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STATE OF MICHIGAN

UTILITY CONSUMER PARTICIPATION BOARD

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MEETING OF MONDAY, AUGUST 29, 2016

12:39 P.M.

611 West Ottawa, 4th Floor
Lansing, Michigan

- - -

- PRESENT: Jim MacInnes, Chair
 Paul Isley, Board Member
 Ryan Dinkgrave, Board Member
 Conan Smith, Board Member
 Lisa Babcock, Board Assistant
 Christopher Bzdok, Michigan Environmental
 Council (MEC)
 Sean Hammond, MEC
 Don Keskey, Great Lakes Renewable Energy
 Association (GLREA); Residential Customer
 Group (RCG)
 Brian Coyer, GLREA and RCG
 Lori Ebaugh, RCG
 Michelle Rison, RCG
 John Liskey, Citizens Against Rate Excess
 (CARE)
 Shawn Worden, LARA
 Jim Wilson, LARA
 Michael Moody, Department of Attorney General
 Celeste Gill, Department of Attorney General
 Dave Forsberg, Upper Peninsula Power Company
 (UPPCO)
 Jim Ault, Michigan Electric & Gas Association
 Ed Rivet, Michigan Conservative Energy Forum

- - -

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

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1 MR. COYER: Brian Coyer on behalf of the
2 Residential Customer Group and Great Lakes Renewable
3 Energy Association.

4 MR. KESKEY: Don Keskey representing
5 Great Lakes Renewable Energy Association and also the
6 separate organization, Residential Customer Group. My
7 president of GLREA regretfully can not attend because
8 he's in Kodiak, Alaska. I do have two representatives
9 from the board of the RCG.

10 MR. WILSON: Jim Wilson, LARA.

11 MS. WORDEN: Shawn Worden, LARA.

12 MS. BABCOCK: Lisa Babcock, UCPB.

13 MR. FORSBERG: Dave Forsberg with Upper
14 Peninsula Power Company.

15 MR. DINKGRAVE: Ryan Dinkgrave, board
16 member.

17 MR. MacINNES: Jim MacInnes, chair.

18 MS. RISON: Michelle Rison, Residential
19 Customer Group.

20 MS. EBAUGH: Lori Ebaugh, Residential
21 Customer Group.

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

24 MR. RIVET: Ed Rivet, I'm with the
25 Michigan Conservative Energy Forum.

1 MR. MacINNES: Okay. Well, glad to have
2 you all here, and welcome.

3 Well, the first order of business is the
4 approval of the agenda. We sent out -- an agenda was
5 sent out earlier, but we did add another item, other
6 business, to talk about board compensation, which we
7 haven't addressed in the past five years, and I thought
8 it might be appropriate to look at that. So that's the,
9 what the agenda is, everyone should have a copy of that.
10 Do we have a motion to approve the consent agenda?

11 MR. DINKGRAVE: So moved.

12 MR. MacINNES: Is there support?

13 MR. ISELY: Support.

14 MR. MacINNES: Is there further
15 discussion?

16 All those in favor, please say aye.

17 BOARD MEMBERS: Aye.

18 MR. MacINNES: Opposed, same sign.

19 Okay. As usual, this is getting to be a
20 regular thing now, which we appreciate, we'd like to get
21 a little update on the budget, could you, from LARA.

22 MS. WORDEN: I'll stand up because I'm
23 not real loud. The whole packet here just shows the
24 balance from 2016 grants, and you have a balance of
25 \$1,079 that you can use for, out of FY16 money, but

1 that's still showing there's still a balance in a couple
2 FY15 grants that haven't been closed out yet. If they
3 could be closed out, then you can use that balance, also,
4 because there's a balance of \$1,116 and the other one is
5 only \$5. So that's for FY16.

6 MR. MacINNES: Okay.

7 MS. WORDEN: And I just put a brief sheet
8 together for FY17. And I'm showing that your balance to
9 use for grants for FY17 is 489,833.

10 MR. MacINNES: 489,833.

11 MS. WORDEN: And that's taking in
12 consideration your repayment to the AG's office.

13 MR. MacINNES: Okay. And that was
14 70,000?

15 MS. WORDEN: Yes, 70,905.

16 MR. MacINNES: And that would be the
17 second repayment?

18 MS. WORDEN: Yes.

19 MR. MacINNES: Okay. We started that
20 last year.

21 MS. WORDEN: Yeah.

22 MR. MacINNES: Okay. So we have 489,833
23 plus any carryover from 2016?

24 MS. WORDEN: Yes.

25 MR. MacINNES: Which is right now looking
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1 at about 1,079, and then there's a possible 1,121 that
2 once these are closed out -- and those are Residential
3 Ratepayer Consortium. Have we heard anything from David?

4 MR. WILSON: Not at all.

5 MR. MacINNES: I wonder if I should be
6 talking with him to just ask him to finish it up, do you
7 think?

8 MR. WILSON: I don't think he submitted
9 any billings for this year either.

10 MR. MacINNES: Okay. I'll get in touch
11 with him and find out, we'll get that closed up.

12 And then, Don, you still have \$5 here
13 outstanding. We like everything to balance, you know.

14 MR. KESKEY: It's like accounting class
15 in college, you spend a weekend trying to find out where
16 you're one-cent off.

17 MR. MacINNES: Just send in the sheet
18 showing that we're good to go here and that will be
19 appreciated.

20 Okay. Are there any questions from the
21 board on our budget, both the 2016 and estimated budget
22 for 2017?

23 MR. ISELY: No. Thank you, it's very
24 clear.

25 MR. MacINNES: Okay. Yes, that's --

1 MS. WORDEN: And the number is right this
2 year.

3 MR. MacINNES: -- very helpful. We don't
4 want to overspend.

5 MS. WORDEN: Okay. So if you need me,
6 any other questions, I'll be --

7 MR. MacINNES: Okay. Thank you.

8 MS. WORDEN: -- back in my cube. Thanks.

9 MR. MacINNES: Okay. Well, let's go
10 ahead and get into the grant requests here. And we have
11 several from -- one from the Great Lakes Renewable Energy
12 Association, the Residential Customer Group, which is a
13 new group for us that we'd like to hear more about, like
14 to learn about who you are and what you're doing, how
15 many people are involved, that sort of thing; and then we
16 have the Michigan Environmental Council, and then we also
17 have CARE. And then -- so those would be the grants that
18 we would be considering. And the total was, what did you
19 say, 466?

20 MS. BABCOCK: 466,000, yes.

21 MR. MacINNES: So we are under our, if we
22 approved everything, we are under our budget for the
23 year, but we don't know what's going to happen in the
24 future, so we're going to be careful and prudent in our
25 approvals today so that we have -- because we've had

1 things hit us from nowhere, hundreds of thousands of
2 dollars of grant requests that it's always good to have a
3 little money in spare. So that would be my general
4 philosophy on this.

5 Okay. So --

6 MR. ISELY: I have a clarification quick
7 before we start, though.

8 MS. BABCOCK: Yes.

9 MR. ISELY: Did we have every single
10 dollar that people were planning on, because I thought
11 that when we asked last time, that there was at least one
12 group that said that they didn't have the dollar amount
13 for future grants in their packet?

14 MS. BABCOCK: I didn't see that. I'm
15 open to correction. Did any of the prospective
16 grantees omit dollars?

17 MR. BZDOK: We did not -- we applied for
18 our, these are our phase 1 requests, and so we have not
19 submitted requests on phase 2, which are the two PSCR
20 reconciliations, just because they're too far out, we
21 don't have any information.

22 MR. MacINNES: Excuse me. Can you say
23 that a little louder? I didn't quite hear it.

24 MR. BZDOK: Sure. MEC submitted phase 1
25 requests, we did not -- our only phase 2 requests are the

1 PSCR reconciliations for Consumers Energy and DTE, we
2 have not submitted anything on those because we don't
3 have any information, they're too far out.

4 MR. MacINNES: Right. And what was your
5 estimated request on those?

6 MR. BZDOK: I would anticipate that we
7 will make our request that's proportional to funds
8 available and issues that we see as likely once we have
9 orders in the plan cases that will set up those
10 reconciliations.

11 MR. MacINNES: Okay. Okay.

12 MR. BZDOK: Anything we would submit now
13 would be a wag.

14 MR. MacINNES: And those -- when will
15 those be --

16 MR. BZDOK: Those are filed March 30 of
17 next year.

18 MR. MacINNES: Okay. March 30. So we
19 probably won't be hearing from you until December
20 or January, February?

21 MR. BZDOK: I would anticipate in
22 calendar 2017.

23 MR. MacINNES: Okay. Good question.

24 Okay. Anybody else have, anticipate
25 future grants? I'm just trying to look around corners

1 here and --

2 MR. KESKEY: We would probably want to
3 apply for perhaps some of the reconciliations, but also
4 there would be the 2017 renewable energy plan cases that
5 will be filed.

6 MR. MacINNES: And we being GLREA?

7 MR. KESKEY: GLREA relative to the REP,
8 and the more generic issues would be RCG for the
9 reconciliations.

10 MR. MacINNES: Okay. John, how about
11 you?

12 MR. LISKEY: No, our total estimate is,
13 for the entire year is 135,000. We're only asking 85 at
14 this meeting because the reconciliation cases, as Chris
15 mentioned, won't come up until next spring. Based on our
16 past history, we think \$50,000 covers it.

17 MR. MacINNES: Covers what?

18 MR. LISKEY: The four reconciliation
19 cases that we would bring next spring -- that we would
20 request next spring.

21 MR. MacINNES: Okay. So that would be
22 probably in the February meeting, I would guess.

23 Okay. Well, that helps the kitty, at
24 least for now. We just don't know what's going to be
25 coming our way, so we have to meter it out.

1 Okay. Why don't we go ahead and start
2 off with you, Don, on your GLREA grant request, which
3 would be, as I have it, the DECo, Detroit Edison PSCR
4 plan, PURPA case, Consumers Energy PSCR plan, PURPA case.

5 MR. KESKEY: Thank you, Mr. Chairman.

6 The board is somewhat familiar with the proposals GLREA
7 has submitted in the past recent cycles where we have
8 proposed to focus heavily on proposing that the plan and
9 five-year forecast for the DECo and the CECo be more
10 complete and that they provide more analysis concerning
11 the use and expansion of solar energy capacity and
12 resources in the State of Michigan to augment their other
13 sources of energy, and we have been involved in the
14 2014 -- or rather 2015 PSCRs, the '16 PSCR, and we are
15 proposing to be in this PSCR in the upcoming grants for
16 2017. We were also involved in the 2014 PSCR cases.

17 We have provided ever more expansive
18 testimony and exhibits on a progressive basis in these
19 various cases to demonstrate the merits of our proposals,
20 and we have also intervened in the, and fully
21 participated in the 2015 renewable energy plan cases for
22 both Detroit Edison and Consumers Energy. So we have
23 been complementing the PSCR cases with the REP cases, and
24 we are also currently involved in the U-18111, which is
25 the Detroit Edison filed amendment to its own approved

1 REP plan for 2015.

2 Now, of course I don't know if I have to
3 mention all the advantages of solar energy with its
4 decreasing costs and its multitude of benefits, and I can
5 if you have any questions, but I would like to point out
6 that we have made progress in each of these cycles on
7 this issue. In the first round of cases in 2014, we were
8 met with very strong objections to the interventions of
9 GLREA, and the ALJs ruled in our favor, and the
10 Commission in March of 2014 ruled that the GLREA
11 qualified to intervene in PSCR cases by right, meaning
12 they fit the statute and the purpose of the Act.

13 In the second round of cases, the
14 Commission reviewed some of the testimony we presented,
15 but ruled that we had meritorious issues that we should
16 pursue in ongoing and future rate cases, but the
17 Commission was hesitant to take any actions relative to
18 our issues due to the pending energy legislation, which
19 at various times has been before the Senate and the House
20 looking like it was going to go somewhere and then
21 hasn't. This is essentially the latest stance of the
22 Commission in recent orders from the next round of PSCR
23 cases. However, there has been a change in the
24 Commission chairmanship, there's been a change in the
25 Commission itself with a new commissioner. The energy

1 legislation is or will or may not go forward, something
2 that we'll know more about later in the year.

3 And we've made also progress in the sense
4 that DTE and Consumers Energy in their REP and PSCR cases
5 have previously taken the position that the ten-percent
6 benchmark mentioned in Act 295 was all they had to do,
7 there was a limit, and of course we argue that it was a,
8 was not a limit, it was not a ceiling, it was a floor, it
9 was a requirement to get there by 2015. The encouraging
10 thing where progress is being made is in the latest DTE
11 case, U-18111, which is the amendment of their REP plan,
12 which has been through hearings and briefs that we file
13 tomorrow, Edison itself has taken now the position that
14 the ten percent is not a floor, it's not a ceiling, and
15 they have discretion to go beyond it, and they've so
16 proposed, which is exactly what we have advocated. They
17 haven't gone as far as we want, they've done a limited
18 amount of solar expansion in their proposal and some more
19 wind, but the encouraging thing is that they could be
20 hopefully going in the trend of doing more in their PSCR
21 planning and in their upcoming REP plan cases to add more
22 wind, more solar, and there's a lot of reasons to do so
23 besides the many benefits of renewable energy, but the
24 immense tax credits that the Company can get if they
25 could only expand it to community-owned and to customer-

1 owned solar, you could even leverage a lot more money for
2 the investment in Michigan and these diverse sources of
3 energy. So basically what we proposed -- and I don't
4 want to repeat some of the, all of the benefits, but I
5 can -- that we have proposed a budget of \$32,000 each for
6 each of the PSCR cases. We've also -- which is a total
7 of 64,000.

8 We've also proposed 12,000 each for each
9 utility's PURPA cases, which the -- which were started as
10 a result of a Commission order initiating the process
11 because basically there really hasn't been a PURPA
12 avoided cost and pricing determination for decades, and
13 with all the changes that are occurring, it was time to
14 take a look at that. There have been a number of
15 collaboratives, which we have attended most of them, but
16 now it is going into the contested case process. And the
17 hearings -- and we've intervened and been granted
18 intervention in each of those PURPA cases, and the
19 schedule has been set, and testimony will be filed by
20 intervenors in the Consumers case, 18090, on October 27,
21 which is rapidly coming forward; and in the DTE case,
22 18091, the testimony is due on the 1st of December. That
23 will be followed by briefing and hearings and so forth.
24 And in that case, we are asking for a very modest budget
25 of 12,000 each to try to submit some expert testimony on

1 what an appropriate price or PURPA price range could be
2 and make that recommendation. So essentially that covers
3 it. If you have any questions.

4 MR. MacINNES: Does the board have any
5 questions?

6 MR. SMITH: No.

7 MR. MacINNES: Maybe I'll ask a question.
8 On the PURPA cases, I mean where do you see that going?
9 And I mean isn't that supposed to be like the avoided
10 costs, right?

11 MR. KESKEY: Yeah.

12 MR. MacINNES: So are we really going to
13 save ratepayers money here by taking this on, and where
14 would you go with this? I mean is this going to be, hey,
15 we want to keep the price low, you know, or do we want
16 to -- to save ratepayers money, or do we want to keep it
17 high to encourage more, you know, QFs, qualifying
18 facilities, to come online? Where do you see that going?

19 MR. KESKEY: I think it's exactly the
20 questions I have and had, and that is that I think what
21 you -- where you want to end up is in an academically
22 correct price, and it well may come to consensus by a
23 number of settlement meetings with the interested parties
24 and the utilities as to an academically correct price as
25 between you don't want too low of a price because if you

1 completely discourage any development of renewables,
2 you're not helping the customers long term or even short
3 term, which a diverse supply and a longer range lower
4 cost of supply and more reliability is better for the
5 customers than not having any more renewables, or not
6 making existing renewables survivable. On the other
7 hand, you don't want to price too high because then
8 there's a subsidization that that's just not academically
9 correct and the ratepayers are paying more than they
10 should. So that's where you got to find that balance.

11 MR. MacINNES: So what does the AG's
12 office think about this, are you all not just -- let's
13 start with the PURPA cases. Are you all going to be in
14 those PURPA cases, and do you see an opportunity for us
15 to save ratepayers money by intervening in those?

16 MR. MOODY: We're not currently, I don't
17 think John or Celeste, we're not in the PURPA cases at
18 this time based on our, you know, resources and the
19 amount of money that we -- you know, we try do the same
20 things you guys do --

21 MR. MacINNES: Right.

22 MR. MOODY: -- figure out where to --

23 MR. MacINNES: And you're the bank.

24 MR. MOODY: Yeah, that's right. Biggest
25 bang for the buck, you know. You know, any time, and

1 just when I look at cases, any time it doesn't say PSCR
2 or GCR, you always got to look at it a little closer,
3 that's all, because it's -- those are the bread and
4 butter ones under the statute, and so then you want to
5 look a little closer to make sure that this is something
6 that's going to fall under the statute. It's, you know,
7 not one of the cases that's specifically identified in
8 the statute, but they are, you know, potentially I guess.
9 I don't remember reading Don's proposal, I know I looked
10 at it, but, you know, make the link between that and
11 issues that come up in PSCR and GCR. Assuming all that
12 stuff's there -- obviously there's, all these cases have
13 some component to help, you know, I mean that's, you
14 know, to help ratepayers, it's just really, you know, a
15 weighing thing for you guys to take, more of a policy
16 thing, you know, where do you want to put your resources.
17 I'm sure benefits can be, you know, made for consumers in
18 these cases, but it's going to be where do you think you
19 can get the greater benefits from.

20 In this type of case, I mean the PSC does
21 have a lot of great experts, I think they'll, you know,
22 do a good job. I know we usually are, you know, we're
23 fighting them sometimes on issues in other cases, but,
24 you know, they are a competent group there, they can
25 always look into these numbers, and it's a lot of money

1 to have to spend on a really technical area that maybe
2 not produces as much as like a rate case, you know, so
3 that's why we have readjusted our resources.

4 MR. MacINNES: So that's not something
5 you're planning on getting into?

6 MR. MOODY: No, not at this time, unless
7 we -- you know, as we -- the good thing about our office,
8 you know, we can intervene at any point in time, so as
9 we're looking at cases, if we see there's something going
10 south that we feel is going, you know, south in that
11 regard, we'll intervene and take some action; but at this
12 point, we don't have any plans.

13 MR. MacINNES: And we both have the same,
14 you know, I think we're both trying to get the best bang
15 for our buck.

16 MR. MOODY: Yeah. I know, it's so hard,
17 there's so many cases.

18 MR. MacINNES: So Don, does -- are you
19 confident these PSCR cases will fall under Act 304?

20 MR. KESKEY: Absolutely, because the
21 Commission itself issued an order finding that they did
22 and that we had the right to intervene by right as being
23 within the scope of Act 304.

24 MR. SMITH: Did you mean PURPA?

25 MR. MacINNES: Or excuse me. PURPA.

1 Sorry. PURPA cases.

2 MR. KESKEY: Well, yes, because the cost
3 of purchased power flows through the Act 304 and is
4 reviewed in Act 304, and the purchased power under these,
5 of what is ultimately decided will be then recovered
6 under Act 304.

7 MR. MacINNES: So does that make sense to
8 you?

9 MR. MOODY: Everything, yeah, there's
10 always those connections on it. It does seem to have a
11 connection to the purchased power. I mean you always
12 will argue at the PSCR and GCR if that number is set,
13 that, you know, how much -- is it reasonable to go that
14 way even if you have a number set, you can still argue at
15 the PSCR and GCR separate from that that it's still not
16 reasonable, you know, to buy or purchase this way, you
17 should be buying elsewhere cheaper power. So you
18 sometimes have two bites of the apple here, and this is
19 more on a ground level.

20 MR. COYER: I'd like to add to this if I
21 could?

22 MR. MacINNES: Sure.

23 MR. COYER: Typically when you have a
24 special case, for avoided costs in this particular
25 instance, PURPA rate that's going to be determined,

1 typically what the Commission is likely to do is to say
2 why weren't you in the other case, why weren't you there
3 when the testimony was taken with regard to what that
4 price ought to be. So challenging that avoided cost
5 number to the benefit of ratepayers is something that
6 would be more difficult to do in a PSCR case if you
7 weren't in the preceding case, or at least the parallel
8 case. So in a sense, I wouldn't want to go too far to
9 say that, but it becomes kind of a shell game, that if
10 you're not in the case where the rate is decided, you may
11 not have the wherewithal to contest that rate later. So
12 you want to be in both places if you can be to cover
13 those bases.

14 MR. MacINNES: Okay. Getting back to the
15 PSCR cases for a minute, your office, the AG's office is
16 going to be participating in those?

17 MR. MOODY: Yep. We do all the PSCR
18 plans and recs and GCR, plans and reconciliations.

19 MR. MacINNES: Yeah. Okay.

20 MR. MOODY: Not that we don't like the
21 help.

22 MR. MacINNES: No. And --

23 MR. KESKEY: However, I don't think the
24 AG has ever taken any position or filed any testimony
25 about analysis on solar energy.

1 MR. MOODY: I don't think specifically.
2 I mean we address a wide range of economic issues and,
3 you know, to the benefit of the ratepayers we hope, as
4 usual, and I don't remember if solely focusing on that
5 issue, so no.

6 MR. SMITH: So then in the time that I've
7 been on this board, I don't think we've funded a PURPA
8 case. Have you --

9 MR. MOODY: Haven't done an analysis
10 separately on this, I can't remember. I know -- I think
11 we talked a little bit. Was the PURPA one of the ones
12 that I -- I can't remember if we talked.

13 MR. MacINNES: I don't remember seeing a
14 PURPA case; I've been here five years, many of us have.

15 MR. MOODY: And they haven't come up
16 before I know in a bunch of years, but I was in the
17 other -- other members might recall. Sometimes, you
18 know, with our limited resources, they may have come up
19 and we -- I can't remember -- may have not chosen to
20 participate in them.

21 MR. KESKEY: The first time that the
22 PURPA issues were dealt with in reality was when the
23 Commission had to approve purchased power contracts with
24 the Midland Cogeneration Venture, which was preceded by
25 another case, I think was Tansu (ph) or something like

1 that, and then a big argument was about whether you set
2 it based on a coal plant proxy or a gas plant proxy, and
3 I would estimate those cases were in the mid '80s.

4 MR. MOODY: Don Erickson did those cases,
5 I think I remember now, and he was really -- that was the
6 nuclear turned into the cogen issue, and that has -- Don
7 did get in those cases on an every-so-often basis, and I
8 can't remember if we funded that general or Act 304.

9 MR. KESKEY: It was a massive case. And
10 then there was a 2005 case dealing with the Midland
11 Cogeneration Venture which was a gas plant which utilized
12 only a small part of the assets of the nuclear plant that
13 was abandoned, and that ended up in a settlement
14 agreement, 2005 settlement agreement, which, again, we
15 were involved on behalf of a party or two, and the AG was
16 heavily involved, and that was quite an extensive series
17 of settlement meetings.

18 MR. MOODY: I can check the funding
19 sources for that if you want, I know it's a little late
20 to do that, but if you ever have questions if there's a
21 case that we are having, then I can tell you how we
22 funded it, you know what I mean, and that would kind of
23 give you a ballpark how we're doing it, but I can't
24 remember how we funded those cases.

25 MR. MacINNES: Jim, did you have a
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1 comment?

2 MR. AULT: Just for background, because
3 Don and I actually, I was in his office and we worked on
4 the original PURPA case, cases, the settlement when MCV
5 came in and kind of opened the door for a bunch of
6 projects to come in under the rate that was set then as
7 the avoided cost.

8 MR. MacINNES: What was that rate, do you
9 remember?

10 MR. AULT: 3.99 for capacity I think, or
11 somewhere. It was based on a hypothetical coal plant
12 under the federal law governs the avoided cost rate.
13 Once they set that rate, these projects, and there's a
14 quite a few of them, mostly in the Consumers area, they
15 all got long-term contracts, and because there was
16 surplus capacity, you didn't see other projects coming
17 forth, and the Commission just left that rate in place
18 until recently, last, within the last year; and what's
19 happening is the contracts for some of those PURPA
20 facilities, small hydros, and some others are starting to
21 expire, or they're going to expire soon, I think one of
22 them is right on the, about to and they got an extension.
23 Because of that, the PURPA facilities with these
24 contracts, these are the smaller ones, they asked the
25 Commission to reopen this docket and look at avoided

1 costs again because they're sort of out of the money in
2 terms of the costs that were approved under their
3 existing contracts, they're too high, and Consumers was
4 saying, well, we're not going to renew them at that price
5 because that will get challenged, so now they're trying
6 to figure out what should be the appropriate avoided cost
7 under the federal standards. It's basically the same
8 standards. I think your question was right,
9 Mr. MacInnes, at the beginning; ratepayers are supposed
10 to be indifferent to this under the avoided cost concept.
11 So it languished for years because the contracts were in
12 place, so they never looked at it, which is why you've
13 never seen a case in your time here.

14 MR. MacINNES: So, you know, Jim is, of
15 course has got a lot of experience in these areas for
16 many years, so we like to get your opinion on things.

17 MR. AULT: I'm not offering an opinion,
18 I'm just trying to give you background.

19 MR. MacINNES: No, I know. But we like
20 to get your history because you have the history. And so
21 I mean do you have any thoughts; I mean is this something
22 that -- you know, I mean you've got -- I know, for
23 example, you've got MCV, you've got the hydro projects,
24 you've got the biomass facilities. I dealt with this out
25 in California in the early '80s. We had a standard offer

1 for contracts with PG&E and they were paying a seven-cent
2 rate, and then that was the avoided cost rate, and then
3 all of a sudden, I don't know, five or ten years later it
4 went down to three cents, so it can really move, you
5 know, depending upon, you know, who argues best I think
6 is what it amounted to. So I don't know where it's all
7 going to shake out.

8 But do you have any other thoughts on it,
9 on -- is this something that -- something we should be
10 involved in, do you think?

11 MR. AULT: You're asking me that?

12 MR. MacINNES: Yeah, yeah.

13 MR. AULT: The answer that the costs will
14 go through the PSCR is correct. As far as I know,
15 there's going to be a power supply cost coming out of it.
16 We've sort of participated. They had an informal
17 workgroup at the Commission, they even brought in a D.C.
18 attorney to start it off to explain avoided costs, but
19 the basic -- the rules are complicated because they do
20 allow long-term contracts, but it's the cost but for that
21 qualifying facility that comes in, the hydro or whoever,
22 if it wasn't for that, what would the utility be paying,
23 that's kind of the general concept, and that's why the
24 ratepayers are supposed to be relatively indifferent.
25 And the problem that happened for a long time when we had

1 surplus capacity, these projects need a capacity payment
2 to be economically viable, because energy only isn't
3 going to do it for them, and with surplus capacity
4 throughout that 20 years, 25 years, you know, the
5 capacity cost payments were zero basically, it was a zero
6 avoided capacity cost. Now that's changing because of
7 the plants being shut down and things like that, so which
8 is why it's become an active issue again.

9 MR. MacINNES: Well, a lot of these
10 plants are probably base load that could, you know --
11 well, let's say an impoundment type hydro project, that
12 would be base load, biomass would be base load, there may
13 be some other gas projects that would be base load, so
14 that could be a valuable these days.

15 MR. KESKEY: I'd also like to point out
16 that utilities would prefer to build all the plants and
17 own them even if they're higher cost, and the
18 Commission's latest renewable energy report indicates
19 that the renewable energy is the lowest cost of all
20 sources of energy and capacity right now, and declining.
21 And so there's competition between what utilities want to
22 develop, utility-owned gas plants, whatever, whereas
23 there is an industry out there, diverse industry out
24 there, burgeoning new industry out there that wants to be
25 able to provide their renewable sources cheaper energy.

1 And what you don't want to have is the utility over-
2 influence these dockets to discourage renewables, which
3 is their competition, and leads to really less diverse,
4 less reliable energy supply.

5 MR. MacINNES: Well, to your point, I
6 think you could be -- let's take a biomass plant, you
7 could be taking an existing biomass plant that has life
8 to it, say 10 or 20 years' life, and, you know, comparing
9 that cost to having to build a whole new power plant
10 owned by utilities, for example, which starting from
11 scratch, every time you build a new plant, the costs are
12 much higher, right. So that's -- so that could be a
13 reason to, you know, to pay the biomass plant a little
14 bit more, but yet under the new plant cost, right; is
15 that kind of what you're getting at?

16 MR. KESKEY: Yeah, yes. I mean a utility
17 gas plant will involve a large step-up in capital costs,
18 even if it's a gas plant, and that impacts the
19 ratepayers, whereas if you over a planning period of four
20 or five years in these forecast cases that are coming up
21 as well, if there are a number of diverse plants,
22 biomass, hydro, whatever it is, solar, that could develop
23 capacity equivalent to one of these large gas plants four
24 or five years out, then -- and if it's a cheaper source,
25 then you don't want to encourage the utilities to control

1 the rules of the game and to be requiring you to build a
2 big gas plant, and especially if we're looking at
3 forecasts that everybody admits that the utilities have
4 closed or are closing a large amount of coal plants in
5 the immediate future, and so they have -- the energy
6 production is transforming into a new mix, and all the
7 more reason that you want to be accurate, reasonable on
8 this PURPA price.

9 MR. ISELY: Can I just get a
10 clarification here. Am I hearing right, that the avoided
11 cost hasn't been adjusted in decades; is that what you
12 are telling me?

13 MR. KESKEY: This is the first PURPA case
14 the Commission has had as a case to face the issue in at
15 least 20 years, as far as I know.

16 MR. ISELY: And there's no automatic
17 adjustment someplace else in the system, so this is the
18 only place where they adjust these?

19 MR. KESKEY: This will be the controlling
20 decision in these two cases --

21 MR. ISELY: Okay.

22 MR. KESKEY: -- that will be passed on to
23 the PSCR, and it has gone through an initiatory order of
24 the Commission starting the process, recognizing the
25 situation, these collaboratives that we've been through,

1 and now it's going into the process of the contested case
2 to make the final decision, which will be -- which will
3 be the order that effectively will govern, yes.

4 MR. ISELY: Okay.

5 MR. MacINNES: Well, when you think about
6 it, a lot of these have been put in place with PPAs, and
7 I know on the old standard offer four out in California
8 you could actually select how much you wanted of fixed
9 and how much floating, depending upon the avoided cost,
10 and those that elected for fixed payments ended up in
11 many cases doing better because over time the utilities
12 were able to really push down the avoided cost to where
13 it was like three cents or, you know, I mean it was very
14 low, and when these contracts finished up after their 20
15 years, then the plants went out of business. I saw it.
16 It was like huh, okay, because they were -- you know, the
17 avoided cost at that point was so low that it didn't make
18 sense to operate the plants. I mean that happened in
19 California.

20 So any other questions of Don here and
21 the GLREA?

22 MR. SMITH: That was a very helpful
23 conversation, and a lot of that did not come through in
24 the grant application, so I'm grateful for the wisdom of
25 this room. Thanks.

1 MR. MacINNES: It's all complicated,
2 that's for sure.

3 Okay. Anything else on that, Don, or can
4 we move on to the --

5 MR. KESKEY: That would complete that one
6 in the sake of brevity.

7 MR. MacINNES: Okay. Well, let's go on
8 here with the next item, which would be the Residential
9 Customer Group, which also plans to intervene in these
10 plan, PSCR plan cases. And maybe could you tell us
11 about -- this is a new group to us, maybe you could tell
12 us about the group, how many members, I mean is this a
13 handful of people or are we talking hundreds or thousands
14 of people, or how many people are you representing;
15 what's the history of this group; and maybe just kind of
16 help us get to know this group.

17 MR. KESKEY: The Residential Customer
18 Group actually involved a number of individual
19 residential customers of Consumers Energy which, as a
20 group, participated in an appeal of a rate case for
21 Consumers Power Company, U-17087. And that appeal, that
22 was a rate case I think two or three rate cases ago, and
23 that, in that appeal, we were asked by the group of
24 individual customers to represent them in arguing the
25 appeal in the Court of Appeals and also in filing a reply

1 brief. We may have filed the initial brief, I believe we
2 did.

3 MR. MacINNES: So tell us in a -- what
4 was that case about, and how many people were involved in
5 the group?

6 MR. KESKEY: At that time, there was
7 about 15 or 17 people listed formally on the court
8 pleadings as plaintiffs, although there were others who
9 didn't have their name on it and there are others who
10 donated. And in that case what they were appealing is
11 the size of the opt-out or the size of the AMI Smart
12 Meter Program, the immediate installation of mass across
13 the service territory, the start of installations of that
14 and the early scrapping of fully functional current
15 analog meters, and the Attorney General was actually very
16 involved on that issue as well. But the customers were
17 concerned about the size of the opt-out fees; in other
18 words, if you have a chance to opt out of having a Smart
19 Meter, they would charge you an initial fee even, though
20 you're not asking for a change in the meter, and then a
21 monthly fee. And the appeal in the Court of Appeals
22 centered around whether the cost benefits of this made
23 sense, and that was I think the Attorney General's
24 primary, or one of his issues, and also whether the
25 costs, whether the opt-out customers were essentially

1 paying twice; in other words, they're paying rates for
2 all the costs of the program whether they have a Smart
3 Meter or not, and then they were paying additional fees
4 for not having a Smart Meter. And the Court of
5 Appeals -- and Mr. Coyer here argued the case. And the
6 Court of Appeals on that issue reversed the Commission
7 and remanded it to the Commission, finding there was not
8 adequate cost support for the AMI program or issues, and
9 that remand case is now currently before the Commission;
10 the parties, RCG has filed testimony and the Attorney
11 General has filed testimony and hearings will be coming
12 up in a few weeks to look at again the costs and the
13 rates and so forth.

14 While that case was going on --

15 MR. MacINNES: I wonder if we could just
16 stop there. That's great, I had no idea about this.

17 Mike, what would you -- can you comment
18 on that?

19 MR. MOODY: Sure. You know, that's --
20 that's not one of these cases, is it?

21 MR. MacINNES: No. But I'm just
22 trying --

23 MR. MOODY: Just making sure I'm not
24 missing the point here.

25 MR. MacINNES: -- we're trying to get
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1 some background here on the group, what you've been
2 doing, your experience, issues.

3 MR. MOODY: Yeah. We've been working
4 closely on the AMI issue with their group, the RCG group,
5 at least on, well, on appeal, we were together, though
6 separately on different issues, but together on appeal.
7 It's from a 17087 Consumers Energy rate case that I think
8 we went on appeal from, we challenged the -- I mean,
9 again, you know, we try not to take a policy issue as to
10 AMI because we think it makes sense, I mean the AMI, what
11 they intend to do with it I guess makes sense, but
12 we're -- we look at it as, you know, probably heard from
13 me a million times, economically does it make sense to
14 the ratepayers kind of as an investor, you know. We want
15 to make sure that if you're investing this kind of money,
16 is there a benefit to us, you know, with the amount of
17 money you're investing, where is the cost/benefit ratio,
18 and we thought that it wasn't there at the time.

19 MR. MacINNES: Right. So let me -- as
20 you know, and we're going to be talking about later, the
21 second and third bite at the cost-of-service allocation,
22 right, where right now I mean the utility, the two major
23 utilities are now saying that residential ratepayers -- I
24 mean you've seen the chart, my chart, right. You know,
25 industrial customers, this has been the increase,

1 commercial customers, residential customers, you've all
2 seen that.

3 MR. MOODY: Yeah, right.

4 MR. MacINNES: So what we're talking
5 about is how -- and the utilities are making this big
6 case that, hey, the people that are really causing the
7 peak here are the residential ratepayers. Okay. Well,
8 and that could be argued, which it sounds like we're
9 going to argue it again; but if residential ratepayers
10 are causing some of the peak, they don't really have a
11 good way of seeing their impacts and getting feedback on
12 what they can do to reduce the problem, which I think is
13 why AMI was introduced as to help solve that. Now, there
14 are other ways, such as time-of-day metering, I mean
15 there's a lot of other solutions to this problem, but,
16 you know, the AMI was certainly, hey, feedback to the
17 customers so that they can reduce their demand. I know I
18 do it, I'm on time-of-day metering, I cut my consumption
19 between noon and 6:00 because I pay 22 cents a kilowatt
20 hour. So it's we've got that climate that we're in now,
21 and so the whole idea of whether or not it makes sense, I
22 mean seems to me that we're being, three times by each
23 big utility we're being forced to defend and spend money
24 on cost-of-service, you know, cost-of-service allocation,
25 which is expensive, we have spent 250,000 on that

1 already, which is why we had to come to you, the bank,
2 for the money.

3 MR. MOODY: That's right.

4 MR. MacINNES: So how does that all --
5 how do you reconcile all that?

6 MR. MOODY: The economics of it or
7 just -- because it's complicated. You -- a lot of times
8 we, you know, like if it's a -- just want to talk about
9 the NEXUS pipeline or something like that, you know,
10 think that, you know, hey, it sounds like a great idea,
11 and then we analyze the economics of it, we want to make
12 sure as an investor, as a ratepayer, you present the plan
13 to us just as you would to your other investors, you
14 know, where is the cost benefit to this, the large
15 capital expenditure. If we're going to be paying for it
16 for a while, and we want to make sure you've done the
17 analysis and the kind of work to show us this makes
18 sense. I mean if you can't sell it to someone on the
19 street, you know what I mean, you can't get an investor,
20 I mean why are we investing in it, because ratepayers are
21 kind of, you know, are a little -- will look at it.

22 So the AMI, we were just concerned, large
23 capital expenditure, you know, utilities like to make
24 large capital expenditures because you get a return on
25 these type of things, and most of it could probably put a

1 business to run it reliably and, you know, economically,
2 but we look at that that to make sure that there's a
3 return. And now I know, you know, it sounds like there's
4 a lot of returns out there for customers, but we were
5 concerned a lot of those returns are, you know, possible,
6 depending on how many people use it, we can do maybe
7 these programs, you know, none of them were hard and fast
8 benefits, whereas the costs are hard and fast; these are
9 the costs you're going to pay, these are the benefits you
10 may get. Those kind of worry us when we go into a case,
11 you know, the mays don't offset the hard and fast costs.
12 And then the Court of Appeals found that to be true in a
13 couple of those cases where they went up and the court
14 said those are costs that are -- I can't remember the
15 word now -- but they said, you know, possible kind of
16 benefits in the future were not sufficient evidence to
17 show that, you know, there was --

18 MR. MacINNES: So where are you at now,
19 where is the AG's office at now, are you --

20 MR. MOODY: So we went back, they
21 remanded back to Court of Appeals, Court of Appeals ruled
22 against us again on this economic thing that's been going
23 on for years now. We are not taking an appeal at this
24 point in time, at least I haven't, you know, heard
25 different, but I don't think our time is up -- or maybe

1 the time has come up -- not taking an appeal to the
2 Supreme Court against. We did it once, went up once, got
3 reversed, came back down, they ruled against us again on
4 the economics of it.

5 There are two issues in there; I don't
6 know if you heard the other one. The other one is the
7 actual cost of opt out, which is another issue.

8 MR. MacINNES: Right, right.

9 MR. MOODY: They kind of flow together,
10 but we kind of view that as a separate argument as to,
11 you know, people who don't want the AMI, what are those
12 costs, and are they being duplicative and are they more
13 of a penalty.

14 MR. MacINNES: So are they double paying
15 in a sense?

16 MR. MOODY: Yeah. You know, penalty for
17 not taking the AMI, so that's still at issue, we're still
18 litigating that.

19 MR. MacINNES: So your initial position
20 was it wasn't, so it wasn't worth it to the ratepayers?

21 MR. MOODY: To go up again to the Supreme
22 Court or --

23 MR. MacINNES: Well, no. You know, AMI,
24 it's just too expensive because it's an immediate cost
25 now and there are these phantom benefits that may or may

1 not happen, that was --

2 MR. MOODY: Yeah, we looked over the
3 20-year life of it and did one of those net present value
4 type analysis; our guys said, hey, you know, using the
5 normal net present value analysis that any other business
6 in the country would use, it doesn't seem to pan out to
7 us. Now, the Commission and the utility said, well, if
8 you use our analysis of net present value, which in our
9 opinion was not the one used by any other business in the
10 world, they said it came out really high. So we were
11 like, well, you know, it depends on which -- you know how
12 that game, you know, depending on which one you were
13 using, the numbers were different. You know, we're not
14 disputing that there are benefits, but are the benefits
15 as concrete and are we really going to see them. I mean
16 and the Commission did say that every -- it won't go
17 away, that every year that we can look at it again to see
18 how things are going, you know, and did the benefits
19 actually come out, but, you know, once your project is
20 done, it's always hard to go back and say, hey, you
21 know --

22 MR. MacINNES: How far done is it?

23 MR. MOODY: I think 2017 is the end point
24 for Consumers Energy, that they'll have theirs --

25 MR. MacINNES: In.

1 MR. MOODY: -- completely --

2 MR. MacINNES: And then what about DTE?

3 MR. MOODY: I think somewhere similar. I
4 don't --

5 MR. KESKEY: Very similar.

6 MR. MacINNES: So this is kind of baked
7 in really; at this point, it's a moot point, it's baked
8 in?

9 MR. MOODY: Yeah, it's kind of, yeah, at
10 this point. I mean you can go back and try to get some
11 type of penalty or --

12 MR. MacINNES: Yeah, okay.

13 MR. KESKEY: Procedurally, I'd like to
14 clarify that the Court of Appeals remand order on having
15 hearings at the Commission on costs and rate issues, for
16 example, opt out and stuff, still stands.

17 MR. MOODY: Yeah, that's still going on.

18 MR. KESKEY: There's been no decision by
19 the Supreme Court or anybody, and it's got to be decided
20 by the Commission first and then it would be subject to
21 appeal again, so that is in full play. The Attorney
22 General had in part appealed to the Supreme Court a
23 procedural issue where the Court of Appeals in the first
24 time around tried to say that he had settled and not
25 preserved the AMI issue, which he had expressly in the

1 settlement agreement, and the Supreme Court agreed with
2 the Attorney General that he had preserved that issue.

3 MR. MacINNES: So I guess the bottom
4 line, you know -- and we could probably spend a day on
5 this --

6 MR. MOODY: Interesting area.

7 MR. MacINNES: -- and we don't want to do
8 that -- but the bottom line is that's -- you all were
9 involved in that, this group, your --

10 MR. KESKEY: Yeah.

11 MR. MacINNES: -- Residential Customer
12 Group, you were very involved in that and you had --

13 MR. KESKEY: And then we were
14 involved with --

15 MR. MacINNES: -- 20 or more people --

16 MR. KESKEY: Yeah, yes.

17 MR. MacINNES: -- who had an interest, it
18 sounds like a lot of people would have an interest of
19 this double payment type of thing.

20 MR. KESKEY: Well, then the next round of
21 rate cases, we were in the Consumers Energy rate case,
22 U-17735, which was decided late last year, and also the
23 DTE general rate case, U-17767, which the Commission
24 decided late last year, and we're representing RCG in the
25 Court of Appeals on those cases as well.

1 MR. MacINNES: What were those cases
2 about?

3 MR. KESKEY: Those cases as far as RCG
4 with limited resources was looking primarily at two
5 issues, although we would help in settlement meetings on
6 other issues, and that is, again, the AMI costs and the
7 AMI opt-out fees being charged to opt-out customers;
8 they're paying for everything, as I said, including the
9 cost of the scrap meters, which are undepreciated,
10 they're paying for the new meters, they're paying for
11 everything across the board, the increased property
12 taxes, depreciation, everything else, there's nothing
13 they're not paying for, but they're trying to charge them
14 too much again for not having a Smart Meter, and there's
15 no cost basis for it. They never sponsored a cost of
16 service witness to justify a charge, a separate
17 additional surcharge to the customers.

18 Now, we have also participated and
19 intervened in the most recent ongoing rate cases of both
20 Consumers Energy and DTE, and on the same issues, but
21 also we are participating in some extensive settlement
22 meetings with both utilities and all the parties on
23 several issues, rate of return even. But our testimony
24 in these rate cases is focused either on AMI or a tax
25 issue, and that is where both utilities in the current

1 rate cases are trying to reach back to tax payments they
2 made to municipalities in 2012 and add that into the
3 rates, although over a period of years, amortized, going
4 forward. But this is a classic case of retroactive
5 ratemaking, it's way beyond the test year or the
6 projected test year, and the courts have said you can't
7 have retroactive ratemaking. And you don't reach back
8 for one element of expense increase from five years ago
9 and put it in your current rates because there are no
10 doubt several expense reductions that were below that
11 assumed in those past cases that they're not volunteering
12 to offset; in other words, it's cherry picking.

13 MR. MacINNES: Okay. So how long has RCG
14 been around?

15 MR. KESKEY: The informal group of the
16 collection of individual customers is three or four years
17 perhaps, we have been involved for about two years. The
18 actual step to formally incorporate and to form a board
19 and incorporate as a nonprofit was taken in -- undertaken
20 in July of this year. But we've been using the RCG name
21 in the cases as an informal group. But we have the
22 nonprofit status with the State, we have the
23 incorporation, articles of incorporation filed.

24 MR. MacINNES: So it was formalized this
25 year?

1 MR. KESKEY: It's formalized this year.

2 MR. MacINNES: So let me ask my counsel
3 something here, Mr. Mike Moody: Does that constitute a,
4 as you've heard, does that, in your opinion, constitute a
5 group that would qualify to be involved in intervention
6 here at the UCPB?

7 MR. MOODY: You know, the statute does
8 provide some -- and I'll have to go back over it to make
9 sure, you know, who can be funded by the board, and if
10 it's a nonprofit, that it -- I can't remember all the
11 things, but it sounds like it would fall underneath that.
12 But then the question is, okay, just because you can fund
13 it, is it someone that can intervene in the Commission;
14 sounds like they have, and I'd have to know the specific
15 cases, all of them, but as long as they have members in
16 those service territories, then the Commission can allow
17 them to intervene. So, you know, on that base level, it
18 sounds like you could fund them. And the bigger question
19 is, do you want to fund them, you know what I mean, do
20 you want to fund them, if other people are in those or
21 not, you know, those kind of questions, the larger
22 questions. But it sounds like on just the funding level,
23 it is an organization sounds like you could fund. I
24 don't want to give an official opinion because I'd have
25 to do a little more digging, but I have the statute here

1 and I'm pretty sure it --

2 MR. MacINNES: Well, it's, you know,
3 like --

4 MR. MOODY: -- if it's a non-profit
5 organization that's, you know, representing utility type
6 interests, that you're going to --

7 MR. MacINNES: The way I look at it, and
8 I'm not a lawyer, but, you know, like a qualified
9 organization, you know, are they qualified, and it sounds
10 like they are.

11 MR. MOODY: Yeah. And then you might
12 want to look at, you know, obviously when we did the way
13 back, actually when John and I worked on some of those
14 lists to look at when John was working at the AG's
15 office, too, you know, how much qualified compared to
16 other groups versus, you know, you're going to look at
17 years of service and time and -- you know, and some of
18 the attorneys obviously have tons of years, you know,
19 organization, you may not, so those are questions you
20 want to take a look at, what type of issues do they go
21 into, there's so many obviously parameters to that. But
22 it sounds like the group could be funded by you and that
23 it shouldn't be any concern. I'm sure Don must have laid
24 that out in his proposal.

25 MR. KESKEY: Yeah. If you look at the
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1 mission and purposes of the organization as a nonprofit
2 which is included as an attachment in our grant
3 application, which is a copy of the articles, I have a
4 copy, the stamped copy here, but the mission is to
5 represent residential customers as a nonprofit and
6 relative to essential services in utility cases and court
7 cases that arise from that.

8 Also, I'd note that when challenged in
9 the first round of rate cases, U-17735 and U-17767, the
10 administrative law judges ruled that RCG, Residential
11 Customer Group, would be qualified to intervene by right,
12 and that challenges to intervention have gone, they're
13 gone away, I mean no one's going to try it again. So in
14 the current round of cases, I don't believe anyone
15 challenged the intervention of the Residential Customer
16 Group.

17 MR. MOODY: And that's important to note,
18 because we've had issues in the past, you know, where you
19 could fund somebody, but then if they can't get in the
20 case, the money kind of went to waste, even though you
21 technically could have funded the group, but the group
22 itself can't get in because of the issues that they're
23 trying to bring are not issues that are for that type of
24 case.

25 MR. MacINNES: Well, to Don's credit,
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1 he's been pretty persistent on getting into all these
2 cases, so we know that.

3 So any other questions about the, just in
4 general from the board about the RCG?

5 MR. SMITH: I'm curious if you all are
6 applying for tax exemption from the IRS, and what -- if
7 you're -- if so, like if you're intending to be a
8 501(c)(3) or not, or not going to?

9 MR. KESKEY: We have. Brian Coyer, he
10 can --

11 MR. COYER: I can respond to that for
12 you.

13 MR. SMITH: Thanks, Brian.

14 MR. COYER: Absolutely. That the
15 qualification is 501(c)(4) for the organization, there
16 are a variety of requirements, they're not as strict as
17 they are for a 501(c)(3), we filed a 1024, which is the
18 form that's required for the RCG to achieve that status.
19 That's pending. That's the short answer to your
20 question.

21 MR. SMITH: That's helpful. Thanks.

22 MR. MacINNES: Okay. So maybe you could
23 elaborate on your, what you plan on. You know,
24 everybody, just about everybody here is going to be
25 involved in these cases, including the AG's office, these

1 PSCR cases, so obviously our mandate is don't overlap
2 unless there's a good reason to. And maybe you could
3 tell us what, you know, what you're going to pursue in
4 these, both of these cases.

5 MR. KESKEY: Okay. With respect to both
6 DTE and Consumers Energy, it's a well-known fact that
7 both utilities have retired, are retiring, are planning
8 on retiring a number of older, more inefficient coal
9 plants, and they're under a process right now of
10 planning, forecasting how they're going to transform
11 themselves away from coal, reason for the gas plant
12 proposals and purchases of gas plants the utilities have
13 made. And because there's going to be a fairly large
14 amount of coal capacity going to be retired, a question
15 arises as to the impact of those changes upon the Act 304
16 plan and five-year forecast both with respect to costs
17 and planning and rate factors that should be charged to
18 the ratepayers.

19 Now, coal is a very important part of the
20 overall cost of the utilities, both of them, with respect
21 to purchasing coal, transporting coal, both by boat and
22 by rail cars, and then they have over the years added a
23 number of other costs into the PSC, Act 304 PSCR related
24 to coal, such as coal ash disposal, limestone, urea
25 expenses, and even most recently with trying to include

1 litigation costs over rail transportation rates for coal.
2 So the scope of Act 304 is ever expanding from the
3 utility standpoint, while they keep arguing that it's a
4 limited scope relative to the intervenors. But there's
5 no question that they're -- that the utilities also have
6 traditionally, right up until recently, locked themselves
7 into long-term fixed coal contracts to receive delivery
8 of coal based on their old number of plants and their old
9 capacity, and that simply doesn't fit with the reality of
10 what's happening in the next five years. The question
11 is, how are they going to adjust their contracts,
12 renegotiate their contracts; how are they going to run
13 their plants without running into penalties and
14 unnecessary expenses, charging the ratepayer for that
15 under 304; are they acting prudently and reasonably to
16 adjust, or are they pretty much planning on forcing these
17 costs through to the ratepayer, which has been their
18 traditional attempt.

19 MR. MacINNES: So can they adjust those
20 contracts? I mean if they've entered into these long-
21 term contracts, can they -- I mean can they just say,
22 hey, we want to redo these, we don't like them anymore?
23 I mean how do they do that?

24 MR. KESKEY: Well, they have renegotiated
25 coal contracts in the past, and they should try, but

1 there's a number of other dynamics. For example, some
2 coal companies have gone bankrupt. So what's the
3 implication of that on their --

4 MR. MacINNES: So they may be in
5 violation of their side of the contract?

6 MR. KESKEY: Exactly, or they can
7 renegotiate with the trustee. Or if they feel a better
8 decision is to receive the coal, they have the option to
9 try to sell it on the market, to sell it to a third
10 party. They may be able to stretch out deliveries so
11 that they can use the coal with respect to the more
12 efficient plants that they will continue to operate, that
13 can be retrofitted to meet EPA requirements without huge
14 costs. There may be a number or two or three options
15 that they would have to try to mitigate their costs, and
16 we would say they should take those steps, or at least
17 reveal what their planning is. And so that has a very
18 direct impact on the PSCR, and that's with respect to
19 both the utilities.

20 And then we also sent you an article
21 about the recent fire at St. Clair plant, and this brings
22 up the question, this would -- was a plant that they were
23 looking at retiring perhaps some of the units of that
24 plant, but now the question may be whether the whole
25 plant should be retired and retired earlier than planned.

1 And we have been through battles with them before about
2 once they had a crane that fell down in a plant and cost
3 several million dollars, and the question in that case
4 was what caused the fire, was it due to unreasonable and
5 prudent conduct or activities of the utility. And so the
6 whole fire issue is when they have outages for more than
7 90 days, it's supposed to be under enhanced scrutiny by
8 the Commission under Act 304, and there may be -- this
9 may be an instance of that, which would be included in
10 our proposal.

11 Now, another issue relative to CECO, and
12 to some degree DTE, is nuclear energy costs. And with
13 CECO, there are -- first of all, we were heavily involved
14 in opposing the sale of the Palisades plant to Entergy in
15 the first place in 2007, and our witnesses, Peloquin and
16 others, did extensive testimony on this, and the
17 Commission didn't agree with us. On appeal, the Court of
18 Appeals endorsed or approved -- affirmed the Commission.
19 However, examples, in that case we were concerned about a
20 number of issues about whether the plant could survive 15
21 years, and as I recall, it was also the capacity charges
22 were front loaded, in other words, in the first seven or
23 eight years the ratepayers were going to pay for a
24 substantial portion of the capacity costs.

25 MR. MacINNES: Do you know if those used
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1 AFUDC and, you know, the front loading, even before the
2 plant was built, front loading those costs, do you know
3 if that was -- that happened?

4 MR. KESKEY: Well, AFUDC --

5 MR. MacINNES: Allows for funds used
6 during construction.

7 MR. KESKEY: At the time, the Palisades
8 plant came on line about 1969, and so in those days, they
9 used to have AFUDC, they even had it when they were
10 trying to build the Midland nuclear plant, and things
11 have changed, but the AFUDC would not be so much of an
12 issue here because it was a sale transfer of the plant
13 and entering into a simultaneous PPA.

14 MR. MacINNES: But the PPA was front
15 loaded on the capital costs?

16 MR. KESKEY: Relative of the capacity
17 costs, and there were other details. I mean but the
18 point is that now what we're finding out is that the
19 costs of the Palisades plant which they're charging the
20 ratepayers seem to be very high compared to market
21 prices, very high per se by themselves, and unexplained,
22 and it's time to relook at this PPA to see how Consumers
23 Energy is administering it, enforcing it or not enforcing
24 it, following it or not following it, because we've had
25 instances before where they did not follow a contract or

1 a Commission order, and I give you an example, the Big
2 Rock Trust, if I gave you a memo on June 7, 2016, memo.
3 Are they, in lieu of doing that, are they just pushing it
4 through to the ratepayers in Act 304, and what are they
5 planning to do to adjust to this imbalance between market
6 prices and the alternative sources of energy at lower
7 cost compared to what they're doing under the PPA; are
8 they going to try renegotiate it; what are they including
9 and paying for in these costs; are they paying for
10 outages that are too excessive; can the plant last four
11 or five years, six years, whatever is left. This is the
12 time to look at this right now in this window here of
13 four or five years where there's going to be major
14 changes in the world in terms of energy in Michigan.

15 MR. MacINNES: I think one of our other
16 grantees is going to be looking at this same question.

17 MR. KESKEY: Yeah. But I'd also -- but
18 both the utilities remind you of the spent nuclear fuel
19 issue, and that is that there's been a lot of litigation
20 between the states and the federal government and a lot
21 of litigation even recently, but many of the utilities
22 around the country are obtaining very substantial damage
23 awards from the federal government under their standard
24 contracts to reimburse them for all costs of spent
25 nuclear fuel and the ISFSIs where the fuel is stored,

1 security costs and everything like this. Some of the
2 three Yankee, the Yankee units up in New England have
3 obtained several hundred million dollars, the amounts are
4 subject to calculation within every six years, the
5 federal government has paid out \$8 billion to utilities
6 for these damages. Now, Entergy has filed cases for
7 damages at the DOE, but yet we believe that some of the
8 elements of the PPA charges include Entergy's costs for
9 ISFSIs, spent nuclear fuel, and so forth.

10 MR. MacINNES: Well, as you'll recall,
11 five years, four, five years, I guess it's 2011, we spent
12 a lot of time and money on this issue, and we stopped
13 doing that. I don't know --

14 MR. KESKEY: Well, I don't think you
15 stopped, we didn't --

16 MR. MacINNES: Well, we did.

17 MR. KESKEY: You went as far as --

18 MR. MacINNES: We didn't fund anymore
19 grants.

20 MR. KESKEY: I don't think we applied for
21 anymore after --

22 MR. MacINNES: Well, we didn't fund
23 anymore, I know that.

24 MR. KESKEY: But there are supposed to be
25 settlements or legal action, rightful legal action with

1 an every six year period for both Edison and Entergy to
2 recover costs from the federal government, not from the
3 ratepayers.

4 MR. MacINNES: So is the AG going to get
5 involved in this Palisades PPA/SNF issue?

6 MR. MOODY: No. You know, we've, back in
7 the years back, we did participate and litigate, somebody
8 that was participating in negotiations about -- there was
9 a, you know, talk about do you continue to pay that fee
10 for the Yucca Mountain, whatever, or not or do you not
11 pay it and sue later on, those discussion were -- I
12 thought we resolved them a bunch of years back about how
13 things were going to be done and the money that should
14 come back to the company and to the ratepayers, so I
15 don't expect, unless it's something that's come up new
16 that we don't know --

17 MR. MacINNES: But that's not something
18 you have on your radar?

19 MR. MOODY: No, it's not on our radar.
20 And then the PPAs, if they're coming to its end I guess,
21 if that's -- I guess we should be looking at it, but if
22 they're still in that contract period, we probably won't.
23 We made that argument way back when when they started
24 the, you know, when they did the purchased power
25 agreement for the power from Palisades, I'm pretty sure

1 we were in that case with Consumers Energy, but we
2 probably won't be in it, you know.

3 MR. MacINNES: And when does that expire,
4 that PPA?

5 MR. KESKEY: 2022.

6 MR. MacINNES: Okay. So we're a few
7 years.

8 MR. KESKEY: But Consumers has the right
9 for renegotiation. But what we're concerned about, is
10 there a double recovery. If Entergy has a right to get
11 damages from the federal government like all the other
12 utilities and merchant plants, and if it's in the PPA
13 costs as fuel costs, then why should the ratepayer be
14 paying for it as well? Now, Witness Peloquin was a CPA
15 for the Commission in utility auditing for 10 years and
16 then he was for another 25 years or so with the Attorney
17 General special litigation division and audited, has been
18 in hundreds of cases, and he's been in scores of cases
19 approved by this board, but importantly, he was heavily
20 involved in all the aspects of that PPA as it was
21 approved and what they represented as well as was I, and
22 the question is, that's got to be started again to find
23 out what's going on, and it may explain part of the
24 reason why their costs from Palisades are so high and out
25 of whack compared to the representations made, and

1 specifically what kind of adjustments can be made, and
2 Mr. Peloquin is well qualified to do this.

3 MR. MacINNES: So why would we do that
4 now if it doesn't expire for another five years?

5 MR. KESKEY: Because you, in a plan case,
6 in a forecast case, when you find out an issue, you
7 should pursue it early. If you wait to the end, you're
8 not going to get your money back. Reconciliations
9 sometimes are not particularly effective in getting
10 refunds, especially if there's a large factor, a large
11 amount involved. You're better off trying to, like it's
12 preventive medicine, you're better off prospectively at
13 this mid point of this contract, find out if everything
14 is going along even what the contract said, or if not,
15 what adjustments should be made, what the Commission
16 should be alerted to, and what corrective action should
17 be taken now. You can repeat the issue in the
18 reconciliation to calculate specific amounts, but if you
19 don't pursue that in a plan case, you're going to have a
20 much tougher time and it's going to -- the horse is going
21 to be out of the barn. And in the meantime, we're going
22 to be paying for several years all of what could be
23 avoidable costs when you have cheaper alternatives for
24 the ratepayers, and so that should be -- that preventive
25 step should be taken early and often to protect the

1 ratepayers.

2 Even if they are absolutely adhering to
3 every T and X on the purchased power agreement, the
4 Commission should still look at the alternatives; in
5 other words, how much capital maintenance costs should go
6 into the Palisades plant, how much is flowing through the
7 ratepayers, how much is in the fuel cost, how much is
8 flowing through to the ratepayer. If there's alternative
9 power available to the public at much cheaper costs, then
10 they should be encouraged that the reasonable and prudent
11 thing to do is renegotiate their contract.

12 MR. MacINNES: So when are these -- when
13 are these PSCR cases going to be filed, or have they been
14 filed?

15 MR. KESKEY: They're filed on
16 September 30.

17 MR. MacINNES: Okay. And how long do we
18 have to get in?

19 MR. KESKEY: Usually the Commission will
20 issue a notice of hearing lately a little bit faster than
21 in the past, a couple weeks, and then there will be a
22 couple weeks to intervene, so about a month.

23 MR. MacINNES: So our next meeting is
24 October 3. Would that be too late to decide on this?

25 MR. KESKEY: That's not too late. But

1 the advantage of deciding earlier or at this meeting is
2 that, number one, we would like -- I have a meeting with
3 Mr. Peloquin tomorrow again; I mean we -- they have
4 schedules, and we like to try to pin down the experts on
5 planning and getting ready to do discovery and so forth,
6 so --

7 MR. MacINNES: Well, what's actually
8 involved -- not being a lawyer, I don't know these
9 things -- but what's actually involved in getting in?
10 It's like okay, we're in. What does that require?

11 MR. KESKEY: Well, you have --

12 MR. MacINNES: Do you have to do a
13 detailed analysis, or do you just file a document and
14 you're in and then go from there?

15 MR. KESKEY: Well, you file an
16 intervention petition, which doesn't take all that much
17 time, and you serve all the parties. But then you go to
18 the prehearing conference, and what has happened in the
19 past, which I hope I'm done with it because I fought
20 these battles for MEC and PIRGIM and MCAAA and GLREA, and
21 is that the utilities will try to object to your
22 intervention, and you have fights over it, and then the
23 ALJ rules, every instance they've granted our
24 intervention, but you're fighting pleadings, you know,
25 extensive briefs and motions and responses. I would

1 predict that they won't do that again, but this is a PSCR
2 case now, not a general rate case, so who knows.

3 MR. MacINNES: Chances -- I would be
4 surprised given -- I mean you've been successful, as far
5 as I know, every time that you --

6 MR. KESKEY: As far as I can remember,
7 yes.

8 MR. MacINNES: As far as I can remember,
9 too. So if that doesn't happen -- I mean I guess my
10 question is, you know, what's wrong with waiting until
11 the 3rd, the next meeting to make a decision?

12 MR. COYER: Could I add something here
13 just for a minute?

14 MR. MacINNES: Sure.

15 MR. COYER: One of the things that you
16 asked earlier was why not now, why not -- and then the
17 implication is let this issue develop, let's see what's
18 going to happen. The markets now are already raising
19 this question, UBS analysis, other analyses are
20 actually -- you probably know this. What's going to
21 happen to Entergy/Palisades? For them, it's been a
22 tremendous profit maker because of the front-loaded costs
23 and all the rest of it; comparatively to the rest of
24 their plants, it's going very well. But Entergy is
25 considering getting out of this business, and they've

1 sold a number of other plants, particularly their
2 northern plants. Palisades is on their list, and the
3 markets are taking a look at this, what's going to happen
4 to Palisades. Consumers is concerned about this, too,
5 they have had some press releases concerning the future
6 of the Palisades plant. In addition to that, NRC is
7 looking at the Palisades plant again for potential safety
8 violations they've -- and there are issues in the plant
9 itself. I don't know how many details we want to go
10 into. But it is an important issue now, and it's -- are
11 we talking about a five-year plan; yes, this is within
12 the scope of the five-year plan, a 2022 limit; but the
13 plant now is an issue for the markets, it's clearly going
14 to be an issue as to whether or not they can renegotiate,
15 will choose to renegotiate the PPA and the deficiencies
16 that are in the PPA.

17 MR. MacINNES: But wouldn't you -- and I
18 agree with all that, everything you said. But wouldn't
19 you know more on October 3 or by October 3 about what to
20 expect, because they will have filed and --

21 MR. KESKEY: No, because their filing
22 is -- their filings are pretty bland when they file them,
23 and the worst issues aren't even mentioned. They just
24 have charts, so this is how much this is going to cost
25 and that's going to, you know. From the days when the

1 statute started being implemented in 1982-83 when the
2 filings were rather substantial, they're pretty vanilla,
3 and the burden has really been practically placed on the
4 intervenors to ferret out the issues and develop them,
5 and sometimes without -- you know, with some fights. And
6 so no, we won't know more. When they file their filings
7 on September 30, within a couple days, the filings aren't
8 going to tell you a whole lot. What we do know up to now
9 is they're paying a horrendous price for their power out
10 of Palisades compared to alternatives, and any delay in
11 this situation continuing is hurting the ratepayers. And
12 what does -- what's the purpose of the delay? You know,
13 you had raised --

14 MR. MacINNES: To gain -- in my mind, the
15 purpose is to gain more information and to help the board
16 decide. We have limited funds, Don, as you know, and
17 many of us have been out trying to expand the amount of
18 funds that we have, but so far we haven't been successful
19 with that. So we have to really make sure that we're
20 getting a good bang for our buck, and to the extent that
21 we know more, we have more hindsight, that helps us make
22 better decisions, that's why. And if that's not the
23 case, well, okay.

24 MR. KESKEY: Well, let me offer a couple
25 points on that. Number one, on the coal issue, for

1 example, Mr. Peloquin dealt with this coal issue when he
2 was with the State many, many times, in fact actually got
3 the MERC coal dock merged into the Edison ratemaking to
4 prevent affiliated transaction abuses; he really -- his
5 testimony was the one that pointed Consumers Energy to
6 the need to buy more western coal and not eastern coal
7 because it was better environmentally, and he was heavily
8 involved in looking at these coal issues a few years ago,
9 two or three or four years ago, and he's way up to speed
10 on this stuff, and also in the Palisades issue. And you
11 also mentioned some concern about duplication. I would
12 suggest to you that in the cases, and the track record
13 has been even if there have been two parties on a similar
14 issue, the duplication is not specific; in other words,
15 the parties come up with different issues on the same
16 overall issue, could be coal or it could be Palisades,
17 but they come at it at different angles with supporting
18 expert testimony and there's synergy to make an overall
19 stronger case for the intervenors on behalf of the
20 ratepayers. Now, an example recently, there were at
21 least three cases dealing with the gas pipeline issue in
22 the DTE case, but that doesn't mean that duplication
23 per se means that a stronger case won't result. And so
24 we would say it's far more efficient to bring some
25 certainty to the planning, that the parties can get into

1 the cases, can get their experts going on it now, even
2 though they can't bill until October 1, they can't bill
3 going forward, and then you continue to monitor as the
4 year goes on. But there's not going -- on issues so
5 immense as the coal plants and the coal costs and the
6 Palisades, there's a huge amount of money involved,
7 there's not going to be any waste of money involved if
8 another party handles some aspect of the same issue.

9 MR. MacINNES: Okay. You make a good
10 argument, Don.

11 MR. MOODY: I was going to say, I mean I
12 don't know, Don, I don't know the whole issue, but since
13 you have some time to go, years, I mean there's a plan
14 case every year, so I mean I don't know if this is the
15 one that has to be it, you know, I'm not sure the
16 analysis. There are other options potentially. You
17 know, I don't know, you know, if it's this plan case,
18 next plan case, I know it would be in the five-year
19 outlook again, so I'm just saying, right, what they'll
20 put in there about what they're going to do, but I
21 guess -- and I haven't read the contract closely, so but
22 if there is a renegotiation thing, maybe an early
23 analysis is necessary, but I haven't looked at that
24 point. We probably won't hit this until it comes up and
25 the plan case is ready to be, you know, analyzed direct

1 and center, because if it's in the five-year lookout, you
2 know, all you can really do, you know, is give a warning
3 about, hey, when it comes time for us to look at this,
4 you know, you better make sure you give us a good
5 analysis, you know, if it's not something that they're
6 under that plan year that you're being, you're
7 contracting. Now, I mean they are -- it's in the plan
8 year in the sense that its PPA costs are being incurred
9 in the plan year, but if you can't get out of the PPA,
10 then, you know, and it's something five years away, it
11 might not be --

12 MR. KESKEY: Well, first of all, the PPA
13 costs -- the PPA could be renegotiated, that might be the
14 reasonable and prudent thing to do, and that should be
15 challenged. Even if they're complying with the PPA,
16 there are some avenues to argue that there should be
17 steps taken to protect the ratepayers, but they may well
18 not be enforcing fully the PPA because it's been so easy
19 for them to recover automatically from the ratepayer.

20 And as far as wait, there's other plan
21 cases down the road, these plan cases take a long time.
22 The -- they take -- some of the times a decision doesn't
23 come out for two or three years. The hearings go on, the
24 briefing go on, the PFD goes on, and you, if you don't
25 get into this plan case and this forecast case and start

1 facing the realities of how much the ratepayers are being
2 hurt right now on an ongoing basis, you could wait and
3 then the PPA will be over by the time the issues are
4 forthrightly dealt with, which is not responsible.

5 MR. MacINNES: Okay. I think we have
6 others we have to hear from, but I think you've -- we
7 appreciate all of your --

8 MR. SMITH: Jim, if you don't mind, just
9 a brief inquiry on the --

10 MR. MacINNES: Yes.

11 MR. SMITH: You mentioned the double
12 dipping scenario at Palisades. Do you have any reason to
13 believe that that is happening currently, or is that
14 something you would just learn through discovery?

15 MR. KESKEY: Well, from remembering what
16 I read and what RCG people have read on, from the SEC
17 reports and from my memory of the Palisades case, there
18 are certain SNF costs that are included within the
19 category of fuel costs covered under the PPA, and my
20 question, and this is why cases are necessary to ferret
21 it out and find how much, is if all the utilities in the
22 country are getting damage awards from the federal
23 government for those exact same costs, why are the
24 ratepayers being charged for them.

25 MR. SMITH: So and you would really only

1 learn that questioning witnesses?

2 MR. KESKEY: No. I was reminded of it by
3 reading parts of the SEC reports that Entergy has filed,
4 and that renewed some of my thinking back to the case we
5 litigated in the Palisades contract, so I believe that
6 some of these costs are included as fuel costs being
7 charged through the PPA.

8 MR. SMITH: Oh, I see. Okay.

9 MR. KESKEY: Now, I can always be proven
10 wrong because they can get a -- but I think I'd be
11 95-percent correct.

12 MR. MacINNES: Okay. Are there anymore
13 questions from the board about these cases from RCG?

14 Okay. Don, thank you, that was very
15 helpful.

16 MR. KESKEY: Thank you.

17 MR. MacINNES: Just kind of a note here
18 that, you know, to the extent that we fund these things
19 up front, as you're asking and everyone is asking, that's
20 money we're not going to have later. So, you know, to
21 the extent -- I mean I think we'd like to ask you as
22 grantees to think about the future for this coming year,
23 which I know you all have already, but what's really
24 important, where is the low-hanging fruit. Our mission
25 is to save ratepayers money, and that, we have to keep

1 that in the forefront our minds, and it might mean in
2 some cases holding off asking -- I mean you all are a lot
3 of the times closer to this than we are, and you can help
4 us make these decisions on where, and it's like, well,
5 I'm not going to ask for this because I know I can --
6 I've got some other opportunities later that are more
7 fruitful. So when you're making your requests, please
8 keep that in mind, and I know you do, but it's just a
9 reminder that that's the reality we're dealing with,
10 because we just don't have a lot of extra, and I don't
11 want to go back to the banker, as helpful as he has been,
12 we're trying to pay him off, and that's \$70,000,
13 thereabouts, a year, so.

14 Okay. With that said, on to Michigan
15 Environmental Council. Chris.

16 MR. BZDOK: Thank you, Mr. Chairman,
17 members of the board. I'd like to introduce Sean
18 Hammond, who is MEC's deputy policy director, he's going
19 to give a brief overview of MEC's energy work, and then
20 we will -- and then he will hand it back to me for some
21 overview of our specifics or our requests.

22 MR. HAMMOND: So thank you, Mr. Chair.
23 Michigan Environmental Council, our council of 70 plus
24 member groups, collectively 200,000 members, we have
25 collectively 200,000 members around the state, we range

1 from statewide groups like LCV and Trout Unlimited that's
2 leading conservation voters to kind of like watersheds
3 and similar community focus groups. And we're, as far as
4 our energy work, we're doing continued participation in
5 the state legislation and working towards better rates on
6 using the Ratepayer Protection Alliance in a lot of our
7 testimony. In fact, last week we gave testimony before
8 the Senate Energy and Technology Committee on -- or in
9 response to the latest findings from the MPSC on capacity
10 issues, taking a look at that from some of the ratepayer
11 protection side and what can be done to address capacity
12 in a way that is more cost-effective for everybody.

13 This -- and in our testimony we talk about using Smart
14 Meters better, looking more at the peak demand, looking
15 at grid upgrades, and true cost of service issues for all
16 things, including distributed generation and solar. So
17 we've been following not just, you know, the ongoing bill
18 debate, but also some of the ancillary stuff that is
19 leading into a lot of the legislation being developed.

20 And we're also continuing our work with
21 energy efficiency, renewable energy, in front of all the
22 committees, building legislation, and also working within
23 the Clean Power Plan that is ongoing, looking at what the
24 cost is going to be to ratepayers depending on different
25 scenarios and how they're modeled, working based on how

1 much natural gas, how much coal, how much renewables
2 going forward and trying balance that out for ratepayers
3 and try to move Michigan in the direction that's best.

4 And finally, just kind of something that
5 is in its infancy really, and James Clift is working
6 heavily on developing this, but a concept of a Michigan
7 residential ratepayer protection advisory council, and
8 we've looked at other states and seen kind of these
9 groups that help work together and bring together a lot
10 of voices outside of the formal structure here to
11 advocate for ratepayer work -- or ratepayers in the
12 capital and looking at more of an informal group, not
13 really any organization as a legal entity or anything
14 like that, but something where sharing information and
15 working together to coordinate efforts is something
16 that's being discussed and looked into. Should have more
17 in the next couple months, but it's really just kind of
18 in its really base form at this point.

19 So I'm happy to answer any questions, but
20 really we're just continuing to weigh in on all these
21 different things, and also working with multiple
22 coalitions, including, you know, RE-AMP, which is a
23 midwest based organization, that's where Sarah Mullkoff,
24 who's been here before, is today is at a meeting with
25 them. So we're continuing to stay active on all fronts.

1 MR. BZDOK: Thank you, Sean. If it's
2 okay with the board, I'll move into some specifics for
3 next year?

4 MR. MacINNES: Uh-huh.

5 MR. BZDOK: So you had us last time sort
6 of give a preview type of a presentation, and so I'm not
7 entirely sure how much ground to cover again versus how
8 much to try to refer back to, but I'll kind of, you know,
9 look for some kind of a middle ground there, and please
10 let me know if you want me to be doing something
11 different.

12 Our phase one requests for fiscal year
13 '17 are related to the Consumers and Detroit Edison or
14 DTE Electric Company PSCR plan cases for 2017 which are
15 being filed September 30, and then we're also asking for
16 a, I guess I'd call it a carryover, a supplement to our
17 budget in the current Consumers Energy rate case. You'll
18 recall that that case was, you gave us a starter budget
19 and then you gave us a little bit more money, but we
20 indicated that on that one we would likely need to be
21 coming back in fiscal year '17 to see that case through.
22 So I'm going to give you a little bit of an overview of
23 our issues in each of those three cases.

24 Let's start with the Consumers Energy
25 PSCR case. The three issues that we're looking at most

1 likely in Consumers include wind energy outside of the
2 renewable energy program; No. 2, as a very preliminary
3 discovery type matter, Consumers plans for replacement of
4 the Palisades PPA when that expires, which will now be
5 part of the five-year forecast; and pollution control
6 sorbent costs, which is an issue that the Commission has
7 now teed up for this plan case as a result of a couple of
8 other PSCR cases that we have been raising questions
9 about that.

10 The wind energy issue is very
11 interesting. I provided you with an overview of this in
12 the past and also some lovely, heavily redacted yet, you
13 know, black and white and red all over, so-to-speak,
14 spreadsheets, these are the public versions. So every
15 time we do these cases, we get information from
16 Consumers, we sign a blood oath to keep it confidential,
17 and then we have some type of an iterative process close
18 to the hearing date about what portions can be made
19 public. One reason for that is to have a good public
20 record in the Commission in the E-docket, but I mean
21 honestly another reason is because I wanted to provide
22 the board with as much information as possible to have a
23 sense of what we're seeing as well. And so what we saw
24 in this instance was that Consumers was receiving
25 proposals last fall for wind energy PPAs from private

1 developers, and the red reflects a cost savings on the
2 first sheet, and the black of this column on the second
3 sheet reflects a total savings from all of the different
4 iterations of the offers from the three developers. And
5 so we have been litigating that issue in the plan case
6 more or less; if you've met your renewable energy
7 requirement, can you still nonetheless, you know, should
8 you still nonetheless be reasonably and prudently
9 acquiring additional renewable energy if your own
10 analysis indicates it is going to save customers money
11 over the long term.

12 Consumers has, since the record closed in
13 that case, now issued an RFP for additional wind energy
14 proposals. Based on some discussion in cross and then
15 some discussion that was just reiterated in the Company's
16 rate case rebuttal testimony, this discussion appears to
17 be, the RFP appears to be driven mainly by some requests
18 from one or two or three industrial customers who are
19 saying we want to have the opportunity to sort of green
20 brand our energy, we want to be able to acquire, you
21 know, targeted purchase amounts like that, and that
22 appears to have led Consumers to have some discussions
23 with some other entities like that who they thought might
24 be interested, customer entities, and now they've issued
25 this RFP and we expect that that's going to work its way

1 through the process.

2 So a couple of issues there: (1) If the
3 RFPs continue to show savings, net savings from these
4 programs, Consumers ought to accept as many that will
5 show net savings rather than just enough to meet the
6 demand of the two or three or four or five customers that
7 they're dialoguing with. (2) If they're going to show
8 net savings and they're not going to accept as much as
9 will meet the demand, well, how is it going to get
10 determined which customer class or classes these savings
11 are going to flow to. And so those are the types of
12 issues that we expect are going to be popping up based on
13 this advocacy and this -- and discovery and this
14 information that's been included so far. And then the
15 third issue was, how is the structure of these contracts
16 going to look, because in the RFPs they say one of the
17 requirements is you have to be willing to turn over --
18 you have to sell us -- we may want to just buy the
19 energy, we may want to just buy the energy for a while,
20 but at some point you have to give us the right to buy
21 the facility, which means then you're going to rate base
22 the facility, and how is that going to impact the cost
23 structure for the energy. Are the customers going to be
24 paying, you know, one price up to a point when it's
25 acquired and then have the price jump up. We don't know

1 that, I'm just saying these are issues that are on our
2 radar screen.

3 Second issue which we have flagged and we
4 provided you with a copy of the most recently filed
5 integrated resource plan, or at least just a couple pages
6 of it under Tab B of our proposal, and the last page of
7 that indicates the -- the last of those four pages has
8 the -- indicates the generating capacity that's being
9 identified from all the different PPA resources, and it
10 has Palisades at 719 zonal resource credits, and then
11 zero in 2021. So again we're saying -- that's the most
12 recent filed information that we have, and so we're
13 just -- it's on our radar screen, what's going to happen.
14 So I'm looking at under Tab B, there's four pages, the
15 last page says 196 at the bottom if you hold in
16 landscape, and then we've highlighted Palisades, ZRCs up
17 at the top are zonal resource credits, and you see from
18 2020 to 2021 it goes from 719 to zero. So that's an
19 issue that's on our radar screen. I'm not telling you
20 that's 2016 information, but that's the most recent
21 integrated resource plan information that they've
22 publicly filed. This was part of the Thetford generating
23 station IRP case that the board did not fund, we did not
24 ask for funds, but we sort have kept you in the loop
25 about that case back when. So that's an issue that's on

1 our radar screen. We know they talk in the stockholder
2 presentations about a PPA replacement strategy driving
3 shareholder value in the 2020s, and so we're just
4 wondering what's going to happen there. Mainly it's a
5 discovery issue at this point.

6 Pollution control sorbent costs, I
7 mentioned the Commission, and we provided you with some
8 language in our detailed memo where the Commission has
9 more or less said we need better information here. The
10 significance of sorbent costs are they are a new type of
11 PSCR cost, not -- there have always been pollution --
12 there are costs for pollution control additives of
13 various kinds and there have been cases about that, but
14 these sorbents for control of mercury and acid gases,
15 these are relatively new in use because the MATS
16 compliance deadline, the extended deadline was this year,
17 and so the utilities are just starting to use those, and
18 they're making projections about both PSCR costs and also
19 about unit generation and dispatch, because what that
20 does is it adds obviously to the incremental cost of
21 producing energy from the units that are using those.
22 And so the Commission has said, yes, we agree with MEC
23 that this is not a complete picture and we need more
24 information about what these costs are going to be and
25 how they're going to affect dispatch and operations and

1 all the rest of it. So that is an issue again that
2 they've required, and so we're keenly honing in on that.
3 Again, these are -- these are issues we're anticipating
4 in advance of filing based on the information that we
5 have today. Obviously when the filing comes, there may
6 be other items as well.

7 DTE Electric Company PSCR plan case, we
8 know the NEXUS pipeline, which we've talked to you about
9 at length, is going to be coming up again. I've provided
10 you with some slides from a slide presentation in the
11 past. I've additionally under Tab C provided you with
12 economic outlooks from DTE of the -- actually it's C and
13 D -- of the proposal. The first one is the most recent
14 one which shows it to be -- shows the contract to have
15 negative value for the first several years and then
16 positive value, and then the earlier version where the
17 contract has negative value throughout the life of the
18 pipeline. DTE says it will have value -- irrespective of
19 its value under the contract, it will have value if NEXUS
20 is built by lowering gas costs and, therefore, energy
21 costs in Michigan generally irrespective of whether DTE
22 Electric has a contract for gas or not, and that's, you
23 know, we've talked about some of the modeling assumptions
24 that go behind that. And then we also provided you with
25 a page from the presentation that was made that led to

1 the decision to increase the initial term commitment from
2 8,500 decatherms a day to 30,000 decatherms a day in
3 which it was said, based on recent discussions with
4 NEXUS, we believe an increased commitment is necessary in
5 order to ensure that the project has sufficient customer
6 commitments to justify proceeding with 30,000 decatherms
7 a day. So I think of Mr. Moody's discussion about, well,
8 if you couldn't sell it to a man on the street.

9 MR. MacINNES: So what percentage of the
10 total gas supply is that, the 30,000 decatherms?

11 MR. BZDOK: Is the 30,000 of the total
12 that will run through NEXUS?

13 MR. MacINNES: Yeah.

14 MR. BZDOK: I have my computer open today
15 because I know I always tell you I don't know the numbers
16 off the top of my head, so I can get that for you by the
17 break.

18 MR. MacINNES: Okay.

19 MR. BZDOK: Okay. DTE, the initial term
20 is 30, then they go to 75, DTE Gas under its cases is
21 also in for 75, so a total by the regulated DTE entities
22 of 150, which qualifies them as a "anchor shipper". That
23 is a, not a huge portion of the overall; I want to say
24 it's around 15 percent, 13 percent, but I have access to
25 that number and I'll be able to get it for you. So we

1 know NEXUS is going to come back again, and I talked last
2 time about some of the reasons why. We're not going to
3 have an order yet. In the gas case, the ALJ recommended,
4 we think rightly, that this is not ripe until 2017,
5 et cetera, et cetera.

6 Pollution control sorbent costs we've
7 also talked about a lot in the context of DTE where we
8 had favorable opinions from the Commission in PSCR cases,
9 they said this needs to be dealt with in the rate case;
10 and then in the rates case, they said, boy, it does look
11 like the -- basically they agreed with the ALJ that the
12 evidence was flawed and contradictory on what those costs
13 were going to be and what that -- how that -- what kind
14 of picture that painted for the economics of the older
15 DTE units, but they said we are going to send you back to
16 the PSCR plan case for that. So we're back to the plan
17 case, this is the first plan case to be filed since that
18 order came out, and so that is an issue as well.

19 I will say that what we're kind of doing
20 in DTE in putting the budget together, the expert budget
21 together on DTE, is we are assuming essentially a half a
22 lift on both of those issues, right. So the board
23 supported in a big way the sorbent cost issue in the
24 prior DTE rate case, and the board supported in a big way
25 the NEXUS pipeline issue in the last PSCR plan case, so

1 basically we're taking half of each of those, saying
2 we've covered some of this already, but in this case we
3 expect both of them to play out.

4 And then we also provided you with some
5 information about River Rouge. Unit 2 is no longer
6 operating and is slated for -- it's broken, and they're
7 not going to fix it. River Rouge 3, then, based on all
8 of the information that we have, including MISO capacity
9 prices, market energy prices, appears to be uneconomic
10 for continued operation, and so that's an issue we're
11 looking at. And we're also interested in obviously St.
12 Clair Unit 6 for similar reasons now that there's been
13 the fire and the explosion at St. Clair 6. Those are
14 MATS units, those are units that are going to have these
15 sorbent costs, among other things, so their economics are
16 going to look less positive. That's the PSCR plan cases.

17 I've talked to you about the Consumers
18 rate case in the past. You gave us a \$5,000 starter
19 legal budget and a \$5,000 starter expert budget, and then
20 we came back for an additional 10 of expert and legal to
21 sort of, you know, move the case, and so now we're asking
22 for 10 on the back end, which would be 40 total for a
23 rate case is not a -- it's a lot of money, but for a rate
24 case, it's not a lot of money because we've been able to
25 muster some other resources as well, but we are still

1 sort of in dire need there, and so that would be, that
2 would be funds that would handle the four briefs and the
3 briefing phase of the case, which really occurs in
4 October and beyond.

5 The issues that we've raised we've
6 highlighted in a memo at the back. So Consumers has
7 provided -- and again, I'm working on confidentiality
8 issues in this case -- but Consumers has provided in
9 discovery net present value analyses of four of its
10 remaining five coal units. So there's the Campbell 3
11 plant, which is relatively modern, large, efficient, and
12 untouchable, the Campbell 1 and 2 plants, which are
13 older, and the Karn plants, which are older, and they've
14 provided net present value analyses of continued
15 operation of Campbell 1 and 2 and Karn, the Karn units
16 that show it's negative under a base case type scenario
17 and then also negative under sort of the next one or two
18 more favorable cases; when I say more favorable, I mean
19 higher gas prices and higher capacity revenues. So
20 that's obviously getting a lot of attention from us
21 because it's consistent with some of the other things
22 we've been saying about sorbent costs and must run and
23 all these other things, and so that's an issue that we're
24 into in some detail. We got a rebuttal filing last week,
25 we sent a bunch of discovery the next day, we're going to

1 be getting that later this week, and we're going to be
2 kind of doing sort of the midnight oil thing, next week
3 is the hearing.

4 And then line losses is an issue that
5 we've talked about and we told you the Commission gave us
6 some encouragement in the last case to pursue that
7 further, and that's what we're doing. We're asking
8 really for two things: One is Consumers is doing a
9 better job than DTE Electric in its rate case of actually
10 making proposals that will reduce energy losses, which
11 are a, you know, there's a multiplier to the PSCR to come
12 up with the plan cost and the plan factor based on line
13 losses, and yet line losses are set in the rate cases.
14 Consumers is proposing actual programs, which is a
15 positive first step, but they're not proposing any
16 reductions in the line loss factor in the PSCR, and we're
17 also trying to drive some more specific reporting,
18 accountability, how are these programs doing, are you
19 doing enough. AMI is actually a factor when it comes to
20 that, and we've laid some of those out in the bullet
21 points in the memo.

22 And then cost allocation is an issue
23 obviously that's been high on the board's radar screen
24 for the last couple years. We are opposing again the
25 proposal to shift to 100/0/0 for production costs; it's

1 an issue that we've won halfway, and we won all the way
2 with recommendations from the ALJs in our partnership
3 with CARE and with support from the Attorney General as
4 well, advocacy from Attorney General in those cases, and
5 then the Commission sort of cut that in half and went
6 with 75/25, and the utilities are back in the rate cases
7 again asking for the 100/0/0 in Consumers, so is ABATE,
8 Hemlock Semiconductor are the main ones, and a couple of
9 the, what I'll call the big boxes, the Wal-Mart and
10 Kroger, but at a lower, sort of a lower level of lifting.
11 So, and we've proposed, rather than simply playing
12 defense, we've proposed using 100/0/0 for the peaking
13 plants, because if the argument is that you -- it's peak
14 demand that drives your capacity requirements, your
15 capacity requirements drive your fixed costs of
16 generation, fine, if you need to acquire peaking
17 resources to meet those, you know, maybe those should be
18 100/0/0, but then all your base load should go back to
19 50/25/25. I read the AG's rebuttal testimony in
20 Consumers this past week agreeing with us about that, so
21 they agreed that that was a good idea, so they chimed in
22 in support --

23 MR. MacINNES: Makes sense.

24 MR. BZDOK: -- on that issue. So that's
25 kind of an overview of our proposals. I'm happy to take

1 questions. I will get you the number on NEXUS --

2 MR. MacINNES: Okay.

3 MR. BZDOK: -- today.

4 MR. MacINNES: Does the board have any
5 questions?

6 MR. SMITH: Chris, could you talk a
7 little bit about the integration of your Palisades work
8 and Don's?

9 MR. BZDOK: I don't know really much
10 about Don's. I'm only flagging this as an issue for
11 discovery at this point just because I've seen that zero
12 shows up in the IRP in the fifth year of the five-year
13 forecast that will be filed this time. So it's on our
14 radar is really I guess what I'm saying.

15 MR. MacINNES: What is your take on
16 whether it could be on your radar next year instead?

17 MR. BZDOK: My take on that is that it
18 is -- it certainly could. I don't see that as a
19 significant cost component of our proposal, at least not
20 at this point, because really what I'm saying is, here is
21 a specific piece of a filing, while this is brought to
22 our attention, we want to ask some questions about it,
23 and we want it on your radar. Maybe we learn something
24 that, you know, but if that happens, we'd come back to
25 you.

1 MR. ISELY: You have a lot of different
2 components to all of this. Can you speak to what you
3 think is going to have the biggest bang for the
4 residential consumer, which one has the highest
5 potential? I realize that there's both risk and dollar.

6 MR. BZDOK: The most immediate, the
7 largest ox to be gored most immediately is the continued
8 push to shift production cost allocation, which is a \$31
9 million hit. I mentioned that, oh, incidentally, well,
10 that was just my other edit.

11 MR. MacINNES: We know.

12 MR. BZDOK: That's my other. So that is
13 the largest ox to be gored most immediately. The wind
14 issue is very intriguing to me, but I can't put a num --
15 -- because there are, I mean they're here, these net
16 present value numbers are big, they're longer term, and I
17 don't know how many RFP responses they're going to get,
18 you know, we're sort of into phase 2 of that, or what
19 their projections of savings from those are going to be.
20 If they use -- and how they're going to make projections
21 about those compared with how they made projections about
22 these four coal units. So that's a -- so I'm sorry I'm
23 not -- I'm trying to just work through an answer here.

24 Most immediate, largest identifiable
25 number is the production costs, 31 million. The wind and

1 then these sorbent issues and this overall issue of
2 uneconomic operation of coal units and how far is that
3 going to go and then how is that going to be used or not
4 to make decisions about additional coal plant
5 investments, which is 2018-2019 for Consumers, there's a
6 lot of money there, too, but it's more of a long game.

7 MR. ISELY: Okay. Excellent.

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

10 One question I have is, of your request,
11 you're requesting 181,000, how much of that could we
12 defer until next meeting or other meetings, and you would
13 still be able to -- in other words, getting back to our
14 earlier discussion here of having more hindsight and all
15 that. One of the things I'm concerned about is, as you
16 point out, the cost of service issue, it's just a huge,
17 it's an elephant, okay, and who knows, is DTE going to
18 come back a fourth time and try and do this again and
19 we're going to have to allocate money to this big,
20 another big elephant; we don't know that, and I don't
21 want to have to borrow anymore money, I want to leave
22 some -- we want to leave some resources for unintended
23 things that could happen. And that's -- not that these,
24 you know, what you're saying here, that we don't agree
25 those are all great projects, but, you know, we got to do

1 a little risk management here along the way just in case
2 something comes out of the woodwork we have. We don't
3 see it all. That's why -- and really it's a question
4 that's going to be for all of you, you know, what can we
5 defer for that, you know, so we can save some money in
6 the kitty for something like that that could come along
7 later? Because we're just at the beginning now, right?
8 It's another year. Who knows what could hit us in a
9 year.

10 MR. BZDOK: So I would say that the --
11 that the 10 for the Consumers rate case I would identify
12 as not one to defer because it's an ongoing case. I can
13 tell you on the others, it's, I guess it's at the board's
14 discretion. In our -- I understand the board's rationale
15 for wanting to proceed in a careful fashion when it comes
16 to sort of irrevocable decisions, right, horse-is-out-of-
17 the-barn decisions. Sitting on the other end of that,
18 there is a certain amount of planning in terms of
19 internal and external personnel, right; I mean do you
20 get -- is, what is this person going to be doing in
21 October or November is a decision that ideally is made,
22 you know, at least weeks in advance. So it's better for
23 us to know sooner, but it's really at the board's, it's
24 at the board's pleasure.

25 MR. MacINNES: But you're the one that is
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1 closest to it and knows -- I mean I hear you, I know it's
2 our discretion, we know that, but you're closer to it and
3 you know what -- how much more wiggle room you have than
4 we do.

5 MR. BZDOK: So DTE is, I indicated to you
6 I think is probably about half NEXUS and half the sorbent
7 costs, and I will -- I know NEXUS is going to go, and I
8 know largely what it's going to be about, so I'm not
9 going to have anything new for you I don't think on
10 October 3, unless there's some great surprise. The
11 sorbent costs, we know how that's being set up and we
12 know that's going to be an issue, but I don't have the
13 actual costs from them, I don't have, you know, so I mean
14 that's an issue, so half of DTE really -- I mean St.
15 Clair is out there and River Rouge is out there, but
16 really half of DTE is sort of known at this point, and
17 the other half is an issue that could be a subject of
18 further discussion. I won't be able to provide you with
19 a lot of written information between the filing on
20 September 30 and October 3, but I certainly could be
21 prepared to provide you with handouts and, you know, and
22 a detailed briefing. So I would say that half of DTE is
23 deferrable in terms of having more specifics, you know,
24 for the board.

25 In terms of the Consumers PSCR case,
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1 those are probably all deferrable in the same sense that
2 I've just defined it for DTE, right, in the sense that I
3 will have more information for you on October 3 than I do
4 today. I won't have it far enough in advance to submit
5 something in writing really, unless it's the night before
6 but, you know, I certainly can have more information for
7 you on those issues at your meeting, so that's I guess my
8 best effort to --

9 MR. MacINNES: So the half on the DECo
10 and 100 percent on the CECo?

11 MR. BZDOK: Yeah. It's not my
12 preference, because, again, we like to plan on a little
13 bit longer horizon, but, you know, you're granting funds
14 and we're asking for funds, so that's the leverage
15 relationship.

16 MR. MacINNES: Well, and but I think you
17 know, I mean we've been doing this long enough, we know
18 each other, I think you know the board, we know you, and
19 you know we're trying get to the right, we're all trying
20 to get to the right place here, and so in my view,
21 there's a trust relationship that -- I mean we can't
22 promise things, but just like you can't, but --

23 MR. BZDOK: So bottom line, my comfort
24 level is the Consumers rate case, you know, that's that,
25 and my comfort level would be half on the two, on both

1 PSCR cases, but bottom line, drop dead, you know, is
2 probably half on DTE.

3 MR. MacINNES: Okay. That's helpful.

4 MR. BZDOK: Okay.

5 MR. MacINNES: That's very helpful. And
6 then no deferral on the rate case?

7 MR. BZDOK: Right.

8 MR. MacINNES: And we're already -- okay.
9 This rate case are Act 304 issues in the rate case?

10 MR. BZDOK: Yes. We've done that
11 analysis, we've provided it in detail, Mike's commented
12 to you about it in the June meeting.

13 MR. MacINNES: Right. And once we're in
14 the case, we can open it up if needed, right?

15 MR. BZDOK: We're in the case and we're
16 only using board funds for three or four issues.

17 MR. MacINNES: Yeah. Okay. Which is
18 actually, I don't think that's a requirement now, is it?

19 MR. MOODY: Yeah, nothing has changed in
20 the statute, so yeah, you'd still want to fund your 304
21 issues.

22 MR. MacINNES: Oh, just the 304 issues.
23 Okay.

24 MR. MOODY: Yeah.

25 MR. MacINNES: So the way that we're

1 doing this is, and you know this, we talked about this in
2 the Senate bill 437, so the only thing you're allowed to
3 use the, our board funds for are 304 issues in a rate
4 case.

5 MR. MOODY: At this time. I know we've
6 been going to the legislature talking about expanding its
7 use, as well as the money, you know, to different issues
8 or combined, I know there are different bills, but right
9 now I believe we have -- nothing's really even come out
10 or close to the end on that event, so it's still Act 304
11 limitations.

12 MR. MacINNES: Okay. Just wanted to make
13 it clear, so we all have a clear understanding of that.

14 Okay. Don, let me before -- I think
15 maybe it's about time to take a break here, but before we
16 do, I'd like to get your thoughts on any deferral for the
17 reasons I outlined until the next meeting, any other
18 thoughts you might have.

19 MR. KESKEY: Well, both the PURPA cases'
20 testimony, if your grant starts on October 1, one of them
21 has testimony due in late October and the other one just
22 a month later, so basically those are going to be a goal
23 right now, and we asked for a very modest amount because
24 we, quite frankly, we didn't know how you were go to be
25 receptive to that or not and we wanted to have only a

1 focused function in that case, and it may well go to
2 extensive settlement meetings, and sometimes that's a
3 good way to resolve things.

4 With respect to the plan cases, you
5 notice our figure right to begin with is quite low
6 compared to others.

7 MR. ISELY: Which funder are we talking
8 about?

9 MR. MacINNES: Well, I was asking both,
10 about both funders.

11 MR. ISELY: Okay. So are we doing --

12 MR. MacINNES: For both.

13 MR. KESKEY: So if you look at the PSCRs,
14 you got GLREA, which is total separate issues from RCG,
15 if you look at figures including both legal and expert
16 for the whole case, we're talking about a rather low
17 figure, but that's not because of the importance of it.
18 There are things we know about Palisades and the coal
19 issues right now that, I mean that are right here and
20 now, the focus on that shouldn't be delayed, it should --
21 it should go.

22 MR. MacINNES: So what I'm asking is the
23 same question I asked Chris and he gave me, that's what
24 I'd like your answer on that.

25 MR. KESKEY: Because there are series of
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1 meetings, if you grant the full PURPA and you grant at
2 this time one-half of the PSCR plan cases for each of the
3 grantees of the four cases, that's with the proviso that
4 obviously we've applied for more to get through the
5 cases, but as far as getting a meaningful start earlier
6 rather than later and getting the experts contracted and
7 getting them started, because --

8 MR. MacINNES: Well, at least it gets you
9 in.

10 MR. KESKEY: It gets us in, and the
11 discovery early is important because you need more, more
12 than -- you need several rounds, and sometimes you need
13 motions to compel and, you know, probably the date for
14 intervenors' testimony is probably going to be somewhere
15 around January or so that they'll set, so you got a lot
16 of discovery before January. The issues are very
17 important, they're big cost issues, our experts have a
18 huge amount of expertise over many years on these issues.

19 MR. MacINNES: So the bottom line is half
20 and half for the --

21 MR. KESKEY: To start --

22 MR. MacINNES: To start.

23 MR. KESKEY: -- but with the
24 understanding that that's not making a final decision on
25 the rest of it as the case goes on.

1 MR. MacINNES: No, and I understand that.
2 I mean just -- the thought process here is getting
3 through 20 -- I mean I do this in my business, okay.
4 There's a lot of stuff I know enough, hey, I'm going to
5 do this, but I don't, because I don't know what's going
6 to hit me six months from now or three months from now,
7 there could be something just coming out of the blue that
8 I had no idea was even there, it could be a DTE cost of
9 service case, big elephant again, we're going to have to
10 fight the fourth time, I don't know, but the more I can
11 get into the year, the more our board can get into the
12 year and still have some money, it still gives us
13 flexibility to make those decisions. Now, once we get
14 through most of the year, it's like, hey, runway is made,
15 bang, okay. But that's the reason, it's not --

16 MR. KESKEY: No, I understand.

17 MR. MacINNES: We're not saying that, oh,
18 hey, it's a bad investment necessarily, but it's that
19 timing of getting through the year and having some dry
20 powder, it's risk management. I do it all the time, it
21 works, it keeps me out of trouble, so.

22 MR. KESKEY: But the flip side of it is
23 that you know there are some of these big and important
24 issues now, they exist, they're on the table, and if you
25 go with the reserve thinking too far --

1 MR. MacINNES: Right.

2 MR. KESKEY: -- your opportunities to
3 meaningful do something are now, and you --

4 MR. MacINNES: Got it.

5 MR. KESKEY: -- may get six months from
6 now and why didn't we do it when we should have.

7 MR. MacINNES: No, I totally get that,
8 and that's what our board, that's what we do, we make
9 those judgments, that's what we get paid the big dollars
10 for here. So I understand what you're saying, but, you
11 know, and you can help us understand your position, and
12 Chris can, too, but that's kind of where we're coming
13 from.

14 Okay. How about --

15 MR. ISELY: Can I --

16 MR. MacINNES: Yeah, go ahead.

17 MR. ISELY: Because they both have talked
18 about the possible ability to defer some time wise on the
19 PSCRs, what are we talking here, are we talking October,
20 are we talking December, are we talking February?

21 MR. KESKEY: Well, I would say that
22 starting October 1 there should be funds available to do
23 a meaningful discovery process and expert preparation of
24 testimony.

25 MR. ISELY: Okay.

1 MR. KESKEY: And so --

2 MR. ISELY: I understand that part. But
3 once you've done that discovery and you've now discovered
4 that, oh, here's the big nasty that we're going to go and
5 attack, when does that normally happen?

6 MR. BZDOK: We can have much more
7 concrete information by December than we could by October
8 3.

9 MR. ISELY: Okay. Thank you.

10 MR. MacINNES: But I don't think we have
11 to make that decision now, they don't have to, we can
12 wait till the next meeting, you know, just do it
13 incrementally. It's like, okay, how do we sit here,
14 here's what's new, okay, we can wait until December, or
15 no, we can't, and we'll, you know, we'll just meter it
16 out very carefully because we have limited funds and
17 that's what we have to do.

18 Yes, John.

19 MR. LISKEY: I know you wanted to take a
20 break, I wanted to see if we could give our proposal, I
21 promise I will do it in five or ten minutes, given that
22 Douglas, we pretty much presented last meeting.

23 MR. MacINNES: Okay. I'm okay with that
24 if everybody else is.

25 MR. LISKEY: I'll race through it.

1 MR. MacINNES: Okay.

2 MR. LISKEY: There's two aspects of it.
3 It's MISO for \$35,000, and that's for the full year, and
4 that's representing all the residential ratepayers in the
5 State of Michigan, it's not specifically an Upper
6 Peninsula issue. The major issues boil up under the
7 umbrella of the MTEP 17 where we've got the development
8 of planning assumptions, future gas price assumptions,
9 load forecast assumptions, those are the issues. Douglas
10 Jester and Bob Burns are both active in various
11 committees, the Planning Advisory Committee, Douglas is
12 also participating in the Independent Load Forecast
13 Working Group, the Clean Power Plan Modeling Work Group,
14 and the Transmission Enhancement Planning Process Futures
15 Work Group, and there's acronyms for all of these. So
16 that's, that is the MISO grant in a nutshell.

17 MR. MacINNES: And I see the Governor's
18 office is getting more involved in looking -- asking MISO
19 to look at some other alternatives, which from a, as
20 we've talked many times over the last five years, a lot
21 of times, you know, the low cost energy solution is a
22 regional approach; if you try to just do it within the
23 State, you limit your options a lot of times. So I'm
24 really glad to see that the Governor's office and, you
25 know, we met with PJM and you guys are looking at MISO

1 and so I like it, that's good.

2 MR. LISKEY: In terms of the PSCR cases,
3 what we've done is narrowed our request, so our request
4 at this meeting is \$50,000 for four cases, the two big
5 ones are UPPCo and WEPCo, and then there's -- our request
6 for each of those is \$20,000 per case, and then there's
7 Northern States Power and WPS, which we requested \$5,000
8 a piece in each of those two cases, that's how the
9 \$50,000 is made up.

10 Given your previous questions in terms of
11 what could we wait on, I would say the NSP and the WPS
12 cases, that that \$10,000 we could come back to you
13 October 3 and tell you whether or not there's some issues
14 there that we need to pursue. Obviously at the \$5,000
15 level, that's about all we're going to do in terms -- we
16 would ask discovery questions and so forth.

17 But in terms the big issues, UPPCo and
18 WEPCo, UPPCo should be renewing -- or not renewing -- but
19 replacing their purchased power agreement that they
20 currently have with WPS, and we expect to want to take a
21 closer look at that in the plan year. Also, we, one
22 issue that we keep focused on is the interruptible
23 tariffs and how those, about a third of UPPCO's load is
24 interruptible, yet a hundred percent of their customers
25 are paying for the capacity for those interruptible

1 customers.

2 MR. MacINNES: And this is especially
3 important in the U.P. because there's limited capacity
4 available, more limited than is in the rest of Zone, or
5 Zone 7, right?

6 MR. LISKEY: Right. And then with
7 regards to WEPCo, the big thing there is they're
8 transitioning to a Michigan-only utility, that case is
9 currently pending, we're not in it, the Attorney General
10 is, but depending on how that case comes about, there's
11 power supply issues; where are they going to get their
12 power, how much is that going to cost, and that's going
13 to be the focus of that case.

14 MR. SMITH: What's the timing on that?

15 MR. LISKEY: They all file September 30.

16 MR. MacINNES: Okay. Any questions from
17 the board?

18 MR. SMITH: So just I misunderstood that,
19 I think. So the transition process to a Michigan-only
20 utility is already under way, you're engaged in that?

21 MR. MOODY: There's a case that's been
22 filed to create this Michigan-only utility, yep.

23 MR. SMITH: And the conclusion of that is
24 expected?

25 MR. MOODY: I think the end of the year,

1 it's like a 180-day window under the statute. It's not
2 really a merger, but it's under the statute that deals
3 with that. So we're putting testimony in in another two
4 weeks, if I remember correctly.

5 MR. SMITH: But the PSCR for WEPCo is
6 going to move concurrently with that process, is that
7 what you're saying?

8 MR. LISKEY: Yeah, by statute.

9 MR. SMITH: Okay. So will there be new
10 issues that emerge in December when that merger or
11 whatever is complete?

12 MR. MOODY: Yeah, there could be some
13 spillover in those cases I imagine about what's happening
14 with the Michigan-only utility. Mostly it's, we're
15 looking at, you know, what's the deal when they spin off
16 the company, what costs are being allocated to this
17 company versus the parent. It's more of the power supply
18 stuff that may have impact on that, but I -- yeah, you're
19 right, it could be, something could come up as we're
20 digging into it that might be found out.

21 MR. SMITH: Will more of that show up
22 next year?

23 MR. LISKEY: And the years after.

24 MR. SMITH: Yeah, okay.

25 MR. LISKEY: But I failed to mention, I

1 don't know how I could not mention it, is the SSR issues
2 are all in the WEPCo case, and that's a --

3 MR. SMITH: Right. That's the important
4 work.

5 MR. LISKEY: -- that's \$11 million alone,
6 and the Attorney General is not in those PSCR cases in
7 the U.P.

8 MR. SMITH: Yeah, the SSR work I think is
9 really, really important. I just had not -- I had missed
10 the point about the cost recovery pending the transition
11 there, so thanks for clarifying that.

12 MR. LISKEY: Yep.

13 MR. MacINNES: Any other questions from
14 the board?

15 I had one question. In your submittal
16 here you make a comment about the transmission owners
17 have a large majority of representation on the MISO board
18 and all of the committees, transmission owners. This
19 group of generator transmission owners does not often
20 welcome new sources of generation like wind and solar.
21 Can you elaborate on that?

22 MR. LISKEY: Well, there was an issue in
23 one of the -- Chris might have to help me out here -- it
24 was either an MVP issue where the wind farms, there's a
25 group called Wind on the Wires that had wanted to change

1 the rules, so that in order to get moved up in a queue
2 faster, that those rules needed to be changed, and we
3 supported that and we got our sector to support that, so
4 that's just one example that we've run across. Most
5 states in the MISO region, the utilities own the
6 generation and the transmission, not the MISO
7 transmission, but they own their own generation, and it's
8 just I think Michigan was unique in requiring a lot of
9 the trans, you know, the transmission to be divested from
10 the utility companies.

11 MR. MacINNES: So you're saying most
12 states at all levels, I mean above 100,000, 100 kV, what
13 do they own, the generation owners own the, is it above
14 100 kV of the transmission?

15 MR. LISKEY: Yeah, I think it's like, is
16 it 132 or something like that. There's --

17 MR. MacINNES: Maybe Jim would know.

18 MR. AULT: I can't remember what the
19 breakdown number was, but you're around it.

20 MR. MacINNES: It's around a hundred, I
21 think.

22 MR. AULT: It used to be 69.

23 MR. MacINNES: Yeah, the old days maybe.

24 MR. LISKEY: But the point, the larger
25 point there is that when the MISO board is sitting around

1 a table, the public interest is -- consumer advocates get
2 two votes, the Organization of MISO States, all the
3 public utility commissions for all 15 states, they only
4 get two votes, and so it's important -- and the
5 environmental group gets two votes, so that's an example
6 of, you know, we're a small but mighty force we like to
7 think, and we try -- the beauty of what's going on right
8 now is that Sally Talberg is not only chairman of the
9 Michigan Commission, but she's president of the
10 Organization of MISO States, so we like to try and work
11 hand-in-hand with her and --

12 MR. MacINNES: But you think -- you're
13 seeing pushback on new sources of generation, like wind
14 and solar?

15 MR. LISKEY: Well, that was one example,
16 and we lost that one. I'd have to defer to Chris, if
17 you're aware of of any?

18 MR. BZDOK: No.

19 MR. MacINNES: Okay. Any other questions
20 from the board? Comments?

21 How about if we take a five-minute break
22 and come back.

23 MR. SMITH: I'm sorry, Jim. Could I
24 just --

25 MR. MacINNES: Oh, go ahead. Yeah.

1 MR. SMITH: -- just one more, and I'm one
2 of the many who needs to go to the bathroom here.

3 So Brian, the 501(c)(4) nature of the
4 organization is a little bit disturbing to me in that
5 501(c)(4)s are more expansively eligible to do political
6 activities, and I worry about the optics, frankly, for
7 this board using government funds to invest in a (c)(4)
8 versus our traditional mode is to invest in 501(c)(3)s.
9 So can you talk about the governance structure that you
10 have there, the intentions, that sort of thing as it
11 relates to that consideration?

12 MR. COYER: Sure. Yeah, I'd like to just
13 kind of clarify a little bit. 501(c)(3)s are clearly
14 educational, they can not engage in political advocacy,
15 they can not engage in litigation.

16 MR. SMITH: Litigation they can.

17 MR. COYER: May not.

18 MR. SMITH: We do it.

19 MR. COYER: They are educational
20 institutions. So the 501(c)(3) organization has to file
21 an extensive 1023 with the Internal Revenue Service to
22 get that status. Now, it may be that some organizations
23 can have subsidiaries that do political advocacy or
24 litigation, that may be the case, that may be the case
25 for the MEC or others, but they're otherwise restricted

1 from engaging in advocacy. If you read the rules, and
2 I've been reading the rules pretty carefully recently,
3 501(c)(4)s, on the other hand, and 501(c)(6)s can engage
4 in advocacy. 501(c)(6)s tend to be businesses
5 organizations that have a common economic interest; trade
6 groups, labor groups. Well, actually, there's a special
7 category there. But 501(c)(4)s are intended for a public
8 benefit, they're intended for organizations that have a
9 more general kind of a public benefit. They may engage
10 in advocacy, and this is fairly common around the United
11 States for energy groups to be 501(c)(4)s. So that's the
12 model that essentially we pursued. If you need further
13 clarification on that, I'd be happy to provide that to
14 you.

15 MR. SMITH: So under Citizens United,
16 501(c)(4)s got more expansive ability to engage in
17 electoral politics around the issue advocacy in
18 particular. Is it the intention of RCG to be involved in
19 elections themselves?

20 MR. COYER: No. In fact, the 501(c)(4)
21 rules would prohibit that kind of political activity,
22 would prohibit partisan activity.

23 MR. SMITH: Well, not the rules
24 themselves, that would have to be in your governing
25 documents.

1 MR. COYER: And indeed in our governing
2 documents. If you take a look at the articles of
3 incorporation we filed with the State of Michigan and
4 also the comments with regard to the purposes of the RCG
5 clearly articulate a desire to be not involved in
6 partisan activities. So we do --

7 MR. KESKEY: Yeah, I'll give you a copy
8 of the articles of incorporation.

9 MR. SMITH: I thought they were in the --

10 MR. KESKEY: They are, but they expressly
11 in subparagraph (e) says that the corporation shall not
12 participate or intervene in any partisan political
13 campaign on behalf of, or in opposition to, any candidate
14 for public office in any manner that would disqualify the
15 corporation from tax exemption under the Internal Revenue
16 Code. That's one of the, besides the limit, the focused
17 mission of the organization, that's expressly stated, but
18 the intent is not to be involved in political
19 candidacies.

20 MR. SMITH: And similarly issue advocacy,
21 like ballot initiatives and things --

22 MR. COYER: Exactly.

23 MR. SMITH: -- like that, you would
24 not -- you don't foresee RCG engaging in those?

25 MR. COYER: Not the RCG, no.

1 MR. SMITH: Okay. That's helpful. Thank
2 you.

3 MR. COYER: I'll be happy, by the way,
4 just to elaborate, if you want to talk about that a
5 little further, just give me a call.

6 MR. SMITH: No, I trust you.

7 MR. MacINNES: John, did you mention
8 about the MISO FERC proceedings, is that -- didn't you
9 say that was for the year, your 35,000?

10 MR. LISKEY: Yes.

11 MR. MacINNES: Could we defer some of
12 that now, then, if it's for the year?

13 MR. LISKEY: You could. When they get
14 involved in these committees, they're, you know, they
15 volunteer for the whole year, so it's --

16 MR. MacINNES: Okay. There could be
17 extenuating circumstances that might take them out --

18 MR. LISKEY: Yes.

19 MR. MacINNES: -- if we needed the
20 money --

21 MR. LISKEY: Sure.

22 MR. MacINNES: -- but the intent would be
23 to try to have them there.

24 MR. LISKEY: Yeah.

25 MR. MacINNES: These proceedings at FERC,
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1 this is all permitted under our charter?

2 MR. MOODY: Yeah. That actually
3 specifically talks about FERC issues in the statute, so
4 it's a more direct.

5 MR. MacINNES: Right, okay. So we don't
6 have any governance problem here with that?

7 MR. MOODY: Not under the statute.

8 MR. MacINNES: Okay. Okay. How about if
9 we take a five-minute break and we come back.

10 (At 3:07 p.m., there was a 13-minute recess.)

11 - - -

12 MR. MacINNES: We'd like to get started
13 and bring the meeting back to order here so we can get
14 through our business quickly. So now we need to decide
15 what is the appropriate thing to do here with the grants,
16 and I guess one question that was raised is, you know,
17 the work, let's say we do partial grants here. Well, let
18 me ask Chris, you know, we do a partial grant; coming
19 back in October or December, what all would you have to
20 do to come back and say I want the other half kind of
21 thing; is that a big undertaking, or what is that work
22 wise?

23 MR. BZDOK: So you're asking me what I
24 would do to come back to the board to communicate, to
25 basically substantiate a request for a second half or for
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1 some additional amount of money?

2 MR. MacINNES: Right, on the cases that
3 we've already funded and gotten you into.

4 MR. BZDOK: So my anticipation when I
5 indicated December was that we would -- you know, the
6 filing will come in, we will, we have funds available, we
7 will hire experts, we will have some discussion with them
8 about, you know, a phase now, a phase later type
9 discussion, we would do a set of discovery on the filing,
10 and then we would come back to you with -- you know, in
11 the normal course of, the normal process of submitting,
12 you know, we would probably just do a memo that says,
13 here are the issues we flagged, here's what we found out
14 about them, maybe an issue goes away, maybe a new issue
15 has popped up, in which case we just -- I would expect we
16 would just provide you with that type of information
17 again, but we probably would do that anyways.

18 MR. MacINNES: So just be a kind of a
19 minimal type of report?

20 MR. BZDOK: I would anticipate it would
21 be probably of the scale or less than the memos we
22 submitted to you for this.

23 MR. MacINNES: Okay. Well, the reason
24 I'm asking is that we don't want to set this up to be a
25 big, onerous thing for you all, okay, but we do want to

1 defer as much as we can for the reasons I outlined
2 earlier.

3 MR. DINKGRAVE: I would think that, at
4 least in my experience as a fund seeker and working with
5 funders, you've already done the application, it outlines
6 the things you want to do, and what you're talking about
7 would be sufficient, a memo outlining what's changed or
8 what hasn't and what the future need is. I look at it as
9 like a, you know, partial approval, we're approving what
10 we grant today and there's nothing promised beyond that,
11 but, you know, on that information, we would likely, you
12 know, decide, the fund is available, to continue the
13 work.

14 MR. SMITH: That would be helpful,
15 thanks. That makes me understand.

16 MR. MacINNES: Did you have a comment,
17 Paul?

18 MR. ISELY: I'm not sure it's to the
19 point where I should make the comment I'm going to make.

20 MR. MacINNES: Okay. Well, when we get
21 to that point, you're free to --

22 MR. ISELY: I can go. I can go. I don't
23 want to defer to the point that it's hiding the fact that
24 we can't fund all of these fully, because we can't. You
25 know, if you assume that we're going to need, you know,

1 \$100,000, \$150,000 for the recon cases, which we don't
2 have good definition of here, you know, we're short by a
3 good margin from being able to fully fund all of these
4 things. And so to the extent that we can make some of
5 those choices now, even if we're deferring something,
6 it's going to be more fair to the grantees.

7 MR. MacINNES: Okay. Good point. What
8 did we say, Chris, what did you say on the recon cases
9 you thought you would need?

10 MR. BZDOK: I didn't give you a number
11 because I didn't have a number. I can -- because I
12 didn't know, I don't know anything yet.

13 MR. MacINNES: Uh-huh.

14 MR. BZDOK: Last year we funded them, the
15 year before we did not seek funds for them because of
16 other issues, cost of service was basically swamped.

17 MR. MacINNES: So what do you think, what
18 do the grantees think of that, of Paul's comment there
19 and the implications?

20 MR. KESKEY: The recon cases are filed on
21 March 30, that's where they just start, and so it's
22 pretty speculative to put numbers on, or even on issues
23 that are going to be viable in those cases here, and you
24 shouldn't miss the opportunity that's right at, in your
25 face right now to get funding to get the PSCR plan and

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1 forecast cases started adequately.

2 MR. MacINNES: John, what do you think
3 about that?

4 MR. LISKEY: I think it makes sense. I
5 mean so as I -- if you're not going to get funded, it's
6 better to know now instead of, you know, I think that's
7 what you're saying, and I think that makes a lot of
8 sense.

9 MR. ISELY: Yeah. I mean I'm looking at
10 the last two years worth of recons, and we've spent sort
11 of that number. Does somebody have that exact number,
12 because I'm trying to calculate it in my brain, but it
13 looks like we've spent \$70,000 to \$120,000, depending on
14 how this is measured?

15 MR. MacINNES: In total?

16 MR. ISELY: Yeah, in recon cases.

17 MR. MacINNES: Chris, what about you,
18 what do you think about Paul's comment?

19 MR. BZDOK: I think it's a matter of the
20 board's discretion. I certainly understand the rationale
21 for it.

22 MR. MacINNES: Okay.

23 MR. MOODY: If you want sometime, we can
24 share with you on what we budget for ours, you know,
25 sometime; I don't have it with us, but if that helps at

1 any point. I mean there's always different issues and
2 different lines of attorneys and experts, but if you ever
3 want to see just as a comparison what we charged -- we
4 might have talked about this before, and I don't know if
5 I followed through to give it to you, so Jim, send me an
6 e-mail and I'll follow through and give you kind of how
7 we fund ours. We have the general fund, which helps,
8 because we can, where we can't afford, we can supplement,
9 depending on if there's money there, but we can show what
10 we spend on our experts if you like. See, we don't have
11 the attorney issue, though, so I guess it's not quite the
12 same because we're being -- the attorney part of us is --

13 MR. MacINNES: It's going to be in-house.

14 MR. MOODY: -- salary to the company, you
15 know, to the AG.

16 MR. MacINNES: What does the rest of the
17 board think about this question? It's a good question
18 Paul raised.

19 MR. SMITH: It's an excellent question,
20 and I think the point's well made, I think it's going to
21 demand, if we're going to do that, we're going to have to
22 delve into sort of more the micro issues within
23 individual applications; like you can't -- I can't
24 foresee us like just not funding involvement in a PSCR,
25 right, so we might have to say we're limiting the scope

1 of our involvement to these particular issues, Palisades,
2 whatever.

3 MR. DINKGRAVE: Yeah. I concur with what
4 everyone else has said, it's not an easy place to be in,
5 but certainly being able to make that decision sooner
6 than later is important with respect to the grantees'
7 activities and ability to plan around what you're going
8 to need to do for the work proposed here.

9 MR. MacINNES: So --

10 MR. ISELY: Really what we're saying
11 we're going to do here is, is if you -- if we decided to
12 delay, we essentially would be funding discovery by
13 everybody, and then we'd be forced to pick the best in
14 December because we have to still have something left.
15 So the real question is, is do we want to have a breadth
16 of this discovery and have less powder for the problem,
17 or do we want to narrow that discovery?

18 MR. MacINNES: But I would say that if we
19 were to partially fund everything that we've talked about
20 here, that would give us a broad discovery, right?

21 MR. ISELY: Uh-huh.

22 MR. MacINNES: And then at the next time,
23 whether it's the next meeting or the December meeting, we
24 then go through and parse through it again and see where
25 the low hanging fruit are and then that casts the die at

1 that point.

2 Yes, John.

3 MR. LISKEY: My experience with the time
4 tables of these cases, at least the cases I deal with,
5 they're filed September 30, there may not be a prehearing
6 until the middle of November, so there wouldn't -- we
7 wouldn't have any discovery until your December meeting,
8 I mean we wouldn't have any results. It's debatable how
9 much time they get, they can get 14 to 28 days to answer,
10 assuming, you know, once we issue it. Now, I don't know
11 Consumers and Edison, I don't know those timeframes,
12 but --

13 MR. KESKEY: Well, the October 1, if
14 budgets are approved on a phase basis, October 1 is the
15 start date in which you can fairly ask expert witnesses
16 to come aboard and do research and help with the
17 discovery questions, even that's before intervention, and
18 there -- it may be several weeks before you get responses
19 and you may need a second discovery request to get the
20 real responses you want. So October certainly isn't
21 going to give you enough time, December is being a little
22 bit optimistic.

23 But the other thing I was going to point
24 out is that you were limited on the budget last year,
25 too, I think you had to do a payment offset or something

1 to the Attorney General, and things ended up working out.
2 I think they tend to work out because you have the
3 ability to adjust as you go along.

4 MR. SMITH: Can you guys give me a sense
5 of the sort of flow of work intensity, like is there --
6 like when you get sort of like into the making of the
7 case later on, have you already done a lot of the work
8 through the discovery process, or is it the opposite, is
9 it like you're putting your feelers out there, getting
10 your grip on the issue, and you got to do a lot of work
11 to make the case; is that -- can you --

12 MR. KESKEY: Some of both. I think you
13 have to get discovery out and look at the answers, but
14 independently of your discovery responses, you've got to
15 find the best issues and then focus in on those and with
16 independent information and develop that. Utilities
17 oftentimes are not trying to be effusive on their
18 discovery responses, I mean half of them, the initial
19 round are objections to the question, and so I mean, you
20 know, you go from there. So you independently, besides
21 the discovery, have to delve into the issue and find out
22 what the best issues are and then start formulating your
23 ideas for testimony.

24 MR. SMITH: Does that jive with your
25 experiences?

1 MR. BZDOK: Help me with your question a
2 little bit more.

3 MR. SMITH: Really I'm trying to figure
4 out, is it more important to front-load or backload the
5 investment?

6 MR. BZDOK: The expenditure of funds
7 probably follows a pattern that goes like there's some
8 initial hump which consist of evaluating, making
9 recommendations to a client, coming back, sometimes you
10 know for -- like the next DTE PSCR plan case, we know
11 we're going to have NEXUS, we know we're going to want to
12 hire Jim Wilson, so I probably would get him involved
13 from day one; other times we'll look at, okay, what are
14 these issues, make recommendations, I think we should
15 hire this person to do this work, get the approval for
16 that, get that person involved, so there's like a bump of
17 legal and then the expert gets involved, and then there's
18 a bump there, and there's a big resource, there's big
19 hill that falls around the timing of expert testimony,
20 another big hill in the week before and during the
21 hearing, and then another big bump, biggest bump is
22 probably initial set of briefing. It's also, in terms of
23 our ability to do a case, we need to be able to plan
24 ahead, too. Right. So we need to know -- so, for
25 example, here are three issues, they require two experts,

1 one will do one, one will do the other two, what are they
2 going to give us as an estimate for those issues, do we
3 have the funds available to cover all of them or not. So
4 there's a need to know what your resources are, you know,
5 in advance of when you're spending them, because you have
6 to budget. You have to budget, but then we have to make
7 a plan and a budget, too.

8 MR. SMITH: Right.

9 MR. BZDOK: And so knowing what resources
10 are available is necessary to do that.

11 MR. MacINNES: Tough decision. Paul, any
12 other thoughts on your -- any other elaboration on --

13 MR. ISELY: I threw out the question
14 because I didn't have a good answer. You know, it just
15 seems to me that there is some value to some of the
16 planning, there is some value to a broad discovery, but
17 if we choose the broad discovery path, then people have
18 to understand we can't pay for the next leg for
19 everybody, there's not going to be enough there, at least
20 if anybody wants to do a recon case for more than
21 \$20,000.

22 MR. MacINNES: Well, maybe, Michael, how
23 important do you view these? I once talked to a Public
24 Service commissioner who told me that really the recon,
25 this person thought the recon cases weren't as important

1 as the plan cases.

2 MR. MOODY: You know, boy, it's hard
3 because it's, you know, the one you're planning ahead and
4 you're saying this is what we're going to do and you want
5 to be there to help design that plan of how they're going
6 to get the resource if they're doing gas, or -- you know,
7 I do a lot of gas ones -- where am I going to buy the
8 gas, what's my transportation supply, and I'm planning on
9 how I'm going to serve my customer load. In the
10 reconciliation -- and so you have a lot of debate, but
11 sometimes it's, sometimes it's the reconciliation, that's
12 where the big money is, you know, because did they follow
13 the plan, were they reasonable, they said these things,
14 now the winter went haywire and they decided to not take
15 their, you know, out of their, you know, storage, they
16 decided to buy.

17 MR. MacINNES: You mean they didn't do
18 what they said they were going to do?

19 MR. MOODY: Yeah, right. So then you
20 need somebody on that back end to say, you told us this,
21 and then the reconciliation, this is what occurred and we
22 incurred a lot more costs than what you told us. So,
23 you know, but then if you're not there during the plan
24 either, just say don't do it this way, you know what I
25 mean, and you show up in the reconciliation and say you

1 should have done it this way, well, the plan was
2 approved, you know what I mean, so you're kind of burned
3 either way. But the reconciliation is where we sometimes
4 find the big savings that will -- it's like anything
5 else, you don't plan, sure, you can't show the savings to
6 people, but if you don't plan, right, it's just as bad.

7 MR. MacINNES: Yes, John.

8 MR. LISKEY: I've heard from Staff that
9 they think reconciliation cases are much more important
10 than plan cases.

11 MR. MacINNES: Interesting.

12 MR. LISKEY: And I think if you look at
13 how Staff resources, you'll see them in the
14 reconciliation cases.

15 MR. MacINNES: Okay.

16 MR. LISKEY: It's interesting, a
17 commissioner told you one thing --

18 MR. MacINNES: Yeah --

19 MR. LISKEY: That happens all the time.

20 MR. KESKEY: However, the plan of the
21 Staff in the last several years has done very minimal
22 work on these cases. In many cases they don't file
23 testimony and they don't ask a single question.

24 MR. MacINNES: So a little bit what
25 you're saying, Paul, I think is that, you know, we're

1 going to be potentially just throwing this money away if
2 we just fund, if we take a broad brush, we're going to
3 throw some of it away, because -- likely.

4 MR. ISELY: I don't think we're throwing
5 it away, I think it's giving us --

6 MR. MacINNES: More information.

7 MR. ISELY: If we get that discovery
8 back, then we can make good choices, but we're going to
9 have less money to make those good choices with, so
10 because we've done a broad discovery.

11 MR. MacINNES: Well, in some cases, like
12 what Don is saying, we're not even, unless we fund it in
13 October, we're not even going to get any discovery,
14 right?

15 MR. KESKEY: December would be a rather I
16 guess optimistic time, you know. If you had a January
17 meeting, it would be better, but, you know. I'm saying
18 October 1, you have October, and even if you file
19 discovery in the first week, because you're not going to
20 ask your expert to do free work -- we have done free work
21 a lot, many times, and so has the expert, but it doesn't
22 work that way very well. Even if you were to get
23 discovery out in the first week or two from October 1 on,
24 you're not going to get -- you're not going to get any
25 answers until the ALJ grants your intervention probably.

1 MR. MacINNES: But you will have had a
2 chance to review the case.

3 MR. KESKEY: That's right, you can dive
4 in independently, as I said, into the case and into the
5 other sources of information available in the public
6 domain to try to get some good theories for discovery and
7 good theories starting out for some of your issues
8 specifically.

9 MR. MacINNES: Well, wouldn't that be
10 helpful?

11 MR. KESKEY: Yes, it's very helpful.

12 MR. MacINNES: Okay. So but so let's say
13 if we come back and made the second decision in December,
14 then we'd have that, such as it is, it's not perfect, but
15 we'd have time has passed, more information becomes
16 available, you've had a chance to at least -- I know it's
17 like there's a lot of, you know, we read a lot of stuff,
18 but you can, if you know where to look, you can kind of
19 get the gist of it pretty fast a lot of times, right?

20 MR. KESKEY: Yeah, I'm not saying don't
21 ask for reports for December, I think that's fine, and I
22 think there should be a front-loaded effort to develop
23 the ideas and the issues and the information.

24 MR. MacINNES: But let's say we ask for
25 these reports in December and we might have to make some

1 hard decisions, somebody's not going to get funded, so.

2 MR. ISELY: Given that we're talking four
3 entities here, it means that you have a one-in-four
4 chance of not being funded in the second half. What does
5 that do to your planning?

6 MR. KESKEY: Well, I think the issues
7 aren't necessarily the number of grantees, I think it
8 revolves more around the viability of the issues. There
9 may be 4 grantees and 16 issues, and we don't know how
10 those issues among the grantees is going to stack up in
11 priority.

12 MR. SMITH: Are you looking for help to
13 kick this off?

14 MR. MacINNES: Sure.

15 MR. SMITH: There are a couple here that
16 I just think are, literally two, that I think I'd just
17 like to see funded myself; in particular, MEC's U-17990,
18 work that we've already started, I'd like to see that
19 fully funded moving forward. The second one that I am
20 personally concerned about are the WEPCo cases, because I
21 think those SSR issues are really important and strategic
22 issues, so I'd like to see those two just fully funded.
23 I'll make a motion to that effect. So 11,000 for the
24 U-17990, and 40,000 for the two WEPCo's.

25 MR. MacINNES: Do we have a second?

1 MR. ISELY: I'll second.

2 MR. MacINNES: Is there discussion?

3 MR. DINKGRAVE: I'll just add that I
4 think, I probably said this every time we've made a
5 decision about one of these, but I do think it's
6 important that we maintain broad geographic
7 representation, and I think beyond that, the fact that
8 rates are as high as they are up in the U.P. makes it all
9 the more important that we do include that work to the
10 extent possible.

11 MR. MacINNES: So are you suggesting we
12 modify the motion to include the UPPCo plan case?

13 MR. DINKGRAVE: I'd be interested in
14 hearing other thoughts on that. I think if we believe we
15 can afford it, it would be -- it would reach more people.

16 MR. MacINNES: Well, UPPCo does have the
17 highest rates in the state. So are there any other
18 thoughts on that?

19 MR. SMITH: So John, correct me if I'm
20 wrong about this, but I felt like the UPPCo cases were
21 ones where discovery would be more useful right now than
22 the WEPCo cases. Is like WEPCo like getting you in
23 there, giving you the power to do work there, sort of
24 with the larger budget, versus the UPPCo cases, just
25 taking a look?

1 MR. LISKEY: No, no. The cases that
2 we -- I suggested we not engage in --

3 MR. SMITH: Right, NSP --

4 MR. LISKEY: -- NSP and WPS. The SSR
5 issues is big for both UPPCo and WEPCo. It's bigger for
6 WEPCo because there's a big refund debate going on, but
7 the UPPCo case in terms of what contract are they going
8 to enter into as a replacement for the WPS contract is
9 very important because our research has shown in the, in
10 the prior cases that their current contract we feel is
11 very unfavorable to ratepayers, all ratepayers, and
12 Douglas's research found 5,000 out of 8,000 hours of the
13 year UPPCo was paying WPS for power and then selling the
14 excess, it was a must-take contract, selling the excess
15 into the MISO market at a loss, and that was worth I
16 think \$2 1/2 million right there.

17 MR. SMITH: Right there.

18 MR. LISKEY: And so we want to see what
19 they're going to replace that with.

20 MR. ISELY: Okay.

21 MR. MacINNES: I tend to -- you know, I
22 think I tend to agree with this UPPCo, I think we need to
23 really get that handled.

24 MR. ISELY: Okay. So are we doing an
25 amendment?

1 MR. MacINNES: That's what I would
2 suggest.

3 MR. ISELY: So we move to amend Conan's
4 request to also include the UPPCo PSCR plan case fully
5 funded at 20,000.

6 MR. MacINNES: Okay. Is there a second
7 on that?

8 MR. DINKGRAVE: Second.

9 MR. MacINNES: Is there any discussion?

10 MR. SMITH: Oh, just the PSCR. Sorry, I
11 wasn't following. Okay.

12 MR. MacINNES: So we're talking about --
13 we're starting out here fully, these are cases we'd like
14 to fully fund.

15 MR. SMITH: Right.

16 MR. MacINNES: One would be the CECo rate
17 case, U-17990, fully fund; UPPCo PSCR plan case, \$20,000,
18 fully fund; WEPCo PSCR plan case, \$20,000, fully fund.

19 Is there anymore discussion?

20 All those in favor, please say aye.

21 BOARD MEMBERS: Aye.

22 MR. MacINNES: Opposed, same sign. Okay.
23 That's a good start.

24 MR. SMITH: Want another one?

25 MR. MacINNES: Sure.

1 MR. ISELY: You're on a roll.

2 MR. MacINNES: You're on a roll.

3 MR. SMITH: So the other two that are of
4 real interest to me, one, the investment in MISO. I
5 think we've started down a path there that has a systemic
6 impact for everyone, and I think our presence there, the
7 representation of consumers at that table has been very
8 important; I'd like to see us at least fund six months of
9 that. I would prefer to see us fund the full thing, but
10 to your point, Jim, I think that's something we can come
11 back to again.

12 The second is these PURPA cases, which I
13 really appreciated that dialogue because I misunderstood
14 in reading the application how important they seem to be.

15 And so I'd propose -- well, let me start
16 by proposing 35 for MISO and 12,000 each for the PURPA
17 cases.

18 MR. MacINNES: Okay. Do we have a second
19 on that motion?

20 MR. ISELY: I'll make a second.

21 MR. MacINNES: Is there discussion?

22 MR. DINKGRAVE: Just a question. If
23 we're going through saying things we want to fully fund,
24 would that sort of, in terms of MISO, since that sounded
25 like that was one that could kind of be delayed, some of

1 the costs, do you want to just skip that and say fully
2 funded, is that the sort of feeling here?

3 MR. MacINNES: Well, I think we could say
4 half in this motion.

5 I guess I still have a question in my
6 mind as to whether or not funding the PURPA cases is
7 really going to get us anywhere. I just don't know.
8 Michael, do you have any words of wisdom on that? I mean
9 I just don't --

10 MR. MOODY: It's more of a policy
11 question. I hate to give anything more than my legal.

12 MR. MacINNES: You know, it just seems
13 like it needs to be set so it's the avoided cost and, you
14 know, and are we really going to save ratepayers money?

15 MR. MOODY: That's our -- that's the same
16 problem we have. I mean we're not doing it right now,
17 same reason you guys are probably considering, you know
18 what I mean, because we are trying to focus our resources
19 where we think maybe we can make a greater impact on it.
20 But I don't know, you know, I could be wrong. We seem to
21 make the wrong decision many a time, you know.

22 MR. ISELY: Can I ask to what extent
23 these cases would be setting precedent for future or for
24 other, for other avoided costs?

25 MR. MOODY: Yeah. Probably, you know, it

1 will probably make a precedential effect on other cases
2 obviously, you know, when they set these, what percent of
3 the costs, you know what I mean, and I don't know, I'd
4 have to look, you know, because sometimes something can
5 be precedential, but precedential for a small amount of
6 cost. I mean I'm not, hey, well, you know, I got a lot
7 other costs I got to look at. And I haven't done the
8 analysis so I don't know, you know, what percentage this
9 will be of the whole, so that's more questions, you know,
10 I'm giving you than answers.

11 MR. SMITH: Well, that was sort of my
12 sense of the low dollar figure here was to empower
13 someone to ask those questions; is that correct?

14 MR. KESKEY: That's right. And the PURPA
15 price, once they set it, like I -- it was set 20 or more
16 years ago -- when they set that price, it's going to be
17 price for PSCRs for many years to come. It's not going
18 to get reopened and being done over and over.

19 MR. SMITH: And then there is the
20 potential that, like with this investment, Don, you do
21 some discovery around this issue, come back to us, you're
22 not going to have enough resources to resolve any of
23 these issues with 12,000?

24 MR. KESKEY: 12,000, most of it, a good
25 portion of it is for the expert, and it would be to look

1 at it, try to see where there's problems, possibly file
2 testimony, most likely, and probably it's going to go
3 into settlement meetings, and trying to see that the
4 price is set correctly and that price is balancing the
5 interests of the residential customers and the power
6 sources from which PURPA is going to set the prices,
7 and --

8 MR. SMITH: So is \$12,000 going to get
9 you through those cases, is that your expectation?

10 MR. KESKEY: Well, that's what our
11 commitment is, and it's because we are hoping to
12 cooperate with other groups and share ideas and work,
13 exchange ideas and work with them to try to not carry the
14 entire load. No, it's not enough, but it's what we
15 committed to doing. We felt it would be worse to ignore
16 the cases and just let it happen, because then if
17 something happens that goes wrong, I mean --

18 MR. MacINNES: But you're going to have
19 some big guys in there, you're going to have MCV in
20 there, they're going to be, you know, and you're going to
21 have MCV against the utilities, I mean you're going to
22 have some big Kahunas in this case.

23 MR. KESKEY: Well, that --

24 MR. MacINNES: And they're going to have
25 a big input.

1 MR. KESKEY: That's not a countervailing
2 economic force necessarily, because I was involved in the
3 MCV cases and through the courts and I was involved in
4 the settlement meetings and, you know, a big utility and
5 a big gas supply plant had sweetheart deals, too.

6 MR. MacINNES: Yeah, we've noticed that.

7 MR. KESKEY: And there's going to be a
8 variety of inputs into this, or at least --

9 MR. MacINNES: But then it gets back to
10 the, you know, the biomass guys, you know, there's six
11 36-megawatt, they're not all 36, there's 18- to
12 36-megawatt biomass plants, I mean, you know, biomass,
13 it's just not a big part of the mix. And a lot of these
14 hydro plants, they're not a big part of the mix either,
15 right?

16 MR. KESKEY: Well, it's going to be an
17 increasing opportunities, and --

18 MR. MacINNES: Well, yeah, but it kind of
19 gets to the scale of things here, and I'm not -- you
20 know, I mean I'd rather be in them than not, and I think
21 you made good argument, but it's like how much is this,
22 difference is this really going to make to have us in
23 there, you know, it's a scale thing I guess.

24 MR. SMITH: What I'm really interested in
25 is us getting enough information to truly do the relative

1 risk analysis, you know, to say like -- maybe there's
2 nothing in there, you know, I'm sure that won't be the
3 case -- but how much money I guess is -- the question is,
4 how much money does it take for us to get in the door,
5 really take a good look at this filing, and get
6 information back to this board that says, well, there's
7 this tremendous issue out there or are there like these
8 handful of smaller issues?

9 MR. MOODY: And I don't know how the
10 grantees all do their fundings and stuff, so it's a
11 different world and different animal than the AG, but
12 what we do -- today you guys have your experts with
13 you -- if we're concerned about a case sometimes, we'll
14 ask for proposals, can't always do it because some
15 experts will balk if you don't use them after you get the
16 proposal, but we'll ask for the proposal, it's on them,
17 the cost, to tell me here's the big issue for you, so
18 we've done that, you know, we do that a lot where, you
19 know, if we think a case is important, we ask an expert
20 to send us a proposal, tell us, you know, we're thinking
21 about this case, what do you think of the -- where's the
22 big money draw cost here, and they come and tell us and
23 then we -- but I don't know, it's different for these
24 guys because they have in-house experts so maybe it's not
25 the same kind of situation, so that's how we've

1 sometimes, you know, make that distinction. So, you
2 know, we have a guy send us a free proposal and say, hey,
3 but you guys don't get that, so.

4 MR. MacINNES: But we have to decide
5 today, so that's -- or at least decide whether to proceed
6 today, so we don't have time for that.

7 Paul, do you have any --

8 MR. ISELY: Well, the weight for me on
9 this is that, you know, somebody looking at it -- to me,
10 the long-term precedent, the precedent that it would go
11 to other cases, the relatively low cost, and the fact
12 that we don't have other eyes from a, from a consumers'
13 point of view in this mean that I think that this is a
14 worthwhile risk.

15 MR. MacINNES: Okay. Okay. I could
16 really go either way on this. So being a budgeter, I'm
17 always trying to -- I know that the way you budget
18 successfully is you do a little at a time.

19 MR. SMITH: Let me ask just one more
20 question, then. Don, with the idea that we want to get a
21 look at this thing before we decide whether to dive in,
22 is there a smaller budget that is -- that would be
23 effective to do that work?

24 MR. KESKEY: I have a meeting, some
25 meetings on this in September even, and of course the

1 time we've spent up to now has been pro bono, you know,
2 the intervention and going to collaboratives and looking
3 at it. My idea was to commit to the 12,000 each as the
4 budget, confirmed, because the testimony is going to be
5 due within three weeks, four weeks, three-four weeks
6 after the October start of the grant. So because -- it's
7 low, but it's a commitment to look at what's going on,
8 ferret it out, file testimony, or determine we aren't
9 going to be filing testimony for good reasons,
10 participate in settlement meetings, and if it takes more,
11 it's going to be pro bono on the other end unless we come
12 in and request money with something really very, very
13 progressed in terms of all the information we've
14 obtained.

15 MR. SMITH: Thank you. I think one of
16 the things that that raises, at least for future
17 reference, maybe we can talk to folks about articulating
18 what their leverage is on a case that would include their
19 pro bono commitment, so --

20 MS. BABCOCK: Excellent.

21 MR. SMITH: -- you know, and that's not
22 for this time, but maybe for future decision-making.

23 MS. BABCOCK: Thank you.

24 MR. MacINNES: So is the sense of the
25 board that we do want to fund these, is that what I'm

1 hearing?

2 MR. DINKGRAVE: I think so.

3 MR. SMITH: You wanted to go down half on
4 MISO, though?

5 MR. MacINNES: Yes, I would like to go
6 down half of MISO, even though that's one of my favorite,
7 I think has a great potential, but I just like to hedge
8 my bets timewise.

9 Okay. Is there anything else that we
10 should put in this, into this motion? Any other --

11 MR. ISELY: To me, that's all the
12 must-use, so everything else to me is -- I mean the -- I
13 should say the PSCR is must-do, it's just how we're going
14 to attack that.

15 MR. MacINNES: Right. So we have a
16 motion to fully fund the two PURPA cases, U-18091, 18090,
17 and to provide six months' worth of funding for the FERC
18 MISO administrative proceedings, so let's say \$18,000
19 there. So 12, 12 and 18; is that right? Is that a
20 summary?

21 MR. SMITH: Works great, thank you.

22 MR. MacINNES: Okay. Is there anymore
23 discussion?

24 All those in favor, please say aye.

25 BOARD MEMBERS: Aye.

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

2 MR. SMITH: So one last one, this will be
3 painful, John. Starting from the back end, I propose
4 that we do not fund NSP and WPS under the CARE proposals.

5 MR. MacINNES: Which one? Oh, Northern
6 States Power. Well, I think John indicated early, we
7 don't have to rule them out now, we can just say, at this
8 point, because you had indicated a deferral, so at this
9 point we'll just maybe defer them.

10 MR. SMITH: All right. I take that back
11 then.

12 MR. MacINNES: So I don't know that we
13 need a motion for that. Okay.

14 MR. ISELY: So now's the hard part.

15 MR. MacINNES: Now's the hard part. I
16 really think the --

17 MR. SMITH: May I ask a couple questions
18 of John?

19 MR. MacINNES: Uh-huh.

20 MR. SMITH: So the UPPCo and WEPCo cases,
21 we've given you the 2016 funding, and you're --

22 MR. LISKEY: No, the 2017 plan cases, the
23 cases that --

24 MR. SMITH: Oh, okay. All right.
25 Gotcha.

1 MR. LISKEY: The ones that will be filed
2 on September 30.

3 MR. SMITH: And then you have two other
4 cases in your work plan?

5 MR. LISKEY: That we can discuss in
6 February.

7 MR. SMITH: Okay. Great.

8 MR. MacINNES: So I'd like to say that I
9 would propose that we fund now half of the MEC PSCR plan
10 cases. You know, in doing our analysis of success rates
11 of cases, MEC has had a very high success rate in saving
12 ratepayers money, and that's well documented, I took it
13 to the legislators. So and I think these are all good
14 areas to be involved with. This whole new thing about
15 wind energy, you know, that's all just blossoming right
16 now; the Palisades issue; the sorbent costs, I think
17 that's a good one to be in, also; and then I think the
18 DTE, the NEXUS pipeline, you know, I'm all in on that, I
19 think that's really important, because that's going to
20 set the stage for the next 50 years potentially on what
21 our alternatives are. And you can see when you look at
22 the present value of that income stream and the fact that
23 they're producing -- they're forecasting gas prices years
24 11 or 10 through 20, to me, it doesn't make sense, and I
25 think we really need to zero in on that. So that's

1 what's I would -- I would propose that we half, at this
2 point, we half fund the MEC grants in both cases. Well,
3 let's say one, it could be 46,000, the DECo, and the CEC
4 PSCR plan cases at 40,000.

5 MR. ISELY: Can we half fund and let them
6 allocate as they see fit?

7 MR. MacINNES: Oh, between the DECo and
8 CEC?

9 MR. ISELY: Yeah.

10 MR. MacINNES: I'm okay with that. Does
11 that give you any --

12 MR. BZDOK: If you half fund, I will use
13 that breakdown that was just mentioned.

14 MR. ISELY: Okay. Then it doesn't
15 matter.

16 MR. MacINNES: Okay.

17 MR. BZDOK: We'll fund them as stated.

18 MR. MacINNES: Yeah, let's just allocate
19 them. I think they're both great opportunities to save
20 ratepayers money, and MEC has a tremendous track record
21 in saving ratepayers money, so I'm ready to propose we do
22 that.

23 MR. SMITH: Support that.

24 MR. MacINNES: Make a motion. We have
25 support?

1 MR. SMITH: Yeah.

2 MR. MacINNES: Is there any further
3 discussion?

4 MR. DINKGRAVE: Just to be clear, that's
5 46 for DTE PSCR and 40 for Consumers Energy PSCR,
6 correct?

7 MR. MacINNES: Right, right.

8 MR. DINKGRAVE: I think that's good.

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

11 BOARD MEMBERS: Aye.

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

13 MR. DINKGRAVE: So I'm counting that 180
14 that we've cumulatively committed to so far.

15 MR. MacINNES: All right. So did anybody
16 else have any -- want to weigh in?

17 MR. ISELY: Well, I mean now we're down
18 to do we divide something up here or do we give half
19 funding for the last two and wait until December and hope
20 we have more information?

21 MR. SMITH: I've forgotten, which of the
22 grantees, Don, is doing the Palisades work?

23 MR. KESKEY: Residential Customer Group.

24 MR. SMITH: Thanks.

25 MR. KESKEY: The focus there is on

1 Palisades and the coal issue, issues; and GLREA is that
2 solar effort that we're making progress on, but sometimes
3 it takes two or three cases or more before you start
4 really hitting, you know, policy changes or pay dirt on
5 some of these things, like we did on the Big Rock trust
6 fund where we -- it took us four cases to ultimately get
7 the 99 million plus interest --

8 MR. MacINNES: My concern --

9 MR. KESKEY: -- determined.

10 MR. MacINNES: -- on the solar case is,
11 you know, we've been funding this for a while, right, and
12 right now we're in such flux, you know, what's going to
13 happen with this net metering, it's really up in the air
14 I think, and it's up in the air across the country, and
15 so I'm not sure that if we had to wait another year to
16 get back involved, that that's going to hurt us, because
17 it's just, it is, I think a lot of it's going to hinge on
18 what Senate Bill 437 comes up with -- or 438 comes up
19 with.

20 MR. KESKEY: Yeah, but the solar issue is
21 is by no means limited to net metering.

22 MR. MacINNES: No, I know, I know. But
23 we have been funding the solar issue for some time, and
24 it, you know, might make more sense to, if we had to not
25 fund something, to not fund that this go around. I guess

1 that's just my opinion, though; I don't know how
2 everybody else feels.

3 MR. ISELY: I think you're reading my
4 mind. I'm less -- I'm -- I have a little less support
5 for the solar because I think the value for the
6 ratepayers is going to be a little lower, but I still
7 like it.

8 MR. MacINNES: Well, I think it's the
9 future, it's going to be a big part of the future,
10 there's no question.

11 MR. KESKEY: Yeah, and what we've been
12 trying to encourage is, whether it's customer-owned,
13 community-owned, or utility-owned, to really start
14 getting into it, it's going to help, and now DTE is
15 coming around and giving up that ten-percent theory, and
16 that's progress, because if DTE starts really moving
17 ahead with utility-owned solar --

18 MR. MacINNES: Was there anything else in
19 the GLREA, was that just the solar? The SNF and all that
20 was in the -- it's a little confusing here for us --
21 Residential Customer Group?

22 MR. KESKEY: Yeah, yeah. It's because
23 I'm -- I haven't changed hats in between the proposal.

24 MR. MacINNES: I do that myself. So it's
25 just solar in this case; is that right?

1 MR. KESKEY: Primarily solar. It's
2 advocating for renewable energy as being really, the
3 latest reports from the Commission, the most attractive,
4 cheapest source of energy --

5 MR. MacINNES: Right. But we get that --

6 MR. KESKEY: -- but solar is --

7 MR. MacINNES: -- we're with you.

8 MR. KESKEY: Solar is the additional
9 diversity that, besides the wind, that --

10 MR. MacINNES: But we have been funding
11 it for some time, there's a lot in play with Senate Bill
12 438, we have limited funds. I mean that's, you know,
13 that's the reality, so.

14 MR. ISELY: Can I take just a little bit
15 further here to further my brain on this just a smidge.
16 If we decided we want play in solar at all, would one of
17 these cases be better than the other?

18 MR. SMITH: Yeah, that's my question.

19 MR. KESKEY: I would think you'd want to
20 have your foot to some degree of funding in both, but
21 Edison is showing the most latest change of position and
22 change of policy perhaps towards solar in their June 30
23 REP application which amends their previous one which
24 they themselves are advocating for more renewables above
25 the ten-percent plus solar, and they see the advantages

1 of the tax credits they can get; and so of the two
2 utilities, DTE Electric is moving in the direction we had
3 hoped and advocated before. Consumers Energy I think
4 hasn't crossed the ten-percent line yet. But I think
5 rather than staying out after only two cycles of this
6 issue with many of the decisions not yet decided by the
7 Commission and the energy bill may or may not go
8 anywhere, I think you'd be wise to fund at least some,
9 something for both of them, but maybe perhaps more
10 emphasis on Edison.

11 MR. SMITH: So you're suggesting if we
12 were to choose one, you'd choose Edison, even though they
13 are making more movement, rather than digging in on the
14 recalcitrant?

15 MR. KESKEY: Yes, because they're making
16 some movement which indicates they probably could make
17 more movement. They've given up the statutory argument
18 on the ten percent.

19 MR. SMITH: Gotcha.

20 MR. KESKEY: They're showing more
21 willingness to be progressive. And that might sound a
22 little bit reverse, but if Consumers hasn't seen it yet
23 or they haven't come across the ten-percent line yet, if
24 you want to see the more results on solar, it's going to
25 come quicker with Edison, but I wouldn't give up on

1 Consumers Energy by just not participating. Two cycles
2 on this issue is not very much in the history of the way
3 regulatory decisions come out. Lots of times a decision
4 is made by changing the Commission's thoughts or the
5 legislature's thoughts three or four cycles after the
6 issue is raised.

7 MR. MacINNES: Right, takes time. Any
8 other comments from the board? What's your pleasure,
9 gentlemen?

10 MR. SMITH: So with regards to RCG, I
11 think like there are great issues that you guys have
12 articulated there and it's an interesting space for us to
13 be involved. As a new grantee, I'd prefer to see us
14 focus our investment on a single case and work with them,
15 you know, sort of to your point we have a track record
16 with some of our agencies, a really strong ROI, let's put
17 some energy in a particular case with RCG, see what we
18 can do and, you know, look to partner more with them if
19 that proves out over time.

20 MR. DINKGRAVE: I think that's a smart
21 approach.

22 MR. MacINNES: So if we did that, what
23 case would we --

24 MR. KESKEY: In that case, I would go
25 with Consumers Energy because they have both the coal

1 issues and the Palisades issue both are major money
2 issues.

3 MR. MacINNES: So Consumers Energy in the
4 PSCR plan case?

5 MR. KESKEY: That's right.

6 MR. MacINNES: Okay.

7 MR. SMITH: And in this case, I'd propose
8 that we half fund that for now and come back again for
9 the second bite of the apple, so 18 for, is that right,
10 18?

11 MR. MacINNES: Okay.

12 MR. ISELY: You're doing which one now?

13 MR. SMITH: For the RCG Consumers. Did
14 they ask for 36 for that?

15 MR. MacINNES: Yeah, 36.

16 MR. SMITH: So 18 for -- I don't know the
17 number -- for that one.

18 MR. ISELY: Yes.

19 MR. MacINNES: PSCR plan case. Okay.

20 MR. ISELY: I'll second, if you need one.

21 MR. MacINNES: Is there any further
22 discussion?

23 All in favor please say aye.

24 BOARD MEMBERS: Aye.

25 MR. MacINNES: Opposed, same sign.

1 Okay. CECo PSCR plan case on the coal.

2 MR. KESKEY: And Palisades.

3 MR. MacINNES: Did that include

4 Palisades?

5 MR. SMITH: Yeah, I think, yes.

6 MR. KESKEY: Yes.

7 MR. SMITH: Like let's again --

8 MR. MacINNES: Coal and Palisades. No

9 SNF, though. SNF?

10 MR. KESKEY: Well, SNF would -- if
11 Entergy is recovering in two places for the same expense,
12 SNF is included.

13 MR. MacINNES: Well, we passed a motion,
14 so it is what it is, but we'll come back and look at the
15 Palisades and the SNF. Well, we'll look at the whole
16 thing later.

17 MR. SMITH: Right. It's a great
18 opportunity to let a new grantee get in on a case, do
19 some, show us what they can do.

20 MR. MacINNES: And the coal, I mean I
21 think there's a lot of potential opportunity with coal I
22 think. Okay.

23 MR. SMITH: So that just leaves
24 renewables.

25 MR. MacINNES: So we were -- so we're not

1 going -- so we're saying we're not going to do the DECo
2 PSCR plan case, is that what you're we're saying, or no?

3 MR. ISELY: There's been no motion.

4 MR. MacINNES: Okay. So that gets us
5 back to GLREA plan, PSCR plan cases dealing with solar,
6 right. So what do we want to do on that?

7 MR. SMITH: I've got to lean on you guys
8 for this, it's an area of expertise that I'm --

9 MR. ISELY: Yeah. I hate to give up this
10 line, but it -- I really think that we can set precedent
11 in one location and then come back and clean up. I
12 prefer not to do it that way, but I just -- I want to be
13 able to fund the actions at the end once we found a
14 problem, and I worry if we spend our money on the front
15 end, it's not going to be there.

16 MR. MacINNES: So you're proposing, then,
17 that we --

18 MR. ISELY: I'm proposing that we, is it
19 16, that we provide \$16,000 for the DECo PSCR plan case.

20 MR. MacINNES: On solar?

21 MR. ISELY: On solar.

22 MR. MacINNES: Focusing on solar. It
23 keeps us in the game, but not with everybody.

24 MR. SMITH: Support.

25 MR. DINKGRAVE: Do we want to make a

1 decision about the Consumers Energy one at the same time
2 or separate --

3 MR. MacINNES: I think he's saying
4 that --

5 MR. DINKGRAVE: -- or to the exclusion
6 of?

7 MR. MacINNES: -- we're going to pick one
8 and try to be there at the table in one of them, so we're
9 still in solar.

10 MR. DINKGRAVE: Gotcha.

11 MR. ISELY: Are you looking for support
12 for the other or --

13 MR. DINKGRAVE: No, no, I was just
14 clarifying what the thought process was.

15 MR. ISELY: Okay.

16 MR. MacINNES: Okay. So we have a motion
17 to fund, half fund at this point the DECo PSCR plan case
18 on solar. Did we have a second on that?

19 MR. SMITH: Second, yeah.

20 MR. MacINNES: Is there any further
21 discussion?

22 All in favor, please say aye.

23 BOARD MEMBERS: Aye.

24 MR. MacINNES: Opposed, same sign.

25 Okay. How much have we spent?

1 MR. DINKGRAVE: 214 on my count.

2 MR. MacINNES: Okay. Is there anything
3 else we want to consider?

4 MR. SMITH: Shawn said we had 489, is
5 that it?

6 MR. DINKGRAVE: Yes.

7 MR. MacINNES: And remember, we're half
8 funding some things we're expecting to fund later.

9 MR. SMITH: Right.

10 MR. ISELY: Well, and to that end,
11 there's -- to that end, there's what, 90 and 36, so
12 there's about 96,000 to 100,000 in spending that we would
13 expect yet to come on what we just funded, and that still
14 leaves --

15 MR. SMITH: Just about right.

16 MR. MacINNES: I think you did a good job
17 kicking us off that way. Way to go.

18 MR. SMITH: Thanks.

19 MR. MacINNES: I like that.

20 MR. SMITH: So if all goes well, we'll
21 have enough money to finish out the things that we've
22 started here and have enough money to engage in the
23 recon.

24 MR. MacINNES: Okay. Is there any other
25 funding that we want to consider at this time?

1 Can we move on to the other business?

2 MR. DINKGRAVE: Sure.

3 MR. MacINNES: And maybe we don't finish
4 the other business right now. But as you know, the board
5 is not, has not been compensated for many years, and
6 there's a lot of work that goes into this, as you can
7 see; preparation, meeting, attending the meetings,
8 driving here, all that. And I don't know, I was just
9 thinking, especially after having talked with some of the
10 legislators and others, that we maybe we ought to
11 consider some remuneration for the board's work to help,
12 oh, I don't know, just respect what the board does. I
13 think that it's worthwhile and would be money well spent.

14 The initial setup was that, as shown in
15 Act 304, was \$100 a meeting, with a cap of 1,000 per
16 board member, but that could be adjusted by cost of
17 living, because I think that was establish in the 1981,
18 and we know the cost of living has gone up since then.
19 So I was thinking that we might want to do that. We do
20 have seven meetings, so whatever we did would be five
21 times seven, you know, for, you'd have to add that up,
22 what the impact would be. Anyway, that's -- I just
23 wanted to throw that out there and get people thinking
24 about it.

25 MR. SMITH: So when I was on the county
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1 board of commissioners, we grappled with this stuff all
2 the time, and we provide per diems for a wide array of
3 boards, committees, and commissions. We, our policy is
4 to allow any of the -- it's your right to get that per
5 diem, but all of the members are also able to opt out of
6 receiving that per diem; you just don't know if someone's
7 economic circumstances are different. Jim, I drive an
8 hour, you drive three, you know, like it's -- for you,
9 you're giving up a whole day, I don't know if you
10 typically have work in Lansing, but I typically do, so
11 when I'm coming up here, I can make it work more. So
12 just, it's just different for different board members.
13 So my personal preference would be for us to adopt the
14 remuneration, but then allow board members at their
15 discretion to opt out of it.

16 MR. MacINNES: Okay. Which I think
17 people have been opting out for five years. Some of us
18 even opted out of the mileage for five years because we
19 couldn't figure out how to log in.

20 MR. SMITH: Exactly. That's exactly
21 right.

22 MS. BABCOCK: Be careful what you pray
23 for.

24 MR. MacINNES: I think that's a good
25 comment. Any other comments on this?

1 MR. DINKGRAVE: I've always done this for
2 the money, so this would be --

3 MR. MacINNES: I know.

4 MR. DINKGRAVE: You know, being an
5 employee of a nonprofit organization, a grant-seeking
6 organization that's been very supportive of my
7 involvement here, I would probably just turn it back
8 around as a donation, so I'm fine.

9 MR. MacINNES: Okay.

10 MR. ISELY: I mean, you know, it doesn't
11 affect me one way or the other.

12 MR. MacINNES: Well, it probably doesn't
13 affect any of us one way or the other, but it still would
14 be good to get any thoughts.

15 MR. ISELY: But I think that the
16 precedent is there, and it may become important to boards
17 in the future, so we don't want to lose that precedent.

18 MR. MacINNES: So do you have any idea,
19 any thoughts on what's an appropriate amount, any of the
20 board members.

21 MR. SMITH: So again, at the county, the
22 way we set the board of commissioners' salary was
23 one-half of the lowest full-paid, full-time person, you
24 know, sort of like pegged it so that we were in that fair
25 space; for us that worked out to something along the

1 lines of \$16 an hour. So, I know, tragic, right. But
2 again, that's one-half, right. So someone -- no, no, \$8
3 an hour. Sorry. Did I do that right? And I can't do
4 math, I'm not the economist. Paul, it was the lowest
5 paid person makes \$32,000 a year.

6 MR. ISELY: So about 16.

7 MR. SMITH: 16, okay.

8 MR. ISELY: Because you multiply it by
9 about 2,000.

10 MR. SMITH: So we would make half, eight.
11 Gotcha. I don't know if that's helpful at all, but that
12 was one of our rationales.

13 MR. ISELY: My average for one of these
14 meetings is ten hours.

15 MR. MacINNES: Oh, yeah, yeah, probably.
16 It adds up. Well, we don't have to decide now, we can,
17 you know, we can finish this discussion at the next, but
18 I do think that compensation is appropriate for the work
19 that goes into this, because it's a lot of work.

20 MR. SMITH: Could we punt this to Lisa
21 and ask her to bring back a policy proposal at our next
22 meeting?

23 MR. MacINNES: Yeah, brilliant.

24 MS. BABCOCK: Sure.

25 MR. DINKGRAVE: If you have any

1 comparison to other boards that have a similar workload,
2 that would be worthwhile guidance I think.

3 MR. MacINNES: Yeah, that's a good idea.
4 Okay. Good discussion.

5 We do have, let's see, reports, grantees.
6 I don't know, do we have any grantee reports that we
7 really need to get on the table at this --

8 MR. DINKGRAVE: Within the last three
9 weeks.

10 MR. MacINNES: Do we have any public
11 comment?

12 MR. SMITH: John had a report.

13 MR. LISKEY: No, I'm going to hand these
14 out.

15 MR. MacINNES: Oh, okay. Well, that will
16 be good.

17 Public comment? None.

18 Okay. Next meeting is October 3.

19 And do we have a motion to adjourn?

20 MR. DINKGRAVE: So moved.

21 MR. SMITH: Support.

22 MR. MacINNES: We're adjourned. Thank
23 you.

24 (At 4:25 p.m., the meeting concluded.)

25 - - -

1 STATE OF MICHIGAN)
)
 2 COUNTY OF MACOMB)

3 I, Lori Anne Penn, certify that this
 4 transcript consisting of 154 pages is a complete, true,
 5 and correct record of the proceedings held on Monday,
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7 I further certify that I am not
 8 responsible for any copies of this transcript not made
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 10 signature.

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

15
 16
 17 September 6, 2016
 18 Date

Lori Anne Penn

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