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STATE OF MICHIGAN
UTILITY CONSUMER PARTICIPATION BOARD

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MEETING OF TUESDAY, JUNE 7, 2016

12:40 P.M.

611 West Ottawa, 4th Floor
Lansing, Michigan

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- PRESENT: Jim MacInnes, Chair
 Conan Smith, Board Member
 Ryan Dinkgrave, Board Member
 Susan Licata Haroutunian, Board Member
 Christopher Bzdok, Michigan Environmental
 Council (MEC)
 Don Keskey, Great Lakes Renewable Energy
 Association (GLREA)
 John Liskey, Citizens Against Rate Excess
 (CARE)
 Douglas Jester, (CARE)
 Shawn Worden, LARA
 Jim Wilson, LARA
 Michael Moody, Department of Attorney General
 Dave Forsberg, Upper Peninsula Power Company
 (UPPCO)
 Sherri Wellman, Miller Canfield Paddock & Stone
 Lisa Babcock, Member of the Public
 Jim Ault, Michigan Electric & Gas Association

- - -

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

1 MR. WILSON: Jim Wilson, LARA.

2 MR. FORSBERG: Dave Forsberg with Upper
3 Peninsula Power Company.

4 MS. WORDEN: Shawn Worden, LARA.

5 MS. BABCOCK: Lisa Babcock, public.

6 MS. WELLMAN: Sherri Wellman, Miller
7 Canfield.

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

10 MR. MacINNES: Okay. Well, welcome,
11 everyone.

12 The first item would be the approval of
13 the consent agenda. Do we have a motion to approve?

14 MR. DINKGRAVE: So moved.

15 MS. HAROUTUNIAN: Second.

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

18 BOARD MEMBERS: Aye.

19 MR. MacINNES: Opposed, same sign.

20 Moving right into the business items, I'd
21 like to start with the budget update. Is that something,
22 Shawn, you can handle for us here?

23 MS. WORDEN: Yeah. Everybody, we had a
24 packet that was over here, on the second page is the
25 budget.

1 MR. MacINNES: Let the record show that
2 Conan Smith just showed up here.

3 MR. SMITH: Sorry I'm behind.

4 MR. MacINNES: So we have four board
5 members.

6 MS. WORDEN: This just lists the AY14 and
7 15 grants that have been closed out and the funds were
8 unencumbered from that AY and they're available for FY16
9 grants. So AY16, you've already granted out 511,000.
10 Your available revenue, available FY16 revenue was 486,
11 so the difference is this negative 24 that's on here.
12 The funds that were unencumbered is 80,000, so that
13 leaves you with the 55,000 left for grants for FY16.

14 MR. MacINNES: For the remainder of the
15 year?

16 MS. WORDEN: Yep.

17 MR. MacINNES: That's great. Well, thank
18 you for helping us get a better handle on that.

19 MS. WORDEN: And there's another thing I
20 want to add in here for the next time and maybe it will
21 be even more clear cut. But if anybody has any
22 questions.

23 MR. MacINNES: I think we've got everyone
24 is closing out their grants and unused funds now, and
25 that's helping --

1 MS. WORDEN: Yeah, that does help.

2 MR. MacINNES: -- to clear the debts.

3 And our banker here, we're still paying him, we're
4 sticking with our four-year repayment schedule, 70,000,
5 so we're not spending that 70, and that goes back to the
6 AG.

7 MS. WORDEN: Correct, correct. Did you
8 have any questions regarding the admin piece of it that
9 your e-mail was?

10 MR. MacINNES: I think I'm good now. I
11 might have some questions later that, you know, we can
12 talk about.

13 MS. WORDEN: Okay. Then I'm done.

14 MR. MacINNES: Thank you. Is there any
15 discussion amongst the board members? Any questions,
16 discussion? Nope.

17 MS. WORDEN: Thanks.

18 MR. MacINNES: So we have \$55,000,
19 recognizing that, I guess just for everyone's sake, that
20 to the extent we spend it now, we don't have it later, so
21 priorities are important, so from a grantee standpoint.
22 But we also have made good use of the funds. If you've
23 looked at some of our history, we've had 500 to 1, 5,000
24 to 1, we've had very good success, along with the AG's
25 office, in getting an ROI on the money spent, so we know

1 that most of it's -- it's not all of it returns, but most
2 of it does, much of it does anyway.

3 Okay. Well, let's go ahead and get into
4 the next business item, MEC Amendment Request No. 4.

5 MR. BZDOK: Thank you, Mr. Chairman,
6 members of the board. Christopher Bzdok on behalf of the
7 Michigan Environmental Council.

8 We have two items for you, before you in
9 our grant amendment request; one was the item we
10 submitted originally, and then we submitted also a
11 supplement request last week that was -- we had meant to
12 include in here, but neglected to do so.

13 The main request relates to the Consumers
14 Energy rate case. You will recall that you gave us a
15 starter budget to begin that rate case and come back to
16 you with a more detailed report, which we have now done
17 in the memo that was attached to our submission today
18 regarding basically what we see as the main Act
19 304-related issues based upon some initial rounds of
20 discovery and a little bit of motion practice.

21 The main issues that we see are that --
22 for your attention are the investment recovery mechanism,
23 and specifically a category of issues related to that
24 which has to do with some net present value economic
25 analyses that Consumers ran of some of its fossil

1 generating units projecting forward. So the Company is
2 requesting preapproval of costs related to these units
3 through 2019. They have indicated in discovery that they
4 have these economic analyses of the operation of these
5 units. Some aspects of those analyses are going to deal
6 with capital, but they've also said they've run some
7 different scenarios which are going to deal with PSCR
8 issues; so what are the natural gas price forecasts, what
9 are the market energy price forecasts, what are their
10 projected capacity-related revenues, what are the costs
11 of dispatch, the generation from these units. We're
12 seeking a portion of the additional funds for an
13 evaluation by experts that which we have listed of those
14 issues.

15 We also have line losses again in the
16 Consumers rate case. You'll recall that in the last rate
17 case we talked about line losses are set, a line loss
18 factor is set in the rate case and then added to the PSCR
19 as an adder essentially to the PSCR factor. Consumers
20 has taken some positive steps in the sense that they have
21 identified as part of their distribution capital spending
22 a number of programs that could have the potential to
23 improve line losses; however, they have made no downward
24 adjustment of their line loss factor based upon those
25 programs, and in fact they're projecting an increase in

1 line losses over time due to other factors in spite of
2 those programs. So that's another issue that we're
3 interested in.

4 They also are seeking to increase their
5 PSCR base, so in other words, the base amount of PSCR
6 factor expense that's built into every rate case that the
7 PSCR factor in the plan cases is an addition or
8 subtraction from. We don't have, you know, specific
9 evidence that this -- we know that they've done that and
10 we've obtained the monthly data necessary to start
11 evaluating that; we don't know if that increase is
12 something that can be questioned or it can't. We know
13 that it raised a red flag because in the current plan
14 year Consumers has requested a negative PSCR factor, so
15 their PSCR factor off their existing base is lower, and
16 yet they want to raise the base because there's an
17 expectation that the PSCR costs are going to increase
18 enough that they're going to take up not only, you know,
19 the negative to their existing base, but then they're
20 going to need to set a higher base. So somewhere PSCR
21 costs they're projecting are going to increase
22 significantly. We have the data now and we need to just
23 keep mining, you know, drilling down on that to figure
24 out what's going on there.

25 And then cost allocation that we've

1 talked about, you know, ad infinitum.

2 So we're seeking \$20,200, which is 10,000
3 legal, 10,000 for experts. We've outlined who those
4 experts are; it's Douglas Jester on the line losses, Dave
5 Markus, someone we've worked with before on these NPV
6 analyses, and then Sansoucy, who is someone we've worked
7 with before on the PSCR base factor. So that's our plan
8 on that.

9 And then in the DTE PSCR plan case, the
10 currently pending one, 17920, we have simply requested a
11 transfer of existing expert funds to legal of \$3,000 to
12 support the briefing in that case. We filed our initial
13 brief yesterday, it was 65 pages, and it's just -- it's
14 been a very -- you know, that's that NEXUS pipeline
15 issue. I have a detailed update to give you on that
16 today because I know you have a short meeting, but, you
17 know, that's just -- so that's what we're asking for.
18 That's a no additional funds request, but it's needed by
19 us to support the continued briefing.

20 MR. MacINNES: Maybe we can cover that
21 with the -- under the updates.

22 MR. BZDOK: Sure, happy to do so.

23 MR. MacINNES: Let's separate the
24 business items from the updates.

25 MR. BZDOK: And I'm happy to just give

1 you materials today as well, knowing you have a short
2 meeting.

3 MR. MacINNES: We'll see how it goes
4 here.

5 MR. BZDOK: So those are our requests.
6 I'm happy to take questions.

7 MR. MacINNES: Does the board have any
8 questions?

9 MS. HAROUTUNIAN: No.

10 MR. MacINNES: On this line loss -- or
11 the cost allocation, excuse me, is this the second or
12 third time that Consumers is requesting to shift the cost
13 to residential ratepayers?

14 MR. BZDOK: It's the second time that
15 Consumers is. So in the cost, the original cost-of-
16 service case, Consumers made that request, and that was
17 supported by ABATE and that was supported by Hemlock
18 Semiconductor. In Consumers' last rate case, Hemlock
19 Semiconductor continued to seek the change to 100/0/0,
20 and now in this rate case Consumers is again seeking to
21 change to 100/0/0, DTE, it was DTE's original
22 cost-of-service case, and DTE in its last rate case and
23 DTE's case again. So it's come up in all four of those
24 rate cases, but Consumers is really -- in the last
25 Consumers rate case, it was Hemlock was the one who was

1 bringing it up.

2 MR. MacINNES: So we've spent 250,000
3 initially, and one of the reasons we're in debt to our
4 banker here, the AG's office, to work on these cases,
5 right, initially, and we continue to have to expend
6 money. We have a limited budget to represent residential
7 ratepayers, and we have to continue to spend money over
8 and over on the same cases. Is that right? Seems like
9 it gets expensive.

10 MR. KESKEY: The allocation issue came up
11 in a prior Consumers rate case before the legislation
12 that created the special cases, and that was U-17087.
13 And the memo I gave you today indicates that we, on
14 behalf of MCAAA, in that case strongly opposed to the
15 shift to residential, the change of the methodology, and
16 that case ended in a rate settlement in which the
17 Company, who was requesting that change, with ABATE's
18 support, it did not change, agreed not to change the
19 formulas. But then after that case, the legislature
20 passed those special Acts to require the cases which then
21 Mr. Bzdok's clients worked on with the grant I think last
22 year or the year before.

23 So I think Consumers continually comes up
24 with proposals in cases, and you really have to address
25 them in each case, otherwise if you -- if someone is not

1 opposing it, it's going to go through.

2 MR. MacINNES: Right. Which means we
3 have to spend more and more money on the same issue time
4 after time after time.

5 MR. SMITH: I just wanted to clarify
6 here. Am I sensing from you like a frustration with the
7 regulatory process or a concern about how we engage in
8 that process?

9 MR. MacINNES: Well, I think I'm just
10 making sure everyone understands that this is -- this
11 issue has been before the ALJs, several of them, we
12 received a favorable PFD, and we're still having to spend
13 money on these things over and over and over in a
14 situation where we have restricted funds to intervene on
15 behalf of residential ratepayers, just so everyone
16 understands that.

17 MR. SMITH: It's like a football season.

18 MR. MacINNES: It's just we have limited
19 money and we're having to spend it on the same issues
20 over and over in some cases, so, which is not helpful.

21 MR. SMITH: Right. I'm curious from the
22 AG's office, from the grantees, like since a number of
23 these -- I know every case is different, right, but then
24 a lot of them are the same in many ways. Is there any
25 more efficient way for us to engage collectively on those

1 cases where we see repetitive issues?

2 MR. BZDOK: So I can take the first crack
3 at that maybe. Two things that I -- so I share the
4 board's, everything that you've indicated about the
5 board's concern, about issues arising repeatedly is
6 legit, and I concur with all of that.

7 Two things that I would note are that we
8 are, partly because of the board's investment in this
9 issue in the past, you know, we are largely in many ways
10 standing on the shoulders of work that's been done in
11 terms of the size of the request. So this is an
12 incremental additional amount, but it does not compare
13 with the size of the original -- you know, the board went
14 kind of all in on this, rightly so, and I think the
15 results were significant, and so we're not reinventing
16 the wheel, we're not starting over, so this is an
17 incrementally -- you know, it's real money, but it's
18 incrementally relatively small compared to what's been
19 done before.

20 And then the other thing I would point
21 out, and we've indicated in our documents here, is we are
22 looking at perhaps, rather than continually playing
23 whack-a-mole on this issue, maybe throwing out there a
24 proposal that -- of our own allocation scheme, which
25 would be 100/0/0 is based upon contribution of peak

1 demand, so maybe we give you that for the peakers, the
2 peaking units, which are the cheaper ones to build and
3 the more expensive ones to operate, but maybe you ought
4 to go back to 50/25/25 on the base load units, because
5 those are the ones that are capital intensive and
6 fixed-cost intensive in order to provide cheap energy,
7 and who needs the cheap energy 24/7/365? I'm not saying
8 the Commission will adopt that or won't adopt that, but
9 maybe to put something new into the mix rather than just
10 continuing to play to try to fend off.

11 So those are just two -- those are two
12 comments that attempt to be responsive with the concerns
13 the board's expressing, not a refutation of those
14 concerns, we completely agree. So we are going to try
15 something a little different this time, if the board
16 supports us. And we're proposing to do it in both cases;
17 you've already funded DTE.

18 MR. MOODY: Our perspective, he's gone
19 farther than we have in developing some better ideas to
20 put out there, but we've been essentially just standing
21 on what we did before, recognizing that we can't, you
22 know, can't fund this constantly, and it could wear us
23 down. Obviously, we don't have the funding and the
24 resources, so we bring it up and say, hey, this was
25 already litigated, you've already seen our argument kind

1 of thing, and use our same expert to do similar to what
2 it looks like you guys are doing maybe. You're going a
3 little further, which is better. You know, just we
4 haven't been able to, you know -- lack of money and
5 resources.

6 MR. MacINNES: Well, once you get a
7 decision, you'd think that's like here's a decision.

8 MR. MOODY: That's right. And they do it
9 to us. So I mean, you know, it's true, we kind of -- we
10 try to do the same thing, saying, hey, this has already
11 been decided, and then they do it to us a lot of times on
12 issues that we repetitively bring up.

13 MS. HAROUTUNIAN: Can I ask a question?

14 MR. MacINNES: Sure.

15 MS. HAROUTUNIAN: Is dealing with this
16 preventing other problems from coming up, or is dealing
17 with this preventing us from dealing with other problems
18 that should be dealt with? Is it we're spending time
19 over here and we should be over here, or we're spending
20 time here and money and it's preventing other things from
21 coming up?

22 MR. DINKGRAVE: Could be both.

23 MR. MacINNES: Opportunity costs.

24 MS. HAROUTUNIAN: And that kind of --
25 yeah. And that kind of helps determine what we do.

1 MR. BZDOK: I think that -- I think in a
2 general sense, that can be true as a -- I think as a
3 general sense, in a general sense, that can be true. I
4 think that with what we've proposed here, with what
5 you've done on DTE, with other resources that have been
6 cobbled together, and with some strategic choices that
7 have been made, particularly in DTE where we're spending
8 less overall and covering less issues overall, we feel
9 like we have -- with this request, we're going to have
10 reasonable funds, we may need to come back in fiscal '17
11 for a little bit of carryover, because both of these
12 cases are going to stretch, you know, into '17, we think
13 there's enough there to adequately cover the majority of
14 the issues that need to be covered.

15 One place that we're not spending
16 significant resources this time around on the DTE side
17 relates to the costs of the pollution control sorbents,
18 which is an issue you funded in the past, and we're
19 just -- that was an example where, you know, we like to
20 be in that issue, we're not -- we weren't sure there was
21 value in return given the scarcity of resources. So that
22 would be a specific example where we are more or less,
23 you know, sitting that out this time, and so everybody
24 will be sitting that out this time to try to cover some
25 of these other issues. This cost allocation issue again

1 is -- I don't remember if I had the numbers in the memo,
2 but it's a \$30 million shift or something. So obviously
3 as a pure ratepayer, you know, that rises to the top.

4 So I think you are, you're correct, your
5 instincts are right. At a practical level, we still feel
6 like we can spread around on a lot of issues.

7 MS. HAROUTUNIAN: Okay.

8 MR. MOODY: I think you're right, it's
9 just that it's one of those huge issues you can't ignore,
10 so it's dangerous to, you know -- you got to still say
11 something.

12 MS. HAROUTUNIAN: Yeah.

13 MR. MacINNES: Okay. So we have our
14 request here. How would the board like to proceed,
15 should we hear the other requests from CARE and then
16 decide, or should we go ahead with the MEC issue? How
17 would you like to --

18 MR. SMITH: I'd like to wait for both of
19 them.

20 MR. MacINNES: Okay. Okay. Thanks,
21 Chris.

22 MR. BZDOK: Thank you.

23 MR. MacINNES: Okay. CARE.

24 MR. LISKEY: Thank you, Mr. Chairman.
25 We've got two requests before you, one is a followup from
Metro Court Reporters, Inc. 248.426.9530

1 our request from the last meeting where we initially had
2 requested \$50,000 for four reconciliation cases that were
3 part of Grant 16-01, UPPCo, WEPCo, WPS, and Northern
4 States Power. At the last meeting you granted a partial
5 grant of \$20,000, indicating you'd consider the balance
6 at this meeting, and so that's why we bring it back to
7 the table. The second request we have is to add Chris
8 Bzdok's law firm as an authorized firm to work on CARE
9 cases, and that's Olson, Bzdok & Howard.

10 I'm going to let Douglas kind of briefly
11 go over the issues in the reconciliation cases, if you'd
12 like, and not sure how deep you want to go. But take it
13 away.

14 MR. JESTER: So the four cases without
15 numbers are 2015 reconciliation cases for Northern States
16 Power, Wisconsin Public Service, UPPCo, and WEPCo. At
17 this point, while we will give some attention to Northern
18 States Power and Wisconsin Public Service, we're likely
19 to focus principally on UPPCo and WEPCo because of the
20 issues that we are concerned about in both cases.

21 As you are all aware, there have been,
22 you know, a series of issues in the Upper Peninsula
23 resulting in increases in the allocation of system
24 support resource payments to these Michigan utilities,
25 and that's playing through in these cases, so that's one

1 area that we'll be looking at. It is also the case for
2 both of these utilities that they have rather large
3 shares of their sales going to interruptible industrial
4 customers, and we've talked previously about issues
5 related to the appropriateness and fairness of the cost
6 allocation that results from that. And while those are
7 matters largely for general rate cases, there are
8 elements of those issues in these cases. And then
9 finally, we'll talk more about UPPCo further down in the
10 agenda, but in the general rate case, in the PSCR case
11 that we are currently in, there are a number of issues
12 relating to the costs of their power supply and the
13 allocation of those costs to various customer classes,
14 but particularly one class called the RTMP where the
15 customers pay the MISO realtime price for power and are
16 not allocated shares of the embedded cost of the utility
17 to any significant degree, there's a small charge there.
18 And so working through the net effect of all of that is
19 going to be a principal activity in this case. So that's
20 a quick overview, but we're early.

21 MR. MacINNES: Does the board have any
22 questions?

23 One of the questions I have is, I
24 attended a MISO session at an ABATE meeting, I think it
25 was last year, and the representative from MISO said a

1 lot of the interruptible customers are not being
2 interrupted. And is that one of the issues you're
3 dealing with?

4 MR. JESTER: It is.

5 MR. MacINNES: And that those costs then
6 get transferred to others who are paying for the full
7 service.

8 MR. JESTER: Yes.

9 MR. MacINNES: Do you see that, Mike?

10 MR. MOODY: Actually, I think I learned
11 that from John, from Doug, but I did hear that.

12 MR. MacINNES: Well, I heard from a V.P.
13 of MISO at an ABATE meeting I attended, and I thought,
14 wow, that's kind of interesting.

15 MR. MOODY: Yeah. So I didn't know about
16 that until I had learned and did a little research.

17 MR. JESTER: There are two ways that that
18 occurs, and they're both relevant to these cases. One is
19 that there are customers who are interruptible on an
20 emergency basis, essentially counted toward the reserve
21 requirement of the utility, and you would expect them to
22 be interrupted only on the scale of one ever -- once
23 every ten years, because that's the reliability standard.
24 There are others that are interruptible on an economic
25 basis, meaning when locational marginal prices are high,

1 and it's typical that they have a buy-through option
2 where they can say we want to operate anyway and consume
3 power anyway, but we'll pay the extra cost. Both of
4 those obtain in these cases, and there are questions to
5 be explored about whether the pass-through rates are
6 appropriate and things like that.

7 MR. MacINNES: That makes sense, though,
8 to have that. So you all are aware that the board funds
9 only Act 304 issues?

10 MR. JESTER: Very.

11 MR. MacINNES: Right? Now, all our board
12 members are aware of that. But that doesn't preclude you
13 from intervening in other issues with other funds, right?

14 MR. JESTER: Correct.

15 MR. MacINNES: Is that right, Mike?

16 MR. MOODY: That's correct. I know we
17 talked about this before. And you can go back to the,
18 look at statute, and alone it doesn't suggest that, and
19 then you look at the Attorney General's 1996 opinion that
20 was written by Frank Kelly back in 1996 talking about
21 that if a PSCR GCR issue is in another case, that you can
22 then use funding to enter into that case and work on
23 those issues, and the issues that you had sent to me by
24 e-mail, I don't think I responded appropriately back to
25 you on that, but I did look at those UPPCo ones, and

1 those were ones that we would consider to be PSCR GCR
2 type issues, at least the ones that you had detailed, I
3 can't remember, but there really were about four or so
4 that seemed to touch upon the issues that we would
5 consider, you know, PSCR GCR. That's not an official AG
6 opinion on that point, but, you know, I don't want to --

7 MR. MacINNES: So we've had a, kind of a
8 list that we put together last year of things, issues in
9 rate cases, historically rate cases, so to speak, under
10 the big general, big R, we have not been allowed to
11 intervene in other than for PSCR-related issues. Right.
12 So but these, we identified these issues that are PSCR-
13 related in the rate cases, and those are the things that
14 we're funding. Now, to the extent there's other funds to
15 cover other issues once we're in the case --

16 MR. MOODY: That's how we do our cases at
17 the Attorney General's office.

18 MR. MacINNES: But I think under some of
19 the new legislation that's being considered, that we're
20 going to have to be a little more specific on how that
21 happens, and I'm sure you've read the S-3 and Senate Bill
22 437 and all that, which I sent to all of you. And who
23 knows, we're on version five or six now, so who knows how
24 it's all going to play out. But I think, you know, we've
25 had some good discussions with UPPCo and with Senator

1 Nofs' office about clarifying some of these things, I
2 think they were productive discussions, good ideas,
3 things that we're going to do going forward here, so but
4 I just want to make sure that that was clear with
5 everyone.

6 MR. MOODY: And I was impressed -- I know
7 Chris just mentioned it, too, and I didn't think about
8 it -- but the use of discovery to learn more so that, you
9 know, you really do dig into the issues, I'm sure you
10 guys are both doing that, to learn more about the PSCR,
11 you know, GCR, whatever issues that are in the case.
12 That's a great way of kind of cementing it in. I know
13 they have to bring it to you kind of cold, because all
14 you do is get the application, and at that point, you'll
15 have time to do that, but as you learn more, it's great
16 to lock it through that method.

17 MR. MacINNES: Well, and that's one of
18 the challenges with the way this whole system is
19 designed, not only are our funds limited, but the timing
20 is difficult; sometimes we have to fund early on, say,
21 okay, well, here's an Act 304 issue, let's get in the
22 case and then see what happens. And then we've over the
23 years changed our format so that we incrementally fund;
24 it's like, okay, here's a little money, see how that
25 works, see what's in there, and as you get into the case

1 you can identify some other -- you know, we can go deeper
2 into Act 304 issues, and if there are other issues that
3 are appropriate to get into and there's other funding,
4 then that's fair game, too.

5 MR. MOODY: Yeah, that's a good way.

6 MR. LISKEY: I would only add that in
7 CARE's case, we don't have additional funding, but we
8 have the pro bono work of both Douglas and Don Erickson.

9 MR. MacINNES: Well, that has value, I
10 would assume.

11 MR. LISKEY: Yep, sure does.

12 MR. MacINNES: That's like --

13 MR. MOODY: And Don was our former
14 attorney, so --

15 MR. MacINNES: I don't know how many of
16 us work for free. Well, we work for free, but I don't
17 know how many of you guys work for free.

18 Okay. Is there anything else on that, on
19 your request, John?

20 MR. LISKEY: No.

21 MR. MacINNES: Is there any further --
22 yes, Dave.

23 MR. FORSBERG: I just have a question in
24 regards to the item about requests for the balance of the
25 April meeting, the language you've got on the amendment

1 here. So when I look at the four cases, how much is --
2 just trying to understand how you folks graph things
3 out -- how much have you allocated so far for these four
4 cases, and what's the ceiling of how much could
5 potentially be allocated today in terms of new money for
6 these cases?

7 MR. MacINNES: Well, I guess I don't know
8 exactly how much we've allocated, but we don't really put
9 a ceiling on cases. I mean we, you know, we take each,
10 we take it -- just like, just as we were talking here, we
11 start funding -- I mean we have an idea of what we think
12 we might put into a case, we start funding, we'll put a
13 little bit in and see what's there, then we'll put a
14 little bit more in, and we might shut it off, and that's
15 why we get -- we got this extra money, we got \$80,000
16 that was unencumbered from previous cases because we
17 didn't spend it. And then in other situations we may end
18 up spending more, like I think on those cost-of-service
19 cases we spent a lot of money. So that's how I view it.
20 I don't know --

21 MR. MOODY: In the past it was done
22 different ways, and you guys, it sounds like the way
23 you're doing it is an, seems like an efficient way of
24 doling out a limited amount of money. Sometimes they'll
25 give a here's a set amount, you do the case, but then

1 they have to come back anyway, and so you guys have taken
2 the approach of here's a little bit, tell us what's
3 there, come back. Seems like it's an efficient, you
4 know, use of ratepayer money to make sure you don't just
5 here's \$100,000 and come back again, you know what I
6 mean.

7 MR. MacINNES: Yeah. Which is the way it
8 used to be. I mean in the old days it used to be --
9 well, you guys know -- here's the case, well, here's
10 \$100,000. Well, we haven't done that for years.

11 MR. DINKGRAVE: It allows us to be
12 flexible and reactive to things happening.

13 MR. MacINNES: Yeah, that's right. And
14 the other thing is, it is in the law that we are, it's
15 our responsibility to make sure we represent all
16 ratepayers throughout the State, and there hasn't been
17 much activity in some of the, you know, geographic, other
18 geographic areas, such as the Upper Peninsula. So as I
19 understand it, the AG's office has not intervened in an
20 UPPCo rate case for 39 years.

21 MR. MOODY: Yeah, maybe. When was the
22 last one, trying to think.

23 MR. MacINNES: Is that the number that
24 I've heard?

25 MR. MOODY: I know I did one with Sherri
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1 a long time ago. No, maybe that was --

2 MS. WELLMAN: That was an UPPCo.

3 MR. MacINNES: Was that a rate case?

4 MS. WELLMAN: Yes.

5 MR. MOODY: Yeah, it was.

6 MR. MacINNES: And how many years ago was
7 that?

8 MS. WELLMAN: I would say it was only
9 probably about seven, eight years ago.

10 MR. MOODY: Yeah.

11 MR. MacINNES: So that's one. Are there
12 any others?

13 MR. MOODY: You know, we try to
14 coordinate --

15 MR. MacINNES: No, I know, I know you do.

16 MR. MOODY: -- and so that's part of the
17 issue is that, well, we've got limited funds, you guys do
18 a great job, we try not to overlap.

19 MR. MacINNES: Well, and that's the way
20 we are, we try to -- you know, I mean we put most of the
21 resources, if you look at our budget historically, most
22 of the resources go into the big utilities because that's
23 where the big customer base and -- but it's also, as John
24 has pointed out, for many years I will say, that we need
25 to keep other areas in mind. We know that -- I spoke

1 with Senator Tom Casperson about this recently, and I
2 know he's receiving letters and is quite concerned,
3 letters from his constituents in the U.P., and he is
4 concerned about, you know, the high cost of electricity in
5 the U.P., and it is the highest cost in the state, I
6 believe, and so the fact that we are, you know, looking
7 there is, I think it makes sense from a customer/
8 ratepayer standpoint. And exactly how much, you know, I
9 guess we'll have to see.

10 One of the things I do like to do is I
11 like to talk to our grantees and say, okay, we've got a
12 certain amount of money here, folks, how do you -- you
13 know, recognizing that when it's spent, it's spent, and
14 we're looking for results, which all of you know that,
15 and we've generated some results, which we've shared with
16 the senate, a number of senators, the Governor's office,
17 and I think the results speak for themselves, they're
18 pretty good. And that's what our board's job is, is to
19 make a judgment. We're not perfect, we're human, and
20 we're going to make judgments, we're going to make
21 mistakes, but we do the best we can to represent all the
22 ratepayers that we can and, you know, invest the money,
23 which, by the way, it costs ratepayers, residential
24 ratepayers about one cent a month, just in case -- I
25 don't know if I mentioned that to some of you -- it costs

1 one cent a month to fund our activities, so it's not a
2 huge amount. And I've tried to, you know, ask for two or
3 three cents a month, and I've gotten about one and a
4 quarter cents a month back. But so we don't -- it's not
5 like we're wasting a lot of ratepayer money; and I think
6 if you look at the history, we have had a good track
7 record.

8 So I guess there's not a specific dollar
9 amount that we, hard dollar amount.

10 MR. FORSBERG: I guess I was just, you
11 know, looking at the language here where it says you're
12 requesting the \$30,000 balance out of the \$50,000 that
13 was requested at the April meeting, so you're essentially
14 asking for another \$20,000? I'm just trying to
15 understand.

16 MR. LISKEY: No. Asking for 30.

17 MR. FORSBERG: Out of the original
18 request of 50?

19 MR. LISKEY: Correct.

20 MR. FORSBERG: That's what I was trying
21 to get at, yeah. No, that's all, I was looking for a
22 clarification.

23 By the way, we, too, have spoken with
24 Senator Casperson about the rate structure in the U.P.,
25 the uniqueness of U.P. in terms of the challenges that

1 are up there compared to other utilities, and so it's
2 good that there's dialogue taking place with Senator
3 Casperson.

4 MR. MacINNES: Uh-huh.

5 MR. FORSBERG: Thanks.

6 MR. MacINNES: I think that's what it's
7 all about, you know, it's a give and take, and that's
8 what we do. We try represent residential -- that's our
9 job; you represent UPPCo, we represent residential
10 ratepayers, and then we try to do -- work out what
11 makes -- you know, the ALJs, they're the ones that make,
12 in the MPSC, they make the decision based on information
13 that we can help provide. That's how it works.

14 Okay. Is there any board discussion on
15 this, these requests?

16 Okay. Well, let's go ahead and --

17 MR. SMITH: Not on these requests, but I
18 do have -- I am kind of curious, from grantees, AG's
19 office, what things you see coming down the pipeline over
20 the balance of our funding period, given that we're --

21 MR. MacINNES: That was my next question.
22 You're ahead of me.

23 MR. SMITH: I mean if it's nothing,
24 great, we'll take care of these grants and be done,
25 right.

1 MR. MOODY: The main rate cases have
2 already been filed. I'm trying to think. Yeah, we've
3 got the DTE, Consumers.

4 MR. MacINNES: Because this would leave
5 us, if we fund these, this would leave us with \$5,000.

6 MR. MOODY: Seems by the time someone
7 files something, that you'll be in the next fiscal year
8 before it really starts taking off.

9 MR. MacINNES: Unless we can get a loan,
10 right.

11 MR. MOODY: Right. I'm just looking at
12 the timing of it. If something happens over the summer,
13 it takes 30 to 60 days to get to a hearing, notice of
14 hearing, set a schedule, and then you'll be in a new
15 fiscal year starting October 1. But that's doesn't
16 really answer your question, just tells you you might be
17 able to address something new.

18 MR. BZDOK: Speaking on behalf of MEC,
19 obviously we track Consumers and DTE most closely, we are
20 not aware of any other new Act 304-eligible, you know,
21 either PSCR-related cases or cases with Act 304 issues
22 that we are anticipating through the rest of this fiscal
23 year. There is the ghost of a rumor, the phantom of a
24 shadow of a rumor that DTE may be filing an IRP case in
25 the fall, but --

1 MR. SMITH: What's that?

2 MR. BZDOK: Integrated resource plan
3 case. But we have not sought board funds for IRP cases
4 in the past because of scoping issues, and we don't even
5 know that that's going to even graduate to an actual
6 rumor or not, or if so, whether that would land prior or
7 after October 1 anyway.

8 MR. MacINNES: Well, and I don't believe
9 we're allowed to intervene in IRP cases under the current
10 reading. Under the new law, we would be.

11 MR. BZDOK: It's specifically included in
12 the scope in the new bills, and that's the reason I
13 mention it. But that's the only even phantom of a rumor
14 of a new case that we're aware of right now.

15 MR. MacINNES: John, what's your take on
16 that?

17 MR. LISKEY: I don't see -- I'm not aware
18 of anything else coming up between now and the end of
19 this fiscal year.

20 MR. MacINNES: Don.

21 MR. KESKEY: We had been planning to ask
22 the board for 10,000 additional to our grant in order to
23 complete the briefing and the exceptions in the cases
24 we're in, and we did not present that at this meeting for
25 the reason that our -- we've got some bills, more bills

1 to send in, and we'd have a better handle on the figures,
2 but as we see it, that these cases take longer than --

3 MR. MacINNES: Correct.

4 MR. KESKEY: You know, they don't just
5 end in each budget year, they don't match anything, but
6 we're in the middle of the briefing periods on both these
7 major cases in which all of our testimony has been
8 accepted, and it's sort of the necessary follow through
9 to do the right job.

10 MR. MacINNES: Well, let me ask this, is
11 there -- do we see anymore money coming back into the
12 fund from, you know, unencumbered funds, do we see, do
13 you all see that?

14 MR. BZDOK: Not during this fiscal year.
15 Possibly during the extensions period, which would be
16 FY17.

17 MR. LISKEY: Yeah, I can't predict.

18 MR. MacINNES: Okay. Okay. So you're
19 looking for another, potentially another 10, and that
20 would do it for you the rest of this year?

21 MR. KESKEY: Yes. And then we would be
22 in a better position to answer your question about what's
23 coming down the road, which there is stuff coming down
24 the road, but it would -- the best time to answer that
25 question is when -- after our grants are submitted,

1 because that engenders research in terms of what is
2 likely to happen. And things will happen, because
3 there's always some new case or some new proposal by a
4 utility or some federal or state event that we got
5 legislation where there's all kind of things going on
6 that can really quickly change the picture and create a
7 new big issue.

8 MR. MacINNES: Okay. Got it. Okay. In
9 the interest of moving on here, so those are the
10 requests, the two requests that we have from the two
11 groups. How would the board like to proceed on that?

12 MR. SMITH: I'd like to -- I'm not going
13 to make a motion, I'm just going to say this out loud and
14 kick it out there for conversation. But I'd like to
15 reserve the 10 that Don's talking about that we may need
16 to wrap up those cases. Other than that, I'd be happy to
17 fund the requests, you know, less 5 basically between the
18 two, between the two agencies to give us the flexibility
19 of, you know, once Don's done his more up-to-date billing
20 back to LARA.

21 MR. MacINNES: So let me ask this, with
22 that idea in mind, are there any of these cases that you
23 see going into 2017 where we could use funds, we could
24 part -- not fully fund your requests now, but provide
25 more going into 2017? Just we're looking to make up

1 \$5,000.

2 MR. LISKEY: Yeah, all of these cases
3 will go into the next fiscal year.

4 MR. MacINNES: So is the -- and yours?

5 MR. BZDOK: We could work with -- so
6 we've made a request in the Consumers case, new money,
7 for 10 and 10.

8 MR. MacINNES: Right.

9 MR. BZDOK: We could, if we were
10 splitting 5, if you're trying carry, to bridge 5 split
11 two ways, 2,500, and that came out of our legal -- I mean
12 you always leave it up to us anyway -- we could carry
13 legal over. The bulk of my expert costs are going to be
14 this fiscal year because the hearing, the testimony is
15 this fiscal year and the hearing is this fiscal year, but
16 we could bridge some legal.

17 MR. MacINNES: So if we trimmed each of
18 your requests 2,500 bucks, with the anticipation of
19 making it up in '17?

20 MR. LISKEY: Yeah, no problem.

21 MR. BZDOK: Yes, that would be very --
22 we'd be very comfortable with that.

23 MR. MacINNES: Okay.

24 MS. HAROUTUNIAN: Sounds good to me.

25 MR. SMITH: I can make the motion.

1 MR. MacINNES: Sure.

2 MR. SMITH: Although I got to get the
3 specific numbers in place here. Sorry.

4 MR. MOODY: Apologize, I've got to slip
5 out a little early.

6 MR. MacINNES: Okay. Thanks for being
7 here.

8 MR. MOODY: Thanks.

9 MR. SMITH: Yeah, see ya.

10 So why don't I -- we'll start with the
11 CARE award, and I'd propose for U-17911, that we award
12 CARE \$27,500.

13 MR. LISKEY: Can I comment?

14 MR. SMITH: Oh, no. Excuse me. I've
15 said it wrong, didn't I?

16 MR. LISKEY: Yeah. It's Grant 16-01.

17 MR. SMITH: I'm trying to read it here.

18 All right. Yeah, that's the easier, faster way. To
19 increase Grant 16-01 by \$27,500.

20 MR. MacINNES: Okay.

21 MR. SMITH: Thanks, John.

22 MR. MacINNES: And that's -- that motion,
23 John, that works?

24 MR. LISKEY: Yes.

25 MR. MacINNES: And then what about we

1 also have a request here to add the Olson law firm to
2 their --

3 MR. SMITH: Sure. And to add Olson,
4 Bzdok & Howard to the approved attorneys list. Is that
5 right?

6 MR. MacINNES: Okay. Someone -- are you
7 going to write this -- somebody needs to write this down,
8 we don't have, yet, we don't have an assistant to help
9 us.

10 MR. SMITH: I can write it out.

11 MR. MacINNES: I want to make sure we're
12 properly documented here. So the motion is to award to
13 CARE \$27,500 for Grant 16-01, and to approve the request
14 to add the Olson law firm to the list of attorneys
15 authorized to work on CARE's behalf. Is that good?

16 MR. LISKEY: Yes.

17 MR. MacINNES: Okay. There's a motion on
18 the table. Is there a second?

19 MR. DINKGRAVE: Second.

20 MR. MacINNES: Is there any discussion?
21 We do know that the Olson firm has been
22 confirmed as someone we can work with, so that's not,
23 that shouldn't be an issue.

24 MR. SMITH: We should do a serious
25 vetting of them at some point.

1 MR. BZDOK: You should. We're -- since
2 CARE and MEC engaged in sort of a collaborative effort on
3 those cost-of-service cases, we have a working
4 relationship, and they're a little short-staffed this
5 summer, so we're helping them. We're not intending to
6 take over CARE's work on a long-term basis.

7 MR. MacINNES: Understand.

8 MR. BZDOK: We're helping each other out.
9 They help us when we need something, we help them when
10 they need something.

11 MR. MacINNES: Well, and I think this is
12 exactly what Senator Nofs wants, cooperation between
13 grantees, and I think that -- I think the Governor's
14 office would be happy to see that, too. So the more we
15 can do that coordination and reducing, you know, overlap
16 and being more efficient, a use of the funds, our one
17 penny a month for every ratepayer, I think that would be
18 appreciated by everyone.

19 Okay. So we have a motion on the table.
20 Is there anymore discussion?

21 All those in favor, please say aye.

22 BOARD MEMBERS: Aye.

23 MR. MacINNES: Opposed, same sign. Okay.
24 We need another motion for the MEC.

25 MR. SMITH: So there are, I think there

1 are possibly two separate motions here, right, you want
2 the increase, but you also want an adjustment of 3,000?

3 MR. BZDOK: That's correct.

4 MR. SMITH: I'm not sure how to do the
5 second one.

6 MR. MacINNES: Well, we could -- let's
7 see.

8 MR. SMITH: Where is that, Chris? I'm
9 sorry, I can't --

10 MR. BZDOK: That was a supplement that we
11 sent late last week because it was omitted from the
12 original. It's a no-cost request to transfer \$3,000 from
13 the expert budget in 17920 to the legal budget in the
14 same case. And I apologize for omitting that, that was
15 on my list of things to include in this, and then I just
16 don't know what was going on.

17 MR. SMITH: All right. Thank you. Okay.
18 Well, with that in mind --

19 MR. MacINNES: So there is new money,
20 there's a -- we need a motion to provide \$20,000 -- well,
21 17, whatever the number is that we agreed to --

22 MR. SMITH: 17,5. And that's 16-04,
23 right?

24 MR. MacINNES: -- on 16-04, and then to
25 also provide for the no-cost transfer of funds to the DTE
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1 PSCR plan case, U-17920, from expert to legal.

2 MR. SMITH: So well stated.

3 MR. MacINNES: That's right here.

4 MR. SMITH: Do you want me to restate it?

5 MR. MacINNES: It was easy to --

6 MR. SMITH: So I'll move an increase to
7 Grant 16-04 for the Michigan Environmental Council of
8 \$17,500, and that we approve a no-cost transfer of funds
9 in DTE's PSCR plan case, No. U-17920, from expert to
10 legal of \$3,000.

11 MR. MacINNES: Okay. We have a motion on
12 the table. Is there a second?

13 MS. HAROUTUNIAN: Second.

14 MR. MacINNES: Is there any discussion?

15 Okay. If there's no discussion, all
16 those in favor, please say aye.

17 BOARD MEMBERS: Aye.

18 MR. MacINNES: Opposed, same sign.

19 Okay. We've taken care of those. Thank
20 you.

21 I did put the UPPCo case intervention on
22 the list here just as informational more than anything, I
23 sent you a copy of the letter. We had been in discussion
24 with the legislators about increasing our scope and
25 funding for the UCPB for the reasons we have outlined.

1 There was some opposition here with UPPCo, and I wanted
2 you to just be aware of it. And we've met, we spent
3 hours talking with Greg Moore, myself, Jim Ault, in
4 Clare, on going over some of these issues. There's
5 been -- I'm sure you've had a lot of discussion with Greg
6 Moore, Senator Nofs' office, I've had a lot of discussion
7 with Greg Moore, Senator Nofs' office. There's been new
8 language put in in Senate Bill 437 related to some of
9 that discussion that seems to make sense. There was some
10 discussion about the Open Meetings Act, and it was
11 recommended by Greg Moore that we do Open Meetings Act
12 training, which we will be doing today at 3:00 o'clock,
13 which I think is also a good idea. So I guess that's the
14 gist of it. We talked about the UPPCo cases, the
15 funding, why we're funding. And I don't know that
16 there's a lot more to say about that.

17 Does the board have any comments or
18 questions about that?

19 And we'll see what the new Senate Bill
20 comes out, see what our scope. You know, we think we
21 need more scope and funding, some utilities don't like us
22 to have more scope and funding, not just UPPCo, and but
23 that's our job, to try to get more scope and funding if
24 we can, because the monies gets a high ROI for
25 ratepayers, and helps provide kind of an internal

1 controls or audit function for some of the utility
2 activities, which I think is healthy. So.

3 MR. FORSBERG: Jim, just in comments to
4 what you said, I don't think it's -- and it's certainly
5 outlined in the letter -- I don't think it's so much -- I
6 mean we certainly think that there should be the voice of
7 ratepayers in the cases, but as we've outlined, as we
8 think that the Public Service Commission does a great job
9 of doing that, any residential ratepayer can call up and
10 speak to Staff, and we think that they have been doing a
11 good job, and we've made that clear to policymakers, and
12 just our general overall view of the situation.

13 MS. HAROUTUNIAN: And sort of in response
14 to that, an individual voice that makes a call does not
15 have the same effect as an organized group that moves
16 forward.

17 MR. MacINNES: Well, and I also think
18 that we know that the MPSC is underfunded, like many
19 agencies in the State, like a lot of things in the State
20 actually, and so they don't -- can't always get involved,
21 and they've got a lot of big fish to fry here, so to
22 speak. We also know that the AG's office, I've talked
23 with them many times, they have limited funds, I mean
24 they're involved in all kinds of cases beyond electricity
25 cases, and they are understaffed and underfunded. And

1 they have not, you know -- I mean I just, from what I
2 see -- and we're underfunded from what I can see, based
3 on the returns that we're able to generate from our
4 investments, which are very high generally, hundreds of
5 millions of dollars of savings, so I just think that's --
6 you know, I mean you guys are, UPPCo is entitled to their
7 opinion of it, and we understand that, and I guess we put
8 ours out.

9 MR. SMITH: I would just add to that
10 that, you know, the Public Service Commission is the
11 adjudicatory and regulatory body, and in order for them
12 to make good and informed decisions, they need, you know,
13 arguments from both sides of the case in front of them.
14 To put upon the Public Service Commission the
15 responsibility of being the advocate and representative
16 of the ratepayers would, in my mind, disadvantage the
17 industry in those processes. So I think the role that we
18 play is really important in making sure that there's
19 balanced representation before that body, and that they
20 are in the best way possible to represent the interests
21 of the entirety of the State of Michigan.

22 MR. MacINNES: Well, also there was a
23 comment in this letter about advocating environmental and
24 business interests, that our board is advocating for
25 environmental and business interests, and I don't see

1 that in these cases. I don't think there are any
2 environmental issues in these cases, are there, that
3 you're aware of?

4 MR. LISKEY: Not in any CARE cases.

5 MR. MacINNES: Are there environmental
6 issues in these cases?

7 MR. JESTER: Only to the extent that
8 there are environmental control expenses that we
9 scrutinize, but that's --

10 MR. MacINNES: Which is really a cost
11 issue. And of course we are under the current law
12 allowed to consider environmental issues, and that was
13 taken out of the new Senate Bill 437, which I was
14 disappointed to see, because I think environmental issues
15 are becoming a bigger and bigger factor in the world.
16 You know, just look around at the climate change.

17 MR. SMITH: I think the place where we've
18 engaged the most in that was through MEC's work, I think
19 it was on the renewables' fee, and the context there was
20 really about fairness in the rate, you know, like
21 where --

22 MR. MacINNES: It was a rate issue
23 really. I mean we've been dealing with rate issues
24 pretty much. I mean, you know, there's been very little
25 grant funding based on environmental issues primarily.

1 MR. SMITH: I think it's nearly
2 impossible to extract some of the ancillary benefits from
3 the economic issues that are presented in these cases.

4 MR. MacINNES: Yeah, it's all
5 interrelated. But anyway, it is what it is. And I don't
6 know what business interests, we don't have any business
7 interests in UPPCo that I'm aware of. I don't know if
8 you have any business interests in UPPCo. So there's no
9 environmental issues, no business issues, other than, I
10 suppose, you know, as an intervenor you get, you know,
11 grant funding, so I suppose that could be considered a
12 business interest. But you don't have any business in
13 the Upper Peninsula Power Company --

14 MR. LISKEY: No.

15 MR. MacINNES: -- area, zone, do you?

16 MR. LISKEY: No.

17 MR. MacINNES: So I just don't see those
18 as reasonable arguments, to me anyway.

19 Okay. That's probably enough said on
20 that. We'll see how it all shakes out in the wash here.
21 We'll see what version we get of Senate Bill 437 and
22 whether that's even going to pass this year.

23 Okay. And we kind of covered that,
24 Senate Bill 437. Well, maybe I'll just say a little bit
25 more on item (e). We have been meeting with legislators,
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1 I'll be meeting with some more people tomorrow, and
2 trying to get more funds for our UCPB. Basically what's
3 been added to the scope in the last bill, the version
4 that I read, which was S-3, was we -- it was clearly
5 outlined we're able to intervene in rate cases and that
6 we'll be able to intervene in IRP cases in addition to
7 the others, and that our funding would increase from
8 600-ish to 750, and the AG's office funding would
9 increase from 600-ish to 900. That's as I understand it.
10 Is that what you see --

11 MR. LISKEY: I believe so.

12 MR. MacINNES: -- pretty much? And then
13 we'll also, the environmental, we're not allowed to
14 consider environmental factors anymore under the current
15 bills. We do need to get into more detail under the
16 current bills of funding for making sure, double sure
17 that we're not funding -- well, of course rate case
18 issues we'll be able to under the new Bill, so that's not
19 going to be, shouldn't be an issue. But there's some
20 wording in there also on working with, to try to settle
21 cases if it makes sense, you know, always encourage
22 settlement if it makes sense to do that rather than going
23 on, you know, legal -- you know, it gets expensive to
24 deal with legal fees, I know, because I have to pay them
25 in my business. And, you know, you want a reasonable

1 outcome, but you don't want the thing to go on forever.
2 So that would be in there, and I think that makes sense.
3 So those were some of the additions that we've seen after
4 a lot of consultation with Senator Nofs' office.

5 Okay. Anything else on that?

6 UCPB administrative support. We have a
7 candidate here, Lisa Babcock, who has attended a number
8 of meetings here. I've sent you her background
9 information and the statement of work that we worked with
10 Michelle, who did, you know, did a fine job for us. And
11 Lisa has indicated an interest in being involved, and we
12 can certainly use the help. And so I thought, hopefully
13 you've all had a chance to review the scope of -- or
14 statement of work and Lisa's background. I think she has
15 a good background, is interested in this area, and could
16 really -- I think would find it an interesting, kind of
17 a, you know, part-time work, but it's something that she
18 would be interested in.

19 So maybe we could have you tell us a
20 little bit about yourself and your interest in joining,
21 you know, taking on this work.

22 MS. BABCOCK: Well, thank you. My name
23 is Lisa Babcock. I think I have met most of you in this
24 room. I am an attorney here in Lansing, solo practice.
25 I may be the only person in the history of time who went
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1 to law school to do energy law. And yeah, even Bob
2 Karras laughed and then wept. Anyway, really wept.

3 Anyway, I worked at the Michigan
4 legislature as my first exposure to energy policy,
5 although I've met a mutual acquaintance, Tom Stanton,
6 years before. I started out as a newspaper reporter.
7 And I really liked energy because there's something so
8 absolutely universal about it. The issues in Detroit are
9 the issues in Traverse City, with some variation, but not
10 much. I like the science behind it. I was raised by
11 social workers. I like making the electrons just move
12 down the line, and I think Conan especially will
13 appreciate there's just something refreshing about moving
14 the electrons down the line. Electrons don't go to
15 prison, they don't have custody issues.

16 MR. MacINNES: It's actually you're
17 moving the electric field is really what's happening.

18 MS. BABCOCK: So as you guess, I have
19 a --

20 (Multiple speakers.)

21 MR. MacINNES: We haven't talked about
22 that yet.

23 MS. BABCOCK: -- I have a liberal arts
24 education.

25 MR. MacINNES: That's where the energy
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1 is, in the field, not in the electrons.

2 MS. BABCOCK: I have a degree in science,
3 political science, from the University of Michigan. I
4 group up in Lansing, and my goal was to see the capitol
5 in the rear-view mirror, but as luck would have it, I,
6 after a tour --

7 THE REPORTER: Excuse me. You have to
8 speak up.

9 MS. BABCOCK: People never tell me that.
10 After a tour of many years, I ended up
11 back in Lansing, and because I bleed green, I went to law
12 school at Michigan State. And I look forward to working
13 with you. I think the first job on deck, if you approve
14 me, the first job on deck is probably the annual report,
15 and then I believe we go into the grant cycle in August,
16 and obviously meeting preparations.

17 So thank you. If I can answer any
18 questions -- well, defer to our chair.

19 MR. MacINNES: Okay. Well, as I said, I
20 think Lisa is well qualified. I spoke with Tom Stanton,
21 some of you know Tom, who I think very highly of, he's
22 very keen on energy issues, and Tom provided a good
23 recommendation. And there's -- I think a lot of it
24 really boils down to interest, you know, I mean are you
25 passionate, are you interested and passionate about this

1 job. And I think we've got a good job here that we're
2 trying to do to help ratepayers, and it's interesting,
3 and like you say, Lisa, it covers, I mean just energy
4 powers everything, so it's really important, probably
5 more than many people realize.

6 So are there any questions of Lisa on her
7 qualifications, her interests?

8 MR. SMITH: I'll just say she's survived
9 working with my mother, so --

10 MR. MacINNES: Oh, is that right.

11 MR. SMITH: -- she can work with us.

12 MS. BABCOCK: I also used to work with
13 Sue Devon, who is now -- (Inaudible).

14 MR. SMITH: Lisa was on Senate staff when
15 my mom was in the legislature.

16 MR. MacINNES: Oh, okay. Okay.

17 Any other questions, comments?

18 MR. DINKGRAVE: Go green.

19 MR. MacINNES: Go green. Okay. Well, it
20 sounds like everyone has the information they need to
21 make a decision. So do we have a motion on bringing Lisa
22 officially on as our administrative coordinator to help
23 the board out with our work?

24 MR. SMITH: Should we -- should the
25 motion be to authorize you to enter into a contract with
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1 her?

2 MR. MacINNES: Let me see, I just happen
3 to have this contract here. I think, yes, I think that
4 would work.

5 MR. SMITH: Okay. I'll move that we
6 authorize the chair of the UCPB to enter into a contract
7 with Lisa Babcock to provide administrative services to
8 the board.

9 MR. MacINNES: Okay. Is there a second?

10 MS. HAROUTUNIAN: Second.

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

13 All in favor, please say aye.

14 BOARD MEMBERS: Aye.

15 MR. MacINNES: Opposed, same sign.

16 Congratulations. You're in.

17 MS. BABCOCK: Thank you.

18 MR. MacINNES: Thank you for your
19 interest. And you and I will be probably working pretty
20 closely together, over the next few months particularly.

21 Okay. So that's -- we've done well,
22 we've gotten through the business items, we still have 45
23 minutes. Okay. Now, let's move on to grantee reports.
24 And let's go ahead and start with Chris, and maybe you
25 can tell us a little bit more about this DTE case.

1 MR. BZDOK: Sure. So I understood you
2 were going to have a short meeting today, and so I
3 brought you some materials. We did -- so I did -- you
4 allowed me to do sort of a detailed slide presentation to
5 you last time regarding the DTE PSCR plan case, the NEXUS
6 pipeline contract, and so what I've done is I've taken
7 that presentation and I've added some narrative to it,
8 and I've updated it with some new information. I have
9 copies for anyone else who wants any after the meeting, I
10 have a few extra copies after the meeting. But that's
11 really probably in lieu of any kind of detailed
12 presentation, I just thought I'd leave that with you. It
13 has some new info from our last go round based upon the
14 hearing which was held at the beginning of May, and then
15 we filed our brief, our initial brief yesterday.

16 One of the interesting things that came
17 across via the hearing process was that we had talked
18 about projections of the difference in cost of gas at
19 the, in eastern Ohio where the pipeline would originate
20 and at the MichCon City Gate in southeast Michigan and
21 how that's a proxy for, you know, what gas transport
22 should cost and how this agreement involved a cost for
23 the use of this pipeline that was higher than that
24 difference for some initial set of years and then lower
25 at the back end mainly because that price difference

1 between the two points was being projected by DTE's
2 consultant to increase substantially because they were
3 assuming that there were going to be basically an end to
4 additional, that's one of those -- that's the payback
5 period slide.

6 MR. MacINNES: Well, this is the cash
7 flow slide, isn't it?

8 MR. BZDOK: Yes.

9 MR. MacINNES: So this is the cash flow.
10 So for the first nine years, it's a negative cash flow,
11 and this is all based on a forecast, and then years 20,
12 21 -- this is revised, it used to be for the first 10
13 years, didn't it? Wasn't this revised a little bit?

14 MR. BZDOK: There have been some
15 revisions to that, but that's --

16 MR. MacINNES: Small, small revisions?

17 MR. BZDOK: Yes.

18 MR. MacINNES: So the point is that, I
19 think to me as a finance person, this is the, one of the
20 key things here, that the first almost ten years are
21 negative cash flow, and then -- of savings --

22 THE REPORTER: You're talking that way
23 and I can't hear you this way.

24 MR. MacINNES: Oh, I'm sorry.

25 Where the return comes in is in years

1 2026 through 2037 based on a forecast of gas prices that
2 will happen ten years from now, and I don't know if
3 anybody's recently seen the history of gas prices in the
4 U.S., but it looks like this, okay, it's very hard to
5 predict, and so when you do your analysis, it's kind of a
6 back-loaded cash flow schedule, which if you're an
7 investor, you might question this. I know I would if I
8 were an investor. So, you know, basing the whole return
9 on the ten years backloaded, that's kind of a, to me,
10 that's -- I would question that being a prudent
11 investment.

12 MR. BZDOK: I agree with all of that, and
13 I'll add two quick things to it. One, when you look at
14 that curve or some of the other projections that we have
15 in that slide presentation, you'll see that where the big
16 money is, so to speak, where the big projected difference
17 in price between the two points occurs, it really kicks
18 up about 2028, and that is also the last, the year that
19 this modeler, when they were modeling the difference in
20 gas cost between the two points, they were making some
21 assumptions about some generic future pipeline expansions
22 that would occur within sort of the grid, so to speak,
23 and the last one that occurs during this forecast period
24 is 2028, and then none occur from 2028 to 2035. So gas
25 transport or gas price differences between points really

1 increase and become at a premium after you stop assuming
2 that any additional pipelines are built. So there's a
3 little bit of -- so that was one of the points that came
4 out at the hearing.

5 Another point that came out of the
6 hearing is that -- and then we have several other
7 projections that are in there. There were other
8 projections that were made earlier than this, and in the
9 earlier projections, this was a negative throughout the
10 life of the agreement, and those are in there as well.
11 So when other decisions during the point of the process
12 of entering into this contract were being made, there
13 were projections that it was actually going to be
14 contractually a loss throughout.

15 Now, one of things that DTE argues is
16 that, yeah, but if you build this pipeline, you're going
17 to create additional capacity to Michigan and that's
18 going to lower gas prices overall in Michigan and that's
19 going to lower also energy prices overall in Michigan,
20 and so those are beneficial, and that's probably a better
21 argument if this was not an affiliated pipeline, right,
22 because an affiliate, they're supposed to be paying the
23 lower of market cost or 10 percent over the fully
24 embedded, you know, cost of the product or service. So
25 if they had -- if they had done this deal with -- our

1 position is if they had done this deal with a third-party
2 vendor for a pipeline and argued, well, even though we're
3 taking a little bit of a hit, there's going to be some
4 help overall to the market, there's policy questions
5 there about whether one group of customers should be
6 subsidizing that benefit by paying more than it's worth,
7 but when you're into an affiliate situation, there's a
8 pretty hard and fast rule, you're not supposed to pay
9 more than market price, and some of those early
10 projections say we're going to pay market price
11 throughout the period. So that was an interesting thing.

12 And then there was another -- and there
13 are a couple slides in there that say attorney/client
14 privileged in anticipation of litigation. That's not
15 privileged. Okay. That was an initial presentation, and
16 at one time DTE held those were confidential, but you
17 don't have anything you're not supposed to have.

18 The last thing is that, also in one of
19 those presentations, when they made a decision to
20 increase the commitment to gas for the initial period of
21 the pipeline which is going to go until the early 2020s,
22 they actually made that recommendation, I think it's on
23 the last slide or second to last slide, they said, you
24 know what, we've talked to NEXUS, our affiliate, and they
25 really feel that we need to increase our commitment to

1 this pipeline in order for the project to get off the
2 ground, and that's a reason we're recommending increase
3 in this commitment. And again, the Code of Conduct says
4 you can't subsidize directly or indirectly any of your
5 affiliates. So increasing your commitment to uneconomic
6 transport in order to help the project get off the
7 ground, I don't know how -- I don't know how that's
8 anything other than a subsidy.

9 MR. MacINNES: So there's -- to me,
10 there's two main issues, one --

11 MR. BZDOK: It smells like our smoking
12 gun.

13 MR. MacINNES: One, does this make
14 economic sense from a business standpoint based on that
15 cash flow analysis and a forecast of positive cash flow
16 ten years from now; and two, is this a Code of Conduct
17 violation? And you believe it is a Code of Conduct
18 violation?

19 MR. BZDOK: Correct. So in the case, our
20 first argument is the Commission has no authority to
21 approve any of this now because the first costs won't be
22 incurred until 2017 and you can't preapprove costs in a
23 PSCR case for a time period past the plan year. What you
24 can do, and we've talked about this sometimes, is issue a
25 Section 7 warning, which says, as far as the out years of

1 your forecast, based on present evidence we feel that
2 this would be unlikely to be approved when you actually
3 got to the plan year, and so we're saying, based on
4 Section 7, warn them that it shouldn't be approved
5 because, as a reasonable and prudence matter, it's not
6 economic, it's not a good investment. And it also won't
7 be approved because, under the Code of Conduct, it's a
8 subsidy and you're paying more than market price, at
9 least for --

10 MR. MacINNES: Ten years.

11 MR. BZDOK: -- under every projection for
12 at least the five-year forecast and more, and under some
13 of your projections for the life of the agreement.

14 MR. MacINNES: So did I hear somewhere
15 along the way that DTE was wanting to remove the Code of
16 Conduct from the Senate Bill, did anybody else hear that?

17 MR. JESTER: Perhaps I can help on that.
18 There are revisions to the Code of Conduct section of the
19 law in Senate Bill 437. Those are widely reported to
20 have been initiated by Consumers --

21 MR. MacINNES: Oh, okay.

22 MR. JESTER: -- but in testimony, DTE has
23 been supportive as well.

24 MR. MacINNES: Okay. So that's still
25 kind of a gray area.

1 But so the other issue in my mind is
2 everyone's working hard on this new energy policy to
3 create an IRP, right, and if that energy -- if that Bill
4 passes this year to create an IRP, then the IRP process
5 will be used to vet alternatives for power supply going
6 forward, right. So if this is approved prior to that,
7 which is, you know -- so a pipeline's built or approved
8 to be built and DTE gets to invest a billion dollars in
9 it, half the cost, right. Isn't it \$2 billion cost?

10 MR. BZDOK: So DTE is signing up for firm
11 transport of a portion of the capacity of this pipeline,
12 so they're not -- DTE Pipeline Company, which is a DTE --

13 MR. MacINNES: Nonregulated subsidiary.

14 MR. BZDOK: -- part of the umbrella, will
15 be in for half of the pipeline. DTE Electric and DTE Gas
16 regulated utilities are signing firm capacity on the
17 pipeline for 20 years. So they're in for some number of
18 hundreds of millions of dollars.

19 MR. MacINNES: But the capital, the
20 upfront capital, that would be in -- that would be an
21 investment by a nonregulated subsidiary of DTE; is that
22 right?

23 MR. BZDOK: Correct.

24 MR. MacINNES: So that's a billion
25 dollars, or thereabouts? Isn't it a \$2 billion, roughly

1 \$2 billion project, wouldn't they be half owner?

2 MR. BZDOK: There's a FERC proceeding
3 where all of that will get settled out, yeah.

4 MR. MacINNES: So is that generally
5 what's happening?

6 MR. BZDOK: I think you're in the
7 ballpark, yes.

8 MR. MacINNES: Okay. So we're in the
9 ballpark. So let's say somewhere ballpark billion-dollar
10 investment is made, is approved before the IRP process
11 happens, and that -- so when this investment is made,
12 when they're going to be considering the IRP, you know,
13 what's the low-cost energy solution; well, they've
14 already got an invest -- an investment that become
15 stranded in this pipeline. It's like, well, you already
16 approved the pipeline, we're building it, and so that's
17 where we want to go.

18 MR. SMITH: Maybe you don't let it --

19 THE REPORTER: Excuse me, Conan.

20 MR. SMITH: I'm sorry. It's nothing.

21 MS. WELLMAN: They're not approving the
22 pipeline, the MPSC is not approving the pipeline.

23 MR. MacINNES: FERC would approve it.

24 MS. WELLMAN: Right. But --

25 MR. BZDOK: I think this is my report.

1 MR. MacINNES: But if the pipeline is
2 approved, no matter who approves it, if the pipeline is
3 approved --

4 MR. BZDOK: So the -- in the IRP case, I
5 would anticipate that the regulated utility will say,
6 among other things, we have a 20-year firm agreement for
7 transport of gas over this pipeline, and if the pipeline
8 is built -- and it may or may not be built even if this
9 agreement is approved. Last time we looked, it was
10 60-percent subscribed maybe. There's another pipeline
11 ahead of it, Rover, that's like 95-percent subscribed
12 that's very likely to be built. So if it's built, in the
13 IRP case they'll say, well, we've got a 20-year agreement
14 for firm, that commits us to firm transport of gas, and
15 so that is one reason why it makes the most sense to
16 build a big gas plant, because we've got all this gas
17 that's coming anyway, and our peaking plants can only use
18 the gas that we're obligated for on a daily basis about
19 one-third of the days of the year, so that's --

20 MR. MacINNES: But the point is that the
21 approval could come before the IRP process?

22 MR. BZDOK: Yes.

23 MR. MacINNES: So I see a shaking head in
24 the back there. The approval --

25 MR. BZDOK: The approval of the agreement

1 could come before the IRP process.

2 MS. WELLMAN: Yeah, those are two
3 separate things, approvment [sic] of the agreement and
4 the approvment [sic] of the pipeline, two separate
5 things before two separate entities.

6 MR. MacINNES: Okay. But if the approval
7 of the agreement is made, doesn't that kind of lock DTE
8 in to taking -- it's not like a take-or-pay contract
9 where they're going to have to buy gas from that
10 pipeline?

11 MS. WELLMAN: Mr. Bzdok can speak to
12 that. I'm just clarifying, there seemed to be a --

13 MR. MacINNES: Okay. So there are two
14 processes --

15 MS. WELLMAN: Correct.

16 MR. MacINNES: -- but let's say the gas
17 contract is approved, then that -- before the IRP process
18 happens, right?

19 MR. BZDOK: It will be an argument that I
20 would anticipate would be made that there are economic
21 evaluations of resource planning, but then there's also a
22 consideration that we have a contract already in place
23 for firm transport of gas for 20 years, and so that
24 weighs in favor of building gas plants. It will be --

25 MR. MacINNES: Right.

1 MR. BZDOK: Yeah, that's -- and when I
2 say that, I don't have any inside knowledge, I'm just
3 talking about, you know, we've been involved in a couple
4 of IRP cases, and typically there's a presentation made,
5 one of which is economics and one of which is other
6 considerations, and so I expect that would be made in
7 terms of other considerations.

8 One of the -- this is getting way down in
9 the weeds a little bit, but one of the things that came
10 up in the hearing interestingly was DTE is involved in,
11 is basically buying more gas than they need, you know, in
12 this initial period at a rate that they project to be
13 more than the difference in price between the two points,
14 and saying, but it's worth it because then we're going to
15 be able to get a bunch more gas once we do build a
16 combined-cycle plant in the early 2020s. And it came out
17 at the hearing that in the agreement they're not actually
18 guaranteed to have that additional gas; they're obligated
19 if it's available, but NEXUS can also say, well, we're
20 fully subscribed by 2022 or 2021 or whatever it is, so
21 you're actually -- we're not going to give you that extra
22 gas. So they've signed an agreement to obligate them to
23 take gas, most of which they don't really need, on a firm
24 basis for some number of years so that they can get this
25 extra gas later when they build a gas plant, and it's at

1 least possible that that gas contractually won't be
2 available. So it's, again, it's the kind of deal you
3 would not do with, in our opinion, with someone who was
4 not an affiliate.

5 MR. MacINNES: Well, and I mean we are
6 speculating about the future, and I get that. But when
7 you think about it, you look at the cash flow stream, you
8 look at the issue of about Code of Conduct issues, and
9 then you look at the IRP issue, the possibility of short-
10 circuiting the IRP process to make 20-year commitments
11 before that process is complete or is in place; to me,
12 that's a potential issue.

13 MR. BZDOK: I agree. I believe that this
14 agreement's being made primarily to support the pipeline
15 being built.

16 MR. MacINNES: Which is the Code of
17 Conduct issue?

18 MR. BZDOK: We believe so.

19 MR. MacINNES: Yeah. Okay. I know we've
20 had a lot of discussion on that, but I think it's an
21 important issue. And it's not just happening here, it's
22 happening all over the world, Canada, I'm watching it
23 happen in Canada, too. And because these pipelines last
24 80 years, right, something like that?

25 MR. BZDOK: I don't have knowledge of
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1 that.

2 MR. MacINNES: From what I've heard, the
3 pipeline, the life of a pipeline is, you know, can be 80
4 years, 60 to 80. I mean look at the line crossing the
5 Mackinac Straits, that's been there 63 years, right?
6 That's an oil pipeline. So when you make an investment
7 in something that will last 60 to 80 years, that is a
8 pretty big commitment. We don't know if the gas flow is
9 going to last that long, but it's a pretty big
10 commitment.

11 Anything else you want to cover real
12 quick? We've got about 25 minutes here to cover
13 everyone's --

14 MR. BZDOK: In the interest of time,
15 given that, I think we'll hold off on -- we have some fun
16 stuff to talk to you about at Consumers, we can wait for
17 the August meeting on that.

18 MR. MacINNES: Okay. John.

19 MR. LISKEY: Well, we've got -- I'll go
20 quickly. We've got these four new cases, the 2015
21 reconciliation cases, Northern States Power, Wisconsin
22 Public Service Corporation, UPPCo, and WEPCo. The
23 schedules have just been set. We are -- Douglas is just
24 beginning discovery. Testimony in the first case is due
25 in the UPPCo case, I believe it's August 22.

1 And I think at this point, I'd like to
2 say, I was just trying to figure out a percentage, but we
3 have settled I think well over 90 percent of the cases
4 we've been involved in with UPPCo and all of -- so the
5 likelihood of settlement based on our past record is
6 pretty good.

7 And in terms of the issues we see, I
8 think Douglas has already commented on those. So I don't
9 know if you have any other questions. Do you want to say
10 anything about MISO?

11 MR. JESTER: Perhaps briefly on MISO.
12 MISO is currently reviewing and revising its capacity
13 auction. Initially there were two issues; one was to
14 change the construct to reflect seasonality currently.
15 Current practice focuses on the summer peak, and then
16 after the freeze a couple winters ago and the period of
17 short gas supply, there's concern that they needed to
18 look at things seasonally, so that's moving forward.

19 The other sort of current issue there is
20 Illinois is so-called restructured. Rather than a full
21 cost-of-service regulation like we normally deal with
22 here, everybody is in a retail choice kind of market.
23 And in that environment, the portion of Illinois that
24 falls within MISO, the plant owners don't believe they're
25 receiving sufficient revenue for their capacity.

1 MR. MacINNES: Say that again, Douglas.

2 MR. JESTER: In the portion of Illinois
3 covered by MISO, plant owners don't feel that they're
4 getting enough revenue for their capacity, and on the
5 other side, there's been a separation in price between
6 Illinois and other parts of MISO raising the prices to
7 consumers in Illinois and so the consumers and their
8 representatives in Illinois feel that the auction isn't
9 working for them either, so MISO created a special task
10 force to look at how they should handle their capacity
11 requirements and auction in areas that have retail
12 competition, and the way they defined that, it also
13 includes Michigan, particularly Zone 7, because of our
14 10-percent retail choice. So we've been looking pretty
15 closely at that and participating. They're a way from a
16 result, so I can't report a result to you.

17 And I would just report on an observation
18 that I made in the process, which is in the resource
19 adequacy planning, there's concern for the uncertainty of
20 the load forecast that goes then into how much reserve
21 margin you need, and Zone 7 has a higher uncertainty than
22 the other zones, and it turns out that the reason for
23 that is that they're using the last ten years of load as
24 the source of how variable it is. It's not variation
25 from the forecast, it's variation year to year that

1 they're using for that purpose. So we are paying in the
2 sense of having to have higher reserve margins for the
3 high portion of our load that is in manufacturing and was
4 radically reduced during the recession. So I think --

5 MR. MacINNES: Will that fall off the
6 back of that?

7 MR. JESTER: Eventually, yes. But, you
8 know, it's a couple, three-percent reserve margin
9 difference, which is not free, and it contributes to our
10 costs. So trying to take a look at a methodological
11 alternative that would, you know, more fairly reflect the
12 risk around the forecast of load, which is, you know,
13 what they planned for, rather than the historical year-
14 to-year variation.

15 MR. MacINNES: So I've been in touch with
16 Laura Rauch with MISO, and I've asked her to come and
17 present this year, and she's willing to do that. I'm
18 thinking about an October presentation for the board
19 education. And she I think is now one of the people in
20 charge of resource adequacy.

21 MR. JESTER: She is.

22 MR. MacINNES: And maybe there are some
23 questions, if any of you have questions about that and
24 would want to, I'll be glad to send them her way because
25 she'll ask what do we want her to cover, and that might

1 be a good question, among others.

2 MR. JESTER: I will certainly supply you
3 some.

4 MR. MacINNES: She's a professional
5 electrical engineer and is very experienced and has been
6 with MISO a number of years. Well, I think most of you
7 have attended her presentation here, and she's a good
8 resource on what's happening at MISO.

9 MR. JESTER: I'll certainly give you some
10 questions.

11 MR. MacINNES: So let me know if you have
12 questions.

13 MR. JESTER: And if I may, I should speak
14 for a different grantee for a moment.

15 MR. MacINNES: Okay.

16 MR. JESTER: On Institute for Energy
17 Innovation, you gave small grants for their participation
18 in the 2013 PSCR cases for DTE and Consumers 2013 PSCR
19 plan case, so it began in late 2012. The Commission this
20 month issued an order in 17317, which is the Consumers
21 case. They had previously issued a decision in the DTE
22 case. There were three issues that we looked at in each
23 of those cases; one of them was the effective errors in
24 the load forecast, that day-ahead load forecast versus
25 actual delivery on the cost of power to customers. In

1 DTE's case, there were pretty substantial errors, and
2 they have made some reforms since as a result of that,
3 but that was a prior decision.

4 The other two issues were present in both
5 Consumers and DTE. The Commission's decision in the
6 Consumers case was along the lines what it was in the DTE
7 case, but a bit stronger. In both cases, the claim was
8 not that there was any change in the PSCR for 2030, you
9 know, that was warranted, but rather that these were
10 items where the utility could do better to reduce future
11 power supply costs and, therefore, should be warned under
12 the five-year plan. And while the Commission didn't
13 frame it as a warning on both issues, they made a clear
14 statement that these are things that Consumers needed to
15 look at.

16 One of them was that there is energy
17 efficiency opportunity available beyond what is required
18 and funded through the energy optimization program that
19 is cheaper than the fuel, costs of fuel and variable
20 costs of the power that would be avoided, and under law
21 they can, by doing integrated resource planning, spend
22 more than is authorized under the energy optimization
23 program, and the Commission said, it affirmed that that
24 was something within the scope of the PSCR case, and said
25 that it is something that Consumers should look at.

1 MR. MacINNES: So this is energy
2 efficiency as a function of the PSCR case?

3 MR. JESTER: Yes, the opportunity to do
4 more energy efficiency and thereby reduce fuels -- or
5 power supply costs.

6 The other is kind of energy efficiency
7 but on the other side of the meter, volt VAR control,
8 voltage control and VAR control in the distribution grid
9 and conservation voltage reduction based on that, and
10 that is something that many utilities around the country,
11 around the world do, Consumers has not been doing, and
12 the Commission said that that is something that Consumers
13 should examine. It's in the nature of the claims that,
14 you know, there wouldn't be an immediate financial
15 result, it was rather setting up future cases, and I
16 think there are opportunities on both of these issues in
17 both the present cases for Consumers and in future ones,
18 potential scope of savings, if anyone follows through
19 and, you know, the Commission actually orders those
20 things would be sort of a one-time after rolled out but
21 permanent reduction of residential bills on the order of
22 three to five percent due to the volt VAR control and
23 conservation voltage reduction, and then an incremental
24 rate of energy efficiency programming on the order of a
25 half percent per, first year savings per year, so it

1 accumulates over the life cycle of the measures, and so
2 on a period of ten years would ramp up to around
3 five percent. So both of those are pretty substantial
4 matters, they're both now set up as sort of a policy
5 conclusion of the Commission that these are appropriate
6 matters, and followup is a matter of opportunity and
7 support from you and things of that sort.

8 MR. MacINNES: Okay.

9 MR. JESTER: So Dan couldn't make it, he
10 asked me to give this report, and he will provide the
11 written report shortly.

12 MR. MacINNES: Is IEI going to continue
13 to want to be an intervenor?

14 MR. JESTER: I don't know that.

15 MR. MacINNES: Okay. We've got ten
16 minutes. Don.

17 MR. KESKEY: I'll try to keep it to five
18 minutes.

19 MR. MacINNES: Perfect.

20 MR. KESKEY: Building on what was just
21 stated to you about Consumers Energy's PSCR Case U-13917,
22 as you recall, we intervened on behalf of GLREA in that
23 case and presented testimony and exhibits in the case
24 advocating that Consumers Energy's five-year forecast
25 plan was not adequate or complete enough because it

1 really didn't fully explain or discuss or analyze the
2 growth in solar energy opportunities; and the Commission
3 in its May 20, 2016, order in that case pointed out, for
4 example, that the Commission had found in the case that
5 GLREA had a right to intervene, a statutory right to
6 intervene, because in this case the Consumers had very
7 strongly opposed the intervention of GLREA. Then, also,
8 Consumers Energy had strongly opposed the inclusion of
9 our testimony on these issues, which the ALJ denied their
10 motion to strike, and then Consumers appealed, and the
11 Commission in this order affirmed the ALJ finding that
12 our testimony was within the scope of Act 304. So these
13 are procedural victories.

14 When it comes to the merits, the
15 Commission, like its order in the DTE Case 17319, has
16 pointed out that they weren't necessarily going to
17 require major changes in the five-year forecast in lieu
18 of the pending energy legislation, that we're in this
19 period of uncertainty as to what the regulatory framework
20 will be; however, perhaps analogous somewhat to what the
21 Commission did with respect to IEI's energy efficiency
22 issues, the Commission indicated in language in the order
23 that the Commission expects Consumers to monitor,
24 analyze, and update its forecasts to ensure that
25 reasonable projections of customer generation are

1 included, especially in light of the rapidly declining
2 costs of solar and other renewable technologies. So
3 we're making progress on the merits, and I think with,
4 perhaps when the energy legislation is finalized and
5 another commissioner is appointed, that the progress can
6 continue to have the utilities put their arms around and
7 grasp what's happening in solar energy, the tremendous
8 growth in solar energy, the tremendous reduction in cost,
9 and it's becoming very economic as a source of energy.

10 And under Act 295, you'll recall there's
11 three or four major policies that the legislature
12 included in that bill, and that was promoting diversity
13 of energy supply, promoting Michigan industry in
14 renewables, besides cost considerations, those kind of
15 policies. So we believe that, as Doug Jester has pointed
16 out, it's a stronger order perhaps than U-17319 in DTE,
17 and that's where progress is occurring.

18 With respect to the most recent PSCR
19 cases, Consumers Energy U-17918 and DTE PSCR U-17920,
20 which are the plan and forecast cases, starting with 2016
21 plan case, the hearings in both of those dockets were
22 completed in May, and we're in the briefing period in
23 those cases, and we filed our initial brief in the
24 U-17920 case yesterday, so that the briefing process, the
25 PFDs, and that's still coming down the road, we're on

1 that schedule.

2 Also, I provided today a memo to the
3 chair and describing to provide more background on the
4 benefits and the successes of board-funded cases a couple
5 of big results that we have obtained in recent years,
6 which are the magnitude of many, many, many scores of
7 millions of dollars, not just in saving rate increases to
8 the residential customer in two specific cases that I
9 mention in this memo with attachments, but in also
10 obtaining an outright net refund of \$85 million which
11 Consumers Energy was required to make after a series of
12 cases in which we documented with extensive, extensive
13 expert testimony that for three years Consumers Energy,
14 despite collecting \$33 million in rate surcharges that
15 were expressly to go into the Big Rock Nuclear Plant
16 Decommissioning Trust, that for three years, in 2000,
17 2001, and 2002, Consumers Energy never put the money into
18 the Trust, and in fact in some of these later cases that
19 we ran where we discovered this, largely because of cases
20 that were funded by the board, we went on to do pro bono
21 work in the rate cases to track the issue. But Consumers
22 had come in and asked for \$44 million in higher rates
23 because their decommissioning fund for Big Rock was
24 underfunded. Well, it was underfunded because they did
25 not put that \$33 million into it for those three years.

1 And so we were able to obtain Commission orders
2 ultimately that required the \$99 million return in
3 principal, plus interest, and then they offset the
4 44 million, so we got a net refund of \$85 million which
5 the Commission required Consumers to refund to ratepayers
6 by a negative surcharge over seven months.

7 MR. MacINNES: So was that -- who were
8 you working for when that happened?

9 MR. KESKEY: I was representing the MEC
10 and PIRGIM, and then later on we continued the case on
11 behalf of MCAAA.

12 MR. MacINNES: Okay. And then was the AG
13 in those cases?

14 MR. KESKEY: For the first three or four
15 cases, we were the only ones that discovered this, the
16 only ones that presented testimony on it and briefing,
17 and when the Commission finally adopted a special docket
18 to, single-issue docket to look at the reconciliation of
19 the trust, then the AG and the Staff participated and
20 then supported our position, and so ultimately it
21 strongly was a result of our unilateral efforts.

22 MR. MacINNES: Okay. I want to just
23 leave a few minutes for public comment. But one thing I
24 would say to all of the grantees is, you know, your
25 keeping track of your successes is going to be, it's

1 important, because the Senate and the House, they want to
2 see what we're doing here, and they're going to be
3 watching what we're doing. So, you know, we've already
4 done some of this, and thank you for your work on that.
5 The cases that you were in by yourself and the result,
6 benefit to cost, how much was spent, how much was
7 returned, it's important, and then the cases in which you
8 participated with the AG, maybe separate cases, really
9 keep good track of that going forward I think would
10 benefit the ability to justify our funds, to make sure
11 that people -- that we're doing the work, that we're
12 getting a return. We don't want to spend the money if
13 we're not getting a return. Nobody wants that. But if
14 we are getting a return, then people should be aware of
15 it, and we'll be documenting it on the report. That's
16 going to be important, you know, in talking with Senator
17 Nofs' office, there's an important thing they're going to
18 be looking at going forward are our results. So I think,
19 you know, keeping track of that and separating it out I
20 think is going to be important.

21 MR. SMITH: I would add in there, too,
22 like, Don, your story, which I've heard from each of you
23 at some point or another where you have put in pro bono
24 resources to continue when UCPB funding or other funding
25 wasn't available, those stories, too, are really

1 important. I mean if it weren't for your goodness in
2 this, then the people wouldn't have had representation,
3 and we may not have had that recovery. So, you know, I
4 wish that we -- that the UCPB had had the funding to, in
5 each of the cases where you all were doing pro bono work,
6 to support that ongoing activity, and making that clear
7 is important to me.

8 MR. MacINNES: Well, and we're going to
9 need to be, if the new Bills are passed, some form of
10 that, we'll be needing to kind of have some general
11 summaries of the additional funds, doesn't need to be
12 detailed out by every item, but we are, you know, we are
13 being asked to, you know, what other funds are being
14 used, and that's fair enough.

15 So okay. Are there any questions from
16 the board of the grantees?

17 Okay. Well, let's move on, then, to
18 public comment. Is there any public comment? Jim.

19 MR. AULT: I do have some. I feel like I
20 need to stand up to counter, it's been kind of a
21 one-sided presentation here, understanding who's here, I
22 can understand it. But I wanted the rest of the board to
23 know I'm kind of the, been one of the main voices
24 opposing the additional funding at the legislature and
25 for MEGA, which is the smaller utilities primarily, so

1 it's been on their behalf. And just so you know, because
2 I don't think you all listen to probably legislative
3 testimony, but I have testified on that subject. We were
4 responsible for some of language, and actually we worked
5 with Mr. MacInnes on language on this accountability and
6 this type of thing, encouraging settlements and things
7 like that to make the process more efficient. Because
8 this litigious, you know, expert witness/lawyers process
9 is not an efficient economic process, which I'm going to
10 comment on briefly. These are just kind of the major
11 points, you know, we made in both correspondence -- or
12 written testimony, and then some oral testimony. And I
13 think given the changes, on an overall basis, when we got
14 to S-4 with amendments, which was the one that passed out
15 of committee about a week or so ago, you know, we were in
16 general support of recognizing all the tradeoffs that go
17 into that, but I did comment in my testimony about this
18 issue, and so I thought I'd just hit the high points.

19 Kind of an inherent issue about, you
20 know, when you seek more funding from the legislature,
21 that's going right into rates, and so this is a tax on
22 customers of utilities, they pay this money, the
23 organizations here don't, and the -- you know, that's
24 serious business, particularly for a smaller utility.
25 Some of our members have 6,000, 17,000, 55,000 customers,

1 so you're spreading it over a much smaller base. And the
2 other half of that is really if we get into a
3 situation -- this was one of the main reasons we opposed
4 it for the smaller group -- you end up litigating -- we
5 settle our cases, and there's good reasons for that. I
6 mean the Commission does scrutinize these cases. Staff
7 will file a case usually before they'll talk, and then
8 you'll have the negotiation process. But to go through a
9 whole contested case, and if we expand that for our
10 companies to all these types of cases, the Act 304 rate,
11 IRP cases if we get the legislation, it's going to get
12 very expensive, and we don't have legal staffs like DTE
13 and Consumers have and, therefore, those costs are going
14 to end up in rates as well. So there's a cost to this,
15 and I just wanted to be an advocate in a sense at the
16 Senate committee for the fact that these are costs that
17 are being imposed on the customer base right away, not
18 just the 100,000, whatever the increase was, but when
19 those litigation costs mount year after year, that's an
20 additional cost that's borne through the, you know, as
21 business expense.

22 We raised the point of redundancy a lot
23 during this debate. The Commission isn't really a court
24 per se, they act like one in the way they conduct
25 contested cases as trial type cases, which is very

1 expensive, but they're a specialized expert agency, and
2 they are charged with the duty of protecting the
3 customer, that's their main purpose for existing.
4 Utilities are monopolies, the commissions were set up,
5 you know, years ago to prevent utilities from extracting
6 monopoly profits from the customer base, that's the whole
7 point of regulation, so they are charged with the duty to
8 represent residential and other classes of customers, not
9 just to listen to both sides and be like a court that
10 doesn't really come into it with any expert knowledge.

11 Same thing with Staff and the AG. You
12 know, one of the benefits -- I guess it's a benefit --
13 the Commission gets, their Staff is a litigant in these
14 cases, they can come in and raise any of the positions
15 you've heard about here, and they do, and not -- and
16 that's a way to get an issue kind of inexpensively, in my
17 opinion, in front of the Commission is you talk to Staff,
18 say, look, this is a concern, you know, go after this,
19 and they've got experts that they hire and do that often.
20 The AG, same thing, they hire experts and they
21 participate. So there's like a triple-header, you know,
22 representation of the customer interest in these cases
23 that we were urging them to consider.

24 I've already made the point -- I guess
25 I'm going to get to a couple of quick points, and then

1 I'll be finished.

2 Advocacy groups, as I'm testifying, we're
3 in this very heated legislative process, and we have a
4 lot of opponents that just frankly don't like the utility
5 industry for reasons that they were not hesitating to
6 give out up there. And as I'm testifying, I'm realizing,
7 you know, on this issue, they're all right behind me;
8 MEC, they're an active advocacy group in the legislative
9 arena, the IEI or Energy Innovation Business Council,
10 they're kind of related, 5 Lakes Energy, they're all
11 there with different views on how to solve these very,
12 very difficult issues, and yet they're getting money from
13 the State through the ratepayer base. And it seems like
14 the RRC seems to have disappeared from these, you know,
15 they were more of a customer focus group. Not to say
16 they're not, you know, as you've heard today,
17 representing ratepayer interests, but I do want to
18 comment on that, on a couple of the points in response.

19 You know, the MPSC, the point was made
20 about the MPSC being underfunded and the Attorney General
21 having limited funds, kind of a general agreement with
22 that. We thought a better use of -- this went back to
23 Nisbet's proposal in the House -- just give the money to
24 them to hire experts that, on the Staff that can do this
25 job better if there's a problem with it, it's a more

1 efficient use of money, because you're not duplicating
2 the attorney/consultant, you know, going through
3 discovery and all those processes over and over again.
4 We thought that was a good way to look at it. I've
5 already addressed the Commission role part.

6 The point about not advocating for
7 environmental and business issues, this gets to the point
8 I made at the Senate committee; yeah, that's generally
9 true because you're bound to respect the scope of
10 intervention in these cases, but some of these groups, I
11 mean GLREA is a trade association for a particular
12 technology, and advocating, going into the PSCR cases and
13 advocating for more solar; I mean are we going have to
14 have the coal industry get funded and advocate for more
15 coal? I mean it's not a lot different. You know, you've
16 got the environmental interests; true, they don't -- you
17 know, they're advocating for the customer interest here,
18 but they have another interest that's the dominant
19 purpose of their organizations. I mean the Sierra Club,
20 which is one of the MEC members, they're a really
21 well-financed organization, more so than my members, I
22 can testify to that, but, you know, they -- by being in
23 these cases, they can use all that information to
24 translate it over to their advocacy role.

25 And let's see, one or two other points.

1 I guess I was going to -- you know, on the gas pipeline
2 issue, I don't want to really get into the details of
3 that because that's a -- but gas pipeline, yeah, they do
4 need financial stability to build a pipeline. That's in
5 answer to the energy needs of this State going forward.
6 Some of the groups here don't like gas as a, you know,
7 for environmental reasons or whatever, so what better way
8 to oppose it than to choke off the supply from the
9 Marcellas by opposing a pipeline. That's an issue that,
10 you know, that concerns me a little bit, because I've
11 work in the oil and gas for a lot of my career, and in
12 order to build a pipeline, you got to have commitments
13 from the shippers on the line or you're never going to
14 get financing to build it. And that's like any project
15 we deal with.

16 So these are difficult issues, and I just
17 wanted to kind of let you guys know, you know, that I had
18 testified on this, concerned about the funding. Yeah,
19 we'll try to make it work going forward if this passes.
20 And I appreciated the changes they made about the
21 reporting and accountability. But really I want to just
22 stand up and see if you had any questions, also, knowing
23 that. So if you have any.

24 MR. MacINNES: Are there any questions
25 for Jim?

1 MR. KESKEY: Can I have a one-sentence
2 response. GLREA has many, many, many customers,
3 individual customers, persons who are members of the
4 organization. They do have an annual energy fair in
5 which vendors come in and present all kinds of different
6 renewable technologies, but it is simplistic to call it a
7 trade association.

8 MR. SMITH: Jim, I appreciate you adding
9 the context to this thing, thanks. It's good to be
10 reminded it's layed and nuanced.

11 MR. AULT: Yeah, definitely.

12 MR. MacINNES: So I have a couple
13 questions, or one main question. Are Consumers Energy
14 and DTE Energy members of your organization?

15 MR. AULT: They don't have any vote in
16 our organization; they support us somewhat and they
17 participate. We do some regulatory things jointly.

18 MR. MacINNES: So they are members of
19 your organization?

20 MR. AULT: Not members, no, because they
21 have no say in our --

22 MR. MacINNES: Do they pay dues?

23 MR. AULT: No. Well, they pay for the
24 participation, it's not --

25 MR. MacINNES: So to say that you just
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1 represent small utilities, I'm not sure that's completely
2 accurate.

3 MR. AULT: Well, it is, because I
4 don't -- they have no say in our policy on the
5 legislation.

6 MR. MacINNES: I see they're sponsoring
7 your conference.

8 MR. AULT: We all jointly participate --
9 well, and our conference is at your facility.

10 MR. MacINNES: Yes.

11 MR. AULT: We all jointly, there's a
12 group that runs that conference, and it's made up of the
13 co-ops, the municipals, MEGA, DTE, and Consumers, and we
14 get support from some of the other industry groups,
15 that's --

16 MR. MacINNES: See, the concern of some
17 of this is what we call, you know, it's regulatory
18 capture. Okay. Well, you know, you talk about having
19 the AG handle all this. Well, the AG's office is
20 potentially, you know, they're subject to political
21 pressure, and that's just a reality. We have not had
22 political pressure on us, we're an independent non -- we
23 don't get paid, we're just a volunteer group here. We
24 don't get paid, we're not subject to any -- you know, the
25 Governor doesn't come tell us what to do, the

1 legislators. I mean we've worked with Senator Nofs, we
2 try be cooperative with people, but we don't -- we're not
3 subject to political pressure, and I think a lot of the
4 other, you know, the MPSC is, the AG is. That's a
5 reality. Regulatory capture.

6 MR. AULT: Yeah, I've appreciated the
7 fact that you're volunteers, I really respect all of you
8 for doing that.

9 MR. MacINNES: You know, we don't get any
10 money, and we get --

11 MR. AULT: I point that out to our
12 people, too, when we talk about this; I usually say, hey,
13 remember, these guys are volunteers. I do think, though,
14 I mean you yourself are an advocate for a group that got
15 up and hit us pretty hard last August in the testimony
16 about the quality of our service to the customer, and
17 you're not even a customer, you're a customer of
18 Cherryland.

19 MR. MacINNES: Hold on, wait a second.

20 MR. AULT: Last August.

21 MR. MacINNES: What about last August?

22 MR. AULT: When you went up with the
23 Christian Coalition, and you're part of a different
24 group, it's not --

25 MR. MacINNES: I'm a Consumers Energy
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1 customer. I'm a Consumers Energy customer.

2 MR. AULT: But you're testifying up there
3 and identifying yourself as a member of this board.

4 MR. MacINNES: I'm on the leadership
5 committee of the Michigan Conservative Energy Forum --

6 MR. AULT: Right.

7 MR. MacINNES: -- that's true.

8 MR. AULT: That's the one.

9 MR. MacINNES: And we do advocate for
10 renewable energy, energy efficiency and, you know, those
11 kinds of things, and for ratepayers, so that's true, we
12 do. But I'm a Consumers Energy customer, I mean, you
13 know. I don't know --

14 MR. AULT: I just --

15 MR. MacINNES: -- if that's a problem or
16 not.

17 MR. AULT: I just wanted to present some
18 of the other side here. We've had some pretty heated
19 discussions actually in our trip up to Clare and things
20 like that, and I think we just have different points of
21 view on some of this and, you know, as you see in the
22 testimony. I think even on the legislation, there's
23 quite a bit of that. But in fairness to the rest of you,
24 I think, because I was the one speaking up on this, I
25 wanted you to know that and feel free to ask me questions

1 any time really.

2 MR. SMITH: Could you advocate for a
3 raise for us?

4 MR. AULT: More than volunteer status?

5 MR. MacINNES: I don't think he's going
6 do that.

7 Okay. Any other -- thanks, Jim. And,
8 you know, I mean we argue, but I think we have a
9 respectful relationship with each other, we've known each
10 other a long time, and so.

11 MR. AULT: Yeah, that's true, I feel that
12 way.

13 MR. MacINNES: You know, you do your job
14 in representing your people and, you know, we do our job,
15 that's what we do and, you know, that's -- I don't know
16 what more to say other than that. So we try to be fair,
17 spend the money wisely. And I will say that while the
18 issue of, oh, yeah, it's going to go on somebody's rates,
19 but it also helps people's rates when we are able to roll
20 back some increases, which we've done, we've saved
21 hundreds of millions of dollars over the last five years
22 through our advocacy, and so that -- well, yes, the legal
23 costs may go on the rates, but to the extent that we have
24 rolled the rates back because there are some incorrect
25 assumptions, that helps the residential ratepayer, and if

1 it didn't, we wouldn't do that. I mean we're not -- you
2 know, if we see, as I told Dave here, it's like if we see
3 that we're doing something that doesn't make any sense
4 and we're wrong, we're going to stop doing that. Doesn't
5 make sense. If it's good for ratepayers, that's -- we're
6 advocating for ratepayers. And if all the money that
7 we're spending on legal fees is just going into the rate
8 base and we're not making a point, well, we're going to
9 stop doing that, you know.

10 Okay. Any other discussion?

11 I guess the next meeting is August 1. A
12 little bit late here, but I think we still have time to
13 get over to the meeting.

14 Do we have a motion to adjourn?

15 MR. DINKGRAVE: So moved.

16 MR. SMITH: So moved, or support.

17 MR. MacINNES: We're adjourned. Thank
18 you, all.

19 (At 2:44 p.m., the meeting adjourned.)

20 - - -

1 STATE OF MICHIGAN)
)
2 COUNTY OF MACOMB)

3 I, Lori Anne Penn, certify that this
4 transcript consisting of 91 pages is a complete, true,
5 and correct record of the proceedings held on Tuesday,
6 June 7, 2016.

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

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

15
16
17 June 9, 2016
Date

Lori Anne Penn

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

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