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STATE OF MICHIGAN

UTILITY CONSUMER PARTICIPATION BOARD

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MEETING OF MONDAY, AUGUST 25, 2014

12:47 P.M.

611 West Ottawa, 4th Floor  
Lansing, Michigan

- - -

PRESENT: James MacInnes, Chairperson  
Paul Isely, Board Member  
Conan Smith, Board Member  
Susan Licata Haroutunian, Board Member  
Ryan Dinkgrave, Board Member  
Michelle Wilsey, Board Assistant  
David Shaltz, Residential Ratepayer Consortium (RRC)  
John Liskey, Citizens Against Rate Excess (CARE)  
Connie Groh, CARE  
Ken Rose, CARE  
Bob Burns, CARE  
Sebastian Coppola, CARE  
Douglas Jester, IEI and CARE  
Don Keskey, Great Lakes Renewable Energy  
Association (GLREA)  
Christopher Bzdok, Michigan Environmental  
Council (MEC)  
Dan Scripps, Institute for Energy Innovation (IEI)  
Jim Wilson, LARA  
Shawn Worden, LARA  
Michael Moody, Attorney General's office  
James Ault, Michigan Electric & Gas  
Ed Haroutunian

- - -

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

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Lansing, Michigan

Monday, August 25, 2014.

At 12:47 p.m.

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MR. MacINNES: Okay. Welcome, everyone. We have a full house, we're glad to have you here. It's going to be an interesting meeting, lots to talk about.

So we'll call the meeting to order, and we'll take a roll call of the members, and then we'll go around the room and have everyone introduce themselves. So maybe we'll start with Mr. Isely.

MR. ISELY: All right. Paul Isely from Grand Rapids.

MS. HAROUTUNIAN: Susan Licata Haroutunian, Detroit.

MR. SMITH: Conan Smith, Ann Arbor.

MR. COPPOLA: Sebastian Coppola on behalf of CARE.

MR. LISKEY: John Liskey on behalf of CARE.

MR. JESTER: Douglas Jester on behalf of both Institute for Energy Innovation and CARE.

MR. WILSON: Jim Wilson with LARA.

MR. MOODY: Michael Moody with the Attorney General's office.

1 MR. BZDOK: Christopher Bzdok, counsel  
2 for the Michigan Environmental Council.

3 MS. WORDEN: Shawn Worden, LARA.

4 MR. SHALTZ: David Shaltz, counsel for  
5 the Residential Ratepayer Consortium.

6 MR. KESKEY: Don Keskey appearing on  
7 behalf of the Great Lakes Renewable Energy Association.

8 MS. WILSEY: Michelle Wilsey, assistant  
9 to the UCPB.

10 MR. DINKGRAVE: Ryan Dinkgrave from Royal  
11 Oak, board member.

12 MR. MacINNES: Jim MacInnes, chair.

13 MR. SCRIPPS: Dan Scripps with the  
14 Institute for Energy Innovation.

15 MR. HAROUTUNIAN: Ed Haroutunian,  
16 Detroit, proud member of the public.

17 MR. AULT: Jim Ault, Michigan Electric &  
18 Gas Association.

19 MR. BURNS: Bob Burns, consultant for  
20 CARE.

21 MS. GROH: Connie Groh on behalf of CARE.

22 MR. ROSE: Ken Rose on behalf of CARE.

23 MR. MacINNES: Okay. Well, the first  
24 item of business would be the approval of the agenda,  
25 including consent items. Do we have a motion to approve?

1 MR. DINKGRAVE: So moved.

2 MR. MacINNES: Is there support?

3 MR. ISELY: Support.

4 MR. MacINNES: Is there any discussion?

5 All those in favor, please signify by saying aye.

6 BOARD MEMBERS: Aye.

7 MR. MacINNES: Opposed, same sign.

8 Okay. So we'll go into the business  
9 items here. The first item is RRC 14-06 grant amendment,  
10 this document here.

11 MR. SHALTZ: Thank you, Mr. Chair. This  
12 is a request for shifting of dollars between existing  
13 cases, there's no request for additional funding, it's  
14 simply to reflect what's happened in the cases and where  
15 the needs actually are going to be. Basically in this  
16 funding request, there are increases to the Michigan Gas  
17 Utilities plan case and the Consumers Energy case with  
18 reductions from the DTE Gas and SEMCO case. All of the  
19 shifts overall are in relatively small magnitude. But I  
20 met with my expert witness about two weeks ago to sort of  
21 do an update on where the cases are right now, and this  
22 is our best projection of where our resources should be  
23 spent at this time.

24 MR. MacINNES: Okay. Any questions? Do  
25 we have a motion to approve?

1 MR. DINKGRAVE: So moved.

2 MR. MacINNES: Is there support?

3 MR. SMITH: Support.

4 MR. MacINNES: Any discussion? All in  
5 favor, please say aye.

6 BOARD MEMBERS: Aye.

7 MR. MacINNES: Opposed, same sign.

8 MR. SHALTZ: Thank you.

9 MR. MacINNES: Okay. The next item is  
10 we're going to talk about the -- we had a lot of  
11 discussion about the funding plan the last time. And  
12 maybe, I wonder if, Michelle, if you'd be willing to  
13 cover some of that.

14 MS. WILSEY: At the previous meeting  
15 prior on the, leading up to the previous meeting, we were  
16 sort of notified by LARA there was some misunderstandings  
17 between the AG and the board on the reserve fund and the  
18 use thereof. We had subsequent discussions that if the  
19 interpretation is that the reserve fund is a split fund  
20 with dedicated reserves to the AG and UCPB, that the UCPB  
21 had utilized more than its share, if you will, of those  
22 reserved funds, which led to a proposal that the current  
23 grant cycle utilize existing revenues for the fiscal year  
24 less an amount to reimburse, if you will, the AG's  
25 reserve that was used by the UCPB. That led to a number

1 of subsequent discussions as to the interpretation of  
2 that. There was -- that was the starting point of the  
3 discussions. Subsequent to that, there was -- if that's  
4 the interpreted model, then we had discussions with LARA,  
5 the AG, and others as to how to cope with that within the  
6 context of the existing needs or fiscal year '15 grants,  
7 in addition to the cost-of-service proceeding, which was  
8 required by the legislature and made, UCPB funds were  
9 made permissive for funding residential intervention on  
10 behalf of residential customers in that case.

11 Pursuant to those discussions with the AG  
12 and others in LARA, there was an agreement that  
13 current-year revenues of \$572,256 would be utilized for  
14 fiscal year '15 grants, or could be, up to that amount,  
15 not to exceed that amount, and some additional reserve  
16 funds or supplemental funds could be utilized to support  
17 the cost-of-service proceeding, that single-time  
18 proceeding for which it was intended that there would be  
19 residential customer representation. So that is the  
20 operating model that we presented to the board, which is  
21 to utilize an amount up to, not to exceed the \$572,256  
22 for current fiscal year '15 grants, and then within the  
23 context of that, make a decision on funding the  
24 cost-of-service proceeding at a level they feel is  
25 adequate and reasonable for residential customer

1 representation in those proceedings. And Michael Moody  
2 is here and can speak to any correction or concurrence in  
3 that.

4 MR. MOODY: And that's an accurate  
5 summary actually. So I don't know if there's any other  
6 questions. I think we'll probably discuss more  
7 afterwards as to future uses in discussions, but at least  
8 as to what you need now and what you need to do moving  
9 forward, that's correct, you know, that funding and  
10 everything else.

11 MR. MacINNES: So the 572,000 is -- that  
12 would not borrow from your funds or --

13 MR. MOODY: I don't think so.

14 MS. WORDEN: No, that would be your share  
15 of this year's revenue.

16 MR. MacINNES: That would be our share,  
17 so there'd be no -- not going into debt, so to speak.

18 MR. MOODY: That's right.

19 MR. MacINNES: I don't like to do that.  
20 And but any supplemental amount that we would use to fund  
21 the cost of service would put us in the hole basically?

22 MR. MOODY: I think that's how they --  
23 yeah, because it looked like you're moving into a future  
24 year usage, but you're not, you know, whatever, we're not  
25 going to think of it that way.

1 MR. MacINNES: Okay. Any other comments  
2 or questions about that?

3 MR. SMITH: Was there some question --  
4 and I apologize because I was on the phone last time, so  
5 I was struggling to follow -- but some question about the  
6 distinction between current-year allocations and unspent  
7 allocations from the previous budget year carrying over  
8 and how those get parceled out and some tension in the  
9 lack of clarity in the law?

10 MR. MOODY: That was the big battle  
11 that -- not battle -- discussion that was going on during  
12 that meeting; I know it was probably difficult to follow.  
13 And we had discussed our view of the statute, what we  
14 felt was LARA's, you know, historical view of how that  
15 went, and then we talked about how we didn't learn about  
16 it until about a month or so ago, but I think all the  
17 parties really in a way, I mean the AG just found out  
18 because we were checking our amount and we talked to  
19 LARA, like what happened here, and that's when we came to  
20 the meeting, and then we kind of discussed it. And we  
21 thought, well, I think we've kind of come to the same  
22 belief, or maybe we just let it lie or something, I'm not  
23 sure, but we discussed it and just financial, how do we  
24 handle that, how do you fund your cases, how do we do our  
25 stuff. And then we -- I think when I was talking with



1 Michelle and Allan Pohl and stuff, that we would get  
2 together after this meeting to discuss what we do in the  
3 future, you know, future cases. But for now, we wanted  
4 to make sure you guys were funded since everyone was  
5 caught off guard, and obviously you guys were, had no  
6 idea what was occurring, and we thought that makes no  
7 sense, the reliance on that amount of money, not to  
8 mention the statutory change that presupposed us being  
9 involved in the cost-of-service case. So it was kind of  
10 like this monitor issue we were going to discuss  
11 afterwards, you know, and how we can resolve it going  
12 forward.

13 But that was the big battle is that we  
14 both get that annual amount of whatever, 572 or whatever  
15 it is a year, but then there was always a question as to  
16 what happens to amounts that were in the reserve and who  
17 could access the reserve, was there two separate  
18 reserves. We've always seen it as two separate reserves.  
19 And I don't even know if the board had thought on how  
20 that whole perception, as to how it occurred, but I think  
21 maybe LARA was telling them that they had full amount or  
22 full access, I'm not sure exactly what everyone's  
23 thoughts were. But that's how we always saw it, and we  
24 thought LARA was telling us that same thing, and so we  
25 all got confused.

1 MR. SMITH: Is it worth having some MOU  
2 at some point that clarifies how these --

3 MR. MOODY: That might be the better way.

4 MS. WILSEY: That's what we discussed  
5 after. Given the short timeframe, we needed to address  
6 the fiscal year grants and come up with an agreement, a  
7 meeting of the minds as to what revenues would be  
8 available and how those could be allocated, which we  
9 accomplished; then there is another set of discussions  
10 that are taking place and have already started about how  
11 to deal with this interpretation and if the resulting  
12 deficiency and a payback, if you will, if we go down that  
13 road, and then it would be memorialized in an MOU of some  
14 sort once agreement is reached.

15 MR. SMITH: Okay.

16 MR. MacINNES: But if we don't spend more  
17 than the 572, which I'm not necessarily advocating for,  
18 the not necessarily -- if we don't spend beyond the 572,  
19 then we won't have this debt issue, but there's a good  
20 chance we will spend beyond that, so that's how we enter  
21 into this debt discussion and whether it's four years or  
22 five years we discussed last time.

23 MR. SMITH: I wonder if we could arm  
24 twist the AG's office to do a bunch of work for us.

25 MR. MOODY: Well, we do coordinate  
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1 together, which is essentially the same idea, you're  
2 right, you know, working together in the cases. And in  
3 fact, I brought up co-funding experts maybe moving  
4 forward. We've done it in the past, we just -- you know,  
5 I think we talked about that, that money wasn't an issue  
6 so no one really thought about it, and now we've used up  
7 a lot of reserves, it comes back to the forefront that we  
8 might want to do that proposal again, where we both have  
9 a case we want to get into, we co-fund an expert maybe,  
10 and then, you know, you could take different positions,  
11 not that -- you don't want to take completely different,  
12 but not contrary positions, but you could take different  
13 positions from that testimony.

14 MR. MacINNES: Complementary.

15 MR. MOODY: Yeah, complementary, because  
16 the statute does require us in some way to work  
17 complementary.

18 MR. MacINNES: And with that in mind, I  
19 know people have been cooperating with your office, but  
20 it would also be good -- and that transparency has been  
21 helpful, right?

22 MR. MOODY: Yep.

23 MR. MacINNES: But it would be also --  
24 you know, it's one thing to cooperate, and the other  
25 thing is like, okay, who you're writing your checks to

1 and, you know, what cases, and it would be helpful I  
2 think, and we haven't really seen any of that from your  
3 office. So it would be helpful for us to know where the  
4 money is going, because that's where the rubber meets the  
5 road, right.

6 MR. MOODY: Our legislative reports  
7 are -- should be publicly available, but we can send them  
8 to you guys on a regular basis, too.

9 MR. MacINNES: Yeah. It would be good --  
10 you know, I think one of the things that's come out of  
11 this is we need to improve the communication between the  
12 AG's office and us, and that will help us work together  
13 and be more effective, spend the money more effectively,  
14 and it will just -- I think it's important for the board  
15 to understand what's going on, you know, where, what  
16 cases you're spending your money on, and to the extent  
17 that we improve that communication, you know -- well, if  
18 we would have done that, we wouldn't have had the  
19 problem.

20 MR. MOODY: That's right. And probably  
21 part of it, it just -- you know, because we always were  
22 well-funded, so we didn't really --

23 MR. MacINNES: Didn't worry about it.

24 MR. MOODY: Yeah, didn't worry about it,  
25 and I think now we come down to, well, now it's not --

1 MR. MacINNES: Because there may be some  
2 situations where you're doing some things and maybe we  
3 decide, well, we don't need to do that because you're  
4 doing it.

5 MR. MOODY: Yeah, and the same for us.  
6 Kind of do -- we kind of do that already a little bit.

7 MR. MacINNES: Yeah, but the board  
8 doesn't know.

9 MR. MOODY: Yeah, that's right. Yeah, we  
10 got to --

11 MR. MacINNES: You do it amongst  
12 yourselves --

13 (Multiple speakers.)

14 MR. MacINNES: But it would be good to  
15 have the board in on that in the moment, so to speak.

16 MR. MOODY: That's right.

17 MR. MacINNES: Any other comments on  
18 that?

19 MR. DINKGRAVE: I'll just say I agree  
20 completely, it's definitely been sort of, I think as long  
21 as I've been involved with the board, sort of a mystery.  
22 I know we've spoken before definitely. It's been a point  
23 I've wanted to know more about it, and I'm not saying  
24 it's a blame on either side, just better communication  
25 would be better for everybody's benefit, and I look

1 forward to it.

2 MR. MacINNES: Okay. I wonder, do we  
3 need to approve that approach or just go with it? I  
4 suppose really we can -- that number is going to vary  
5 depending upon what we do with the cost-of-service  
6 proceedings anyways.

7 MS. WILSEY: Right.

8 MR. MacINNES: So we can probably just  
9 move forward.

10 I do have something I wanted to read into  
11 the record, just remind everyone, since our money is not  
12 as great as it has been in the past, we're going to have  
13 to be a lot more careful in how we allocate the resources  
14 and make sure we're getting the best bang for our buck,  
15 and so it's going to be more difficult to fund everything  
16 we'd like, as much as we'd all like to do that. So there  
17 are evaluation criteria, Section 7 in the grant  
18 information that's on the web for everyone, and I just  
19 wanted to go through that just as a reminder for  
20 everyone, and how we would evaluate, how we should be  
21 evaluating the grants. There are A through F.

22 A is 20 points. Criteria is whether the  
23 approach presented for the proceedings is sound,  
24 feasible, clearly stated, and supportable by evidence.

25 Point B is worth 15 points in weighting.

1 The uniqueness of a particular position or approach when  
2 compared with the other proposals. So unique approaches  
3 get extra credit.

4 C would be 20 points. The ability of the  
5 applicant to effectively represent residential customers  
6 in the cost recovery proceedings based on: (1) past  
7 representation in utility regulatory proceedings, and (2)  
8 experience and expertise of legal and technical staff  
9 selected to participate in the proceedings.

10 Item D, 15 points. The potential dollar  
11 impact of the proceeding on the residential utility  
12 customers. So we need to try to -- and we've talked  
13 really about all of these things before. But, you know,  
14 does the proceeding, is it going to reap benefits and  
15 lower the rates for residential customers. That's  
16 important. If it's not, we may not be able to fund it,  
17 even though we'd like to.

18 E, 15 points. The applicant's potential  
19 for continued participation in future energy cost  
20 recovery proceedings and for development of expertise  
21 related to such participation.

22 And then F, 15 points. The amount of  
23 funds requested and the reasonableness of the proposed  
24 budget items.

25 So those are the criteria that we use to  
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1 decide which projects to fund, so I just thought it would  
2 be good to remind everyone of that.

3 Okay. Well, why don't we go ahead and  
4 get into the nitty gritty here and look at the grant  
5 applications. And why don't we go ahead and start with  
6 CARE grant request proposals for 2015.

7 MR. LISKEY: Thank you, Mr. Chairman and  
8 members of the board. It seems like everything that  
9 we've been doing now is revolving around the Upper  
10 Peninsula. There's been a tremendous amount of activity.  
11 It's like a big chess game. You've got We Energies;  
12 you've got Balfour Beatty, the London company that came  
13 in and bought UPPCO; you've got Integrys, which owns  
14 Wisconsin Public Service; you've got ATC, the  
15 transmission company, and there's been just a lot of  
16 activity, and I want to just kind of start and go through  
17 that just to give you the background of our proposal  
18 because it really all boils from there.

19 There's been a concern about the  
20 reliability of the grid in the Upper Peninsula for 10, 15  
21 years, and this is -- there's been a standing, a long-  
22 standing dispute between WEPCo and the Mines about the  
23 power supply costs, and layer on top of that the  
24 provision in state legislation that allowed WEPCo an  
25 exemption of the 10-percent cap among Choice in the Lower



1 Peninsula that doesn't apply in the Upper Peninsula, and  
2 so the Mines took advantage of that and switched to  
3 Integrys last September to get their power supply from.  
4 Previous to that, WEPCo and Wolverine Power had an  
5 agreement to put money into the Presque Isle plant to  
6 make it functional in its -- and it was important because  
7 of, you know, reliability concerns that that plant  
8 continue to operate. Once the Mines switched their power  
9 to Integrys, WEPCo decided that the Presque Isle plants  
10 could no longer be financially feasible and they  
11 submitted a request to MISO to close them. MISO rejected  
12 that and said, we need those plants operational for  
13 reliability purposes. And there's a provision in MISO's  
14 tariffs to allow the operational costs, which were  
15 estimated around \$52 million, to be paid to WEPCo to keep  
16 those plants operational, and that \$52 million was going  
17 to be distributed with costs allocated among originally a  
18 wide footprint that included all the way to Milwaukee,  
19 and so the amount that was going to be, that the Upper  
20 Peninsula ratepayers would pay was only 8 percent of that  
21 52 million. In April of this year, the Wisconsin Public  
22 Service Commission filed a complaint at FERC that said  
23 this cost allocation is, should be adjusted, that it's  
24 too much on to the Wisconsin ratepayers, and they  
25 proposed that instead of allocating only 8 percent to the

1 Upper Peninsula, that it should be 52 percent. We got  
2 wind of that in early April and we filed comments within  
3 a one-week notice at FERC to try and oppose that because  
4 it would have resulted in a \$26 million additional cost  
5 being paid by Upper Peninsula ratepayers, and we  
6 estimated that was, it could go as high as \$4.00 a month  
7 per residential ratepayer. And we then called everybody  
8 we could to try and get others from Michigan to  
9 intervene. Michigan Tech intervened, Wolverine Power  
10 intervened, the Michigan Municipal Power Association  
11 intervened. And then on July 29, just before our last  
12 meeting, I reported that FERC had issued their decision  
13 and granted the relief requested by the Wisconsin  
14 Commission. So that was bad news, I reported that news  
15 briefly because of the time constraints.

16 But going on contemporaneously with this,  
17 Wisconsin Energy had initiated a request to the North  
18 American Electric Reliability Corporation, otherwise  
19 known as NERC, N-E-R-C, to reduce the size of the load-  
20 balancing authority to only include the Upper Peninsula,  
21 and it was reported at a MISO committee, a reliability  
22 committee meeting in April that that was a done deal.  
23 Now, we didn't know about it, the Michigan Commission did  
24 not know about it, and the financial impact of this,  
25 instead of the, a 52-percent allocation to the U.P.,

1       which we thought was bad enough, it's now 99 percent. So  
2       current estimates are that the residential ratepayer's  
3       bill could increase, if this all goes through, increase  
4       by \$12 a month; and it will go up even further if the  
5       cost to upgrade Presque Isle to meet EPA requirements,  
6       which I think we are estimating at \$140 million, that 99  
7       percent of that will also be borne by Upper Peninsula  
8       ratepayers.

9                       So now, on top of that, Wisconsin  
10       Electric announces they're going to buy Integrys. So  
11       remember, the Mines wanted to get away from Wisconsin  
12       Electric and they went with Integrys for their power  
13       supply. So now you've got the situation where if this  
14       new merger goes through, the Mines are right back at the  
15       door of Wisconsin Electric.

16                      I think I've got the, you know, I think  
17       I've got the scenario right. I've been practicing it,  
18       because there's a lot of layers to this. But this is  
19       really all balled up into our focus, and the -- let's see  
20       if I forgot anything.

21                      The merger case for the Wisconsin  
22       Electric purchase of Integrys has just been docketed  
23       recently, last Friday was the day to intervene. We  
24       intervened, and we did so not knowing if we would qualify  
25       for funding from this board, but like the UPPCO Balfour

1 Beatty case that we intervened in, we just felt we have  
2 to be there because this is so critical to the Upper  
3 Peninsula ratepayers who we've been for the last five  
4 years representing. So we did intervene. We may come  
5 back at a later time if funds are available, but things  
6 are moving very fast. There's also a federal case that  
7 FERC needs to approve that merger as well.

8 So that's background. And then if there  
9 are no questions, I'll turn it over to each of our  
10 experts to comment a little bit about what their plans  
11 are in terms of the specific cases.

12 MR. MacINNES: Okay. Are there any  
13 questions so far? I'm wondering, is the AG's office  
14 intervening in this?

15 MR. MOODY: We're currently looking at  
16 the same -- we're looking at the merger part of it, the  
17 purchase merger as well as possible. I think it's the  
18 Commission at FERC level.

19 MR. MacINNES: So you're looking at just  
20 the merger part, or are you looking at the whole thing?

21 MR. MOODY: Well, potentially the whole  
22 thing. Actually, I'm discussing that today, so I'm still  
23 waiting to get final --

24 MR. MacINNES: See, this is a good  
25 example of, you know, who's doing what, who's spending,

1 where are the checks going.

2 MR. MOODY: It's difficult, because the  
3 timeframe is coming up tight for I think intervention on  
4 two of them, two of the things we're looking at this  
5 week.

6 MR. MacINNES: So did you file an  
7 intervention the same time --

8 MR. MOODY: No, we haven't yet. That's  
9 why it's kind of tight. We haven't yet got approval from  
10 our office, but it looks likely that we will be involved  
11 in similar cases. And it's a pretty big case, it's  
12 pretty big cases, so I mean it's --

13 MR. MacINNES: Right, I can see that.

14 MR. MOODY: -- it could use an extra hand  
15 I'm sure in this case.

16 MR. MacINNES: And how about who else  
17 would be intervening in that besides --

18 MR. LISKEY: Well, Fibrick [ph],  
19 obviously the Mines, Verso Paper. Can you think of  
20 anybody else? Consumers Energy has intervened at the  
21 FERC level. Because remember, this -- oh, I forgot to  
22 mention a very important thing. If this transaction goes  
23 through, Wisconsin Energy will own 60 percent of ATC, so  
24 that's a whole big issue in terms of -- now, they've got  
25 some proposals, you know, on how they'll vote those

1 60 percent, but they -- that needs to be, you know,  
2 flyspecked.

3 MR. MacINNES: And the idea, I mean, do  
4 you think they're going to retrofit the existing coal  
5 plants if you spend \$140 million? I mean does that make  
6 sense on a 40 year old set of power plants?

7 MR. LISKEY: You're right. I don't know.  
8 But those are the kinds of things that can be dealt with  
9 in this proceeding. If there's a mindset to try and  
10 settle things, there's conditions that could be put on  
11 and maybe -- you know, I don't know. I mean we're just  
12 beginning this, and I have no idea what the solutions  
13 are.

14 MR. MacINNES: Now, there's been some  
15 talk of someone building a combined-cycle plant up there.

16 MR. LISKEY: GlidePath is a company out  
17 of Chicago that has an option, they've paid \$10,000 to  
18 the DNR for an option to purchase 120 acres near  
19 Marquette and near a gas line, and that would be good for  
20 everyone, but there's been no further -- you know, we're  
21 not privy to that, and we don't really know who GlidePath  
22 is working on behalf of. They're like a three-person  
23 office in Chicago, and they're like a -- I think they,  
24 you know, site development.

25 MR. MacINNES: Now, that coal plant was  
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1           like four or five units and it's 480 megawatts or  
2           something like that, is that ballpark?

3                     MR. COPPOLA:  It's actually eight units.

4                     MR. MacINNES:  Eight units.  Okay.

5                     MR. COPPOLA:  And three of those got shut  
6           down already, five operate.

7                     MR. MacINNES:  Okay.  So currently -- so  
8           my question is, how much capacity is needed up there if  
9           they were to build a combined-cycle plant, how much  
10          capacity would they size it for, do you think?

11                    MR. COPPOLA:  Right now they have  
12          430 megawatts running, so it's a good-size plant.

13                    MR. MacINNES:  Is there gas up there,  
14          enough gas to supply a plant of that size?

15                    MR. COPPOLA:  Capacity is very restricted  
16          up there, capacity on the pipelines is very restricted.  
17          As a matter of fact, SEMCO Energy, who serves that area,  
18          can not take any additional customers.  So you need to  
19          build additional pipeline capacity, which is not  
20          obviously cheap to do.

21                    MR. MacINNES:  Where would that come  
22          from, do you know?

23                    MR. COPPOLA:  Mostly from Wisconsin.  You  
24          know, there's TransCanada has lines going through there  
25          and Great Lakes Gas Transmission.  TransCanada primarily.

1 MR. MacINNES: Any idea what a pipeline  
2 like that would cost?

3 MR. COPPOLA: Just depends the size of it  
4 and how far it would go, but we're talking about, you  
5 know, hundreds of millions of dollars.

6 MR. MacINNES: Okay. So does that sound  
7 like a viable proposal for that area?

8 MR. COPPOLA: A new combined-cycle plant?

9 MR. MacINNES: Versus spending the  
10 140 million on 40 year old coal plants?

11 MR. COPPOLA: Hard to say without running  
12 through the numbers, you know, and comparing the two. I  
13 just don't know about Presque Isle power plant to know  
14 how much retrofitting they would need to do to comply  
15 with EPA. But I would think obviously Wisconsin Energy  
16 has a handle on that, but they're not telling anybody.

17 MR. MacINNES: Does anybody else have any  
18 input on that, those questions?

19 MR. DINKGRAVE: I'll just say, first, I  
20 appreciate that each year you cite our legislation and  
21 how it must represent the entire state, it was mindful of  
22 our statewide mandate, so definitely appreciate that you  
23 guys take on these cases that otherwise wouldn't be  
24 served. Obviously one's the biggest part of the request  
25 in terms of dollars. I'm just curious -- and it's very



1 compelling stuff obviously -- in the other cases, is  
2 there anything else that is as compelling or that you  
3 would I guess put as high a priority on as we look to,  
4 you know, make best use of limited funds?

5 MR. LISKEY: Well, I think that's where  
6 I'd like to let each of our expert -- well, at least Seb  
7 here talk about a specifically UPPCO and WPS.

8 MR. DINKGRAVE: Sure, great.

9 MR. LISKEY: Go ahead.

10 MR. COPPOLA: Thank you, John. We've  
11 been involved now on behalf of CARE with the power supply  
12 cost recoveries up in the Upper Peninsula for the Upper  
13 Peninsula Power Company and Wisconsin Public Service  
14 which serves one area of the western part of the Upper  
15 Peninsula for about three years, and these are two of the  
16 smaller electric power companies here in the state, at  
17 least as they serve that portion of the Upper Peninsula.  
18 So there are not too many parties that intervene in these  
19 cases, it's typically ourselves, CARE, and the Staff, the  
20 Commission Staff, and even the Commission Staff often  
21 does not put enough resources because of the size of the  
22 companies, they tend to obviously spend more time on the  
23 bigger companies, the Detroit Edison and Consumers Energy  
24 and the others. So we have been intervening both in the  
25 plan cases, which is the up-front case when the cost

1 estimates are put forth and the recovery factors, and  
2 then the reconciliation phase of those cases.

3 Just to give you a short perspective here  
4 and the long-term perspective as well, over the past  
5 three years we have recommended reduction in power costs  
6 of about \$27 million, and that is in the up-front cases.  
7 We have typically actually in those cases found a way to  
8 settle those cases and were able to get the reduction in  
9 that cost factors up front for most of that.

10 What we typically see in these cases, and  
11 it's not just those two companies, but other cases I get  
12 involved with here in Michigan, is that the costs that  
13 are filed by the utilities tend to be a bit inflated, not  
14 necessarily because they do this on purpose, but they use  
15 very early estimates on market prices, and typically what  
16 we find is that market price forecasts done a year, year  
17 and a half before the cases is filed tend to have some  
18 pretty large premiums built in there because the other  
19 side of the transaction, those long-term transactions,  
20 want to obviously protect themselves on the price risk,  
21 so you see some inflated prices, and as we get closer in  
22 the case and analyze them, we have more recent market  
23 prices and we ask the companies to adjust to more recent  
24 prices. So that's one area where we add value.

25 The other is in cases, particularly  
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1 Wisconsin Public Service, what we've seen is that they  
2 have a number of coal plants that the EPA has either  
3 asked them to shut down or retrofit, and where the  
4 economics do not make sense, they forecast that they're  
5 going to shut those down and buy power in the market at  
6 higher prices. What we have seen the last few years is  
7 that because of the lawsuits that have taken place and  
8 the delay in getting those EPA rules implemented, that  
9 we've been successful in getting the company to back off  
10 those higher purchases and price the cost of power at  
11 more real prices, which is the coal prices that they end  
12 up using. So that's the plan side of it. On the  
13 reconciliation side, we, over the past three years we've  
14 been able to and have proposed and gotten almost a  
15 million dollars of cost reductions for these utilities.  
16 So we think we've been quite successful.

17 And the other thing we have noticed as  
18 part of our involvement over the past three years is that  
19 the company disclosure has improved considerably, they  
20 tend to provide more information now up front, and  
21 explanations as well as reconciliations of costs, which,  
22 you know, we didn't see before. And we also have seen  
23 the Commission staff also raise their game a little bit  
24 with a little more involvement on their part. So I think  
25 all-in-all we've been quite successful in justifying the

1 investment that you've made in CARE. That's the past.

2           Going forward, as John indicated, we'll  
3 need to keep a closer eye on the Upper Peninsula Power  
4 Company because of the new ownership. The new owner,  
5 Balfour Beatty, is not experienced at running utilities,  
6 their experience is in building infrastructure projects.  
7 They're a London based company, they have an office in  
8 New York, but they have no presence in terms of running  
9 utilities here in the United States, so they need to hire  
10 a whole new management team. They're saying that they're  
11 going to hire obviously people with experience in the  
12 utility business, but we'll need to see that. So we'll  
13 need to take a closer look at these cases.

14           There's a two-year transition agreement  
15 between Balfour Beatty and Wisconsin Public Service, or  
16 Integrys, to help during the transition period. In  
17 addition to the management transition, there's also a  
18 two-year agreement for WPS to provide power, as they do  
19 now, to UPPCO. After that, we don't know what is going  
20 to happen. It is possible that Balfour may want to build  
21 their own power plants. Right now UPPCO buys about 80,  
22 almost 85 percent of its power from either WPS or other  
23 sources, they only produce in-house less than 15 percent,  
24 which is through three hydro plants that they own. So it  
25 will be interesting to see where the new generation will

1       come from to power and distribute power up in the Upper  
2       Peninsula through UPPCO. So we'll take a close look at  
3       those transactions.

4                       We're always interested in these cases  
5       where there is a transition agreement as part of an  
6       acquisition, you know, you just want to make sure that  
7       there was no quid pro quo in some of these situations.  
8       Not that I'm alleging that, but it's something that  
9       obviously we need to pay attention to. So that's UPPCO.

10                      On the WPS case, as we all know,  
11       Wisconsin Energy has made an offer to buy WPS or  
12       Integritys, the whole company, and that's a big  
13       transaction, a \$9 billion transaction. This merger is  
14       similar to having Detroit Edison and Consumers Energy  
15       merge, I mean it's that large, and basically WE,  
16       Wisconsin Energy, is going to control probably more than  
17       80 percent of the market in Wisconsin, plus adjoining  
18       states, Minnesota into Michigan and Illinois. So that  
19       will be a big, big utility, and I'm sure the regulators  
20       at FERC and some of the merger agencies that review this  
21       will take a look at the market power that this company  
22       will have. So it's not a forgone conclusion that the  
23       merger will take place. Wisconsin Energy tried to buy  
24       another utility in Minnesota a while back, and they got  
25       pushed back and that transaction did not go through, so

1 we'll see how this shakes out.

2 But we'll obviously take a look at the  
3 arrangements that are made between WPS and WE Energy.  
4 They do own a couple of power plants jointly right now;  
5 those will need to be restructured. Some of that power  
6 comes into Michigan, so we need to keep an eye on that as  
7 well and, you know, make sure the Michigan customers get  
8 their fair share, fair shake.

9 MR. LISKEY: Okay.

10 MR. MOODY: I have a clarification. I  
11 don't think we'll -- the AG probably won't be in those  
12 PSCRs, I think that's what you're talking about. Those  
13 aren't the ones, in case I wasn't clear, most likely  
14 won't be in those. We're looking at the FERC level stuff  
15 that's going on, just so that you know where we're going  
16 to be. I just mentioned earlier that --

17 MR. MacINNES: It's good to know where  
18 you're going to be.

19 MR. LISKEY: I'd now like to ask Douglas  
20 to comment a little bit about -- we forget about Indiana  
21 Michigan Electric, and we want to make sure that that's  
22 part of our grant proposal. Douglas is going to comment  
23 a little bit about that, and then he's going to segue  
24 into our MISO activities, which is a major portion of our  
25 request. And I don't want to monopolize the whole

1 afternoon, I know you have many others to go through, but  
2 if there's time, Dr. Rose could talk very briefly, a  
3 minute or two, on the capacity markets, and Bob Burns  
4 could talk about external resources and some of the  
5 issues we've been successful at within MISO.

6 Doug.

7 MR. JESTER: Thanks. I'll be pretty  
8 brief. I think everybody knows Indiana Michigan Electric  
9 Company is southwest Michigan. It's a part of the  
10 American Electric Power family, and as such, it operates  
11 within the PJM market, where most Michigan utilities  
12 operate in the MISO market, and PJM is different in  
13 certain respects. So as we look at Indiana Michigan, the  
14 sort of two unique aspects of it are that many parts of  
15 its operations are integrated with the rest of the AEP,  
16 and the costs that come to Michigan ratepayers represent  
17 a flow-down of costs from AEP to Indiana Michigan and  
18 then a split of those costs between the Indiana customers  
19 and Michigan customers, and we basically have to make  
20 sure that all of that is done in ways that are fair to  
21 Michigan ratepayers. The other aspect of it is that  
22 because they're in the PJM market, and it operates  
23 differently, particularly with respect to capacity, you  
24 know, that needs a bit of attention. So we're currently  
25 engaged in the reconciliation case for their PSCR, and

1 specifically looking at their capacity costs. That's  
2 about a sixth of their cost basis for rates. And there  
3 is a capacity market in PJM that's a little different  
4 than -- well, quite a bit different than what we have in  
5 MISO. That is an ongoing activity, you know, testimony  
6 is due in a couple weeks and, you know, it's going to  
7 play out. Principally right now it looks like concerns  
8 are that Michigan ratepayers through the energy  
9 efficiency and renewable energy programs have paid for  
10 activities that have freed up capacity which has then  
11 been sold into the PJM market, and it's not clear that we  
12 are sort of getting appropriate compensation for that.  
13 So that's kind of where we're looking.

14 In future, I think principally we'll be  
15 looking at the same kinds of issues, though it will be  
16 flavored in some interesting ways by the next thing I  
17 wants to talk about, which is the 111(d) proposal, the  
18 clean power plan.

19 MR. LISKEY: Let me just interject. So  
20 now we're going to segue from our PSCR grant request to  
21 our MISO grant request.

22 MR. JESTER: So the clean power plan  
23 includes a draft rule by the EPA affecting existing power  
24 plants, carbon emission from existing power plants. The  
25 draft rule has been published a couple months ago,



1 comments are due mid October, they're supposed to come  
2 out with a final rule next June.

3 First the connection to Indiana Michigan.  
4 Nuclear power plants are being credited right now to the  
5 state where the plant is located, so in some sense we're,  
6 Michigan is advantaged by that in the proposed rule.  
7 There are efforts by some to redirect some of those  
8 credits to who consumes the power, and so there's going  
9 to be something happening here that will affect the  
10 allocation of Indiana Michigan costs that we'll want to  
11 keep an eye on going forward, but we don't know what it  
12 is, so we just have to see.

13 More broadly, the Mercury and Air Toxics  
14 Rules and the NOx and SOx rules have been plant-specific  
15 requirements which have led to the kinds of issues we're  
16 talking about with Presque Isle where a plant must comply  
17 by a certain date or close, and that is driving proposed  
18 plant closures with reliability issues. The 111(d) rule  
19 is a system-wide perspective within a state, so it looks  
20 at the carbon intensity of power generation within the  
21 state, and in the direct sense shouldn't have the same  
22 reliability consequences as the Mercury and Air Toxics  
23 Rule in particular, which we're now coming up to.

24 However, it adds an additional concern with respect to  
25 coal plants that are affected by these other rules, and

1 so it may affect the calculation of a power company as to  
2 whether it should invest in pollution control at that  
3 plant or plan to phase it out; and in general, there are  
4 forecasts now of pretty substantial plant retirements  
5 coming. MISO has responsibility for reliability in the  
6 region for, including the adequacy of the resources that  
7 are available within the region, and so there's a lot of  
8 interaction between these various things that are  
9 happening.

10 So I will be joining with the rest of the  
11 team if this grant is given and paying particular  
12 attention to the 111(d) rule and how it affects the  
13 resource adequacy requirements and reliability  
14 circumstances in the region, and most acutely in the  
15 Upper Peninsula. So Presque Isle, we've talked about,  
16 but there are -- the other fossil fuel plants in the  
17 Upper Peninsula, except for the Shiras plant that belongs  
18 to Marquette, are all similarly on system support  
19 resource payments, so White Pine and Escanaba.

20 MR. MacINNES: How many megawatts are all  
21 those?

22 MR. JESTER: Presque Isle is far and away  
23 the biggest, I think the others add up to something on  
24 the order of 110 megawatts, excluding Shiras, and Shiras  
25 is 240, if I remember correctly.

1                   So the other MISO activity that I propose  
2                   to be involved in is their demand response working group.  
3                   One of the distinctive features of the PJM capacity  
4                   market is that it's been a source of significant entry  
5                   into that region by demand response providers, and their  
6                   revenue is coming from participating in the capacity  
7                   market. That really has not been the case in MISO  
8                   because our capacity prices have been quite low, we had  
9                   an excess of capacity the last few years. As we come up  
10                  on this period of retirements, we're going to have  
11                  significantly higher capacity costs and they're going to  
12                  be -- there's going to be interest in entering the market  
13                  from additional suppliers, and we want to make sure that  
14                  that works to our advantage, to ratepayers' advantage.

15                  One important step recently is that  
16                  currently demand response resources are allowed to be  
17                  30 percent of the spending reserve, the short-term  
18                  reserve, you know, to respond to fluctuations and balance  
19                  in the region, there is a motion coming out of the demand  
20                  response working group and making its way through the  
21                  MISO governance process to increase that to 40 percent;  
22                  that would both reduce use of fuel and other costs in  
23                  other generating units that currently sit as spending  
24                  reserve, but also, importantly, the demand response  
25                  resources have been outperforming the generation

1 resources as spending reserve, so the proposal is to step  
2 that up. I think that will probably happen next week,  
3 but not yet done. There's significantly more that can be  
4 done to make demand response work well in the region,  
5 that's why I would continue to be engaged.

6 MR. MacINNES: So is this anything your  
7 office is going to follow? Again, this is taking it to  
8 the MISO level.

9 MR. MOODY: Yeah, not that I -- I don't  
10 think so, because that's Indiana Michigan you're talking,  
11 right, and then -- oh, no -- and then MISO --

12 MR. MacINNES: We're talking about the  
13 U.P. and resource adequacy for --

14 MR. MOODY: I don't think we're in  
15 anything like that. I don't recall us get into that.

16 MR. MacINNES: Is that something you  
17 should be in? I mean we're talking about, you know, all  
18 these coal plants are going away and, you know, we don't  
19 have a lot of funding, our funding has gone away, and so  
20 we're going to have to make some tough decisions, and I'm  
21 wondering if -- you know, these are really important  
22 things, this resource adequacy, right?

23 MR. MOODY: Yeah.

24 MR. MacINNES: I mean that's like are we  
25 going to keep the lights on, that's how important it is,

1 and MISO is the big picture, right, so it's not just one  
2 utility. So is that something that your office should be  
3 getting more involved with?

4 MR. MOODY: We're looking at, I mean I  
5 guess tangentially on a lot of this now that we're  
6 looking at the purchase, the Wisconsin Energy purchase of  
7 Integrys, it's a lot of the issues that we're talking  
8 about in the Upper Peninsula will come through that at  
9 the FERC level and at the Commission level, because  
10 there's going to be two reviews of that purchase and  
11 we'll be looking at both of those. Then we are looking  
12 probably not too much, because the case has already gone  
13 through, but dealing with the rehearing issue on the  
14 reallocation of costs that were placed on to the Upper  
15 Peninsula customers, we're looking at that, but it's the  
16 rehearing stage, so we're not doing a significant amount  
17 there probably. And then on this, issues that you guys  
18 brought up here, we never -- not never -- we don't  
19 usually get into the PSCRs up there because we focus our  
20 energies at the larger, you know, and --

21 MR. MacINNES: But it seems like with  
22 some of the things that are going on, with these plants  
23 closing down and the big picture, the EPA 111(d) rules,  
24 the MATS rules, and all these rules that are closing down  
25 gigawatts worth of power in the MISO region, that our

1 board is the only one that's getting involved in funding  
2 and being at the table. I mean I guess I'm just  
3 wondering is that right, is that -- should we be the only  
4 ones doing that, or should you guys be doing that?

5 MR. MOODY: I guess it depends on --

6 MR. COPPOLA: Well, to some degree you  
7 have the companies themselves that intervene in these  
8 cases because they get the dollars billed from MISO, so  
9 they have an interest to fight those cases as well and  
10 the allocation of those costs because they absorb those  
11 costs, even though they pass them on to customers in most  
12 cases. You do see Consumers Energy, Detroit Edison  
13 intervene in the MISO cases and FERC cases.

14 MR. MOODY: And a lot of times it will,  
15 you can hold the companies' feet to the fire and, you  
16 know, in these PSCR cases if they're not adequately  
17 representing the interests at those federal levels, I  
18 think sometimes -- if I remember correctly, they've set  
19 forth what they're doing. Now, I don't -- I do more gas,  
20 though, natural gas, but they have to go and do all those  
21 pipeline cases and, you know, fight a lot of pipeline  
22 issues, and if they don't, you know, that's taken into  
23 account when we're talking the GCR stuff. Don Erickson  
24 does most of the PSCR.

25 MR. COPPOLA: I know Don intervened in  
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1 one of those cases where the allocation of costs on the  
2 new transmission line was skewed toward Michigan, but I  
3 think it's just kind of one-off type of intervention.  
4 There is not a program within the AG that I know of of  
5 consistent intervention.

6 MR. MOODY: Yeah, we don't usually go to  
7 that level.

8 MR. MacINNES: You know, I bring it up  
9 because we got all these people here wanting money for  
10 intervention for one thing or another, and we've got some  
11 tough decisions to make, and we need to spread it around  
12 on who's going -- you know, I mean as much as we would  
13 like to invest a lot of money in this because we know  
14 it's important, it's, you know, we don't want to be the  
15 only one at the table kind of thing.

16 So do you -- maybe there's one other of  
17 your people, one of your experts that you could have  
18 speak to this.

19 MR. JESTER: One item while he's getting  
20 started. Just in case anybody misunderstands,  
21 implementation of the 111(d) rule in Michigan, if done  
22 with a lot of energy efficiency, would actually be a  
23 savings to ratepayers, so just don't leap to any  
24 assumption that it's an expensive proposition, just got  
25 to be done right.

1 MR. LISKEY: And just to follow up your  
2 last point, on page 10 of our proposal I listed the  
3 public consumer advocate sector of MISO, and we are the  
4 only residential ratepayer organization from Michigan  
5 that is, you know, part of this group because of your  
6 funding.

7 MR. MacINNES: Well, and I understand  
8 that. That's one of the things that concerns me is we're  
9 the only one, seem to be the only one at the table  
10 writing the checks and, you know, from Michigan, that's  
11 what concerns me.

12 MR. MOODY: We can work on bringing that  
13 proposal back, you know, to the Attorney General's  
14 office, considering it.

15 MR. LISKEY: Just -- sure. Capacity  
16 market.

17 MR. ROSE: I'll be very brief. Actually,  
18 I should point out there is a little footnote on that  
19 demand response, because I know that's important to you.  
20 There was an important FERC Order 745 that was vacated by  
21 the court, and in the -- that tied in with the current  
22 capacity market that Doug mentioned how, you know, demand  
23 response is a big part of the capacity market in PJM,  
24 every year it was increasing, except this year it went  
25 down, and that was because of that court order vacating



1 FERC Order 745 that meant that it was a lot of  
2 uncertainty about how the demand response would be  
3 validated because FERC has said it's got to be at LMP,  
4 you might remember what the case is about. So we're not  
5 actually intervening on that FERC order or the rehearing  
6 or anything involved in that, but that really put a crimp  
7 in, I think in, at least in the PJM side of it. But it's  
8 not, as Doug pointed out, it's not a big deal in the MISO  
9 case.

10 But just briefly, you might remember back  
11 in 2011 we did the paper on capacity markets,  
12 anticipating that MISO is going to be doing some kind of  
13 a capacity construct, also; of course, they did. And  
14 there's -- the plan was to -- we've been hearing talk  
15 that the possibility that MISO would be extending and  
16 perhaps even going to something like a, sometimes  
17 referred to as a forward capacity market, something along  
18 the lines of what New England has or PJM or New York, and  
19 the -- but with no specific proposal. And since the  
20 paper was already -- it's hard believe, but it was back  
21 in 2011, we're going to spend a little time just to  
22 update it. We're a little past the middle of that, all  
23 of sudden now New England's got a major proposal to redo  
24 their capacity market and PJM just last week announced  
25 that they're creating what they call new products that

1 they're adding on to their existing capacity market  
2 construct.

3 MR. MacINNES: These are the ancillary  
4 services?

5 MR. ROSE: Right. And, well, it's three  
6 different components that they're adding on to enhance  
7 the performance of the generator so they don't have a  
8 repeat of what happened last winter, that's mainly what  
9 they're concerned about. During the Polar Vortex, a lot  
10 of generation was pulled out, and they were very close to  
11 maybe losing the system, depending on who you talk to.  
12 PJM say, oh, no, everything was fine, some people say,  
13 oh, no, we were right on the line, but, you know, so but  
14 I'm not here to argue that.

15 The point -- so we're kind of shifting  
16 gears a little bit, which I think is okay to not just  
17 update on the performance of those capacity markets, to  
18 help inform what's going on, perhaps what will be  
19 happening soon in MISO, but also to talk about these new  
20 proposals. So hopefully soon, you know, maybe in another  
21 month or so, we'll have something just as an update of  
22 what PJM is proposing, what New England is talking about,  
23 enhancements to their existing capacity construct and  
24 what it might mean for MISO. And we said before about  
25 MISO being very -- it's very important for Michigan

1 because we estimated there was \$100 million if MISO were  
2 to use something like the, something like what PJM has in  
3 their capacity market.

4 MR. LISKEY: Per year.

5 MR. ROSE: Per year, right. That's for  
6 the whole State of Michigan, not just for the Lower  
7 Peninsula or Upper Peninsula, because the whole state  
8 would be affected, the MISO part of it. What's being  
9 proposed in these other states would probably mean more  
10 money, so that estimate would be the minimum, we're  
11 probably talking about something above that, because the  
12 suppliers are not supporting this because I think it's  
13 going to be less money for them. So it's really  
14 important that that get designed right and we understand  
15 exactly what PJM and New England are talking about right  
16 now, because it will be a part of the debate.

17 MR. MacINNES: So is Ben Hobbs leading  
18 the charge on this PJM deal?

19 MR. ROSE: Yeah, I don't know. I should  
20 call him. I'd be curious. But right now there's a  
21 34-page document that PJM has, there's some PowerPoint  
22 presentations on how their new construct is going to  
23 work, and there will be a lot more stuff being filed, so  
24 maybe Ben is back at Johns Hopkins working on his  
25 testimony right now.

1 MR. MacINNES: Is there any way to get  
2 him out here to talk to our board?

3 MR. ROSE: Sure, I imagine.

4 MR. MacINNES: That would be interesting,  
5 have both of you here kind of debating the capacity  
6 markets.

7 MR. ROSE: The merits. I would --

8 MR. MacINNES: That would be good board  
9 education for us.

10 MR. ROSE: I would like that. And maybe,  
11 like if we get some future date, we get a handle on what  
12 PJM is proposing and they're a little farther along in  
13 their formal proposal, maybe we could do that. Probably  
14 not next, but some future meeting.

15 MR. LISKEY: Did you and Hobbs work  
16 together on a case?

17 MR. ROSE: Ben and I worked together at  
18 Ohio State, so we go way back, about 25 years. So I've  
19 known Ben a long time. But we worked -- he used to be,  
20 as you probably know, he used to be at Case Western  
21 Reserve and he did work at NRI at Ohio State when Bob and  
22 I were there, we worked together on quite a number of  
23 projects, mainly involving transmission back in the early  
24 '90s, and also the Clean Air Act, we did some of the  
25 Clean Air Act, too, which I'm getting involved in again

1 now, too.

2 MR. MacINNES: He's very active in the  
3 IEEE.

4 MR. ROSE: Right. Are there -- I don't  
5 know if there are any questions, or maybe I can't given  
6 the time constraint.

7 MR. MacINNES: I think we need to keep  
8 moving. Unless there are there other questions from the  
9 board members.

10 MR. ROSE: Thank you.

11 MR. LISKEY: I must say, Seb needs to  
12 leave, he's got testimony to write for us that's due  
13 Wednesday.

14 MR. COPPOLA: Back to work.

15 MR. MacINNES: Okay. Good discussion.  
16 Complicated.

17 Let's move on to Michigan Environmental  
18 Council. Chris.

19 MR. BZDOK: Thank you, Mr. Chairman and  
20 members of the board. My name is Christopher Bzdok, and  
21 I am presenting today on behalf of the Michigan  
22 Environmental Council, our fiscal year '15 grant  
23 requests.

24 Well, let me start here: MEC is an  
25 organization that I think the board is familiar with,  
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1 it's a statewide umbrella organization that consists of  
2 other environmental member groups, as well as members at  
3 large. In total, it represents over 200,000 residential  
4 ratepayers who are members of the MEC and its member  
5 groups. We do advocacy with assistance in funding from  
6 this board on issues where we believe the interests of  
7 the residential ratepayers and the environmental  
8 objectives of Act 304 are aligned. We have a track  
9 record I believe of substantial good outcomes in recent  
10 years doing that work and, frankly, throughout the  
11 history of MEC doing this work.

12 We have provided to the board an overview  
13 set of grant requests for fiscal year '15. We have also  
14 submitted jointly with CARE a proposal for joint  
15 participation in the cost-of-service cases. It would be  
16 my proposal to take that, the cost-of-service portion and  
17 handle that as a separate item which we would present  
18 together to the board perhaps at the end, wherever the  
19 board wants to do that, but I want to -- because there's  
20 two grantees on those, I'd like to remove that from our  
21 main presentation and handle that separately. Okay. The  
22 head nodding is telling me that that will -- let the  
23 record reflect head nodding.

24 We have listed a series of cases on page  
25 2 of a memo, which is our overview. We are expecting

1 that there will be a lot of cases that occur this year,  
2 and we have provided you with some information about what  
3 the board either granted or we requested last year  
4 compared with what we are asking for this year, including  
5 cases in which the board has historically provided funds  
6 where we are not asking for any funds this year, just to  
7 give you an overall sense of what we're hoping to  
8 participate in, perhaps with other resources if we can  
9 cobble those together, and the items that we sort of  
10 filtered out prior to the presentation before the board.

11 So overall in this case, we are hoping to  
12 participate in the PSCR plan cases for Consumers Energy  
13 and DTE Electric, and we've offered a two-tiered  
14 proposal, which I will talk about a little bit in a  
15 minute. We are anticipating general rate cases for both  
16 of those utilities, and we are proposing to participate  
17 in those. We are anticipating, as always, PSCR  
18 reconciliation cases for both of those utilities. We are  
19 also anticipating renewable energy plan cases, the  
20 biennial reviews this year, which the board has  
21 participated in with us in the past, the renewable energy  
22 reconciliation cases, which we are not going to be  
23 proposing a board assistance with because of the  
24 importance of the biennial plans. We've been having some  
25 success in the reconciliations on issues like transfer

1 prices and some of these surcharge-related issues, but we  
2 think that if we are going to prioritize any renewable  
3 work this year, really it's the biennial plan reviews,  
4 and really it's probably DTE. Now, there is also the DTE  
5 reconciliation we have partial funding for that's going  
6 to be opening shortly here, and we'll see, take a look at  
7 that as well. We have participated in the energy  
8 optimization cases in the past, and those are up for  
9 two-year reviews as well; we are not asking for funds,  
10 UCRF funds for those cases in this funding cycle due to  
11 the number of cases and the scarcity of resources. So  
12 that's generally an overview.

13 Is it -- and I guess I have a clarifying  
14 question and directing the rest of my presentation. The  
15 board has in recent years been taking an approach of  
16 taking action on requests that the board feels are most  
17 ripe, for lack of a better word; and if that is still the  
18 case this year, I am going to focus the remainder on my  
19 comments on the PSCR plan cases, even though there are  
20 all these other things coming down the pipeline further  
21 out. And again, I'm seeing direction that that is going  
22 to be the board's approach again, so let me talk about  
23 the PSCR plan cases.

24 We are proposing participation in those,  
25 which will be opening in September, for Consumers and for  
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1 DTE. We have proposed a two-tiered approach, depending  
2 on what the board wants to do. One tier is with the  
3 inclusion of PROMOD modeling, and really our advocacy  
4 would focus on the PROMOD modeling; and the other, the  
5 lower tier is without that in terms of a funding request,  
6 and that's a matter of the board's priorities in a scarce  
7 resource situation. This was the first year we were able  
8 to be involved in PROMOD modeling. We were able to get  
9 money for the licenses from an outside source this past  
10 year, which I will not -- I do not expect we will be able  
11 to get that money for those licenses this year, and  
12 that's why the higher tier for the with PROMOD modeling  
13 is primarily the cost of those licenses. The -- and  
14 that's the reason for that.

15 We provided you with some very detailed  
16 information about what we've been doing with PROMOD  
17 modeling in the DTE matter, and we had the hearing on  
18 that case not last week, but the week before, and we  
19 continued to learn new information. One of the things  
20 that we picked up in the PROMOD modeling was that, and  
21 that we've shared with you already, was the lack of  
22 economic operation of Trenton Channel 8 and Trenton  
23 Channel 7 coal-fired units. One of the things that we  
24 have since learned is that both of those units are now  
25 slated for retirement, with the announcement of Trenton

1 Channel 7 coming the same day that DTE submitted rebuttal  
2 testimony in that case.

3 MR. MacINNES: Chris, what are the size  
4 of those two units?

5 MR. BZDOK: I can get that for you, but I  
6 can't get it immediately off the top of my head, but I  
7 will get it for you as soon as I'm off the --

8 MR. MacINNES: In the 100-megawatt range,  
9 or are they much bigger than that?

10 MR. BZDOK: I'd like to get you an exact  
11 number, which I can do just as soon as I'm done with --

12 MR. MacINNES: It would just kind of give  
13 us an idea of how big of an impact that would have on --

14 MR. BZDOK: Absolutely. Absolutely. And  
15 the cost impact is something that we've presented to you  
16 in the materials. Now, Trenton 8 was slated for  
17 retirement already, and so it only shows up bleeding red  
18 ink, so to speak, a couple of years into the five-year  
19 forecast, and then it goes to zero. One of the things we  
20 learned in the cross-exam is that Trenton Channel 8 is  
21 now suspended and is not expected to go back on prior to  
22 official retirement. We also are waiting for a  
23 transcript on that hearing, and then I'll have exact, to  
24 go online, and then I'll have exact dates for you on  
25 that, I only have my memory from the cross.

1                   And then Trenton Channel 7, what we  
2                   learned is that it is run in an uneconomic manner because  
3                   Trenton Channel 7 is connected to the smaller boiler  
4                   units that are part of the Trenton system which also feed  
5                   another Trenton Channel unit, and so, Trenton Channel 9,  
6                   and so the Company's information was that if Trenton  
7                   Channel 7 is shut down and these other units that are in  
8                   this ring that are also feeding 9, if they're not -- if  
9                   7's not operating, these units are not operating; if  
10                  these units are not operating, 9 can only operate at like  
11                  320 megawatts instead of its actual capacity, which is  
12                  somewhere near 500; and part of the retirement of 7 is  
13                  that DTE has committed to moving forward with a retrofit  
14                  and I think a supplemental gas burner that is going to  
15                  replace those units in the ring, they're called like 17,  
16                  18, 19. And so that's all going to be happening, and we  
17                  feel that's very positive news. And we had other  
18                  discussions of, in the case --

19                         MR. MacINNES: So they're replacing the  
20                         coal plants with like a duct burner of some sort?

21                         MR. BZDOK: That is my understanding.  
22                         The information that I'm giving you is basically what a  
23                         witness was describing to me in live testimony, and I  
24                         was -- he was the teacher and I was the student, so to  
25                         speak, as he was explaining to me how this system works

1 and how this ring works; and like I said, once we have  
2 the transcript, we can provide that information in much  
3 more detail about that. But that system, which is  
4 coal-fired, is being replaced by some type of a  
5 supplemental gas burner which will allow 7 to go down, as  
6 well as this 17, 18, 19 to go down, and Trenton Channel 9  
7 will be all that's left there for coal-fired. And we  
8 think that's good because of the continued noneconomic  
9 operation in the PSCR, it shows this sort of relationship  
10 between what's going on on the capital side and what's  
11 going on on the PSCR side.

12 MR. MacINNES: Sounds like a good  
13 solution actually.

14 MR. BZDOK: You know, we'll wait and see.  
15 But certainly we were -- we were pleased to learn what we  
16 learned at the hearing.

17 We also had issues in that case regarding  
18 the fuel forecast by the Company and some other issues  
19 related to modeling. We're having a debate with the  
20 Company about the nature of cycling costs and how that  
21 needs to be considered in modeling and how that needs to  
22 be projected and how that's either incorporated or not  
23 incorporated already in modeling, and if we're proposing  
24 to run plants only during months when they appear to be  
25 profitable, is that cycling and do you have to add other

1 costs, and these are all issues.

2 MR. MacINNES: So your expert has good  
3 information on cycling costs?

4 MR. BZDOK: We primarily -- what we tend  
5 to do strategically in these cases is we tend to utilize  
6 the Company's information unless we have outside  
7 independent reason to believe that the Company's  
8 information is unreasonable, outside a range of  
9 reasonable estimates, in which case then we supply other  
10 information.

11 And that actually leads into one of the  
12 other issues we worked on, which was the utility's  
13 request for essentially pre-approval, so to speak, of  
14 costs, sorbent costs related to the control of mercury  
15 and other air toxins and acid gases for upcoming EPA  
16 compliance. And so we've talked about this a little bit.  
17 ACI and DSI are terms that I've thrown out, activated  
18 carbon injection and dry sorbent injection, and there's a  
19 lot of detail in the memo about that. But basically in  
20 the statute, the statute says that the Commission reviews  
21 the five-year forecasts and the Commission can signal  
22 based on present evidence if there are items in the five-  
23 year forecast that, based on present evidence, it would  
24 not approve when the time came for actual recovery; and  
25 we've had discussions about the five-year forecast and

1 the report to the legislature the board does -- says that  
2 really needs to be a more of a front and center item.

3 And so what DTE has done the last couple  
4 years, which is sort of an innovative legal technique,  
5 has said we would like the Commission to indicate that it  
6 is not likely to signal that it is not likely to approve  
7 those costs. So the statute doesn't say pre-approval,  
8 but it's sort of a back -- a way of backing into sort of  
9 a pre-approval of those costs. So we've been having some  
10 fights about that; and some of fights are, well, is this  
11 the best strategy overall in terms of the levelized cost  
12 of energy is to retrofit these plants with this injection  
13 material and then pay for the cost of these sorbents and  
14 take -- there's some derates, there's some impacts on  
15 heat rates and other things with the plants from that, or  
16 is it to pursue other alternatives, and that's been one  
17 level of advocacy.

18 We also did a level of advocacy with a  
19 new expert who I'll also mention here, Dr. Ranajit Sahu,  
20 or he goes by Ron Sahu, as to some contradictory  
21 information about the cost of some of these sorbents, and  
22 so DTE has provided estimates of the sorbent costs in its  
23 applications seeking this sort of reverse pre-approval,  
24 but there's other information in a permit, air permit to  
25 install application filed by the -- with the DEQ that has

1 higher sorbent costs, and then there is this non-  
2 attainment designation that's been done for a portion of  
3 Wayne County for sulfur dioxide that includes these  
4 plants, and there's what's called a RACT analysis, a  
5 Reasonably Available Control Technology analysis, where  
6 they, the DEQ under EPA supervision and in somewhat of a  
7 negotiation with the big sulfur dioxide emitters has to  
8 come up with a plan for reducing existing emissions  
9 because it's a non-attainment area, it's got too much  
10 sulfur dioxide load already, it's got to be reduced, and  
11 what's the cost of that and how much sulfur dioxide  
12 reduction is needed there.

13           And so at the hearing we were able to  
14 introduce evidence over objection about what the DEQ's  
15 plans are for the Trenton Channel and River Rouge plants,  
16 and that those are greater levels of sulfur dioxide  
17 reduction than DTE is currently projecting will be  
18 necessary as part of this PSCR request. So, you know,  
19 conflicting information and basically asking the  
20 Commission to deny this reverse pre-approval on that  
21 basis is another subject of our testimony in DTE, and we  
22 expect these issues will continue in the next plan cases,  
23 as well as looking at what are the plans now for the  
24 Trenton Channel, what's that look like in the PSCR  
25 five-year forecast, all of that modeling that was

1 confirmed at the hearing is going to be updated, all of  
2 those projections are going to be updated to account for  
3 these new plans with the Trenton Channel units, and  
4 that's going to be an issue as well.

5 On the Consumers side, I promised you a  
6 detailed update, which I will give you within the next  
7 month here, about what's going on over on the Consumers  
8 side. But in essence, we've done PROMOD modeling there  
9 as well, and the PROMOD modeling there has focused  
10 primarily on four issues: One issue is one that we've  
11 talked about in the past having to do with when coal  
12 plants are dispatched and offered into MISO at a bid  
13 price, what are the costs, what are the components of  
14 that cost, and one of the components that the utility  
15 includes is the cost of fuel obviously, that's a big one,  
16 and they offer, for a coal plant, they offer the, they  
17 project the cost of fuel for the bid at what they call  
18 replacement cost. So I'm going to burn this lump of --  
19 this ton of coal to dispatch the plant, I'm going to  
20 project that the cost is the cost to replace that ton of  
21 coal on the spot market, which is unusual because it's --  
22 I'm not saying it's unusual -- what we feel is concern  
23 about that is that's not where that ton of coal came  
24 from, it came on a long-term contract, generally at a  
25 cost that was higher than the cost from the spot market.



1 So in one way it's like contractor bidding a job and one  
2 of the materials, a big portion of the materials are  
3 being bid below cost. And so if the difference between  
4 the spot cost and the actual cost of the coal is less  
5 than the difference between the cost of bidding the plant  
6 and what they're getting in revenue for the plant, that  
7 money has to be made up for somewhere, and it's made up  
8 for by the ratepayers as part of this overall net. And  
9 so we re-ran their PROMOD modeling using actual costs,  
10 and the results, and like I said, I'll get you numbers,  
11 but 2014, a million 4; 2015, a million; 2016, 2.7  
12 million; 2017, 2.1 million; and 2018, 2 million, a total  
13 of over \$9 million of extra costs, we believe, compared  
14 to the coal units being dispatched at actual cost. If  
15 you dispatch at actual cost and you remove months in  
16 which the unit's going to run unprofitably and you just  
17 consider it economic instead of a must-run unit, the  
18 total savings over the PSCR plan period goes up to \$11.2  
19 million. So those were two of the primary things that we  
20 did in the PROMOD modeling.

21 We also looked at their estimated costs  
22 for DSI, one of these pollution control sorbents, which  
23 we think they're underestimating, which impacts how much  
24 coal units will dispatch in the future, and we were able  
25 to show with modeling what we think the likely true cost

1 of the coal units with more realistic DSI costs -- and  
2 I'm not sure if it's their costs, I think it was the  
3 amount that they expect that they need to use based on  
4 other information. We -- and so that again goes to the  
5 five-year forecast, and based on present evidence, what  
6 we're saying is if you come back and say, well, we had to  
7 spend a lot more on DSI than we anticipated, we're trying  
8 to get that warning out there, be forewarned that that  
9 could be an issue if that happens.

10 MR. MacINNES: So where do you get that  
11 information on the cost of this?

12 MR. BZDOK: That's Dr. Ron Sahu as well.  
13 So we have this expert, and we've also proposed him as  
14 part of our package. We're using our experts normally,  
15 but Dr. Sahu is a, he has a Ph.D in mechanical  
16 engineering from Cal Tech, --

17 MR. MacINNES: Yeah, I saw that.

18 MR. BZDOK: -- he's a very, very smart  
19 guy, he's a very, very good witness. I have another case  
20 entirely not involving utilities at all, and I was  
21 talking to a public health expert in New York and we were  
22 talking about pollution control technology, and he said,  
23 well, you know, I saw this guy testify one time named --  
24 what was his name, his name was Sahu maybe, he's great,  
25 you should go hire him. So, you know, the guy comes well

1 recommended, even independently. And so he's been  
2 helping us with that. And he provided the testimony in  
3 the DTE case on the pollution control stuff, and he also  
4 provided it in the Consumers case.

5 George Evans, who we hired to do the  
6 modeling, does the modeling, but he doesn't independently  
7 say, well, it costs this much to put, you know, injection  
8 equipment for DSI on a unit, or you should need to, you  
9 know, you need to spend this much on sorbents or you need  
10 to put this many sorbents on. And one of the nice things  
11 about his testimony is he always teaches the audience,  
12 not only -- he doesn't only offer the conclusion, but he  
13 says, this is -- he builds upon it. He says, this is  
14 what this sorbent does, this is why they use this one,  
15 this is what it does in the system, this is why they need  
16 to use more than they're saying they need to use, so he's  
17 really good that way. And so that's one of the issues in  
18 the Consumers.

19 We also think that their market price  
20 forecast is high, which is less of an issue for PSCR  
21 actual costs and more of an issue for -- we again think  
22 if the coal units particularly are getting more revenue  
23 because market prices are projected to be higher than  
24 they will be, that could be an issue, so that's another  
25 Section 7 warning issue.

1           And that's -- oh, and then the last one  
2           was Consumers, when they do the modeling of the coal  
3           units and when they do modeling of units during months  
4           when they're projected to be operated economically, which  
5           in 2014 is all months except for the summer months, and  
6           in the out years of the forecast, it's just must-run all  
7           months, but when they actually look at economic  
8           operation, they look at it over a 72-hour window based on  
9           startup time, shutdown time, and cost associated with  
10          that.

11           When they do the actual, and we looked at  
12          this in the context of the reconciliation, they look at a  
13          30-day outlook, and we had a discussion about that  
14          relative to a reconciliation, when they're doing actual  
15          operation, it's based on a 30-day projection, and so we  
16          ran modeling based on a 30-day projection, which is what  
17          they're actually operating based on instead of the 72  
18          that they're modeling based on, and that was also a  
19          million and a half dollars for 2014 of extra costs based  
20          on the way they're -- you know, it -- assuming that all  
21          of the plan estimates were correct, which of course is,  
22          you know, it's a proxy, assuming that all the plan  
23          numbers are correct, the way they actually run the coal  
24          units is more expensive to the customer than the way they  
25          model the coal units, and in terms of are looking over --

1 is this unit going to be profitable over the next 72  
2 hours and making a decision based on that, or is it going  
3 to be profitable over the next 30 days and making a  
4 decision based on that. And so that was the other piece  
5 of our advocacy in Consumers.

6 And then I mentioned Sahu is the other  
7 expert we're seeking, and I think I'm going to stop there  
8 for now. That's an overview of our total request, what  
9 we're doing in the PSCR cases, we expect to do more of  
10 these issues. Some of these things about DSI/ACI, we can  
11 do a lot of that without PROMOD, the market price  
12 forecast was without PROMOD, issues about unprofitable  
13 must-runs, coal at actual cost, profitability of the  
14 Trenton units, all of that stuff is the PROMOD, so that's  
15 why we've offered kind of a two-tiered approach,  
16 depending on what the board feels funding priorities are.

17 MR. MacINNES: So with the PROMOD, have  
18 you been able to actually sit down with them, with the  
19 various utilities, and kind of reconcile that you -- it  
20 all works, you know, you can -- if you use their data,  
21 you come without with the same number and that sort of  
22 thing to make sure that what you're modeling is -- really  
23 works with what they're doing?

24 MR. BZDOK: Yes and no. So --

25 MR. MacINNES: Proving out your model

1 basically.

2 MR. BZDOK: Sure. So the first thing  
3 that the modeler does is he does a test run essentially  
4 where he just uses all of the utilities' inputs and he  
5 re-runs the model and he sees if he gets the same answer,  
6 and he mostly does. Now, the model uses what -- the  
7 model uses this thing they call a Monte Carlo --

8 MR. MacINNES: Simulation.

9 MR. BZDOK: -- simulation for what units  
10 are going to go down and when, and so that's always  
11 different, as I understand it, so you never get exactly  
12 the same result, but you can tell that you're basically  
13 getting the same result. And so to that extent, we are  
14 the same.

15 Now, the utilities will respond that,  
16 well, if you do it your way, you have to do -- you have  
17 to make other assumptions and use other inputs than the  
18 inputs and assumptions that we used, and so we have  
19 debates about that. In other words, we're not in  
20 agreement about what -- if we say there's a \$3 million  
21 savings, that's doesn't mean they agree there's a \$3  
22 million savings. If it did, then we'd settle the case.  
23 So we argue about changes in modeling methods, what  
24 changes in inputs and assumptions do those require. But  
25 the baseline accuracy so far has not been contested,

1           although we haven't, you know, we're not that far yet in  
2           Consumers.

3                           And we have also had some detailed  
4           discussions with Consumers and, frankly, flagged some of  
5           it in our testimony, about places in which the PROMOD,  
6           the exhibits that are filed that say these are the  
7           results and they were generated by PROMOD have some  
8           different numbers in them, different estimated costs in  
9           them than the results of the PROMOD. So PROMOD will say,  
10          in 2015, you're going to spend X on natural gas, and then  
11          you re-run that and that's not the number in their  
12          exhibit, they've added to the number in their exhibit,  
13          and that's all in George Evans' testimony, and it's  
14          adjusted on adjustments that they make after the fact,  
15          and some of them we can understand and some of them we  
16          can not understand.

17                          MR. MacINNES: So you were arguing over  
18          assumptions to a degree?

19                          MR. BZDOK: We're arguing over after  
20          the -- post-modeling adjustments that some of which do  
21          make sense and some of which don't make sense, and they  
22          tend to be -- they tend to push the gas costs higher.

23                          MR. MacINNES: So do you think that the,  
24          given that uncertainty you're talking about, I mean do  
25          you think that the PROMOD -- I mean how are you feeling

1 about that, is it --

2 MR. BZDOK: We feel that, speaking for  
3 myself and I think speaking for the people I've worked  
4 with on these, we feel that this has been a, so far it's  
5 been a very positive experience and it has -- it has had  
6 a -- it sort of feels like we've been able to take things  
7 up one level in terms of the potency of some of this  
8 advocacy, because while we don't necessarily always agree  
9 and we don't necessarily always have the same assumptions  
10 and, you know, we had one mistake by the modeler in some  
11 surrebuttal testimony that we were considering filing  
12 that ended up we didn't do that, you know, so I mean  
13 nothing's perfect, it's a much more powerful -- it's been  
14 a much more powerful level of adequacy so far. I don't  
15 have any decisions yet, so I can't say, you know, PROMOD  
16 resulted in this specific outcome, but it has very much  
17 seemed to us like we've been able to uncover information  
18 that we were not aware of before, we were able to  
19 litigate some of these issues at a higher level than we  
20 were before, and we were able to take certain advocacy  
21 avenues away from the utilities in terms of the conduct  
22 of these proceedings.

23 MR. MacINNES: Well, it would highlight  
24 some sensitivities that you may not have been aware of,  
25 too, some factors like, oh, I didn't know that made this



1 much difference.

2 MR. BZDOK: Right, right. And to be  
3 candid, there were things we thought would make a bigger  
4 difference and did not. So it also helps us focus on the  
5 things that really matter in terms of a cost causation  
6 standpoint.

7 MR. MacINNES: Okay. We need to keep  
8 moving, we've got a lot to go through.

9 MR. SMITH: Can I ask, just with regards  
10 to like an individual plant, when you see the budget  
11 projections being set and you're saying like they're  
12 projecting costs lower than they actually materialize in  
13 a year later, fixing that, if you're blending the capital  
14 costs, is that what you're talking about, like they're  
15 blending the capital costs and the operations costs?

16 MR. BZDOK: If we're talking here about  
17 the replacement -- the spot market cost versus the actual  
18 cost?

19 MR. SMITH: Yeah.

20 MR. BZDOK: So what's happening is the,  
21 for a given unit, the utility is saying here is a set of  
22 costs that are the variable costs, that are the  
23 incremental costs that we use to bid the unit in, it's  
24 not the capital, but it's the incremental costs that we  
25 use to set a bid price, and then if the clearing price on

1 the market is higher than the bid price, then the unit  
2 ramps up. Either it turns on if it's off, if it's being  
3 done economically, or it ramps up if it's must-run and  
4 operating at its minimum load, and then it ramps up when  
5 it meets the clearing price. If that set of costs is  
6 low, because it's -- in terms of what's --

7 MR. SMITH: Artificially --

8 MR. BZDOK: These costs are passed on to  
9 the customer, right, netted against the revenues, but if  
10 these costs are being projected slightly low because of,  
11 they're not including the actual cost of the coal that's  
12 going to be passed on to the customer, the unit's going  
13 to -- there are going to be times when the unit will ramp  
14 up and bid in and burn fuel when it should not if it was  
15 being done based on actual costs; so you're operating the  
16 unit more, and when the margins are very tight, that's  
17 when you're passing the extra costs on to the customer  
18 if --

19 MR. SMITH: And so the savings for the  
20 consumer from that, from understanding that and your  
21 intervention in that, is -- comes from an alternative  
22 source being turned on, a more efficient, cost-effective  
23 source of energy?

24 MR. BZDOK: It comes from when margins  
25 are very tight, the unit not operating at what is truly

1 to the customer a loss.

2 MR. MacINNES: So they're not making good  
3 decisions in dispatching because they have -- I mean  
4 they're not forecasting it correctly?

5 MR. BZDOK: What they have said in the  
6 past is, well, this is the -- this is the theoretical  
7 basis for how you dispatch. What is a true incremental  
8 cost? It's the cost of obtaining the thing that you are  
9 consuming at the price, at the market price you could  
10 obtain it at at the moment in time you're making the  
11 decision, and we're saying but that's not the actual cost  
12 you're passing on to the customer, and now we don't have  
13 to have that as a theoretical debate, we can say, well,  
14 but there are actual dollars associated with this.

15 MR. SMITH: And in your analysis, are you  
16 able to show the relative benefit of a different set of  
17 decisions had they not done that?

18 MR. BZDOK: Yes. The PROMOD modeling  
19 provide that.

20 MR. SMITH: So we're saying like this  
21 plant, because of the way we're doing this purchasing of  
22 fuel, turns on when it's inefficient, and instead we  
23 should be ramping up a more efficient, cost-effective  
24 plant; is that the simple way of saying it?

25 MR. BZDOK: Yeah, or buying the power off  
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1 the market.

2 MR. SMITH: Oh, okay. All right. Thank  
3 you.

4 MR. BZDOK: Yep.

5 MR. MacINNES: Okay. Anymore questions  
6 for Chris? Okay. Thanks, Chris.

7 MR. BZDOK: Thank you.

8 MR. MacINNES: How about if we move on to  
9 RRC.

10 MR. SHALTZ: Thank you, Mr. Chair. The  
11 proposal the RRC has made to you is a little bit  
12 different than the ones you've heard so far; they focus  
13 on gas cases for Michigan's four largest gas utilities.  
14 The proposal is really broken into two parts; one is for  
15 the 2013-14 GCR reconciliation cases that will examine  
16 each of those utility's actual performance during that  
17 period. It's not a planning case, it's an auditing case  
18 where you actually examine how the utilities perform in  
19 the relation to their plan. The second part of the  
20 proposal deals with the 2015-2016 GCR plans of those four  
21 utilities. I'm not going to cover that part of the  
22 proposal today because those cases don't start until the  
23 end of December.

24 One thing I will point out about the  
25 2013-2014 reconciliations that we do want to get into are

1 that they started September of this year. So this  
2 proposal contemplates that for the month of September,  
3 the RRC and its consultant will contribute the work in  
4 those cases pro bono because the fiscal year begins  
5 October 1. So any work we do to get into these cases and  
6 start discovery before October 1 will not be billed to  
7 the fund, only time spent after October 1. That's just  
8 the nature of the timing of the case. We think they're  
9 important cases to get into.

10 What's different this year about the GCR  
11 reconciliation cases is that is in past years, usually  
12 what the primary issue is is to look at the plan that was  
13 approved by the Commission and then determine where the  
14 company performed within the plan and where it went  
15 outside the plan, and in most years they stayed fairly  
16 squarely within the plan. This past winter was so severe  
17 that none of their planning parameters really  
18 contemplated what they were in for. As you'll see from  
19 the proposal, both Consumers and DTE Gas under-recovered  
20 their gas costs by about \$85 million; SEMCO under-  
21 recovered by 27 million; and Michigan Gas Utilities  
22 under-recovered by 8 million. So in the winter when they  
23 were facing this extreme condition, they had to make a  
24 lot of critical decisions about how much more gas do we  
25 buy that's outside of our plan, and how were those

1 decisions made, how much incremental firm transportation  
2 capacity do we have to go and buy to make sure that we  
3 can deliver the gas, and how do we operate our storage  
4 operations; how much do we pull out, how do we work with  
5 our end-user transportations to constrain how much they  
6 can pull out within the tariff language so that the  
7 customers don't have to end up buying more incremental  
8 gas. And basically I think what's going to be  
9 interesting about these cases is that they sort of  
10 present the scenario that we haven't faced for many, many  
11 years; so the auditing of how they performed under these  
12 conditions is going to give us an opportunity to really  
13 look at their gas supply planning under these conditions,  
14 but it will also reveal how do they behave when they have  
15 to get outside their plan. And, you know, one of the  
16 things that's comfortable for the gas utilities is once  
17 they have an approved plan, as long as they stay within  
18 the plan, they don't have to make the extra effort to go  
19 out and mitigate gas costs for the customers because they  
20 can always come back to the Commission and say, we  
21 operated according to our plan. This is going to give us  
22 an opportunity to really put a spotlight on what  
23 operating decisions should be in these conditions and how  
24 it should affect the normal operating plan in terms of  
25 how these companies operate. So that's what's going to

1 be very different about these cases this year and why we  
2 think they're important.

3 Another thing that the utilities have  
4 tended to do in their GCR plans in past years is to give  
5 very vague descriptions of how they're going to operate,  
6 and then to tell the Commission that what happens within  
7 the company is we have periodic monthly operating  
8 meetings where we update the plan, and then we act on  
9 those updates, and the problem is that the Commission has  
10 not really taken a close look at the results of those  
11 operational updates and whether or not they made sense  
12 within the context of what was going on with the utility.  
13 So we think this is going to be an opportunity to  
14 actually get into that whole process to see if we can  
15 somehow get better quantification and description of how  
16 the company should be planning and what should be coming  
17 out of these operational updates and how binding they are  
18 on the utilities themselves.

19 With DTE Gas Company, I think I had  
20 mentioned to the board before that this is the last  
21 holdout of the four gas companies that has very high  
22 levels of fixed-price purchases, and we sort of expected  
23 that with the extremely cold weather, they would have  
24 come out the best of the four gas utilities, but our  
25 preliminary numbers indicate that they lost money

1 compared to how they could have operated by simply buying  
2 gas in the market at index prices. So this is going to  
3 be another opportunity to sort of present a different  
4 argument from a different perspective why this approach  
5 to gas purchasing is not in the best interest of GCR  
6 customers.

7           So I think those are going to be the big  
8 areas that we're going to be looking at in the GCR  
9 reconciliations. We have a protocol that we always go  
10 through that's laid out in our proposal of other issues  
11 that we always sort of check to make sure that nothing's  
12 happened in those areas, and we'll continue to do that;  
13 but I think we're very anxious to get into these cases to  
14 start discovery about how these companies operated under  
15 these extreme conditions and to see how we can use that  
16 information and make a case to the Commission that  
17 there's some lessons to be learned here going forward in  
18 terms of minimizing gas costs, in addition to identifying  
19 cost disallowances where their decisions were imprudent.  
20 We already have sort of formed some preliminary judgments  
21 about which utilities did well and which ones dropped the  
22 ball, so to the extent we can use that information  
23 against them, we try and do that. But that's basically  
24 the proposal for the GCR reconciliation cases.

25           You know, we have fully informed our  
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1 clients about the bind that the board's in with respect  
2 to funding, and if the board decides that it can't grant  
3 us the funding we've requested for these four cases, we  
4 think the course that we've taken in the past in terms of  
5 giving us a number and then letting us allocate that  
6 among the cases based on where we think we're going to  
7 get the best results is probably a good way to go. I'd  
8 be happy to answer any questions you have about the  
9 proposal.

10 MR. MacINNES: Are there any questions?  
11 Should be an interesting analysis.

12 MR. SHALTZ: Yes. Well, thank you.

13 MR. MacINNES: Okay. Thank you.

14 Okay. Don, Great Lakes Renewable Energy  
15 Association.

16 MR. KESKEY: Thank you, Mr. Chairman and  
17 board members. Great Lakes Renewable Energy Association  
18 includes numerous individual residential customer  
19 members, and in the recent cases, the two cases that were  
20 authorized at the last year's grant cycle, U-17317 for  
21 Consumers Energy and 17319 for DTE Electric, both  
22 administrative law judges found that the organization had  
23 a right to intervene, and upon appeal by the Consumers  
24 Energy, the Commission itself issued its order finding,  
25 after a considerable briefing and arguments, that the

1 organization had a right to intervene in the Act 304  
2 cases as a matter of statutory right; in other words,  
3 they have standing to represent residential customers.

4 Our proposal here is to focus on the PSCR  
5 plan and forecast cases again for Consumers Energy and  
6 DTE Electric which would be filed at the end of September  
7 of this year, and we would again focus upon the issue  
8 that the utilities in their forecasting are showing a  
9 flat level of solar generation and capacity, not an  
10 increasing forecast, which either reflects, we believe,  
11 unreality with the matters that are going on in the  
12 industry and in society and in regulation, or it  
13 represents perhaps some intransigence by the utilities  
14 against looking at solar energy as a, as part of the mix,  
15 part of the portfolio, part of the diversity of energy,  
16 or a policy to oppose it.

17 Now, we've also included in our grant  
18 proposal a request to intervene and participate in the  
19 biennial renewable energy plan cases that will be filed  
20 by these two utilities in the first or second quarter of  
21 2015, and if there should be a special filing made, which  
22 we might be hearing rumblings of, but we have not asked  
23 for funds in our budget proposal yet because that's,  
24 again, under the board policy, that's a future, something  
25 that's going to come around mostly we believe in the

1 first or second quarter of 2015.

2 The amount of the budget request we've  
3 made for the PSCR plan cases is exactly the same amounts  
4 for legal and expert that you approved last year; in  
5 other words, last year the board needed to take our  
6 proposal and cut it substantially in terms of the amount  
7 of funds requested, and this year, knowing the situation,  
8 we asked for only exactly what you approved last time for  
9 these two cases.

10 Now, what is the purpose and objectives  
11 of participation on this issue? Well, it's clear that  
12 solar generation in Michigan, surprisingly a lot of  
13 people would think it doesn't really match our climate,  
14 but it really does, because there is reliability and  
15 effectiveness, particularly in the summer months, and  
16 there's a close alignment with air conditioning loads,  
17 which are like 25 percent of the residential load.  
18 There's different kinds of solar generation; there's  
19 utility-owned solar generation and there is customer-  
20 owned opportunities, where the customer, whether it's a  
21 business or a residence, invests itself in the capital  
22 costs of and all the installation, and not the utility  
23 paying for it, but the customer, whereby the customer can  
24 realize over a period of years a payback or economic  
25 benefit. And then there's community solar. Community

1 solar is a situation where a group or a utility on behalf  
2 of residential customers collaborates and combines the  
3 resources of a number of residential customers and has a  
4 solar garden perhaps situated where it's best in terms of  
5 their interconnection and their facilities. We have that  
6 going on in a cooperative up near Traverse City, very  
7 successful program, Board of Water and Light in Lansing  
8 is looking at it more and more; and that, again, is where  
9 the group of residential customers can invest through  
10 power built savings in a project that is done effectively  
11 under a scope and scale of a larger size. And so perhaps  
12 our utilities, while they have been going into wind power  
13 under the state policies, have not really attached  
14 themselves to solar energy, could be a result of the  
15 utilities' desire to control solar, whereas you could  
16 have utility solar, you could have community solar and  
17 you could have customer-invested solar. And the  
18 customer-invested and community solar are perhaps less  
19 susceptible to control by the utilities. It's more like  
20 a delegated source of energy, a distributed power kind of  
21 concept. It empowers the customer to do something about  
22 his energy needs, his capacity, and cutting his bill over  
23 time given his unique, his or her unique circumstances,  
24 or could even be a business.

25 Now, when we talk about looking at the  
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1 continued shift of overall cost of utility being  
2 allocated to a residential class and proposals for that,  
3 one of the questions is, when are you going to give the  
4 residential customer an opportunity to be empowered to  
5 have a choice to do something in response to this shift,  
6 which is really causing quite an increase in electric  
7 rates for residential customers. This is one of the  
8 kinds of things that can be promoted.

9 Now, Indiana Michigan Power in its  
10 testimony in the Indiana Public Utility Commission case  
11 has proposed a, quite an impressive program for going  
12 into solar capacity and generation, and that's in Indiana  
13 Utility Regulatory Commission Case 44511, where the  
14 president and CEO of that utility outlined a program to  
15 increase the use of solar energy, and this would be just  
16 the utility-owned solar energy, not the community solar  
17 or customer-owned solar from an immediate program of  
18 16 megawatts to an eventual program of 700 megawatts by  
19 2033, which is coming fast. But he outlines, and these  
20 are examples of, in his testimony, examples of the  
21 benefits that they see that they believe now is the time  
22 for solar investment. It can offset their purchased  
23 power costs, their fuel costs, they can get benefits by  
24 meeting the environmental laws, which are getting strict,  
25 they can save on other costs, like situating the solar

1 energy near its interconnection facilities and thereby  
2 increasing the economics and the reliability and reducing  
3 congestion costs on the system, and they can also get tax  
4 credits, which reduces the cost. And he points out the  
5 tremendous decreases in the cost of solar energy recently  
6 and the increased economics of it, the benefits of the  
7 technology is increasing and the ability of the utility  
8 to educate itself better on how to promote solar energy  
9 and to interconnect solar energy with the system, and  
10 some of the environmental benefits. It's homegrown  
11 power. You know, the Governor talks about economic  
12 gardening in Michigan. This is a form of delegated  
13 homegrown power sources. It can promote technology, it  
14 can promote jobs in the industry as the need for  
15 increased facilities in this area is undertaken.

16 In Michigan and in other states, the  
17 proposal to advocate for more realistic forecasts and  
18 planning on solar generation with respect to these two  
19 large utilities and to reflect the costs and benefits  
20 thereof in its five-year forecast, and to do a similar  
21 kind of presentation in the biennial plan cases, having a  
22 nexus to Act 304, also promotes legislative policy in  
23 Michigan, because the legislature in Act 295 clearly set  
24 forth a path to have the state diversify its energy  
25 sources, have a better mix of energy sources, portfolio

1 of energy sources, to promote renewable energy, not just  
2 wind, renewable energy of various sorts, including solar,  
3 and it's reflected in the statute that provided for a net  
4 metering program, which is another way of allowing more  
5 self-generation by residential or other customers and  
6 benefit by reducing their bill directly. The net  
7 metering program is expanding, according to the reports  
8 of the Commission, however, the participation is --  
9 there's a lot of room for expansion in capacity and in  
10 the use of solar as public interest increases, as the  
11 cost benefit aligns to being an economic choice, and as  
12 customers learn about this program.

13 So the legislative policy is pretty  
14 clear: Let's promote a mix, promote renewable energy,  
15 let's provide some programs like net metering, and let's  
16 review, as Act 304 has always provided, review their  
17 plans for their energy mix, their sources of generation,  
18 their costs, whether their plan on forecast is  
19 reasonable. And so by advocating for this, is this is  
20 one way to get the dialogue going on we believe a very  
21 unique issue, because nobody is really focused on this  
22 specific issue except for GLREA in the ongoing cases, and  
23 which we would hope to do in the upcoming case.

24 I would like to open it up for any  
25 questions. There's also environmental benefits

1 obviously, there's intangible benefits. There are  
2 benefits that can be measured economically, like  
3 Minnesota has done on the economics of solar generation,  
4 but there's also the intangible benefits of expanding an  
5 industry and empowering local customers, helping  
6 residential customers save on their own utility bills,  
7 diversifying energy sources, meeting the environmental  
8 requirements, reducing pollution, being dynamic, like  
9 other states are doing, in Minnesota, for example. And  
10 so we have, we believe, submitted a modest proposal in  
11 terms of cost, but I think we're opening up -- opening up  
12 a door of opportunity here that we should I guess pursue.

13 MR. MacINNES: Okay. Does the board have  
14 any questions?

15 What is the cost of solar in Michigan  
16 now? How much -- what is it -- what does the state  
17 assume the cost of solar energy is?

18 MR. KESKEY: Well --

19 MR. MacINNES: Or the value of solar?  
20 Not the cost, the value of solar.

21 MR. KESKEY: From what I can remember  
22 derived from the February collaborative that came out of  
23 that, there was a divergent view of that in terms of DTE  
24 Electric and Consumers Energy really had lowball figures  
25 for the value of solar, and I think it was somewhere



1 between 3 and 4 cents per kilowatt hour, whereas the  
2 Minnesota studies and the implementation in Minnesota and  
3 some of the other sources of information would indicate  
4 something more in the range of 13 to 14 cents.

5 MR. MacINNES: So is that something that  
6 you would be working on to try to, you know, really get a  
7 better handle on that along the same lines? I've read  
8 some of the work on the one in Minnesota, they did lot of  
9 work on that, and there are many components to build up  
10 the value of solar. Is that something that your proposal  
11 would address and focus on, or how --

12 MR. KESKEY: There's -- the answer is yes  
13 in this respect, that in the biennial plan cases, I think  
14 this would be one area where you can go into this and get  
15 a more realistic view. I think some of the Commission  
16 reports indicated themselves that they felt that DTE's  
17 data was outdated, for example. And then, secondly, in  
18 the Act 304 cases where you can demonstrate that, first  
19 of all, their plan forecast is not realistic, or is  
20 actually trying to oppose --

21 MR. MacINNES: Well, when you have 3 or 4  
22 cents on the value of solar and many of the other states  
23 I know have much higher values, and they have much higher  
24 penetration, I'm sure a good part of that is the value  
25 that's put on to it by the state.

1 MR. KESKEY: Yeah. And using the  
2 utilities' own data runs from some representative  
3 interconnection points on both DTE and Consumers Energy.  
4 For example, in the two cases we're in, our testimony and  
5 exhibits included an exhibit that demonstrates how solar  
6 can modify the load pattern and the peak demand, it cuts,  
7 it shaves it off in the summer months, and that is -- the  
8 economics of that are quite significant. And so -- and  
9 the president of I&M in his testimony in Indiana filed  
10 only a month ago indicates one of the benefits is  
11 modifying the load pattern and addressing the peak  
12 costs --

13 MR. MacINNES: Like they've done in  
14 California, they've done it significantly there.

15 MR. KESKEY: -- that solar can do. And  
16 wind power is a good renewable source, however, it is  
17 more susceptible to large economic organizations funding  
18 it either in rate base or through whatever, purchased  
19 power agreements. Solar generation, whether it be  
20 community solar or individual customer-owned solar, and  
21 even perhaps utility-owned solar, is something that can  
22 be done not by huge organizations having hundreds of  
23 millions of dollars to put into projects, but it can be  
24 done on a customer-owned basis with the customer's own  
25 desire or interest, and I don't believe the utility

1 studies on the economics really segregate the cost  
2 benefits as when you consider the customer paying for and  
3 investing in the facilities, because that is not a  
4 utility cost, it's not in rate base, it's not something  
5 that the utility has to up front in any way. What are  
6 the economics of that comparison, customer-owned solar  
7 versus the utilities' other costs, whether it be for  
8 nuclear, for coal, or for purchased power from MISO or  
9 for congestion costs, and so when you get into the cost  
10 value of solar, these are refinements that should be made  
11 and pursued.

12 MR. MacINNES: Okay. Well, I think we  
13 need to keep moving on here, but I think we get your  
14 message, and you made a lot of good points that I  
15 completely agree with actually. But, you know, we do  
16 need to demonstrate how this is going to reduce the cost  
17 to ratepayers. That's ultimately where we're going with  
18 this.

19 Michelle.

20 MS. WILSEY: May I just, while we're on  
21 this, ask a question --

22 MR. MacINNES: Uh-huh.

23 MS. WILSEY: -- along that discussion? I  
24 completely understand the biennial plan review and how  
25 this fits, absolutely straight on, but what is presented

1 to the board right now is the PSCR cases. So -- and I  
2 understand the rate case also where this may come in.  
3 With specific argumentation within the context of Act  
4 304, the Commission typically won't establish a program  
5 out of a PSCR case. So what is the argumentation that is  
6 the fit with the PSCR case for the solar?

7 MR. KESKEY: Well, several provisions of  
8 Act 304, including the legislative intent for a planning  
9 in a forecast case was to specifically look at the  
10 various sources of generation or power acquisition,  
11 energy acquisition that the customer -- that the utility  
12 is pursuing, and provides intervention to focus on that.  
13 And when the utility omits an important diversified mix  
14 of energy and capacity like solar, it is not looking at  
15 how that would impact their forecast costs under Act 304  
16 and whether the utility is being realistic. It's not  
17 realistic for them to have a flat forecast for five  
18 years, and nor is it consistent with the legislative  
19 policy under Act 295 and Act 304. And it does affect the  
20 cost, because as we demonstrated in exhibits in the two  
21 cases, which we'd like to expand upon in these cases, is  
22 that the cost of, peak costs of the power generation and  
23 capacity can be cut if you, if you increase your solar  
24 segment, you can shave the cost during the peak, and  
25 that's an Act 304 cost. Act 304 costs; purchased power,

1 fuel, congestion, transmission, I mean the whole -- I  
2 think all 58 services under MISO that the utilities pay  
3 for is tied to either, mostly the energy generation, the  
4 amount of energy generated, purchased and sold, it's  
5 not -- you might have something that, like there are  
6 administrative costs I think is even, MISO's  
7 administrative costs may even be based on that, or it's  
8 based on the peak capacity requirement of the utilities  
9 that are contributing to MISO. But there's a real close  
10 relationship between these utilities' MISO costs and the  
11 mix of generation and how they run their generation in  
12 Michigan.

13 MS. WILSEY: Right. And you feel that  
14 you have the data to support this?

15 MR. KESKEY: In discovery, we asked for  
16 the runs on a lot of their inputs and outputs from MISO  
17 and various interconnect points. And we didn't do  
18 everything we could do in the case, this was the first  
19 case, this is the starter, and there's more of that that  
20 can be done in discovery.

21 MR. MacINNES: So you feel, then, that  
22 this is fully within the purview of an Act 304 case?

23 MR. KESKEY: Absolutely, since the ALJ  
24 and the Commission itself so ruled, focusing directly on  
25 GLREA intervention for this specific purpose. I think

1 the precedent of the Commission is binding, and I mean  
2 binding in the sense it doesn't control your discretion  
3 on the grant, but it certainly is a binding precedent  
4 that refutes any concept that it's beyond the scope of  
5 Act 304.

6 MR. MacINNES: Okay. Any other  
7 questions? Okay. Thank you, Don. Good stuff.

8 Okay. We have some other pending  
9 requests. David, is there anything else you want to say  
10 about 2013-14 reconciliation?

11 MR. SHALTZ: No, that was the same that I  
12 described to you earlier.

13 MR. MacINNES: Don, anything else on the  
14 supplemental, anything on the supplemental grant request  
15 14-05?

16 MR. KESKEY: I would just state, besides  
17 the memo and presentation at the last meeting, that  
18 July 23 memo and also my August 18 e-mail to the board,  
19 that pursuant to your authority at the last meeting, we  
20 worked out an arrangement to transfer \$3,000 from the  
21 legal budget in DTE Electric 17319 to the expert budget  
22 17317 to permit the filing of testimony, which was done  
23 on August 12, and that we would still request the  
24 supplemental funding because the cases are, as they have  
25 been delayed, we're really at midstream. There has been

1 no briefing yet, there's been no hearings yet in  
2 Consumers Energy, and then after the briefing, there's  
3 reply briefing and proposals for decision and then briefs  
4 after that before you even get to the Commission. So it  
5 seems that the amount of work done so far, thus far in  
6 the cases with the testimony filings, it's important to  
7 follow through in the cases to completion. And so that's  
8 the --

9 MR. MacINNES: And this is the \$15,150  
10 for each --

11 MR. KESKEY: Yes, it is.

12 MR. MacINNES: -- each case? Okay.

13 Any questions on that from the board?

14 And that's in this document here.

15 MR. KESKEY: I'm not sure. I probably --  
16 that funding on supplemental requests would be pursuant  
17 to your appropriations in this current fiscal year, in  
18 other words, under grant 14-05, and our other grant  
19 request is for the new cycle.

20 MR. MacINNES: Right, right. So these  
21 are --

22 MS. WILSEY: These are the pending.

23 MR. MacINNES: Yeah, we're going over the  
24 '14, this year's and not the next year's, this year's,  
25 plus the cost-of-service. Okay.

1                   The next item would be the MEC 14-03  
2 grant amendment. Chris.

3                   MR. BZDOK: Yes. This was the two PSCR  
4 reconciliation cases for Consumers Energy and DTE  
5 Electric. The board granted a partial in the spring with  
6 the idea of coming back later with more information. We  
7 did that that at your first August meeting. At that  
8 point the funding situation arose and the board indicated  
9 it was not going to take further action on fiscal year  
10 '14 funding requests. To the extent that these requests  
11 are being grouped in with the fiscal '15 requests, I  
12 would say that these cases, that they contain issues that  
13 we are interested in, however, in terms of what is at  
14 stake for residential ratepayers, I would indicate that  
15 the PSCR plan cases and the PROMOD request and the  
16 cost-of-service joint request with CARE, I would place --  
17 I would candidly indicate that I believe there is more at  
18 stake in terms of dollars for residential customers in  
19 those cases, and so if the board is in a scarcity  
20 situation, you know, that's my feedback.

21                   MR. MacINNES: Thank you. Good feedback.  
22 Appreciate that.

23                   Any other questions from the board?

24                   Okay. Let's go to the big Kahuna here,  
25 the CARE/MEC grant request for the cost-of-service



1 proceedings. And I don't know how you want to handle  
2 that.

3 MS. WILSEY: I'll defer to the two  
4 gentlemen here to --

5 MR. LISKEY: I'll let Chris take the  
6 lead. Chris is taking the lead on this from a legal  
7 perspective.

8 MR. MacINNES: Okay.

9 MR. BZDOK: I'll come over here so that  
10 Mr. Liskey can elbow me if I -- So this is a joint  
11 request by CARE and by MEC for funding in the cost-of-  
12 service cases that have been convened now and have been  
13 opened under PA 169 of 2014. We did a brief presentation  
14 for the board on these cases at your first meeting in  
15 August, and so I think I'm probably going to be in a more  
16 summary fashion now, unless the board wants more detail  
17 on any of these issues.

18 So by way of a recap, these cases are  
19 being opened to look at, at one level, they are looking  
20 at the way in which utility costs specific to  
21 transmission capacity, distribution capacity and  
22 production capacity are allocated among the customer  
23 classes, residential, commercial, and industrial, and  
24 yet -- and there is also language in the statute  
25 basically that also opens these cases up to broader rate

1 design, rate redesign proposals and issues.

2 We are proposing jointly to participate  
3 in these cases on behalf of residential customers, as was  
4 provided for by the legislature with the companion bill.  
5 We are proposing a team of people and a two-prong  
6 strategy. The team of people includes my firm in a  
7 primary litigation role, Mr. Liskey and his colleagues in  
8 what I would call a strategy and settlement and tactical  
9 type of a role. Mr. Jester is the primary witness on the  
10 issues, with some support work also from the CARE team on  
11 what we are calling the offense prong of the strategy,  
12 which is making rate design and redesign proposals and  
13 rate allocation proposals that are going to get at some  
14 of the issues that are driving this desire to reallocate  
15 costs, and the desire to reallocate costs is being driven  
16 largely in the direction of putting more and more of the  
17 costs on to residential customers on the reasoning that  
18 many of these costs we're talking about are driven in  
19 some way by peak demand and by the costs of having enough  
20 capacity to serve peak demand. And so how do we need to  
21 be looking proactively at rate design and at utility  
22 operations in such a way as to lower those peaks and also  
23 to provide customers with options to reduce their  
24 contribution to those peaks and thereby their costs, and  
25 that's one prong of the proposal. And the other prong of

1 the proposal will be -- the primary witness will be  
2 Mr. Sansoucy and his firm, which is more of the defense  
3 prong, which is essentially an attempt to try to claw  
4 back some of these costs that the industrial and perhaps  
5 the utilities are going to seek to reallocate on to  
6 residential customers based on essentially pushing back  
7 on and attempting to refute some of the arguments driving  
8 that, and I've given you a couple of examples of that.

9           One of the proposals, right now a portion  
10 of the costs are allocated based on, for production  
11 capacity are allocated based on peaks; right now it's  
12 50 percent of the formula goes to peaks. For Consumers  
13 Energy, it is summer peaks, for summer peaks, and for  
14 DTE, it is 12 monthly peaks. And one of the arguments is  
15 going to be that -- and so the industrial customers want  
16 to go to four summer peaks for both utilities; and one of  
17 the arguments is going to be that a lot of DTE's large  
18 industrial customers get involved in shutdowns and  
19 furloughs and things like that, retooling in the summer,  
20 and so that's not an accurate representation of -- if  
21 we're putting so much of the emphasis on peak demand in  
22 the summer and some of these industrial customers  
23 typically have a lower level of production in the summer  
24 because of these various issues, that is going to under-  
25 represent their contribution to that cost. We also

1 have -- we also are going to be looking at really the  
2 relationship. Right now the allocation formula includes  
3 a component for total energy use and a component for on-  
4 peak energy use, and we think that components including  
5 those are more appropriate than a purely demand-driven,  
6 amongst other reasons, because if these demand peaks are  
7 being driven by residential air conditioning at certain  
8 times in the summer, we believe that a lot of that peak  
9 is being met with nonutility resources or with relatively  
10 cheaper cost of ownership type of facilities, combustion  
11 turbines, et cetera. All of this is just scratching the  
12 surface. What we know now, which is in the absence of  
13 the proposals having been made, the cases are open but  
14 the proposals have not been made, and the intelligence  
15 we've been able to glean from some reports we've provided  
16 you with.

17 I'm going to turn it over to Douglas for  
18 a recap of his comments on the offensive prong of the  
19 strategy relative to rate design and redesign and  
20 customer options.

21 MR. JESTER: Thanks. Very briefly, the  
22 proposition we want to advance is that if policy is going  
23 to shift more of these costs on to residential ratepayers  
24 on the theory that their peak uses are driving costs,  
25 then they need to be enabled to change their behavior and

1 investments and avoid those higher costs. So having  
2 rates that vary with time and inform people about, you  
3 know, what is expensive to serve versus what is cheap to  
4 serve is, you know, one really important part of that.  
5 Another is that we already have a pretty complicated  
6 system of rates, and there's risk that they will get even  
7 more complicated; and people don't have competitors  
8 coming to them saying I can serve you more cheaply than  
9 this other guy, so there's very clear evidence that many  
10 people are in rate classes that are higher costs than  
11 what could be -- what would be best for them, and so we  
12 need to make sure that they get the tools for making  
13 those choices from the utilities that serve them. And  
14 then there are a number of utility practices that either  
15 would provide assistance to customers in avoiding high-  
16 cost power consumption or would, on the utility side,  
17 lower the cost of peak power. We need to make sure that  
18 all of those things are properly deployed if we're  
19 starting to put these kinds of costs on to ratepayers.

20 So the core idea really is to say, if  
21 we're going to look at rate designs that potentially put  
22 more costs on to residential ratepayers, let's do all the  
23 things that we ought to do to both lower their costs and  
24 lower the total system costs by providing them  
25 information in the way of pricing incentives, in the way

1 of pricing technologies that would keep them informed and  
2 let them respond, and then make sure that the utilities  
3 are clearly focused on controlling those costs that we're  
4 now shifting to residential ratepayers.

5 MR. MacINNES: Okay. Do the board  
6 members have any questions?

7 MS. HAROUTUNIAN: I have a question. If  
8 the industrial use goes down because they're attempting  
9 to keep their costs down during the summer when it's hot  
10 and everything and they'll do their retooling and all,  
11 shouldn't the residents' extra use be absorbed within the  
12 industrial reduced use so that you're not peaking so  
13 much, you're just more steady state with it; and  
14 therefore, why are we getting hit with massive costs? I  
15 mean --

16 MR. JESTER: So in part the answer is  
17 yes. The problem is that they're trying to focus on a  
18 few very short time intervals of the year, four hours of  
19 the year as the basis for allocating these costs, and  
20 those, under current circumstances, tend to be hot,  
21 humid, sunny days that drive a lot of air conditioning,  
22 and so it still winds up, you know, loading those costs  
23 on to residential ratepayers. The reality is that most  
24 of the capital costs that the utilities incur are not  
25 actually to meet peak, because you can, Chris mentioned

1 that you can use peaking units for that. The capital  
2 costs are to minimize operating costs, providing more  
3 efficient units the rest of the year, and we need to get  
4 that part clear in all of this. That goes to the  
5 defensive strategy that Chris was talking about.

6 MS. HAROUTUNIAN: And this may sound  
7 stupid, but I'm asking anyway. If it's as limited as you  
8 say, you know, four hours here, four hours next week,  
9 that sort of thing, are the residents just going to get  
10 charged more for those brief periods, or is it overall  
11 we're going to pay more because those periods come within  
12 this timeframe, whatever?

13 MR. JESTER: Our concern is that they're  
14 going to just allocate costs to residential ratepayers  
15 based on those short periods, but put it in the average  
16 rates so that you don't know as a residential ratepayer  
17 what I'm doing is costing a lot. So the alternative  
18 pricing schemes that we think the utilities should be  
19 offering would in fact price much lower rest of the year,  
20 price high during those few hours, and tell you, hey, you  
21 can avoid these costs if you want to, it's your choice,  
22 but, you know, maybe you can go to the movies instead of  
23 running the air conditioner or whatever, and then your  
24 overall bill could actually be lowered by that. But it's  
25 making sure that you have that choice that will be the

1 core of this.

2 MR. MacINNES: Which we saw, we --  
3 Douglas and I went to the peak shaving workshop put on by  
4 the National Governors Association, we saw an example of  
5 that from a, wasn't it an Oklahoma utility, where the  
6 rate actually could drop for a residential ratepayer,  
7 providing you shut off during the peak periods. So  
8 that's a -- that could be a benefit for us.

9 MS. HAROUTUNIAN: Yes.

10 MR. MacINNES: But there needs to be  
11 feedback where we can identify when to shut things off.

12 Any other questions?

13 You know, one thing that strikes me, and  
14 I would point out to our board members this document,  
15 Energy Intensive Industrial Rates Work Group Report was  
16 referred to in your writeup, Chris's writeup, and this  
17 was a group of large energy-intensive users that met with  
18 the Michigan Energy Office and with Steve Bakkal, and  
19 they put out, you know, they discussed all of this.  
20 Really, there is a very interesting breakdown of how they  
21 would be looking at it, and they did some sensitivity  
22 studies. So I would urge the board members to read this.  
23 It's referenced in Chris's document, and it will help to  
24 explain what is being proposed.

25 One of the things, you know, in reading  
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1 that that kind of made it, to me -- and I'm, you know,  
2 I'm certainly not an expert in this -- but it would --  
3 they're looking at shifting it all to demand, to the  
4 peaks, right, basically, and but yet on the other side,  
5 they -- we hear so often about how, gee, we don't want to  
6 lose anybody, we don't want to lose any kilowatt hours,  
7 in other words, energy, because if we lose the sale of  
8 kilowatt hours, then we're going to have to amortize  
9 those power plant costs over other high -- you know,  
10 raise everybody else's rate because we lost those  
11 kilowatt hours. So hum, to me that says, well, energy  
12 consumption is a factor and should be considered in this  
13 analysis, and not base it all on demand. So I think  
14 there's a -- you know, that doesn't make sense, we can't  
15 have it both ways kind of thing. So I'm hoping that you  
16 all would be -- I'm sure you're on top of that argument,  
17 but, you know, it's, I think, important. It's a key  
18 argument I think. And that's the reason there is a  
19 10-percent rate cap -- or not rate cap -- but 10-percent  
20 cap to move, you know, for Customer Choice, right,  
21 because they don't want people moving off because they'll  
22 lose kilowatt hours of sales, which will hurt the  
23 amortization of the power plants and transmission and  
24 distribution lines and all the other stuff.

25 So any other comments or questions on  
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1 that?

2 One other thing, I'm -- you know, we,  
3 again, to the extent we fund this effort, that's going to  
4 be, you know, will be borrowing from the AG's office, so  
5 we'll have to keep that in mind. Is this a one-off  
6 thing, do we think we'll have another bite at this, or is  
7 this -- do we have to decide and go?

8 MR. LISKEY: I can jump in here.  
9 Interestingly enough, this is -- I've never seen  
10 legislation written like this. It calls for three cases,  
11 Consumers, Detroit Edison and I&M, but, and I think all  
12 the others, but it's set forth that first up are these  
13 two cases. I&M is further down the road. And hopefully  
14 precedence will be set and the other cases won't be as  
15 litigious. But when the administrative law judge writes  
16 their proposal for decision, it is required by this law  
17 to be sent to the legislature; so before the Commission  
18 even issues an order, the legislature is going to look at  
19 it, and what that means is anybody's guess. But it's --  
20 I've never -- I mean I don't know.

21 MR. MacINNES: So the legislature could  
22 pass a bill requiring certain rates and bypass the MPSC;  
23 is that possible?

24 MR. BZDOK: Don't they call that a bill  
25 of attainder, where you can't pass a law to --

1 MR. LISKEY: I'm just --

2 MR. MacINNES: Is that possible?

3 MR. JESTER: It is possible. And I think  
4 it's pretty clear what the legislature intended by the  
5 way they laid all of this out is a sort of one-time  
6 policy change, and then in the future, you know, all the  
7 rate cases would be in that context. So we would still  
8 have the arguments over particular costs and, you know,  
9 whether they're legitimate and whether they're properly  
10 allocated, but the pattern would be set by these cases.  
11 So these are probably long-term shifts in the relative  
12 allocation of costs.

13 MR. BZDOK: And there was an earlier  
14 version of this bill that more or less directed that  
15 result, and that was then -- they rethought that and  
16 thought better of that, and I don't know all the details,  
17 but, you know, so this is -- we do have an open case and  
18 we no longer have legislative direction to reach a  
19 result; so I mean we are going to be relying on the  
20 evidence received and the diligence of the ALJs and the  
21 judgment of the Commissioners without, you know -- you  
22 know, the legislature has sort of set the table, but they  
23 are no longer mandating a result, although there is this  
24 funny interim step. But so they do appear to be one  
25 time, and but we believe they could have reverberations

1 in the future, both because the allocation once set can  
2 be maintained, and also because, you know, they've opened  
3 it up to sort of this larger rates design discussion, and  
4 it's -- the easiest thing for a regulator do is say, oh,  
5 yeah, we ought to get to that sometime, too. And so it's  
6 very essential, we think, that in addition to trying to  
7 claw back some of this reallocation on the merits, that  
8 we also have specific proposals for them to vet, in part  
9 because they're needed, and in part because it does not  
10 provide an easy out to, well, let's look at some  
11 proposals later in the future. No, here, if you're going  
12 to raise some rates, here are proposals right now, say,  
13 you know, yes or no, because otherwise you're just  
14 raising rates. That's -- I mean that's going to be  
15 the -- I think that's going to be kind of how this, some  
16 of this could play out on the treetops level.

17 MR. LISKEY: Just to end on a -- you  
18 know, a sense of humor is so rare in the discussion of  
19 the, this whole topic. When the Commission -- so I want  
20 to leave you with that on light note. When the  
21 Commission issued its orders implementing these cases and  
22 discussing the requirement that the ALJ must submit his  
23 proposal to the legislature at the same time he submits  
24 it to the Commission, the Commission said something to  
25 the effect, and these are the exact words, unlike Carnac

1 the Magnificent, the administrative law judge can not see  
2 into the future, and so in order to accommodate the  
3 legislature's request, it's going to be paramount on the  
4 utilities to be very forthright and transparent and -- so  
5 anyway, I thought I wanted to leave you with a little bit  
6 of humor. Doesn't happen often.

7 MR. MacINNES: Okay. Any other questions  
8 or comments?

9 Lots of good presentations. How about if  
10 we take a break here and go through some of this, and  
11 then go back into session once we've had a chance to  
12 digest all of this good information.

13 (At 3:23 p.m., there was a 44-minute recess.)

14 MR. MacINNES: All right. I think we're  
15 ready to reconvene at 4:07 for the award. Okay. Do we  
16 have a -- we've duly considered all the information here,  
17 and do we have a motion?

18 MR. DINKGRAVE: We have several motions.  
19 And as I go through these, Michelle is going to help me  
20 with specifying the exact cases that we're talking about  
21 for our proposed phase one.

22 So first for CARE, I move to approve the  
23 CARE grant request in the amount of \$25,000 for the small  
24 and medium utility PSCR cases. Approved funds to be  
25 distributed by grantee, and those cases are:

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1 MS. WILSEY: Alpena Power, I&M Power, NSP  
2 Wisconsin d/b/a Xcel, UPPCO, WEPCo and Wisconsin Public  
3 Service. Of course, the cases identified by the grantee  
4 for focus of those funds.

5 MR. MacINNES: Okay. We have a motion.  
6 Do we have support?

7 MR. SMITH: Support.

8 mr.ma: Is there further discussion?  
9 Hearing no discussion, all those in favor please signify  
10 by saying aye.

11 BOARD MEMBERS: Aye.

12 MR. MacINNES: Opposed, same sign.

13 MR. DINKGRAVE: Okay. Also in regard to  
14 CARE, I move to approve the CARE grant request in the  
15 total amount of zero dollars for FERC and MISO  
16 proceedings.

17 MR. MacINNES: So we have a motion to  
18 really not fund MISO.

19 MS. WILSEY: Because we tallied the  
20 numbers, I thought we needed to make a positive motion,  
21 if that's the decision of the board.

22 MR. MacINNES: Is there support?

23 MR. ISELY: Support.

24 MR. MacINNES: Is there any discussion?

25 MR. SMITH: So just to say thank you so

1 much for the initiation of MISO work, I think we funded  
2 appropriately when we got into that series of  
3 investigations and the casework there. If something  
4 starts to emerge that is more clearcut -- it feels like  
5 we're in monitoring mode now more than intervention  
6 mode -- so I'd be interested in like knowing if you hear  
7 things or if you're seeing things out in the world where  
8 there's a more direct action moment for us, but  
9 otherwise, given the financial crunch, I'm particularly  
10 interested in those more tangible interventions.

11 MR. MacINNES: And I feel like we've  
12 spent a lot of time with MISO, and I think it was well  
13 spent. We had a lot to learn and discuss with MISO, and  
14 we funded some activity for a period of time, but  
15 personally, I think we ought to be focusing more on the  
16 utilities. I think that's where, that's where we need to  
17 concentrate our resources. And if something comes along  
18 with MISO that, you know, we think we can make a  
19 difference, you know, it's something we'd look at, but  
20 I'd like to see the AG's office and others get more  
21 involved with that rather than us trying to do it. And I  
22 thought about it a lot and I talked with some of the  
23 Public Service Commissioners about it. So that's my two  
24 cents on that.

25 Any other discussion?

1 MR. DINKGRAVE: If I understand right,  
2 there's some precedent for the states and the Attorney  
3 Generals' offices to be the advocate for those states and  
4 representing those.

5 MR. MacINNES: Yes, exactly, they have.

6 Okay. All those in favor, please signify  
7 by saying aye.

8 BOARD MEMBERS: Aye.

9 MR. MacINNES: Opposed, same sign.

10 MR. DINKGRAVE: I move to approve the MEC  
11 grant request in the total amount of \$141,400 for  
12 intervention in the Consumers and DTE rate cases, PSCR  
13 plan and reconciliation cases, and --

14 MS. WILSEY: Just plan cases.

15 MR. DINKGRAVE: Okay. We'll stop.

16 Approved funds to be distributed by grantee.

17 MR. SMITH: Support.

18 MR. MacINNES: Any discussion?

19 We are encouraging that you continue with  
20 the PROMOD and really try to work that, really get that  
21 fine tuned and use that. That's a unique -- one of the  
22 criteria is unique approach, and I think nobody else is  
23 using that approach. I think as we learned from the work  
24 we did with MISO, that the PROMOD is a key concept, and  
25 the more that we can get into the black box and



1 understand what's going on, the better, so we encourage  
2 your work in that.

3 MR. BZDOK: Thank you.

4 MR. MacINNES: Any other discussion?

5 MR. SMITH: Did I hear that correctly,  
6 this is just for the cases to be filed in September,  
7 correct?

8 MS. WILSEY: Correct. There's two,  
9 Consumers and Detroit Edison PSCR plan cases.

10 MR. MacINNES: All those in favor, please  
11 say aye.

12 BOARD MEMBERS: Aye.

13 MR. MacINNES: Opposed, same sign.

14 MR. DINKGRAVE: I move to approve the RRC  
15 grant request in the total amount of \$60,000 for  
16 intervention in Consumers, DTE Gas, SEMCO and MGU GCR  
17 plan --

18 MS. WILSEY: Reconciliation.

19 MR. DINKGRAVE: -- reconciliation cases.  
20 Approved funds to be distributed by grantee.

21 MR. MacINNES: There's a motion. Is  
22 there support?

23 MR. ISELY: Support.

24 MR. MacINNES: Any discussion?

25 All those in favor, please say aye.

1 BOARD MEMBERS: Aye.

2 MR. MacINNES: Opposed, same sign.

3 MR. DINKGRAVE: Okay. I move to approve  
4 the GLREA grant request in the total amount of \$50,000  
5 for intervention in Consumers and DTE PSCR plan cases.  
6 Approved funds to be distributed by grantee.

7 MR. MacINNES: We have a motion. Is  
8 there support?

9 MR. ISELY: Support.

10 MR. MacINNES: Is there any discussion?  
11 I think you made some good comments and, you know, this  
12 will be good for us to follow some of the rest of the  
13 states that are doing just what you were talking about.

14 MR. SMITH: So I -- I'm sorry. I'm still  
15 worried about the sort of cost benefit. I think the cost  
16 benefit of solar in particular is long term rather than  
17 short term, so I'm nervous about the ROI on this  
18 particular work from these particular cases. I'd like us  
19 to be sure that we're paying very close attention to it  
20 if we're fully funding them, that that I think has to be  
21 a really, you know --

22 MR. MacINNES: Important.

23 MR. SMITH: -- high focus point for us.

24 MR. MacINNES: I think if you do look at  
25 the peak shaving capability, though, it can be pretty

1 cost-effective.

2 MR. SMITH: Okay.

3 MR. MacINNES: If you look at that peak  
4 time. But that's a point well taken and, you know, we  
5 will -- we want to see some progress on that and some  
6 numbers that back that up.

7 MR. SMITH: I worry a little bit about --  
8 I mean, Don, maybe this is someplace that you could get  
9 us more information and more data about the capital cost  
10 of investment and their like return for Consumers, so  
11 thinking in that 20-, 50-year perspective on those kinds  
12 of renewable investments. When we've done this work at  
13 the municipal scale, you know, we're talking 20 years to  
14 recover our costs and, you know, that's a long time to  
15 wait. Maybe it's better in the -- as you scale up, you  
16 know. You know, we're certainly not a utility at the  
17 municipal scale, but.

18 MR. KESKEY: Well, we can look at that  
19 and also maybe glean some data from other utilities even  
20 that are going into it and see, you know, because the  
21 numbers are changing rapidly. The Staff's renewable  
22 study just issued at the end of June said there's a  
23 50-percent decline in the cost of solar facilities since  
24 Act 295, which is only a few years -- I mean several  
25 years, but it's a big decline, and then there's that

1 30-percent investment tax credit, it's going to go lower  
2 in some future years but, you know, there's some federal  
3 policy here to help economics. So I think your paybacks  
4 are quite a bit shorter than 20 years now.

5 MR. SMITH: Good.

6 MR. KESKEY: And quite frankly, some  
7 customers, residential customers are showing a lot of  
8 interest in solar even if it takes 10 years to pay back,  
9 12 years to pay back, because as matter of public  
10 interest and their view of the environment, they -- and  
11 their view of wanting to be more independent on their  
12 energy needs and costs, that they would want to do it  
13 anyway. They don't require as short a payback as a  
14 utility would, for example, or maybe General Motors or  
15 somebody, and that's what the co-op up near Traverse City  
16 is finding out is that they're getting sign-ups by  
17 residential customers on their community solar project  
18 even though the payback may be something like 12 years.  
19 The paybacks are shortening.

20 MR. SMITH: I just want us to pay close  
21 attention to the, what money we're saving consumers with  
22 these dollars and not like go too far afield into, you  
23 know, advocacy for things that I love, but --

24 MR. MacINNES: Well, the request was for  
25 62,000, we funded it for 50. I mean I think your point

1 is well taken. But if you look at what the other states  
2 are doing, they're much more aggressive in this area than  
3 we have been. If you look at Minnesota, if you look at  
4 Arizona, bunch of other states, I'm sure Douglas has a  
5 long list of states he could list. So.

6 Okay. Any other discussion? All those  
7 in favor, please say aye.

8 BOARD MEMBERS: Aye.

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

10 MR. DINKGRAVE: All right. Last, but  
11 certainly not least, the cost-of-service proceedings. I  
12 move to approve the MEC/CARE joint grant request in the  
13 amount of \$200,000 for intervention in Consumers and DTE  
14 cost-of-service proceeding. Approved funds to be  
15 distributed by grantee.

16 MR. MacINNES: Is there support?

17 MR. ISELY: Support.

18 MR. MacINNES: Discussion?

19 MR. DINKGRAVE: I would just say from my  
20 perspective, at least in terms of my time on the board,  
21 it's been, coordination and collaboration have been two  
22 things I think I've talked about we'd like to see, and  
23 have been very happy with what we've seen so far. I  
24 think this is our first collaborative grant request,  
25 right, so very happy to see it and very happy to support

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1 it. It's important work, and in terms of coordination,  
2 also, we've talked about that with the Attorney General's  
3 office, but happy to see a joint request and look forward  
4 to supporting it.

5 MR. BZDOK: Thank you.

6 MR. MacINNES: Any other comments?

7 Conan.

8 MR. SMITH: So I'm surprised at the size  
9 of this amount since we're just walking in these like  
10 from a timing standpoint. I'd like to sort of know like  
11 what the details of these cases are that we're going to  
12 be funding intervention around before we went like this  
13 deeply into it myself. So I guess that's my only  
14 comment.

15 MR. MacINNES: I think --

16 MR. SMITH: I liked our phasing approach  
17 last year.

18 MR. MacINNES: Right. Is there -- going  
19 back to the grantees here for a minute, is there a  
20 phasing approach in this that we didn't consider?

21 MR. LISKEY: On the cost-of-service  
22 cases, no, absolutely not. It's required by the  
23 legislature that these cases be filed within -- well, the  
24 docket had to be opened by August 16, and the cases have  
25 to be filed by --

1 MR. BZDOK: October 6, I believe.

2 MR. SMITH: When do you expect

3 settlement?

4 MR. LISKEY: Expect what?

5 MR. SMITH: When do you expect them to be

6 done?

7 MR. BZDOK: They have a 270-day

8 timeframe.

9 MR. SMITH: So that's like nine months.

10 That was my --

11 MR. JESTER: But remember that proposal  
12 for decision that has to go to the legislature, it's  
13 required by roughly March, and I don't remember the exact  
14 date and, you know, that's a large part of the decision  
15 is baked in at that point.

16 MR. BZDOK: My suggestion would be  
17 that -- and I'm just, I'm speaking for myself essentially  
18 at this point -- would be that we would, these proposals  
19 will get filed, we'll be in the case by then if the board  
20 approves this motion, and we would provide a detailed  
21 written and verbal update to the board in advance of, and  
22 then at your December meeting I think we'll be at, you  
23 know, we'll be into the cases with some discovery and  
24 some development of some details, we can provide all that  
25 to the board, and if the board has direction, you know,

1 at that point. But I would concur with John's approach.

2 MR. MacINNES: I think the feeling here  
3 was that this is a milestone case, and that we have a  
4 short window to make our case, and that we really need to  
5 make sure we have the resources right there so they can  
6 get started on it right away. So it's kind of an  
7 unusual -- I look at it as a very unusual -- well, it is  
8 unusual. We don't normally do that, you know, fund that  
9 much in those situations, we spread it out, as we're  
10 doing with everything else today.

11 MR. SMITH: Right, right.

12 MR. MacINNES: Michelle.

13 MS. WILSEY: If I could make a comment.

14 And I think everyone's deliberations focused on the idea,  
15 the understanding that this places a burden on the board,  
16 you know, this is a burden on the board in the sense that  
17 we're accept, you know, the board is accepting this  
18 additional amount with the -- so I don't think it was  
19 weighed lightly at all. And I hope the grantees in the  
20 realization that, you know, this is an amount that the  
21 board has had to bring forward, increasing its repayment  
22 amortization over time, and that's going to restrict  
23 funds in the future, unless there's a larger resolution  
24 made. So that being said, work wisely and communicate  
25 and, you know --



1 MR. MacINNES: Keep us informed. It's a  
2 big deal, no question about it.

3 Any other comments? All those in favor,  
4 please say aye.

5 MS. HAROUTUNIAN: Aye.

6 MR. ISELY: Aye.

7 MR. DINKGRAVE: Aye.

8 MR. MacINNES: Aye.

9 BOARD MEMBERS: Opposed, same sign.

10 MR. SMITH: I'm going to oppose that one.  
11 It might be the first time I've ever heard anyone on this  
12 board say no.

13 MS. WILSEY: It's a good debate. I mean  
14 this was a difficult, the most difficult situation the  
15 board has ever faced financially, and with no notice  
16 basically.

17 MR. MacINNES: Okay. So that takes care  
18 of all the awards.

19 And the next item of business is the  
20 2015-2016 board assistant contract, and we have a letter  
21 here which discusses, which kind of formalizes more of  
22 what we had discussed in concept at the last meeting.  
23 And I don't know if we need to go over this anymore. I  
24 think -- do you want to say a couple words about it?

25 MS. WILSEY: I will, but let me just  
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1 interject a moment. There were other pending requests,  
2 and I'm being asked about any action on those. There  
3 were no motions that were brought to me to advance those,  
4 so maybe the board could speak to that or clarify if  
5 they're taking action on any of the backward 2014  
6 requests, the other deferred requests that were  
7 presented.

8 MR. MacINNES: Right. Well --

9 MS. WILSEY: None of the proposals were  
10 offered to me to make.

11 MR. MacINNES: Right, right. I think our  
12 feeling is that, you know, we want to go forward with the  
13 2015, that the priority was, you know, getting that done  
14 and holding off on the others. I mean I think that was  
15 the general -- I don't know if anybody else has any  
16 comments or thoughts on that. Recognizing that we have  
17 limited funds and we have to be even tighter with what we  
18 have.

19 MR. ISELY: Certainly my view on the  
20 additional cases that were here, and I think -- was that  
21 given the limited funds that, we're focusing on ROI, and  
22 so, you know, and we had to go that way.

23 MR. KESKEY: I just was wondering whether  
24 the fact they're different appropriations of different  
25 grant years, whether, you know, it makes a difference on

1 your funding resources; in other words, the ongoing cases  
2 that were extended at your last board meeting, but you at  
3 that time couldn't consider funding because of the budget  
4 situation, whether that has changed or whether or not in  
5 fact the funds may be available from existing balances,  
6 not the upcoming year.

7 MR. MacINNES: Well, I think we felt that  
8 we're still limited in funds, and we had to make some  
9 difficult decisions.

10 MS. WILSEY: I can answer that. There's  
11 some sorting out still, but I believe from the LARA  
12 perspective that was presented to me, that they felt that  
13 the available funds for '14 were exhausted entirely, and  
14 we had already utilized, if the split of reserve was  
15 considered, we had already gone into arrears.

16 MS. WORDEN: That's exactly right.

17 MS. WILSEY: Thank you, Shawn.

18 MR. MacINNES: Thank you.

19 MS. WILSEY: Therefore, even though  
20 there's spending authorization, there is no funding,  
21 which resulted in the negotiations for 2015. So the only  
22 way to do it would be to fund '14 out of prospective '15  
23 funds, and I think that the board was not wanting to --

24 MR. MacINNES: I think that would have  
25 been more on the table if we didn't have this big

1 cost-of-service issue --

2 MR. KESKEY: Is it possible --

3 MR. MacINNES: -- that we feel is very  
4 important, extremely important.

5 MR. KESKEY: Is it possible to get  
6 authority from the board to use the \$50,000 grant for all  
7 four cases; in other words, the ones that are ongoing,  
8 there's two cases, the 17317, 17319, and then the two new  
9 cases, and then determine how we would split that?

10 MR. MacINNES: I don't know. Is that --

11 MR. KESKEY: It's not changing the  
12 amount, but it's just providing the authority that we  
13 just don't drop out of the cases we're in that we've  
14 already filed testimony in.

15 MR. MacINNES: What do you think,  
16 Michelle?

17 MS. WILSEY: There's some complications  
18 with that certainly, because in effect you would be  
19 granting -- you would be doing the same thing.

20 MR. MacINNES: It's basically the same  
21 thing. Those are 2015 --

22 MS. WILSEY: Plus you would have to close  
23 the 2014 grant for those cases to be able to open.

24 MR. KESKEY: I think you've already  
25 extended it for a year, so it seems logical that with the

1 extension for a year, that you could consider funding all  
2 four under the '15 grant.

3 MR. MacINNES: I guess I don't know. I  
4 don't know the protocol of that.

5 MR. SMITH: When is our next meeting?

6 MS. WILSEY: October.

7 MR. SMITH: And Don, the existing cases,  
8 are they going to be resolved by then?

9 MR. KESKEY: No. Actually the, for  
10 example, the hearing was just held in the Edison case a  
11 couple weeks ago, so the briefing will go on for a period  
12 of months; Consumers Energy, the hearing won't be held  
13 until sometime in October. The hearing won't even be  
14 held until October.

15 MR. SMITH: So this is for 14-05. Why  
16 don't we get in at our October meeting a statement of  
17 like what the really relevant issues that need to be  
18 wrapped up; having done the initiation in that case, I  
19 think it makes sense if there are serious things within  
20 in it that need to be funded to completion, then let's  
21 have that at a real discussion at our October meeting.

22 MS. WILSEY: It should be its own  
23 proposal. I would be hesitant to suddenly wrap it  
24 backwards into this, and then we can consult with LARA on  
25 all of the issues, and also get the money square so they

1 know. I just think we're so close on everything, that if  
2 we have that opportunity, that's about a better choice  
3 than trying to --

4 MR. MacINNES: So how does that sound?

5 MR. KESKEY: That sounds fair. I mean we  
6 can try to put a little sheet together for your October  
7 meeting, and the concept here is that the MPSC cases  
8 never go with fiscal years, it always the schedules  
9 get --

10 MR. MacINNES: Well, we get that, but  
11 this, we were kind of thrown a curve ball here and had to  
12 respond to it.

13 MR. SMITH: I think the same would hold  
14 through for the MEC case that we've already funded  
15 intervention in as well. So I'd just like to know, like  
16 if there are things to wrap up from our existing cases,  
17 let's at least know that, or if we're going to drop  
18 stuff, let's know what we're dropping.

19 MR. MacINNES: Well, it's going to go on  
20 the credit card, whatever we decide to do.

21 MS. WILSEY: Yeah, I agree with you,  
22 Conan, if we have very specific proposals, then we can  
23 act with that, but make it a specific proposal.

24 MR. ISELY: It would be also useful,  
25 given that that would be spreading money even thinner, to

1 know what we're going to give up.

2 MS. WILSEY: For phase two and phase  
3 three so we --

4 (Multiple speakers.)

5 MR. ISELY: So if we take the 50,000 and  
6 a spread it across four cases in the end, those four  
7 cases, something is being given up, so it would be useful  
8 to know what's being given up.

9 MR. KESKEY: Well, the danger of getting  
10 into a case and then at midstream not doing anything is  
11 that if those two cases become the precedent for the next  
12 two cases, you know, you're sort of like defeating  
13 yourself, and of the choices of no supplemental funds, at  
14 least until things clarify, and then having authority to  
15 have the 50,000 go for all four cases seems to be the  
16 better approach because you can try to make sure that you  
17 don't drop the ball on the issues.

18 MR. MacINNES: Okay. So we'll entertain  
19 that at the next meeting, that specific proposal for  
20 that, but we don't have to decide that now. We'll have  
21 plenty more time then to discuss that.

22 MS. WILSEY: So to your question on the  
23 board assistant contract, as we discussed at the last  
24 meeting, I was looking for an adjustment to the contract  
25 that would reflect my focus on more strategic board

1 advisory tasks and less on routine tasks, such as minutes  
2 and preparation of the agenda, and to modify the  
3 contract, and what the board's -- or for the board to  
4 look at alternatives. The board provided some direction  
5 that that was a, the preferred approach. I spoke with  
6 Allan Pohl at LARA about modifying the contract and the  
7 tasks within it and having LARA absorb those  
8 administrative routine tasks, such as minutes, basic  
9 preparation of the agenda, notices, the things that  
10 actually they had done before. He has a new staff person  
11 coming aboard that's replacing Robin Bennett; he agreed  
12 with that proposal. The corresponding financials would  
13 reduce the contract from the current level of 23,925, or  
14 roughly 24, down to 18,5. So it would reduce the overall  
15 value of the contract, but I also am asking for the rate  
16 to be increased to \$72 per hour to reflect the offloading  
17 of those lower-level tasks and the rate to be more  
18 consistent with the areas I would be focusing on, again,  
19 with the total value being at that 18,5 level.

20 And if that is reasonably acceptable, the  
21 next step that we discussed is maybe getting with LARA,  
22 because these have always, since the initial contract was  
23 signed, always been like page addendums, but these are  
24 material changes; so would it be worth executing a new  
25 contract and maybe having the board review the tasks,



1 make sure that they are accurate so that it's clear and  
2 we're not just --

3 MR. MacINNES: With the idea that, you  
4 know, I mean we've done this addendum for years now, and  
5 that's good, but we're at a new spot, and the changes are  
6 significant, and it's time, I mean, you know, to put it  
7 all in a nice bow and do it correctly and get it  
8 adjusted.

9 MS. WILSEY: Does that seem reasonable,  
10 Jim?

11 MR. WILSON: Yeah, yeah.

12 MS. WILSEY: I mean does that pose any  
13 problem?

14 MR. WILSON: No.

15 MS. WILSEY: So if that's the case, maybe  
16 we could designate a couple of people on a task force.

17 MR. MacINNES: Right. And I've talked  
18 with Susan, who has agreed to act kind of as the point  
19 person and read -- she's a lawyer, so she knows how to do  
20 contracts -- to --

21 MS. HAROUTUNIAN: Be happy to.

22 MR. MacINNES: -- to take care of that,  
23 and maybe there's one other person that would be willing  
24 to volunteer to help Susan to review that and get it all  
25 wrapped up by the next meeting.

1 MS. WILSEY: Just so you're clear, there  
2 is a state contract, it's not as though we're drafting a  
3 new contract, it's just the terms, right, the work? What  
4 is it called?

5 MR. WILSON: The hourly statement of work  
6 is basically what you're changing.

7 MS. WILSEY: The statement of work,  
8 exactly.

9 MR. MacINNES: The scope of work is what  
10 it's called, and that's changed significantly.

11 So do we have any volunteers to work on  
12 that with Susan?

13 MR. DINKGRAVE: Sure.

14 MS. HAROUTUNIAN: Okay. And I would need  
15 the information that needs to be included.

16 MR. WILSON: I'll pull the old one, and  
17 then you have the information, obviously it's here, on  
18 the new hourly rate.

19 MS. WILSEY: And I'll send that to you.

20 MS. HAROUTUNIAN: Thank you.

21 MR. MacINNES: So we'd like to appoint  
22 that team. I don't know if we need a motion for that  
23 or --

24 MS. WILSEY: I probably would think that  
25 creating a review committee for the board contract.

1 MR. MacINNES: Okay. I move that we  
2 create a review team for the board assistant contract  
3 with Susan heading it up and Ryan assisting. That's my  
4 motion.

5 MR. SMITH: Support.

6 MR. ISELY: Support.

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

9 BOARD MEMBERS: Aye.

10 MR. MacINNES: Opposed, same sign.

11 Okay. Good. I think that's going to  
12 work out well, that's really great.

13 The Annual Report for 2013, final  
14 approval of that. Do we have a motion to approve this  
15 report for 2013?

16 MS. WILSEY: Can I introduce a little bit  
17 of discussion in advance, is that fine?

18 MR. MacINNES: Sure.

19 MS. WILSEY: I just want to -- this came  
20 in this morning. Allan Pohl has been discussing the  
21 financials with us, and we're looking prospectively to  
22 clarify those, and this morning at 10:30 I got a  
23 recommended section be amended to the report, which I've  
24 taken a look at. Here's some copies you can pass down.  
25 So I said I would present that to the board today. I've

1 looked at it briefly. I'm not exactly clear on what it  
2 is, and it's all with good intent, we all want to start  
3 working towards transparency in clarifying the issues.  
4 My only concern is I don't -- this is an issue that arose  
5 in 2014, so I'm not sure if it makes sense to put it  
6 backward in -- and Shawn, it kind of overrides what you  
7 provided, you know what I mean, it's kind of moving  
8 things backward without having an opportunity to review.  
9 So I offer it to the board, I would need some  
10 clarification before I could act on it, but it's for your  
11 consideration prior to approval.

12 MR. MacINNES: Okay. Well, it's kind of  
13 a last minute change here that's -- I guess my general  
14 feeling is to, you know, not go back, I mean do 2013 as  
15 it was basically, I guess, as we understood that for the  
16 year, and the changes that we've made this year, we would  
17 report in this year, seems to me. I don't know how the  
18 rest of the board feels about that.

19 MS. HAROUTUNIAN: Yeah.

20 MS. WILSEY: It may be a fine format to  
21 use, and we're starting to get more information and put  
22 it all together, but again, I'm wondering about trying to  
23 suddenly insert it without fully understanding. And  
24 Conan, I know you had a number of, you know, you were  
25 going through numbers, I mean there's a lot of

1 fluctuation and interpretation going on, and it will be  
2 good, but I'm a little nervous about inserting something  
3 at this late hour that we don't fully understand.

4 MR. MacINNES: Right.

5 MR. ISELY: I concur.

6 MR. MacINNES: Okay. Do we have a motion  
7 to accept as is this Annual Report for calendar year  
8 2013?

9 MR. SMITH: I'll move that.

10 MR. MacINNES: Is there support?

11 MR. DINKGRAVE: Support.

12 MR. MacINNES: Is there any further  
13 discussion?

14 MR. SMITH: Just one note. And I  
15 don't -- this is tangential to the report, which I think  
16 should stand on its own, but I think this emergent issue  
17 of the finances and how they're collected and calculated  
18 and distributed is something we should be producing a  
19 document on in the future, and I would love to see us  
20 also consider at that time informing the legislature or  
21 others about what it takes to have consistent involvement  
22 in the rate cases across the board, because I mean we  
23 just, we don't have enough money to do all the cases to  
24 the degree that we think they should be done, and we know  
25 on an annualized basis how much, give or take, that

1 takes; you know, it's, you know, 50 grand a case, or  
2 whatever it is, we have that historical data. So maybe  
3 we should just be saying, like if you really want true  
4 consumer representation across all of the rate cases  
5 before PSC, the revenue stream has to be closer to 1.5,  
6 or whatever it needs to be, and let them just be informed  
7 that there's not enough capacity to provide the  
8 representation they anticipate.

9 MR. MacINNES: Which we do inform them  
10 every time under one of the sections here.

11 MS. WILSEY: But I think your point is  
12 extremely well taken given the fact that we've already  
13 had to make -- you guys had to sit here and make some  
14 really hard decisions. If we relied on the reserve for  
15 this duration and have shown ROI, you know, benefit in  
16 the process, then maybe that establishes that. And I  
17 think the timing is probably ripe for addressing this  
18 because there is an energy rewrite coming.

19 MR. SMITH: Sometime, yeah.

20 MS. WILSEY: So maybe just creating that  
21 awareness that --

22 MR. MacINNES: Well, and the fact that  
23 we, you know, it's now allowed to fund this cost-of-  
24 service, that's a whole new deal for this, under Act 304,  
25 so maybe we can even open it up a little bit further and

1 get some more funds, because I think this board and  
2 grantees are in a very good position to help increase the  
3 transparency of rates in this State by, through the  
4 intervention process and, you know, I mean I think that's  
5 a good -- that's what, you know, we all do here, and I  
6 think it's a good venue to be able to do that. So to the  
7 extent we can get additional funds, we can do more of  
8 that.

9 MR. DINKGRAVE: It seems that that's such  
10 a strong case and opportunity, that maybe we should have  
11 a specific discussion of that at a future meeting.

12 MR. MacINNES: Yeah, that would be --

13 MS. HAROUTUNIAN: Jim, I have another  
14 comment along that same line, too, and that is we have  
15 dropped the MISO stuff for now because the funding was so  
16 low.

17 MR. MacINNES: Right.

18 MS. HAROUTUNIAN: I feel personally that  
19 the MISO and FERC proceedings decide our fate, and we  
20 ignore them at our own peril. So if in fact we end up  
21 with funding, I think that's a direction we need to  
22 return to.

23 MR. MacINNES: No, I would be good with  
24 that, too.

25 John.

1 MR. LISKEY: And with regards to MISO and  
2 Conan's comment earlier, what we've learned is we don't  
3 get very much notice on big cases. Like last -- in April  
4 we had a one-week notice, and so it -- if something comes  
5 up, your next meeting maybe 45 days away and the filing  
6 deadline is before that, so.

7 MR. MacINNES: But I guess -- and I hear  
8 you, I get that, but I'm not sure that we, you know, it's  
9 always appropriate for us to be the only one at the table  
10 there, you know, to be monitoring that. I mean this --  
11 others, maybe the AG's office or some of the others can  
12 be, should be stepping up, too, you know.

13 MR. LISKEY: A little background. The  
14 Attorney General's office hasn't been involved in MISO or  
15 FERC in a long -- I don't know -- decades, and it only  
16 became permitted under Act 304 when the Michigan Supreme  
17 Court in 2009 classified transmission expenses as a power  
18 supply cost recovery expense, and that's how then --

19 MR. MacINNES: But Act 304 has been  
20 around since --

21 MR. LISKEY: '84.

22 MR. MacINNES: Yeah. So it's been a few  
23 years that they could do that.

24 MR. LISKEY: Oh, they didn't need Act --  
25 the Attorney General doesn't need Act 304 to get involved



1 in those cases.

2 MR. MacINNES: I just feel like we need,  
3 you know, some other people doing that, that it doesn't  
4 all fall on us to monitor what MISO is doing, as much as  
5 we'd like to. If we had the money, it would be easier to  
6 like deal with it.

7 MS. WILSEY: That was the point I was  
8 going to make is that I think there has been an expansion  
9 of the utility board and the good work that's been done  
10 here, from energy optimization cases to renewable energy  
11 plan cases to now the cost-of-service proceedings, a very  
12 convincing argument to become involved in FERC and MISO,  
13 all were valuable efforts which have demonstrated value,  
14 but in none of those instances has the revenue increased.  
15 So we've now hit the point where now we're peeling back  
16 some of the very good work because of that mismatch. And  
17 so I think it exposes the fact that you can take on more  
18 responsibility, but only as long --

19 MR. MacINNES: If you have the funds to  
20 back it up.

21 MS. WILSEY: If you have the funds to  
22 back it up, and we no longer do, and the board had to  
23 make the choice of what do you peel back to do some work  
24 when you can't do all the work.

25 MR. MacINNES: Right.

1           Okay. Are there any other comments? The  
2           only comment I would make is that I think on page 2 here,  
3           that the bottom of the first paragraph, it says  
4           expenditures, it says we're monitoring what the AG's  
5           doing and, you know, we need to, as I pointed out when  
6           Michael was here, that we need to have more  
7           communications with the AG's office, and we need to know  
8           more what they're doing, how they're writing their  
9           checks, so that we -- it says thorough review of grant  
10          applications, grant amendments, and regular reporting on  
11          case status and interventions by the UCPB, continue to  
12          improve coordination of the grantees with Attorney  
13          General, and you all may be doing that, but we're not  
14          seeing it as much at the board level how the money is  
15          spent.

16                 MS. WILSEY: So that refers to substance  
17          of the applications, and what you're saying is we also  
18          need the financial oversight.

19                 MR. MacINNES: We need to be informed at  
20          least, so that we can coordinate it better. But, you  
21          know, I think the wording is, you know, it's okay as it  
22          is, but --

23                 Okay. All those in favor, please signify  
24          by saying aye.

25                 BOARD MEMBERS: Aye.

1 MR. MacINNES: Opposed, same sign.

2 Okay. We have an vice chair, Paul Isely,  
3 he's done an outstanding job for us, and we'd like to  
4 re -- I'd like to make a motion to reappoint him as vice  
5 chair.

6 MS. HAROUTUNIAN: So moved, or support.  
7 Either way.

8 MR. MacINNES: Is there any discussion?  
9 Is there anybody else --

10 MR. SMITH: Sucker.

11 MR. MacINNES: -- that's yearning to be  
12 the vice chair?

13 MS. WILSEY: Jim's missed so many  
14 meetings.

15 MR. MacINNES: You never know, something  
16 could happen. It's always good to have a backup.

17 So okay. All those in favor, please say  
18 aye.

19 BOARD MEMBERS: Aye.

20 MR. MacINNES: Opposed, same sign. Thank  
21 you.

22 MR. DINKGRAVE: Congratulations.

23 MR. MacINNES: Okay. Now it's time for  
24 public comment. Yes.

25 MR. HAROUTUNIAN: As the sole member of  
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1 the public, I'd like to say that I think that the  
2 analysis that's been put forward by the board with regard  
3 to the difficulties encountered financially based upon  
4 the misunderstandings that have occurred in the past have  
5 really been pretty significant in the sense of the  
6 analysis has been very good, and I think that the, in  
7 looking around the room at the grantees and their  
8 approach to it, I think that, too, has been exceptionally  
9 fine. And so on behalf of the millions of members of the  
10 public out there, I congratulate all of you.

11 MR. MacINNES: Thank you.

12 Is there another member of the public out  
13 there?

14 MR. AULT: I'm not sure I'd be considered  
15 a member of the public by this board, but I have no  
16 comments.

17 MR. MacINNES: Okay. The next meeting is  
18 October 6.

19 MS. WILSEY: I think it's on the calendar  
20 for October 13.

21 MR. MacINNES: October -- oh, it is?

22 MS. WILSEY: Remember, we pushed these  
23 back, it's my fault, October 13 is the meeting date that  
24 was scheduled. If everyone can take a look and see if  
25 that's problematic. I'm going to have LARA do that from  
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1 now on, all those notices.

2 MR. DINKGRAVE: That's what I have it  
3 for.

4 MR. ISELY: I have it on the 13th.

5 MR. MacINNES: I have it on the 13th,  
6 also. Okay.

7 MS. WILSEY: Okay. There we go.

8 MR. MacINNES: Okay. Do we have a motion  
9 to adjourn? Do we have a motion to adjourn?

10 MR. SMITH: So moved.

11 MR. MacINNES: All in favor.

12 BOARD MEMBERS: Aye.

13 MR. MacINNES: Very good. Thank you,  
14 all, for your patience. We're a little late, but we got  
15 a lot done.

16 (At 4:49 p.m., the meeting adjourned.)

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1 STATE OF MICHIGAN )  
 )  
2 COUNTY OF MACOMB )

3 I, Lori Anne Penn, certify that this  
4 transcript consisting of 134 pages is a complete, true,  
5 and correct record of the proceedings held on Monday,  
6 August 25, 2014.

7 I further certify that I am not  
8 responsible for any copies of this transcript not made  
9 under my direction or control and bearing my original  
10 signature.

11 I also certify that I am not a relative  
12 or employee of or an attorney for a party; or a relative  
13 or employee of an attorney for a party; or financially  
14 interested in the action.

15  
16  
17 September 8, 2014  
Date

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