

UTILITY CONSUMER PARTICIPATION BOARD

August 1, 2011

MINUTES

A meeting of the Utility Consumer Participation Board was held Monday, August 1, 2011 in the Ottawa Building, 4th Floor Training Room, Lansing, Michigan.

I. Call to Order

Jim MacInnes called the meeting to order at 10:10 a.m. Board members present: Jim MacInnes; Conan Smith (via telephone); Paul Isley; Jacqueline Jones (10:20 a.m.). Members absent: Marc Shulman.

Others present: Norm Saari, Manager of appointments, Governor Rick Snyder's Office; Michelle Wilsey, Board Assistant; David Shaltz, Residential Ratepayer Consortium; Don Keskey, Michigan Community Action Agency Association; John Liskey, Citizens Against Rate Excess; Chris Bzdok, Michigan Environmental Council; Shawn Worden, LARA Finance; Lori Penn, Court Reporter.

Chairman MacInnes welcomed everyone and called for introductions.

II. Consent Agenda

Isley moved, second by Smith, and motion carried to approve the agenda with the addition of meeting schedule as an item under new business. There were no changes to the consent agenda.

III. New Business

1. MEC Grant Amendment Request UCRF 11-04

MacInnes asked Wilsey to summarize the request. Wilsey explained that the request was from MEC, to amend grant UCRF 11-04 to add the Consumers Energy Rate Case and to approve from transfer a budget of \$3,232 to work on the case. The funds would be used to address PSCR related issues they have identified in the rate case. MEC is involved in other issues with a partner, the National Resource Defense Council. Funding would be separate.

MacInnes asked Bzdok (MEC) to comment on the request. Bzdok explained that MEC was seeking to transfer about \$2,700 from a wind case which was recently settled and about \$700 left over from a PSCR case to pursue issues which, in general, deal with the cost of some of the older coal power production versus the cost of production at a relatively new gas plant that Consumers acquired 4-5 years ago.

Concerns center on the cost of the oldest units, the increasing cost of transporting coal to facilities, the increasing cost of operation and maintenance as indicated in Consumer's filing, new requirements and regulations, higher costs of capital upgrades and other expenses. The cost of generating power and the cost of ownership of some of these units is increasing. While on the other hand Consumers recently acquired a modern gas plant. At the time they acquired it, they made certain representations to the Commission that they were going to use it 15% of the time, and that was at gas prices that are higher than they are now. In fact, while gas prices are lower than what they had projected, they are using the plant less than what they represented. MEC will examine the issue. MEC will also be examining other issues such as load forecasting using funds through a partner organization, the Natural Resources Defense Council. No funds from UCRF will be used for that effort.

MEC is seeking to transfer \$3,232 from unspent funds in other approved UCRF cases to support participation in this case on the issues discussed.

Bzdok stated that MEC understands that the board has the authority and discretion to examine this case de novo in the next grant cycle.

Smith moved, second by Iseley and motion carried to approve MEC UCRF 11-04 Grant Amendment Request to add CECO Rate Case U-16794 and transfer of funds in the total amount of \$3,232 to establish a budget for the case. Case budgets are amended as follows:

<u>New Budget CECO Rate Case U-16794</u>	<u>\$3,232</u>
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(Legal budget \$3,200, Expert budget 0, Admin budget \$32)

Approved Budget DECo 2011 PSCR Plan Case U-16434	\$ 7,575
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Amendment Transfer Approved 6/6/2011	\$-3,030
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Amendment Transfer Approved 8/1/2011	\$- 707
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<u>Total Budget</u>	<u>\$ 3,838</u>
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Approved Budget CECO Wind Facilities Depreciation Case U-16536	\$20,200
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Amendment Transfer approved 8/1/2011	\$ -2,525
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<u>Total Budget</u>	<u>\$ 17,675</u>
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In discussion , prior to approval MacInnes asked Bzdok to discuss the relative size of the plants (coal and gas plants referenced). Bzdok responded that he didn't have his notes but as he recalled the gas plant is in the 900 megawatts of capacity range. It could, he stated, take up the load of the Whiting Plant and still have additional ramping capability to operate as essentially a peaking unit. They are interested in seeing this unit run in more of a base-load fashion. They believe it is cost competitive if you evaluate all of the costs of ownership. It is also cleaner.

MacInnes asked if MEC had discussed with the utility companies the cycling and the ramping of the units and how the turndown ration might affect operation. Bzdok agreed that was a consideration but explained that they would like to see some of the oldest units out of operation. They are waiting for the results of Consumers Dispatch study this fall to make further assessments of strategy. They will try to get more information on total costs of ownership in the rate case. MacInnes asked if he felt there was any overlap between what MEC is doing and the AG's participation in the case.

In terms of the dispatch issue, MEC has done discovery and filed testimony. The AG has been supportive of their position and they have been supportive on the briefing. They are not redundant or duplicative in a wasteful sense but coordinated in a good way. Jones asked Bzdok to elaborate on the environmental benefits to customers. Bzdok noted that they are asking the Commission to look at the economics, the environmental benefits are additive. He cited testimony and comments from the utility witnesses that indicate Zeeland may have been cheaper to run than Whiting as a baseload unit in some months and that with new regulations the total cost of ownership may be lower.

Isley asked what MEC could accomplish with the funding requested today. Bzdok explained that this funding in concert with funding from their partner would allow them to initiate work in the case. MEC has a request to the board for funding in fiscal year 2012. An approval today would not bind the board to approve additional funding in 2012 but they want the opportunity to start.

MacInnes asked on what basis MEC felt this case was eligible for Act 304 funding. Bzdok responded that they are focused on the cost of supplying power relative to these two

units, load forecasting and whether these costs are reasonable and prudent given a reasonable picture of load in the future.

MacInnes asked if the impact of wind on on reserve requirements and how that might be met is part of their study. Bzdok responded yes, they are keeping an eye on that but the timeframe for bringing wind on-line is likely outside of the test year for this case. They have participated in power supply aspects of wind cases with UCRF funding in the past with good results.

Wilsey asked if, given funding to participate in the initial phase and discovery of the case, if they would have additional information for the work plan for the 2012 grant. Bzdok noted it would be difficult to collect and analyze additional information in the short time before the next meeting.

2. Meeting schedule time

Jim MacInnes noted that the 10:00 a.m. start time for UCPB meetings was difficult for people travelling from out of town. He asked if the board would consider moving the meeting time later to 10:30 a.m. or 11:00 a.m. Smith noted other UCPB meetings started at 1:00 p.m. Wilsey noted the usual start time had been 10:00 a.m. but a few meetings were scheduled later due to availability of the meeting room. It was the pleasure of the board to set the meeting time. She noted the grant review meeting on August 22, 2011 might take longer than a regular business meeting. Smith noted that 1:00 p.m. was ideal for him. Jones moved, second by Isley and motion carried to reschedule the regular board meetings as follows: August 22, 2011, 11:00 a.m., October 3, 2011, 1:00 p.m. and December 5, 2011, 1:00 p.m. The location for all of the regular business meetings.

V. Old Business -

Keskey noted that he provided information on the SNF background issues. A copy of the report was emailed this morning and paper copies were available at the meeting.

VI. Public comment – None. Smith asked Wilsey to summarize the grant review process. Wilsey noted that copies of the grants submitted were compiled and sent to the board members. Evaluation sheets would be provided for independent review and scoring by the board in advance of the meeting. She would provide a grant review summary to assist the board in their review. At the meeting on August 22, 2011 the first part of the meeting would provide for board Q&A and presentations by the grantees. At the conclusion of the presentations, scoring sheets would be compiled and assessed to establish order of proposals and proposed funding. The board would take up approvals/action after the break. MacInnes noted it was not required that all of the funds be distributed. Wilsey agreed and noted the grant cycle remained open if funds were not exhausted. Evaluating consumer benefits as part of the process was discussed.

VII. Next meeting - The next regular meeting of the UCPB is scheduled Monday, Aug 22, 2011, 11 a.m.

The meeting adjourned at 11:30 a.m.