



Energy Reliability in Michigan's Upper Peninsula



Additional information is available on the following websites:

Michigan Agency for Energy (MAE) - michigan.gov/energy

Federal Energy Regulatory Commission (FERC) - ferc.gov

North American Electric Reliability Corporation (NERC) - nerc.com

Midcontinent Independent System Operator (MISO) - misoenergy.org

Background

Historically, to serve Michigan's Upper Peninsula (UP) electrical load, transmission systems with modest flow capacities were built to move power within the UP, between northern Wisconsin and the UP, and between the Upper and Lower Peninsulas. We are working to see how the system can best adapt to changes in power generation, new federal requirements, and changes in the UP's load.

For instance, after the Northeast Power Outage in 2003, more stringent and mandatory federal reliability standards from the North American Energy Reliability Corporation (NERC) were mandated across the country. In part, these standards required that the UP energy infrastructure had to be strengthened.

System Support Resources (SSRs)

When the operator of a power plant wants to retire it, but doing so would bring reliability below federal standards, it can be required to keep operating, but the costs of operation still need to be paid. Such a unit is called a System Support Resource (SSR) unit. Power plants in the UP that have been in SSR status in recent years include the Presque Isle Power Plant (PIPP), Escanaba, and the White Pine plant. Since 2012, the UP has had at least one active SSR each year, but as of the end of November, no more plants will be under a SSR.

Paying for SSRs

One of Michigan's largest criticisms of the SSR system is that the federal government mandates that the initial process of setting those charges excludes all input from the people who pay the bills. That has resulted in companies receiving millions of dollars above their real costs. For instance, the Midcontinent Independent System Operator (MISO), which operates the interstate transmission grid, accepted figures from Wisconsin Energy Corporation (WEC), the owner of PIPP, without input from others, resulting in the state and other interested stakeholders challenging the expenses through costly proceedings at the Federal Energy Regulatory Commission (FERC). MISO now agrees that the process of determining SSR charges should be more transparent, but the federal government has not yet approved those changes.

SSR payments for the PIPP were stopped (and are prevented from recurring) as part of an agreement negotiated with Michigan in 2015. In addition Michigan has continued to litigate regarding past charges related to the PIPP, as well as other payments for Escanaba, and White Pine operations. If you agree that these processes need to be more transparent, please contact FERC at 1-866-208-3372 or customer@ferc.gov and ask them to quickly adopt these reforms.

Customer Impacts

In the current FERC contested case on the cost to keep PIPP running, the administrative law judge issued a Proposal for Decision (PFD) agreeing with

Michigan that PIPP's owner, WEC, massively overcharged customers for the cost of operating the plant. In his PFD, the judge *recommended* that ratepayers receive at least \$17 million, plus interest, in refunds. FERC has yet to issue its final order in this contested case. Additionally, Michigan is awaiting court decisions on what percentage of the SSR costs UP ratepayers will shoulder.

Better solutions

SSRs are not the most cost effective solution to the energy situation in the UP. The Michigan Agency for Energy (MAE) supports a proactive approach to eliminating the need for SSRs altogether by planning for the UP's needs. This involves identifying both short- and long-term solutions to reduce the cost burden to UP customers with MAE and MPSC working with MISO to determine new generation and transmission solutions.

- **Proposed New Power Plant to Replace PIPP**

WEC and Cliffs Natural Resources reached an agreement to build at least 170 Megawatts of new natural gas powered generation at two sites in the UP. This plan will allow for the retirement of PIPP by 2020. The establishment and operation of these new generating facilities is expected to resolve long-term reliability concerns associated with the PIPP retirement, will preclude any need for additional and unnecessary transmission costs borne by Michigan ratepayers, and ensure power remains affordable.

- **White Pine**

At the end of July 2016, the primary transmission provider in the UP, American Transmission Company (ATC), provided an innovative solution to MISO to address the need for the White Pine SSR that meets reliability requirements. ATC proposed to return its transmission system to the way it was configured and operated prior to 1998. This configuration reduces the risk of large geography losing power when the White Pine Plant is unexpectedly down. While there is a slight increase in risk during planned maintenance in the summer months, ATC has an excellent record of ensuring their maintenance activities occur during low-risk times. Implementing this alternative would save UP customers approximately \$9

million in estimated SSR payments. FERC issued its order agreeing with MISO to cancel this SSR effective November 26, 2016. After that date there will be no more effective SSRs in Michigan.

Propane

MAE has useful tips on selecting a propane provider. The consumer tip sheet "Selecting A Propane Provider" covers pricing agreements, delivery arrangements, fees and other charges, the pros and cons of renting and owning a propane tank, contracts, and a list of helpful questions to ask before signing a contract. While propane prices are not regulated, MAE does monitor supplies and make available weekly, statewide average residential prices on its website during the heating season. Information is available on [the michigan.gov/propane](http://the.michigan.gov/propane) website.

Michigan Petroleum Pipeline

Primary regulatory responsibility for the safety of interstate gas and oil pipelines rests with the Federal Pipeline and Hazardous Materials Safety Administration.

The Michigan Pipeline Safety Advisory Board

On September 3, 2015, Governor Snyder established the Michigan Pipeline Safety Advisory Board (MPSAB). The MPSAB advises the Governor on Pipeline Safety Issues. The MPSAB consists of 15 members comprising regulated stakeholders, government agencies and non-governmental organizations.

The MPSAB is charged with the following duties:

- Review and make recommendations for statutory, regulatory, and contractual implementation of the Michigan Petroleum Pipeline Task Force Report.
- Identify areas of best practice in pipeline safety and siting across the United States that could be implemented in Michigan.
- Review and make recommendations on state policies and procedures regarding emergency response, pipeline siting and planning for pipelines.
- Review information submitted to the state in response to the Michigan Petroleum Pipeline Task Force Report.
- Provide recommendations to increase transparency and public engagement on pipelines.