1

2 STATE OF MICHIGAN

3 UTILITY CONSUMER PARTICIPATION BOARD

4 - - -

5 MEETING OF MONDAY, FEBRUARY 8, 2016

6 12:45 P.M.

7 611 West Ottawa, 4th Floor
Lansing, Michigan

8

9 - - -

10

11 PRESENT: Jim MacInnes, Chair
12 Paul Isely, Board Member
Ryan Dinkgrave, Board Member
13 Susan Licata Haroutunian, Board Member
(Via Telephone)
14 Christopher Bzdok, Michigan Environmental
Council (MEC)
15 Don Keskey, Great Lakes Renewable Energy
Association (GLREA)
16 John Liskey, Citizens Against Rate Excess
(CARE)
17 Douglas Jester, (CARE)
Jim Wilson, LARA
18 Shawn Worden, LARA
Beth Beebe, LARA
19 Michael Moody, Department of Attorney General
Celeste Gill, Department of Attorney General
20 Jim Ault, Michigan Electric & Gas Association
Lisa Babcock, Member of the Public

21

22 - - -

23

REPORTED BY: Lori Anne Penn, CSR-1315
24 33231 Grand River Avenue
Farmington, Michigan 48336

25

Lansing, Michigan

Monday, February 8, 2016

At 12:45 p.m.

- - -

MR. MacINNES: Okay. Well, let's go ahead and bring this meeting to order now, and we'll start off with a roll call of members and of who all's here in the room. So maybe start with Paul.

MR. ISELY: Paul Isely, member of the board.

MR. LISKEY: John Liskey on behalf of CARE.

MR. BZDOK: Chris Bzdok on behalf of MEC.

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

MR. WILSON: Jim Wilson, LARA.

MS. WORDEN: Shawn Worden, LARA.

MR. DINKGRAVE: Ryan Dinkgrave, member of the board.

MS. GILL: Celeste Gill, Department of Attorney General.

MR. MacINNES: Jim MacInnes, chair.

And Susan, do you want to introduce yourself.

MS. HAROUTUNIAN: Susan Haroutunian,

member of the board.

MR. MacINNES: And then we have the back row.

MS. BABCOCK: Good afternoon. Lisa Babcock, member of the public visiting.

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

MR. MacINNES: Okay. And Beth.

Okay. Well, thank you all for being here. Looks like we have a quorum.

We'd like to start with the approval of the agenda, but there's an item I think we'd like to talk about maybe a little later after the -- one of the last business items, and that would be the UCPB budget, just to make sure we understand where we stand, and if there was some additional funds needed, what our opportunities are with the Attorney General's office, who we owe money, but we've been paying it back. That's the good news. So what I'd like to do is add a discussion Item (d) under Business Items, and it would be the UCPB budget. So we would talk about approving the agenda subject to that one change.

So do we have a motion?

MR. ISELY: So moved.

MR. DINKGRAVE: Support.

MR. MacINNES: Is there any discussion?

Okay. All those in favor, please say aye?

BOARD MEMBERS: Aye.

MR. MacINNES: Opposed, same sign.

Okay. Let's go ahead into the business items with Mr. Bzdok.

MR. BZDOK: Thank you, Mr. Chairman, members of the board. Susan, can you hear me okay?

MS. HAROUTUNIAN: Yes, I can.

MR. BZDOK: Okay. Thank you very much.

What we have in front of you are two items today, two business items; the first is our Phase 2 grant request which we originally submitted to you last summer, but for the Phase 2 items which the board deferred action on, which were the PSCR reconciliation cases for Consumers Energy and Detroit Edison. The other item that we have in front of you is a small grant amendment request which was originally requested to add an additional $5,000 to the legal budget, 5,050 total, for the Consumers Energy PSCR plan case, but which, with LeAnn's permission, we have amended to the destination essentially of those funds to the brand new DTE general rate case which was filed last week, 18014.

Let me address the PSCR reconciliations

1 real quickly, if I may. The reconciliations, we
2 submitted a memo to you January 25, 2016, on those two
3 items. The DTE -- more or less we have been sort of
4 staying out of or at least committing a lower level of
5 effort to the reconciliations the last at least two
6 years, however, and we flagged this for you last summer,
7 we have been receiving either proposals for decision or
8 Commission orders or both which have been directing us --
9 which have been making findings that are favorable on
10 some of our PSCR plan issues, but then directing us to
11 seek relief on those issues in the reconciliation cases.
12 And so that was one of the reasons why we did a lower
13 commitment of resources in the plan cases this year,
14 specifically not seeking funds to do PROMOD modeling, but
15 anticipated, and in our memo to you last summer, an
16 increase in level of effort in the reconciliation cases.
17 On the DTE side, the two items where we
18 believe we need to be in the reconciliations are both
19 being driven by Commission orders. The one is on the
20 issue of the uneconomic commitment of generation, and
21 specifically higher than anticipated or higher than
22 projected net purchase and sales expense each year which
23 is being driven by lower actual generation from DTE
24 marginal generating units than is forecast each year,
25 and/or a lower market energy price or a few other things,

1 and the Commission essentially ordered in this
2 reconciliation case which is upcoming an audit of that
3 issue, and really had some fairly strong language in not
4 only saying we want you to evaluate this and put all the
5 information in, but they said: DTE Electric shall
6 explain how and why its actual generation has
7 consistently been lower than projected. So really more
8 than just do the evaluation, but more or less explain
9 yourself as well. So that's one of the issues that's
10 going to be filed in March.
11 And then the other issue is, you know,
12 we've had long discussion over a series of cases about
13 reduced emissions fuel, we've been involved in that
14 issue, MCAAA was involved in that issue for a while as
15 well. The Commission more or less did not provide
16 favorable orders on that issue in the plan cases, but now
17 in the reconciliation case has more or less ordered an
18 audit of certain REF issues as well, which includes this
19 issue of resold coal which we've talked about in prior
20 reconciliations and the operational effects of burning
21 REF, which is an issue that one of our experts has been
22 submitting information on, as well as -- I guess what I
23 will say is more or less what appear to be discrepancies
24 between some of the projected financial aspects of the
25 program and some of the contractual provisions that have

1 been in evidence and have been in dispute. So all of
2 that's been ordered into more or less an audit in the
3 reconciliation case, and so we think it's very important
4 to be there because we have put forward resources into
5 that, into those cases, we have put a lot of effort into
6 those cases, we have received now some favorable findings
7 or determinations, or at least a willingness on the REF
8 side to reconsider some prior positions that the
9 Commission has taken, but it's all been -- it's all
10 basically been poured into this reconciliation case.
11 On the Consumers side, much the same
12 thing, although no Commission order of an audit or
13 anything like that, but we have had in a couple of cases
14 now a favorable finding that Consumers is unreasonably
15 increasing its market energy price forecasts which drives
16 its projection of how much basically energy its units are
17 going to sell on the market and how much they're going to
18 dispatch. We've had a favorable PFD on the issue of
19 uneconomic, basically must-run commitments during
20 uneconomic time periods, but two PFDs have basically told
21 us, well, you have to seek relief on that in the
22 reconciliation. You'll recall that, oh, boy, it was
23 probably a year and a half ago I discussed with the board
24 a series of Excel sheets that were detailed two-week
25 projections, that's the kind of thing that the PFDs are

1 calling us to examine again now on the Consumers side.
2 And then also the issue of rail transportation in the
3 winter months for the 2015 plan year, we've had a PFD
4 indicate more or less that it was unreasonable, it
5 appeared to be unreasonable for Consumers not to be
6 taking greater steps to potentially mitigate excess costs
7 related to the difficulties of transporting and using
8 coal under the rail situation that has existed. That may
9 or not turn out to be an issue, we won't know until we
10 see the filing, but at least it's out there.
11 And so we're asking for a greater
12 commitment of resources on the DTE side than the
13 Consumers side because of the increased emphasis that the
14 Commission has put on DTE in those orders.
15 And then we have -- and then we've also
16 asked, like I said, to reroute our request for the $5,000
17 on the Consumers Energy PSCR plan case. It's not that we
18 don't need it in that case, it's just that this rate case
19 has popped up which demands attention, and so our
20 proposal there is that we would use the initial 5 to
21 intervene, to do a first round of discovery, and evaluate
22 that, to get experts lined up, not engaged yet or billing
23 yet, but to get them lined up, and then to come back to
24 you with a more detailed plan for your April meeting.
25 And it is our understanding with the

1 board's budget situation that we're not going to be in a
2 position to request significant new resources at that
3 time, but more or less we need to -- we need to do the
4 initial work to make the assessment and do some discovery
5 and come back to you with a detailed plan, which would
6 really be not just what do we want to do in that case,
7 but how are we going to deal with allocating existing
8 resources to try to do as much as we can in each of these
9 three -- well, really five matters. The board has
10 granted us funds on the plan cases, and those are
11 ongoing, the reconciliation cases we've asked for as
12 Phase 2, and then this new rate case.
13 MR. MacINNES: Okay. Could you do us a
14 favor and kind of cover the DTE case, what you see in
15 their Case U-18014, walk us through that. I know we've
16 got two notes here, but I'd like to hear you talk about
17 it.
18 MR. BZDOK: Sure. So this was a surprise
19 to see that quick of a turnaround. I've never seen that
20 quick of a turnaround, which isn't that big of a deal,
21 but, you know, to tell tales out of school, my colleague,
22 who has been doing this much longer than I have, has
23 never seen that quick of a turnaround either. So, you
24 know, there were rumors that we were going to see one
25 sometime this year that I heard first in January, and

1 then all of a sudden there it was, and so that was a
2 surprise.
3 We've got a $344 million rate increase
4 that's requested, the residential piece of that is 6.6 or
5 6.7 percent, depending on whether you're looking at the
6 residential average or just, you know, sort of their D1
7 rate, their main default rate. Test year running through
8 the end of next July, 10 1/2-percent return on equity,
9 same as last year, or same as granted in the last rate
10 case.
11 The capital and major maintenance
12 spending on those units, that's 2014 to 2017 spending,
13 not projected test year spending; I don't have the exact
14 projected test year pending, but they're again putting
15 money in the plants both for routine maintenance issues
16 and then also for certain environmental compliance
17 requirements, primarily coal combustion residuals rule,
18 and then also some money for 316(b), Clean Water Act
19 316(b), which is an issue that we've talked about or
20 provided you information about in the past, but those
21 rules are kicking in now.
22 The Fermi combined operating license --
23 and I want to emphasize I'm covering just all of the
24 issues because we've reviewed this quickly as opposed to
25 just solely PSCR issues at this point. The Fermi

1 combined operating license, they're back on that. They
2 initially were denied those funds straight up; on
3 reconsideration, the Commission granted them return of
4 the capital amortized over 20 years, but not return on
5 the capital under their cost of capital. They've come
6 back and renewed their request for return on the capital
7 as well as return of.
8 Employee incentive compensation, again
9 which is an issue that we've talked about before; not an
10 Act 304 issue, but it's an issue in the rate case.
11 Renewal again of the proposal to move
12 production cost allocation to 100/0/0, an issue that the
13 board has supported in the cost of service cases that MEC
14 and CARE did jointly, that we received favorable PFDs on,
15 and then the Commission more or less did half a loaf and
16 went from 50/25/25 to 75/0/25, and they're back again on
17 100/0/0.
18 MR. MacINNES: So let me ask you this:
19 We had a special ruling to allow us to intervene in cost
20 of service last time.
21 MR. BZDOK: Yes.
22 MR. MacINNES: We don't have that now, is
23 that right, or could we continue under that ruling, or
24 how do we, if we decided -- I mean if you were to work on
25 this, which I think is important, is that -- does that

1 still fall under our Act 304 or the other law that was
2 passed?
3 MR. BZDOK: Sure. So we operate under
4 the Attorney General's formal opinion letter of some
5 years ago, I can't tell you exactly when it was, that
6 more or less that says that in a rate case, the board has
7 leeway for issues that are Act 304-eligible issues that
8 are being raised in a rate case but could have been
9 raised in an Act 304. We, by analogy, took the same
10 position in the last rate case, that Act -- that there
11 was a -- there was special legislation authorizing
12 funding of cost of service issues and then cost of
13 service issues popped up again in the rate case, and so
14 they were eligible issues, but they were showing up in
15 the rate case, and that's happening again in this
16 situation. And so that's our position on that.
17 Increase in the fixed charges again,
18 which is an issue of what's -- how much is variable and
19 how much is fixed. Douglas Jester did work for us on
20 that in the last case and was one of the key witnesses
21 who assisted in beating that proposal back, an increase
22 from $6.00 to $10.00 in the residential fixed charge.
23 The problem there is then that's just, that's more or
24 less a tax on the residential customer, they have no
25 ability, they have no leeway to reduce their bills by

1 reducing their consumption, or as we get into more of a
2 seasonal and dynamic rates and things like that, to
3 reduce their rates by reducing their usage patterns.
4 Increasing the fixed charges just incrementally, you
5 know, is just a little bit more of your bill each month
6 that you don't have any control over.
7 The distribution capital expenditures is
8 not really a PSCR issue, but we just mentioned it in
9 there.
10 A revenue decoupling mechanism has been
11 proposed, some money in planning and development costs
12 for renewable energy costs has been proposed, and some
13 money to evaluate implementation of the Clean Power Plan
14 and expand integrated resource planning activities has
15 also been proposed. I expect those last two items are in
16 part Edison looking to spend some money in this -- or to
17 have authorized in this rate case some money to ramp up
18 some of those activities in anticipation of further
19 legislative activity around those two issues. So those
20 are more or less the issues that we're looking at.
21 Key board-eligible issues that we are
22 looking at would include the relationship between the
23 increase in gas capacity that Edison has spent a great
24 deal of rate base dollars authorized to add these plants,
25 so how much of this -- how much of this is ongoing costs

1 and, both variable and fixed costs is necessary for some
2 of the most marginal coal units. You've got all this new
3 capacity, gas is cheap, how is it comparing economically
4 to coal, you know, kind of looking at the need to
5 continue spending all this money on the most marginal
6 coal units which are slated for retirement within the
7 next five to eight years tentatively. You know, can some
8 of those be put on even more of a glide path to save the
9 ratepayers money. The cost of service issues that I've
10 mentioned, the fixed charge issue we view as a PSCR
11 relevant issue.
12 Another issue that was raised in the
13 last -- in the Consumers case, we had -- we were involved
14 in the issue of power supply charges and Consumers'
15 desire to reduce the difference, the differentials, so in
16 other words, there were differentials in Consumers' power
17 supply charges between winter and summer due to the cost
18 of service, there were differentials between on-peak
19 times and off-peak times due to the cost of service
20 differentials, and we opposed Consumers' desire to shrink
21 those differentials, and then that sort of discussion led
22 to an order in the DTE case that DTE really needed to be
23 instituting those types differentials, and they said that
24 they needed to do that on implementation of, full
25 implementation of AMI, of Smart Grid, which is going to

1 be the first half of 2017, as we understand it, and this
2 is a test year that goes to the end of July 2017. So I
3 think that needs to be the discussion in this rate case
4 as well. When is -- you know, this is a rate case,
5 they're going to have full implementation of AMI next
6 year, so shouldn't they be doing that now. We view that
7 as -- that's obviously power supply charges, so that's a
8 PSCR issue as well. So that's a lot of talk.
9 MR. MacINNES: Okay. Any other questions
10 from the board members on that case?
11 MR. BZDOK: The only other mention, item
12 that I wanted to mention was, and we put it in a memo
13 here, is that MEC together with CARE and in consultation
14 with the expert are returning some funds by lapsing them,
15 you know, to the fund, it's a little over $26,000 as
16 well. I expect there's going to be a little bit more in
17 April, also, I just don't have a firm, as firm a handle
18 on that as I do on these budgets here.
19 MR. MacINNES: And do we know, Shawn, do
20 we know if those have been included our numbers or --
21 MS. WORDEN: If the purchase orders have
22 been closed out, then they're included in this number,
23 the balance.
24 MR. BZDOK: And the purchase orders would
25 not have been closed out yet because those are grant,

extended grants, and the expiration of the extensions has not occurred yet I don't believe on any of them. I can check that for sure on the --

MS. WORDEN: I think the only one that was closed out on this report would be the MISO one. So whatever was their beginning balance --

MR. WILSON: I think the ones you're talking about, Chris, expire on --

MS. WORDEN: And their ending balance --

MR. WILSON: -- March 31 of '16 --

MR. BZDOK: Yeah, I think that's correct.

MR. WILSON: -- so I think you're right.

MR. BZDOK: I think that's correct. We're just committing that we're done with those cases, we're done with those budgets, and so those, we're not going to touch those funds.

MR. MacINNES: So of this 26,000, how much would be available now?

MS. WORDEN: Which case was that, Chris?

MR. WILSON: It's 15-02 and 15-05 that he's talking about, which they both expire on March 31 of '16, so they haven't been closed.

MS. WORDEN: Oh. I don't know what your -- do you know what your total balance was on those two cases?

1 MR. BZDOK: On the cases that are --
2 MS. WORDEN: Being closed out.
3 MR. BZDOK: So we don't have any closed
4 out until March 31, and the total balance -- you mean the
5 total unused balance?
6 MS. WORDEN: Yeah.
7 MR. BZDOK: That's that chart, that's the
8 26.
9 MR. MacINNES: So that wouldn't be --
10 none of that would be available until after March, the
11 end of March; is that right?
12 MS. WORDEN: Technically, yeah, because
13 it's still encumbered under Chris's --
14 MR. MacINNES: It's really important, you
15 know, we kind of got goofed up, what, last year with this
16 LARA funds, we need to know how much we have to spend so
17 we don't get in trouble again. So anything you can do in
18 your operations to help clarify that for us and to make
19 sure we have the maximum amount we're due to spend will
20 be helpful, because we've got a lot of requests and not a
21 lot of money, and --
22 MS. WORDEN: And these other balance
23 sheets, the budget actually gets adjusted at the end when
24 it's closed out to what was actually spent, and then that
25 amount would go -- would change the amount of the

1 encumbered.
2 MR. MacINNES: You know what, I don't
3 want to get into your books, so to speak.
4 MS. WORDEN: Okay.
5 MR. MacINNES: What I'd like you to do,
6 or LARA to do is tell me, tell us a number, here's what
7 you've got. I mean this is actually a pretty good report
8 here.
9 MS. WORDEN: Yeah, that's --
10 MR. MacINNES: You know, that's good, and
11 that's what we need. And, you know, I was kind of
12 shocked at the change between the 20th and today, went
13 from 180,000 down to 111,000, so it's hard to plan when
14 those things happen like that at the last minute. So
15 this is really important for us, and so anything you can
16 do to help clear, you know, lend clarity to that.
17 MS. WORDEN: We could always footnote the
18 amount of the balance that went back to the grant
19 available amount.
20 MR. MacINNES: Well, I think if you could
21 just kind of put it in there, then maybe you note it in
22 there that -- you know, maybe you note X amount of
23 dollars will become available March 31, or I don't know
24 how you'd want to best do that, but we need somebody from
25 LARA to tell us that so that we, we, as lay people for

LARA, that we know the number; you just tell us, here's the number.

MS. WORDEN: Okay. Do you usually get this, Jim?

MR. WILSON: Well, he just sent that with this packet, but I mean in most instances we're not going to know until grant expires because we're --

(Multiple speakers.)

MR. WILSON: I was just saying, in most instances we don't know prior to the grant expiring that we're going to, you know, give you back 20 grand. I mean Chris just happened to include a list that, you know, he's showing he thinks this is going to be left, correct?

MR. MacINNES: Right.

MR. BZDOK: Yes, that's right. It's only a heads-up that this is a commitment that these funds are unused, and I'm just taking a page from Mr. Liskey's book, I've seen him do that in your meetings before and give you that kind of heads-up. So I thought that -- I saw that that was appreciated by the board to know that information, so it's not -- this is not a transfer request or anything like that, it's just merely giving you a heads-up that those are going to lapse when the grant expires. And again, I think there's going to be a little bit more there as well, but again, it's just --

1 it's only intended as a heads-up.
2 MR. MacINNES: Well, and that's
3 appreciated. And if you can add the date to it, that
4 would help the heads-up.
5 MR. BZDOK: Yes, that's a lesson learned
6 for me today is that I will -- I have a better
7 understanding of how that works now, and so I will
8 include that --
9 MR. MacINNES: Because I'm trying to get
10 the money and --
11 MR. BZDOK: -- in a future --
12 MR. MacINNES: -- they don't have it and
13 it's not available until, and you're the one that's
14 deciding how much you're going to spend up to the end,
15 right, so they don't have that information.
16 MR. BZDOK: Sure. And the only other
17 thing I'll add is that our -- the vast majority of this
18 request is our Phase 2 request which is a request and
19 those budgets were made in the summer of last year, so I
20 mean we are just basically activating that request at
21 this point under the board's practice, so that request
22 was not -- had no relationship to these amounts. This
23 was -- we put it in the same packet, but that was really
24 intend more as a heads-up. I understand the board's --
25 MR. MacINNES: And that's great. Thank

1 you.
2 MR. BZDOK: Okay.
3 MR. MacINNES: Any questions on this DTE
4 $344 million rate increase case by the board? No.
5 Susan, do you have any questions?
6 MS. HAROUTUNIAN: No, not right now.
7 MR. ISELY: Just a quick question. So it
8 sounded like timing wise, that there would be room for
9 some funding in the April meeting to help support this as
10 well as long as we got the ball rolling today; is that
11 true?
12 MR. BZDOK: Yes, we are hoping to get the
13 ball rolling today and then come back to you in April
14 with a much more detailed plan both in terms of issues,
15 but also in terms of how to -- how to deal with it from a
16 budgetary perspective based on funds the board's
17 committed.
18 MR. MacINNES: Okay. On the Consumers
19 Energy, do you want to talk about the Consumers Energy
20 case?
21 MR. BZDOK: The --
22 MR. MacINNES: The U-17678, PSCR
23 reconciliation.
24 MR. BZDOK: So yeah. So on the 17678
25 PSCR reconciliation, which is the 2015 reconciliation, we

1 have -- that's -- on the memo that we provided you,
2 there's a writeup on that starting at page 4 of 8 in
3 which we are indicating that, unlike the DTE case where
4 we had Commission orders that were directing us to seek
5 relief on issues in the, in that reconciliation case, we
6 don't have orders, but we do have PFDs from two different
7 ALJs in two different cases that are directing us to seek
8 relief on those issues, and those issues are a market
9 energy price forecast which underlies the PSCR plan,
10 which includes an adder, which is an adder basically for
11 an energy cost increase related to the compliance date
12 for the Mercury and Air Toxics Standard and more or less,
13 you know, the Company was using Chicago Mercantile
14 Exchange forwards and then adding this adder, and what
15 the ALJ said, basically agreed with us that there wasn't
16 any evidence that the CME Exchange wouldn't already
17 include that adder in the trading activity that's taking
18 place, that that would not already be encompassed in
19 existing energy forwards as opposed to something outside
20 of that.
21 And then we've had two different ALJs
22 basically make findings that there is evidence that some
23 of the must-runs that Consumers is projecting are
24 uneconomic and/or that when the economic projections are
25 made in actual operation, the two-week projections, that

1 they're not necessarily ever being followed. So in other
2 words, if something comes up that a unit is projecting to
3 not act, operate economically as must-run, there are
4 times or reasons why you would run it anyway, reliability
5 and other things, but the evidence and the testimony has
6 sort of indicated that it's never taken off.
7 MR. MacINNES: Right. The data that you
8 showed us a year and a half ago.
9 MR. BZDOK: Yep. And that ALJ disagreed
10 with us, but two other ALJs have said that we might be on
11 to something but we need to address it in the
12 reconciliation.
13 And then finally the issue of the -- in
14 the 2014 PSCR plan year, Consumers incurred extra costs
15 due to rail shipping conditions and also winter
16 conditions that resulted in excess PSCR costs for rail
17 transport of coal, and the evidence about the constrained
18 shipping situation not having been abated was evidence in
19 the plan case, 17678, and the PFD, again, only at a PFD
20 level, said Consumers should be cautioned on that because
21 it appears that there's the potential for that happening
22 again. So that's the third issue that more or less has
23 been flagged by an ALJ for the reconciliation case.
24 MR. MacINNES: And the DTE 2015 PSCR
25 reconciliation.

1 MR. BZDOK: Yes. And that's the one in
2 which the Commission has more or less, I'm calling them
3 audits, but it's sort of audits in finger quotes, you
4 know, that more or less some type of evaluation and more
5 detailed dive into the issue of net purchase and sales
6 expense and DTE needing to explain why its actual
7 generation is consistently lower than it projects in
8 these cases, and then also several issues related to REF
9 coal, the REF coal program, that they basically have
10 ordered DTE to file additional information and to have an
11 additional evaluation of a number of issues related to
12 REF.
13 MR. MacINNES: So you're asking for
14 $80,000 for that one?
15 MR. BZDOK: Yes.
16 MR. MacINNES: And 70,000 for the
17 Consumers Energy?
18 MR. BZDOK: Yes. And I will -- yes. And
19 those were our, those were the budgets we submitted last
20 summer. They were independent of our evaluation of the
21 board's funding situation.
22 MR. MacINNES: Are there any other
23 questions of Chris?
24 Given our -- looks like we're going to
25 have a shortage of funds again.

1 MR. BZDOK: Yes.
2 MR. MacINNES: How could we approach
3 these but without making such a large commitment that's
4 over our cash available? How could we work with you to
5 help fund these?
6 MR. BZDOK: I would ask you to do what
7 you can do, whatever that is in the board's judgment, and
8 we will find a way to work with it, and we'll come back
9 to you with -- again, the thing that's floating out here
10 is this new rate case, and --
11 MR. MacINNES: Right, which could be a
12 substantial cost in itself.
13 MR. BZDOK: Yes. And if I'm going to --
14 yes, which could be a substantial cost in itself. I
15 would --
16 MR. MacINNES: So let me just kind of
17 summarize what I'm thinking here. So we've got this big
18 rate case coming in, you're asking for $5,000 to start,
19 to get, explore?
20 MR. BZDOK: Yes.
21 MR. MacINNES: But this could be a big
22 Kahuna?
23 MR. BZDOK: Yes.
24 MR. MacINNES: This could be a big
25 investment, $344 million rate increase?

1 MR. BZDOK: Yes.
2 MR. MacINNES: So then we've got these
3 other two cases, kind of a continuing on to what you've
4 been working on, the PSCR reconciliations, and you're
5 asking for, between the two, $150,000?
6 MR. BZDOK: Yes.
7 MR. MacINNES: And then this would be
8 $5,000. And right now we're showing we have $111,000
9 available to spend.
10 MR. BZDOK: Yes.
11 MR. MacINNES: So we have a budget
12 crunch, and we want to make sure that we spread the money
13 where it can do the most good, so we're going to have to
14 make some tough decisions.
15 MR. BZDOK: Yes.
16 MR. MacINNES: And to the extent you can
17 help us with that by giving us a little more I guess
18 transparency or whatever you want to call it on these
19 other $150,000 -- I'm quite concerned about this big case
20 coming up, and I don't want to be out of money for that.
21 MR. BZDOK: I appreciate the questions,
22 and let me maybe offer a couple of observations. In
23 terms of prioritization, the board -- so our fiscal '16
24 grant request was two plan cases and two reconciliation
25 cases, Consumers and DTE, and now there's this DTE rate

1 case that's popped up, so there's five cases total on
2 which we have requested budgets. My order of priority
3 sitting here today, knowing what I know right now, I
4 would say is, in some order, the DTE PSCR reconciliation
5 case and the DTE PSCR plan case as to that gas pipeline
6 issue, followed by the DTE rate case, followed by the
7 Consumers plan and reconciliation case in some order. So
8 that's the first point there. And the reason I'm putting
9 the DTE PSCR reconciliation case highest is because we
10 have had Commission orders that have been the result of
11 work in a series of cases that have said do this here,
12 and so I wouldn't want to let off on that. The DTE rate
13 case is going to land -- so it was filed February 1, or
14 thereabouts, maybe end of -- I'm using February 1 as just
15 my --
16 MR. LISKEY: I think that's right.
17 MR. BZDOK: Okay. February 1, which
18 means it's going to have an order due February 1, which
19 means that a chunk of the case is going to occur in
20 fiscal year '16 and a chunk of the case is going to occur
21 in fiscal year '17, and so that's germane to some extent
22 in the sense that, in looking at that case -- again, this
23 is just observation -- there's the opportunity to
24 potentially straddle fiscal years with some funding
25 relative to that case. I also am going to have a greater

ability likely to find some outside funds for the rate case than I am for some of these other cases, and so that is again informing my prioritization calculus is, not that the DTE rate case is the biggest increase or the most important case, but that it's going to straddle fiscal years and I have better success typically finding others to contribute to the rate cases than to PSCR cases.

MR. MacINNES: What do you think it's going to take to do this case when it's all said and done?

MR. BZDOK: I could -- this is on a transcript, so I can't really give you anything other than what I'll call a WAG --

MR. MacINNES: Yeah, that's all I'm asking for.

MR. BZDOK: -- right, because I'm not -- I can come back in April with some more detail.

MR. MacINNES: You can't forecast the future.

MR. BZDOK: I mean I think typically we say a rate case is $100,000, and the last one was more than that, but we were able to get a good deal of outside of money for the last one.

MR. MacINNES: Okay.

1 MR. BZDOK: So that's, you know, so
2 that's a number.
3 The Consumers cases are important, but
4 I'm ranking them lower because, number one, the
5 reconciliation case is being driven by PFD
6 recommendations at this point instead of Commission
7 orders, and the plan case doesn't have the big gas
8 pipeline issue, which I view and I know the board viewed
9 when we brought it to you as a big, important issue.
10 So I guess I would ask you to do what you
11 could in the reconciliation cases so that we know we have
12 something we can work with, and then we will come back
13 with some more specifics in April when we know more about
14 the rate case, both what are the priority Act 304 issues
15 in that case and also, you know, am I successful in
16 getting other collaborators into that case.
17 MR. MacINNES: And you know that if we
18 partially fund these, I mean we may not be able to do
19 more?
20 MR. BZDOK: Yes.
21 MR. MacINNES: Okay.
22 MR. BZDOK: Those budget requests were
23 independent of knowing the board's -- that was last
24 summer. I understand you don't have that much money.
25 MR. MacINNES: Well, and there's been

1 some work afoot, as you know, to try to increase the
2 funding for both the AG's office and the board, so
3 perhaps there will be some progress on that down the
4 road.
5 Okay. Any other questions from the board
6 members about this?
7 Okay. Thank you, Chris.
8 MR. BZDOK: Thank you.
9 MR. MacINNES: John.
10 MR. LISKEY: Thank you, Mr. Chairman.
11 Just to segue back to the discussion on the board's
12 budget, I was looking at the transcript from the last
13 meeting, and so I just wanted to mention you might want
14 to look at pages 52 through 57 was a discussion that took
15 place at that meeting with regards to at that time we
16 were turning in about $23,000 and Dan Scripps' group was
17 turning back in $26,000, so if you add Chris's to that,
18 that's --
19 MR. MacINNES: Do we know when those will
20 be, those will expire and will be turned in and --
21 MR. LISKEY: Ours have. I can't speak
22 to --
23 MR. MacINNES: So that should already be
24 in the budget?
25 MR. LISKEY: Well, I would think so, it's

1 been a couple of months.
2 MR. MacINNES: But we need to know
3 somehow.
4 MR. LISKEY: Well, I don't know.
5 MR. MacINNES: Is there any way you can
6 check with LARA to, just to follow up and see where that
7 is so that we know where we're at?
8 MR. WILSON: Jim, I actually put a note
9 to follow up with LeAnn because I noticed the IEI was
10 zero on here, which was Dan's, so I'll follow up with it.
11 MR. MacINNES: So right now we don't know
12 and we're just going with the 111,000 that we have here.
13 MR. LISKEY: Okay. So with regards to
14 our budget request today that's in your packet, we have
15 four requests; I'm going to discuss one of them, and
16 Douglas will discuss the other three. And the one I'm
17 going to be discussing is a WEPCo 2014 PSCR
18 reconciliation case.
19 As can you tell by the title, this is
20 going back a couple of years, and it's still ongoing at
21 the Commission. The case, because it's been so long and
22 dragged out, I'm requesting an additional $5,000 to
23 finish the case up. We have submitted testimony and the
24 Company has responded with rebuttal testimony.
25 MR. MacINNES: This is Item 3 on yours?

1 MR. LISKEY: Yes. Yep. And the main
2 issue is the fact, and we're running into this in other
3 cases, where there is a rate given to certain customers
4 for interruptible service, and then during the summer
5 months we noticed that WEPCo had bought price, you know,
6 energy off the market at very high prices; there's a
7 dispute on exactly what that price is. But nevertheless,
8 we, somewhere's between $180,000 and $900,000 is what we
9 think is, should be adjusted in the residential
10 ratepayers' favor.
11 MR. MacINNES: Actually, I was in a
12 meeting last, I think it was last year or the year before
13 where there was a MISO engineer spoke and commented, gave
14 a presentation and commented how a lot of the -- you
15 know, they might have to start -- I think it was a MISO
16 person -- they might have to start interrupting people
17 that purchased interruptible power. I thought it was
18 kind of strange that they're just starting to think about
19 that now, and instead buying more expensive power so they
20 don't have to interrupt people that purchased
21 interruptible service. That's kind of what you're
22 talking about?
23 MR. LISKEY: Right. That's exactly what
24 we're talking about. I mean they either quit giving the
25 discount or, because essentially everybody else in the

1 system is subsidizing that discount.
2 MR. MacINNES: Exactly.
3 MR. LISKEY: So that's the issue. I'm
4 asking for $5,000 to finish that case.
5 The other three cases, one is the UPPCo
6 rate case where we're asking for $10,000 to -- that's
7 turning out to be a very litigious case, and Douglas can
8 give you more specifics as to the issues, and then part
9 and parcel of that, the UPPCo PSCR plan case, so there's
10 a lot of interrelationship between the PSCR issues in the
11 rate case and the plan case, and that is why we're asking
12 for an additional $5,000 for that case. So those are
13 kind of the three standalone, I guess non-ordinary
14 requests. And then item 4 is simply the 2015
15 reconciliation cases that we have normally, you know,
16 participated in.
17 MR. MacINNES: John, could you get us any
18 more information on this interruptible power situation,
19 some documentation, something we can study, talk about a
20 little bit more, understand it better?
21 MR. LISKEY: I think we have it.
22 MR. MacINNES: Do we have that?
23 MR. JESTER: We can, yes. I just don't
24 have it today.
25 MR. MacINNES: That would be -- I think

1 that's -- I think it's bigger than this case, and maybe
2 needs to be surfaced at a bigger level, to the extent
3 that that can happen, so.
4 MR. LISKEY: Let me segue then to Doug,
5 Douglas on these other cases and the issues.
6 MR. JESTER: Okay. So U-17895 is a
7 general rate case for Upper Peninsula Power Company.
8 MR. MacINNES: So before you start, since
9 you came in a little bit late, Douglas, maybe you could
10 introduce yourself.
11 MR. JESTER: Sure. I apologize. Douglas
12 Jester from 5 Lakes Energy for CARE, and I am serving as
13 an expert witness in these cases.
14 Intervenor testimony is due tomorrow in
15 17895, so I've been hard at work on that. There are a
16 number of issues in that case that are related to the
17 board's scope of interest. But fundamentally, UPPCo does
18 not have very much generation capacity itself, it has
19 contracted for substantial amount of capacity and energy,
20 and also engages in market operations, MISO market
21 operations. The bilateral power purchase agreements that
22 they have are more costly than the market alternative by
23 a fairly substantial amount. In addition to the fact
24 that that shapes the amount of revenue that they try to
25 recover, the bilateral contracts are for a mixture of

capacity and energy, and those are allocated differently, in different proportions to residential ratepayers than to other ratepayers, so the effect of this excess purchase through bilateral agreements is a harder hit on residential ratepayers than on other customers.

Also, they have a very substantial part of their load in interruptible service, and their approach with interruptible service is to allocate zero capacity costs to those customers. That also significantly shifts costs on to residential ratepayers. In effect, residential ratepayers are paying more because of that decision than it would cost the company to acquire the peaking resources to cover, you know, those requirements if the customers were not interruptible, and all of that, plus more, is being placed on residential ratepayers.

MR. MacINNES: So how about -- how would that affect commercial, you know, small businesses?

MR. JESTER: It does affect the firm requirements business customers as well, but not to the same extent as residential ratepayers. So those are the principal kind of issues that we're working through.

Just for context, the average cost per kilowatt hour, this includes the fixed charge and other things, but for residential ratepayers of UPPCo is just

1 under 22 cents a kilowatt hour. That is exceeded amongst
2 individual utilities across the United States only by
3 ConEd in New York City, United Illuminating in western
4 Connecticut, New York City area, and then a series of
5 small utilities that are in Alaska, Hawaii, or on islands
6 where they can only generate with diesel fuel. So in
7 some broad sense, it's the highest residential rate in
8 the country exclusive of New York City. On the other
9 hand, the average cost for industrial customers is about
10 5.6 cents a kilowatt hour, which is, if anything, a bit
11 lower than is typical in Michigan, and I think that
12 mismatch reflects the cost shift that has occurred
13 through their practices. So those are the issues that
14 we're, principal issues that we're addressing through
15 this case.
16 MR. MacINNES: And this is the U-17895?
17 MR. JESTER: Yes.
18 MR. MacINNES: Now, the cost shift, talk
19 about that a little bit more. How did that -- give us
20 some background on the cost shift.
21 MR. JESTER: Okay. So when you have an
22 interruptible customer and follow their practice, you
23 don't allocate any capacity costs to that customer.
24 MR. MacINNES: So is this cost shift
25 solely as a result of that, or are there other factors?

1 MR. JESTER: There are other -- they also
2 have a customer whose tariff is the realtime rate from
3 MISO. Nothing offensive about that, except that they
4 then source that power in part from these bilateral
5 contracts at a higher cost than the realtime locational
6 marginal price from MISO power, and the other ratepayers
7 make up that loss on those power sales to that realtime
8 customer. So those two things are both cost shifts, and
9 they are multimillion dollar cost shifts.
10 MR. MacINNES: Okay.
11 MR. JESTER: Ready for the next one?
12 Okay.
13 So U-17911 is the 2016 plan case for
14 UPPCo. In terms of the costs, some of the same ground,
15 but the request that we made is different because the
16 legal setting is different. Specifically, I recommended
17 that almost $600,000 of costs be disallowed, and those
18 costs would, if disallowed, would benefit all of the firm
19 customers, but particularly residential customers. So
20 that's -- that testimony has been filed, rebuttal is due
21 this week.
22 MR. LISKEY: 15th, 16th.
23 MR. JESTER: Next week. Yeah. And we'll
24 see where we go from here.
25 Any questions on that one? Okay.

1 And then we get to the PSCR
2 reconciliation cases that includes UPPCo. Some of these
3 same kinds of problems go back into the past. The cost
4 allocation questions can't really be addressed through
5 reconciliation, but the appropriateness of expenses can.
6 WEPCo, Wisconsin Public Service, and
7 Northern States Power, we're really just beginning to
8 look hard at them, but these are all utilities where the
9 SSR issues in the Upper Peninsula have affected them;
10 these are the extra payments to keep various power plants
11 operating because MISO determined that they were required
12 for voltage support. And then apparently it's tradition
13 up there to have arrangements for industrial customers
14 like the one I was talking about for UPPCo and some of
15 those, there are costs incurred that are out of market.
16 Again, we want to take a look at those. So we have more
17 work to do, but those are the kinds of issues that need
18 some attention.
19 MR. MacINNES: What's the current status
20 of the coal plant that's on SSR payments, you know, now,
21 and they were planning an alternative type of generation;
22 what's the status of all that? I haven't heard anything
23 about that.
24 MR. JESTER: Well, there actually are I
25 think three SSRs. There was a coal plant in Escanaba

1 that was under an SSR; it partly burned in 2015 and was
2 essentially irreparable at any economic cost, so it is
3 closed and the SSR is terminated, and so far, the lights
4 are still on. Then there's White Pine, which is far
5 western end, you know, of the U.P., it is also under an
6 SSR. And then the one I think you were asking about is
7 the Presque Isle plant just outside of Marquette, and the
8 Governor's office, others were involved in several
9 different agreements at the end of, very end of 2014, and
10 to my knowledge, work goes on executing those and it
11 hasn't gone off the rails. The essence of that is that
12 there will be a new combined=cycle natural gas plant with
13 some cogeneration capacity built near the Mines, and
14 that, the power being available from that plant in 2019
15 will enable the retirement of the Presque Isle plant. In
16 the meantime, the Presque Isle plant is not receiving any
17 additional SSR payments, but there is litigation before
18 FERC and other processes under way affecting the
19 allocation of the previous SSR payments to various
20 utilities. And so what we're dealing with in the
21 proposed look at the 2015 reconciliation cases is both
22 the appropriateness of the SSR allocations to those
23 companies, but also then how they allocate them out to
24 their customers and when and that sort of thing.
25 MR. MacINNES: So does it look like there

1 will be a replacement for that Presque Isle plant?
2 MR. JESTER: That's what I've heard most
3 recently, but they haven't broken ground, so.
4 MR. MacINNES: And isn't there a
5 challenge getting gas up there?
6 MR. JESTER: Part of the proposed
7 development is a gas pipeline extension to that plant.
8 The location was chosen in part to sort of balance the
9 costs of getting transmission and gas both to the site.
10 MR. MacINNES: Would the gas come from
11 southern Michigan?
12 MR. JESTER: No. There's a large gas
13 pipeline that comes from the west, Alberta, Montana, and
14 so on, and it comes across the Upper Peninsula and then
15 down into the Lower Peninsula, so it would be a spur off
16 of that.
17 MR. MacINNES: Right. Would that be
18 privately owned, that gas, that combined-cycle plant?
19 MR. JESTER: Yes. There -- for purposes
20 of power supply to others, it would essentially operate
21 as a merchant plant, as I understand it, although, you
22 know, any of these utilities might enter into a contract,
23 but the principal offtake would be the Mines.
24 MR. MacINNES: And how many megawatts is
25 it?

MR. JESTER: Well, that isn't fully determined, but the numbers have been in the 250 megawatt range.

MR. MacINNES: And that's at full extraction for the cogen?

MR. JESTER: Yeah.

MR. MacINNES: So what would the gross be if there was no extraction?

MR. JESTER: I don't really know, because there -- there's this cogeneration piece that I don't know the size of it and so on, and so I'm not quite sure what's going on, and that's because it's all private, information is --

MR. MacINNES: That can be a pretty significant drop, you know, to the extent that you start extracting a lot of steam out of the turbine before it gets to the back end, it could reduce it by 50 percent or more in some cases.

MR. JESTER: Right. But it could just be, you know, they are only going to use part of it, too, I just don't know what the steam need is.

MR. MacINNES: Yeah. Okay. Anything else?

MR. JESTER: No. I think that covers it.

MR. MacINNES: Does the board have any

1 questions or comments on this?
2 MS. HAROUTUNIAN: Jim.
3 MR. MacINNES: Yes, Susan.
4 MS. HAROUTUNIAN: Yeah. It just seems to
5 me that your accounting from LARA becomes extremely
6 important because of the complexity of the situations
7 we've heard and probably will hear as we move forward
8 here in the meeting, and it is very difficult for any of
9 us to figure out how to fund something when you have no
10 real idea what you've got to fund with. So I just wanted
11 to back you up on that one.
12 MR. MacINNES: Yeah, I agree. And I
13 don't know if you received the -- we're showing $111,364
14 available. Did you receive that?
15 MS. HAROUTUNIAN: I have the 180.
16 MR. MacINNES: Okay.
17 MS. HAROUTUNIAN: Maybe you could e-mail
18 it to me.
19 MR. MacINNES: Yeah. So that's -- so
20 Beth, maybe you could do that and make sure that Susan
21 has it.
22 MS. HAROUTUNIAN: Thanks. I appreciate
23 it.
24 MR. MacINNES: Okay. So getting back to
25 the CARE request, that's a total of 55,000 --

1 MR. LISKEY: Yes.
2 MR. MacINNES: -- you're asking for?
3 MR. LISKEY: Yes, sir.
4 MR. MacINNES: And when is our next
5 meeting did we say? April 4th?
6 MR. ISELY: April 4.
7 MR. MacINNES: Is there any of this that
8 could be delayed until the next meeting?
9 MR. LISKEY: Well, the reconciliation
10 cases generally don't get filed until the last week of
11 March.
12 MR. MacINNES: So how much of this
13 $55,000 request could be delayed until the next meeting
14 and still -- but not hold you back from what you need to
15 do, what you must do to be in these --
16 MR. LISKEY: To get in these cases.
17 Well, I think probably 30,000 of it could be delayed.
18 You know, I'd like to at least file the interventions and
19 have Douglas get a, you know --
20 MR. MacINNES: I hate to nickel and dime
21 you all, but --
22 MR. LISKEY: No, we understand where
23 you're at. Yeah. Totally. I think the statute requires
24 them to file PSCR reconciliation cases, is it March 30?
25 MR. MOODY: I think so, right. I do most

1 of the GCRs, but I think you're right because the GCRs
2 are December and I remember them being later.
3 MR. LISKEY: A lot of times they'll file
4 them a few days early.
5 MR. MacINNES: Okay. So we had one more
6 gentleman enter the room. Michael, would you like to
7 introduce yourself?
8 MR. MOODY: Yeah. Michael Moody from the
9 AG's office for everyone on the line, everyone in the
10 room.
11 MR. MacINNES: Susan Haroutunian is on
12 the line.
13 MR. MOODY: Hi, Susan.
14 MR. MacINNES: So we're glad to have you
15 here, we have a question for you we'll cover later.
16 MR. MOODY: Oh, great.
17 MR. MacINNES: Okay. So that takes care
18 of the CARE request.
19 Now let's go to the GLREA grant transfer
20 request.
21 MR. KESKEY: Thank you. This request is
22 a transfer request among approved budgets. We had four
23 case budgets approved by the board previously. This is
24 not a request for an increase in funding over all, it's a
25 request to transfer funds, and most of the funds

1 requested are being transferred out of the U-17793, which
2 is Detroit Edison's biennial renewable plan case, which,
3 that which case is completed, and we're requesting those
4 funds to be transferred to increase the expert budget in
5 the upcoming testimony filings in U-17918 and in U-17920,
6 and then a modest transfer out of 17792. Actually, page
7 2 of my memo of January 25 sets forth a chart indicating
8 a modest transfer out of 17792 and a larger transfer out
9 of the 17793, which is the DTE case, which is completed.
10 And I don't know if you have any specific questions about
11 the transfer.
12 It seems that in the upcoming, or ongoing
13 PSCR cases, that the funding level, which was already
14 very modest, is where work can be done, constructive work
15 can be done. And the 17792, which is the Consumers
16 Energy biennial plan case, renewable plan case, is still
17 ongoing in the sense that the briefing has been
18 completed, the evidence has all been put into the record,
19 but we don't have a PFD yet, and the case is still going
20 on, so that's why there's still remaining funds in that
21 case.
22 MR. MacINNES: Can you remind us the
23 issues, some of the specific issues that you're dealing
24 with here?
25 MR. KESKEY: Well, a primary focus is on

1 the inadequacy of the utility plan cases, and
2 specifically their five-year forecast, as to their
3 estimates of what solar capacity and solar energy will be
4 available; and as I've indicated in previous meetings, in
5 the midwest and around the country, solar energy is
6 expanding greatly.
7 MR. MacINNES: When you say available,
8 what do you mean? Are you talking about the
9 installation, the energy from the sun for the whole
10 region, or how are you describing that?
11 MR. KESKEY: Well, as I was indicating,
12 the solar energy industry nationally and regionally and
13 in Michigan is growing, the cost of solar energy
14 facilities, whether it be customer-owned or if it's
15 community solar or if it's utility solar, the cost is
16 coming down rapidly, I think it's gone down 50 percent in
17 the last five to eight years, and the solar capacity
18 additions in Michigan and in the midwest make economic
19 sense because they align very well with the peak load
20 costs where power is traditionally the most expensive and
21 impacts 304 purchased power costs, peak load costs. The
22 more that solar energy is utilized, whether it's
23 customer-owned or whether it's community-based or whether
24 it's utility-owned, is to be able to align with offset
25 peak load costs and contribute during other seasons of

1 the year other than in the summer to contribute to the
2 diversity of energy, which is one of the goals of Act
3 295. There are environmental benefits, there's economic
4 benefits, there's operational benefits to the utility if
5 it's well placed in terms of addressing congestion --
6 MR. MacINNES: But in terms of -- and
7 that's all good, good stuff. In terms of what you're
8 specifically, you know -- as you know from our previous
9 discussions, we're trying to really take this money and
10 focus it in on where we can make a difference. And where
11 is that? I mean that's kind of a broad definition that
12 you gave, all true, all good, but where are you going to
13 make a difference?
14 MR. KESKEY: Well, the difference is that
15 the utilities in their forecast cases, in these PSCR
16 cases pretty much avoid the subject, they avoid the
17 issue, and what they have traditionally been doing is
18 projecting for five years essentially flat contribution
19 from solar over the next five years, which is either (A)
20 not recognizing the available opportunities and the
21 realities --
22 MR. MacINNES: Well, notwithstanding the
23 fact that they're building their own large solar systems,
24 solar PV systems.
25 MR. KESKEY: But we would advocate that

1 that's good, and they have announced in recent press
2 releases, and we've asked discovery, we've just issued
3 discovery to go into these areas about that lately you've
4 seen, for example, DTE issuing press releases about their
5 own solar facilities, and so the forecast should
6 recognize these realities.
7 MR. MacINNES: Right. Are they -- is the
8 forecast not recognizing what the utilities just on their
9 own are doing, or is it -- I mean how -- are they
10 recognizing any increase?
11 MR. KESKEY: Well, to the degree in the
12 past two cases that they have projected flat, or even
13 declining solar --
14 MR. MacINNES: So no increase in solar
15 PV contributions.
16 MR. KESKEY: -- in the last couple
17 cases --
18 MR. MacINNES: In terms of percent or
19 megawatt hours?
20 MR. KESKEY: In megawatt hours. And we
21 are in our discovery in this case boring into the, these
22 kind of issues because there seems to be something not
23 forthright or adequately discussed in their forecasts
24 about, as you see, what they seem to be starting to do
25 themselves. But it's also recognizing there is

1 increasing community solar proposals and that there is
2 interest by residential or industrial or commercial
3 customers in installing solar facilities. So all of
4 these will impact the forecasts and the Act 304 costs,
5 and it merits better discussion and analysis by the
6 utilities, because (A) they're either not recognizing it,
7 or there's some kind of hidden opposition to having a
8 solar expand to be a more added diversity to the energy
9 supply, which, by the way, is something you're generating
10 in the state which helps employment in this area, but it
11 also empowers the customer to address peak load costs or
12 address its own costs in some way and contribute.
13 MR. MacINNES: But what about this whole
14 net metering thing where, you know the old tomato story,
15 that your house, you decide to put in a garden and you
16 buy the fertilizer and tomato seed and you grow your own
17 tomatoes, you want to eat your own tomatoes, but you
18 can't because you have to sell them to the grocery store
19 at wholesale rates and then buy them back at retail; what
20 about that, that whole thing that's going on? I mean
21 that's a big thing, right, and there's a lot of talk
22 about that all throughout the country. Are you getting
23 involved in that kind of -- that part of the discussion?
24 MR. KESKEY: Well, I've, obviously
25 without charging anybody, I've attended some of the

1 senate hearings, for example, that were held --
2 MR. MacINNES: You know what I'm
3 referring to, right, the net metering? So rather than,
4 like my utility does, Cherryland Electric, they will pay
5 you the retail, if you're a solar PV customer,
6 residential solar PV customer, they will pay you the
7 retail rate up to your usage, and then beyond that, they
8 give you a lower rate that's, I think it's probably based
9 on LMP or something, the lower rate, but they'll allow
10 you to offset at retail your own usage; where the tomato
11 things is, you know, you got to sell it all at LMP, you
12 got to buy it all back at retail, that's what's being
13 proposed, that's what the legislators are talking about,
14 at least they were last year.
15 MR. KESKEY: That's the proposal. And
16 it's a curious thing about that because, first of all,
17 the scenario you talk about, Cherryland, if you can
18 generate up to your own consumption yourself, that is
19 really a tremendous thing, but even if it's a percentage,
20 you know, it could be a mall somewhere or it could be a
21 store, if they can self-generate 30 percent or 40 percent
22 of their needs, it all -- the more and more this happens,
23 it all contributes --
24 MR. MacINNES: But if you have to sell it
25 all at LMP and there's not a time-of-day metering, you're

1 not going to get the full value, the full LMP, the full
2 value for it.
3 MR. KESKEY: Yeah. And that's in the
4 proposed legislation, and the utilities are very much
5 trying to do that.
6 MR. MacINNES: So is what you're doing,
7 are you getting into these questions?
8 MR. KESKEY: Well, I know that the
9 organization GLREA is in favor of net metering and is
10 involved and has testified before senate hearings, among
11 other groups, that --
12 MR. MacINNES: So how does what you're
13 doing, though, where, you know, you're taking your,
14 investing your time, how does that help in this whole
15 issue of net metering? Does it?
16 MR. KESKEY: Well --
17 MR. MacINNES: And if it does, how?
18 MR. KESKEY: Okay. First of all, what
19 we're trying to do in the PSCR cases are to address PSCR
20 cost issues, and this is all related to that, as the
21 Commission has found in allowing our intervention by
22 right, and because it does impact purchased power, fuel
23 costs, peak load costs, any number of costs under Act
24 304, and be mitigated over a period of time with solar
25 being added more and more and more to the mix.

1 But the net metering program, the curious
2 thing about the net metering program is while it's
3 increasing percentage each year by 18 to 25, 30 percent,
4 somewhere in that range, one of the arguments made before
5 the senate committee was that, well, why should we have
6 net metering when there's only a small amount of capacity
7 so far signing up for the program; and then another
8 question could be asked is, well, why are the utilities
9 so opposed to net metering if it is such a small program.
10 There seems to be an inconsistency there. And I believe
11 the utilities are afraid of net metering. They would
12 like to see the program either go away, or they want to
13 take the economics out of it. And --
14 MR. MacINNES: Which has happened in
15 several other states already.
16 MR. KESKEY: And in some states net
17 metering has been increased, I think South Carolina, for
18 example.
19 So there's clearly a, one of the
20 objectives of the utilities, and I would say Consumers
21 and Edison are the big participants in the legislation,
22 is to try to get rid of the net metering program.
23 MR. MacINNES: Right.
24 MR. KESKEY: And it raises all kinds of
25 issues. For example, some people have invested money in

1 reliance on the program.
2 MR. MacINNES: I was just reading about
3 the Nevada situation, where people have invested in these
4 solar PV systems at home and the whole deal has changed
5 recently, Nevada Public Service Commission changed it
6 all.
7 MR. KESKEY: And there are some senators
8 that are pushing back against the utility proposals, and
9 some of them are from -- it's not just one party, there
10 are some in the republican party, because they see that
11 there should be more ability to have diversity of energy,
12 because they see the solar industry potential in
13 Michigan, because they see essentially the attempt by
14 some of the utilities to not only maintain, but enhance
15 their monopoly business plan.
16 MR. MacINNES: Well, I mean they do make
17 an interesting case, though, that you pay -- you know,
18 why do I have to pay retail for that power when I can
19 generate it at half the price on a commercial utility
20 scale, why do we have to charge the residential
21 ratepayers for that extra cost. So I mean that's a, you
22 know, that's certainly worth a dialogue, I mean there's
23 lots of ways to look at it, but that's certainly one that
24 they could make a case on.
25 MR. KESKEY: Well, I think it -- one of

1 the problems with looking at charts like your averages
2 here on cost of power is averages can, without specifics,
3 can be misleading. Peak load costs that are not an every
4 5-second or 15-second interval are not -- can be very
5 expensive, and so if it's $200 a megawatt -- if it's, you
6 know, $200 to buy it and one hour in August, I mean
7 that's way above retail.
8 Now, the other aspect is, that taking it
9 from the customer viewpoint, why shouldn't they be
10 credited at retail that's the exact same price they're
11 charged for if they reduce their consumption. It's a
12 one-to-one match.
13 MR. MacINNES: Just like putting in LEDs,
14 you get full credit for that, right, reducing, by
15 reducing your demand or your energy, you get full credit
16 for that.
17 MR. KESKEY: Yes. And at the same time,
18 you're contributing to the grid because you're paying a
19 fixed charge. You know, one of the other arguments
20 utilities make is, well, we should have this hotel/retail
21 divergence because everybody should contribute to the
22 grid. Nobody's here talking about not contributing to
23 the grid.
24 MR. MacINNES: Right. We're already
25 contributing to the grid.

1 MR. KESKEY: Exactly. We're talking here
2 about a one-to-one match with energy, and if, like
3 anything else, if you buy less of a product and save
4 money as a result, the actual economic value of your less
5 consumption is equal to the retail rate, if that's where
6 you buy your product.
7 MR. MacINNES: Okay. So basically this
8 is just a reallocation of your funds, you're not asking
9 for any new funds?
10 MR. KESKEY: It's a reallocation from,
11 primarily from a case that's now over with to cases that
12 are ongoing, and our testimony is due next month, and
13 it's also reallocation to increase the expert budget in
14 both cases.
15 MR. MacINNES: And the reallocation
16 amount is 10,000?
17 MR. KESKEY: If you look at the budget
18 transfer column --
19 MR. MacINNES: Yeah, 10,600.
20 MR. KESKEY: It's 2,600 plus the
21 one-percent fee of the one case, which is a case that's
22 ongoing still, but the removal of remaining funds in the
23 case that's over, to spread that into the PSCR cases,
24 which are the two cases at the bottom of the chart.
25 MR. MacINNES: Uh-huh, right.

1 MR. KESKEY: So you see that the
2 transfers out are in parentheses and the transfers in are
3 in positive numbers.
4 MR. MacINNES: Right. So you're -- so
5 that's U-17729 and 93, those you don't plan to spend any
6 more money?
7 MR. KESKEY: In 17793 -- no. Excuse me.
8 In 17792 we will, because you see the revised budget in
9 the fourth column there to the right, because that case
10 is ongoing still.
11 MR. MacINNES: Yeah. Okay.
12 MR. KESKEY: But it zeros out any
13 remaining funds in 17793 down to the 18 54, which was
14 spent, that was already spent. See that's the thing
15 about budgeting is the budgets are based on what you
16 submitted and then what they're going to be, but they
17 don't -- it's a little confusing because I've got in here
18 also what was spent in these cases.
19 MR. MacINNES: So you need in 17793, you
20 only need $1,872?
21 MR. KESKEY: That's correct.
22 MR. MacINNES: Okay. Any questions from
23 any of the other board members?
24 Anything else, Don?
25 MR. KESKEY: No. If anyone has any

1 questions. I mean I think it's pretty much set forth in
2 the memo, and it's --
3 MR. MacINNES: Okay. Shall we -- I'd
4 like to talk to Mr. Moody here, my banker. And maybe we
5 should take a break for a few minutes.
6 MR. ISELY: Sound good.
7 MR. MacINNES: Okay. So we're adjourned
8 temporarily here.
9 (At 2:05 p.m., there was a 40-minute recess.)
10 MR. MacINNES: Okay. Let's go ahead and
11 restart the meeting here. I would like to revisit Item
12 (d) again under Business Items and the budget. And we
13 have, after further consultation and math, we have
14 determined that there's 170,000 roughly there. Is that
15 correct, Shawn?
16 MS. WORDEN: Yes.
17 MR. MacINNES: Okay. So that changed the
18 complexion a little bit. Nice thing, nice surprise.
19 Usually I don't see surprises go that way. Sometimes you
20 get lucky.
21 So we, I think we'd like to go ahead make
22 these grants, and so we're looking for some motions here
23 to proceed with business.
24 MR. DINKGRAVE: Yes. I'd like to move to
25 approve the transfer, the GLREA request transfer of funds

from U-17792 and U-17793 to U-17918 and U-17920, as detailed in Don Keskey's memo of January 25, 2016.

MR. MacINNES: Okay. We have a motion on the table. Do we have a second?

MS. HAROUTUNIAN: Second.

MR. MacINNES: Is there any discussion?

All those in favor, please say aye.

BOARD MEMBERS: Aye.

MR. MacINNES: Opposed, same sign.

Okay.

MR. DINKGRAVE: I'd like to move to approve grant $25,000 for CARE to be allocated by the recipient across the following: U-17895, that's the UPPCo rate case, U-17911, that's the UPPCo PSCR, WEPCo 2014 PSCR, and 2015 PSCR for UPPCo, WEPCo, WPS, and NSP.

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

MS. HAROUTUNIAN: Support.

MR. MacINNES: Any discussion?

All those in favor, please signify by saying aye.

BOARD MEMBERS: Aye.

MR. MacINNES: Opposed, same sign. Susan, did you vote there?

MR. ISELY: Yep.

1 MS. HAROUTUNIAN: Yes, I did.
2 MR. MacINNES: Okay.
3 MR. DINKGRAVE: All right. I'd like to
4 move to grant $100,000 to MEC to be allocated by the
5 recipient for DTE and Consumers PSCR Cases U-17678-R and
6 U-16780-R [sic].
7 MR. MacINNES: Okay. Is there a -- is
8 there going to be a second one for them?
9 MR. DINKGRAVE: Yes. The second one is
10 separate. You want to do them together?
11 MR. MacINNES: Yeah, let's just do them
12 together.
13 MR. DINKGRAVE: Also to grant $5,050 to
14 MEC for the DTE rate case, U-18014.
15 MR. MacINNES: Okay. We have a motion on
16 the table. Do we have support?
17 MR. ISELY: Support.
18 MS. HAROUTUNIAN: Support.
19 MR. MacINNES: Is there any discussion?
20 All those in favor, please signify by
21 saying aye.
22 BOARD MEMBERS: Aye.
23 MR. MacINNES: Opposed, same sign.
24 MR. BZDOK: Thank you.
25 MR. MacINNES: Okay. There we go. Thank

1 you. Thanks to our accountant, who doubles as a
2 physicist and economist.
3 Okay. Let's go on to Item III, reports
4 from the grantees. Are there any other reports?
5 MR. LISKEY: We don't really have
6 anything else.
7 MR. MacINNES: Nothing going on with
8 MISO?
9 MR. LISKEY: MISO, yes.
10 MR. JESTER: There's a lot going on with
11 MISO. You want me to touch on some of it?
12 MR. LISKEY: Yeah.
13 MR. JESTER: So MISO is, has restructured
14 its stakeholder process a little bit, and John
15 represented consumer representatives in the region on
16 some of that activity. One of the areas that I've been
17 tasked to cover is MISO's analyses of the Clean Power
18 Plan, and we've -- that's all I'm going, and they're
19 doing it in three phases, and the first sort of
20 short-term phase is almost complete. In terms of our
21 contribution there, I think I was principally responsible
22 for them assuming that the costs of renewables would
23 continue to go down rather than stay where they are today
24 in their modeling scenarios.
25 In the next phase, they're moving on to a

level of detail where we'll start to deal with the transmission needs that are going to be associated with whatever the states are likely to do, or the utilities are likely to do in order to comply with the Clean Power Plan. And while this has not yet been a subject of MISO discussion, I think it's useful for you to know that congress extended various tax credits, investment and production tax credits for wind and solar right at the end of December to the, essentially to 2022. It's a little fuzzy because it's based on startup construction rather than completion of the project, and those can have varying durations. But one consequence of that is that it shifted the economics fairly significantly toward renewals as opposed to natural gas for early years of compliance with the Clean Power Plan, and a consequence of that is that it really changes the likely transmission requirements in the nearer term as opposed to the long term. So that's all got to be processed then through MISO, and hopefully we can have it done carefully.

And then Bob Burns has been fairly closely watching a couple of areas in MISO's work that affect really the availability of transmission and the consequent price of power in Michigan, so seams between MISO and the other regional transmission organizations, and then various aspects of the MISO transmission

planning that relate particularly to Michigan and more particularly to the Upper Peninsula. So that covers it.

MR. LISKEY: Yeah, I think so.

MR. MacINNES: How about the Northern Area Study and bringing hydro power down from Manitoba?

MR. JESTER: That is sort of being rolled, as I understand it, into the, what they call MTEP 2017, the transmission planning that would be for projects that would begin in 2017, so that work is beginning around now. So we'll pay attention, but there hasn't been much recent activity.

MR. MacINNES: Because that would be a nice way to balance the intermittency of wind and solar, using hydro.

How about has there been anymore talk of transmission up from southern Michigan to northern Michigan, to the U.P.?

MR. JESTER: Not particularly in MISO processes. You probably know there's a bill in the legislature that would create a board that would look at that and perhaps move it; that bill seems to have stalled. So at this point, I don't know that anything will happen.

MR. MacINNES: Okay. How about we had PJM here, what, a month or couple months ago, Andy Ott,

1 and he was talking about working more closely with
2 Michigan. Have you been involved in any of that or heard
3 anymore PJM? Maybe, I don't know, Michael, if you have
4 any comments on that?
5 MR. MOODY: No. One of the things that's
6 going on from the perspective of consumer advocates -- or
7 from PJM, there's a great thing happening for consumer
8 advocates hopefully is that we've got budgeting -- well,
9 we got money through the tariff, it's got to get approved
10 by FERC, but right now PJM has approved, you know, I
11 don't know how many .00 of a penny on a kilowatt or
12 something like that that provides funding for CAPS, which
13 is like the consumer advocates group, I can't remember
14 what it stands for now, whatever the name is, and which
15 Michigan is a part of, even though we only have a part
16 of, but we'll be able to partake of in that funding and
17 assist and, you know, going to training and going to
18 different PJM --
19 MR. MacINNES: So that would be your
20 office, the AG's office?
21 MR. MOODY: Yeah. But I don't see why
22 we -- well, right now we're the only Michigan person in
23 it I guess, but, you know, we could have PJM come out,
24 give training to us and then, you know, you guys could
25 attend, that type of thing. But PJM's person that does a

1 lot of that training, Evelyn Robinson, has offered to
2 come out. You met her, yeah.
3 MR. MacINNES: Right. Yeah, she seemed
4 very interested in --
5 MR. MOODY: Come out and do training if
6 we wanted to, so maybe we could coordinate training --
7 MR. MacINNES: That would be wonderful.
8 MR. MOODY: -- have her come out and do
9 some training for all of us, you know. But that's the
10 biggest development in terms of consumer advocates for us
11 right now. But PJM is doing stuff all the time.
12 They're -- they got a large -- they're much more active
13 than I think even MISO, they do so much. I couldn't even
14 give you a summary of all the stuff that's going on
15 there.
16 MR. MacINNES: Did you have anything
17 else?
18 MR. JESTER: Yeah. John just reminded
19 me, there's one other activity that Bob has been keeping
20 close tabs on that could be fairly important. In MISO's
21 capacity auction for 2015-16, we got price separation,
22 meaning different price of capacity in Zone 4, which is
23 southern Illinois, as compared to really the rest of
24 MISO. That should occur only if there are transmission
25 constraints that are activated, and if you kind of look

1 at the map and where the plants are and so on, one
2 wonders why it happened. So as a result, some consumer
3 advocates made an issue of it and it has been appealed to
4 FERC, and they're -- the process is still ongoing, but
5 FERC has agreed there's an issue to work through, and
6 we'll take it from there I guess.
7 MR. LISKEY: Yep.
8 MR. MacINNES: I had heard about that.
9 When do you think that will be resolved? They're
10 relooking at the capacity payments.
11 MR. JESTER: Yeah. What would you guess,
12 six months?
13 MR. LISKEY: I was going to say a year.
14 MR. MacINNES: A year, yeah.
15 MR. JESTER: Part of that is an argument
16 that where we currently have a voluntary auction, some
17 companies are arguing that it should be mandatory. And
18 in addition, that there should be, rather than just a
19 fixed-capacity requirement, there should be sort of a
20 price schedule for different levels of capacity compared
21 to the demand, both of which tend to increase the price
22 paid for capacity in the auction. One of the reasons
23 that all of this is happening is that Illinois is largely
24 deregulated wholesale power, so their generators have to
25 live off of the revenue from the market, where most of

1 the rest of MISO is cost of service regulation, and so
2 the market price has little to do with what utilities
3 receive as revenue, or generators receive as revenue.
4 MR. MacINNES: Interesting. How about
5 the recent decision on FERC Order 745, anything? Is MISO
6 doing anything with that or --
7 MR. JESTER: Well, as part of the
8 restructuring of their stakeholder process, they moved
9 demand response up into a larger supply committee, and
10 I'm not sure -- I'm suspicious they're going to have to
11 break it out again because of that order requiring them
12 to actually do more work than they probably had planned,
13 but so far there's nothing clear.
14 MR. MacINNES: Well, that's I think a big
15 deal.
16 MR. JESTER: Absolutely.
17 MR. MacINNES: Okay. Nothing else from
18 CARE?
19 MR. LISKEY: Nope.
20 MR. MacINNES: How about MEC?
21 MR. BZDOK: Thank you. The only thing
22 that is new since your last meeting is that we did
23 receive a final order in the DTE rate case, the last one.
24 We reported on the PFD in some detail and we provided a
25 detailed written report. Would you like me to go over

1 that, or in the interest of time do you want to --
2 MR. MacINNES: Do you have -- I mean do
3 you want to give us the quick snapshot?
4 MR. BZDOK: The quick snapshot is we're
5 dizzy from all of the ping-ponging on the issue of
6 sorbent costs and ACI and DSI. We've reported to you
7 twice PSCR plan cases where the Commission said they
8 agreed we were right on the evidence, that the
9 projections of sorbent costs vary, therefore variable
10 PSCR costs for these marginal generating units, River
11 Rouge, St. Clair, and Trenton Channel, that DTE's
12 evidence and projections were inconsistent, inaccurate,
13 likely understated, and then sent us to the rate case.
14 And now in the rate case the Commission has agreed with
15 the ALJ who agreed that our evidence was that these costs
16 likely were inconsistent, understated, wrong, and that
17 that puts some of the capital, the environmental capital
18 projects in, as being into the realm of being uneconomic.
19 However, while the ALJ chose to address that by saying,
20 well, what we should do then is basically hold them to
21 the cost projections in the modeling that they did to
22 support those capital projects, so hold them to the
23 projections of those sorbent costs that they used in
24 asserting and deciding that these were going to be
25 economic projects and cap it at those costs plus some

1 rate of inflation; and the Commission says, well, we
2 can't do that -- very little legal analysis for why they
3 came to that conclusion -- and therefore, you need to go
4 back to the PSCR, including more economic modeling. So,
5 I mean so that's what we're going to do. But, well, I
6 mean if the board chooses to help us do that, that's what
7 we're going to do in the fall, and we'll be looking at
8 this as part of the reconciliations as well, including
9 the resources the board just granted, you know. But it
10 is frustrating, to say the least, and perhaps there will
11 be an inroad, you know, as personnel in on the
12 Commission -- there's some changeover that's occurring.
13 MR. MacINNES: It's getting expensive to
14 have to revisit all of these things over and over and
15 have to fund them, you know, it's --
16 MR. BZDOK: Yes, it's getting expensive
17 for the board, and I don't mean to be sound flippant
18 saying this, but it's getting expensive for the
19 ratepayers, too, to underwrite the costs.
20 And then the other issues I've given you
21 bullet points on, I think they're fairly
22 self-explanatory. We did have some wins in that case,
23 fixed charges, the low income credit is not capped,
24 that's, again, not strictly a 304 issue, but it certainly
25 is a residential low income issue. We dealt with that

1 with a collaborator's funds. Production costs allocator.
2 That's my report.
3 MR. MacINNES: Okay.
4 MR. BZDOK: Everything else is, you know,
5 they were decisions or PFDs that were out and we reviewed
6 at the last meeting.
7 MR. MacINNES: Does anybody, any board
8 members have questions?
9 Okay. Don, anything else?
10 MR. KESKEY: Okay. Let me cover some of
11 these events in the PSCR cases. In U-17317, which was
12 the 2014 PSCR for Consumers Energy, you recall that at
13 the last boarding meeting there was some discussion about
14 perhaps a budget supplement for that case, which the
15 board felt it was out of cycle, it was two years old.
16 Exceptions were due on December 11, and we undertook the
17 review of the PFD and filed exceptions on a pro bono
18 basis because we believe in following through on these
19 issues. And I think one observation on your comment,
20 Mr. Chairman, is sometimes it takes two or three or four
21 case cycles before you actually start changing people's
22 minds, either because of a change of the Commission or it
23 starts sinking in, or in some cases, we've experienced
24 where a utility may oppose your proposals, but then a
25 couple years later they start adopting and as their

1 proposals. So there's many oblique ways that progress
2 can be made.
3 The next case, two cases are actually the
4 renewable, biennial renewable plan cases for Consumers
5 Energy, U-17792. I've already indicated that the
6 hearings and the briefing have been completed, but we're
7 waiting for a proposal for decision, and so that case is
8 still on its way to the Commission. And as I indicated
9 in the Edison renewable plan case, U-17793, that case is
10 over at this stage.
11 With respect to PSCR cases, 17678, which
12 is the Consumers Energy PSCR plan case for 2015, in
13 December there were exceptions and replies to exceptions
14 filed in that case by GLREA, amongst other parties, and
15 so that case is in route to the Commission.
16 In DTE Electric PSCR for 2015, which is
17 U-17680, the Commission has, as Mr. Bzdok indicated, did
18 issue an order on January 19, 2016, in which in large
19 part the Commission held to its precedent in U-13719
20 [sic], Edison's PSCR for the previous year, or actually
21 two years ago, and where they indicated in that order,
22 U-17319 that the issues that GLREA raised have merit and
23 should be pursued in further cases, but they're a little
24 reluctant to require the utility to make changes because
25 legislation is still under way and there's a lot of

1 things that are in play. So I think, you know, that is
2 part of the things that are making the Commission a
3 little bit cautious until legislation is completed.
4 In 17918, which is the PSCR for Consumers
5 for 2016, and in U-17920, which is the PSCR for 2016 for
6 DTE Electric, as I've indicated, the prehearings have
7 been held, discovery process is ongoing, GLREA issued
8 discovery this weekend actually to DTE Electric and will
9 do so in Consumers this week. The testimony in that
10 case, in both cases are due in March, and then the
11 hearings are later on, a couple months later, and the
12 briefing process will begin in those cases. I think that
13 covers them all.
14 MR. MacINNES: Okay. Well, thank you for
15 your work in that area.
16 Any questions or comments?
17 MR. LISKEY: No questions. I think we
18 should ask Michael about his big victory at the Michigan
19 Supreme Court.
20 MR. MOODY: That was more for settlement
21 purposes, but it's beneficial to everybody. We had
22 the -- Consumers Energy used our -- we had a settlement
23 in one of those rate cases, I think it was 17087, there's
24 so many of them, but -- and we had argued -- we had
25 settled part of the case for a set amount, and then we in

1 the settlement said and we agree to do the AMI challenge
2 and everything else, continue litigation on that, so we
3 did that, and we go up to the Commission, litigate it,
4 lost, so we decided to take that piece up to the Court of
5 Appeals. Consumers Energy and the Public Service
6 Commission took our settlement and used it against us at
7 the Court of Appeals and said, you waived that issue, and
8 we said, but we all signed a settlement agreement saying
9 we didn't waive it, so how is that possible. I don't
10 know how -- the Court of Appeals said we did for some
11 reason, even though the language is expressly we didn't.
12 So we took that to the Supreme Court and they reversed
13 without even having to do a merits brief, you know, we
14 just filed our application. Usually, you know, they
15 grant leave and then you have to file another brief and
16 then you have oral argument, but in this case we did our
17 application, and then within I don't know how many months
18 it was, they just issued a one-page order saying, Court
19 of Appeals is wrong, you know, Attorney General can sign
20 an agreement, that's not inconsistent, and sent it back
21 down for a decision on our merits, which was the cost
22 benefit analysis of the automated meter infrastructure.
23 So that, it was good for everybody because they've been
24 playing loosey-goosey with settlement agreements lately,
25 you know, and they use them against you when they're not

1 supposed to, something like that.
2 MR. MacINNES: No. Yeah, that's great.
3 MR. MOODY: Felt good, because, you know,
4 I just felt like we got stabbed in the back, you know, by
5 these guys. You know, all sign an agreement, you know
6 what I mean, and then all of a sudden, hey, guess what,
7 you've lost this whole issue that we all agreed that we
8 didn't.
9 MR. MacINNES: Well, there's a lot of
10 power on that side of the utilities.
11 MR. MOODY: So that was kind of a nice, a
12 good feeling.
13 MR. MacINNES: Very good. Well, that
14 AMI, that's a good program.
15 MR. MOODY: Yeah. Oh, yeah. We just
16 hold them to the fire, you know, hold their feet to the
17 fire on the cost and the benefits because, you know, a
18 lot of times they --
19 MR. MacINNES: We need to involve the
20 ratepayer in the decisions on energy use, you know, they
21 can save -- you know, you do that, the J curve, you know,
22 with the supply, as the supply gets so much more
23 expensive, if you can move that demand down, it really
24 saves a lot of money --
25 MR. MOODY: Yeah.

1 MR. MacINNES: -- just by moving that
2 demand curve down a little bit.
3 MR. MOODY: Yeah, we didn't dispute so
4 much I think the benefit -- well, I guess -- but we're
5 arguing that, yeah, some of their benefits they don't
6 calculate well, you know, it's part of their -- part of
7 the problem is they just don't put forth a good program,
8 they don't -- I don't think they spend the time, really
9 just assumes it's going to get approved and they don't
10 really put forth the kind of analysis that I think is
11 necessary.
12 MR. MacINNES: Now, can you find the
13 time-of-day metering on the Consumers Energy website? I
14 don't think you can. I have it at my house, but I have a
15 special EV rate. So there is, you can go onto the
16 internet and get an EV rate time of day, but I tried to
17 find it for regular ratepayers, I don't see anything.
18 MR. MOODY: I know they -- well, you guys
19 have worked on that, time of use and everything else.
20 MR. KESKEY: Yeah, yeah. The AMI program
21 has some positive benefits, but there's a couple of
22 issues there on cost of benefits, and that is that the
23 utilities are really inflating their rate base by all
24 this massive investment and doing it so fast, and they're
25 changing out or junking all the existing meters, which

1 are totally reliable and functioning and have useful
2 lives left, and the ratepayer is going to pay for that in
3 rate base, too, because it's being depreciated as if it
4 were used plant, and it's not. And so you can question,
5 you know, the speed of the program and just the massive
6 investment to do it in two or three years, and yet there
7 are alternatives to implementing time of use that would
8 not require Smart Meters. I mean there's Smart
9 thermostats can you buy through Honeywell or any number
10 of places, you can talk through your phone to your house
11 and say, shut me -- no air conditioning, you know, today
12 or this weekend or whatever. And so I'm not sure that
13 there's other much cheaper ways to get the ratepayer very
14 well participating in the grid and the cost of peak load.
15 MR. MacINNES: Well, they sure seem to be
16 shifting the peak cost to the residential ratepayer,
17 right? I mean that's happening.
18 MR. KESKEY: Well, most of the rate cases
19 which are being pancaked year after year after year are
20 massively increasing costs to the residential class and
21 the industrials are getting outright rate reductions.
22 MR. MacINNES: Oh, and speaking of that,
23 do you have that EIA? I want to make sure this is part
24 of the record. This is a -- I sent copies along earlier.
25 This is from the Energy, U.S. Energy Information

1 Administration, and it is the Average Price of Electricty
2 to Ultimate Customers by End-Use Sector by state, and
3 it's for data on November of 2015, and it shows that
4 Michigan has the distinction of being number one in terms
5 of the highest residential rates in the midwest at 14.68
6 cents per kilowatt hour, this is average price. So the
7 next closest one looks like Wisconsin at 14.19, and then
8 you have Illinois at 13.19. So we're number one. So
9 hopefully this can be part of the record.
10 Okay. I guess that takes care of all the
11 grantees.
12 Do we have any public comment?
13 Okay. Next meeting is April 4. And do
14 we have a motion to adjourn?
15 MR. DINKGRAVE: So moved.
16 MR. MacINNES: Okay. We're adjourned.
17 Thank you, all.
18 (At 3:14 p.m., the meeting adjourned.)
19 - - -
20
21
22
23
24
25

STATE OF MICHIGAN)
)
COUNTY OF MACOMB)

I, Lori Anne Penn, certify that this transcript consisting of 78 pages is a complete, true, and correct record of the proceedings held on Monday, February 8, 2016.

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

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

February 11, 2016
Date

Lori Anne Penn

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