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STATE OF MICHIGAN  
UTILITY CONSUMER PARTICIPATION BOARD

- - -

MEETING OF MONDAY, DECEMBER 7, 2015

12:40 P.M.

611 West Ottawa, 4th Floor  
Lansing, Michigan

- - -

- PRESENT: Jim MacInnes, Chair  
 Paul Isely, Board Member  
 Ryan Dinkgrave, Board Member  
 Susan Licata Haroutunian, Board Member  
 (Via Telephone)  
 Christopher Bzdok, Michigan Environmental  
 Council (MEC)  
 Don Keskey, Great Lakes Renewable Energy  
 Association (GLREA)  
 John Liskey, Citizens Against Rate Excess  
 (CARE)  
 Dan Scripps, Institute for Energy Innovation (IEI)  
 Jim Wilson, LARA  
 Leann Droste, LARA  
 Beth Beebe, LARA  
 Michael Moody, Department of Attorney General  
 Celeste Gill, Department of Attorney General  
 John Janiszewski, Department of Attorney General  
 Jim Ault, Michigan Electric & Gas Association

- - -

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



1 Department of Attorney General.

2 MR. MOODY: Michael Moody with the AG's  
3 office, too.

4 MR. KESKEY: Don Keskey on behalf of the  
5 Great Lakes Renewable Energy Association.

6 MR. WILSON: Jim Wilson, LARA.

7 MS. DROSTE: LeAnn Droste, LARA.

8 MR. BZDOK: Chris Bzdok, counsel for MEC.

9 MR. SCRIPPS: Dan Scripps with the  
10 Institute for Energy Innovation.

11 MR. MacINNES: And we have some --

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

14 MS. BEEBE: Beth Beebe, LARA.

15 MR. MacINNES: Beth and LeAnn were kind  
16 enough to help us with the agenda and pulling together  
17 all the materials here, so thank you for that.

18 MS. DROSTE: You're welcome.

19 MR. MacINNES: You all have I hope  
20 received the agenda, and I'm looking for a motion to  
21 approve.

22 MR. ISELY: Motion to approve.

23 MR. DINKGRAVE: Support.

24 MR. MacINNES: Is there any discussion?

25 Okay. All those in favor, please say

1 aye.

2 BOARD MEMBERS: Aye.

3 MR. MacINNES: Opposed, same sign.

4 Okay. Let's move on to the MEC -- to the  
5 business items, MEC grant amendment requests.

6 MR. BZDOK: Thank you, Mr. Chairman,  
7 members of the board. Chris Bzdok on behalf of MEC.

8 Susan, can you hear me?

9 MS. HAROUTUNIAN: Yes I can. Thank you.

10 MR. BZDOK: Excellent. I have in front  
11 of the board a transfer request from leftover funds from  
12 three cases for purposes of supplementing the expert  
13 budget in the 2016 DTE PSCR plan case. Also involved in  
14 that request is a request that the expert's rate is  
15 higher than the rates that are normally authorized by the  
16 board, and so there's also -- it's not only a transfer  
17 request, but also a request to meet this expert's  
18 required rate.

19 A little bit of background, and we  
20 provided information on the case in our memo on the 2016  
21 PSCR plan cases. The long and the short of it is we are  
22 going to be continuing to pursue some of the coal  
23 generation related issues that we have been pursuing in  
24 this case, but there is also a largely new issue, at  
25 least in the PSCR electric side, which has to do with a

1 proposal related to a large affiliated gas transmission  
2 pipeline. So DTE has an affiliate DTE pipeline company  
3 which has partnered with an entity called Spectra and is  
4 together proposing to build, they have not built it yet,  
5 but proposing to build a \$2.2 billion pipeline from  
6 eastern Ohio essentially to southeast Michigan to bring  
7 in Utica and Marcellas shale gas, and that is to be what  
8 I would call essentially a common carrier pipeline, but  
9 its primary customer or its anchor customer as proposed  
10 would be DTE. And so -- and the project has not been  
11 built yet, but what is in front of the Commission is a  
12 request by DTE for approval of a transportation  
13 agreement. So in essence, it's a request for approval of  
14 a very small tail that could potentially wag a very large  
15 dog, which is more or less that the Commission would be  
16 approving now and then on a go-forward basis the  
17 transport of large amounts of gas in this pipeline which  
18 would be more or less -- I'm using a very loose analogy  
19 when I say almost like an anchor tenant for a large  
20 development, more or less.

21 And so it raises economic issues, it  
22 raises issues about whether there's a better way to get  
23 the gas here, how long should such an approval be locked  
24 in for, it raises affiliate transaction issues, and we've  
25 talked in the past in other contexts about the

1 Commission's Code of Conduct and the requirements that  
2 utilities essentially, you know, have to go more or less  
3 to the market for certain types of arrangements, and for  
4 other types of arrangements, they need to make a showing  
5 essentially that they're getting what they're getting at  
6 cost or something reasonably equivalent. So there are  
7 economic evaluations that have been done, there are  
8 questions about the transportation agreement, there are  
9 questions about whether there are alternatives, there are  
10 questions about whether this should be done in the PSCR  
11 plan context, and then there are Code of Conduct issues.  
12 So that's a whole set of issues that are in addition to  
13 the normal types of things that we do.

14 Now, on the bright side, we don't  
15 anticipate doing PROMOD modeling this time around in this  
16 case, and so we have a lower expert cost on the coal side  
17 than typical. So what we've done is we've requested to  
18 use unused funds from the DTE Electric renewable energy  
19 plan case, which we settled, and then some leftover  
20 funds, also with CARE's -- CARE had -- we have CARE's  
21 consent because that was a joint grant, there's about  
22 5,000 in leftover expert and legal funds from the two  
23 cost of service cases, and so together we want to make a  
24 transfer of \$10,154.90, which then supports the hiring of  
25 this expert, Jim Wilson, whose resume and information we

1 provided to you. And then his rate, he did not offer us,  
2 he does not offer any sort of discounted rate, and so we  
3 have a higher rate for him of \$260 an hour. That would  
4 be a one-time, one-shot deal, he's not someone we would  
5 use on a regular basis. It's a unique situation. He has  
6 a lot of experience with gas and with PJM and with that  
7 whole area geographically, and so that's why we're making  
8 that request. I mean, like I said, it's not for us, it's  
9 basically was his position and it would be a one-shot  
10 deal. No new money. So that's our request, 10,000 and  
11 a -- 10,000 to transfer and the higher rate  
12 authorization.

13 MR. MacINNES: So does the board have any  
14 questions of Chris about this?

15 How big is the plant that this will be  
16 serving? Is it one plant, multiple plants? How many  
17 megawatts of capacity of gas, gas supply?

18 MR. BZDOK: I don't have a megawatts of  
19 gas supply for you. What I have -- what is described in  
20 DTE's filing is that there is an anticipation by the  
21 Company that it will be building up to three  
22 combined-cycle natural gas plants between now and 2030,  
23 and that this pipeline will be supplying gas to those  
24 plants. They are also indicating -- now, those plants  
25 won't be built by 2017 when this pipeline would actually

1 be completed and this agreement to transport would --  
2 there would actually be transport and the exchange of  
3 money occurring, and so what DTE's position there is,  
4 that it will be supplying gas for DTE's combustion  
5 turbine plants, which they have recently acquired the  
6 Renaissance plant and the East China combustion turbine  
7 plant. So I don't have an exact megawatts because it's  
8 up to three plants sort of to be determined at this time.  
9 But we've got stats, I believe I gave you stats on the  
10 Mcf. Did I give you stats on the Mcf of the pipeline?

11 MR. MacINNES: I don't recall.

12 MR. BZDOK: Capacity of 150 billion cubic  
13 feet, 250 miles, 2.2 billion.

14 MR. MacINNES: Okay. So it's going to be  
15 big.

16 MR. BZDOK: Yep.

17 MR. MacINNES: Really big probably.

18 MR. BZDOK: Yep.

19 MR. MacINNES: And they're not going to  
20 use the pipeline fully until they build these other three  
21 plants, or will they ever use it fully?

22 MR. BZDOK: So what I'm looking at to  
23 date is the tip of the iceberg, partly because I don't  
24 have an expert on board yet and partly because we have  
25 not yet commenced discovery, and so the tip of the

1 iceberg is this is going to be a common carrier  
2 essentially, but this is going to be perhaps its most  
3 significant customer, and at least the way the filing is  
4 written, it sounds like approval of this agreement is  
5 something of a go/no-go decision point, equivalent, like  
6 I said, to having the anchor tenant for a development  
7 before you can get it financed.

8 MR. MacINNES: So the anchor tenant  
9 usually gets a really screaming deal, right, because  
10 they're a big bulk customer?

11 MR. BZDOK: I like your thought process.  
12 I anticipate that that may perhaps not be what's  
13 happening, but we will see. I just -- I'll need to do  
14 discovery, I'll need to get evaluations done.

15 MR. MacINNES: So there's really a lot of  
16 work to really even identify the problem, so to speak,  
17 sounds like, or if there's a problem, what the magnitude  
18 of it is, whether it's a good deal --

19 MR. BZDOK: It's a big -- it's a big  
20 project. It's a big project, it's a significant  
21 transportation agreement because of volume and because of  
22 the duration.

23 MR. MacINNES: Right.

24 MR. BZDOK: We're sorting of looking at  
25 the tip of the iceberg of it right now, so I'm going to

1 know a lot more; but in terms of a threshold view, there  
2 are a lot of aspects of it that need to be vetted. I'm  
3 not presenting to you today in the sense of, you know --

4 MR. MacINNES: Here it is.

5 MR. BZDOK: Maybe at the end of the  
6 vetting -- you know, we're not going in saying we know  
7 this is a bad deal. We know it raises a lot of red flags  
8 because it's a 2016 PSCR plan requesting approval of an  
9 agreement that won't even start until 2017 that will last  
10 a very long time that's an affiliate agreement; how is it  
11 sized, how does it compare economic -- you know, there's  
12 a report that indicates that they feel this is  
13 economically the best deal. How does it comport with  
14 Code of Conduct? Just all of that stuff.

15 MR. MacINNES: Well, there's a lot of  
16 issues because I think it would be good to know, for  
17 example, what they would contemplate, you know, what size  
18 power plants they would contemplate for this, the three,  
19 what sizes are they, 500 megawatts, what are they, you  
20 know, and what percentage of this pipe would they be  
21 using at buildout. So that certainly could be important  
22 to know. And I think it would give you some good  
23 information on what we can expect in terms of gas  
24 buildout from this company, in terms of power plant  
25 buildout.

1 MR. BZDOK: I agree. This is -- I would  
2 suggest that this is the first proceeding in which there  
3 will be the beginning of the vetting of the next  
4 essentially 15 years.

5 MR. MacINNES: Right.

6 MR. BZDOK: You know, kind of post MATS,  
7 post, you know, the retirement decisions that have been  
8 made, and now what's next.

9 MR. MacINNES: And you get into all these  
10 issues of, well, of course, the term of the contract; is  
11 it better for them to buy -- how much should they buy,  
12 you know, baseload gas, so to speak, guaranteed price,  
13 and gets into some of the other gas case issues we'll be  
14 talking about; should you buy 75 percent, 50 percent,  
15 what's the right number, and making sure that, you know,  
16 you've got your bases covered, but yet you have the  
17 opportunity to go into the market and get a good deal,  
18 which is what the ratepayers are looking for.

19 MR. BZDOK: Right.

20 MR. MacINNES: So would it make any sense  
21 to partner with anybody on this gas question, any of the  
22 other grantees or --

23 MR. BZDOK: We're certainly --

24 MR. MacINNES: -- who do more gas work?

25 MR. BZDOK: We're certainly open to that,

1 it's not something we've contemplated, and we don't have  
2 anybody else of that nature who has intervened in this  
3 case at this point.

4 MR. MacINNES: Something you might think  
5 about, though.

6 MR. BZDOK: Yep. ANR has intervened in  
7 this case, so that's somebody that we'll be, you know,  
8 not aligning with, but certainly interested in what they  
9 have to say.

10 MR. MacINNES: Well, it's going to be a  
11 big deal I think, a really big deal.

12 MR. BZDOK: It looks like it.

13 MR. MacINNES: Yeah. Okay. Well, we're  
14 starting to undertake a new adventure here with this  
15 whole thing.

16 Any other comments or questions?

17 And is there any reason that -- are there  
18 any issues maybe from your perspective, or like any legal  
19 issues that would prevent us from making this, a  
20 favorable decision on this?

21 MR. MOODY: No. I think you've done  
22 grant amendments in the past, I don't see any impediment  
23 to that.

24 MR. MacINNES: Okay. Okay. So that  
25 really covers the first two items; is that right? Oh,

1 no, that's the additional attorney. Okay.

2 MR. BZDOK: And that I -- LeAnn and I had  
3 had a discussion about that somewhere right around the  
4 holiday break, and it was that I thought I might have  
5 somebody to propose to you. Emerson Hilton, who has  
6 always worked on these with me, has taken a job in  
7 Seattle, and so LeAnn said, well, let's put it on the  
8 agenda sort of as a to be named later, and I'm not there  
9 at this point.

10 MR. MacINNES: Okay.

11 MR. BZDOK: So that's not -- we're not  
12 there yet.

13 MR. MacINNES: Okay. What's the board's  
14 pleasure, should we go ahead and consider this first item  
15 now or --

16 MR. DINKGRAVE: Usually we hear each and  
17 then we --

18 MR. MacINNES: We do.

19 MR. DINKGRAVE: -- but either way is  
20 fine.

21 MR. ISELY: However you want to handle  
22 it.

23 MR. MacINNES: Why don't we go ahead and  
24 take care of this now. Do we have a motion to approve  
25 the MEC grant amendment request?

1 MR. DINKGRAVE: So moved.

2 MS. HAROUTUNIAN: So moved.

3 MR. MacINNES: Is there support? So  
4 Susan, you're supporting?

5 MS. HAROUTUNIAN: Yes.

6 MR. MacINNES: Okay. Is there further  
7 discussion?

8 Okay. All those in favor, please say  
9 aye.

10 BOARD MEMBERS: Aye.

11 MR. MacINNES: Opposed, same sign.

12 MR. BZDOK: Thank you very much. We will  
13 keep you posted obviously.

14 MR. MacINNES: Yeah, that sounds like a  
15 very interesting case.

16 Okay. Now, John, CARE request to add  
17 Northern States Power 2016 PSCR plan case. Do you want  
18 to go ahead with that, John?

19 MR. LISKEY: Yes. Thank you.

20 Mr. Chairman, if I could perhaps take up item, substitute  
21 CARE in item (b), we'd like to renew our request to add  
22 Donald Erickson to Grant 16-01, which are the PSCR cases,  
23 and Grant 16-06, which is the UPPCo rate case, and we had  
24 originally I think requested that on the UPPCo rate case  
25 back in October, and I didn't have any resume or anything

1 to hand out, but I do now, and I did send it, but I can  
2 pass these around if you'd like to see it. I think  
3 everybody here knows Don's qualifications. And I  
4 apologize for not bringing this to the board's attention  
5 until late Friday afternoon, but given the schedule of  
6 cases and so forth, action at this meeting is really  
7 necessary. So I guess my first request would be that you  
8 amend your agenda to be able to take this request up.  
9 And if you'd like I can go on to the next request in  
10 terms of adding the cases to 16-01.

11 MR. MacINNES: Okay.

12 MR. LISKEY: Would you like me to do that  
13 first?

14 MR. MacINNES: Yes.

15 MR. LISKEY: Okay. When we made our  
16 initial grant application, because of limited funding, we  
17 only requested, you know, the UPPCo and WEPCo PSCR plan  
18 cases. Traditionally for the last six years we've always  
19 for the most part intervened in all of the Upper  
20 Peninsula cases. After thinking about this and other  
21 conversations, we've changed our mind and would like to  
22 add the NSP and the WPS cases to this grant with no  
23 additional money. And we just feel that that's our  
24 obligation and commitment to Upper Peninsula residential  
25 ratepayers. And having somebody like Don Erickson on

1 these cases helps because he can -- he can read these  
2 filings and find soft spots if there are any better than  
3 I can. And we don't have -- you know, Douglas Jester is  
4 willing to also do that, he's the expert on all of our  
5 cases, but it helps spread the load essentially. And so  
6 that's why we are adding these two cases and requesting  
7 Don's help.

8 MR. MacINNES: Okay. Does the board have  
9 any questions about that? Susan, any questions?

10 MS. HAROUTUNIAN: No, not at the moment.

11 MR. DINKGRAVE: I'll just note that we  
12 appreciate, again, that we are, like I said before, that  
13 we're paying attention to the Upper Peninsula customers.  
14 It's important.

15 MR. MacINNES: So these cases, what will  
16 they -- what issues will they be involved with do you  
17 think, I mean specifically what kinds of issues do see in  
18 these cases?

19 MR. LISKEY: I can't tell you off the top  
20 of my head.

21 MR. MacINNES: Fuel issues or --

22 MR. LISKEY: Well, yeah, these are power  
23 supply plan cases, so it would be, for example, I know in  
24 the WPS case there is a long-term power supply contract  
25 that is part of the filing. I'm not sure of any specific

1 issues in the NSP case until really Douglas and Don take  
2 a look at them.

3 MR. MacINNES: Okay. Do you see that  
4 this could in any way relate to transmission issues?

5 MR. LISKEY: No.

6 MR. MacINNES: Okay. Well, I also, given  
7 the rates, the high rates that the U.P. is subject to,  
8 it's nice to see them being represented, so.

9 MR. ISELY: How will this affect the  
10 other cases that you were already involved in? I mean  
11 this is spreading it pretty thin.

12 MR. LISKEY: Well, but we've done that  
13 before in the 2015 grants, we did all the cases for the  
14 same amount of money. We essentially do a lot of pro  
15 bono work is really what it boils down to.

16 MR. ISELY: Thank you.

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

19 Okay. Do we want to -- I wonder, do we  
20 actually need a separate motion, or could we include Don  
21 in this motion?

22 MR. LISKEY: I think a -- what would you  
23 say?

24 MR. MOODY: Technical rules, you might  
25 need to amend your agenda and put it in, but I don't

1 know, I think you can do it all in one fell swoop maybe,  
2 just, you know, one motion to amend, put Don on, and do  
3 it all like that. You don't have to make them separate.

4 MR. LISKEY: As long as the motion  
5 contains his addition in those two grant cases, the UPPCo  
6 rate case and these, so Grant 16-01 and 16-06.

7 MR. MacINNES: Okay. So would someone  
8 like to make that motion?

9 MR. ISELY: I think I've got it all down.  
10 So I move that we approve the addition of Northern States  
11 Power Company PSCR plan case and Wisconsin Public Service  
12 Corporation 2016 plan case, and also that we add on the,  
13 add Don Erickson to U-16-01 [sic] and U-16-06 [sic].

14 MR. LISKEY: Though are Grants 16-01 and  
15 16-06.

16 MR. ISELY: On to grants.

17 MR. MacINNES: Okay. We have a motion.

18 MR. DINKGRAVE: Support.

19 MR. MacINNES: Is there any discussion?  
20 Anything we missed or that we should add to that?

21 MR. MOODY: You could add Don as a  
22 business item. I don't think that's necessary I think  
23 technically, I think you can just put it all in one, (c),  
24 that's fine.

25 MR. MacINNES: If there's no further  
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1 discussion, all in favor, please say aye.

2 BOARD MEMBERS: Aye.

3 MR. MacINNES: Opposed, same sign.

4 Okay. Very good. Painless.

5 Okay. The next item would be the  
6 Institute for Energy Innovation. Dan.

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

8 This is a request for a no-cost extension involving our  
9 intervention in a 2014 PSCR proceeding. So far we've  
10 been talking about 2016 cases that are very active; this  
11 one is from two years ago, but remains open. We had  
12 previously had this grant extended through the end of the  
13 last fiscal year, through September 30, 2015. This is  
14 seeking an additional six months for that case under the  
15 Grant 14-04, and this request was made on November 13.

16 At that time, we were still -- the case  
17 had been sort of pending for a long time, but everybody  
18 had finished arguments, we were waiting for a PFD from  
19 the ALJ, and we had been waiting. Since then, we've  
20 received a PFD on November 20 in that case, Judge Eyster  
21 issued the PFD, and so it looks likely that we will be  
22 able to resolve this case relatively quickly from this  
23 point out. Before, we didn't have an idea, so we had  
24 asked for six months, through April 30, 2016.

25 And I'll, at risk of sort of going into  
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1 the reports, I'll give you a quick update, if that's  
2 okay, on what the PFD said in terms of our issues. I  
3 think probably other grantees will want to cover their  
4 issues.

5 Judge Eyster in the PFD largely followed  
6 the Commission's order in the DTE Case U-17319, the DTE  
7 2014 power supply cost recovery case. That Commission  
8 order was dated May 15 of this year. And in terms of our  
9 issues, we had raised a number of issues involving ways  
10 that the utility could reduce the need for fuel  
11 purchases, so not addressing the specifics of how much  
12 the fuel was costing, but whether they were doing enough  
13 to reduce the need for that fuel, specifically on  
14 enhanced energy optimization programs and on conservation  
15 voltage control. In the Commission order in the DTE case  
16 in May, the Commission noted that the energy landscape  
17 and the utility regulatory paradigm are undergoing rapid  
18 transformations, and that the -- there needed to be a  
19 holistic review of how the utilities were addressing  
20 those, and that the fragmented nature of the current  
21 regulatory proceedings that deal with fuel and capital  
22 investment decisions is challenging and may not lead to  
23 the best long-term solutions for utility customers. That  
24 said, the Commission said, there's a lot of uncertainty  
25 at the moment with open legislative discussions on a

1 number of these issues. And so while they said that they  
2 weren't going to take any action at that time, they did  
3 mention that the issues that we had raised have merit and  
4 may be revisited in future proceedings. The ALJ, Judge  
5 Eyster, repeated that language, and then said again:  
6 Thus, at this time the Commission remains reluctant to  
7 make significant changes to the requirements for PSCR  
8 plans and forecasts; however, the issues raised by IEI  
9 and GLREA, another grantee, have merit and may be  
10 revisited in future proceedings. That's his PFD. We  
11 expect Commission action relatively soon, although we  
12 don't know exactly when.

13 The one other piece that I would note in  
14 terms of a substantive issue is on a different case, the  
15 Consumers Energy rate case --

16 MR. MacINNES: Before we get into that --

17 MR. SCRIPPS: Yeah, absolutely.

18 MR. MacINNES: -- could I just get  
19 your -- you mentioned conservation voltage control.

20 MR. SCRIPPS: Yes.

21 MR. MacINNES: And I'm trying to -- I  
22 haven't really delved into that, maybe you can help me,  
23 help us understand. Is that lowering the voltage to have  
24 less power transmitted, or how does that --

25 MR. SCRIPPS: Yeah, it's addressing the  
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1 amount of power that's lost as it goes through the lines  
2 because -- because often more is being sent than is  
3 necessary, and the savings that have been modeled suggest  
4 that you could reduce energy consumption by the -- by  
5 customers at 1 1/2 to 2 1/2 percent overall and reduce  
6 peak load consumption by 2 1/2 to 4 percent as a --  
7 because of reductions in conservation -- in voltage.

8 MR. MacINNES: And this is at the  
9 transmission level or --

10 MR. SCRIPPS: Yes. And it's something --  
11 so we typically, when we talk about energy efficiency, we  
12 talk about end-use customer energy efficiency measures.  
13 These would be utility energy efficiency measures. So it  
14 would be -- these are up to the utility company to do,  
15 and yes, they are at the transmission level.

16 MR. MacINNES: Would this include  
17 industrial customers?

18 MR. SCRIPPS: It would, yes.

19 MR. MacINNES: Is there any concern  
20 about, you know, when you run equipment at too low a  
21 voltage, it will burn out?

22 MR. SCRIPPS: Right.

23 MR. MacINNES: Is there concern about  
24 that?

25 MR. SCRIPPS: I think in the places where

1 this has been done, that those issues have been  
2 addressed, and so -- and a lot of this, I will tell you,  
3 came from our expert, Douglas Jester, also ours, and so I  
4 can answer some of these questions; if we get too far in  
5 the weeds --

6 MR. MacINNES: Maybe I'll talk to Douglas  
7 about a --

8 MR. SCRIPPS: -- I will want him standing  
9 next to me.

10 MR. MacINNES: I've heard about it, but,  
11 you know, I'm always concerned about burning my equipment  
12 out, too, and that's an issue.

13 MR. SCRIPPS: Absolutely.

14 MR. MacINNES: But otherwise it makes  
15 sense. Okay.

16 Was there -- now, there was some  
17 correspondence between LARA and you regarding --

18 MR. SCRIPPS: Yes.

19 MR. MacINNES: -- this grant. Was it  
20 closed out, or what --

21 MR. SCRIPPS: So it was that -- and I'll  
22 let you answer, too -- but that our initial -- well, the  
23 extended request went through the end of the fiscal year,  
24 and we were in the process of pulling together the  
25 invoices for the amount that had been expended. Those

1 have been turned in and are reflected in the budget  
2 numbers. I don't know if you want to add to that.

3 MS. DROSTE: And those invoices were  
4 processed and paid, and unaware that there would be a  
5 request for an extension, the grant was closed out, so  
6 that any remaining monies under this grant would have  
7 lapsed back to the fund. So if there is a request for  
8 continuation in this case, then an option would be for  
9 the board to award a new grant in '16 for continuation,  
10 but the funding going back to '14 is closed.

11 MR. SCRIPPS: Okay. I believe that I had  
12 communicated that, but I'll need to go back and check  
13 records that I'd be asking for an additional request.  
14 But I can go back and check records on that.

15 MS. DROSTE: Okay.

16 MR. DINKGRAVE: What is that amount?

17 MR. SCRIPPS: So the amount that we had  
18 left in the Consumers case -- so we had two, we had been  
19 awarded in two cases, the first was the DTE case, that  
20 was U-17319, and that amount was, that we had left was  
21 12,303. We have no issues in having that amount going  
22 back. The amount in U-17317 that was left was \$14,031,  
23 and that is divided into 5,931 in legal expenses and  
24 7,740 in expert testimony expenses. I don't expect that  
25 we -- I expect that there -- that the Commission

1 decision, although I want to put an asterisk next to that  
2 for one reason, will likely follow what the Commission  
3 said in the DTE case, and I don't expect that there will  
4 be any additional expenditures on the expert side. So  
5 it's the matter of filing a routine exceptions document,  
6 those are due by Friday of this week, and so it's the  
7 matter of filing that, and then reviewing the Commission  
8 order when it comes out. We don't expect, if it follows  
9 what they did in the DTE case, that we would in any way  
10 appeal the final decision there.

11 MR. MacINNES: Huh. So if that's the  
12 case, I guess I'm having a little trouble understanding  
13 why we would need -- why you would need more money.

14 MR. SCRIPPS: Filing the -- we would like  
15 to file exceptions to give the Commission another  
16 opportunity -- there have been some developments,  
17 including one that I'd like to talk about involving the  
18 Consumers rate case, that have happened since they issued  
19 their order in May, and so it's filing exceptions to  
20 basically preserve the ability of the Commission if they  
21 wanted to take the next step to do so.

22 MR. MacINNES: So it's already -- it's a  
23 done deal, it's closed out, that's that?

24 MS. DROSTE: Yes, that's correct.

25 MR. MacINNES: So can we really even

1 access that money?

2 MS. DROSTE: The original grant was  
3 issued in fiscal year 2014. Those -- the grant remained  
4 open through September 30 of 2015, and those monies  
5 carried forward. At the time that the grant was closed  
6 out, any remaining money would have lapsed back to the  
7 fund, so the monies are part of the fund balance --

8 MR. MacINNES: Right.

9 MS. DROSTE: -- but would have to be  
10 granted as a new award in 2016.

11 MR. MacINNES: Right. Okay. So the  
12 money is there, it's a question of do we want to grant  
13 that money for a new case for 2016?

14 MS. DROSTE: Correct. And it would then  
15 reduce your budgetary authority in 2016 as well. You  
16 have an appropriation for 2016, and it would reduce your  
17 appropriation spend.

18 MR. MacINNES: Right.

19 MR. ISELY: Are you saying that that  
20 money is already listed in our spreadsheets where we've  
21 been looking at the amount available?

22 MS. DROSTE: It would come off from your  
23 amount available.

24 MR. ISELY: Okay. Thank you.

25 MR. MacINNES: But if it went back into  
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1 the fund, does that mean it gets re-divvied up between  
2 the AG and us, or how does that work?

3 MR. MOODY: I think the problem is is  
4 that once you get a certain appropriation amount, it's,  
5 that certain amount, even though you had lapsed money,  
6 you still got -- you might have it in the bank, but  
7 you're only appropriated so much. You'd have to get  
8 another appropriation to bring that into this year,  
9 right, is that kind of what's happening?

10 MS. DROSTE: If you -- on your financial  
11 report, you have an appropriation for fiscal year '16 of  
12 750,000, you have less your revenue, then your AG  
13 adjustment, and then your admin support, which leaves you  
14 the 486,674 for grants. Of that, you have already  
15 granted out 306,360, which leaves you a balance of  
16 180,314 that you still have available for awarding  
17 grants. If you were to award monies for this case, it  
18 would come out of the 180,314.

19 MR. MacINNES: Well, and of course we  
20 don't know what other awards we're going to do, right?  
21 There may be some other items that we need to take into  
22 account.

23 What's the pleasure of the board?

24 MS. HAROUTUNIAN: Jim.

25 MR. MacINNES: Yes, Susan.

1 MS. HAROUTUNIAN: Is there any way to  
2 delay making a decision on that and kind of figure out  
3 the ramifications a little more or not? Do we have to do  
4 it right now?

5 MR. MacINNES: You have to file something  
6 on Friday --

7 MR. SCRIPPS: We would have to file  
8 something on Friday if we're going to file exceptions in  
9 this case.

10 MR. MacINNES: So no, doesn't sound like  
11 it.

12 MR. SCRIPPS: Right.

13 MS. HAROUTUNIAN: Okay.

14 MR. ISELY: Now, if we run in this  
15 direction, it sounded like you didn't need the entire  
16 amount.

17 MR. SCRIPPS: I think that that's fair.  
18 These are fairly routine petitions, and we did one that I  
19 think will look substantively similar, with one change,  
20 when we filed exceptions in the DTE case. I think this  
21 could be done on a very -- so of the \$14,000 that was  
22 left, including approximately 6 in legal, I think we  
23 could do it for far less even than that, you know, 10  
24 hours would be 1,800, something like that.

25 MR. MacINNES: So what you would propose  
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1 then is a grant for \$1,800?

2 MR. SCRIPPS: That would I think more  
3 than get us to where we need to be.

4 MR. MacINNES: Okay.

5 MR. SCRIPPS: And I don't know if you  
6 want to -- so there was one issue in the Consumers rate  
7 case that suggested the Commission may be looking at  
8 this, and that is that there was a division, a rare  
9 division among the commissioners in terms of the amount  
10 that Consumers ultimately was able to get, and I'll let  
11 others speak to that, we did not intervene in this case,  
12 but it suggests -- it was the utility return on equity  
13 percentage where one of commissioners, Commissioner  
14 Talberg, suggested 10 percent, the utility had asked for  
15 10.7 percent, and the majority of the Commission settled  
16 on 10.3 percent, but it suggests a sensitivity to cost  
17 issues that continues at the Commission even as the  
18 legislative discussion goes forward. And the focus of  
19 what we're talking about here are two areas that the  
20 utilities could take proactive steps to reduce, to reduce  
21 costs in the long run as part of their five-year planning  
22 cases. If doesn't address sort of immediate things,  
23 neither did it in DTE, but it's steps that they could  
24 take in their planning process to reduce ultimate costs  
25 in the longer run, which is the only reason that we think

1 that they may -- there may be some desire among  
2 commissioners to take the second step that they sort of  
3 teed up back in May.

4 MR. MacINNES: Okay. What do we think?  
5 Should we do a new grant for \$1,800?

6 MR. DINKGRAVE: I think it's a small  
7 enough amount that it's not going to dramatically change  
8 the picture of what we have for the remainder of 2016, so  
9 I would be supportive of that.

10 MR. MacINNES: Okay. So what, can you  
11 tell us the case again?

12 MR. SCRIPPS: Yes. It's U-17317.

13 MR. MacINNES: 217?

14 MR. SCRIPPS: 317. And it's the --

15 MR. MacINNES: Yeah, and there was  
16 another one, too.

17 MR. SCRIPPS: -- Consumers Energy 2014  
18 PSCR proceeding.

19 MR. MacINNES: Oh, it's just this one  
20 case?

21 MR. SCRIPPS: It is just the one case.

22 MR. MacINNES: Okay.

23 MR. SCRIPPS: Yeah. The other case is  
24 closed.

25 MR. MacINNES: Okay. So we would in  
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1 essence propose a new grant for 2016 for \$1,800 to finish  
2 out your work on this case. Does that sound reasonable?

3 MS. DROSTE: I would like to make a  
4 clarification. In looking at the financial report, the  
5 Institute for Energy Innovation's original grant in 2014,  
6 it is still showing as an active grant; therefore, the  
7 balance of 180,314 is reflective of the, in this report  
8 it says 26,334, which is before those final payments were  
9 made. So the 180 is assuming that this remaining 26,334  
10 is going to be spent. That is not the case and,  
11 therefore, that 180,000 balance would go up.

12 MR. MacINNES: Oh, well, that's good.  
13 I'll take that. But so we would still need to grant a  
14 new grant for 2016?

15 MS. DROSTE: That is correct.

16 MR. MacINNES: And you can help us with  
17 the math?

18 MS. DROSTE: Yes.

19 MR. MacINNES: That will be much  
20 appreciated.

21 MR. SCRIPPS: And you couldn't do it to  
22 the extension of the 14-04?

23 MS. DROSTE: I can not. Once it's closed  
24 in our accounting system, there is no way to recover that  
25 balance.

1 MR. MacINNES: Okay. Do we have a motion  
2 to make that new grant?

3 MR. DINKGRAVE: So moved.

4 MR. MacINNES: Is there support?

5 MS. HAROUTUNIAN: Support.

6 MR. MacINNES: Okay. I think it's good.  
7 I would say that I'm concerned about the communication  
8 between IEI and LARA, that there seems to be not enough  
9 communication, and I think this is evidence of that. And  
10 we're with you, we want you to be wildly successful.

11 MR. SCRIPPS: We appreciate that.

12 MR. MacINNES: We really do, but you got  
13 to make sure you talk to the LARA people and to me and  
14 the board so that everybody knows what you're trying to  
15 do, it's really important, because without that, it makes  
16 it more difficult for us to make good decisions. So.

17 MR. ISELY: Jim, can you read the exact  
18 thing we're going to be voting on?

19 MR. MacINNES: There's a motion to make a  
20 grant in 2016 for Case U-17317 in the amount of \$1,800 to  
21 the Institute of Energy Innovation.

22 MR. ISELY: Thank you.

23 MR. MacINNES: Does that sound about  
24 right? Is there any further discussion? Any comments  
25 from the AG's office?

1 MR. MOODY: No, that sounds right.

2 MR. MacINNES: Sounds okay to you?

3 MR. MOODY: Yep.

4 MR. MacINNES: Our legal counsel. Always  
5 got to check.

6 MR. DINKGRAVE: I would just say, you  
7 know, in my experience, it never hurts to ask for an  
8 extension in advance if you think you might need it  
9 because worst case scenario is you finish your work  
10 early. It's always better and easier, as we learned  
11 here, than to have to do it after the fact.

12 MR. MacINNES: Okay. All those in favor,  
13 please say aye.

14 BOARD MEMBERS: Aye.

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

16 MR. SCRIPPS: Thank you.

17 MR. KESKEY: Point of clarification.

18 We're in the same situation as the Energy Innovation  
19 Institute because we were in the 2014 case or 2014 grant,  
20 and I'm speaking on behalf of GLREA, and the PFD just did  
21 come out and the exceptions are due Friday. And in that,  
22 in those exceptions -- excuse me. In that PFD, there was  
23 some favorable comments about the issues raised by IEI  
24 and GLREA have merit and may be revisited. The problem  
25 with the PFD is it could go much farther to make some

1 recommendations about why the five-year forecast of  
2 Consumers Energy is deficient because it is not showing  
3 any increase in solar or any activity to expand solar or  
4 to realize what's going around locally, statewide, and  
5 nationwide in improving economics of solar and a lot of  
6 the other benefits I've explained before. And quite  
7 frankly, the PFD is at least 18 months late, we didn't  
8 know what was going to happen. And if it's possible to  
9 ask for a similar grant, exactly the same amount, the  
10 same term, under the 2016 budget of \$1,800. Our issue is  
11 different from IEI. IEI has some innovative issues, but  
12 we believe ours is an important issue relative to the  
13 energy mix of fuel sources under Act 304.

14 MR. MacINNES: In terms of, can you  
15 clarify that a little more?

16 MR. KESKEY: Well, consistent with the  
17 grants that you've awarded relative to GLREA advocating  
18 on behalf of the solar energy being a resource that  
19 should be explained, discussed, and included in the  
20 five-year forecast in this case and the other cases, that  
21 Consumers Energy failed to do so. Their plan and  
22 forecast, five-year forecast are deficient because they  
23 are predicting a totally flat contribution or  
24 participation in solar energy --

25 MR. MacINNES: Of course, that could be

1 the case if the net metering bills that were proposed  
2 pass, don't you think?

3 MR. KESKEY: Well, there's more than net  
4 metering, there's --

5 MR. MacINNES: That's true.

6 MR. KESKEY: -- various customers that  
7 are looking at, even if they have to finance it  
8 themselves, community solar, there's an opportunity right  
9 now for the utilities to do more solar because right now  
10 the 30-percent tax credit is in effect until the end of  
11 next year, and there's the Federal Clean Energy Plan,  
12 which at least people should start trying to get closer  
13 to that, we have the Governor's policies, which seem to  
14 be quite supportive of renewable energy and energy  
15 efficiency, and all of these factors would point, besides  
16 increasing public interest and giving the ability to  
17 diversify your energy sources and get the operational and  
18 environmental benefits of solar energy, that there should  
19 be -- there should be a plan that at least discusses it.

20 MR. MacINNES: I guess one of my concerns  
21 is you didn't raise this item on -- this is not a  
22 business item. At least IEI had it on their calendar, we  
23 had it on the agenda, we've had some discussions about it  
24 prior to the meeting. I'm a little concerned about  
25 getting into the, well, let's, you know, create a new

1 grant on the spot kind of thing, it's not what we're  
2 trying to do here. And you and I have talked before  
3 about my concern about timely information to the board,  
4 right?

5 MR. KESKEY: Well, yes. But this is a  
6 new development, and I did not know that anybody else was  
7 going to be asking for an extension, and that's --

8 MR. MacINNES: Well, it was on the  
9 agenda.

10 MR. KESKEY: It was on the agenda, but  
11 not -- there's no information as to what it constituted  
12 or what it related to. And so yes, it's on the spot,  
13 it's happened --

14 MR. MacINNES: But we're trying to get  
15 away from that. I mean I'm sympathetic to what you're  
16 saying, believe me, but I'm just not sure that's the way  
17 to run this board.

18 MR. KESKEY: Well, I think it's an  
19 extremely rare and unique circumstance.

20 MR. MacINNES: Well, you've had some  
21 situations in the past where this has happened, and --

22 MR. KESKEY: I don't recall any other  
23 instance where we've asked for a grant at the board  
24 meeting.

25 MR. MacINNES: Well, with information --  
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1 Okay. The goal was -- didn't we say we were trying to  
2 get the information two weeks prior to the board meeting?  
3 Or maybe the other board members can refresh my memory on  
4 this.

5 MS. HAROUTUNIAN: Yes, I think that's  
6 correct.

7 MR. MacINNES: So that -- I mean we did  
8 this when we were doing the SNF stuff, we had discussions  
9 about it four years ago, about not getting timely  
10 information prior to the board meeting, and that, I don't  
11 think that's the way to run a railroad really.

12 MR. KESKEY: Well, we've had at least two  
13 approvals today that were --

14 MR. MacINNES: Well, there was some  
15 discussion on the Don Erickson thing prior to the  
16 meeting.

17 MR. KESKEY: Well, new cases added. I'm  
18 just --

19 MR. MacINNES: And this was on the  
20 agenda.

21 MR. KESKEY: Yeah. But I'm just trying  
22 to raise it as a matter of equity and fairness, and  
23 because the opportunity is to present to the Commission,  
24 to go further -- the PFD has got some favorable aspects,  
25 but it can go -- the Commission has the opportunity to go

1 further on the issue.

2 MR. MacINNES: I don't doubt that. What  
3 would the board like to do on this?

4 MR. ISELY: My issue at this point is, at  
5 least on all of our paperwork, IEI still had an open  
6 grant on this, so we had a correction for the fact that  
7 we had an open grant for this particular case. I don't  
8 see an open grant for GLREA on this, and so I'm a  
9 little -- I'd have to think about this. I haven't  
10 really -- I haven't thought about all the ramifications  
11 yet.

12 MR. MacINNES: Susan, do you have any  
13 thoughts on this?

14 MS. HAROUTUNIAN: I agree that I think in  
15 order to be orderly about what we consider as a board, we  
16 have to have enough time to consider ahead of time, and  
17 there have been occasions when that's not been the case  
18 and it makes it very difficult to make a good decision  
19 then. So I think not to do it in haste.

20 MR. DINKGRAVE: I concur with the  
21 comments by each of you.

22 MR. MacINNES: Okay. Well, I think  
23 that's the answer. We definitely want to see --  
24 sympathetic to what you're trying to do, but we need to  
25 do it -- we need to be more deliberate and make sure we

1 handle these things and communicate better. So I think  
2 we will not grant that, at least that's what I'm hearing  
3 from our board members.

4 MS. HAROUTUNIAN: Yes.

5 MR. MacINNES: Okay. Moving on to  
6 reports. Chris, do you have anything else to report?

7 MR. BZDOK: There's a lot going on. We  
8 reported to you in writing about the settlement of the  
9 DTE Electric renewable energy matter, which now zeros out  
10 that company's surcharges. We gave you a, sort of an  
11 assumed -- a set of assumptions that would be the  
12 rationale for a savings to residential customers of \$3.3  
13 million from starting those zero surcharges this month  
14 rather than at the end of a contested proceeding, and so  
15 that one's in the bag.

16 We also reported to you at the PFD stage  
17 on the Consumers Energy rate case, 17735, and then we  
18 received an order in that case and we sent a followup  
19 e-mail with detailed results on that order, and so I'm  
20 happy to go over that a little bit with the board if you  
21 would like.

22 We also have received PFDs in three PSCR  
23 cases, which we did not have at the time, these are all  
24 within the last couple weeks, so we did not have those at  
25 the time that we reported to you. So I'm happy to give

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1 you sort of an overview of what's going on in those  
2 cases, and I guess I would propose that that's where I  
3 concentrate my report, unless you want to talk about -- I  
4 mean the Consumers Energy order is big case, but we also  
5 have reported to you on it in writing. So it's really at  
6 the board's pleasure.

7 MR. ISELY: I read your very clear  
8 components, and I have no real questions.

9 MR. MacINNES: So just the new material  
10 sounds fine.

11 MR. BZDOK: Okay. So these are all PFDs,  
12 no final decisions, but we've got recommended -- we've  
13 got recommended proposals for decision in two Consumers  
14 PSCR plan cases and one DTE PSCR plan case, so the  
15 Consumers was the 2014, which was already mentioned,  
16 17317, and the 2015, 17678, and then the DTE 2015, which  
17 is 17680.

18 May I use the board real quick? I think  
19 it's just simpler to -- I think it's just simpler because  
20 we've been talking to the board about a number of issues  
21 which there's some commonality in these cases. And  
22 Susan, I apologize, maybe I should e-mail you something.  
23 But the issues that we have recommendations on have to do  
24 with must-run designations of coal units with the  
25 dispatch of coal units based on the burned cost of coal

1 versus the replacement cost of coal, the cost of sorbents  
2 for ACI and DSI, which is an issue that we've been  
3 talking about for a while, the cost of energy market  
4 prices used in the modeling of -- that generates the PSCR  
5 plans, and the cost of -- and costs associated with  
6 difficulties in transport of coal.

7           So the PFDs that we got in Consumers, we  
8 have 17317, which is the 2014, we have 17678, which is  
9 the Consumers, so that's a Consumers, that's a Consumers,  
10 and then we have 17319, which is the DTE 2015. On each  
11 of these PFDs, at this point they have told us in each of  
12 these that issues related to must-run designations of  
13 coal plants, which was one of the areas in which we were  
14 doing PROMOD modeling, that the deltas that we were  
15 finding when we were saying you should not must run these  
16 units when you're projecting that they'll be uneconomic,  
17 they have, each of the PFDs said, more or less, the cost  
18 difference that you're projecting is not big enough for  
19 purposes of the plan to take action on in the plan, and  
20 furthermore, in actual unit operation, they're not must  
21 run, or at least the way must-run designation decisions  
22 are made is different in actual operation than in the  
23 plan, and so they have more or less each PFD at this  
24 point has said, you got to take this up in  
25 reconciliations from here on out. And so we are going to

1 more or less accept that, and we did not file exceptions  
2 on that issue, we filed exceptions here and we filed  
3 exceptions in the two 2015 cases, and we did not take  
4 exception to that, we are simply going to take up  
5 uneconomic commitments of coal units in reconciliations  
6 from now on.

7           On burned replacement costs, this is not  
8 an issue in DTE. The issue there is the utilities -- the  
9 utilities buy coal largely on long-term contract, more  
10 now than ever because they're burning less coal, so  
11 they're burning -- so 70 to 90 percent of the coal is  
12 bought on long-term contract, and then the remainder is  
13 bought at spot, and it's more like 90/10 typically now,  
14 and the cost of spot coal by and large for the last  
15 several years is consistently lower than the cost of coal  
16 on long-term contract. There's a security -- there's a  
17 premium that the utilities pay to know that the coal is  
18 going to be there when they want it. When they dispatch  
19 the units, they dispatch them when they figure out, well,  
20 what are the amounts that go into the bid, they do that  
21 off of the -- they do that off of what they call the  
22 replacement cost of coal, the cost of the next unit of  
23 coal to come in that they have to buy to replace the unit  
24 of coal that they're burning, which is a spot market  
25 cost. The coal they're actually burning is mostly

1 weighted towards a long-term contract price, so the coal  
2 they're burning is more expensive and the costs they're  
3 passing on to the ratepayer is more expensive than the  
4 costs that they're including in their bid; so in a way,  
5 they're sort of underbidding their costs which is leading  
6 to a lower margin and a higher frequency of generation,  
7 and this is an issue we've been litigating in Consumers,  
8 and we got -- we got two opposite recommendations in the  
9 PFDs. Well, I shouldn't use this, I'm using this to  
10 mean -- we got a positive recommendation -- I'll do N/A,  
11 thank you, I'll do N/A for -- we got a positive  
12 recommendation in 17317, and we got an unfavorable  
13 recommendation in 17678. So two different judges, two  
14 different sets of testimony, you know, I mean that's the  
15 process. So we've taken exceptions here and said we  
16 don't disagree necessarily with the economic theory  
17 about, you know, a replacement unit, but we do dis -- you  
18 know, there is the fundamental fact that are you  
19 essentially underbidding the cost of the plants and  
20 therefore bidding them more often at lower margins,  
21 et cetera. And it's really an issue where units are  
22 right on the margin. That's where there's potential to  
23 incur losses. So this ALJ was impressed essentially by  
24 the hearing testimony and the cross-exam and other  
25 aspects, and this record we're saying is a fuller record,

1 a more complete record than this one. So we've got two  
2 opposite results here.

3 On the cost of the ACI -- sorry. Go  
4 ahead.

5 MR. MacINNES: So do they always do that?  
6 In other words, what if the spot price was higher for  
7 some reason than the contract price, would they still  
8 go -- still rebate the consumer on the spot price then,  
9 or would they go back to the contract price?

10 MR. BZDOK: The position, the litigated  
11 position is that the bids are based on replacement cost  
12 and replacement cost is based on spot market price and  
13 it's independent of whether or not spot price is higher  
14 or lower. As a reality, I mean on the stand -- and I  
15 participated directly in the hearing of this, the actual  
16 exam of the witnesses in this case and -- not in this  
17 case -- this witness didn't remember the last time that  
18 spot prices were higher than contract prices. And in a  
19 soft coal market and units retiring and, you know,  
20 everything else that's going on out there, that would  
21 seem to be the case for a while into the future.

22 MR. MacINNES: I buy a lot of bulk LP gas  
23 and I can't think of a time when it -- the spot prices  
24 are generally much lower than the contract price is what  
25 I'm saying.

1 MR. BZDOK: The utilities will say, and I  
2 don't think it's wrong necessarily, that, you know, coal  
3 takes a long time to get from where it's pulled out of  
4 the ground to where you need it, and you need to know  
5 it's there and you need the security of supply, and so it  
6 makes sense that there is some amount, I'm not saying I  
7 agree it's 70 to 90, but that there's some amount that  
8 you would, you know, that you would buy long term and you  
9 pay a premium to make sure it's there, but you should be  
10 bidding the cost you're passing on to the customer is our  
11 position, not some lower cost.

12 MR. MacINNES: What about a weighted  
13 average price that would take into account both, is that  
14 anything that's been considered?

15 MR. BZDOK: The cost they pass on is a  
16 weighted average, you know, they don't have a pile for  
17 spot and a pile for contract, I mean it's a weighted  
18 average of whatever is there at that time, but the cost  
19 in the dispatch bid is the spot market cost.

20 And so yeah, so we've got two different  
21 results. The PFDs are almost simultaneous, so I  
22 anticipate the Commission is going to see this issue and  
23 basically have to decide, you know, whose analysis do  
24 they agree with more.

25 On the cost of sorbents, so these are the  
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1 sorbents that are used in activated carbon injection and  
2 dry sorbent injection for the coal units that are going  
3 on to those systems, and we've talked about that a lot in  
4 the context of the DTE rate case, and we got a very  
5 favorable proposal for decision on the cost of sorbents,  
6 and that's all in our written reports where the  
7 recommendation is that for the third or fourth case in a  
8 row, the utility's evidence on the cost of sorbents is  
9 contradictory, not well supported, et cetera, et cetera,  
10 and so there should be a cap on the cost recovery of  
11 those sorbents. In other words, if you're under-  
12 estimating the cost of those sorbents in making a  
13 decision to go ahead and install these pollution control  
14 systems and then the sorbents end up costing more, you  
15 should be eating that cost, not the ratepayer.

16 So we had a very favorable recommendation  
17 in the rate case. The PFD didn't really deal with that,  
18 but sort of, you know, sort of said basically approve all  
19 the costs and mention the sorbents, and so we view that  
20 as a negative recommendation, and we've just taken  
21 exception and said the Commission should follow what it's  
22 going to do in the rate case on this issue, not the PSCR  
23 case, and a Commission order is due this month, so that's  
24 what's happening there.

25 And in this case -- in the first

1 Consumers case, we got a favorable recommendation that,  
2 more or less that the Consumers' projections on its cost  
3 of sorbents were not well supported and needed to be  
4 better supported and better fleshed out in the future,  
5 and I don't believe this issue was the subject of  
6 significant decision in the more recent, it was not, in  
7 the more recent PSCR case.

8 Energy prices, market energy prices, for  
9 one reason or another we got favorable recommendations in  
10 both of the Consumers PSCR plan cases, basically that the  
11 Company's -- here it was the Company's projection for the  
12 increase in market prices due to MATS were not well  
13 supported, and here in 2015, it was that they were too  
14 high, they were not rooted in gas price projections and  
15 not rooted in most current information, and so they were  
16 too high. The reason that's important is because when  
17 the utilities do their PSCR plans and their modeling,  
18 they assume an energy market price and they use that to  
19 figure out the dispatch of the units and the unit  
20 generation and the revenue for the units. So it's a very  
21 integral part of the PSCR plan, both for how the units  
22 are generating, what the net is for the units, et cetera.  
23 This was not an issue in this DTE case over here.

24 And then coal transport was an issue in  
25 the 2015 Consumers PSCR plan case, and it was essentially

1 that transportation problems, problems getting coal by  
2 rail that were occurring in 2014 appeared that they  
3 were -- our position was it appeared they were going to  
4 continue in 2015, and the Company said no, they're not,  
5 and the PFD basically said the evidence looks like they  
6 may well be continuing, and if you haven't made  
7 adjustments or, you know, addressed that prudently, you  
8 know, don't come back in the reconciliation seeking  
9 additional costs for that.

10 So we've gotten a mix of recommendations  
11 on some of these issues that we've been dialoguing with  
12 the board about for a long time. But that's kind of the  
13 overview. And they're all recommendations and they're  
14 all subjects of exceptions and replies that are being  
15 written this month. And that's my report.

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

18 MR. BZDOK: Thank you.

19 MR. MacINNES: Okay. Don, do you have  
20 anything else you'd like to bring up?

21 MR. KESKEY: Well, let me cover the PSCR  
22 cases first. We've already discussed U-17317 where the  
23 exceptions are due on Friday of this month, that was the  
24 2014 PSCR case.

25 The next PSCR case to discuss is U-17678,  
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1 which is the Consumers Energy Company case, PSCR plan and  
2 forecast case for 2015, and in that case the hearings and  
3 the briefing were all completed and the PFD was recently  
4 issued, and we filed exceptions in that case on last  
5 Friday, December 4. And in that case, the ALJ again made  
6 some favorable comments regarding our issues, stating in  
7 the PFD in part that Consumers Energy should consider  
8 whether the increased use of self-generation and net  
9 metering merits a separate analysis in each plan case,  
10 and then also indicating that the Commission should  
11 expect that Consumers Energy will analyze the potential  
12 growth to determine whether any measurable impact should  
13 be anticipated in its future five-year plan forecast, and  
14 noting Consumers Energy itself having acknowledged that  
15 solar energy may be more readily available during the  
16 forecast period. And again, she also cited the previous  
17 precedent in U-17319 where the Commission order had  
18 indicated that GLREA's issues had merit and should be  
19 continued to be raised because the energy regulatory  
20 situation and the energy markets and resources are  
21 changing rapidly. And so there's an open door there and  
22 interest in the issue.

23 In the other PSCR case, U-17680, which is  
24 DTE Electric, the PSCR plan and forecast for 2015, the  
25 hearings and briefings were completed and the PFD was

1 recently issued and the exceptions in that case were also  
2 filed last Friday, December 4. And in that PFD, the ALJ  
3 didn't -- basically on every issue adopted the Company's  
4 plan and forecast. I don't expect -- I don't think DTE  
5 even filed any exceptions, but I'll have to check. So  
6 there will be replies to exceptions in both of these  
7 cases.

8 The next PSCR case is U-17918, which is  
9 Consumers Energy's plan case for 2016. The prehearing  
10 was just held last week, and the GLREA intervention was  
11 granted, and so now the schedule has been set for the  
12 discovery, for the hearings, and the briefing period, so  
13 forth.

14 The next case, U-17920, which is the PSCR  
15 plan and forecast for DTE Electric, that is the 2016 plan  
16 and forecast case in which the prehearing was held about  
17 three weeks ago, and GLREA's intervention was granted in  
18 that case as well.

19 And I would also note that in the  
20 earliest series of cases, the utilities used to very  
21 strongly oppose intervention by GLREA and oppose some of  
22 these issues, but then the Commission issued its order  
23 upon internal appeals by the utilities in March of 2014  
24 that GLREA should be found under the rules to have a  
25 statutory right to intervene.

1 MR. MacINNES: Well, you were always  
2 confident that that would be the case, rightly so.

3 MR. KESKEY: Well, confidence helps.

4 Then there's two other cases to report  
5 on. One is the U-17792, which is the Consumers Energy  
6 biennial renewable plan case in which GLREA was granted  
7 intervention. And in that case, the discovery is over,  
8 the hearings are over, the initial briefs in that case  
9 were due again last Friday -- it was a fun Friday last  
10 Friday -- December 4, and GLREA filed its initial brief  
11 in that case.

12 And the other renewable energy plan case,  
13 U-17793, was the DTE plan, and as Chris Bzdok mentioned  
14 earlier, there was a settlement in that case by the three  
15 other parties, not GLREA because we had filed testimony,  
16 but we had agreed and proposed actually that there be an  
17 expedited procedure whereby everybody would waive cross,  
18 bind the testimony of Edison and GLREA, which were the  
19 only parties filing testimony into the record, that  
20 instead of briefing, there would be just oral argument,  
21 and then that all the parties would waive Rule 81 of the  
22 APA so that it could be directly transmitted to the  
23 Commission so that they could very quickly look at the  
24 settlement. But our point was that our issues and our  
25 testimony should be at least considered. And so as Chris

1 had indicated, that settlement was approved by the  
2 Commission.

3 And so that is the present situation. If  
4 anyone has any questions on specific issues. I think  
5 we've discussed in our grant proposals the kind of issues  
6 we've been raising, and sometimes you don't make full  
7 progress in the first series of cases, sometimes it takes  
8 a while for the movement to go in that direction, and I  
9 think that's what's happening.

10 MR. MacINNES: Any questions for Don?

11 Okay. Thank you, Don.

12 John, Citizens Against Rate Excess.

13 MR. LISKEY: Yes. Thank you,

14 Mr. Chairman. First of all, I'd like to apologize that  
15 Douglas Jester is not here today, he had a screwup with  
16 the calendar and not sure how that happened, but so my  
17 report's going to be brief.

18 But on a very positive note, as the last  
19 fiscal year closed, we were able to return, I don't have  
20 the exact dollar amount, but I think it was about \$23,000  
21 back to the fund that we did not spend during that fiscal  
22 year in those -- in the various grants. I think, again,  
23 I don't have the exact numbers, but --

24 MR. MacINNES: So when that happens, that  
25 \$23,000, does that -- so that's money that the board had

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1 spent?

2 MR. LISKEY: Had approved.

3 MR. MacINNES: Had approved, that didn't  
4 get spent?

5 MR. LISKEY: That's correct.

6 MR. MacINNES: So it goes back into the  
7 kitty, one big kitty, right. Do we get credit against  
8 the AG's piece, or does it go --

9 MR. MOODY: I think it goes back to the  
10 board, right?

11 MS. DROSTE: It stays in the fund.

12 MR. MacINNES: It stays in the fund, but  
13 the fund is a big fund for the AG and the UCPB, right,  
14 it's one fund?

15 MS. DROSTE: Correct. And then there --  
16 it gets split between the AG and the Utility Board for  
17 granting.

18 MR. MacINNES: Right. But so I guess my  
19 question is --

20 MR. MOODY: The reserves --

21 MR. MacINNES: -- not that I want to keep  
22 any money from the AG's office, but we do owe them 200  
23 some thousand dollars, and if this money was money that  
24 we had allocated previously, then it goes back into the  
25 big pot, so to speak, or the big kitty --

1 MR. MOODY: Yeah, we would want the same,  
2 that reserves kept separate. But I'm not sure, I thought  
3 we kind of were, but I'm not sure.

4 MR. MacINNES: Is there a way to keep  
5 track of that? So when those -- so when our grantees do  
6 not spend their money and that money goes in, is there a  
7 way to have that kind of flow through to our side of the  
8 fund, recognizing it's one fund, but --

9 MR. MOODY: Yeah, different.

10 MR. MacINNES: -- you know, and that  
11 would be the same in your situation?

12 (Multiple speakers.)

13 MR. MOODY: Same for us. That was what  
14 we were talking about last time, that we thought we had a  
15 reserve separate from the board reserve, you know.

16 MR. MacINNES: Right. If we could figure  
17 that out, then maybe we can reduce our debt, our  
18 indebtedness to the AG's office, which would be a good  
19 thing.

20 MR. MOODY: Yeah. Well, it's easier for  
21 I think us to keep track of our stuff, you know what I  
22 mean, you know, that, oh, we had some lapse, so now we  
23 have more. Sometimes you have to do a supplemental to go  
24 get it, but I mean the idea of kind of knowing your own  
25 numbers --

1 MR. MacINNES: Do you -- from the AG's  
2 perspective, does that happen much where you don't --

3 MR. MOODY: That was what our problem was  
4 originally is we thought we had money in the reserve, but  
5 then you guys kind of, remember, dipped into what we  
6 thought was our reserve versus your reserve, we thought  
7 that was the situation. It was kind of confusing.

8 MR. MacINNES: Well, it's one reserve.

9 MR. MOODY: Yeah, yeah. So we had the  
10 same idea, we were budgeting based on our thought that,  
11 well, we have money we haven't used, you know what I  
12 mean, so.

13 MR. MacINNES: But the question I'm  
14 asking, though, is if you don't -- you get involved in a  
15 case and you allocate a certain amount of money, or does  
16 it just come out what you spent? See, for us we're  
17 allocating and the money may not be spent; in your case,  
18 you may just be spending it, I don't know.

19 MR. MOODY: Yeah, we haven't been lapsing  
20 much lately, I think we're actually spending more than  
21 what we've been bringing in, but that's because we  
22 thought we were taking it out of our reserve, too.

23 MR. MacINNES: Yeah.

24 MR. MOODY: And so same idea, we for a  
25 bunch of years were lapsing a lot because of either

1 there's freezes on GCRs and other things --

2 MR. MacINNES: So that money, the lapsed  
3 unspent money went into the --

4 MR. MOODY: Into the fund, back into the  
5 fund.

6 MR. MacINNES: Yeah. Maybe if there's a  
7 way to look back a few years, I don't know, two or three  
8 years to see what has been -- what has not been spent  
9 that was granted, how much that would be. Is there a way  
10 to do that?

11 MR. MOODY: And now it's gone anyway,  
12 though, I mean essentially, right? I mean you can go  
13 back historically and look, but I think --

14 MR. MacINNES: How much did you say that  
15 was?

16 MR. LISKEY: I'm guessing, 23,000. I  
17 remember I copied you on the --

18 MR. MacINNES: Yeah, 23,000. And then  
19 you had how much.

20 MR. SCRIPPS: 26.

21 MR. MacINNES: How much?

22 MR. SCRIPPS: 26.

23 MR. MacINNES: 26. You know, we're  
24 talking real money here.

25 MR. MOODY: Well, I mean years back,

1       yeah, this will make sense, but I think going back  
2       further, you probably would just have a historical sense  
3       of what occurred.

4                       MR. MacINNES:  Yeah, maybe just, I don't  
5       know, 2014.  I don't know what's the right number of  
6       years, but it would be nice because that money  
7       wouldn't -- I mean, that's \$25,000 that we might not have  
8       to repay you.

9                       MR. MOODY:  That makes sense, yeah.

10                      MR. MacINNES:  I mean if you're amenable  
11       to that, that would be good.  Okay.

12                      MR. LISKEY:  I can give you just a brief  
13       update on a couple of the cases we've got going.  The  
14       WEPCo 2014 reconciliation case testimony is due December  
15       16.  We will be filing testimony.

16                      The UPPCo rate case, U-17895, we are in  
17       the discovery phase.

18                      And then the PSCR plan cases have just  
19       been -- have just begun, we haven't even issued discovery  
20       yet, haven't really even reviewed the filings to a great  
21       extent.

22                      With regard to some of the MISO, the MISO  
23       grant, Douglas Jester is making a presentation to the  
24       MISO advisory committee on Wednesday on how MISO can  
25       assist states with their implementation of the Clean

1 Power Plan. And I wish he was here and he could give you  
2 the update, but I'm sure he will at the next meeting.

3 MR. MacINNES: Is there anything new on  
4 that SSR issue in the U.P.?

5 MR. LISKEY: No. There's so many cases  
6 at FERC, there's probably 18 or, what, 26 cases going on.

7 MR. MOODY: We're working with John and  
8 his experts actually who are helping us, I mean I know he  
9 does some, too, but we're relying upon John and some of  
10 those experts to assist us in those SSR cases, too,  
11 because --

12 MR. MacINNES: So as it stands, they're  
13 still running the plant --

14 MR. LISKEY: Oh, yeah.

15 MR. MacINNES: -- we're paying for it.

16 MR. MOODY: Yeah. And there's a question  
17 about that plains --

18 MR. MacINNES: The U.P.'s --

19 MR. MOODY: Yeah, that new ATC has some  
20 possible transmission that they're thinking of putting in  
21 and --

22 MR. MacINNES: Wasn't there some  
23 discussion about a new combined-cycle plant?

24 MR. MOODY: Yeah, and if that comes in  
25 they wouldn't need it, and so we don't want much spending

1 on this transmission thing because we think the problem  
2 is solved by this settlement we had where we would put a  
3 gas plant in and but --

4 MR. MacINNES: So where do you think  
5 that's --

6 MR. MOODY: That's kind of -- it's kind  
7 of flux.

8 MR. MacINNES: Is there a gas line up  
9 there?

10 MR. MOODY: I think everything is in  
11 place, it's just there's this question of we don't want  
12 ATC to start incurring costs on this idea that they may  
13 need it because we think we solved it, you know what I  
14 mean, that we don't want to be paying for it; but they're  
15 like, well, we got to prepare in advance. That's a lot  
16 of money us to.

17 MR. MacINNES: The transmission line?

18 MR. MOODY: Yeah, that's right. You  
19 know, so we're in this kind of fluctuating thing with  
20 MISO and everything I think, and we're worried about  
21 costs that we don't -- that we have to bear that won't  
22 come to be any benefit if we solve the problem. So  
23 that's --

24 MR. MacINNES: There was some discussion  
25 a while back about closing the loop or looping up the

1 center of lower Michigan up to the U.P. Is that --

2 MR. MOODY: There's a bill pending right  
3 now with a package I think is part of that whole, to make  
4 that connection I think, prioritize this idea of  
5 connecting the lower and upper across the straits or  
6 around there. I don't know exactly where.

7 MR. MacINNES: Yeah. Is that -- would  
8 that solve the problem or --

9 MR. MOODY: I think it would allow more  
10 importation, you know, of power from the lower and a  
11 benefit to Michigan. You know, I'm not an expert on  
12 transmission either, but that's my understanding, it  
13 would be beneficial to the --

14 MR. LISKEY: I'm not an expert either,  
15 but I will tell you that one of the problems is a lot of  
16 the power generated by I&M's nuclear plant, you know,  
17 that sucking sound we hear is all that power going to  
18 PJM, and we need it in the U.P., and that's what's  
19 generally called a seems issue, a MISO/PJM seems issue,  
20 and that, there's a separate committee at MISO working  
21 with a separate committee of PJM to try and resolve that,  
22 but that would help a lot.

23 MR. MacINNES: Well, Commissioner Greg  
24 White worked on that for a number years.

25 MR. LISKEY: Yes. And now that you raise  
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1 his name, he has just been appointed the new executive  
2 director of NARUC.

3 MR. MacINNES: Right. Exciting. So  
4 basically it's, I guess the bottom line is it's  
5 undetermined where we stand.

6 MR. MOODY: Yeah. We're hoping that that  
7 settlement we had back, you know, with the whole merger  
8 and everything will solve the SSR problem up there. And  
9 there's a couple other ones are going on, there's the  
10 Escanaba, the White Pine, there's a couple other SSR  
11 issues going on simultaneously.

12 MR. MacINNES: Wasn't there an  
13 independent power producer or a company up there that was  
14 going to build a combined cycle?

15 MR. MOODY: I think it was Invenergy,  
16 right.

17 MR. SCRIPPS: Invenergy,  
18 I-n-v-e-n-e-r-g-y.

19 MR. MOODY: That's it, right. They were  
20 that company, I want to say right.

21 MR. MacINNES: Do you have any knowledge  
22 of that, Dan?

23 MR. SCRIPPS: I think there have been  
24 hiccups, but the basic thrust is that it's still moving  
25 forward.

1 MR. MacINNES: The combined-cycle plant?

2 MR. SCRIPPS: Yeah. But I don't know if  
3 there's a date attached to it at this point.

4 MR. MacINNES: And they're the ones that  
5 they're part owner of the wind project just north of  
6 Lansing, right?

7 MR. SCRIPPS: That's right.

8 MR. MacINNES: So they're out of Chicago,  
9 they're big.

10 MR. SCRIPPS: They are. I think they're  
11 one of the largest, if not the largest, independent power  
12 generating companies in the country, and they usually do  
13 wind, but they're doing more solar and batteries  
14 actually, and their CEO, Michael Polsky, had 21 years in  
15 natural gas development before that.

16 MR. MacINNES: Right. And he was a  
17 keynote speaker at one of your conferences, wasn't he?

18 MR. SCRIPPS: Yes.

19 MR. LISKEY: And I believe their company  
20 received an option on a pretty large chunk of land in the  
21 U.P. from the DNR, so I mean.

22 MR. MacINNES: Okay. Time for public  
23 comment. Jim, you've been sitting patiently over there  
24 writing things down and --

25 MR. AULT: Just listening.

1 MR. MacINNES: Do you have anything to  
2 add this to conversation?

3 MR. AULT: No. I think in the U.P., you  
4 just want to look at the system there. I can't comment  
5 on the settlement, but you've got a northern natural gas  
6 line that comes in in the northern U.P. and terminates at  
7 Marquette which is constrained and can't guarantee firm  
8 capacity, that's the closest gas supply line to the --  
9 around the area of the Mines where the site would be.  
10 You've got a major Great Lakes or TransCanada line, twin  
11 line with dual flow, directional flow in the southern  
12 U.P., runs across -- actually, it comes down through  
13 lower Michigan, too, which would have a lot of gas  
14 capability, but you've got to build a line from that to  
15 the plant site, depending on where that is. You've got,  
16 as I understand it, a situation where the Mines are going  
17 to be part of the development of the plant, and if you  
18 look at stock prices lately, commodities have just been  
19 hammered and there's an issue there. There's a lot of  
20 issues in the U.P., and due to the constraints.

21 And, you know, in terms of the ATC  
22 project, I think MISO does its own reviews of how to keep  
23 reliability and they have a process under way, they've  
24 looked at lots of options for the U.P., including things  
25 like a Lower Peninsula link. There was cost

1 effectiveness issues with that. They're looking at a,  
2 you know, a Wisconsin type enhancement as part of their  
3 MTEP process right now. I think that comes up for  
4 approval this month, and I think the AG's position is,  
5 you know, they try to hold off on spending a lot of money  
6 as long as you can in case this plant gets built which  
7 would lower the need for transmission, so that's an  
8 issue.

9 And then the HB 4575, we opposed that,  
10 MEGA did originally; they've modified it some. You know,  
11 one of the concerns is MISO's looked at this --

12 MR. MacINNES: This is the north-south --

13 MR. AULT: They call it One Michigan.

14 It's kind of a -- there's a lot of political favor for  
15 that project, you know, for economic development. One of  
16 the problems, you know, we saw was that the bill actually  
17 allocates all of the costs of that project, which is, I  
18 think the number one billion was thrown out at committee  
19 hearings, but it may be higher. All of that would get  
20 allocated to customers in the MISO footprint in Michigan,  
21 which if you do it on a, you know, load type allocation,  
22 that means lower Michigan pays almost all of it, and  
23 you're going to get into potentially cost allocation  
24 disputes, which are kind of a common issue in  
25 transmission line cases. So we've had some, even for the

1 Thumb Loop, you know, issue that --

2 MR. MacINNES: Can't they model all that,  
3 though, isn't that what MISO does?

4 MR. AULT: Well, you model it based on,  
5 you know if you -- cost allocation generally is those who  
6 benefit pay, I mean in a rough sense.

7 MR. MacINNES: Yeah.

8 MR. AULT: And if you look at a major  
9 line like that and you're going to allocate it mostly to  
10 lower Michigan, well, lower Michigan has got plenty of  
11 electric transmission, so you're going to run into that  
12 issue. You know much like the SSR cases in the U.P. had  
13 that same kind of issue on how you allocate those costs  
14 and who's benefiting from whatever asset you've got in  
15 place. So these are not easy issues, and they're in  
16 there, you know, working away at it, so I think a lot  
17 remains to be determined.

18 MR. MacINNES: Be interesting to get MISO  
19 in and have them talk about that at one of our meetings,  
20 maybe we can do that. Because, you know, I mean the way,  
21 at least one of the ways they do that is that production  
22 cost model, they look at the costs as it is and then they  
23 put the new line in and they look at -- they model the  
24 costs, how the cost shifted to everybody, or shifted  
25 around.

1 MR. AULT: Well, you're an engineer, you  
2 tell me. When you add a transmission line, it's not like  
3 power then flows on that line point to point based on you  
4 adding it, it's like the whole system gets  
5 redistributed --

6 MR. MacINNES: Exactly.

7 MR. AULT: -- like a canal system would  
8 if you add a new loop to it, and so now, you know, power  
9 that's going across southern Michigan and Chicago may,  
10 some may shift to that line and may have nothing to do  
11 with what the U.P. needs.

12 MR. MacINNES: Right. But that's how  
13 they do it, you know, you model it beforehand and see  
14 what the costs, the LMP prices, you put the wire in, or  
15 series of wires, and then see what happens and see who  
16 benefits and calculate the benefit to cost.

17 MR. AULT: You can look on the MISO  
18 website, they did something called a Northern Area Study  
19 in 2012, and they actually did that for a whole series of  
20 projects of varying types, one of which was kind of this  
21 closely to this loop, and the problem, they couldn't get  
22 the flows, I think part of it's the physics of it, but it  
23 didn't pass their cost effectiveness test. They have a  
24 process where they'll allow a state to decide for  
25 economic development reasons they can build a project and

1 absorb it within the state, and that's I think what  
2 allows this bill to go forward, and the costs of that  
3 would then, you know, be the state's concern, and their  
4 test is then becomes something like do no harm to the  
5 grid basically as opposed to is there cost benefit. It's  
6 a little bit different test. And they really haven't  
7 looked at it yet because -- I think the bill contemplates  
8 it would get referred to MISO for some sort of review,  
9 and then there's an expert panel that -- heck, you might  
10 be on it -- that they would have as looking at this  
11 project in the first instance.

12 MR. MOODY: Yeah, I think you're right,  
13 one representative from the UCPB might be actually on it.

14 MR. AULT: In the bill that passed  
15 committee --

16 MR. MacINNES: Has that bill passed?

17 MR. MOODY: No.

18 MR. AULT: It got out of committee.

19 MR. MacINNES: Right now it's on --

20 (Multiple speakers.)

21 MR. AULT: It's on the floor right now.  
22 They're trying to pass -- there's three bills, you know,  
23 one is the energy reform and, you know, the EO and the  
24 RE, and then the transmission bill, and there's hope I  
25 think in the legislative effort to pass something in the

1 next two weeks before the holiday break.

2 MR. MacINNES: Do you think that's going  
3 to happen?

4 MR. AULT: You tell me. It got out of  
5 committee and they're still negotiating pieces of it, so  
6 I don't know. And then the senate gets it after that.

7 MR. MacINNES: Okay.

8 MR. SCRIPPS: The senate had said they're  
9 not taking it up before the new year, so --

10 MR. MacINNES: That's what I had heard.

11 MR. SCRIPPS: -- it may get out of the  
12 house, but it won't get to the Governor's desk.

13 MR. AULT: Well, the senate said that,  
14 but the house floor, on the house floor, the three-bill  
15 package is on the house floor this week.

16 MR. MacINNES: Okay. Anything from the  
17 AG's office?

18 MR. MOODY: I mean I could give you a  
19 short update if you want. You know, we're in a couple  
20 gas rate cases, we just settled the Michigan Gas  
21 Utilities Corporation rate case, and I think we, you  
22 know, did some good there. We saved I think around 3  
23 million or so, and we got an ROE of 9.9, which I was kind  
24 of happy about, because if we're trying to keep -- get  
25 those numbers down lower, it's a settlement, hasn't yet

1       been approved by the Commission, but all the parties  
2       signed on. We've got the DTE rate case coming out soon.

3               And John's been working on most of the  
4       PSCRs; I don't know if you want to comment on any of  
5       those. He's also working on the Consumers electric rate  
6       case that came out. So I don't know, John, if you have  
7       any points. And like I say, Celeste is just entering in,  
8       so I don't think you'd want to talk on them yet. But I  
9       don't know if John wanted to pipe in about his PSCRs.

10              MR. JANISZEWSKI: Sure. Some of the  
11       cases that have been referenced by Mr. Bzdok and  
12       Mr. Keskey, I was involved in as well. A lot of PFDs  
13       have been issued over the past few weeks, so been working  
14       on those.

15              The, I guess starting with the 17317,  
16       Consumers Energy's PSCR plan of 2014, that had the sort  
17       of delayed PFD that was issued, the AG raised a number of  
18       issues in that case. We weren't too successful. We had  
19       eight issues we briefed: One regarding coal supply  
20       disruption costs relating to the Polar Vortices of the  
21       PSCR year; auxiliary fuel costs that totaled \$7.5  
22       million, that was recommended for rejection by the ALJ;  
23       transmission expenses that totaled approximately \$17  
24       million that were rejected by the judge; black start  
25       services, that was an issue that we raised. The expert

1 witness would have to give the detail on that. We were  
2 successful in getting the judge to recommend a Section 7  
3 warning about those specific costs not being appropriate  
4 for PSCR recovery in the future.

5 MR. MacINNES: And black start is?

6 MR. JANISZEWSKI: Black start services, I  
7 believe they have to do with if a blackout occurred,  
8 there are these diesel-run generators, but I'm not sure  
9 how the expert calculated these exact costs, but I do  
10 know that FERC is -- I don't want to misquote the expert.  
11 I know FERC may in the future deal with this issue, but  
12 in the interim, it's not an appropriate issue for the  
13 PSCR context, and the judge agreed with us on that. I  
14 could give some more written detail.

15 MR. MacINNES: So like a nuclear plant  
16 might have black start capability so that it could start  
17 up independent of the grid, right? So you start these  
18 diesel engines and you can start the pumps and start  
19 everything and get it kind of going before you  
20 interconnect?

21 MR. JANISZEWSKI: Yeah, that's roughly my  
22 understanding as well, yes.

23 MR. SCRIPPS: There are some -- if I can  
24 jump in. There are some plants that can black start, so  
25 pump storage is one where you don't need electricity to

1 start it, and that can sort of provide the initial juice  
2 to the grid to get the other plants on line, and  
3 sometimes they get from the RTOs some additional  
4 compensation for having that capability.

5 MR. JANISZEWSKI: Thank you. And another  
6 issue, a legal issue we've been over the past couple  
7 years we had been working on is over-recovery or  
8 under-recoveries in the context of rolling in from PSCR  
9 year to PSCR year. From a legal standpoint, we haven't  
10 been successful at the Commission level, nor at the  
11 appellate level, and that was reflected in this recent  
12 PFD. There was a transmission line outage issue; that  
13 will most likely be taken -- is being taken up in the  
14 reconciliation portion of the case. There was a  
15 Palisades power purchase agreement issue, that was a  
16 significant issue from a cost perspective standpoint, it  
17 was \$63.8 million approximately that was estimated  
18 regarding replacement power arising from extended outages  
19 at the Palisades nuclear power plant, and we've had this  
20 dark cloud looming over for a number of years now in the  
21 form of the power purchase agreement that is very  
22 detrimental to Consumers' utility customers, they take  
23 the basically full force of the risks involved in the  
24 agreement and --

25 MR. MacINNES: This is with Palisades or  
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1 with other generators?

2 MR. JANISZEWSKI: Yeah, the owner of the  
3 Palisades plant, Entergy currently owns it, and Consumers  
4 Energy, when they sold the plant to Entergy, conceded a  
5 lot of issues that made the sale more attractive to  
6 Entergy. That was a number of years ago, just setting  
7 aside the background. What the situation is now, if  
8 Palisades goes offline, whether it's planned or not  
9 planned, they can give Consumers Energy basically weekly  
10 notices of whether they can supply power or not, and if  
11 they can't, then Consumers is forced to buy replacement  
12 power, and it puts the utility customers in an  
13 unfavorable position and it creates a lot of  
14 unpredictability and uncertainty given the contractual  
15 obligations, so it's --

16 MR. MacINNES: How long does that go on,  
17 that contract?

18 MR. JANISZEWSKI: I believe perpetually.  
19 I would have to review the -- I mean the contract's in  
20 evidence, but I believe it's for the life of the  
21 agreement. I mean --

22 MR. MacINNES: Is it like 20 more years  
23 or is it -- do you have any idea the order of magnitude  
24 at the time?

25 MR. JANISZEWSKI: I do not. I'd have to  
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1 ask the expert.

2 MR. BZDOK: Palisades PPA, is it 2020 or  
3 2023? It's in every Consumers investor report.

4 MR. MacINNES: I'll bet it is.

5 MR. BZDOK: The end of the rainbow is --

6 MR. MacINNES: The end of the rainbow.

7 MR. BZDOK: -- when we end our agreements  
8 and build our own stuff.

9 MR. JANISZEWSKI: The last issue is more  
10 of a legal issue as well. Self-implementation of higher  
11 PSCR factor via a revised application during 2014. We  
12 saw a lot of revised or amended applications that year  
13 because of the Polar Vortices, it was an issue that we  
14 lost at the PFD level. We'll have to reassess all these  
15 issues and see where we're going to head with them at the  
16 exception stage.

17 Some of the other cases that were  
18 referenced, the 17678, Consumers plan for 2015, we had  
19 some forecasting differences in that case that were  
20 recommended for rejection by the judge. We are thinking  
21 that we can take a lot of those issues up at the  
22 reconciliation stage.

23 There was an issue that we dealt with of  
24 the PROMOD modeling not being readily available for  
25 discovery analysis. The Attorney General has encountered

1 repeated difficulties in getting sort of sensitivity  
2 analysis from Consumers Energy when they're running  
3 PROMOD. Regardless of what angle we take in trying to  
4 get the information, we either get blocked with claims of  
5 proprietary information or licensing restrictions, but  
6 we're on a good track here, the PFD contains a lot of  
7 good language about the Company not being able to sort of  
8 use this go buy it yourself theory of the modeling, and  
9 they try, Consumers tried to make it sort of gratu --  
10 well, sort of like it would be the benefit for the  
11 parties if they gave this information, but the judge said  
12 no, it's your evidentiary burden, it's for your benefit  
13 to do these sensitivity analyses.

14 MR. MacINNES: You being the AG's office,  
15 or you being Consumers?

16 MR. JANISZEWSKI: Consumers, it's for  
17 Consumers' benefit to support the evidentiary burden in  
18 this case and, therefore, should be responding --

19 MR. MacINNES: Giving you the information  
20 on PROMOD?

21 MR. JANISZEWSKI: Yeah, and figuring out  
22 to give that information that's --

23 MR. MacINNES: Take it out of the black  
24 box mode.

25 MR. JANISZEWSKI: Yeah, exactly. So I  
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1 think we are hopefully going to see progress in getting  
2 more detailed information, the scope of the information  
3 should be improved in future cases, and that's definitely  
4 something we're going to continue to support, not only  
5 from our perspective, we're hoping that it helps all the  
6 other parties out, too, in this case.

7 MR. MacINNES: So Chris, you've done a  
8 lot of work on that. Do you have anything to add on  
9 that?

10 MR. BZDOK: Yeah, the AG, the  
11 recommendation that John is referring to in the Consumers  
12 2015 PSCR plan case, if the Commission were to adopt that  
13 recommendation, that would be a huge breakthrough. It  
14 more or less would say, we don't have to make these  
15 enormous investments of resources to buy licenses and  
16 then try to run it ourselves and deal with that, but more  
17 or less that there should be some reasonable set of  
18 alternative runs that a party could request in discovery.  
19 So we're obviously going to be support -- you know,  
20 Consumers has taken exception to that recommendation,  
21 we're obviously going to support the AG, and it would  
22 allow continued participation on the PROMOD side at a  
23 much lower cost to the intervenors. So it's a huge --  
24 it's potentially a major evidence, evidentiary  
25 breakthrough.

1 MR. MacINNES: Very good.

2 MR. BZDOK: Since I -- since you gave me  
3 the floor briefly, can I ask a question?

4 MR. MacINNES: Okay.

5 MR. BZDOK: Is the AG's office appealing  
6 any of those self-implement, Polar Vortex self-implement  
7 orders?

8 MR. MOODY: No, I don't think so.

9 MR. JANISZEWSKI: Well, there was an  
10 appeal that was argued recently in the GCR context, so --

11 MR. MOODY: We just lost that.

12 MR. JANISZEWSKI: -- we lost that  
13 recently.

14 MR. BZDOK: In the Court of Appeals?

15 MR. MOODY: Yeah.

16 MR. JANISZEWSKI: Yeah.

17 MR. MOODY: There was a --

18 (Multiple speakers.)

19 MR. MacINNES: Oh, I saw that.

20 MR. JANISZEWSKI: Those were pre-existing  
21 cases when Don Erickson was here, he did the oral  
22 argument, although Michael and I helped out on briefing.  
23 It wasn't --

24 MR. MacINNES: Yeah, we didn't have  
25 anybody in that, I don't think, on the appeal.

1 MR. MOODY: Not on the appeal, right, no,  
2 no, I don't think so.

3 MR. JANISZEWSKI: No. So we don't  
4 anticipate appealing that issue at this point, I don't  
5 foresee that.

6 MR. MOODY: I mean it's a good argument,  
7 but it's really hard, that statute is -- you know, it's  
8 hard to bring these arcane kind of statutory arguments on  
9 appeal, they don't see a harm to this rolling in thing,  
10 and we think it's best to keep the costs, you know, when  
11 they occur, you know, and have the right signals to the  
12 customers and stuff. I don't know, there's, you know,  
13 there's debate either way, but we thought we had a pretty  
14 decent argument, but -- I know when we originally were  
15 going to do it, I thought it will never sell because they  
16 don't -- these really kind of statutory arguments are  
17 hard to argue.

18 MR. BZDOK: I thought you had a really  
19 good argument.

20 MR. MOODY: Did you? All right.

21 MR. BZDOK: Yeah.

22 MR. MOODY: I thought it was a good  
23 argument, I just thought there's no way we're going to  
24 win it type of thing. When I started reading it, I'm  
25 thinking, yeah, this is --

1 MR. JANISZEWSKI: I put a lot of effort  
2 into that specific case regarding the Polar Vortices that  
3 broke stride with some of the GCR cases, and it was  
4 analogous to older orders, but I just still don't foresee  
5 us pursuing it.

6 MR. MOODY: Yeah, we were being true to  
7 the statutory language, but the court didn't see that as  
8 a real problem, you know, departing from it.

9 MR. JANISZEWSKI: So some of the DTE  
10 cases, I am -- want to reserve comment for that.

11 The 17680, we tried some novel theories  
12 and weren't successful regarding evidentiary standards  
13 being met by the Company. I think we're going to be --  
14 I've been in contact with a variety of different experts  
15 at, you know, DSUCA conferences and stuff like that, so  
16 we might be diversifying the pool of experts we're going  
17 to use in some of these PSCR cases. It's a limited  
18 universe of experts, but I think we might be trying to  
19 change direction a little bit with DTE Electric's PSCR  
20 cases.

21 MR. MacINNES: Do you play golf?

22 MR. JANISZEWSKI: I do not. Well, I'm --  
23 occasionally, I'm not a --

24 MR. MacINNES: So if you limit your  
25 experts, it's kind of like trying to play golf with a

1 nine iron and a pitching wedge.

2 MR. JANISZEWSKI: Yes.

3 MR. MacINNES: It's always nice have a  
4 pull bag of experts.

5 MR. JANISZEWSKI: Absolutely, yeah.  
6 That's something that we're trying to emphasize and  
7 improve upon.

8 Yeah, there are a lot of exceptions and  
9 replies to exceptions due this month, we're going to be  
10 working extra hard on them around the holidays. And I  
11 think that's all I have right now.

12 MR. MacINNES: By the way, I'll have to  
13 credit Chris Bzdok for that theory, even though I'm a --  
14 I have a golf course.

15 MR. JANISZEWSKI: Nice. Nice.

16 MR. MacINNES: Thank you.

17 MR. JANISZEWSKI: Yeah, thanks.

18 MR. MacINNES: Okay. Well, I'm glad to  
19 see that you all are busy on those many cases.

20 Okay. Any other public comments?

21 Next meeting, we've got a set of  
22 tentative dates here, and I'll read them. I think  
23 hopefully you all received an e-mail on this. Monday --  
24 these are all Mondays: February 8, let's see, April 4,  
25 June 6; August 1 and 29, October 3, and December 5. And

1 what I tried to do is go back and look at the meeting  
2 dates over the last few years, and I had a January  
3 meeting, but unless there's a reason to do that, we don't  
4 need the extra meeting, I'm sure you'll all agree with  
5 that. So are there any comments on those dates? Does  
6 that seem to work with the caseload and how that all  
7 flows? Okay.

8 Do we have a motion to approve that 2016  
9 schedule, meeting schedule?

10 MR. ISELY: So moved.

11 MR. DINKGRAVE: Support.

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

14 All in favor --

15 MR. ISELY: Are we looking at the same  
16 time of day?

17 MR. MacINNES: That's open for  
18 discussion.

19 MR. ISELY: I don't need to switch.  
20 Still 12 -- I'm fine with 12:30.

21 MR. MacINNES: Does that work for people?  
22 Okay. Any further discussion?

23 All in favor, please say aye.

24 BOARD MEMBERS: Aye.

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

1 MR. BZDOK: So no January 4?

2 MR. MacINNES: No January 4.

3 Okay. Do we have a motion to adjourn?

4 MR. ISELY: So moved.

5 MR. MacINNES: All right. We're  
6 adjourned. And again, thank you to the LARA folks, LeAnn  
7 and Jim and Beth, for helping out here, and we really  
8 appreciate it. So see you next time. Have a good  
9 holiday.

10 (At 2:31 p.m., the meeting adjourned.)

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December 16, 2015  
Date

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