



## Stakeholder Group Meeting Summary

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Monday, November 16, 2015  
8:30 AM–12:00 PM

**Michigan Public Service Commission**  
Lake Huron Conference Room, First Floor  
7019 West Saginaw, Lansing

### Stakeholder Group Members Present

Lauren Donofrio (co-chair and nonvoting ex officio), Michigan Department of the Attorney General (AG); Dan Dundas, Senate Majority Policy Office; Kwafo Adarkwa, ITC Holdings Corp.; Laura Chappelle, Energy Michigan; Don Stanczak, DTE Energy; Andrew Vermeesch, Michigan Farm Bureau; Craig Borr, Michigan Electric Cooperative Association; Jim Weeks, Michigan Municipal Electric Association; Jim Ault, Michigan Electric and Gas Association; Greg Clark, Indiana Michigan Power; George Andraos, Ford Motor Company; Jill Steiner, The Cadmus Group; Mathias Bell, Opower; Greg Poulos, EnerNOC; Anand Gangadharan, NOVI Energy; Jeffrey Wiggins, House Republican Policy Office; John LaMacchia, Michigan Municipal League; Dan Scripps, Michigan Energy Innovation Business Council; Jean Redfield, NEXT Energy; Chrissy Beckwith (remote), SEMCO Energy

### Steering Committee Members Present

Valerie Brader, Michigan Agency for Energy (MAE); Mary Maupin, Michigan Department of Environmental Quality; Robert Jackson, MAE

### External Support Staff Present

Julie Metty Bennett, Public Sector Consultants (PSC); Eric Pardini, PSC; Terri Novak, MAE; Rich Sedano (remote), the Regulatory Assistance Project (RAP)

### Other Attendees

Dave Isakson, MPSC

### Informal Meet and Greet

Prior to the start of the stakeholder meeting, participants were given the opportunity to speak with their fellow stakeholders during an informal meet and greet.

## Welcome from the Co-chairs, Introductions, Review Agenda, Review and Take Comments on Meeting Notes

Next, stakeholder group co-chair Lauren Donofrio welcomed participants to the meeting. She thanked stakeholders for their attendance and asked them to briefly introduce themselves.

After introductions, Ms. Donofrio provided an overview of the meeting's agenda, noting that the first item was a presentation about motivating demand response (DR) participation through regulation. Following this presentation, stakeholders would finalize their DR vision statement, then work in small groups to come up with metrics for determining the progress of DR programs.

Before moving into the first agenda item, Ms. Donofrio asked stakeholders for comments on the October 19 meeting summary. There were no comments or suggested revisions. Ms. Donofrio noted the summary would be made final and posted to [the project website](#) hosted by the Michigan Agency for Energy.

## Regulatory Models that Motivate Utilities to Offer, and Customers to Participate in, DR Programs

Project manager Julie Metty Bennett thanked Ms. Donofrio for her welcoming remarks and proceeded to introduce Rich Sedano from the Regulatory Assistance Project (RAP). Mr. Sedano had participated in a prior stakeholder group meeting, and has provided external support throughout the roadmap process. Mr. Sedano's presentation for stakeholders focused on how regulation can motivate utilities to offer and customers to participate in DR programs. He also provided stakeholders with some common performance metrics used to measure the success of DR programs. His complete presentation is available on [the project website](#).

There were several questions from stakeholders following Mr. Sedano's presentation. These questions have been summarized below.

- ❖ Q: Are any jurisdictions considering values other than capacity replacement in their DR programs? These programs are going to be a lot more valuable if you take a more holistic view and account for cost savings from transmission, for example.
- ❖ A: No, jurisdiction is currently doing this very well. In a handful of places, there have been specific attempts to identify the places where distributed resources can be most effectively deployed. Part of the reason for this is that the Federal Energy Regulatory Commission has not done a great job of this at the wholesale level.
- ❖ Q: What are some of the metrics for DR that capture total system values?
- ❖ A: System efficiency is a good metric to look at. It can show you how effectively existing resources are being utilized and allow you to measure if DR can improve efficiency.
- ❖ Q: Do we have a load duration curve for Michigan?
- ❖ A: The MPSC is working to create a current load duration curve for Michigan.

Following these questions, Ms. Bennett thanked Mr. Sedano for his presentation and turned stakeholders' attention to finalizing their vision statement for DR.

## Finalize DR Vision Statement and Small Group Exercise—What to Measure and How: Knowing When We've Achieved Our DR Vision

Ms. Bennett explained that there were several revisions made to the draft vision statement following the group's discussion in October. The steering committee reviewed the revised draft of the vision statement and agreed that stakeholders were making good progress. Ms. Bennett asked the stakeholder group to review the revised vision statement and offer any comments and suggestions they may have before it is finalized. Their revisions are summarized below.

- ❖ The bulletpoints in the vision statement should be changed to numbers.

- ❖ The first element of the DR visions should be revised so that it reflects that new technologies should be embraced when they are cost effective.
- ❖ For the third bullet point, DR programs should be transparent as well as simple and easy for customers to understand and access.
- ❖ The fourth bullet should be eliminated because it is repetitive.
- ❖ The sixth bullet implies that supply-side resources would be an excess. This goes against the used and useful principle of utility regulation. The sentence should be changed to correctly state DR programs can be a cost effective way to delay or avoid the need for incremental supply-side infrastructure.

The project management team will make these changes to vision prior to the next stakeholder group meeting in December. During that meeting, the group will be given the opportunity to finalize their vision statement. Ms. Bennett directed members wishing to contribute additional comments to send them via e-mail before close of business on Friday, November 20.

## Small Group Work

Next, Ms. Bennett directed the stakeholders' attention to the small group exercise. She explained that participants would be divided into two groups and asked to respond to a series of questions related to shaping recommendations for a new regulatory approach to promoting DR. Members were given 55 minutes for this small group discussion. The document used for the small group discussion is available on [the project website](#).

## Small Group Reports

After the small groups concluded their internal discussions, Mr. Sedano reconvened the full stakeholder group and asked one member from each group to share with the others what their group discussed.

Reporting for group one was Jim Ault. Mr. Ault explained that his group's main concern was about the potential risks associated with DR, specifically managing risk from the utility perspective. Mr. Ault stated that his group generally agreed that utilities should be allowed to independently establish and administer DR programs without any specific performance requirements until some of the unknowns about cost savings, revenue reductions, and customer behavior can be identified. He added that many utilities would be skeptical of engaging in programs based on customer behavior, because they believe customer behavior to be somewhat unpredictable and this can cause financial risk. Once more elements of the potential are understood then it would make sense for broader requirements for DR to be introduced. The group agreed on several potential metrics for measuring success of DR programs, including customer participation rates, peak energy demand reductions, lower overall system costs, improved reliability, and rates.

Reporting for the second group was Mathias Bell. Mr. Bell's group stated that the most important aspect to measure for DR programs is cost-effectiveness. To that end, the group recommended using net system savings through the use of DR (\$/MW cost of DR relative to the \$/MW cost of traditional investment) as the type of metric to be used to evaluate whether or not the DR vision is being achieved. This metric should be utility-specific (as opposed to establishing a single statewide target metric). Utilities are already collecting the necessary data to be able to evaluate progress toward this metric, so the group thought this was not only the most important metric, but also feasible to track. This group also suggested that there should be a reward for utilities that are helping Michigan achieve the group's DR vision. There should be two reward options for utilities from which they get to choose—such as allowing DR noncapital/program costs to be rate-based, and then allowing the utility and the customer (both DR participants and the entire customer base) to share the net system savings, or allowing utilities to receive a financial reward once they hit a performance target. The group recommended using the utility cost test to measure performance. The group thought costs and benefits need to be delineated by time (season and time of day) and location (local and regional effects). The group thought both prospective and retrospective reporting should be done. Utilities should submit a plan for DR to the MPSC (or include it in the integrated resource planning process, if appropriate) to ensure the costs of the program are just and reasonable. This can be done either through a petition or contested case. If the plan has already been approved by the relevant regional transmission

organization, there is an accelerated review and approval process. The utilities should then be required to report annually on what was accomplished so that the reward can be approved. Transparency was important to the group, so these reports should be shared by the MPSC publicly. Metrics should be verified annually by a third party hired by the utility. The MPSC must approve the third-party verification contractor before they are hired.

Mr. Sedano thanked Mr. Ault and Mr. Bell for sharing their group's recommendations. He explained that the Roadmap project team would meet to synthesize the findings from these groups into a set of recommendations for them to review at the next meeting.

## **Wrap-up and Next Steps, Next Meeting Monday, December 14 at 8:30 AM**

To conclude the day's stakeholder group meeting Mr. Sedano thanked everyone for their attendance and explained that materials for the next meeting on Monday, December 14 would be distributed approximately two to three weeks prior to the meeting. He added that the project management team would provide additional information on the next steps for stakeholders at this next meeting.