier cases.  
14 So as soon as we became aware of it, I sent the board a  
15 memo explaining what had happened, and five days later I  
16 put in a proposal for funding for us to participate in  
17 the case. Recognizing that it was a late submission,  
18 basically we're making a request that you permit this  
19 application to be considered at this meeting, so that's  
20 basically what the gist of the matter is.

21 MR. MacINNES: Okay. I hope everyone has  
22 a copy of the memorandum and the grant application and  
23 has had a chance to review this. Are there any questions  
24 for David on this?

25 MS. HAROUTUNIAN: No.

1 MR. SHALTZ: And if you accept taking it  
2 up at the meeting, I'll certainly go over the proposal  
3 with you later.

4 MR. MacINNES: Right. Okay. Do we have  
5 a motion to accept taking this up at today's meeting?

6 MS. HAROUTUNIAN: So moved.

7 MR. ISELY: Support.

8 MR. MacINNES: Is there any discussion?  
9 All those in favor, please say aye.

10 BOARD MEMBERS: Aye.

11 MR. MacINNES: Opposed, same sign.

12 Okay. So we'll go ahead and add that to  
13 the grant presentations.

14 So why don't we go ahead and start with,  
15 let's see here, let's go ahead and start with the --  
16 well, maybe a discussion about the funding here just to  
17 clarify where we're at. Michelle, could you walk us  
18 through that briefly?

19 MS. WILSEY: Yes. I mentioned to Jim  
20 that we had briefly reviewed the available funds, the  
21 total amount of dollars requested for grants, and the I  
22 guess deficiency and the need for the board to really  
23 evaluate the grants given the resources available. Based  
24 on the memo Allan Pohl provided us and the assessment,  
25 which actually had been reduced somewhat from prior years

1 due to a CPI change, there was \$557,579 available for  
2 grants, and I think the previous amount was about  
3 572,000, so it was slightly less. We have also  
4 discussed, the board has not adopted a formal proposal,  
5 but had discussed somewhat extensively a four-year  
6 payback of the debt, to use Jim's word, to the reserve  
7 fund in order to rebalance the portion the AG felt was  
8 theirs to use which had previously been used by the board  
9 for grants. That amount would be \$70,905, which, if we  
10 net that out from the 557,579, leaves a fiscal year '16  
11 funding available for grants of \$486,674. We had grant  
12 funding requests for fiscal year '16 of \$645,640,  
13 inclusive of the RRC grant request, which means a  
14 reduction in all pending and submitted requests of  
15 \$158,966.

16 It wasn't entirely clear from all the  
17 proposals if those were inclusive of what you would  
18 request through the course of the year; I think you  
19 should maybe advise the board if there's anything you  
20 know of that is coming later in the year. Given their  
21 phased-in approach, some of you might have withheld some  
22 of those requests for future meetings, so that might be  
23 good to add to your presentation if you're aware of any.  
24 That's the summary of the available funding.

25 MR. MacINNES: Okay. Thank you.

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1 Does the board have any questions about  
2 that, or comments?

3 MR. ISELY: No, I thought it was  
4 extremely clear. Thank you for such a good summary.

5 MR. MacINNES: Okay. Thank you,  
6 Michelle. Good summary.

7 Okay. Why don't we start off with GLREA  
8 and with grantee presentations.

9 MR. KESKEY: Thank you, Mr. Chairman and  
10 the board. Don Keskey on behalf of GLREA.

11 Our grant request seeks funding for the  
12 two upcoming PSCR and five-year forecast cases for  
13 Detroit Edison, which is now called DTE Electric, and  
14 Consumers Energy Company, which cases are to be filed on  
15 September 30 of this year, and we've outlined the amount  
16 that we're seeking in our grant in the budget sheets that  
17 we included in our application. We are also seeking  
18 funding for the two renewable, or biennial renewable plan  
19 cases of each of those utilities, which cases have  
20 started wherein GLREA has been granted intervention, and  
21 in fact has even filed testimony in one of them according  
22 to the schedule, but the hearings in those cases are set  
23 for October, with later briefing thereafter, so there  
24 will be a significant portion of the cases that will  
25 actually be conducted very soon, but it will be again in

1 the October and later time period.

2 This effort has been started in the 2014  
3 PSCR plan cases where we're trying to focus on the issue  
4 that the five-year forecast cases for each of these  
5 utilities has been incomplete and deficient because it  
6 really is not reflecting a realistic evaluation of  
7 expected growth in solar facilities and energy production  
8 in Michigan and in their territories, and particularly  
9 the opportunities that are available to them to engage  
10 further in that, and we continued that effort with some  
11 refinement in the 2015 cases of the studies showing that  
12 what the benefits of the solar enhancement is, what the,  
13 is going on both in the state and nationally, the  
14 Governor's new policy issued in March 2015 and how this  
15 effort is consistent with that, how using the studies of  
16 the local marginal pricing of MISO, that an assumed  
17 modest increase in solar can have a significant effect in  
18 mitigating and reducing the peak load demand and peak  
19 load cost in the four summer months, and with some  
20 benefit on the other months as well, and those are the  
21 most expensive, sometimes instantaneous expensive sources  
22 of energy when the utility has to buy energy, or generate  
23 energy at a very -- at a peak, high-peak time, and  
24 showing and arguing that the enhancement of solar aligns  
25 very well in Michigan with the air conditioning load in



1 Michigan, which is a very substantial part of the peak  
2 load problem with residential customers and even  
3 commercial and other customers, not to even mention  
4 refrigeration difference in costs.

5 We've recommended constructive proposals,  
6 that the utilities relook at their forecast cases in the  
7 future cases, that the Solar Working Group be reconvened,  
8 which has happened, and in the biennial plan cases, which  
9 we're trying to utilize both of these dockets on a  
10 contemporaneous and consistent basis to make these  
11 arguments, and the utilities themselves are now starting  
12 to propose enhanced solar programs, they're somewhat  
13 timid programs, in pilot programs for more solar on the  
14 distribution side of the equation, and then community  
15 solar programs. But right now there's a 30-percent tax  
16 credit available until start of 2017 whereby the  
17 utilities and other entities and customers could really  
18 take advantage of getting a federal subsidy that would  
19 reduce the cost of solar installation, and that tax  
20 credit continues after 2017 at a lower rate of 10 percent  
21 for nonresidential customers.

22 So really this is the current time when,  
23 if we're going to try to encourage a more robust solar  
24 program, this is the time. We've been through a lot of  
25 other issues over the years, most recently with the

1 allocation formulas and so forth, but this now is  
2 arriving as a current topic. And I handed out a, sort of  
3 a bullet sheet here trying to summarize on the top of my  
4 head some of the advantages of solar, the benefits of  
5 solar, how it's relevant to both the PSCR cases and the  
6 renewable plan cases, how a more robust program by  
7 customer-owned, utility-owned and community-owned  
8 projects would be beneficial, because the cost of  
9 deploying solar, the cost is rapidly declining; again, it  
10 directs at peak costs, which tend to be high, it  
11 mitigates costs that are charged under Act 304, like fuel  
12 purchased power, even transmission line losses, it  
13 provides an opportunity to empower customers to have more  
14 control over their energy bill, to participate in the  
15 diversification of energy, to promote a renewable energy  
16 industry in the state, adds diversity to the energy  
17 supply, and augments the sources of energy, as I've  
18 indicated before. It's consistent with the objectives of  
19 the Governor's 2015 policy initiatives, it's very  
20 consistent with the Clean Energy Plan issued by the EPA  
21 rules in August of 2015, which are indicating a federal  
22 policy to shift away from dirty coal or carbon-emitting  
23 sources of energy and more toward the more diversified  
24 clean energy sources of power, and it has those  
25 environmental benefits, reducing CO2, et cetera, and it

1 is very consistent with the objectives of both Act 304  
2 and Act 295 when you view these statutes in a consistent  
3 harmonious fashion, and also with recent Commission  
4 orders where they're showing more and more interest in  
5 solar resources.

6 And so on that basis, I would ask that  
7 the board consider our grant proposal. We believe it's  
8 modest, we believe we made progress in the cases on this  
9 fast-changing regulatory environment, and it is very  
10 timely. And that's my presentation.

11 MR. MacINNES: Okay. Are there any  
12 questions from the board?

13 I have a couple questions. There's been  
14 a case made in some of the materials that I've read that  
15 the peak of this solar PV doesn't occur at the peak of  
16 the energy -- of the demand, I think DTE has shown that  
17 in some of their analysis; in other words, they show the  
18 solar output like this in the middle of the day, and DTE  
19 says, oh, no, it's -- the peak price is later. Do you  
20 have any comments on that?

21 MR. KESKEY: Yes. I've heard that before  
22 as well, it's maybe a two-hour difference some days on  
23 the peak between the system peak and the very reliable  
24 pattern of the sun as we go around each year. And first  
25 of all, the MISO peak and the DTE peak or CECO's peak can

1 vary. The reliability of the sun in these four summer  
2 months, and it tends to be more sun in the summer and  
3 more reliable, the angle of the sun and how you can make  
4 with new technologies the solar panels to shift and to  
5 accommodate or be placed so as to track with that leads  
6 to improvements in still addressing the peak, even if  
7 there is on some days a slight difference, it still  
8 contributes.

9           There's other sources of energy, too,  
10 though, and it's a part of a portfolio of energy.  
11 There's the wind power, which may also be operating or  
12 not operating, there's availability of gas to fill in the  
13 difference, there may be -- the peak of some utilities in  
14 MISO may be different that are inputting into the pricing  
15 schedule, and so there's a lot of things that can offset  
16 that singular argument, which is taking one argument out  
17 of a basket and trying to emphasize it too much. And  
18 it -- we would assert that the rapid declining of the  
19 cost of deploying solar and the diversification benefits  
20 it can provide, and in the fact there's a lot of public  
21 interest in some customers of paying their own cost for  
22 it, which is not a utility investment cost, that solar  
23 should be promoted and encouraged.

24           We should not be timid or resistant in  
25 the face of many states, including Minnesota, which has a

1 robust program, to be so far behind. Xcel has got 320  
2 megawatts of solar in place, 160 megawatts of that are  
3 already in projects in Minnesota. I&M Power proposed  
4 last year for 17 megawatts within a year, and ramping up  
5 to I believe it was about 330 megawatts, and citing in  
6 their testimony all the advantages of doing that. So we  
7 should keep this issue alive and really with some  
8 urgency. Again, this is the time. And so that one  
9 argument may exist, but it depends on the day, depends on  
10 MISO peaks, it depends on the utility peaks, it depends  
11 on a number of factors.

12 MR. MacINNES: Now, the net metering,  
13 isn't that net metering program kind of up for review on  
14 some of the DTE and Consumers?

15 MR. KESKEY: Yes. And in fact, I  
16 attended the Senate energy hearings last week and heard a  
17 lot of testimony on this and on the proposed bills, and  
18 some of the witnesses pointed out that net metering  
19 exists in 45 states, and many of them are expanding their  
20 programs, the most recent example is South Carolina. And  
21 that, again, net metering is where the customer is  
22 investing his own money based on his own economics or his  
23 own viewpoint, his environmental conscience, whatever the  
24 reason, he's investing in it, and the utility does not  
25 have to invest in that. And so that's a real economic

1 source of power for a utility, and it will -- yes, it  
2 will reduce that customer's use behind the meter, and if  
3 he overgenerates, he'll get a bill credit, but he's still  
4 contributing to the grid, the cost of the grid, the cost  
5 of distribution lines and investment is fully accounted  
6 for in rate base that's charged to all ratepayers.

7 So the bill in its current form may in  
8 reality discourage net metering, but I think this bill  
9 has got a long way to go, and it's got to go through the  
10 House and then it's got to get the Governor's signature.  
11 And there's a curious inconsistency I see about some of  
12 the arguments made, perhaps by the industry or by the  
13 senators, that, you know, saying that, well, in Michigan  
14 the participation in net metering is only about 1,800  
15 customers. There's a large amount of capacity still  
16 could be signed up for net metering, but even though the  
17 August 2015 report by the MPSC Staff showed, again,  
18 25-percent year-over-year increase in participation. So,  
19 you know, it was an 18-percent increase I believe the  
20 year before, so on a cumulative basis, the program could  
21 grow, and that's without anybody really pushing the  
22 program.

23 MR. MacINNES: Is this Senate Bill 438,  
24 is that it?

25 MR. KESKEY: I think there's 437 and 438.

1 MR. MacINNES: 437.

2 MR. KESKEY: But on the one hand, if the  
3 customer, if a couple of the senators are saying, well,  
4 the net metering program is not successful because  
5 there's only 1,800 customers out of 2 or 3 million  
6 customers taking advantage of it, well, if that's the  
7 case, then why are the utilities so concerned.

8 But secondly, the program was authorized  
9 in the 2008 Act, and it took a few years for the orders,  
10 the rules, you know, the administrative framework for the  
11 program really to get approved. So the program really is  
12 very recent. And so it, as some would say, if it ain't  
13 broken, why fix it.

14 MR. MacINNES: Could you talk about the  
15 five-year forecast? There was some question about the  
16 shortcomings of the five-year forecast.

17 MR. KESKEY: Yes. The utility in each  
18 Act 304 case is supposed to put in a five-year forecast  
19 of various sources of energy facilities, where it will  
20 get its energy, and projected costs, this is based on a  
21 number of things, including sales forecasts and the mix  
22 of plants that would be envisioned. If their -- if their  
23 solar forecast for the next five years are flat or  
24 declining, which they have been and which we've  
25 criticized, in the face of what's going on in the state

1 policy and in nationally and the interest and some of the  
2 utilities own emerging but timid programs, then their  
3 forecasts are not correct, they're not complete, because  
4 they should be showing increases in solar, and that would  
5 in turn affect the other costs, purchased power costs,  
6 fuel costs, and several other costs under Act 304,  
7 especially if that increase in solar is mitigating the  
8 peak. And so it's a fair criticism, but it is also a way  
9 in which to signal the issue and try to develop the issue  
10 as to why solar should be looked at more carefully and  
11 more robustly in Michigan.

12 MR. MacINNES: What are their other  
13 forecasts? I mean what does the five-year forecast look  
14 like for sales, for energy sales overall?

15 MR. KESKEY: Yeah, the forecasting would  
16 usually incorporate a number of exhibits which would have  
17 their load forecasts and then their mix of plants and  
18 costs over five years. For example, when they file their  
19 next case, the next cases next month, the forecast period  
20 would be 2017 for the next four or five years. 2016 is  
21 the calendar plan year, which has within it some  
22 forecasts, but the five-year forecast goes out five  
23 years.

24 MR. MacINNES: But are they showing a one  
25 percent or two percent; I mean do you recall where, what



1 they're showing on that?

2 MR. KESKEY: As I recall Consumers  
3 Energy, I believe they were showing six megawatts  
4 currently, going out to as much as seven megawatts.

5 MR. MacINNES: I mean their total, the  
6 total energy consumption for the state for the two major  
7 utilities.

8 MR. KESKEY: Boy, I don't have that  
9 offhand. And yes, solar right now is a smaller percent,  
10 small percent, but in many states it's a significant  
11 percent, and it could be a much larger percent here. I  
12 mean even if it were to go to five to ten percent, it  
13 still would be an important mix of energy.

14 MR. MacINNES: Yeah. I'm just trying to  
15 understand how they are viewing the future in terms of  
16 energy demand growth, and then there's also the solar  
17 component, but just the overall energy demand growth is,  
18 it seems like it's been lowered the last few years.

19 MR. KESKEY: There's many, many  
20 subjective, myriad subjective judgments that go into  
21 these forecasts by the utilities, and it could be based  
22 on a number of factors. They can even -- their forecasts  
23 can include what their production of all their sales are  
24 going to be, for example, manufacturing, and then builds  
25 on from there.

1 MR. MacINNES: Maybe we can see that  
2 somewhere along the way. It would be nice to see where,  
3 from everyone where you -- it would be nice to better  
4 understand where the two major utilities are forecasting  
5 in energy demand growth in the next five years, I think  
6 that would be something that would be worthwhile for the  
7 board to understand in all the cases that we're working  
8 on.

9 MR. KESKEY: And one last point on that  
10 question, and that is that their forecast of the solar  
11 component is found buried in their exhibits, but they, in  
12 their direct filings, they don't discuss solar. You  
13 know, they may talk about how they have to close coal  
14 plants or there's going to be changes in this and that,  
15 but the absence of even discussion of solar we see as  
16 another reason why their forecasts are incomplete.

17 MR. MacINNES: Well, especially if you  
18 look around the country and the world where solar is  
19 growing substantially.

20 Okay. Does the board have any other  
21 questions?

22 MR. ISELY: I think given that  
23 discussion, just trying to get a sense as to what  
24 magnitude of effect this would have on residential  
25 ratepayers given the size that solar is at this point in

1 time.

2 MR. KESKEY: With -- well, first of all,  
3 the solar customers that install their own facilities at  
4 their own cost willingly are themselves making a  
5 determination of that, and that will reduce their energy  
6 costs over a payback period, which is shortening because  
7 the cost of solar installation is rapidly declining and  
8 the value of it at certain times can be increasing, but  
9 an important factor there is what rate is the utility  
10 going to recognize for a credit if you overgenerate.

11 As far as those engaged in community  
12 solar, the customers again are, in a community solar  
13 project are volunteering to sign up to be an investor in  
14 a community project based on getting certain credits over  
15 a period of time.

16 As far as large utility-scale solar, like  
17 I&M Power, where they said it was beneficial because they  
18 can place it at certain strategic points on their system  
19 where they enhance their substations and their congestion  
20 things and they can add more diversity, get the  
21 30-percent tax credit and a number of other things, if  
22 they draw to the right scale and put it in the right  
23 places, which can include on the rooftops of their own  
24 buildings, could be right on the field next to their  
25 nuclear plant for that matter, where they already own the

1 land which is already in rate base and, you know, and all  
2 these costs are already being carried and they're being  
3 covered in rates, it seems you could reach economies of  
4 scale that would make that economic.

5 And so the arguments based on five, ten  
6 years ago that solar is being subsidized I think are  
7 incorrect. I think there is a net benefit even under net  
8 metering to solar. But it is -- it is a crack in the  
9 monopoly utility model potentially, I mean that -- that  
10 is true, because the more diversified energy becomes, the  
11 more no one entity can control everything.

12 MR. MacINNES: So isn't the real issue  
13 the difference from what the utilities value, how they  
14 value it, because they're buying it in essence, they  
15 don't care so much about a homeowner with how much they  
16 invest, that's not their problem, they're concerned with  
17 how much is this power going to cost us or what's our  
18 opportunity cost, are we paying too much for it compared  
19 to what we can do otherwise, especially when you have two  
20 meters, you know, you've got to meter everything coming  
21 in, meter everything going out, and so, you know, they're  
22 going to be concerned about what they pay on that  
23 outgoing meter, and so some of the utility models don't  
24 value transmission capacity offsets, they don't measure  
25 the loss factors in the transmission and distribution

1 system due to reduced current flow in the lines, which we  
2 know is a real thing, I squared R losses. So how are you  
3 going to with your work here try to help under -- help  
4 establish, better establish a value for the solar to make  
5 it, to demonstrate its competitiveness against other  
6 generation sources?

7 MR. KESKEY: I think studies that have  
8 been done in other states and by other entities can help  
9 on that. The results of this September Solar Working  
10 Group, when that report comes out --

11 MR. MacINNES: Wasn't that kind of  
12 inconclusive? I mean I know there was a lot of  
13 information in there.

14 MR. KESKEY: Yeah, but there's a new one,  
15 there's a new -- there've been new meetings and a  
16 regeneration of it, so there should be, as I recall,  
17 another report based on the meetings that started this  
18 year, there's I think three meetings set up, there will  
19 be another Solar Working Group report.

20 MR. MacINNES: So you're going to need to  
21 counter their arguments that, you know, that says you  
22 don't include transmission loss, you know, capacity  
23 losses or whatever, the fact that you don't need -- you  
24 know, it defers the need to build new transmission lines,  
25 plus you've got I squared R losses just in day-to-day

1 operations. So making the case that those should be  
2 included in the value, for example, right?

3 MR. KESKEY: And you can argue about  
4 environmental benefits, but, you know, as we go  
5 forward --

6 MR. MacINNES: Right.

7 MR. KESKEY: -- this is a factor.

8 MR. MacINNES: And the reason, because  
9 now with the new 111d rules, carbon will probably have  
10 some type of a cost, right? So those are -- are those  
11 some of the things you're going to argue in your case  
12 or --

13 MR. KESKEY: I think with each of our  
14 cases we've updated and evaluated what else is coming  
15 out, what else should be presented, and have advocated  
16 the utilities should present something in their five-year  
17 forecast to deal with the issue, and so we want to keep  
18 incrementally upgrading and updating the presentations.

19 MR. MacINNES: I know there's been a lot  
20 of work done around the country. I'm just wondering, you  
21 know, I think we need more done in Michigan, more  
22 specific to the extent possible.

23 MR. KESKEY: And I think one other thing  
24 that seemed to come out of the Senate energy hearings  
25 last week by some of the senators' questions was the

1 argument that the utilities must be making that these  
2 kind of programs, somehow that the customers getting bids  
3 on net metering, let's say, is being subsidized because  
4 he's not contributing to the grid transmission and so  
5 forth as much as he should, but we would say that that's  
6 really not the case because all of that is covered in the  
7 rate structure, the utilities don't show they're  
8 under-recovering, and second of all, the mechanism to  
9 handle that issue is your minimum bill for that standby  
10 service or whatever you want to call it. But it really  
11 is the net metering customer that is stepping up to the  
12 plate and investing his own funds in augmenting and  
13 diversifying the energy production system, and so you can  
14 argue the subsidy really goes the other way. And the  
15 utilities' argument about subsidies tries to maybe show a  
16 concern that, well, a net metering customer is being  
17 subsidized by another customer. Well, you can find  
18 subsidies all around the merry-go-round in these cases,  
19 whether it's industrial, commercial, or subrates or what  
20 have you, that is a really unidentified subsidy, and  
21 again, I would say it's not a subsidy because the net  
22 metering customer is investing his own money, and that  
23 takes out a lot of the costs from the utility standpoint,  
24 or from another customer's standpoint, and as we point  
25 out, over time with the growth of self-generation, the

1 stress on the transmission system is less, the congestion  
2 is less, the line losses are less. If there's a severe  
3 storm in August like we had a couple here and there's an  
4 outage and you've got a solar panel on the roof that can  
5 actually take care of most of your needs in that  
6 particular month, it can even be a hedge, not only  
7 against your Act 304 costs, but a hedge even against the  
8 outages. It just gives the customer an option, empowers  
9 the customer to participate in the energy issues.

10 MR. MacINNES: Okay. Anymore questions  
11 from -- Michelle.

12 MS. WILSEY: Just a quick clarification,  
13 Don. In terms of your specific intervention in the Act  
14 304 cases that you have listed, are there any other  
15 parties that would be advocating on the solar issue,  
16 forecasting, that might be in those cases that you know  
17 of?

18 MR. KESKEY: Well, there haven't been in  
19 the past in the PSCR cases, and I don't know about the  
20 future. But I would suggest that if there is a party  
21 that comes in on this, on the similar issues, because the  
22 presentations always vary, the experts and exhibits  
23 always augment each other or are consistent, that the  
24 issue is so timely and so important right now in this  
25 cycle that if there were two parties arguing for the same



1 thing, it would be positive.

2 MS. WILSEY: Okay.

3 MR. KESKEY: But I don't know of any at  
4 this point.

5 MR. MacINNES: Okay. If there aren't any  
6 more questions, then let's move on. Thanks for the  
7 discussion. I think it is very timely given what's  
8 happening in the energy bills.

9 Let's go on to the Michigan Environmental  
10 Council.

11 MR. BZDOK: Thank you, Mr. Chairman.  
12 Chris Bzdok and Sarah Mullkoff on behalf of MEC.

13 Sarah has a brief overview of MEC's  
14 current energy activities, because there is so much going  
15 on right now, as an introduction to our presentation, if  
16 we may do that?

17 MR. MacINNES: Uh-huh.

18 MS. MULLKOFF: Can everybody see if I sit  
19 here. That's fine. Okay.

20 So I'm just going to maybe take five  
21 minutes to overview a little bit more about MEC and our  
22 work. That's our building, it's right around the corner,  
23 it's this blue building, it's right at Pine and Ionia.  
24 On the top of solar, I mean I chose that because we've  
25 actually installed a solar installation on our roof this

1 year and are net metering into the Lansing Board of Water  
2 & Light, that's our territory right now, so that's where  
3 we are. We've been around since the '80s and -- yeah.

4 MR. MacINNES: What's the value of solar  
5 for the Lansing Board of Water & Light?

6 MS. MULLKOFF: That's a really good  
7 question. It would be in our bill, I'm sure. I haven't  
8 looked at it recently. And so --

9 MR. MacINNES: Okay.

10 MS. MULLKOFF: -- I could find out for  
11 you, though.

12 So we've been an intervenor in this type  
13 of work for ten years, just about, you know. We've --  
14 we'd like to practice what we preach, so that's a bit of  
15 the solar and that we've actually changed an existing  
16 building to be LEED platinum certified. And we have a  
17 nice big open space, we tend to host of a lot of our  
18 coalition partner meetings there.

19 We're a coalition group of about 70  
20 different partners, and recently kind of updated our  
21 vision and mission, but just so you know, our mission  
22 statement goes: MEC drives the environmental agenda in  
23 Michigan. We develop innovative policy ideas,  
24 communicate them to key audiences, and engage our  
25 members, community leaders, and residents as effective

1 local advocates for shared goals. There's some more to  
2 that, but that's a summary of what we do and little bit  
3 about how we do our work.

4 Threw up a couple pictures of myself just  
5 so you get the idea. So I'll be -- this was last week in  
6 what we referred to about the Senate testimony at -- on  
7 SB 438, for instance. Sometimes we'll talk directly to  
8 committees, sometimes we talk with elected officials,  
9 testify, we also help draft -- draft bills, participate  
10 in working groups. The bottom picture is actually of the  
11 Solar Working Group, which was also mentioned.

12 So we're deeply involved at the  
13 stakeholder processes and also relay that work to our  
14 partners. We're part of a number of campaigns. I just  
15 threw up acronyms of work broadly related to my -- my  
16 program is all about state energy work and, of course,  
17 how that interacts with our federal laws, too, what was  
18 mentioned with the Clean Power Plan and some work around  
19 that. So broadly, it's public engagement work, it's  
20 research, analysis, engagement.

21 And a key pillar of this, too, has been  
22 our intervention work with the MPSC, particularly with,  
23 you know, with, of course, help of our counsel and expert  
24 witnesses, we work on preparing cases, so reviewing  
25 thousands of pages of briefs of these types of documents,

1 establishing strategies for the arguments, and preparing  
2 expert witnesses to give testimony. Also work on  
3 modeling and plugging in assumptions from utility filings  
4 into tools that we and other advocates use ultimately to  
5 promote things like the role that energy efficiency can  
6 play in Michigan's energy future. And then sometimes  
7 reach settlements, decide the parameters of how these  
8 decisions get made. So the intervention work has been a  
9 pillar of how we do this work.

10 I wanted to also key in on broad-stroke  
11 goals. We've given -- we've had this slide in  
12 presentations we've given to both chambers of the House  
13 and Senate, numerous lawmakers, and other state-appointed  
14 officials that we talk to about big picture energy  
15 planning needs to encapsulate numerous goals, and so we  
16 list them as controlling costs, minimizing risks,  
17 promoting economic development, protecting public health  
18 and natural resources, and maintaining excellent  
19 reliability. These are pretty consistent with how  
20 Governor Snyder has articulated his goals, but we --  
21 we're looking for the right balance of how to meet each  
22 of these in quantifiable, measurable ways, and getting  
23 away from piecemeal legislation, a bill here, a public  
24 act here, but looking more long-term at a holistic  
25 approach that encompasses these goals.

1                   And hardly anyone disagrees. I mean just  
2 this morning I was at a -- this DOE roadmap stakeholder  
3 meeting, too, and said the same thing with these five  
4 pillars, and we get interests aligned with the  
5 manufacturers, with the chemistry council, with the farm  
6 bureau, lots of interests kind of see eye-to-eye with  
7 this. So that's been our approach.

8                   Current energy landscape. There's a lot  
9 going on, as was kind of alluded to. I'm not going to go  
10 into detail on each of the proposals out there. But in  
11 summary, there's a House Bill package, there's a a Senate  
12 Bill package from both of the chairmen of the energy  
13 committees, there's a package introduced by the  
14 democrats, there's pieces of legislation introduced by  
15 the Michigan Agency for Energy. These cover a variety of  
16 topics; renewable energy standard, energy efficiency, a  
17 handful of other things.

18                   MEC's top interests are around preserving  
19 and expanding the renewable energy standards, preserving  
20 and expanding energy efficiency saving, revising the  
21 approach in how we do integrated resource planning and,  
22 of course, protecting consumers and especially  
23 residential interests. So again, this is directly  
24 related to our role here with the UCPB in advocating for  
25 ensuring that the rulings are in favor of reflecting true

1 economic health and environmental benefits of energy  
2 efficiency and reduced use of building new generation,  
3 things like that.

4 What we're learning, related to your  
5 question, Jim, earlier, thinking about long-term, what  
6 the utilities are projecting in their forecasts, too, we  
7 received these couple of tidbits, too, looking at how DTE  
8 is projecting their growth for the next, until 2019,  
9 five-to six-percent growth there. Similar with  
10 Consumers, you see expanded growth with generation over  
11 the next ten years. This is how they're thinking about  
12 these issues, and we try to take that in conjunction with  
13 how we're framing issues to, again, steer investments  
14 towards energy efficiency, away from existing and new  
15 power generation, and things like establishing dynamic  
16 electric rates, incentives for ratepayers to invest in EE  
17 and peak demand pricing.

18 MR. MacINNES: Question.

19 MS. MULLKOFF: Yeah.

20 MR. MacINNES: Is this per year or total  
21 growth?

22 MS. MULLKOFF: This is what they're  
23 projecting I think for like the next five years.

24 MR. MacINNES: But is that five percent a  
25 year for five years?

1 MS. MULLKOFF: With DTE?

2 MR. MacINNES: Yeah.

3 MS. MULLKOFF: It looks like it, on an  
4 average, uh-huh. Uh-huh. So we take this kind of  
5 information and communicate it, too, with stakeholders  
6 and --

7 MR. MacINNES: That seems like a lot to  
8 me.

9 MS. MULLKOFF: From one of their  
10 presentations, so.

11 MR. MacINNES: Yeah.

12 MR. ISELY: It says 7.5 million through  
13 2019, Jim, so that would suggest that \$7.5 million to be  
14 explanatory for five years.

15 MS. MULLKOFF: Uh-huh.

16 MR. MacINNES: So, what -- let's see, if  
17 I could just take a second.

18 MS. MULLKOFF: Doing some math --

19 MR. MacINNES: -- and do the math. So  
20 we're seeing 7.5, and today it's how much; does that say  
21 5.7?

22 MS. MULLKOFF: Yes.

23 MS. WILSEY: Jim, that 5.7, 1.4 and the  
24 400 equal the 7.5, I'm noticing that. It's investment in  
25 three key areas, so we're not --

1 MR. MacINNES: Oh, that's invest --

2 MS. WILSEY: Right.

3 MR. MacINNES: That's not generation,  
4 then, that's --

5 MS. MULLKOFF: Investing in dollar  
6 amounts.

7 MR. MacINNES: I can't see it very well.  
8 It's not megawatt hours? That's what I'm trying to get  
9 at.

10 MS. WILSEY: No.

11 MS. MULLKOFF: Uh-huh. It's in dollars.  
12 Yeah, I can send it to you, too. Uh-huh, uh-huh.

13 Key successes, I just listed a couple of  
14 cases here, I'm going to let Chris go into more detail on  
15 that, so we'll come back to this one, but just a handful  
16 of our more recent cases and successes.

17 Looking ahead, crystal ball, I mean as  
18 suggested, this fall is going to continue to be pretty  
19 busy. The Michigan Agency for Energy, working with the  
20 DEQ and the MPSC is establishing its direction for state  
21 implementation, planning around the 111d rule and what it  
22 means for Michigan. The House and Senate will resume and  
23 take up their various proposals throughout the fall. We  
24 expect September especially to be a pretty key month to  
25 start having hearings again; and as we know, our big



1 renewable energy law, the PA 295 comes to a sunset at the  
2 end of this year, so really we're on a pretty tight  
3 timeframe from about here, mid August, through the end of  
4 the year, that could present a number of options, so it's  
5 a very critical time to be involved in all this.

6 And then I just summarize and wrap up  
7 with my contact info, but I'll bring it back to Chris if  
8 you want to talk about those successes.

9 MR. BZDOK: Sure.

10 MR. MacINNES: I wonder, before you  
11 start, if you could answer a question for me.

12 MS. MULLKOFF: Yeah, yeah. Uh-huh.

13 MR. MacINNES: There's a lot of  
14 discussion about the increased cost of electricity, and it  
15 makes me often wonder, okay, a lot of the plants that we  
16 have were built 30 years ago.

17 MS. MULLKOFF: Uh-huh.

18 MR. MacINNES: They were fully  
19 depreciated, the costs were lower when they built them,  
20 because of diminishing returns, everything is more  
21 expensive today, more or less. Right?

22 MS. MULLKOFF: Uh-huh.

23 MR. MacINNES: So when we're comparing  
24 the cost of new generation, are we typically comparing it  
25 against, let's say if it were renewable generation,

1       against what the costs of a new coal plant would be or a  
2       new gas turbine plant would be versus all the costs of  
3       electricity from a coal plant, a 30 year old coal plant is  
4       this, the cost of a new wind energy plant is this, look  
5       at the difference? When you do your work -- and I know  
6       this is covered in a report on PA 295 that comes out of  
7       the MPSC because they always reestablish the cost of a  
8       new coal plant; it was \$130 a megawatt hour or something  
9       like that. So when you do your analysis, do you, you  
10      know, in terms of the cost of new generation and all of  
11      that, do you take that into account?

12                   MS. MULLKOFF: Right. I think what  
13      you're talking about is like the levelized cost of energy  
14      and comparing to --

15                   MR. MacINNES: Yes. Well, or however --

16                   MS. MULLKOFF: -- a, yeah, day-to-day --

17                   MR. MacINNES: -- you do it. I mean  
18      that's a common way of, a levelized cost of electricity,  
19      that's a common way of doing it, but making sure that  
20      when you're looking at these numbers, that you're not  
21      comparing apples with oranges, because the oranges are  
22      30, 40 years old --

23                   MS. MULLKOFF: Right.

24                   MR. MacINNES: -- that's the old world.

25                   MS. MULLKOFF: No.

1 MR. MacINNES: So now when you're looking  
2 at new generation, when the utilities are looking at new  
3 generation, it's like, okay, a coal plant now costs this  
4 and a wind or whatever, you know, fill in the blank, that  
5 we're talking about current options --

6 MS. MULLKOFF: Yeah, yeah.

7 MR. MacINNES: -- and current prices.

8 MS. MULLKOFF: I hear you, and I believe  
9 we're using those current options and pricing like as  
10 data comes out each year like you're saying from the MPSC  
11 annual reports on that, and so yeah, I would, yeah,  
12 estimate that we were using those updated pricing, not  
13 from 50 years ago. However, I mean there's -- one of the  
14 things I testified on last week with the Senate bill was  
15 that they're looking at changing the definition of  
16 advanced clean energy, and that would actually, it  
17 seemed, as written, it seemed that existing coal plants  
18 that are under state permits, state-issued permits, could  
19 qualify as that existing -- could count toward the  
20 definition of clean energy as was, as it was built back  
21 then, 50, 60 years ago, and so that's another thing we're  
22 definitely looking out for is that we're using modern,  
23 the modern prices and the economics of today.

24 Do you want to add something?

25 MR. BZDOK: Sure, if I could. So MEC and  
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1 CARE, as part of the board support of the cases,  
2 endeavored to chalkboard some numbers on the all-in costs  
3 of various types of existing generation. If you ask  
4 the -- so most of the levelized cost analyses you see are  
5 either done with integrated resource planning or they're  
6 done with this, you know, sort of benchmark renewable  
7 energy, and so it's always done with, well, what's the  
8 hypothetical cost of the new gas plant and the  
9 hypothetical cost of the gas for the gas plant and the  
10 infrastructure, et cetera, et cetera. If you ask the  
11 utility what is the all-in cost, you know, capital, fixed  
12 operation, variable operation, PSCR, cost of a gas plant,  
13 of your gas plant, your coal plant, they say, I don't  
14 know. And I mean --

15 MS. MULLKOFF: Right.

16 MR. BZDOK: -- we asked them that in  
17 discovery in the two rate cases, just one question a  
18 piece, and we knew that would be the answer, because we  
19 didn't want to go spend a bunch of time trying to come up  
20 with our own only to have them say, oh, no, your numbers  
21 are wrong and we've already done it and this is what the  
22 -- you know, they don't know, and that's, part of that is  
23 the PSCR bucket and the rate case bucket, you know, and  
24 so I mean they don't know. But we have roughly tried to  
25 put some numbers on some things, the Staff in those cases

1 also in a much broader brush way kind of put some numbers  
2 on in terms of what's the general cost of baseload versus  
3 the general cost of peak, and that's certainly something  
4 that, you know, we can provide the board with a  
5 presentation or information on for a future meeting if  
6 you would like that. We have, through the board's  
7 funding, you know, done a great deal of work on some of  
8 those issues in the COS cases.

9 MR. MacINNES: Well, I think it would be,  
10 certainly be interesting to me, I think the board would  
11 benefit from it. But I think really, I guess I'm just  
12 trying to make a point for the grantees that that is --  
13 you know, it's real easy to say, oh, well, here's the  
14 average price of electricity, here's our historical  
15 average price, and now you want me to do this and, you  
16 know, there's this big gap, and that that's really  
17 misleading because of, you know, energy, return on energy  
18 invested has caused, you know, the fact that we, the  
19 world -- the diminishing returns in the world; it costs  
20 more, you know, for things. And so you can't -- you have  
21 to make sure you're normalizing it when you're making  
22 your case, and I'm just pointing that out, I'm just --  
23 you know, I think that's really an important thing to  
24 think about, rather than saying, well, you know, here's  
25 what we've done, you know, here's our average cost for

1 the last 30 years; well, that's not good enough.

2 MR. BZDOK: So this is the Consumers  
3 right stock presentation to -- or maybe it's to  
4 investment banks or whoever, and right, this is their  
5 business case is today we own 6,000 megawatts, and then  
6 we're going to have, we're going to get rid of Choice,  
7 right, Electric Choice, and then the Palisades PPA is  
8 going to expire and we're not going to renew that, and  
9 then the Michigan Midland Cogeneration PVA is going to  
10 expire and we're not going to renew that, and so look at  
11 all of this rate base that we're going to add. We own  
12 6,000 now, we're going to own 8,800 in '20 when this is  
13 all over, so those are all going to be comparisons of  
14 various types of new generation or new ways of meeting  
15 demand, right, because their plan, at least ostensibly,  
16 is to just, you know, exit those contractual arrangements  
17 they have so that they can build more, rate base more,  
18 you know, drive up their total value, and that's where  
19 this integrated resource -- I mean all of this --

20 MR. MacINNES: But now they're going to  
21 have -- aren't they going to have to compare those  
22 levelized costs with imported power, you know, PPA  
23 options, too, aren't they?

24 MR. BZDOK: A lot of that depends on what  
25 this legislation, how this legislation comes out. Yes,

1 they should, yes. And when they wanted to build  
2 Thetford, that kind of was the undoing of Thetford was  
3 existing --

4 MR. MacINNES: Because if you look at the  
5 bill that Aric Nesbitt put out, he had a very thorough  
6 opportunity for review and to look at opportunity costs  
7 and PPAs and imported power and all kinds of stuff to  
8 make sure that the ratepayers were getting their lowest  
9 price, and if that happened to be the utility builds and  
10 owns in the state, fine, if not, you know, then there are  
11 other options that would benefit ratepayers.

12 MR. BZDOK: And MISO clarified that in  
13 June, right. I mean they came out with their latest  
14 update and they kind of retreated from this language that  
15 the utilities were using to scare everybody that the, you  
16 know, the lights were going to go off, and they, and MISO  
17 said, no, there's -- if you consider import capability,  
18 which exists, there's a surplus projected for the next  
19 few years.

20 MR. MacINNES: Right. Because for  
21 businesses -- well, let's take businesses -- to pay -- if  
22 businesses have to pay more for energy so that utility  
23 companies can build the plants in the state, then the  
24 businesses don't have as much money to invest in their  
25 core business plant and equipment and hire people, right.

1 So that's a concern of business, and it's a concern of  
2 residential ratepayers, too, because they're affected the  
3 same way. And, you know, for example, \$1,000, for a  
4 business example, I've done a little math on this, \$1,000  
5 a month incremental cost in electricity prices, if you  
6 were to use that as a financing cost for new equipment  
7 for your business, let's say, you could buy a \$100,000  
8 piece of equipment to help your business to be more  
9 productive, to allow you to hire more people, to increase  
10 your output of your business for, it's equal to that  
11 extra \$1,000 a month in increased electricity bill. So  
12 people don't want to have to pay a higher price just to  
13 do it in state, in my opinion anyway --

14 MS. MULLKOFF: Right.

15 MR. MacINNES: -- because it takes away  
16 from, you know, let's say you're buying groceries, takes  
17 away from your ability to buy groceries for residential  
18 ratepayers. So I think those are important, those  
19 opportunity costs are important, and if it's cheaper to,  
20 assuming it meets the reliability requirements, to bring  
21 in power, purchased power from outside, fair enough.

22 MS. MULLKOFF: Okay.

23 MR. MacINNES: Anyway, I hope those are  
24 some of the things that you all are looking at in your  
25 reviews.



1 MS. MULLKOFF: Good. Did you want to  
2 cover some more?

3 MR. BZDOK: So with your permission,  
4 maybe I'll get down in the weeds a little bit --

5 MR. MacINNES: Sure.

6 MR. BZDOK: -- in terms of what we're  
7 looking at this year. And largely what we're looking at  
8 this year is sort of a combination of some new things  
9 that are emerging, but also some things that we are  
10 building on in part due to some Commission direction  
11 based on prior advocacy that the board has supported, and  
12 so it's sort of like, you know, this kind of looks back  
13 at where we've been and then also where we're headed.

14 We are proposing, and to clarify in  
15 response to Michelle's question, we are -- the budgets  
16 and the cases we have put before you are the only cases  
17 we are anticipating for this fiscal year. We are not  
18 proposing to engage in the renewable cases this year, we  
19 are not anticipating another general rate case in the  
20 next fiscal year, cost of service is largely in the rear  
21 view, at least for MEC playing any primary role, I know  
22 that CARE is looking at a couple of other utilities who  
23 may have cases coming up, but in terms of us being a  
24 driver on those, you know. So these are, the PSCR plan  
25 and the PSCR reconciliation cases are the ones we are

1 looking to play in in this coming year.

2 DTE on the PSCR plan case, and so phase  
3 one is the PSCR plan cases for DTE and Consumers -- I'm  
4 going to touch on all four just for purposes of giving  
5 you the overview for the year.

6 Issues in DTE, one is this issue which  
7 has been a continuing effort related to the dispatch and  
8 operation and cost, net cost, PSCR cost of coal units,  
9 and particularly the marginal coal units. I provided you  
10 with some quotes from Commission orders, the 2013 plan  
11 case order in which the Commission did issue a Section 7  
12 warning saying that the five-year forecast appears to be  
13 imprudently put together when it comes to DTE coal unit  
14 operation and dispatch because of this continuing trend  
15 where you overproject your generation, you underproject  
16 the net cost that you're going to incur on the energy  
17 market, and then you come back in a reconciliation and  
18 say, you know, we need a whole bunch more money from the  
19 residential ratepayers. And then we also gave you a  
20 quote from the 2011 and 2012 PSCR reconciliation cases  
21 which the Commission held and decided together, I think  
22 partly because it had a number of these issues it wanted  
23 to kind of provide direction on, and they adopted the  
24 ALJ's recommendation, which was something we were asking  
25 for, that DTE be required to provide an analysis of their

1 generation and dispatching, and in particular, and this  
2 was I thought really good language, it wasn't just  
3 provide us an analysis or, you know, give us a plan, it  
4 was explain how and why your actual generation is  
5 consistently lower than your projected was going to be.  
6 So it's, you know, you got to explain yourself basically.  
7 And so the ALJ was very strong on that, and the  
8 Commission was strong on that, and that's going to  
9 have -- the Commission directed that to be filed in this  
10 PSCR plan case, and so that's a major issue for us in the  
11 PSCR plan case; they have to explain themselves based on,  
12 you know, what the board has supported in the past and  
13 what we've been working on in the past, and so that's an  
14 area where we want to be involved. If that ends up being  
15 a PROMOD-intensive issue, then we may get involved in  
16 some PROMOD modeling, but we'll look for other money or  
17 leftover money from something else before we come back to  
18 you on, you know, any request for a license fee, but  
19 otherwise we're not planning on doing PROMOD this year.

20           There are going to be two new peaker gas  
21 plants, Renaissance and East China, that DTE is going to  
22 be bringing into this PSCR year as the first time, so  
23 we're interested in fuel supply arrangements, gas  
24 transportation, how are they going to get the gas, where  
25 are they going to get the gas, what are the arrangements

1 going to be. They also have announced this  
2 partnership --

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

4 MR. BZDOK: Yeah.

5 MR. MacINNES: When that happens, do they  
6 usually have a long-term gas supply contract, or is it  
7 more of a short-term pricing, spot-market-based supply?

8 MR. BZDOK: The major place where we have  
9 played on this issue with board support in the past has  
10 been Consumers at the Zeeland plant, and they supply that  
11 plant as if it was a peaker. Now, DTE's two plants are  
12 peakers, more or less, and so I expect those are going to  
13 be short-term arrangements. DTE's Jackson -- or  
14 Consumers' Jackson plant, they're saying they're going to  
15 run it as a base load plant, so there's a fuel supply and  
16 transportation issue there, is that going to be --

17 MR. MacINNES: So that would be a  
18 combined-cycle plant for base load?

19 MR. BZDOK: Jackson is combined-cycle,  
20 Renaissance and East China for DTE are CTs.

21 MR. MacINNES: Okay. For base load?

22 MR. BZDOK: No, they're not going to run  
23 as base load, those are going to be peakers.

24 MR. MacINNES: Okay. So their base load  
25 plant, their combined-cycle plant, would they tend to

1 have a power pur -- or a gas purchase agreement longer  
2 term for that, since it is base load, it would be a  
3 higher capacity factor, all of that?

4 MR. BZDOK: We don't know because DTE,  
5 while we know it's on the drawing board, it was included  
6 in this slide, they haven't proposed anything specific on  
7 that. We to know that they're going to sign this  
8 contract and they're going to seek approval in this PSCR  
9 plan, this contract for this NEXUS gas transmission line  
10 to come in from eastern Ohio, so again, that's all kind  
11 of in the mix. This is going to be the first glimpse of  
12 what is that going to look like, and I assume that's  
13 primarily to supply the, you know, the yet-to-be-named  
14 combined-cycle plant that they want to build. But we  
15 don't know what relationship it may have to these peaking  
16 units as well.

17 So it's all, you know, this is going to  
18 be -- the PSCR plan is going to be the first sort of  
19 entryway to get any information on any of these issues,  
20 which are obviously going to be hot and heavy for the  
21 next few years, and going to play in this IRP discussion  
22 as well. So there's a lot -- it's sort of like that this  
23 plan case is a continuation of what we've been doing and  
24 the Commission has given us some favorable direction, and  
25 then these emerging issues, you know, which are primarily

1 going to be information gathering and trying to  
2 understand and trying to make sure that, you know,  
3 imprudent commitments don't get locked in now, you know,  
4 going forward.

5 Air emissions costs primarily for these  
6 sorbents, we've talked about that in the past. They're  
7 going to start incurring expense now for these sorbent  
8 systems, they -- their predictions continue to be all  
9 over the map and inconsistent and understated and  
10 everything else, those are all PSCR costs; so what are  
11 they actually incurring on those, how does that change  
12 the generation and dispatch because that's going to  
13 change the bid prices for the plants, et cetera,  
14 et cetera, et cetera. There's just a whole set of issues  
15 there to unwind as well.

16 It is interesting that we just got reply  
17 briefs in the rate case, right, and so we worked on these  
18 sorbent issues in the PSCR cases, and the Commission  
19 said, well, we agree that the analysis for these systems  
20 is -- looks defective, the economic justification for  
21 these systems looks defective in many ways, but we want  
22 that handled in the rate case, and in DTE's reply brief,  
23 they said, you know what, you really ought to handle  
24 these issues in the PSCR case. So, you know, the pea is  
25 not under any shell, you just keep -- and it's just you

1 never find it.

2 But so we're going to continue to have,  
3 you know, issues related to that, and now that they're  
4 actually incurring those costs, we can see, well, these  
5 projections are all over the map, but then what are you  
6 actually spending, and if it's higher than you said, you  
7 shouldn't be able to recoup that because you kept denying  
8 that it was -- we kept saying it was going to be higher  
9 and you kept denying that it was going to be higher, so  
10 that's a variation from plan, and there's a higher  
11 standard for varying from plan.

12 MR. MacINNES: How did you determine it  
13 was going to be higher?

14 MR. BZDOK: We have a guy named Dr. Ron  
15 Sahu who is one of the board-supported experts, he's a  
16 Cal Tech Ph.D, and he is -- he basically did those  
17 analyses, and some of his analyses were engineering,  
18 basically saying, you know, just talking about the  
19 chemistry and what the effects of REF and the sorbents  
20 are all going to be on the equipment, and some of it was  
21 about -- we've had a discussion in the past about the SO2  
22 noncompliance in the southwest Detroit area and how  
23 that's going to require, you know, reductions in SO2  
24 emissions, and that's going to kind of, he said that's  
25 going to kind of pull in an opposite direction from what

1 they're doing with some of the sorbents and they're going  
2 to need to use more sorbent to deal with that, and they  
3 deny that they're going to have to. And then the sorbent  
4 costs -- the sorbent costs that DTE submitted in their  
5 reports related to this permitting and SO2 noncompliance  
6 issue to DEQ had a much higher set of projected costs  
7 than the information they were submitting to the  
8 Commission, because they want DEQ to feel like it's  
9 really expensive, so you shouldn't make them do as much,  
10 right, and so different numbers for different purposes.  
11 And so we, you know, we were introducing those permits  
12 and the information from that process into evidence as  
13 well. And that convinced an ALJ twice, and the  
14 Commission said, boy, this looks like there's a lot of  
15 unanswered questions, and now we're in the rate case.

16           And in the rate case, they said, here's  
17 Exhibit A-28, this is the be-all final end-all, this is  
18 the current projection, except the problem there is that  
19 under cross-examination, the spreadsheet that the  
20 projections were based on had all these numbers that  
21 didn't make any sense. Like it said a million and a half  
22 pound per hour of particulate matter that was going to  
23 emit and zero pound of NOx, like the spreadsheet was  
24 really messed up, and this all came out at the hearing,  
25 and so I don't know what the Commission is going to do



1 with that. They said all these other things are in the  
2 past, you know, the different projections may have been  
3 different, but these are the gold-standard projections,  
4 but the exhibit was a mess. And so, again, we're waiting  
5 on a PFD in that case. But, you know, there were some  
6 very long faces at the hearing about the, you know,  
7 basically about this exhibit.

8 The reconciliation case: REF is an issue  
9 we've talked about a long time, a number of intervenors  
10 and the Attorney General have worked on REF; the  
11 Commission more or less signed off on it, but now is  
12 maybe having something of a second thought, and so has --  
13 we gave you some language from these PSCR reconciliation  
14 cases where they basically are now requiring DTE to file  
15 a report in the reconciliation case about a number of  
16 topics, including a detailed accounting of the REF sales  
17 and the resold coal sales, an explanation of the  
18 operational effects of burning REF, that was a Ron Sahu  
19 and Skip Sansoucy issue, on the coal plants and how  
20 that's going to be mitigated, and basically so this  
21 report, there's accounting in this report on the REF  
22 project has to be filed in the reconciliation, so we're  
23 seeking funding to participate in the vetting of that  
24 report and looking at some of those issues. It's a  
25 continuation and a favorable Commission direction on an

1 issue that the board has supported us on.

2 Sorbent and emission costs, I've already  
3 talked about.

4 Economic dispatch issues, I just would  
5 point out that in this year's plan case, actual MISO  
6 Energy Market prices have been coming in much, much lower  
7 than DTE forecast in their plan, and this again goes to,  
8 well, of course you're going to sell a bunch of energy  
9 because it's going to be high cotton out there on the  
10 energy market and you're going to, you know, your plants  
11 are going to be in the money all the time, and the  
12 actuals have suggested that wasn't the case. So if  
13 there's --

14 MR. MacINNES: So does that -- so let's  
15 simplify that for us. So that means that you can  
16 essentially buy the power cheaper on the MISO market than  
17 you can with the generation, in-state generation; is that  
18 what that means or --

19 MR. BZDOK: Yes, in part it does mean  
20 that. And what it also means is that the DTE units won't  
21 be in the money, so they won't be dispatching  
22 economically, they may be dispatching uneconomically, at  
23 least at minimum load or for reliability reasons. So we  
24 want to come in in the reconciliation and say, if you  
25 were running them or forecasting generation and

1 forecasting purchases based on this very rosy expectation  
2 about market energy prices and you were too high, what  
3 were the costs to ratepayers of that? You know, are  
4 your -- is your net going to be higher than you forecast  
5 again? Was your generation lower than you forecast  
6 again?

7 MR. MacINNES: And but are they going to  
8 come back and say, well, it would have been uneconomic to  
9 generate at that price because of the turndown of the  
10 equipment?

11 MR. BZDOK: What in general terms has  
12 been happening is that their generation has been less so  
13 they've had to buy more. And so what we've been saying  
14 is, well, this happens year after year after year, so you  
15 need to be planning differently, you need to not be  
16 overforecasting your generation, you need to not be  
17 forecasting market energy price that are unreasonably  
18 high, and then at the reconciliation you sort of -- it's  
19 sort of a post-mortem, right. Well, why, you know -- and  
20 that's what we've been trying to do on a number of  
21 different occasions, why are these nets so much higher.

22 MR. MacINNES: Well, what do they say? I  
23 mean do they say it's uneconomic if we turn down the  
24 generators, and so that we need to do that in order to  
25 make the economics of the generators work?

1 MR. BZDOK: In 2011 and 2012 they said it  
2 all goes in the black box, it all goes in the Bowmar  
3 Brain and the Bowmar Brain spits out a result and it's,  
4 you know, an under-recovery of \$80 million and we pass  
5 that along and we roll it in and that's it; and the  
6 Commission, you know, in the language that I provided in  
7 the memo said, no, that's not good enough. And they  
8 didn't hit them for the millions of dollars, but they  
9 said you're going to have to provide an analysis and  
10 you're going to have to explain yourself in the plan case  
11 why you keep coming in differently than you forecast.

12 MR. MacINNES: But that could be one of  
13 their possible explanations is it would require us to  
14 turn down the plant, the plant is less efficient at the  
15 low rate of generation, and therefore, it would cost us X  
16 amount more to turn the plant down --

17 MR. BZDOK: Yep.

18 MR. MacINNES: -- and that's a legitimate  
19 cost. They haven't said that?

20 MR. BZDOK: Their position has been we  
21 don't need to give an explanation, we do -- we operate  
22 our system in a reasonable and prudent manner, we've  
23 operated it the same way for a long time, MISO basically  
24 is in charge, and so we don't need to give an  
25 explanation. And that was the position in those two

1 cases, and the Commission order said, no, that's not good  
2 enough, so now they have to give an explanation. So it  
3 may include what you just indicated, it may include other  
4 things. Up to now, they haven't had to explain it, it's  
5 been sort of like --

6 MR. MacINNES: But you're going to get to  
7 the bottom of that?

8 MR. BZDOK: We're going to -- well, we're  
9 going to --

10 MR. MacINNES: Try.

11 MR. BZDOK: -- have something to react to  
12 and investigate and analyze now, where before they just,  
13 you know, said look at the hand.

14 MR. MacINNES: Because it's important to  
15 have the detail, otherwise it's hard to make a  
16 decision --

17 MR. BZDOK: Yep. Right.

18 MR. MacINNES: -- hard for the Commission  
19 to make a decision.

20 MR. BZDOK: And so because of the board's  
21 support and because of the advocacy that's been done, now  
22 some of these things are being teed up and required and  
23 so now -- so kind of this is an opportunity now.

24 Consumers, I kind of mentioned already in  
25 the plan case, you know, the Jackson plant is going to

1 get folded in. We raised some issues in the rate case,  
2 Consumers said these should be -- these will be vetted in  
3 the PSCR case, we said fine. So how are they going to  
4 purchase gas, how is the plant going to be run and  
5 dispatched, how is the gas going to be delivered?

6 There's one segment of the line is owned by Consumers, so  
7 how is that going to work? There's just fuel supply  
8 arrangement, you know, issues that will be vetted and  
9 looked at for the first time in the plan case, and so  
10 we're interested in -- I'm not saying they're going to be  
11 imprudent or they're going to be uneconomic, but, you  
12 know, they need to be looked at because next year, you  
13 know, they're just going to say, well, they were already  
14 approved in 2016. So we need to look at them. We don't  
15 know what they're going -- we don't know much yet.

16 They've said they don't know much yet.

17 And then this is also the year that the  
18 Seven Classics are going to go down, and so how is that  
19 going to implicate the system, where are they going to --  
20 you know, some of it's going to come from Jackson, but  
21 some of it's going to come from elsewhere, so we're very  
22 interested in what, you know, the portion beyond what  
23 Jackson is going to provide, where is that going to come  
24 from. So they're going to have a plan, they're going to  
25 file the plan, we're going to look at it.

1                   Again, I don't have as much -- you know,  
2                   we're asking for a little less money in Consumers than  
3                   DTE partly because, again, I don't -- you know, we don't  
4                   have the Commission saying you have to do this this year,  
5                   it's more about, well, what are they going to do and  
6                   reviewing it and vetting it and seeing whether it makes  
7                   sense or not.

8                   In the reconciliation, I've offered you a  
9                   couple of issues that we know are going to be coming in  
10                  on the reconciliation. One is on economic dispatch  
11                  again. MISO prices, it's been a similar situation, or  
12                  market energy forecasts have been a similar situation  
13                  with Consumers as with DTE. I also gave you a chart in  
14                  the memo which is just a head scratcher, which is this is  
15                  an historic amount of energy that Consumers has sold into  
16                  MISO. This was their projection last year, the blue,  
17                  which is mostly pretty consistent with what they've done  
18                  historically, and now all of a sudden this year they're  
19                  projecting to be selling way more, and we don't  
20                  understand why, and we wouldn't understand why even if  
21                  they didn't have seven generating units going down into  
22                  retirement, slipping gently into that good night or  
23                  whatever, you know. But now they're going to have less  
24                  generating units, I mean albeit those were in some ways  
25                  marginal units, but they're going to have less generating

1 units and be selling all this additional energy that's a  
2 far departure from what they've done in the past, and so  
3 I don't know that there's something wrong there, but in  
4 the reconciliation we're going to see did they actually  
5 do that, and if they didn't, that is a variation from  
6 plan and what did it cost.

7 MR. MacINNES: Just as another comment on  
8 the demand growth, you know, I'm seeing a lot of  
9 information about demand growth really flattening out and  
10 our society becoming less energy intensive, not just  
11 here, but in many other places. And so I think looking  
12 at their demand growth projections and really trying  
13 to -- and I know it's a forecast and it's hard to predict  
14 the future -- but I think that's something that you  
15 should really take a hard look at because that's going  
16 to, that forecast is going to determine how much  
17 generation they're going to need to build, right,  
18 probably, or it's going to certainly have an impact on  
19 that, and I think that's an area, critical area to really  
20 get the microscope out on because -- and, you know, not  
21 so much like in northern Michigan we're seeing -- I'm  
22 hearing that the megawatt hours are increasing because of  
23 growth in northern Michigan from Wolverine and  
24 Cherryland, but I'm not hearing so much of that from  
25 southern Michigan, and I'm just reading a lot of things



1 about the energy, you're able to do more work with less  
2 energy because of energy efficiency and, you know, mainly  
3 because of energy efficiency. So the energy intensity of  
4 the industry is reducing as an overall trend, which I  
5 think will be a long-term trend.

6 MR. BZDOK: Traditionally the forecasts  
7 have said that the sources of growth are growth in  
8 residential air conditioning, which is now saturated and  
9 they don't say that anymore, and basically growth in  
10 industrial, in the industrial sector, that there's an  
11 overall net -- there's an overall decline in the  
12 residential, and commercial's flat, and there's -- and  
13 that takes into account efficiency programs and that the  
14 growth comes in the industrial sector, and they import a  
15 third-party forecast that says that.

16 MR. MacINNES: I just point that out as  
17 just something to really watch out for, that energy  
18 intensity of industry being reduced, in other words, you  
19 could have more output for the same amount of energy.

20 MR. BZDOK: Something that Seb Coppola  
21 points out in every rate case that he testifies for the  
22 Attorney General on is he always sort of benchmarks the  
23 utilities' growth in sales or lack thereof with their  
24 growth in rate base, and all these investments that are  
25 being made to increase rate base --

1 MR. MacINNES: Well, that's exactly why  
2 I'm bringing it up.

3 MR. BZDOK: -- you know, on utilities  
4 whose overall sales are basically flat.

5 MR. MacINNES: Right.

6 MR. BZDOK: You know, we're building,  
7 we're continuing to empire build to serve the same amount  
8 of demand.

9 MR. MacINNES: That's the point.

10 MR. BZDOK: Rail transport is the other  
11 issue in the PSCR reconciliation for Consumers; you know,  
12 we said we think you're still having problems with that,  
13 they denied it, so we'll find out in the reconciliation,  
14 and if there were costs based on the difficulties of  
15 getting western coal by rail and there were extra costs  
16 for that, then that's a variation from plan and there's a  
17 stricter standard applied to whether they can recoup  
18 those the extra costs as well.

19 Last thing, which wasn't in the report,  
20 is that one of the steel manufacturers in the Detroit  
21 area won a case against DTE related to some metering  
22 issues, which was a \$25 million situation, and I am told  
23 that that \$25 million is going to be showing up in DTE's  
24 PSCR plan as well. That's all I know. All I know is  
25 what I know from a phone call. So that was after we

1 submitted this, and so that may be an issue that needs to  
2 be vetted as well.

3 MR. MacINNES: Okay. Does the board have  
4 any other questions or comments for Chris and Sarah?

5 MR. BZDOK: Thank you very much.

6 MS. MULLKOFF: Yes, thank you.

7 MR. MacINNES: Good discussion. Thanks.  
8 Okay. And thanks for clarifying what you see coming at  
9 the board in the next, over the course of the year,  
10 that's helpful.

11 Let's move on to Michigan CARE.

12 MR. LISKEY: Thank you, Mr. Chairman.

13 Let me also mention that our total proposal was, I guess  
14 you could use these words a worst-case scenario, in other  
15 words, this would be a maximum amount of grant request  
16 if -- throughout the year. Originally we requested and  
17 mentioned \$225,000. I can at this meeting, though,  
18 reduce that significantly, and I'll explain why, and I'll  
19 touch on a few of the issues, and then I'm going to turn  
20 it over to Douglas to get into the weeds on some of these  
21 issues.

22 So the three major categories of our  
23 request are the traditional plan cases and the  
24 reconciliation cases of WEPCo, UPPCo, and I&M.  
25 Additionally, we put in \$50,000 for two cases for WEPCo

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1 and UPPCo should they file cost-of-service cases pursuant  
2 to Act 169. And the third area, we've put in a request  
3 for \$25,000 to continue the MISO and FERC activity.

4           Since we filed this or submitted this on  
5 July 30, I've had discussions with various parties, and  
6 I'm -- I don't think we need to pursue the cost of  
7 service cases at this time. It's very -- it's still a  
8 possibility, legally they have until next June to file an  
9 Act 169 case, but I don't think it's anything that you  
10 need to worry about today. They can also, I should point  
11 out, at any time in a rate case they can put forth a cost  
12 allocation plan different than what is currently  
13 existing, but I'm not anticipating any rate cases in  
14 those two companies, in WEPCo or UPPCo.

15           With regards to the MISO proposal, we  
16 actually would like to amend our request to increase it  
17 by \$10,000 from 25,000 to 35,000, and this is a direct  
18 result of a meeting Douglas and I had with Valerie Brader  
19 last Friday with regards to the overwhelming nature of  
20 MISO's committee process. Valerie is now the director of  
21 the Michigan Agency for Energy and has staff trying to  
22 get their arms around MISO and all their activities, and  
23 she lost one of the main staff members. So we met with  
24 her to go over what we saw the priorities of in terms of  
25 Michigan, and through this conversation, we found a

1 kindred spirit in our discussion about the bureaucracy of  
2 committees at MISO where one issue may be in five  
3 different committees and how can you track that.

4 Just background, MISO has consisted of  
5 various sectors, each sector gets two votes. We are part  
6 of the what's called the Public Consumer Sector, the  
7 Michigan Public Service Commission is part of the  
8 Organization of MISO States Sector. So when it comes  
9 down, when push comes to shove, we often support, I think  
10 we always support whatever the Michigan Commission's  
11 doing, but we're different votes in a different sector  
12 and we can influence the other members of our sector, so  
13 it's not a -- it's not duplication in that regard; in  
14 other words, it's trying to get as many votes to favor a  
15 Michigan policy as we can.

16 And because of our years of experience,  
17 each sector was allowed to select two people from this  
18 sector to be on the MISO Stakeholder Redesign Workshop,  
19 and this is the group that is really trying to reduce the  
20 number of committees and make MISO more manageable, and I  
21 was asked to be one of the two representatives for our  
22 sector, and our first meeting is next -- is this Thursday  
23 actually.

24 MR. MacINNES: For the state, you're one  
25 of the representatives for the state?

1 MR. LISKEY: For the 14 states.

2 MR. MacINNES: Oh. And who's the other?

3 MR. LISKEY: A gentleman out of Indiana,  
4 Rob Mork, M-o-r-k.

5 MR. MacINNES: And who does he represent?

6 MR. LISKEY: He represents the Indiana  
7 Consumers.

8 MR. MacINNES: Okay.

9 MR. LISKEY: And Sally Talbert is the,  
10 one of the two representatives for the entire sector of  
11 Public Service Commissions in this same workgroup.

12 So as we were talking about this, we --  
13 over the weekend I'm thinking, I should increase this  
14 request by \$10,000 because this is looking like a very  
15 heavy lift over some months. There's the committee  
16 meetings have to be attended in person if you want to  
17 speak up, you can dial in if you want to just listen, and  
18 it seemed to be very high on Valerie Brader's agenda as  
19 well.

20 MR. MacINNES: Question. Where's the AG  
21 on all this?

22 MR. LISKEY: The AG --

23 MR. MacINNES: Are they participating in  
24 this? I mean, you know, you're asking our board to fund  
25 this, which, you know, could the AG be funding this,  
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1 should be they be funding it instead of us?

2 MR. LISKEY: Well, when I essentially  
3 founded this group back in 2009, I selected two areas  
4 that nobody was covering, MISO was one of them, so the AG  
5 was not participating then or now. The other area was of  
6 course the Upper Peninsula cases.

7 MR. MacINNES: Why isn't the AG  
8 participating? I mean MISO is such an important part, I  
9 mean it's a system, we have a power system which is RTO  
10 wide, 15 states, right, and the power flows all over, and  
11 we're not -- we're not even hardly at the table with  
12 MISO. Why is that?

13 MR. LISKEY: I think it's a question of  
14 resources. And I think Valerie's realizing the same  
15 thing, that she's got a limited staff and how are they  
16 going to cover all this. And so -- and Douglas can give  
17 you more detail on the difficulty of that, areas like  
18 demand response and how many committees that's being  
19 covered on. And, you know, this last year we've just  
20 been doing what we can with the \$9,900 grant we received  
21 from you all last year. Those are very valid questions,  
22 and I'm, I would like to see more, I mean from the AG and  
23 everybody. I mean it's -- these issues are \$100 million  
24 issues. And, you know, they don't appear on the bill, on  
25 the customer's bill, they appear as power supply cost

1 recovery, and that goes back to a 2009 Michigan Supreme  
2 Court ruling that classified transmission as a PSCR cost.  
3 Prior to that, this board could not make any grants for  
4 MISO activities.

5 I'm getting off track here.

6 And then in terms of the PSCR plan cases  
7 that are coming up between WEPCo, the main issue that  
8 seems to have bubbled up right now is cost allocation is  
9 a huge issue in the U.P., and especially for WEPCo  
10 because they've got 92 percent of their customers are in  
11 Wisconsin, 8 percent are in Michigan. No, it's less than  
12 that. And traditionally if they have \$100 million cost,  
13 the Michigan portion is just the 8 percent. Well, that's  
14 being rethought, that those that benefit should pay the  
15 cost of anything. So okay, if you want to change the  
16 rules to the game, what about last summer WEPCo had to go  
17 into the MISO market and pay up to \$240 a megawatt hour  
18 for energy in July and August, but the Upper Peninsula  
19 doesn't peak in -- their electric usage peaks in the  
20 winter, so why should they have to pay those exorbitant  
21 MISO. So those are the arguments that we're making.  
22 Whether or not we'll be successful, we see that argument  
23 in the current reconciliation case, I'm sure it will be  
24 in the plan case.

25 With regards to UPPCo, they are already



1 one of the highest rates in the nation, I think only  
2 Hawaii customers pay more, so I don't expect to see a  
3 rate increase case out of UPPCo for that reason. So what  
4 they will -- what they would be inclined to do, then, is  
5 push costs into the PSCR, and we've seen that in the past  
6 where they had a company that went bankrupt, there was an  
7 uncollectible of \$856,000 --

8 MR. MacINNES: Right, I remember that.

9 MR. LISKEY: -- so let's put that in the  
10 PSCR case. We fought that with your interventions and  
11 got that rejected. What they're going to -- you know,  
12 what they're going to request this year -- go ahead.

13 MR. MacINNES: Question. So I remember  
14 that case. So how much did we invest to get \$800,000  
15 removed from the bill, do you remember?

16 MR. LISKEY: I'd have to look. I'd have to  
17 look. But I can tell you last year, you know, WEPCo case  
18 we saved ratepayers \$4 million, and I think our budget  
19 was 25,000.

20 MR. MacINNES: That's a pretty good ROI.

21 MR. LISKEY: Yeah. I was thinking, I did  
22 a little math, that case alone would boil down to a  
23 savings of over \$10 per month per customer. So even  
24 though the dollars are small compared to Consumers and  
25 DTE, they're big on a customer's bill.

1                   So I think with that, I have one other  
2 minor -- well, it's not minor, I really shouldn't say  
3 that. But in our application, we traditionally list all  
4 the lawyers and experts, and in this year I put attorney  
5 to be determined, and I've had conversations with Don  
6 Erickson, who's just retired from the Attorney General's  
7 office, and he has agreed to help CARE should we get any  
8 grant, so I'd like to add his name officially to our list  
9 of approved attorneys.

10                   Having said all that, let me --

11                   MR. MacINNES: Did you include some  
12 background on him?

13                   MR. LISKEY: No, I didn't, because it  
14 came in after July 30th.

15                   MR. MacINNES: I would like to see his  
16 background.

17                   MR. LISKEY: Okay.

18                   MR. MacINNES: You know, I mean we've  
19 spent some time talking with him, and I have some  
20 questions about him.

21                   MR. LISKEY: He has probably argued more  
22 utility cases --

23                   MR. MacINNES: I know that. I don't  
24 dispute that, that's not one of the questions I had.

25                   MR. LISKEY: Okay. Having said that, let  
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1 me turn it over to Douglas.

2 MR. JESTER: So I want to talk just a  
3 little bit about what's on the plate at MISO. So first,  
4 just to confirm that it is a big bureaucracy with lots of  
5 different committees and pretty much every day there are  
6 two or three committee meetings of some kind, all of  
7 which could be relevant for Michigan; we certainly don't  
8 cover all of those, nor would we with the grant proposal.

9 MISO's activity this year, we can't fully  
10 predict, but we know some of it. This redesign of the  
11 stakeholder process is an activity of significant  
12 importance now, and then will change the activity that we  
13 would engage in later, so that's, you know, part of the  
14 uncertainty. But MISO as a whole has a number of issues  
15 to deal with. I think everybody knows they operate the  
16 regional market, and there are some areas of inefficiency  
17 in the regional market, and they have a market vision  
18 with a number of subparts that are, you know, turning  
19 into work to change the market.

20 On the short-term energy market side,  
21 they're -- they have a fairly long list of pretty  
22 detailed changes in the bidding process. On the capacity  
23 side, in light of the experience with the Polar Vortex,  
24 they are now moving toward a seasonal capacity construct  
25 as opposed to just the annual peak capacity being the

1 thing that they manage through their capacity planning.  
2 And in addition to that, are looking at the effectiveness  
3 of the various types of capacity that have been in the  
4 market. There were failures both in conventional  
5 generation and in some of the categories of demand-side  
6 resources, so those need to be shored up, so there are  
7 performance requirements to be established, and that will  
8 change the pricing as well.

9 It's also clear throughout MISO that  
10 there are a lot of interruptible resources that are done  
11 through state tariffs that are sort of not real.

12 MR. MacINNES: That have not been used.

13 MR. JESTER: They have not been used, and  
14 now that the capacity margin is shrinking, the people who  
15 are signed up for those are saying, well, this might be  
16 real so maybe I don't want to do this anymore. And so  
17 there's going to be a lot of activity in that area.

18 MR. MacINNES: So they might have to pay  
19 the real price.

20 MR. JESTER: Right. Yes.

21 Transmission planning is always ongoing,  
22 there is two annual cycles under way. Much more  
23 significant the next few years because we have plant  
24 retirements from the Mercury and Air Toxics rule, and we  
25 have the Clean Power Plan coming into effect that will

1 require less use of existing plants or their retirement  
2 and then new sources. Those scenarios that they are  
3 using for the transmission planning will then dictate  
4 what the transmission projects are that bubble to the  
5 top, and under FERC's Order 1000, moving toward a MISO-  
6 administered competitive process for those projects. So  
7 again, there will be some changes there.

8 MR. MacINNES: When you say MISO-  
9 administered, what would that mean?

10 MR. JESTER: They basically will identify  
11 a project that needs to be done. Under the past system,  
12 a proponent would come forward and say this project needs  
13 to be done, MISO would look at it, say yes or no, and the  
14 proponent could go forward with the project. Now it's  
15 going to be the project will be identified and then there  
16 will be a solicitation of proposals from transmission  
17 providers to provide -- to do that build, if you will.  
18 So it's a shift from --

19 MR. MacINNES: More of a competitive  
20 process, then?

21 MR. JESTER: Yeah. But one where MISO's  
22 determinations of what projects are needed will then  
23 dictate what gets built.

24 MR. MacINNES: So okay. So I thought  
25 that was the case before?

1 MR. JESTER: It -- they were basically  
2 approving whether projects needed to be built.

3 MR. MacINNES: So someone would, a  
4 transmission company would approach them, hey, I've got a  
5 project, I think this is good, and they would --

6 MR. JESTER: They would go through the  
7 transmission planning process and bless certain projects.

8 MR. MacINNES: Okay. I mean was it a  
9 rigorous analysis?

10 MR. JESTER: Rigorous --

11 MR. MacINNES: System-wide analysis?

12 MR. JESTER: Yeah. It was rigorous in  
13 terms of the engineering and economic analysis being  
14 done, but based on scenarios for the future needs for  
15 transmission, which I think have suffered from being too  
16 wedded to the status quo, you know, business as usual,  
17 their forecasts are proving, from the past few years are  
18 now proving to be wrong because the world has changed.

19 MR. MacINNES: Okay. So MISO is then  
20 saying they're going bring forth the projects and they're  
21 going to make a better forecast; is that right?

22 MR. JESTER: Well, they're not saying  
23 they're going to make a better forecast, just that  
24 they're going to come forward with the projects and then  
25 they're going to get the lowest price for the --

1 MR. MacINNES: So I mean do you think  
2 that's going to help the process?

3 MR. JESTER: I think it probably will,  
4 and FERC has ordered it because FERC thinks so. This  
5 applies to all of the RTOs, it's not peculiar to MISO, by  
6 the way, because the proponent of the project no longer  
7 sort of automatically has the advantage of getting to do  
8 the project.

9 MR. MacINNES: So MISO will be doing --  
10 is this part of their MTEP process?

11 MR. JESTER: Yes, it is. So the MTEP  
12 process is changing a fair amount because of this.

13 The other area that we're paying  
14 particular attention to is how all of this affects the  
15 Upper Peninsula, whereas we all know we've had real  
16 issues because power planning and transmission planning  
17 were out of synch with each other, and then what WEPCo  
18 actually decided to do was different than what they put  
19 into the planning process, which then invalidated a  
20 number of the transmission plans that had been done  
21 previously. The processes are still separate. So MISO  
22 looks at the U.P. and says, we have a reliability  
23 problem, the only thing in their bag of tricks is a  
24 transmission plan. It's up to people like us to try to  
25 keep coherence between generation planning and

1 transmission planning and efficiency and other, you know,  
2 kinds of things.

3 MR. MacINNES: When you say like us, who  
4 would that include?

5 MR. JESTER: Well, the Commission should  
6 be doing some of it, but they tend to concentrate on DTE  
7 and Consumers issues as well, so it's really CARE and the  
8 Upper Peninsula power companies engaged as well.

9 MR. MacINNES: And what with the AG's  
10 office?

11 MR. JESTER: They've not been  
12 participating in MISO activities. In fact, it was our  
13 history with your support working on MISO that led them  
14 to engage part of the CARE team directly for support in  
15 the FERC and MISO issues this past year, but those were,  
16 you know, specific cases as opposed to the ongoing  
17 engagement in MISO activity that enables them being smart  
18 about those cases.

19 MR. MacINNES: So that's what you would  
20 want to be doing with this ex, with this \$35,000, that  
21 would be part of it?

22 MR. JESTER: Yeah, that would be part of  
23 it. The demand response part with the interruptible  
24 demand and so on is also important to continue to work.

25 MR. MacINNES: Yeah, absolutely.



1 MR. JESTER: And the third big issue is  
2 that there's a lot of market inefficiency and a lot of  
3 problem with transmission planning at the boundaries  
4 between MISO and other RTOs, and particularly was seen  
5 with PJM. Sitting where we do in Michigan, we've got  
6 some PJM in the Chicago area, so they sit between us and  
7 the rest of MISO, and then if Michigan generation wants  
8 to sell out of state, more likely it's to PJM because the  
9 transmission pathways are there and the higher prices are  
10 there. So what happens in the MISO/PJM scene is an  
11 important thing to keep an eye on and try to shape.

12 MR. MacINNES: Uh-huh.

13 MR. JESTER: So there's a lot of we could  
14 do, and, you know, what we're really proposing is to pay  
15 a little attention all the time to all these issues and  
16 then intervene to the extent we can when it's most  
17 productive.

18 MR. MacINNES: So how important is that  
19 compared to these PSCR plan cases?

20 MR. LISKEY: Well, they're interrelated  
21 as it relates to the Upper Peninsula, and I don't think  
22 you can separate them. I have -- I would like to suggest  
23 a way to lower our request, at least for today, for the  
24 PSCR cases. For the plan cases, we originally submitted  
25 \$25,000 per case, but history has shown that we don't

1 litigate all those cases; we do discovery in them all and  
2 then we may not litigate any of them, we may be able to  
3 settle them or we -- so I think, and I was talking with  
4 LeAnn a little bit about this, that if you awarded a  
5 grant of \$25,000 for all three cases, that would allow us  
6 to move, you know, still to discovery in all the cases  
7 and then decide which case, if any, we're going to  
8 litigate, that that would require some detailed  
9 recordkeeping on behalf of LARA to make sure that we  
10 still submit our invoices by case, even though the  
11 spending kind of be at a pool. So if we did that, plus  
12 the MISO, our total request today would be \$60,000.

13 MR. MacINNES: Well, thank you for that.  
14 Thanks for being creative on this, because you know that  
15 we only have so much money, and it's all important, I  
16 mean some things are more important than others, and you  
17 can help us figure that out, so we appreciate that.

18 MR. MacINNES: Does the board have any --  
19 Ryan, did you have a question?

20 MR. DINKGRAVE: This is Ryan. I would  
21 just echo what Jim said about the willingness to be  
22 flexible with what you're asking for, really appreciate  
23 it, especially as we're facing such a difference in our  
24 resources and all the work that is requested.

25 MR. MacINNES: Okay. Are there any other  
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1 comments or questions from the board?

2 Okay. That's a good discussion. I've  
3 had -- so on MISO work, you talked with Valerie, and  
4 that's something she would encourage?

5 MR. LISKEY: Yes, especially on the issue  
6 of the stakeholder redesign process. We spent a  
7 considerable amount of time talking about that just  
8 Friday.

9 MR. MacINNES: How would you envision --  
10 I mean how would you do it? How would you change it from  
11 what it is?

12 MR. LISKEY: It's got to be, get  
13 streamlined, you know. One of the issues is, take demand  
14 response, for example, I love Douglas's term when we were  
15 talking about it Friday; that's an issue that is smeared  
16 across five different other committees, I mean five  
17 committees, and it's like there's just not the staff time  
18 to be able to cover all these committees, so somehow  
19 that's got to get --

20 MR. MacINNES: So what committees is that  
21 across, do you remember?

22 MR. JESTER: Loss of Load Expectations,  
23 the Markets Steering Committee, the Demand Response  
24 Working Group, the -- what's the cousin to Loss of Load  
25 Expectations? It's Capacity Planning or --

1 MR. MacINNES: Do you see -- I mean you  
2 have a lot of knowledge of this area; do you see a way to  
3 streamline this?

4 MR. JESTER: Part of it is that the,  
5 they've sort of constructed a lot of standing committees  
6 around strategic emphases of MISO, and then when there's  
7 an issue that cuts across, everybody wants to play on  
8 when what's probably really needed is to say demand  
9 response is an issue, we create a demand response working  
10 group, it lives there and only there, and then, you know,  
11 bring it back in the end, but everybody's trying to hang  
12 on to their piece of.

13 MR. MacINNES: And that demand response,  
14 I think there's a tremendous opportunity there in terms  
15 of that being a resource, so it's really important. It's  
16 one of, probably one of the most important areas, I  
17 think.

18 MR. JESTER: Yes. And referring back to  
19 the cost of service cases, part of the problem of course  
20 is that we don't actually pay for performance now.

21 MR. MacINNES: Uh-huh. Uh-huh. Okay.

22 MS. WILSEY: Jim, may I ask a question?

23 MR. MacINNES: Yes.

24 MS. WILSEY: John, just a comment to draw  
25 this out a little bit: The FERC proceeding, the funding

1 in this area was from FERC proceedings, which clearly Act  
2 304 given what you cited as the Attorney General position  
3 evolved into the MISO coverage, into the committees where  
4 you were directly affecting some of the decisions of  
5 those committees related to expense. Are you feeling  
6 comfortable that moving into this stakeholder component  
7 of reworking the organization is still well within the  
8 Act 304 scope? I mean it just seems to get --  
9 reorganizing an organization is different, distinctly  
10 different than proceedings, I'm worried that we're taking  
11 the board into an area where it could be criticized for  
12 moving outside of scope.

13 MR. LISKEY: All of MISO's costs get put  
14 into your transmission costs that everybody pays, so to  
15 the extent we can shrink MISO's size, lower their costs,  
16 their overhead, that will lower, you know --

17 MS. WILSEY: Transmission costs.

18 MR. LISKEY: -- transmission costs.

19 MS. WILSEY: The link. So this is, okay,  
20 just linking it back. Okay.

21 MR. MacINNES: So you're confident, then,  
22 that it would fall under the Act 304 --

23 MR. LISKEY: I am.

24 MR. MacINNES: -- provisions? Okay.  
25 Okay. What do you foresee for CARE going forward the  
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1 rest of the year in terms of other grant requests?

2 MR. LISKEY: Well, I don't know about the  
3 Act 169, their cost allocation, but I would be surprised  
4 if either WEPCo -- if anybody else filed, but I've  
5 included it here to be prudent so that you would at least  
6 have it on your radar screen. Other than that, I think  
7 it would be the reconciliation cases next April.

8 MR. MacINNES: Uh-huh. Okay.

9 MR. LISKEY: And so if this same formula  
10 works, that \$25,000, that can -- then that would be an  
11 additional \$25,000 request then.

12 MR. MacINNES: Okay. Any other board  
13 comments or questions?

14 MS. HAROUTUNIAN: One comment. Is there  
15 any way for us or somebody else or whoever to get other  
16 people stepping up to these costs, like the AG, like  
17 Valerie, other departments, other places that apparently  
18 have really heavy-duty interest in it, and we all know  
19 how important it is, but for us to be the sole funders of  
20 it is kind of, it's beyond our abilities --

21 MR. MacINNES: Right.

22 MS. HAROUTUNIAN: -- and is there any way  
23 to up participation from other places?

24 MR. LISKEY: I can't -- I can't think of  
25 any.

1 MR. MacINNES: What about the MPSC  
2 people?

3 MR. LISKEY: They're spread thin. I mean  
4 they -- actually, they are now part of Valerie's --

5 MR. MacINNES: Right.

6 MR. LISKEY: -- crew, those that deal  
7 with MISO, and --

8 MR. MacINNES: So that's the challenge,  
9 we have this big MISO organization which runs all the  
10 transmission system for 15 states, we have \$25 billion  
11 worth of utility companies that do \$20 billion in sales,  
12 right, between the two major ones, and then we've got the  
13 the smaller ones, I don't know what their revenues are,  
14 and we've got the MPSC that doesn't have enough resources  
15 to oversee all this, right, we have the AG's office that  
16 doesn't have enough resources to oversee much, and then  
17 we have the UCPB who doesn't have much resources, many  
18 resources, so it's a challenge to protect the public, do  
19 you think?

20 MR. LISKEY: Yep. I guess my response  
21 would be if not you, who? You know, I mean --

22 MR. MacINNES: No, I hear you. I hear,  
23 yeah. But that's, you know, in other words, somebody's  
24 got to look out for the people, because you have these  
25 big companies and organizations that are -- then you have

1 ABATE, which advocates for the energy-intensive users,  
2 they're well-represented, so who's looking out for the  
3 ratepayer? And that's what we do, we look out for the  
4 residential ratepayers. So that's the challenge facing  
5 our state.

6 Okay. Well, let's see. Looks like we  
7 have RRC.

8 MR. SHALTZ: Thank you, Mr. Chair. We  
9 submitted to the board a copy of the Commission's July 23  
10 order in Case No. U-17334 that sort of was the genesis  
11 for this grant proposal. In the order, the Commission  
12 does a fairly good job describing this issue of the way  
13 Consumers operates its storage and delivery requirements  
14 for its GCR customers versus its end-user transportation  
15 and Gas Customer Choice customers. Nobody's looked at  
16 this very carefully in the past, but when we had that  
17 deadly cold winter two years ago, the cost shifting that  
18 goes on because of the operation of the tariffs became  
19 very clear.

20 In the Company's reconciliation case, the  
21 RRC took the lead and documented what those costs were,  
22 and actually did a pretty thorough job of explaining why  
23 the tariffs caused that. In the plan case, we picked up  
24 that issue again and suggested changes to how the Company  
25 could modify its storage arrangements and recommended



1 changes to the tariff, too, asking the Commission to  
2 order the Company to do that. Instead what the  
3 Commission has done is it set up a separate document -- a  
4 docket in combination with the plan case where it's going  
5 to entertain proposals for new tariffs to deal with this  
6 issue.

7 So phase one of the case will be by  
8 October 21, Consumers Energy Company and the parties to  
9 the existing plan case, which is the AG, the RRC, and the  
10 Commission's Staff, will file testimony that proposes  
11 tariffs to address this situation. Phase two of the case  
12 will be an opportunity for all the alternative gas  
13 suppliers who participate in this program to petition to  
14 intervene and then file their own testimony. In its  
15 order, the Commission attached a service list of all the  
16 people that have to be notified about this; there are  
17 over two dozen potential participants in this case who  
18 would be affected by this change. So they will file  
19 testimony at a date set by the administrative law judge  
20 in the prehearing conference.

21 And I think, you know, in phase one the  
22 first 21 days, October 1, which is the start of the  
23 fiscal year for this grant, through the 21st, we'll be in  
24 a pretty good position to put together testimony because  
25 we've got the data, we've done the analysis, it's just a

1 matter of crafting tariff language that will accomplish  
2 what we need it to do.

3 The second part of the case, though, and  
4 that's where potentially these two dozen other  
5 participants can get in, is going to be the real  
6 challenge because we're going to need to do extensive  
7 discovery of their testimony and probably request the  
8 opportunity to file rebuttal testimony to address their  
9 proposals for tariff changes. They're going to be very  
10 adverse to any changes we'd want to make because they're  
11 going to argue that this has worked fine for 26 years  
12 and, you know, how often does colder than normal weather  
13 come around and those kinds of things. And then finally,  
14 phase three of the case will actually be the hearing and  
15 the briefing of the issues.

16 The budget that we've proposed to you is  
17 I think a fairly conservative budget given the potential  
18 exposure in phase two of this project, but we'll commit  
19 to complete this work with the funds that we've proposed  
20 here. If the case goes more, we won't be coming back to  
21 you asking for more funds. It's just that we're  
22 committed to this issue for our clients and we'll get it  
23 done, and we also recognize your problems with limited  
24 funding.

25 Also, in response to Michelle's question  
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1 about future cases, this will be the sole case for which  
2 the RRC will be seeking funding from you in this grant  
3 cycle. So this is the one case that we thought we needed  
4 to do to follow through on our prior advocacy where the  
5 Commission really has sort of acknowledged the problem  
6 that we brought to their attention, and I think we can do  
7 a very good job on it.

8 Our role in this case has been a little  
9 different than the Commission Staff and the AG. They  
10 came along in the plan case after we filed our work in  
11 the earlier reconciliation case and sort of said that we,  
12 too, think that's a problem; but I think we're in a sort  
13 of unique position because we've actually analyzed the  
14 tariffs and identified how they're operating in a way  
15 that's causing the problem, and the AG and the Commission  
16 Staff haven't done that yet. So I think we can do a good  
17 job for our clients and for the GCR customers in these  
18 cases.

19 MR. MacINNES: Okay. Thank you, David.

20 Are there any questions of the board?

21 Michelle, do you have any comments or  
22 thoughts on this?

23 MS. WILSEY: Just on that last point.

24 This is a year where the board has, well, starting 2014,  
25 curtailed a lot of its grant-making due to the funding

1 constraints, and then of course the sort of discovery of  
2 the rebalancing issue, and with David's conclusion, this  
3 is a year where the board is approaching becoming a  
4 single-sector UCPB granting body. With the exclusive  
5 single request on a gas case, almost all of the funding  
6 would be in the electric sector, which, you know, if you  
7 look at the legislation, I think there was some intent  
8 that it be addressing both. So just another step  
9 revealing I think the deficiency of revenue given the  
10 increased scope of the program. So those are general  
11 comments and observations, I just thought I would make  
12 those briefly.

13 MR. MacINNES: Uh-huh. Good comments.

14 Any other thoughts?

15 Okay. Well, how about if we temporarily  
16 adjourn and have -- look this over a little bit here and  
17 then come back.

18 MS. WILSEY: All right.

19 (At 2:54 p.m., there was a 25-minute recess.)

20 MR. MacINNES: Okay. Ryan, are you with  
21 us?

22 MR. DINKGRAVE: I am.

23 MR. MacINNES: Okay. So we're going to  
24 reconvene, and then we're going to do -- we've had the  
25 presentations by the grantees, and we're now going to

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1 offer some motions. Michelle.

2 MS. WILSEY: Mr. Chairman, if you would,  
3 I have collected the feedback from the board members and  
4 will offer a motion. If any of the board members would  
5 like to offer that for support, I invite them to do so.

6 MS. HAROUTUNIAN: Yes.

7 MS. WILSEY: So in regard to the Great  
8 Lakes Renewable Energy Association's fiscal year '16 UCRF  
9 grant, the suggested motion was to approve the Consumers  
10 Energy 2016 PSCR plan case, the Detroit Edison 2016 PSCR  
11 plan case, the Consumers Energy renewable energy biennial  
12 review, Case U-17792, and the Detroit Edison renewable  
13 energy biennial review, Case U-17793, in the total amount  
14 of \$50,000, with budgets to be distributed among the  
15 cases by the grantee.

16 Would anyone like to offer that as a  
17 motion?

18 MR. ISELY: I will offer that as a  
19 motion.

20 MR. MacINNES: Is there a second?

21 MS. HAROUTUNIAN: Second.

22 MR. MacINNES: Is there any discussion?

23 I have a question, a couple of questions.

24 Who are, could you remind us, Don, who your experts are  
25 who are going to be arguing this?

1 MR. KESKEY: There is Geoff Crandall and  
2 Jerry Mendel and MSB Energy, they're located in  
3 Wisconsin, they've done cases all over the country for 30  
4 years, and before that, Jerry Mendel was on the staff of  
5 the Wisconsin Commission, and Geoff Crandall was on the  
6 Staff of the Michigan Commission, so they really have a  
7 lot of familiarity with these issues. They have been a  
8 witness in many, many of our cases for different clients.  
9 Given the nature of the subject, the issues here --

10 MR. MacINNES: They've done solar cases  
11 before?

12 MR. KESKEY: Yes, they have solar cases.  
13 In fact, they have quite a bit of solar work right now in  
14 Nevada, which is a comparison as well, and they're  
15 familiar what's going on in the midwest and so forth.

16 MR. MacINNES: Any other experts?

17 MR. KESKEY: In past cases we've had an  
18 accounting CPA as an expert, but given the issues in this  
19 case, you know, we didn't add that, but if we came across  
20 that, we would ask the board, you know, at a subsequent  
21 meeting.

22 MR. MacINNES: Uh-huh.

23 MR. KESKEY: Yeah. And we have to be --  
24 we have to split up the budget, you know, we can only  
25 engage so many witnesses with a limited budget.

1 MR. MacINNES: Right. So we have already  
2 approved these experts?

3 MR. KESKEY: Yes.

4 MS. WILSEY: In the past.

5 MR. KESKEY: Yeah, many times in the  
6 past, yeah.

7 MR. MacINNES: Okay. Thank you.

8 Any other questions or discussion from  
9 the board?

10 All in favor of the motion, please  
11 signify by saying aye.

12 BOARD MEMBERS: Aye.

13 MR. MacINNES: Opposed, same sign.

14 Okay. Moving on to the MEC.

15 MS. WILSEY: Mr. Chairman, discussion was  
16 to approve the Consumer -- or the MEC's fiscal year 2016  
17 grant from the UCPB for intervention in the Consumers  
18 Energy 2016 PSCR plan case and the Detroit Edison 2016  
19 PSCR plan case, deferring a decision on the other two  
20 cases to the February meeting, so it would be approval of  
21 those two cases in the total amount of \$110,000, with  
22 budgets to be distributed by the grantee based on needs  
23 of the cases.

24 Would anyone like to offer that as a  
25 motion?

1 MR. ISELY: So moved.

2 MR. MacINNES: Is there support?

3 MS. HAROUTUNIAN: Support.

4 MR. DINKGRAVE: Support.

5 MR. MacINNES: Is there discussion?

6 I guess my only discussion item would be  
7 if it takes more later, talk to us and let us know why,  
8 and we'll certainly reconsider.

9 MR. BZDOK: Thank you very much.

10 MR. MacINNES: Any other discussion?

11 All those in favor, please signify by  
12 saying aye.

13 BOARD MEMBERS: Aye.

14 MR. MacINNES: Opposed, same sign.

15 Okay. CARE.

16 MS. WILSEY: Okay. Mr. Chairman, based  
17 on the desires of the board, a grant for CARE for fiscal  
18 year 2016 UCRF grant is proposed for funding in the I&M  
19 Power 2016 PSCR plan case, the WEPCo 2016 PSCR plan case,  
20 the UPPCo 2016 PSCR plan case, for those PSCR cases in  
21 the total amount of \$25,000, as amended by the grantee.  
22 A second amendment that was offered to -- with the  
23 addition of an expert, the board would like to defer to  
24 take that up once the credentials are reviewed and  
25 vetted. So it would only be approval for the PSCR plan



1 cases in the total amount of \$25,000 for CARE.

2 I was going to do the other one  
3 separately, or should I do them together?

4 MR. ISELY: I think in this particular  
5 case, it makes -- either way. Either way.

6 MR. MacINNES: Either way.

7 MS. WILSEY: All right. So as the first  
8 grant, PSCR plan cases in the total amount of \$25,000.  
9 Would anyone like to offer that as a motion?

10 MS. HAROUTUNIAN: So moved.

11 MR. ISELY: Support.

12 MR. MacINNES: And in the amount of  
13 \$25,000 or 35,000?

14 MS. WILSEY: 25 for the PSCR plan cases,  
15 as amended by the grantee.

16 MR. MacINNES: Oh, okay. So you're  
17 taking them --

18 MS. WILSEY: We're going to do FERC and  
19 MISO next.

20 MR. MacINNES: Any further discussion?

21 All those in favor, please say aye.

22 MR. MacINNES: Aye.

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

24 MS. WILSEY: Okay. Mr. Chairman, there  
25 was offered by the board a suggested motion to approve a

1 CARE grant for 2016 UCRF funds for participation in FERC  
2 or MISO proceedings as described by the grantee in the  
3 total amount of \$35,000.

4 Would anyone like to make a motion?

5 MR. ISELY: I'll make the motion.

6 MR. MacINNES: Is there support?

7 MS. HAROUTUNIAN: Support.

8 MR. DINKGRAVE: Support.

9 MR. MacINNES: Is there any discussion?

10 All those in favor, please say aye.

11 BOARD MEMBERS: Aye.

12 MR. MacINNES: Opposed, same sign.

13 MS. WILSEY: Mr. Chairman, the board  
14 members suggested a motion to approve the RRC fiscal year  
15 2016 grant, UCRF grant for participation in the Consumers  
16 Energy Case U-17900 regarding GCC and EUT tariffs in the  
17 total amount of \$36,360.

18 Would anyone care to make that motion?

19 MR. ISELY: So moved.

20 MR. MacINNES: Do we have support?

21 MS. HAROUTUNIAN: Support.

22 MR. DINKGRAVE: Support.

23 MR. MacINNES: Is there any discussion?

24 All those in favor, please say aye.

25 BOARD MEMBERS: Aye.

1 MR. MacINNES: Opposed, same sign.

2 Okay. Very good. There are the  
3 approvals. So go get 'em.

4 MR. BZDOK: Thank you again.

5 MR. MacINNES: Okay. Board reports. Or  
6 excuse me.

7 MS. WILSEY: Grantee reports or updates.

8 MR. MacINNES: Grantee updates. Well, I  
9 guess we still need to do the annual report, too.

10 MS. WILSEY: Oh, okay. I don't have the  
11 agenda in front of me. All right.

12 Members of the board, my apologies first,  
13 this is late in getting to you. But what you're looking  
14 at is the draft of the 2014 report that I've submitted  
15 that you can review. If we go through it really quickly,  
16 the highlights really focus on the grant recipients'  
17 participation; there were about 30 proceedings that they  
18 were able to participate in in which orders were issued  
19 in the calendar year of 2014. They focused on a variety  
20 of issues, and in many of these cases, they were the only  
21 advocates in these cases on behalf of Michigan  
22 residential customers.

23 Major areas of impact included PSCR-  
24 related decisions on transfer price, wind depreciation  
25 rates, PSCR five-year load and forecasting, REF costs,  
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1 shifts from PSCR under-recoveries to over-recoveries,  
2 attention to Act 295 capacity sales revenue credit for  
3 customers, opposition to SSR payment allocation to  
4 Michigan's Upper Peninsula ratepayers, offset to GCR cost  
5 of gas sold to GCR customers, improved FPP purchase  
6 practices, results, and attention on the colder than  
7 normal cost shift to residential customers, as well as  
8 attention to gas storage operations.

9 We had two significant material  
10 developments during the 2014 UCPB grant program: The  
11 first was passage of PA 169 of 2014 creating the new cost  
12 of service proceedings, which were the most expansive  
13 cost of service proceedings in recent history. The law  
14 specifically allowed for UCRF funds to be used for,  
15 advocate for residential interests. No funding was  
16 provided. So we did have an increase in scope in the  
17 UCPB, but no corresponding funding. That was a  
18 significant demand on the resources in 2014.

19 The second material development involved  
20 interpretation of the use of the UCRF reserve fund.  
21 Following the budget authorization and beginning of the  
22 grant award process, the AG's office raised the issue of  
23 allocation of unspent reserve funds, and the board, while  
24 it didn't make any formal decision on the 50/50 split  
25 interpretation, did agree to rebalance the fund in the

1 spirit of sort of collegiality. So once informed of the  
2 issue, the board did curtail its grant-making in order to  
3 preserve any or avoid as much as possible any additional  
4 draw from the AG's portion of the reserve, and it set  
5 into motion what the board is grappling with right now,  
6 which is a pretty dramatically reduced spending  
7 authority -- or not spending authority -- money to spend.  
8 Spending authority doesn't really make too much  
9 difference in today's world for the board -- and the need  
10 to really streamline the program, as you're doing now.  
11 But again, having also incurred two additional increases  
12 in scope and authority initially with Act 295 and then  
13 now with Act 169.

14 This highlights that even though the  
15 board incurred -- or the grantees -- I'm sorry -- kind of  
16 dealt with the curtailments, there were significant  
17 benefits, which are detailed here, and the grantees can  
18 certainly review them and make sure that I've interpreted  
19 them correctly, among them \$8-10 million in savings  
20 attributed to MEC's efforts over the next several years  
21 from transfer price design -- over the next several years  
22 due to transfer price design; \$3 million in annual  
23 savings from changes in load forecasting; \$4 million in  
24 savings from reduced PSCR factors; \$35 million reduction  
25 over the next 15 years in DTE's renewable energy program

1 resulting from revised wind depreciation rates; \$10.6  
2 million offset to the GCR cost of gas sold for GCC  
3 customers. In addition, of course, they contributed with  
4 other parties to other areas, such as the settlement  
5 agreement shift --

6 MR. MacINNES: So if I could clarify, the  
7 things that you just read were all just the grantees, or  
8 were they in conjunction with the AG's office?

9 MS. WILSEY: I interpreted them as more  
10 directly resulting from grantee intervention.

11 MR. MacINNES: Okay.

12 MS. WILSEY: But they can correct me if  
13 that's not -- you'll have a copy, correct me if that's  
14 not appropriate.

15 In addition, grantee intervention  
16 contributed in conjunction with other parties to a  
17 settlement agreement; for example, shifting \$100,000  
18 under-recovery to a \$116,000 over-recovery, about a  
19 \$200,000 shift there; and, of course, there were  
20 significant influences that were positive for residential  
21 customers, programmatic changes, et cetera, and those are  
22 detailed in the attachment.

23 We highlighted a bit of the board  
24 education sessions in 2014: They included the ABATE ROE  
25 FERC case presentation transmission issue where we looked

1 at the information video provided by IEEE Power & Energy  
2 Society; we had a speaker in to overview HB 5476, the  
3 high-energy legislation; and Laura, of course, was in to  
4 give us a MISO update, resource adequacy and MTEP  
5 implementation so that was covered.

6 The board met all of its statutory  
7 meeting requirements, those are detailed, as well as the  
8 actions taken by the board in each of the meetings  
9 throughout the course of the year. The grant dates and  
10 process were documented. And let's see.

11 The financial summaries were provided.  
12 At the end of 2014 calendar year, the rebalancing amount  
13 was 220; it increased slightly at the end of the grant  
14 period in conjunction with the needs for the cases.

15 The administrative support contract was  
16 reduced from 23,925 to 18,5. And I think that's the  
17 highlights.

18 MR. MacINNES: Well, in the interest of  
19 time, it's getting late.

20 MS. WILSEY: Yes, let's be done. But  
21 anyway, I'll submit this for your review, and we can talk  
22 about the approval process.

23 MR. MacINNES: Okay. Thank you.

24 MS. WILSEY: Thank you.

25 MR. MacINNES: Any comments or questions

1 regarding this annual report?

2 MS. WILSEY: Again, I'll distribute it  
3 for your review and comment after this meeting in  
4 electronic form, or you can take this one.

5 MR. MacINNES: Did you have a question?

6 MR. BZDOK: Will the grantees also have  
7 chance to review and comment?

8 MS. WILSEY: Yes. I'm sorry. It will be  
9 provided to you collectively for your review and comment.

10 MR. BZDOK: Thank you.

11 MR. MacINNES: Have we got any extra  
12 copies?

13 MS. WILSEY: I do, I have these two right  
14 here.

15 MR. MacINNES: Okay. This is an extra  
16 one here.

17 Okay. Grantee reports. Are there any  
18 additional grantee reports?

19 MS. WILSEY: We had a meeting two weeks  
20 ago, so this might be thin.

21 MR. MacINNES: Okay. Are there any  
22 public comments?

23 Okay. The next meeting is scheduled for  
24 October.

25 MS. WILSEY: 12.



1 MR. MacINNES: -- 12.

2 MS. WILSEY: It's the second week in  
3 October.

4 MR. MacINNES: And you are going to be in  
5 attendance?

6 MS. WILSEY: Yes. My plan is to help the  
7 board prep for the meeting. My contract runs through the  
8 end of September anyway, and I'll plan to attend.

9 MR. MacINNES: Thank you.

10 MS. WILSEY: So who's doing the party? I  
11 don't mean to be presumptuous, but let's party.

12 MR. MacINNES: Party time. Okay. We'll  
13 work on that.

14 MR. LISKEY: LeAnn has --

15 MR. MacINNES: Yes.

16 MS. DROSTE: I just have one comment, if  
17 I may.

18 MR. MacINNES: Yes.

19 MS. DROSTE: Just a reminder that  
20 September 30 is the end of the fiscal year for the state  
21 and, therefore, your grants that have an expiration date  
22 of 9/30/2015 will end if there is not a request for an  
23 extension made by September 15. September 15 is our  
24 deadline to process any extensions. The extensions are  
25 on the basis primarily that the cases are ongoing and

1 won't be completed.

2 We also ask that you submit all of your  
3 expenditures through September 30 by October 30 so that  
4 we can properly record expenditures in the fiscal year.  
5 For those cases that are ongoing, we still would ask that  
6 you submit those expenditures through 9/30 so that,  
7 again, our accounts are reflective of the work that  
8 you've done through September 30.

9 Michelle, for your invoices as well, if  
10 you can meet the 9/30 deadline, that would be greatly  
11 appreciated.

12 MS. WILSEY: Uh-huh.

13 MR. BZDOK: LeAnn, if we have submitted  
14 and we haven't heard anything and we suffer a mild OCD,  
15 who should we follow up with?

16 MS. DROSTE: Jim Wilson. Jim Wilson is  
17 now, he replaced Wes VanMalsen.

18 MS. WILSEY: He's been here.

19 MS. DROSTE: So yep, Jim, and he's out  
20 today, that's why I'm here. But if you send all of your  
21 correspondence to Jim, and you're always welcome to copy  
22 myself; if Jim is out of the office, I'll make sure that  
23 you get a response.

24 MR. BZDOK: Great.

25 MR. MacINNES: Okay. Thank you for that.

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Any other business?

Do we have a motion to adjourn?

MR. ISELY: So moved.

MS. HAROUTUNIAN: So moved.

MR. MacINNES: Okay. We're adjourned.

Thank you.

(At 3:39 p.m., the meeting adjourned.)

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