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STATE OF MICHIGAN
UTILITY CONSUMER PARTICIPATION BOARD

- - -

MEETING OF MONDAY, JUNE 2, 2014

12:34 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)
Constance Groh, CARE
Paul Lange, CARE
Bob Burns, CARE
Brian Coyer, Great Lakes Renewable Energy
Association (GLREA) and Michigan Community
Action Agency Association MCAAA)
Christopher Bzdok, Michigan Environmental
Council (MEC)
James Clift, MEC
Tim Lundgren, Institute for Energy Innovation (IEI)
LeAnn Droste, LARA
Jim Wilson, LARA
Mike Byrne, Michigan Public Service Commission
James Ault, Michigan Electric & Gas

- - -

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Metro Court Reporters, Inc. 248.426.9530

1 Lansing, Michigan

2 Monday, June 2, 2014

3 At 12:34 p.m.

4 - - -

5 MR. MacINNES: Okay. Welcome, everyone.

6 We'd like to kick off our meeting here today. Hopefully

7 everyone's received the agenda and all the information.

8 Maybe we'll go ahead and start with

9 introductions, and you're the one that always gets to

10 start.

11 MS. HAROUTUNIAN: Member of committee,

12 Susan Licata Haroutunian, and I'm an attorney in Detroit.

13 MR. DINKGRAVE: I'm a member, also, Ryan

14 Dinkgrave, I live in Royal Oak and work for Focus:HOPE in

15 Detroit.

16 MS. WILSEY: Michelle Wilsey, assistant

17 to the Utility Consumer Participation Board.

18 MR. BYRNE: I'm Mike Byrne, I'm the

19 legislative liaison for the Public Service Commission.

20 I'm going to talk a little bit about some legislation

21 that's of interest to you folks.

22 MR. CLIFT: James Clift, the policy

23 director of the Michigan Environmental Council.

24 MR. BZDOK: Christopher Bzdok, counsel

25 for MEC.

1 MR. WILSON: Jim Wilson, LARA.

2 MS. DROSTE: LeAnn Droste, LARA.

3 MR. LISKEY: John Liskey with the
4 Citizens Against Rate Excess.

5 MS. GROH: Connie Groh with the Citizens
6 Against Rate Excess.

7 MR. LANGE: Paul Lange, Citizens Against
8 Rate Excess.

9 MR. BURNS: Bob Burns, independent
10 consultant for Citizens Against Rate Excess.

11 MR. SMITH: I'm Conan Smith, on the
12 board.

13 MR. MacINNES: And I'm Jim MacInnes, the
14 chair. So welcome, everyone.

15 We have -- we're missing one board
16 member, who I'm hoping will join us here as time goes on.

17 I'm not aware of any changes to the
18 agenda. We have a consent agenda here, and I wonder if
19 we can get a motion to approve the agenda, including the
20 consent items?

21 MR. DINKGRAVE: So moved.

22 MR. SMITH: Second.

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

25 BOARD MEMBERS: Aye.

1 MR. MacINNES: Opposed? Okay.

2 So we'll move on to the business items
3 here. Maybe we should start with the -- well, we can --
4 do you think we should start with the IEI, or should
5 we --

6 MS. WILSEY: I'm a little concerned
7 because they don't have a representative here.

8 MR. MacINNES: Okay. Well, why don't we
9 switch it up and start with the RRC.

10 MS. WILSEY: They don't have a
11 representative here.

12 MR. MacINNES: CARE, let's start with
13 CARE.

14 MS. HAROUTUNIAN: At least we're here.

15 MS. WILSEY: I was looking for messages,
16 because that's unusual.

17 MR. LISKEY: Thank you, Mr. Chairman. As
18 you all know, we have been very active in the MISO
19 various committees, one committee being the reliability
20 committee, which has an increasing level of importance as
21 time goes on, especially as it relates to the Upper
22 Peninsula. The MISO reliability committee meets once a
23 month for generally two days, and those are attended by
24 us via conference call, and Bob Burns has been handling
25 them and we write up a report, it's in our MISO activity

1 report.

2 It came to my attention that Mr. Paul
3 Lange, who I've known for many years, is just retiring
4 from the Lansing Board of Water and Light, and he is a
5 certified National American Electric Reliability System
6 Operator, and so I immediately thought, well, gees, that
7 would be great to get him on our team in case Bob Burns,
8 for example, can't cover one of the reliability committee
9 meetings, we'd have some backup; and then I also think
10 Paul brings a, kind of a where the rubber-meets-the-road
11 perspective to our team, which I think is going to be
12 beneficial.

13 So with that, Paul, maybe you could, want
14 to sit up here for a second and just see if you guys have
15 any questions for me or Paul.

16 MR. LANGE: Yeah, hi. My background,
17 yes, I just retired from the Board of Water and Light, I
18 was a transmission and distribution supervisor. I have a
19 NERC reliability certification, which I have had for the
20 last ten years. Yeah, my expertise I guess is in
21 realtime operations of the electrical grid, the 138
22 system for the Board of Water and Light, as well as the
23 distribution system. On top of that, I was also a
24 substation inspector. As I say, I've kind of been a real
25 hands-on sort of guy, so I've done 138 switching and

1 distribution switching hands on, down to 4160. I'm a
2 journeyman, State of Michigan journeyman electrician,
3 have been for the last 35 years. I've been involved in
4 construction, everything from houses to commercial
5 buildings to substations to control systems. I worked a
6 number of years in a coal-fired power plant, so I know,
7 very familiar with the operations of coal-fired plants.
8 And I could go on, unless anybody has any questions.

9 MR. MacINNES: No, that's great. Are
10 there any questions of Mr. Lange?

11 MR. SMITH: I don't have any questions.
12 I just think it's great that we're going to be able to
13 avail ourselves of your expertise, and so I think good
14 grab.

15 MR. LANGE: I'm pretty excited, too. You
16 know, I've always looked at the policy and procedures
17 kind of from the other perspective, from the implementing
18 and seeing how they affect the real day-to-day
19 operations, so I'm excited about having a chance to see
20 the other side as well.

21 MR. SMITH: I think that is really
22 helpful. Like as a guy who is on the implementing side
23 of a lot of federal policy, sometimes they don't think
24 about how that happens, you know, how the program gets
25 set and then it's hard to roll out, so being able to

1 articulate the challenges of implementing is important.

2 MR. LANGE: I hope I'm able to add some
3 value to this ongoing procedure.

4 MR. SMITH: Great. Welcome.

5 MR. LANGE: Thank you.

6 MR. MacINNES: I think also that the
7 distribution system is where the action is going to be
8 here over --

9 MR. LANGE: Oh, absolutely.

10 MR. MacINNES: -- the next years, and to
11 have someone with your capability would, you know,
12 certainly be helpful and informative.

13 MR. LANGE: Quite frankly, I found that
14 the distribution side was the more challenging. You
15 know, a lot of people just deal with transmission, but
16 dealing with both, I can say that the distribution is the
17 more immediate, that causes the more immediate concerns
18 and crises, that's for sure.

19 MR. MacINNES: Right. Well, we need them
20 all talking, transmission and distribution talking, I
21 know that, so.

22 MR. LANGE: Yes. Thank you for your
23 time.

24 MR. MacINNES: Thank you.

25 We have some more folks here who -- we

1 have Paul Isely, who is our vice chair, just joined us.
2 And these gentlemen?

3 MS. WILSEY: Maybe some introductions.

4 MR. COYER: My name is Brian Coyer, I'm
5 here with Don Keskey on behalf of the GLREA.

6 MR. MacINNES: Okay.

7 MR. SHALTZ: I'm David Shaltz for the
8 Residential Ratepayer Consortium.

9 MR. MacINNES: Okay.

10 MR. LUNDGREN: Tim Lundgren here for
11 Institute for Energy Innovation.

12 MR. MacINNES: Oh, great.

13 MR. AULT: Jim Ault, Michigan Electric &
14 Gas Association.

15 MR. MacINNES: He's hiding over there.
16 Very good.

17 Was there anything else, any other update
18 that you had on, or do you want to cover that later?

19 MR. LISKEY: We could cover that later.
20 I think we might need a motion to approve Paul's addition
21 to our team.

22 MR. MacINNES: Do we have a motion to
23 approve Paul?

24 MS. HAROUTUNIAN: So moved.

25 MR. SMITH: Support.

1 MR. MacINNES: Is there any discussion?

2 One thing I would say I guess just as a
3 general comment for me personally is I am becoming more
4 inclined to focus on what the utilities are doing and
5 less inclined to focus on the MISO work. We are able to
6 get MISO here, as you know, Laura Rauch, I'm sure we can
7 get her here again and Brian Rybarik probably as well, so
8 we should be able to get some more updates from them.
9 But I think MISO is doing a lot of good things, and my
10 personal inclination is to focus more on the utility
11 side, what the utilities are doing going forward. But
12 obviously we're -- we have a whole board here and
13 everybody's going to have their thoughts about it, but I
14 would just, you know, point that out.

15 MR. LISKEY: Yeah. I would like to, you
16 know, respond to that when it comes to our time. We
17 don't need to talk about it right this second.

18 MR. MacINNES: Okay. So anymore
19 discussion? All those in favor of adding Paul to the
20 list of experts, please signify by saying aye.

21 BOARD MEMBERS: Aye.

22 MR. MacINNES: Opposed, same sign.

23 Okay. Well, maybe we could go ahead
24 with, back on the agenda here, and hear from IEI. And
25 that would be Tim, is that right?

1 MR. LUNDGREN: Yes.

2 MR. MacINNES: Welcome.

3 MR. LUNDGREN: Dan Scripps asked me to
4 show up here today on behalf of IEI. Dan had provided a
5 memo, I believe, describing the request, the budget
6 reallocation request. I'm not sure I have a lot to add
7 to that. But in a nutshell, the monies as granted have
8 been distributed among three cases, we were successful in
9 intervening into two of those three, and the request is
10 to reallocate the funds that were made available to the
11 three amongst just those two, with the note that we had a
12 fairly steep intervention fight getting into those two,
13 partly I think because we're a new entity and partly
14 because of the issues and concerns that we were raising
15 regarding use of and acknowledgment of sort of advanced
16 technologies and their availability in the context of
17 considering power supply costs, and we -- it ended with
18 a, with a Commission order that I think is, on the whole,
19 beneficial and will assist us and other parties who are
20 intervening on behalf of residential ratepayers to get
21 into these cases in the future. I think it's a
22 beneficial precedent.

23 And so going forward now, we're active in
24 the Consumers and the DTE cases, and we're -- testimony,
25 filing of testimony is due coming up pretty quickly here

1 in the DTE case; the Consumers' case, the schedule has
2 been pushed back until the end of summer.

3 But so I'd be happy to answer any
4 questions that there may be, but I guess essentially in a
5 nutshell the request is to allocate the funds that have
6 been -- reallocate the funds that have been allocated to
7 the three cases to the two cases that we're actively in
8 to help to fund some of those additional costs that have
9 been incurred into getting into those cases and getting
10 that useful Commission order.

11 MS. WILSEY: Chairman MacInnes, can I?

12 MR. MacINNES: Yes.

13 MS. WILSEY: So just restating the motion
14 the board may consider would be the removal of Case
15 U-17318, IM Power 2014 PSCR plan case, and to reallocate
16 the budget for that case to the two remaining cases, and
17 amending those budgets to be 45,000 for each case.

18 MR. LUNDGREN: That's correct. Thank
19 you.

20 MR. MacINNES: Well said.

21 Okay. Are there any questions for Tim
22 from the board?

23 MR. SMITH: Hey, Tim. So --

24 MR. LUNDGREN: Lurking behind you.

25 MR. SMITH: So the one case budget was

1 actually about twice what you're, even in the amendment
2 that you're going to receive, and there was some concern,
3 at least from me earlier on, that you weren't going to
4 have enough resources to fully play in all three of those
5 cases, let alone even one. Talk to us a little about the
6 potential of phasing work for the remaining two cases. I
7 mean we're getting close, I think the original, wasn't it
8 like 50 something for the -- to one of them and 100
9 something for the other?

10 MR. LUNDGREN: Yes.

11 MR. SMITH: All this to say, like you may
12 have enough for the one case now, but there's not going
13 to be enough for the second case. How do you intend to
14 approach that second case and then keep us up to speed
15 with what your needs are to bring it to fruition?

16 MR. LUNDGREN: I think part of Dan's
17 thinking originally was the I&M case had some different
18 issues than the Consumers and DTE cases, and yet those
19 two cases were more similar, so the budget -- work that
20 was being done for one of those cases could be, to a
21 significant extent, applied in the other case. So the
22 expert's work, for instance, that's -- you know, he's
23 working up testimony right now for the DTE case, I
24 anticipate that a significant amount of that work will be
25 applicable in the Consumers' context as well, you know,

1 based on discovery that we've done and the like so far.
2 So I would -- I think that's part of the answer is that
3 we had anticipated that those cases would be less costly
4 because they were kind of pooled our resources to some
5 degree.

6 MR. SMITH: Okay. And I think I mixed
7 that up, too; the I&M was the expensive one.

8 MR. LUNDGREN: Right, yes. Because it
9 was a bit different in terms of the nature of the issues,
10 so it would require more -- a different kind of attention
11 and more time respectively than the other two
12 individually.

13 MR. SMITH: Okay.

14 MR. MacINNES: Are there any other
15 questions from the board?

16 I had a question. Could you describe in
17 a little more detail some of the issues that you'd be
18 taking up in these cases, you know, being a bit more
19 specific on, you know, some of the things you'd be
20 working on?

21 MR. LUNDGREN: Yeah. Well, ideally Doug
22 Jester would be talking to you about this, and I haven't
23 seen his -- I mean I've seen an early draft of his
24 testimony, but, you know, and obviously we've been in
25 communication with him, he's our expert working on this.

1 But we are -- let me take a look here.
2 We are, as I think we indicated in the grant application
3 and in our intervening filings and intervention, you
4 know, we're interested in seeing that issues involving
5 the demand response, cost of allocation, doing customer
6 classes, how energy optimization is used and applied to
7 decrease power supply costs, some of those kinds of
8 issues, distribution line losses; there's factors that we
9 feel the advanced technologies that are available today
10 maybe are not being as fully utilized or the potentials
11 of them are not being explored at least to the extent
12 that they might be by the utilities, and that if they
13 were, that it would lead, we hope, we would like, at
14 least like an evaluation I think at this point I think is
15 what we're really asking for is, you know, a serious
16 evaluation of whether these kinds of factors would lead
17 to a decrease in power supply costs, and so an increased
18 effort, I think, on the part of the utilities to look
19 into those issues. And, you know, we received some
20 pushback on that early on, and so I -- but in the order
21 from the Commission that upheld our intervention, they
22 recognized that those are important issues and worthy of
23 consideration and, you know, within the right context are
24 relevant to a PSCR case, so I think it's important that
25 that voice be present in these proceedings, and that

1 that's our attempt here I think is to, you know, it's
2 kind of the initial foot in the door to begin to say
3 these are issues that the Commission ought to be
4 encouraging utilities to be looking at and the utilities
5 ought to be, you know, examining more closely; and we
6 don't know for sure whether those -- what the cost
7 savings are or whether there's cost savings there, but
8 without the evaluation, there's no way to tell, I mean so
9 there ought to be a serious evaluation of those.

10 MR. MacINNES: So rather than, let's say,
11 building new power plants, you're going to be exploring
12 using adaptive load management techniques such as demand
13 response and load shifting and that sort of thing to try
14 to reduce the peaks and all of that --

15 MR. LUNDGREN: Right.

16 MR. MacINNES: -- and use some of the
17 advanced technologies. And I think that's in line with
18 the Governor's, some of the work the Governor's office is
19 doing, too, with incentivizing, you know, moving off the
20 peak, which is, you know, a good thing.

21 MR. LUNDGREN: Right.

22 MR. MacINNES: And also changes in the
23 topology or the actual layout, the switching of the
24 distribution system and all of that to offer some
25 opportunities as well. And I belong to the Electrical

1 Engineers National Energy Policy Committee, and we have a
2 policy statement which I've handed out in a previous
3 meeting, and there are about a hundred engineers and
4 scientists around the country that are a member of this
5 committee, and those are the types of things that they're
6 also focused in on, and they feel that there is good
7 opportunity there. So I'm certainly encouraged that some
8 of our grantees are going to take a hard look at that,
9 because I know new power plants are very expensive.

10 MR. LUNDGREN: Yes.

11 MR. MacINNES: So this is a way to maybe
12 reduce the, you know, the -- increase the time before we
13 have to build new power plants, for example.

14 MR. LUNDGREN: Well, and having sat
15 through testimony by -- from Valerie Brader of the
16 Governor's office recently before the House Energy
17 Committee, you know, as you say, there is a focus on
18 those peak uses and ways that those peaks can be perhaps
19 flattened out some and reduced and demand response and
20 other technologies.

21 MR. MacINNES: I'm actually doing that in
22 my business, too. We do demand response, and I've saved
23 in the month of December about \$42,000 using demand
24 response, and we're also looking at taking all our motors
25 and trying, the ones that we can, that are not critical

1 that we can shut off for an hour period during the peak,
2 set up timers and do some things so that we don't have to
3 hit the demand peak, but yet we'll still be able to --
4 you know, transfer pumps and things that can run, you
5 know, any time, that we can avoid the demand peak. So
6 there's a lot of potential I think for that, and
7 potential to save money for the ratepayers. So I'm
8 encouraged that you're pursuing that direction.

9 Are there any other comments or thoughts
10 about this particular business item, grant amendment
11 request?

12 Okay. Let's move on, then, to the RRC
13 grant amendment request.

14 MR. SHALTZ: Thank you, Mr. Chair. We've
15 submitted a proposed reallocation of our budget for the
16 2012-2013 GCR reconciliation cases that are funded under
17 grant number UCRF-13-05. This reallocation reflects our
18 actual experience in these cases. Basically what's
19 happened is with the MGUC reconciliation, what we've
20 discovered is that because MGUC is a subsidiary of a
21 larger corporation that runs several utilities through
22 the midwest, there's oftentimes a disconnect between the
23 way data is presented by the parent company, which is
24 Integry's, and the way the Company's actually operating in
25 Michigan. So when the Company made its filing in this

1 case, we did discovery and found that there were quite a
2 few busts in the numbers that really didn't track what
3 the numbers purported to show. So as a result, the
4 amount of time we've put into this case and our advocacy
5 for disallowances in this case ended up being larger than
6 we expected.

7 The Detroit Edison case also is a case
8 where we're getting a small reduction in hours, but
9 that's one where we are pursuing major disallowances in
10 the litigation of this case, and that's due primarily to
11 the, again, the way the Company has reported how it's
12 administered its fixed-price purchasing program. There
13 are guidelines that have been approved by the Commission,
14 and we think that the way that the Company actually
15 implemented its guidelines sort of goes over the edge on
16 what they were supposed to be doing, and what was
17 happening is they were buying actually more fixed-price
18 gas than is called for by the guidelines, and the costs
19 of that fixed-price gas far exceeded what was available
20 at index or market prices, so we're going for
21 disallowances there.

22 Our audits in the SEMCO case and the
23 Consumers case raised some operational issues that we're
24 getting some buy-offs with the companies on agreements to
25 change things going forward. I think that those cases

1 will probably end up being settled.

2 So basically the realignment of hours
3 within these cases is just to reflect our actual
4 experiences. We're not asking for any additional
5 dollars, but this is how it's played out in this actual,
6 in litigating these. Be happy to answer any questions
7 you have.

8 MR. MacINNES: Any questions from the
9 board?

10 MR. SMITH: I just wanted to be clear
11 that you're not sacrificing work in these other cases?

12 MR. SHALTZ: No. In each of these cases,
13 we do the same basic audit and discovery, and when we
14 review the materials, that may result in a second or
15 third round of discovery; but in addition to the written
16 responses to discovery, our consultant has telephone
17 conversations with utility personnel; and basically if
18 things add up and we don't see that there's a basis for
19 recommending a disallowance, of course we don't do that.
20 Then what we're really trying to do here is shift our
21 efforts to the cases where there are issues, like these
22 first two cases, the MGU case and the DTE Gas case.

23 MR. SMITH: Okay.

24 MR. SHALTZ: But I think -- you know, we
25 always view our work in these cases doing a baseline

1 audit to make sure the numbers add up and the company
2 didn't ignore opportunities to minimize costs for its
3 customers. Sometimes they pass that test, other times
4 they don't.

5 MR. SMITH: Thanks.

6 MR. MacINNES: Any other questions,
7 comments?

8 I wonder if, what the board's pleasure is
9 as far as should we go ahead and move on to the next item
10 and then take a break and finish up the business items,
11 or what, how do you think we should handle that?

12 MR. LISKEY: I have a comment. As I
13 understand the proposed legislation, if this one Bill
14 5612 is passed, that would allow the board to grant an
15 additional grant in this fiscal year for participation in
16 those cases. And so I just -- I don't know what your
17 balance is in this fiscal year, so I just thought I'd
18 throw that in terms of whether you adjourn now or --

19 MR. MacINNES: What do you think,
20 Michelle?

21 MS. WILSEY: Unless there's -- there was
22 very little discussion on the business items, so I would
23 suggest taking up a motion on those, you've already done
24 so on CARE, and finish that segment and go on to board
25 education.

1 MR. SMITH: Yeah, I'd like to do that.

2 MR. MacINNES: Do we have a motion to
3 approve the, one or more of the business items as
4 presented?

5 MR. SMITH: I'll move that both of the
6 business items, we approve the amendment to the budgets.

7 MS. WILSEY: Could you take them up
8 separately, though, maybe start with IEI.

9 MR. SMITH: Sure. I'd like to move the
10 amendment proposed by IEI as written.

11 MR. ISELY: Support.

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

14 BOARD MEMBERS: Aye.

15 MR. MacINNES: Opposed, same sign.

16 You're on a roll.

17 MR. SMITH: Sorry.

18 MS. WILSEY: You offered to so --

19 MR. SMITH: I'll move the RRC amendment
20 as proposed as well.

21 MR. ISELY: Support.

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

24 BOARD MEMBERS: Aye.

25 MR. MacINNES: Opposed, same sign.

1 MS. WILSEY: Mr. Chairman, I just have a
2 comment, if I could.

3 MR. MacINNES: Yes.

4 MS. WILSEY: RRC also submitted a request
5 for consideration of the GCR reconciliation cases, which
6 there was no new writeup, it was the original grant, and
7 I -- it was an oversight on my part, because I didn't
8 have a writeup, I didn't add it to this agenda item.
9 David and I talked about it, however, those were approved
10 at the August meeting last year, and we mutually agreed
11 that that was a good course of action. So just a notice
12 to the board that they had submitted it timely, my
13 apologies, but we'll take it up in August if that's fine.

14 MR. MacINNES: Okay.

15 MR. SMITH: And John, we've got about
16 270,000 left in our budget. Right.

17 MR. MacINNES: Okay. Let's move on to
18 board education. I heard about this bill, I don't know,
19 a few weeks ago, I guess it's been moving along pretty
20 quickly, and it seemed like it had some impact on
21 residential ratepayers, so we thought we better get some
22 input on it. And as a business owner with a high demand
23 charge in a few months, it also concerns me as a business
24 owner.

25 So if you'd like to go ahead, Mike, and
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1 maybe brief us, and then I think James is also going to
2 chime in.

3 MR. BYRNE: Sure. As I said, I'm Mike
4 Byrne with the Michigan Public Service Commission, and I
5 want to talk a little bit today about House Bill 5476
6 introduced by Representative Stamas. As the chairman
7 pointed out, it's happened relatively recently, I think
8 it was introduced while the legislature was on spring
9 break in early April, and it's moved relatively quickly
10 at this point.

11 By means of -- by way of background,
12 folks are probably aware that Governor Snyder has been
13 pretty active on energy issues over the past 18 months or
14 so. As part of his special message on energy and the
15 environment in November of 2012, he talked about sort of
16 four goals that he would like to see in any future energy
17 policy, one of those is affordability, and after a series
18 of energy information-gathering reports that came out at
19 the end of last year, he held a media round table where
20 he kind of delved a little deeper into some of those
21 goals.

22 And on affordability specifically, he
23 talked about for residential customers wanting to make
24 sure that their overall bills for both combined electric
25 and natural gas were at the U.S. average or below, but

1 that also for industrial customers, that their rates were
2 competitive enough to keep business here and to attract
3 new business to the state. Industrial rates are higher
4 than the national average, they're higher than most of
5 our midwestern neighbors, and so it's something that
6 industrial customers, that economic development folks,
7 that the Governor himself wants to make sure that we're
8 doing all we can to address those issues to try and
9 bring -- to try and retain business, but bring new
10 business here if at all possible as well. And so as a
11 means to sort of go about doing that, House Bill 5476 was
12 introduced.

13 Industrial customers have talked about
14 the way that costs are allocated in rates today, that the
15 process could be refined somewhat to better take into
16 account their contribution to overall peak demand.
17 Industrial customers tend to, at least high-intensity
18 industrial customers tend to use similar amounts of
19 electricity throughout the hours of the day and days and
20 months of the year, while other loads, customer classes'
21 loads for residential and commercial tend to be a little
22 peakier. The building out a system to accommodate peak
23 days, having the capacity necessary to achieve or to make
24 sure we have enough electricity to cover those peaks can
25 add expenses to overall rates, and so if you are able to

1 allocate costs based on the contributions that industrial
2 customers are making to the overall need for the peak,
3 for the capacity at the peak demand, they may find
4 themselves rewarded for some of those, some of that
5 activity, so the lack of peakiness, if you will.

6 So industrial, the Governor called on
7 MEDC, Michigan Energy Office Director Steve Bakkaal to
8 pull together a work group with high-intensity industrial
9 users. They have had a series of meetings over the
10 course of the past few months; I would anticipate that
11 some recommendations from those folks will come out
12 sometime this month. But there was a question about how
13 you would go about actually implementing any of those
14 recommendations if they -- once they came into -- or once
15 they were made. And outside of the normal rate case
16 process, it was questionable whether or not the
17 Commission had the ability to initiate these
18 proceedings -- proceeding to look at cost reallocation.

19 And so the legislation was introduced,
20 House Bill 5476, to set a timeline for the Public Service
21 Commission to initiate cases for DTE Electric Company and
22 Consumers Energy to get the ball rolling. It talked
23 about specific issues that the Commission would have to
24 take a look at in terms of -- in terms of looking at cost
25 allocation methodologies and rate design. It gave -- or

1 it gives a deadline in terms of when the Commission has
2 to finish its work; rates have to be able to be in effect
3 by December 1, 2015. And it also requires some interim
4 reports to be made to the legislature during the pendency
5 of the proceeding.

6 So under the bill that was adopted in
7 senate committee last week, the administrative law judges
8 in the case will report on a series of items, the
9 Commission will forward those reports to the legislature
10 after 150 days, and the Commission will also forward any
11 PFDs that ALJs release in the cases to the legislature so
12 that they have the ability to sort of keep apprised of
13 what's happening as the cases go on.

14 So as I think Valarie probably pointed
15 out in the testimony before the house that Tim was
16 talking about before, all of this is in advance of 2016
17 when EPA coal regulations come into effect, could cause
18 an existing generation need to be retired, and, you know,
19 if the options are to have to obtain new capacity, build
20 new generation, or if you can, you know, shave peaks and
21 try to keep demand at a more reasonable level, that
22 could, you know, ultimately result in lower costs for all
23 customers. I think that, you know, from Valerie's
24 perspective, from the Governor's perspective, this isn't
25 necessarily, you know, all we need to do on this front, I

1 think that they would describe it as more of a first
2 step, get the costs allocated properly, sort of in
3 balance, then, you know, there can be additional steps
4 taken relative to energy efficiency, demand response, all
5 the types of things that can help to lower the peaks and
6 hopefully lower overall utility costs so that all
7 customers can benefit in years to come.

8 So with that, I would open it up to any
9 questions that the folks may have.

10 MR. MacINNES: Does the board have any
11 questions? Yes, Conan.

12 MR. SMITH: So does the -- under the
13 legislation, does the Commission have the flexibility to
14 not change the rate structure?

15 MR. BYRNE: I think that, yeah, it's
16 pretty broad in terms of -- it is not prescriptive in
17 terms of what the Commission has to do, it doesn't
18 specify a specific cost allocation methodology, it asks
19 that it remain consistent with what's already in current
20 law related to cost of service; but, you know, it opens
21 up these proceedings, there will be contested cases,
22 presumably industrial customers would intervene, but it
23 also specifically talks about residential customers
24 having the ability to intervene, and it doesn't sort of
25 skew the balance one way or the other, I think it's, you

1 know, it will be evidence that's presented in the cases
2 and the Commission will have to make a determination
3 based on that evidence.

4 MR. SMITH: Is it fair to say that were
5 the -- where the recommendations included in the
6 legislation in terms of prioritizing the industrial
7 high-end users, that would turn the, turn sort of the
8 burden for that peaking on to the other consumers, say
9 residential folks, and ostensibly result in a rate
10 increase for them if you can't control the peaking?

11 MR. BYRNE: If the -- I mean the argument
12 that the industrial customers have made is that, you
13 know, they contribute less to peaks and so they -- the
14 cost allocation methodology and then the costs that are
15 allocated to them should reflect that. And if that
16 argument is accepted, it is likely that that could result
17 in some shift in cost to other customer classes.

18 Now, in 2015 for both Consumers and DTE,
19 you got a couple things happening that should tend to
20 offset any increases if those were to come. I think the
21 biggest thing for DTE would be the elimination of
22 securitization charges that have been on bills for 15
23 years now. And for Consumers Energy, sort of another
24 impetus for this bill was the expiration of the E1 rate
25 that is paid by Hemlock Semiconductor, they're the

1 largest single-site user of electricity in the state,
2 they have a special sort of discount rate, an economic
3 development rate that was put in place in 2005 and
4 allowed to extend until 2015, essentially is subsidized
5 zero by other customers to the tune of \$60-\$70 million,
6 so that rate expires, that \$60-\$70 million would be freed
7 up, and that presumably, at least a portion of that,
8 depending on how rates are reallocated, would go back to
9 other customers. So even if there are -- if industrial
10 customers do prevail and there are rate impacts for other
11 classes, it should be offset by some of these issues.

12 MR. SMITH: Does the legislation open the
13 door to the recreation of something like the Low Income
14 Energy Efficiency Fund where the Commission is able to
15 collect and then allocate to projects to reduce the
16 burden on residential consumers, for example? Like if
17 the industrial users prevail and that results in a rate
18 increase for residential consumers, one way that they can
19 mitigate that is by, you know, like having more efficient
20 house, which is a pretty low bar across the state. So is
21 there opportunity for funding programs and projects like
22 that via this --

23 MR. BYRNE: Not via this legislation.
24 This legislation is pretty specific in terms of just
25 laying out a process and a timeline for these particular

1 cases.

2 Low income energy assistance was
3 addressed through legislation last year, but in terms of
4 energy efficiency that none of those components were
5 included there. I think over the course of the next
6 year, 18 months or so, there will be a broader debate on
7 energy issues that takes place between administration and
8 the legislature, and I think that, you know, some of
9 those issues could be raised in that context, but they're
10 not specifically addressed here.

11 MR. SMITH: Thanks.

12 MR. BYRNE: One thing to point out, too,
13 and I think maybe this is a good segue to James, while
14 the legislation was being debated in the house, folks
15 were concerned about the ability of residential
16 ratepayers to be adequately represented in these cases,
17 and there was an attempt to try to amend this legislation
18 to allow for this board to make grants to any intervenors
19 on behalf of residential customers, but it turned out it
20 was, that's not allowable, it's basically an amendment by
21 reference and you have to amend the specific portion of
22 the law that deals with the fund and the board. And so
23 House Bill 5612 was introduced last week and will be
24 taken up in the House Energy and Technology Committee
25 tomorrow, and that would make the change that would allow

1 for intervenors on behalf of residential customers to
2 apply to this board for funding for that purpose.

3 MR. MacINNES: Susan.

4 MS. HAROUTUNIAN: How does total usage
5 break down between the three different groups?

6 MR. BYRNE: You would be good to answer
7 this question.

8 MR. CLIFT: I could answer that. So
9 James Clift, policy director of the Michigan
10 Environmental Council. I testified, you know, before the
11 committees about the potential residential rate impact
12 and wanting kind of meaningful participation. Currently
13 the electric use by the residential customer class is
14 around 37 percent, which is kind of rough, they're
15 currently paying about 45 percent of the cost, so they're
16 about 9 percentage points over, commercial class is about
17 equal, their use and their percentage of what they pay is
18 about the same, where the industrial class is kind of the
19 reverse of the residential class, so kind of taking out
20 the numbers, they're about 9 percentage points less than
21 their usage as far as the percentage of the pie they're
22 actually paying. Now, some of that came about because of
23 Public Act 286 back in 2008, we adopted the 50/25/25
24 formula for cost-of-service allocation. That could have
25 been modified, any of the utilities could ask for that

1 formula to be modified at any point, there has been some
2 attempts to do so, but the Commission to date hasn't
3 changed that allocation formula that was included in
4 PA 286.

5 So what this bill basically does is it
6 will force that proceeding that may reallocate that cost
7 of service, and that's kind of where we thought, A,
8 concern; I mean if you look at some of the documentation
9 that has been submitted by the utilities to date,
10 Consumers Energy I believe in their last PSCR case, if
11 they went to 100/0/0 as the cost allocation, that would
12 shift about \$50 million from the industrial class to the
13 commercial and residential class, so that's one utility,
14 you know, \$50 million going kind of all the way, that's
15 kind of a worst case scenario of how things could go
16 here. So we're talking about a potential significant
17 increase to the residential customer class through this
18 cost-of-service proceeding.

19 The benefit might be through the, also
20 the inclusion of the rate design feature of this
21 legislation, and then maybe we can design rates in a way
22 that will help kind of shrink the pie and lower
23 everybody's costs. If we can figure out a way to get all
24 customer classes working to reduce those peak usage
25 times, maybe that will reduce total cost to the system,

1 and that's one of our hopes is that that will be part of
2 this docket so that we can actually, at the same time
3 where we might be doing some reallocation, we can shrink
4 the size of that pie for everybody. If you think about
5 the residential class, they have been never given a
6 signal that makes any difference about when they use
7 electricity, they've never been, for the most part, given
8 any price signal that encourages them to use electricity
9 at night, not as much during the day time. So we think
10 that potentially part of this might be rates that are
11 really kind of designed to keep costs for everybody lower
12 in Michigan.

13 MR. MacINNES: Okay. Any other
14 questions?

15 I have a few questions, and just some
16 comments. The last time I looked at the rates in what
17 used to be the 11-state MISO regions, now 15 states I
18 think, Michigan had the highest residential rates of all
19 the 11 states, and I don't know if it's still true now
20 that they have 15, but wouldn't surprise me. At home I'm
21 a Consumers Energy customer, I'm paying between 15 and 16
22 cents a kilowatt hour, you know, all in. That's a lot of
23 money. And so obviously there's a big concern about what
24 residential ratepayers are having to pay, it's really,
25 especially for low-income people, that can be pretty

1 daunting and, you know, with the air conditioning and
2 whatever, you know, all the different loads that people
3 have, I mean we're already like the worst in MISO, and
4 now we're talking about raising it. So that's a concern,
5 that will be my personal concern, and I think a concern
6 of this board.

7 As James pointed out, you know,
8 industrial users -- and I'm a -- I don't know if you --
9 I'm a primary user, I use 6 million kilowatt hours, I
10 have a 4.4 megawatt peak, so I don't know whether I'd be
11 considered commercial or industrial, but I use a lot of
12 electricity in my business, and I'm also concerned about,
13 you know, my rates going up, which is not really the
14 discussion for this board, but, you know, when you look
15 at the -- basing it at a hundred percent, the energy
16 consumption, which I believe that's the 100, right, is
17 that total energy consumption over a year?

18 MR. BZDOK: Peak demand, hundred-percent
19 peak demand.

20 MR. MacINNES: The peak, okay. So but
21 there, as James pointed out, there's already a pretty
22 significant difference between, you know, what the
23 industrial customers pay, and it's quite a bit lower, and
24 that's the case really all over the world. If you look
25 at statistics all over the world, industrial customers

1 pay less than residential ratepayers, and I think there's
2 some good reasons for that, I'm not opposed to that. But
3 there's also been a lot of work on the deskewing to get
4 to where we're at, and now we're talking about taking it
5 even further. So it seems to me that the best focus
6 would be to try to get the overall price of electricity
7 down, you know, for everybody, you know, get the costs
8 down, and I think, based on what I'm hearing from my
9 group of power engineers from all over the country, that
10 the way to do that is to start incorporating demand
11 response and adaptive load management and putting in
12 signal, price signals to get people off the peak, and
13 that way you don't have to build power plants.

14 I used to work for a company, we designed
15 the Ludington pump storage plant, the company I worked as
16 an engineer for, and I've done a lot of power plant cost
17 estimating. Power plants are very expensive, especially
18 in today's world. They used to be really expensive, but
19 now they're a lot more expensive. And relative to
20 changes in transmission and distribution and meter
21 reading and that sort of thing, that's like a really
22 small part of the total cost of the system. So the more
23 that we can avoid building new power plants and use some
24 of these other techniques, I would think that would be
25 something we'd be rushing in to try to do as quickly as

1 possible rather than solving it by just shifting it to
2 the residential ratepayers.

3 MR. BYRNE: Certainly. And as I
4 mentioned, I mean this is -- if this was the only step
5 that was being taken, it would not be adequate by any
6 means.

7 MR. MacINNES: But this seems like the
8 first step we're taking, you know.

9 MR. BYRNE: Sure. And this is certainly
10 meant to be a first step. But I think that, you know,
11 because some of these -- because of some of the timing
12 issues, folks wanted to try to address this as quickly as
13 possible prior to the end of 2015. You have the HSC
14 contract expiring, you wanted to make sure that HSC
15 didn't bolt for another state.

16 MR. MacINNES: Right.

17 MR. BYRNE: You have, you know, the EPA
18 regulations coming on in 2016. So if there's a way to
19 try to smooth load as much as possible and to reduce, you
20 know, peak demand, and if that can have an effect on
21 cost, then wanted to try to do that, but understanding
22 that there's going to be, you know, a much fuller and
23 more robust debate that takes place regarding a lot of
24 those other issues over the course of the rest of 2014
25 and into 2015, you know, those things can continue to be

1 discussed and hopefully implemented in some way.

2 MR. MacINNES: The other thing, and we've
3 talked about it in this board here, and actually we
4 funded a grantee, that we're exploring that, you know,
5 some of the Consumers Energy plants are being designated
6 as must-run, and so they're being bid into the MISO
7 system as must-run, we think, and Chris can talk a little
8 bit more about that, and where it would have been cheaper
9 to bid in a gas turbine, you know, electricity from a gas
10 turbine project, so that means, you know, we're being
11 charged more for electricity as a result of that. So it
12 seems to me those kinds of things, you know, getting
13 utilities to bid in their most cost-effective plant,
14 would, you know, that's another thing that would be
15 important to do.

16 And Chris, maybe can you talk -- I know
17 you guys are doing some modeling with the PROMOD, and
18 maybe you can talk briefly about some of that.

19 MR. BZDOK: Well, we have testimony
20 coming up in DTE a week from tomorrow, and then the
21 Consumers testimony got pushed back as a result of -- you
22 recall we had the discussion about how they filed the
23 Polar Vortex supplement, and there they said similar to
24 what David is seeing on the gas side, and basically it's
25 almost like a whole new PSCR plan, and that resulted in

1 another prehearing which was after your last meeting, so
2 Consumers is pushed off. So that's a long way around of
3 saying we started some modeling on the Consumers side,
4 but then we had to shut that down, because the licenses
5 are expensive, we can only have them a certain period of
6 time, and we are in the midst of the DTE modeling now.

7 And I would agree with Jim's comment,
8 that what we're seeing so far, and I don't know how much
9 specifics I should get into prior to filing testimony,
10 but generally what I can say is that we can use their
11 modeling and alter some of their strategies and produce
12 lower costs, cost savings on the other end, and those
13 changes include less so a wholesale move away from
14 must-run and more so a look at the modeling, see when
15 units are going to be unprofitable based on the modeling,
16 and then dispatch them economically during those months,
17 and you can see, you know, you can see savings
18 immediately when you do that.

19 We've had discussions here about
20 Consumers Energy, not to be -- we'll pick on DTE in a
21 minute -- but Consumers Energy charges customers the
22 burned cost of the coal, so the cost of the coal, getting
23 it, most of it's coming in on long-term contracts, about
24 90 percent of it, and so the all-in burned cost is what's
25 charged in the PSCR. When the plants are dispatched and

1 they're bid into the MISO, they're bid in at what's
2 called the replacement cost, which is a sort of a
3 theoretical construct that says, if I burn -- I still
4 picture coal like a charcoal briquette, you know what I
5 mean, in the backyard -- but if I burn one lump of coal,
6 so to speak, I should bid that in at the cost it would
7 cost me to go out on the market and buy that lump of coal
8 to replace it, which is, it's a theory I suppose, but
9 it's not reflecting the actual cost of this lump of coal
10 that I'm burning because I got this one on a long-term
11 contract and I paid some security stability premium for
12 that, and the one I would theoretically go out and get it
13 from the market for would be at a spot cost, usually
14 that's cheaper. And furthermore, the lump of coal that
15 will actually replace the one that I'm burning is
16 actually coming in, 90 percent of it, on long-term
17 contract, so my actual replacement cost really is the
18 contract cost as well. So if you get rid of that
19 construct and model the system based on the actual cost
20 of the coal, you run the coal units less, you save money
21 for the customers buying some of this power off the
22 market because the company's bidding in at something, you
23 know, one of its primary costs at less than actual cost.
24 So it's competing with the market -- I don't mean to get
25 too extended on that, but that's another area where we

1 can see a reduction in cost.

2 DTE, according to its plan, is -- there
3 are some DTE units that I anticipate we're going to be
4 picking on when we submit our testimony next week. Based
5 on DTE's own assumptions and DTE's own modeling, there's
6 a couple of units that are essentially in the red a lot,
7 and one of them is in the red every month pretty much
8 through the five years of the five-year forecast, so
9 every month we're just bleeding money on one of these
10 units. And --

11 MR. MacINNES: But yet they're labeled
12 must-run?

13 MR. BZDOK: Yes. Yes.

14 MR. MacINNES: When there's cheaper
15 alternatives out there?

16 MR. BZDOK: The testimony I anticipate
17 we're going to be submitting is going to be more about --
18 less about the idea of taking all of the coal fleets of
19 both units out of must-run entirely and on economic
20 entirely. Now in 2012 with cheap gas, you probably would
21 have done that, but with gas prices back up, you know,
22 it's closer. But you absolutely can run a plant, make
23 the forecasts that they're making, and realize there are
24 less expensive ways to do some of this, which also,
25 incidentally, you know, in our opinion, would also have

1 an environmental benefit because we can say, here are the
2 dollars you'll save, here's the amount of coal you
3 reduced the burning of. And again, this is their
4 assumptions, their plan.

5 We're also going to be submitting
6 testimony in DTE regarding what's called the levelized
7 cost of energy analysis, which is the analysis DTE has
8 done to state that installing the mercury control
9 technologies -- Mike talked about the EPA regulations --
10 and there are units like Monroe which very clearly,
11 without a shadow of a doubt, you put them, mercury
12 control technologies on them, most of that's on already,
13 and that's economical. There are other plants, River
14 Rouge, Trenton Channel, St. Clair, where they're running
15 scenarios -- I mean they're running them for all the
16 plants, but they're running scenarios that look at what's
17 the all-in cost of producing energy from these plants,
18 installing the controls, using the sorbents, the things
19 that they're injecting in the flue gas to control the
20 mercury, the fuel, emission allowances, but all the
21 costs, how does that compare with, say, you know,
22 building a combined-cycle plant as an alternative, not
23 that building a power plant should be the only
24 alternative they're looking at, but that's the most
25 standard side-by-side comparison that's made. And again,

1 as to some of these units, we believe that using either
2 more realistic assumptions or using cost numbers that DTE
3 is providing to some other sources other than the
4 Commission, we believe some of those plants fall into the
5 red in terms of their levelized cost as well.

6 So I mean we think there are
7 opportunities out there to reduce the pie, so to speak,
8 is the term somebody used, you know, just as a jumping
9 off point, and I would second -- I'm sorry, go ahead.

10 MS. HAROUTUNIAN: What is the business
11 rationale to run these plants in the red? I mean why
12 would you do that? What's the benefit to you for doing
13 that?

14 MR. BZDOK: I think we'll find out in
15 rebuttal testimony. It's always been, you know, we
16 can -- we have so far on these issues, we have argued
17 about -- we've made arguments based on, well, they're
18 making this assumption and this assumption is not
19 justified, and they are taking this approach, and clearly
20 this is a different approach that's used by others and
21 this is a better approach, and the response has always
22 been, well, yeah, but we put it all in the black box, and
23 you don't understand the black box and, Commission, you
24 don't want to, you know, you don't want to mess with the
25 black box because that's what keeps the lights on and

1 that's the miracle machine that -- and I mean I don't
2 mean to sound that -- that sounded a little bit sour.

3 MS. WILSEY: Snarky.

4 MR. BZDOK: But now we're going to
5 present evidence that okay, well, we're inside the black
6 box now and here are some results that it's hard for us
7 to understand a business case for those, and it's
8 certainly not a business case based on what's best for
9 the customer, we don't think. It's going to be
10 complicated, there's going to be reliability issues
11 perhaps with some of these decisions, but we don't know
12 that because we've never been able to get this far on the
13 inside. So that's one example.

14 And then what I was going to say before
15 your question, Susan, is, and I would totally second this
16 idea that I've heard from the speakers and also from you
17 that, you know, shaving the peaks and equipping the
18 customers with the tools to do that would seem to be
19 paramount if we're going to be shifting an allocation of
20 costs based on residential's responsibility for summer
21 peaks, giving them the tools to reduce peak loads overall
22 would seem to be, you know, in my personal opinion -- the
23 Commission's done some good things, they've approved
24 smart metering investments by both utilities very
25 consistently, and that's been very positive and it's laid

1 some of this ground work; if they wouldn't have done
2 that, then we'd just be dead in the water, we wouldn't
3 have even been able to start. And there's the smart grid
4 truthers out there, and then there have been some very
5 active parties in these cases that have been very opposed
6 to smart grid investments, but I mean that lays the
7 groundwork. But certainly either by Commission order or,
8 if not, legislatively, that needs to be at the forefront
9 of the discussion moving forward. If we're going to
10 justify a cost shift from industrials to residential, s,
11 that, you know, per utility, worst case scenario based on
12 the data from the last rate case is \$50 million, or \$54
13 million or \$56 million, we need to be giving people --
14 you know, we need to be -- that discussion about the
15 tools to reduce those peaks needs to not be something we
16 get to some point in the future, it needs to be
17 absolutely front and center in the discussion in any
18 case, and if the Commission's not satisfied -- if the
19 Commission's satisfied that that does need to be part of
20 the discussion and it's not far enough along yet, you
21 know, the Commission doesn't have to grant these requests
22 or doesn't have to grants them in full. So I would
23 expect that needs to be part of the advocacy in these
24 cases as well is that maybe we don't do the shifting
25 until, you know, until we've taken some leadership on

1 shaving the peaks and have some things in place so that
2 it's not just hitting the residential and then with the
3 idea that there may be some improvements in the system
4 later that will lessen that later. That's just my
5 editorial two cents.

6 MR. MacINNES: Susan, did you have
7 another comment?

8 MS. HAROUTUNIAN: I think I'm okay at the
9 moment. Thinking about it.

10 MR. MacINNES: The other thing that we've
11 seen, and we've been talking about this at this board for
12 several years, is, you know, bringing in more power from
13 outside the state, working, cooperating with MISO to
14 bring in low-cost power, and we've seen the state
15 actually go against that, you know, suing MISO and FERC
16 and what have you, and I think based on erroneous
17 information frankly. And I mean we've had a lot, we've
18 spent years hearing people talk about it and inviting
19 MISO people in and inviting the transmission, Northeast
20 Transmission, MISO transmission coalition people in and
21 what have you, and you've brought some people in, some
22 economists, and so we've heard a lot of sides on this, we
23 talked about it a lot for two or three years now, and it
24 seems -- you know, I mean it's just like common sense,
25 you know, if you say, okay, we're just going to handle it

1 all in Michigan, we're kind of on Michigan and we're just
2 going to build power plants here and we'll build
3 transmission, we're not going to worry about somebody
4 else outside the state, well, you're going to have to
5 have a lot more backup generation, you know, more
6 capacity, which is very expensive, versus if you can open
7 up, you know, to a really wide energy balancing area and
8 free up the flow of energy between the western MISO area
9 and Michigan, where, you know, if you have this huge area
10 and a unit goes down, you know, you can ramp up the whole
11 rest of the system. Now, I know there's some voltage
12 support things that have to be covered, too, so it's not
13 quite that simple, but you need less backup if you can
14 have -- if you can have a large grouping of power plants
15 that can, you know, if there's a problem they can all
16 ramp up a little bit based on, you know, proper unit
17 commitment scheduling, making sure that they're doing it
18 efficiently, which is what MISO does. I mean they have
19 an operations research -- this PROMOD program, and so
20 they're constantly doing operations research analysis
21 just like what FedEx, like the way FedEx optimizes their
22 routes, they've been doing it for 40 years, they've been
23 using operations research to optimize how their trucks go
24 for the least-cost solution, and that's what, you know,
25 we're trying to -- what I see is using MISO and having

1 them help with the least-cost solution, that means we
2 need less power plants here. So to me, we need to be
3 encouraging that and not discouraging it as we have. So
4 there are a whole host, seems to me there are a whole
5 host of other things that should be considered and
6 implemented, frankly, as opposed to raising our
7 residential rates. That's my opinion on it, for what
8 it's worth. And I've talked to Valerie about it and she
9 knows my opinion.

10 MR. BYRNE: Again, there's no guarantee
11 the residential rates will be increased here. The fact
12 that we have House Bill 5612 to allow this board to fund
13 participants in a contested case, I mean the kinds of
14 points that Chris made for the PSCR cases, you guys would
15 presumably have the ability to raise those as well in
16 these cost allocation proceedings and sort of see how
17 things shake out.

18 MR. MacINNES: Okay. Yes, Michelle.

19 MS. WILSEY: Just one interesting comment
20 and question. So there's a very limited scope of change
21 to the statute for the Utility Board, which is really
22 just to allow or to permit funds to be granted to
23 intervenors to intervene in these new cases, correct?
24 There's no change to the funding or anything, right?

25 MR. CLIFT: No.

1 MS. WILSEY: Which is what I thought,
2 which is just a more complex environment for this board.
3 We have energy optimization proceedings, we have PSCR
4 proceedings, we now have -- is there a name for these
5 proceedings?

6 MR. CLIFT: Cost-of-service.

7 MS. WILSEY: Cost-of-service proceedings
8 in addition to some limited scope interventions even in
9 general rate hearings if the need arises or the
10 applicability is there, so it's just a changing
11 environment. In many of these cases, the board is trying
12 to prioritize where the most effective interventions
13 might be made, that's going to be a more complex decision
14 with highly what sounds like some of new-world
15 proceedings, you know, if you're trying to change the
16 cost allocation procedure that is kind of being forced to
17 change as a result of the --

18 MR. CLIFT: Clearly we would have
19 advocated maybe for some further updating of the statute
20 that controlled this board, but politically the window of
21 opportunity we have, we realized there was no way we
22 could touch any of those other issues. But as Mike
23 mentioned, as this energy discussion goes on this year
24 and into next, we think that this might be get re-raised
25 and potentially dealt with. We -- what we kind of did,

1 we looked at this case, looked at the potential impact,
2 saw it to be equal or maybe even greater than some of the
3 other proceedings we were participating in, and that's
4 why we decided, at least at this time, to make this
5 change.

6 MR. BYRNE: From a timing standpoint,
7 we're, you know, the legislature is probably going to be
8 done, you know, basically until after the election, they
9 may come back a day and/or two here or there, but like in
10 two weeks.

11 MS. WILSEY: Exactly. And I mean kudos
12 to being able to move it out. It's just a point of
13 information for the board is to -- it's an exciting but a
14 challenging area.

15 MR. MacINNES: It will be a new
16 investment opportunity for the board.

17 MS. WILSEY: Another new one.

18 MR. BYRNE: The cost-allocation
19 proceedings are one-time proceedings, so it's not like
20 this would be a recurring sort of thing.

21 MS. WILSEY: Okay. That's a great
22 clarification, I didn't realize that.

23 MR. MacINNES: Does the board have any
24 other comments or questions? Yes.

25 MR. LISKEY: Just full disclosure, I
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1 received a phone call on Friday from the house committee
2 staff that was dealing with this legislation, and I think
3 at the request of the bill sponsor, Representative
4 Shirkey wanted my thoughts on 5612, perhaps because of my
5 former role as, with the Attorney General's office and
6 counsel for the board. Regardless, I looked at the bill,
7 and my obvious -- they want me to come to the hearing
8 tomorrow. And I supported the bill, you know, just on
9 behalf of myself, certainly not my non-, the nonprofit
10 that I represent. But my only observation would be, and
11 I mentioned it earlier, is funding, so that in theory,
12 you know, to grant the board authority without the funds
13 is, you know -- but you've got -- or where did he go --
14 if you've got \$200,000 left -- the key point of this is
15 this, if these -- if this package of bills goes through,
16 this proceeding will commence within 60 days and,
17 therefore, this board may need to have a special meeting
18 to award, if you decide to award grant intervention,
19 because your next meeting is early August, and I don't
20 know when the prehearing will be, we don't know if
21 this -- everything I've heard, this legislation is going
22 to pass.

23 MR. MacINNES: Pass, yeah. So --

24 MR. BYRNE: The timing -- I'm sorry. The
25 timing on this, you have an effective date of the bill,
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1 you know, maybe if it were to pass mid June, the
2 Commission has to initiate proceedings within 60 days,
3 and then the utilities have 60 days to actually file
4 proposals, and a prehearing conference for the purpose of
5 intervention wouldn't happen until after that point. So
6 you have potentially --

7 MR. LISKEY: Okay. All right.

8 MR. BYRNE: -- up to 120 days before, you
9 know, interventions would be considered.

10 MR. MacINNES: And our next meeting is in
11 August?

12 MS. WILSEY: Well, August. But it speaks
13 to John's point that we're in a current funding year, so
14 it doesn't leave a whole lot of resources given the fact
15 that we have pending requests in addition to anything
16 new, but, you know, there are funds.

17 MR. ISELY: I'm sorry, doesn't that 120
18 take us past this funding year?

19 MS. WILSEY: Well, will it? July,
20 August, September. We're right on the bubble.

21 MR. ISELY: And so right now we're
22 sitting in a world where there'd be some on this funding
23 year and some on next funding year?

24 MS. WILSEY: Could be.

25 MR. CLIFT: Could be.

1 MS. WILSEY: Yeah, could be.

2 MR. ISELY: Just to complicate things.

3 MS. WILSEY: It's right on the bubble.

4 MR. MacINNES: Are there any other
5 comments?

6 Well, it will be interesting to hear from
7 our grantees on if there's an interest in becoming
8 involved in this, more involved in this case. Something
9 we'd be very interested in looking at.

10 Okay. Well, thank you. You've heard our
11 piece.

12 MS. WILSEY: Thank you very much, both of
13 you.

14 MR. MacINNES: And we appreciate your
15 listening and your patience, and very good.

16 Okay. On to the next item, which would
17 be the grantee reports. And maybe we can start off with
18 John, if you want get started.

19 MR. LISKEY: Okay. I could pass these
20 out, please. In the interest of time, I would like to
21 just focus on one area, and then if you have any
22 questions on the documents, our MISO activity report that
23 we submitted, we're happy to try and answer those
24 questions.

25 And I think, Mr. Chairman, I think this
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1 speaks to your concern that is stated earlier in terms of
2 the value of having someone from this board, a grantee,
3 participate in the MISO proceedings. Since our last
4 meeting, which was in April, there has been some, a
5 flurry of activity, all related to the Presque Isle
6 plant. And to back up a little bit, the Presque Isle
7 plant has five units, it's in Marquette, Michigan, it's
8 old, and We Energies would like to retire it. In order
9 to do so, they needed to get permission from MISO, MISO
10 said no, this -- we need that plant running for
11 reliability purposes, and we will fund you to keep that
12 plant operational to the tune of about \$52 million a
13 year. And that has been various tariffs and filings at
14 FERC, FERC has to approve those, and MISO made that
15 filing to what they call SSR payments of \$52 million, and
16 then those \$52 million is spread across the entire ATC
17 footprint. That's why I'm handing this out. So
18 everything's going according to plan. And then in April,
19 the Public Service Commission of Wisconsin filed a
20 complaint at FERC to reallocate, instead of allocating
21 across that big, wide footprint, which includes
22 Milwaukee, and they want it to be, that \$52 million, more
23 of that pushed on to the Upper Peninsula. In fact, we
24 estimated \$26 million; it could raise a residential
25 ratepayer's bill by \$50 a year.

1 The timeframe in which to submit comments
2 on these things was May 5. We filed an intervention, we
3 asked for -- we filed a motion to extend the comment
4 period; that was denied. I got on the phone and called
5 every group I could here in Michigan to get them to
6 intervene to file a comment; we only had a week. Talked
7 to the Michigan Municipal Electric Association, because
8 there's, you know, Marquette plant, I mean this
9 transmission stuff affects co-ops, it affects municipals,
10 it affects investors. So, and interestingly enough,
11 everybody on the Wisconsin side of the border, the
12 consumer groups, industrials, everybody, was supporting
13 the Wisconsin Commission's complaint. I also, you know,
14 obviously spoke with the Commission, and we, through the
15 hard work of Connie and Bob, were able to file 23-page
16 comments in a timely fashion on May 5, the most extensive
17 comments by any other group filed, with the exception of
18 Integritys. And this is one of these interesting cases
19 where we lined up with UPPCO and WPS, we're on the same
20 side of the battle on that. So the Wolverine Power filed
21 in support and the municipals, so we're trying to put up
22 a united front for Michigan consumers. And the case is
23 pending, but we got all our comments filed in time; I
24 don't know when FERC will answer.

25 But in terms of the importance and I

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1 think the value of us participating in MISO, this is a
2 case study in that, because had we not been, you know,
3 minding the store, this would have gone by -- and I've
4 been thanked personally by the chairman of the
5 Commission, the Michigan Commission, for jumping in on
6 this, and --

7 MR. MacINNES: What about the AG's
8 office, are they intervening?

9 MR. LISKEY: They didn't file. And I --

10 MR. MacINNES: So besides you, who else
11 in Michigan intervened, who was --

12 MR. LISKEY: The Michigan Municipal
13 Electric Association, the co-ops that are located in the
14 Upper Peninsula. Do you remember?

15 MS. GROH: I think MPSC had short
16 comments.

17 MR. LISKEY: Yeah, the Michigan Public
18 Service Commission filed --

19 MR. MacINNES: But you brought it to
20 their attention?

21 MR. LISKEY: No, they knew. But the
22 amount of resources on something like this, their filing
23 was 9 pages, and ours was 23 or 29 pages, so it -- it's
24 like that's -- anybody else? That's about it.

25 MS. GROH: Just UPPCO and WPS and --
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1 MR. LISKEY: That would have --

2 (Multiple speakers.)

3 MR. LISKEY: Wolverine.

4 MR. MacINNES: That would have really --
5 I heard a discussion about this at the Michigan Chamber,
6 and the comment was that that would have really set a new
7 precedent if this were approved as they proposed it.

8 MR. LISKEY: As --

9 MR. MacINNES: And the real -- in other
10 words, the --

11 MR. LISKEY: The reallocation.

12 MR. MacINNES: -- the reallocation would
13 have been a whole new deal. And how about FERC, where
14 are they on this?

15 MR. LISKEY: Well, that's what we're
16 going to find out, it's before them. They're the
17 decision-maker.

18 MR. MacINNES: But it was made to sound
19 that, like that's probably not something FERC would agree
20 to is what I got out of that discussion.

21 MS. GROH: One concern we have though,
22 too, is that, wouldn't you agree, that MISO, they --
23 their statement was basically --

24 MR. MacINNES: Neutral?

25 MR. LISKEY: Yeah.

1 MR. MacINNES: MISO's?

2 MS. GROH: Yeah. They did not defend
3 their own tariff.

4 MR. MacINNES: Huh, interesting.

5 MS. HAROUTUNIAN: Nobody complains and
6 things happen.

7 MR. MacINNES: Right, that's true.

8 That's true.

9 MR. LISKEY: But to your point in terms
10 of it would have been a new precedent, currently the way
11 Michigan, the Upper Peninsula costs of utility companies
12 are spread, it's spread throughout the footprint of that
13 utility. So for example, Wisconsin Electric, Michigan
14 ratepayers might pay eight percent of a new plant that
15 WEPCo builds in Milwaukee, the Elm Road plants, and so
16 they do spread it around the entire footprint. And now
17 they're, the Wisconsin Commission is saying, well, that's
18 Michigan's problem, you know, because of voltage, you
19 know, the need for the voltage support.

20 MR. MacINNES: Voltage support. Well,
21 thank you for doing that.

22 MS. GROH: And one thing that the
23 Wisconsin Commission is really stressing is that the way
24 ATC is handled is unique in MISO, the rest of MISO
25 doesn't do it the way they do it in ATC, it is done by

1 LSEs, by load-serving entities that supposedly benefit,
2 and they're saying that there's no reason to treat ATC
3 differently, which there is, and we had comments in our
4 brief to show why. So they're saying that really the
5 precedent is on their side because you have this
6 carve-out for ATC for no reason, and the few Michigan
7 entities that intervened were able to point out why.

8 MR. MacINNES: Jim Ault, do you have
9 any -- you're involved in all this kind of stuff.

10 MR. AULT: I have members on both sides.

11 MR. MacINNES: Yeah, you're --

12 MR. AULT: I will say this: In the
13 discussion at the Chamber last week, and even in a lot of
14 this discussion, except for Connie's remarks, I didn't
15 hear much of a reason this came to be. And what
16 Wisconsin's point is, although Mike Peters is a pretty
17 good friend of mine, I talked to him -- he's part of the
18 group in Wisconsin. What's -- what happened is the
19 Governor crafted very carefully a plan to keep the
20 Presque Isle plant operational and fund that plant.
21 Given the situation that because of a loophole in
22 Michigan's 2008 law, they allowed unlimited Customer
23 Choice; they put the 10-percent cap on everybody else in
24 the state except for the biggest single customer of We
25 Energies in the U.P., which is the Cliffs, Empire and
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1 Tilden Mines, which was 80-plus percent of their load,
2 about 85 percent. At the time, I don't think anybody
3 really thought anything would happen, it was a lobbying
4 effort by the Mines, they're very politically powerful.
5 Well, what did happen is that the Mines decided to go to
6 an independent supplier and off of the We Energies'
7 system, taking away the financial support for the, most
8 of the financial support to keep the Presque Isle plant
9 running, and they are a beneficiary of that plant even
10 now. One of the reasons that they're talking about
11 allocation is that it's who benefits from that plant, why
12 is it a must-run. It's a must-run because of its
13 location near the big load which provides the voltage
14 support needed for the system in the U.P. and some of the
15 redundancy because the transmission system up there isn't
16 the strongest.

17 So what triggered this whole mess, this
18 border war, which is a very dangerous war to get into,
19 with Wisconsin is the fact that the customer left, they
20 bear no responsibility for the plant under either
21 scenario, and yet they're a beneficiary of it and,
22 therefore, someone else has to pick up the costs. We
23 Energies filed, you know, because the SSR is a route to
24 get paid, they filed, they made two filings of Attachment
25 Y they call it, one was a temporary suspension of the

1 plant, then they filed for the permanent retirement,
2 because I think with the permanent filing, which was made
3 more recently, they can get environmental upgrade support
4 that can keep that -- that plant needs to go longer, it's
5 needed up there, and it's going to be for a few more
6 years, until somebody figures out either through
7 transmission or something a new plant, maybe a gas plant,
8 some alternative to that plant, which they don't have
9 right now.

10 MR. MacINNES: So on that question, Jim,
11 that very point, and I'd like to engage the rest of the
12 group here, if you look at Los Angeles Department of
13 Water and Power, they've actually taken some of their
14 natural gas-fired steam generating and power plants, one
15 in Huntington Beach, for example, and they have turned it
16 into a synchronous condenser, and so what they do is they
17 power this -- you know, there's no power actually coming
18 from the power plant, but they're spinning the load, you
19 know, the motor, and so that can provide voltage support
20 without there actually being a power plant there. Now,
21 you have to spin the motor, right, and so you have to
22 have enough transmission, strong enough transmission to
23 get it there. So I'm just wondering, they've used it,
24 they're currently doing that in Huntington Beach with
25 their plant, I'm just wondering if that sort of thing has

1 been considered, if anybody knows if that's been
2 considered as a way to avoid having to build a new power
3 plant, but yet provide the voltage support that's needed
4 in that area?

5 MR. LISKEY: I don't know. But I can
6 tell you that that is exactly the kind of thing that
7 round two of the Northern Area Study should be
8 contemplating.

9 MR. BURNS: And I can tell you that the
10 Attachment Y proceeding that MISO went through looked at
11 all the different alternatives, including trying to come
12 up with other sources, third-party sources of spinning
13 reserve. They decided that Presque Island [sic] was so
14 large that there was no one thing and no, there were not
15 combinations of things that they could do, and MISO
16 determined that it was a necessary SSR. There is another
17 proceeding that is going forward, which is the White
18 Pine I proceeding --

19 MR. LISKEY: Oh, yeah, I didn't mention
20 that.

21 MR. BURNS: -- and in that proceeding,
22 it's a much smaller power plant, and UPPCO and the
23 Wisconsin Power Company are challenging the Attachment Y
24 determination that MISO came up with and said that it's a
25 small enough plant, you could have done something

1 different, here's a bunch of ideas that we think you
2 didn't look at that we feel would have been a solution.
3 So but they actually -- even UPPCO, which is challenging
4 the White Pine I proceeding --

5 MR. LISKEY: That's in Escanaba.

6 MR. BURNS: -- is saying that Presque
7 Island [sic] is such a large portion of the power being
8 produced in the U.P. But those types of solutions
9 are good solutions.

10 MR. MacINNES: But one of the issues
11 with -- I can see them wanting to run those plants
12 because that's the quick solution, because if you were to
13 do, make a synchronous condenser out of it, I think it's
14 likely you'd have to really beef up the line, the
15 transmission line, in order to keep all that stuff
16 running, and then beyond that, to supply power, because
17 it wouldn't be actually a power plant, it would be a
18 voltage support system. And so we know that transmission
19 takes a long time to build, so that's not a quick
20 solution. But I guess I'm just -- if you see anything on
21 that, I'd be very interested. I'm sure when we do hear
22 the results of the Northern Area Study Phase II, which
23 I'm hoping we'll hear about in the fall, although they've
24 been pretty quiet about it, they don't want to disclose,
25 as you know, but I'm hoping that they'll be able to find

1 some good solutions so that we don't end up having to pay
2 those SSR payments.

3 Anything else, Jim?

4 MR. AULT: No. I think some of the
5 comments about, you know, them shattering the system of
6 allocation, the slice of system issue really aren't, I
7 don't think, appropriate, because this plant situation's
8 rather unique, it had do with the loophole in the
9 Customer Choice that allowed the Mines to go off of it
10 and not really -- I don't think anybody in Wisconsin was
11 advocating that we're going to just scrap the allocation
12 between the two states and treating it as a single-
13 service planning area. But if Michigan were to, if the
14 rhetoric heats up and we start to go down that path, a
15 lot of the ATC upgrades in the U.P. were built on the
16 backs of Wisconsin, and so, you know, because there's
17 such a low population up there and the density of use is
18 low, you really need a bigger footprint to benefit the
19 U.P., and that's why I think there needs to be some
20 caution in the kind of rhetoric that we're hearing about
21 not supporting the Wisconsin plants or whatever the
22 retaliation might be.

23 MR. CLIFT: I guess I would also note
24 that I saw on the Natural Resource Commission agenda an
25 offer to purchase natural forest, state forest land up

1 there for a natural gas plant on next month's docket, so
2 at least some other people are interested in this
3 potential market down the road.

4 MR. AULT: Yeah, that's an interesting
5 issue. There's a great big -- the U.P. infrastructure
6 was built primarily for industry, and that's one of the
7 difficulties of it. That plant, the Presque Isle plant
8 was actually built by the Mines, by Cleveland Cliffs, to
9 serve their open-pit mining operation, and eventually it
10 was sold to We Energies when they were in one of their
11 downturns. But there's a big northern natural line that
12 comes from the west, gas line, and then there's the Great
13 Lakes, that's the real big one, that's in the southern
14 U.P., it runs all the way across and then links down in
15 Sarnia, there's gas on that line you could fuel a plant
16 with. There's going to be issues, though; you know,
17 Marquette's tax base is an issue, running a gas line up
18 from the line in the lower part of the U.P. up to the
19 Marquette area, really the old air force base up there is
20 probably what you're looking at, that's an issue because
21 you're still going to need redundancy for a plant. The
22 advantage of the Presque Isle coal plant was it has
23 staged units, so you could, you know, service one and
24 keep the others going. You know, gas, you'd have to look
25 at that issue and maybe build multiple units. It's not

1 going to be an easy solution to look at.

2 MR. MacINNES: You know, on this whole --
3 I'd like to bring up while we're talking about gas
4 briefly, I'd like to bring up some points on natural gas.
5 Just recently -- and it's natural gas fracking and shale
6 oil fracking, not looking at it from an environmental
7 standpoint, but looking at it from a resource
8 availability standpoint, there was a -- there's an area
9 of shale oil called the Monterey Shale, and that's in
10 California. Well, the Monterey Shale was supposedly to
11 provide two-thirds of the shale oil for this country, and
12 there's been some recent studies on it, and it's been
13 identified that the shale oil supply from that is
14 95-percent less than what they had forecasted, and this
15 was recently announced by the EIA, Energy Information
16 Agency -- or Association, Administration. This is the
17 USEIA. So they were not -- the bottom line was they were
18 not able to get this shale oil cost effectively. And
19 there was a fellow by the name of David Hughes who wrote
20 a report on it, so if you were to Google David Hughes,
21 Monterey Shale, it was reported first in the LA Times,
22 but you could find out about it.

23 Well, I know David, he's a geologist from
24 Canada, he's done a lot of work, and he also wrote a
25 report on shale gas, and he raised some of these same

1 questions about the availability of shale gas, and we've
2 talked about it here before, where you have these sweet
3 spots, not like, oh, here's the Marcellas Shale, there's
4 all this gas everywhere, there are sweet spots for gas in
5 certain areas. And when you drill for gas or shale oil,
6 you get a hundred units of output the first year and 50
7 units the next year; within three years, it's 70 percent
8 of the original output, something like that. It's --
9 every one's a little bit different. But it's an
10 exponential decay curve on gas. And so you have to punch
11 more holes, you've got to punch a lot of holes.

12 So David, who is I think a pretty
13 credible geologist, as was recently proven out by his
14 report and the subsequent downgrading of the Monterey
15 Shale oil based on some of his work, that we could be
16 having some difficulty with shale gas. Now, I know
17 everybody feels there's a lot of shale gas out there and
18 that's great, you know, but I think the jury is out on
19 that. And those that are building natural gas-fired
20 power plants that cost a billion dollars and expecting
21 them to last 20 to 30 years might be taking a risk, and,
22 you know, because it's likely that -- and I'm sure
23 everyone's heard this -- that the price of natural gas is
24 likely to go up over time, and we don't know what the
25 timing is. But there is a report that David Hughes did

1 on natural gas and all of this, if you're interested in
2 reviewing it. But we've talked about it before. But I
3 thought I wanted to bring to your attention this Monterey
4 Shale oil thing, which is a big deal, because we're
5 basing our ability to have oil on shale oil and we've
6 just lost 95 percent of two-thirds of the shale oil
7 reserves for this country, according to the EIA.

8 Did you have a comment, Jim?

9 MR. AULT: I do. I read a very
10 interesting book and I would highly recommend this to
11 your group, although it comes with a point of view and
12 not everybody in here would share. Robert Bryce, author,
13 he wrote a book called Power Hungry before, that book had
14 a lot of options, just put out a new one called, I think
15 it's something like Faster, Denser, Cheaper, Lighter,
16 Smaller, that's the name of the book. It's available on
17 Public Affairs, I ordered it off of Amazon. It goes into
18 some of that and talks about -- it's not just energy, but
19 it's mostly energy -- and talks about the benefits we
20 have of the closed-loop system of coal, which we're busy
21 dismantling right now, which has given us tremendous
22 price stability, because it being a closed loop, we don't
23 use coal for much else, we have the rail networks, we
24 have the Powder River Basin and all that, and it provides
25 a lot of long-term stability in price, which we're going

1 to give away, and rely on gas. Renewables, they have
2 their place, but they can't replace what we're giving up.
3 And the concern is in about four more years, when these
4 plants have shut down, the EPA has spoken, we don't have
5 them in the system anymore, I think they're talking about
6 two power plants short in zone seven for Michigan in the
7 MISO reports, so there you have it. What's going to
8 happen to prices then and your concern, I think probably
9 so, for the residential customer base here, that ought to
10 be something looked at. So this book is a pretty good
11 overview of it. Available in hard back.

12 MR. MacINNES: But then there's the other
13 side of that, of planet change and carbon coal as burning
14 coal creates the most --

15 MR. AULT: Yeah, except the coal is being
16 burned anyway. It's all being exported to other
17 countries that burn it, so that's an issue, too.

18 MR. MacINNES: Well, I just listened to a
19 former U.S. republican congressman from South Carolina,
20 Bob Inglis, I-n-g-l-i-s, and he's arguing for a revenue-
21 neutral carbon tax, and where you would actually also tax
22 good, the carbon and goods coming into this country to
23 help encourage the other countries to get rid of the
24 carbon in their products. So he has formed -- he is part
25 of a group that's involved in that, and he has former

1 Secretary of State George Shultz in his group and other
2 notables.

3 MR. AULT: I've seen that. And the last
4 word on Bryce's comment: He doesn't disagree with, I
5 think with a lot of your concern about the environment,
6 all of our concern really, he still thinks there's a
7 long-term solution involving nuclear with some of the
8 newer technologies, and if you want to really get to zero
9 emissions and maintain the kind of system that we have
10 the capability of for energy, and other countries want,
11 more electricty, that's really the way we ought to be
12 going for a good chunk of it, and we need to get
13 back active.

14 MR. MacINNES: Well, the rest of the
15 world is doing a lot more in nuclear than we are.
16 There's actually a company called New Scale, which was
17 just approved for a second level of funding by the DOE
18 for a small modular reactor, so I guess that's --

19 MR. AULT: That would be useful in the
20 U.P. right now.

21 MR. MacINNES: Yeah, 45 megawatts,
22 something like that. A lot of different things, but it's
23 an interesting discussion.

24 Okay. Anything else from CARE?

25 MR. LISKEY: Nope.

1 MR. SMITH: Jim, I'm sorry, I had one
2 question for you guys. It's going to take me a minute to
3 get to it, I apologize. So this is just maybe better for
4 Doug at some point, so if you don't have the ready answer
5 for it, feel free to postpone it. But regarding the EPA
6 regulation that's going to come -- or that did come out
7 this morning, and the work that you guys are doing around
8 the hot topic question, I'm curious if it interacts with
9 sort of our increasing demand here as the economy
10 recovers and how that rule might be implemented on a
11 usage basis or a per-capita basis or a kilowatt-hour
12 basis, because the way we're framing this conversation, I
13 worry that energy efficiency as the alternate strategy
14 for compliance isn't going to be appropriate or
15 sufficient. Does that make sense?

16 MR. LISKEY: Let me -- you're speaking,
17 just so everybody understands the context, in our MISO
18 activity report on page 7, we periodically, I think it's
19 almost monthly, send out respond -- or request of agenda
20 for future agenda items, and they're called hot topics,
21 and that's within the consumer advocacy group within
22 MISO, so all the other states. And so a request came out
23 for this, and Doug Jester looked at it, and he, with he
24 and Bob crafted our suggestions. And so I'm going to let
25 Bob take it, if you can. But it was Doug who, his input

1 on this, and he is moving his, helping move his daughter
2 to Virginia today, and that's why he's not here.

3 MR. BURNS: Well, I know one of the
4 things that Doug and I are going to do is look at the
5 actual what came out with the rule, because one of the
6 things that we were discussing was we can only say so
7 much until we actually see the notice of proposed rule
8 making. One of the things we wanted to see, what was --
9 what would be allowed to count toward compliance on the
10 MOPR [sp] for the state implementation plans. We were of
11 course looking at all of the different things that Jim
12 was talking about as far as load management, demand
13 response, energy efficiency, all of those new types of
14 things, to try to possibly look at whether or not some
15 type of carbon trading would be the type of thing that
16 Michigan would want to look at or the people within MISO
17 would want to look at, and other types of things that you
18 would just find that would lower the carbon emissions.
19 We were not necessarily taking all of the fossil fuel
20 options off. We were -- Doug and I have had some
21 extended discussions about combined heat and power and
22 cogeneration using gas as a way of getting the most out
23 of gas if are you going to use gas generation, and to the
24 extent that you do things like that, being able to use
25 that as a long-term strategy to get the most out of

1 whatever carbon emissions are possible.

2 But as far as the detail on a per capita
3 or some of these other things, we need to look at the
4 actual rule to see how they're going to require the state
5 implementation plans to be run or to, what has to be in
6 them and what it's going to take to comply. And then
7 we're going to be suggesting to MISO how they might be
8 able to help us come up with ways of implementing this.
9 Possibly -- we've already supported a lot of the demand
10 response auctions that are in MISO, we've supported
11 specific tariffs that they put in, that they are putting
12 in place on frequency response, that was reported in
13 earlier things, we've been one of the leaders on trying
14 to get external resources from outside our load resource
15 zone counted, be allowed to be counted in, if you can get
16 them past the capacity -- the capacity import limits for
17 the transmission, and we've pushed for that and pushed to
18 get a rule that would still recognize the limitations so
19 people would have the transmission enhancements, but
20 still have those incentives for the external resources.
21 So we're open to anything that we think will work, if
22 that makes any sense.

23 MR. SMITH: It does. And I understand
24 the limitations because we haven't seen the language yet.
25 But I will be interested to hear your assessment at some

1 point about how in particular this impacts our potential
2 in a growing -- cross our fingers -- growing economy.

3 You know, if the rule is written such that the focus is
4 on power plants at existing generation --

5 MR. BURNS: That will be difficult.

6 Yeah.

7 MR. SMITH: Right. Thanks.

8 MR. MacINNES: Well, you know, a little
9 more comment on that. There was some MISO people at the
10 Chamber meeting, also, and they talked about how they're
11 encouraging this interzonal energy transmission. So
12 they're all over it, they want to do it; I talked with
13 them afterwards. So, you know, they want to get the
14 power moving any way they can. And I think the results
15 of this Northern Area Study are going to have, could
16 potentially have a profound effect on our capability and
17 options here.

18 The other thing, and now that you have
19 Paul here, DERs, distributed energy resources, within the
20 distribution system, that's another area that there's a
21 lot of talk about, a lot of potential opportunity and,
22 you know, again, the talking between the transmission,
23 between MISO and the distribution people, which doesn't
24 happen much, it's like kind of walled off.

25 MR. BURNS: Yeah. The MISO has it as

1 behind-the-meter generation, and they just say it's out
2 there, we want to assess how much is out there and see if
3 we can tap into it, and that would be something that
4 Michigan -- well, we can encourage MISO to take pushed
5 forward as much as possible with the utilities.

6 MR. MacINNES: But like Lansing Board,
7 you guys have a cogen plant, right?

8 MR. LANGE: Right.

9 MR. MacINNES: There's a DER potentially.

10 MR. LANGE: Yep. We had one plant ahead
11 of the meter that MISO -- or our Erickson plant for
12 several years, and I think economically the board decided
13 it doesn't work too well, so they went back behind meter.
14 Now, you know, our generation is just dispatched by the
15 MISO price map, you know, which is updated every five
16 minutes, and we respond to the market that way.

17 MR. MacINNES: So sounds like you're
18 starting to do that, some of this that may be starting to
19 happen. But that's also been identified by our IEEE
20 group as a potential good resource, so that would be
21 certainly worth looking into, and maybe talking, when you
22 are talking about the MISO people, find out where, you
23 know, where are they on DERs, and also the utility people
24 here, you know, where are they on DERs.

25 So any other discussion on that?

1 Okay. We haven't heard anything from the
2 Great Lakes Renewable Energy Association on any reports
3 or comments.

4 MR. COYER: I believe the last report
5 that you received from us was at your last meeting, and
6 so there is very little to report, except a normal course
7 of two PSCR cases, we're in CECo and DECo's cases. The
8 only notable things to mention is something that, I would
9 echo Mr. Bzdok's comments, the CECo case has been
10 postponed because of I guess what you call a mini
11 reasserting of their PSCR case based on a number of
12 factors that I think have been discussed here already,
13 including cost of gas supply. And so our consultants
14 will be submitting their testimony in early August with
15 the others.

16 The DECo case, on the other hand, is
17 proceeding according to the schedule, and their testimony
18 will be due I think on June the 9th, if I've not mistaken
19 with the schedule. But there's very little else to
20 report from our group in that regard.

21 Interested obviously in the issues that
22 are being raised today. Our firm has had some experience
23 in the issues raised with regard to MISO, and
24 particularly the issue that was raised earlier with
25 regard to replacement power costs. We've been through

1 this issue with I&M several years ago, and at that time
2 the data sources were not as readily available as they
3 are today. This is pre-MISO timing.

4 MR. MacINNES: Are these the EP nodes
5 that, node prices?

6 MR. COYER: Exactly. And at the time
7 that we were engaging in some pretty extensive discovery
8 with I&M, we had some great difficulty in obtaining what
9 would at the time have been close to realtime pricing
10 information. Our concern at the time was specifically
11 with a nuclear power plant that had gone down, and we
12 were concerned about the minimizing of cost of
13 replacement power for that particular period of time. I
14 think the idea remains the same, but I think the data
15 availability is much more enhanced now at this point. I
16 think some of the discovery issues will continue to be
17 there. But I'm very interested in the issue that's been
18 raised here at this point, and I think our clients will
19 be too.

20 MR. MacINNES: Okay. Anything else from
21 MEC?

22 MR. BZDOK: I guess unless the board has
23 questions, no. I've given you some sense of where we're
24 going in the PSCR cases, we've given you an update, we
25 submitted our update. So unless the board has questions.

1 We'll be submitting obviously more detail once we file
2 the DTE testimony, and we'll provide the board with a
3 detailed report on that at that time.

4 MR. MacINNES: Okay. On then IEI, any --

5 MR. LUNDGREN: Same situation really.

6 MR. MacINNES: Very good. Okay. RRC is
7 not here.

8 Public comment. Is there any public
9 comment? We've already had some. Jim, are you sure you
10 don't have any more comment?

11 MS. WILSEY: Recommendations?

12 MR. AULT: No. We support -- generally
13 my chair supported the bill on the funding for this
14 group. We looked at it because of the transparency
15 issue, you know, the meetings that involve industrial
16 customers and Staff at the Commission and that type of
17 thing, and so they're going to need that other voice. I
18 think probably your funding is going to be a higher
19 expert that's an expert on rate design that, you know,
20 you might be able to just get one and be an effective
21 voice. There are going to be three cases, I&M is going
22 to have one, too. It's not quite on the same scale or
23 time schedule I think. But that's it.

24 MR. MacINNES: So I think a good point
25 was made, you know, how do you go to the residential

1 ratepayer who doesn't have a mechanism to do load
2 shifting because they don't know when the peak is.

3 MR. CLIFT: Well, I mean it's also the
4 question of, you know, how much load should get shifted.
5 I think there's two big issues is how do you design that
6 shift and then how could you use rate design to help kind
7 of modify behavior in the future.

8 MR. MacINNES: Okay. Any other public
9 comment? Hearing none.

10 The next meeting is August 4 at 12:30.

11 Do we have a motion to adjourn?

12 MR. SMITH: So moved.

13 MR. DINKGRAVE: So moved.

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

15 Thank you, everybody.

16 (At 2:25 p.m., the meeting concluded.)

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1 STATE OF MICHIGAN)
)
2 COUNTY OF MACOMB)

3 I, Lori Anne Penn, certify that this
4 transcript consisting of 79 pages is a complete, true,
5 and correct record of the proceedings held on Monday,
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8 responsible for any copies of this transcript not made
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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 June 17, 2014
Date

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

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