



# 2019 Annual Report

March 2, 2020

**Sally A. Talberg, Chairman**  
**Daniel C. Scripps, Commissioner**  
**Tremaine L. Phillips, Commissioner**



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## Who We Are

The Michigan Public Service Commission (MPSC or Commission) is the state regulatory body charged with protecting the public by ensuring safe, reliable, accessible energy and telecommunications services at reasonable rates for Michigan residents. The Commission regulates the rates and services of investor-owned natural gas and electric utilities, authorizes energy infrastructure proposals, implements state law governing competition and other aspects of the energy and telecommunications industries, and monitors the safety of inter- and intra-state natural gas pipelines.

The Commission is a three-member body with commissioners appointed by the Governor for staggered, six-year terms. The MPSC has a professional staff of approximately 175 individuals with expertise in engineering, accounting, law, economics, and other fields.

Section 5a of Public Act 3 of 1939, as amended, MCL 460.5a, requires the MPSC to file an annual report with the Governor and the Legislature on or before the first Monday of March each year.

## Commission Members



Sally A. Talberg was initially appointed by Governor Rick Snyder to the Michigan Public Service Commission on July 3, 2013 and was appointed chairman on January 4, 2016. Her term ends on July 2, 2021. Through her involvement with the National Association of Regulatory Utility Commissioners, Chairman Talberg serves on the Committees on Critical Infrastructure and Gas, as well as the Federal-State Joint Boards on Jurisdictional Separations, and on Universal Service. She also serves on the U.S. Department of Energy's State Energy Advisory Board (STEAB). From 2013-2019 she served on the board of the Organization of MISO States, including President (2016).

Daniel C. Scripps was appointed by Governor Gretchen Whitmer to the Michigan Public Service Commission on February 25, 2019. His term ends on July 2, 2023. Commissioner Scripps serves on the Upper Peninsula Energy Task Force created by Governor Whitmer in June 2019. He also serves on the board of directors and executive committee of the Organization of MISO States, and in August 2019 was selected to serve as the president of the Mid-America Regulatory Conference. He is a member of the National Association of Regulatory Utility Commissioners and serves on its Committee on Electricity, Committee on International Relations, and the Washington Action Program.

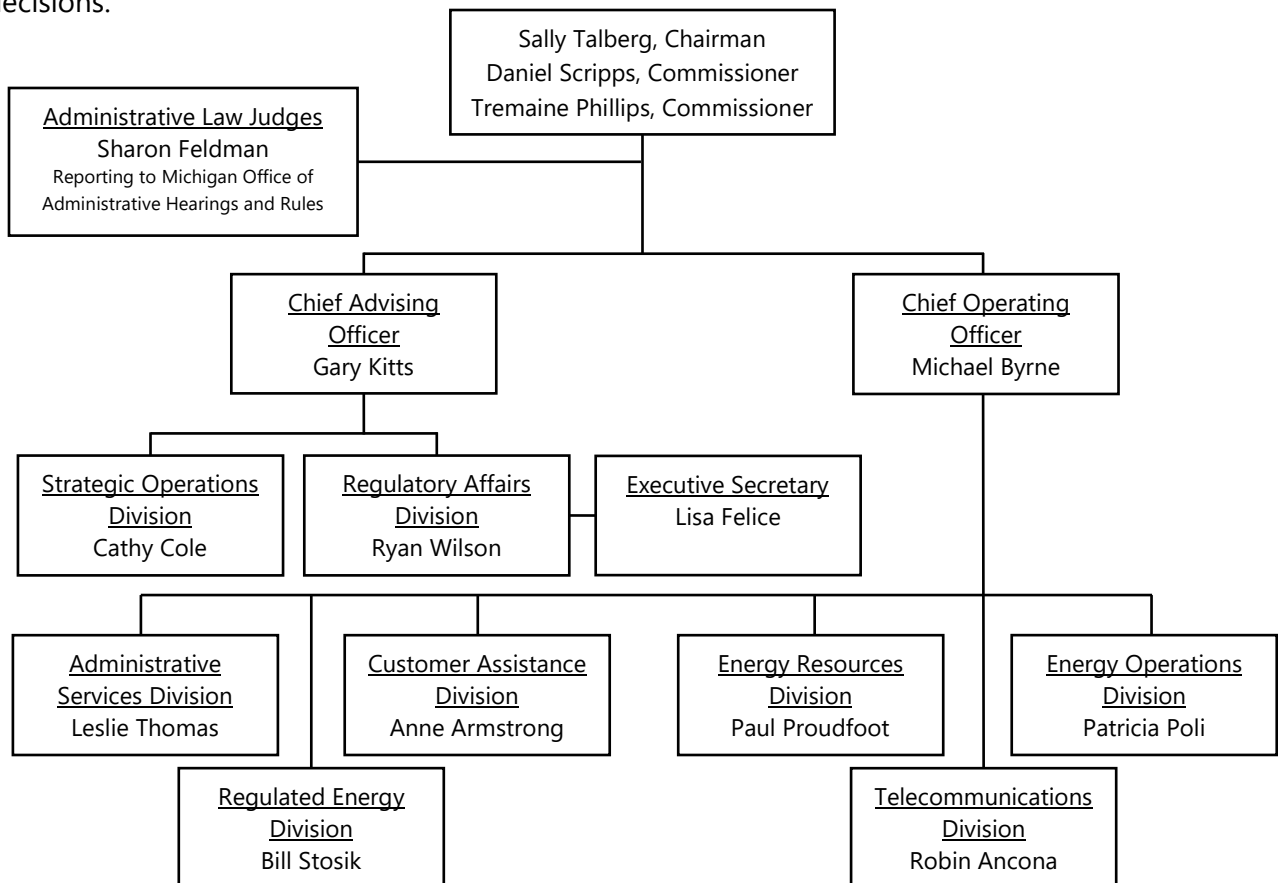




Tremain L. Phillips was appointed by Governor Gretchen Whitmer to the Michigan Public Service Commission on September 9, 2019. His term ends on July 2, 2025. Commissioner Phillips is a member of the National Association of Regulatory Utility Commissioners and serves on its Committee on Consumers and the Public Interest, the Committee on Telecommunications, and the Committee on Critical Infrastructure. He also serves on the board of directors of the Organization of PJM States and represents the Commission on Governor Gretchen Whitmer’s Michigan Poverty Task Force. In February 2020 he was appointed to serve on the NARUC Broadband Expansion Task Force, a two-year effort to identify best practices and solutions to improving broadband access in underserved communities throughout the country.

## Organizational Structure

It was a year of change for the MPSC. We welcomed two new Commissioners, Dan Scripps and Tremain Phillips, and said farewell to one, Norm Saari. We also had structural changes within the agency; an executive order from Governor Whitmer transferred the Energy Security section and emergency management responsibilities to the MPSC, we hired a new Public Information Officer and Legislative Liaison and created a new Communications section to increase transparency, enhance communications and outreach, and help educate the public regarding Commission decisions.



## Mission, Vision, Goals, and Priorities

### **Mission**

Protect the public by ensuring safe, reliable, and accessible energy and telecommunications services at reasonable rates for Michigan's residents.

### **Vision**

We will be a best-in-class commission by focusing on the public we serve and making well-informed decisions at every level of the organization.

### **Goals**

Establish fair and reasonable rates  
Administer fair terms and conditions of service for customers  
Assure adequate and reliable supply of energy and telecommunications services  
Assure the security of critical infrastructure  
Promote Michigan's economic growth and enhance the quality of life of its communities  
Support adoption of advanced technologies  
Provide customers with the opportunity to choose alternative providers  
Provide regulatory oversight in a prudent and efficient manner  
Maintain open communication to external stakeholders, customers, and the general public

### **Priorities**


Infrastructure modernization  
Internal and external communications  
Process improvement  
Attraction and retention of workforce  
Fair, transparent and effective regulatory processes

# MPSC Impact on Michiganders

**247,240**  
LIFELINE CUSTOMERS IN MICHIGAN



**12,850** Customers assisted with utility and telecommunications issues in 2019



MPSC authorized and monitored the replacement of at-risk natural gas infrastructure:  
**≈300 miles** of gas distribution pipelines & **≈26,000 gas meters** inside homes

## CULMINATION OF TCJA CASES REFUNDING MICHIGAN UTILITY TAX SAVINGS TO CUSTOMERS

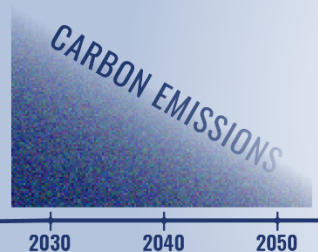


CREDIT A:  
**\$382 MILLION**  
CREDIT B:  
**\$233.6 MILLION**  
CALCULATION C:  
**\$4.1 BILLION**

(DEFERRED TAXES REFUNDED OVER SEVERAL DECADES)



**Michigan Energy Assistance Program** awarded **\$55 million** in grants, providing energy assistance payments and self-sufficiency services to **61,199** low-income Michigan households



As Michigan utility companies commit to carbon emission reduction and net zero targets, **MI Power Grid** – a customer-focused, multi-year initiative – is facilitating collaboration between stakeholders and regulators to maximize the benefits of Michigan’s clean energy transition.




## MPSC Partnerships


In 2019, our partnerships with other state departments and programs included the following:


Partners	Issue(s) & Activities
Michigan Department of Environment, Great Lakes, and Energy	Integrated resource planning; UP Energy Task Force; and Interagency Environmental Justice Task Force
Michigan Department of Health & Human Services	Michigan Energy Assistance Program (MEAP)
Michigan Department of Technology, Management and Budget	Connecting Michigan Communities Grant Program and audio-visual upgrades
Michigan Infrastructure Council (led by the Michigan Department of Treasury)	Statewide asset inventory and infrastructure planning
Michigan State Police	Data access and privacy; cyber and energy security; and emergency management

## Public Engagement & Outreach

The MPSC values openness and transparency in its interactions with the public and the media. In 2019, the MPSC continued to expand its outreach by launching a redesigned website to provide for a more engaging user experience. The website - [www.michigan.gov/mpsc](http://www.michigan.gov/mpsc) - is regularly updated and accessible to the public and other stakeholders. One key customer education priority that carried over from 2018 was to increase our presence on social media.

 MPSC LinkedIn account was launched in October 2019

 MPSC YouTube channel was set up in November 2018

 @MichiganPSC was launched on Twitter in April 2018

At the end of 2019, the MPSC had more than 2,000 [Twitter](#) followers and just under 100 [LinkedIn](#) followers. Going forward, expansion of the MPSC's social media presence will continue to be a priority. In 2018, the Commission began livestreaming its meetings, which are available on the MPSC's [YouTube](#) channel. During 2019, enhancements to our teleconferencing and video streaming capabilities within our hearing rooms and conference rooms took place to allow for greater functionality and accessibility.



The MPSC's natural gas price comparison website - [www.michigan.gov/CompareMIGas](http://www.michigan.gov/CompareMIGas) - helps customers make informed decisions when choosing an alternative gas supplier (AGS). The website includes the prices currently charged by all AGSs actively marketing or enrolling customers in Michigan, and the basic terms and conditions of their offers. As of December 2019, there were 368,354 customers statewide participating in the Gas Customer Choice Program.



**MPSC's Natural Gas Price Comparison Website**

The MPSC continued to update its consumer tips and publish issue briefs and fact sheets to explain important Commission decisions or issues for media, legislators, and stakeholders. For more information, click [here](#). Other key activities included:

- Issued 34 news releases covering 127 Commission orders at its meetings.
- Issued 29 news releases relating to other MPSC programs and activities.
- Provided information and assistance through 301 media contacts.
- Facilitated over 35 public hearings, meetings, and stakeholder forums.
- Managed over 8,000 filings made to the MPSC's E-Dockets system.

## Special Projects

### Polar Vortex 2019 Aftermath

Michigan experienced historic extreme cold weather across the state from January 29, 2019 to February 1, 2019 during the polar vortex (Polar Vortex 2019 or PV19). The extreme cold posed a threat to Michigan residents which was exacerbated due to a fire at Consumers Energy's Ray Compressor Station in Ray Township. The fire threatened the utility's ability to serve its natural gas customers during a time of projected record demand. The extreme temperatures also resulted in a maximum generation or "Max Gen" event across the MISO footprint due to a combination of increased demand and generator outages resulting in a call for electricity curtailments by Michigan utilities.

PV19, the Ray Compressor Station fire, and the Max Gen event created a "perfect storm" threatening Michigan's energy systems. However, the actions undertaken across state government, by the utilities, and by utility customers – from large industrial customers to residential customers – prevented any long-term negative impacts. In 2019, the Commission devoted significant resources to addressing issues arising from and during PV19.

## Ray Compressor Station Fire Investigation

On January 30, 2019, a fire broke out at the Consumers Energy Ray Compressor Station, the second largest source of working natural gas capacity in the state of Michigan. MPSC Gas Safety staff were onsite that same day and offsite staff, including those at the State Emergency Operations Center which had been activated due to the extreme cold, monitored the developing situation. The fire was extinguished roughly 5 hours after it began.



**Ray Compressor Fire**  
Image: Todd McInturf, Detroit News

The loss of the Ray station, record natural gas demand, and system constraints resulted in a call from Consumers Energy and Governor Gretchen Whitmer to customers to curtail their natural gas use. In an unprecedented step, the State Police utilized the statewide emergency alert system to request that Michigan residents lower their thermostats to 65 degrees, thus decreasing demand for natural gas. Michiganders responded to the request, and within hours natural gas demand had dropped, helping to avoid shutoffs to residential gas customers.

### EMERGENCY ALERTS

#### **Emergency Alert**

Due to extreme temps Consumers asks everyone to lower their heat to 65 or less through Fri

Consumers Energy resumed normal natural gas delivery to customers on February 1, 2019.

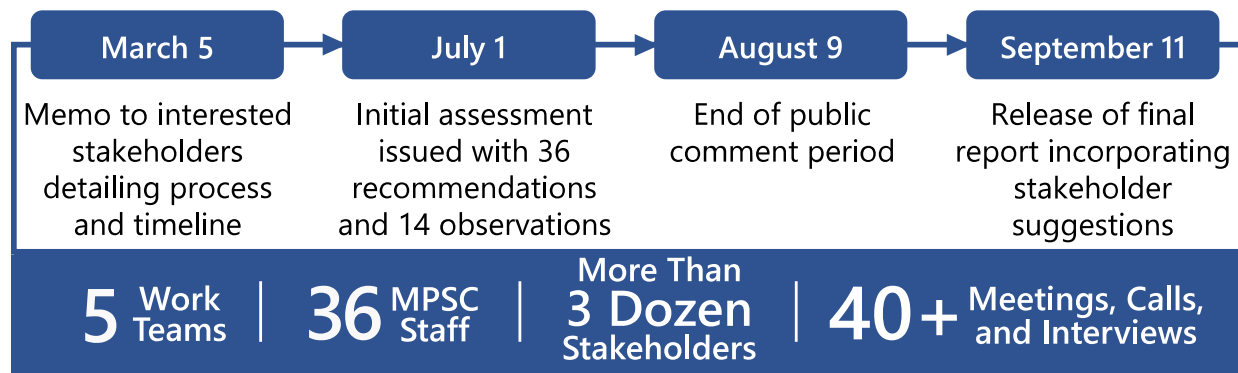
The scope and system-wide impacts involved in the Ray Compressor Station Fire suggested that a broad investigation into the causes and other circumstances surrounding the fire was prudent. To that end, the Commission issued an [order](#) in Case No. [U-20463](#) for an investigation to examine several issues including the fire's origin, Consumers Energy's response, coordination between Consumers Energy and the State of Michigan, and the steps Consumers Energy took to protect against physical and cybersecurity before and after the fire.

The MPSC's Gas Safety staff conducted multiple site visits at the Ray station with the Michigan State Police and the Federal Bureau of Alcohol, Tobacco, Firearms and Explosives. As part of the investigation, required reports and studies were submitted to the Commission and are expected to inform future decisions at Michigan utilities impacting natural gas safety and reliability.

The MPSC's Gas Operations Section incident root cause analysis was filed in the docket on January 31, 2020.

## Statewide Energy Assessment

The confluence of events surrounding PV19 prompted the Governor to send a letter requesting that the MPSC undertake a statewide review of the supply, engineering, and deliverability of natural gas, electricity, and propane systems, as well as contingency planning related to those systems. The Commission issued an order in Case No. [U-20464](#) to implement the Governor’s request. The staff worked diligently with many stakeholders to develop the Statewide Energy Assessment (SEA) under a compressed timeline.



The [final SEA report](#) makes 37 MPSC jurisdictional and 15 non-jurisdictional recommendations for improving the safety and reliability of Michigan’s energy infrastructure. To ensure reliable, resilient energy supply and delivery in the future, the Commission directed staff to work with stakeholders to provide recommendations for improving participation in demand response events, updating the current service quality and reliability standards for electric distribution systems and technical standards for electric service, and natural gas curtailment procedures, if needed. The Commission also directed staff to discuss the development of mutual aid agreements for natural gas distribution utilities and natural gas transmission contingency planning.

Addressing the recommendations made by the SEA will be a priority of the Commission as it moves into 2020 and beyond. While some of the recommendations will be addressed as stand-alone issues, many of them will be incorporated into the MPSC’s MI Power Grid initiative launched in October. For a high-level overview of the SEA, see the MPSC’s [SEA Fact Sheet](#).

### MI Power Grid

The SEA not only identified areas in which Michigan’s systems could be made more secure, reliable, and resilient; it shows that the electric industry is on the cusp of transformational change and that supplies used to power Michigan homes and businesses are shifting from large central-station power plants to cleaner and more distributed energy resources. Nearly all electric utilities

### MI Electric Utility Carbon Goals

	2030	2040	2050
DTE	50%	80%	100%
Consumers		100%	
UPPCo	17%*		
I&M	60%		80%
NSP	80%		100%
UMERC	40%		80%

\*UPPCo intends to meet this goal by 2021

servicing Michigan have committed to carbon emission reductions, and some are even pursuing renewable energy beyond state mandates and goals.

On October 17, 2019, the Commission issued an [order](#) in Case No. [U-20645](#), launching a new multi-year initiative supported by Governor Whitmer, MI Power Grid, designed to guide Michigan residents and businesses through this transformational change and to better integrate ongoing and future energy discussions. MI Power Grid has three areas of emphasis: customer engagement, integrating emerging technologies, and optimizing grid performance and investments. To manage staff and stakeholder workload, the Commission prioritized certain near-term areas on which to focus such as demand response and generation interconnection rule updates. Additional work areas will launch later in 2020 and beyond.

## Activities & Accomplishments

During 2019, the MPSC continued its critical role in regulation of the electric, natural gas, and telecommunications industries. The Commission handled hundreds of cases involving rate and policy determinations resulting in the approval and issuance of 563 orders and other actions. The following outlines major accomplishments and projects for the year:

### Public Safety

#### Natural Gas Pipeline Safety

The MPSC is responsible for the regulation, oversight, and inspections of Michigan's natural gas pipeline infrastructure and employs several highly trained engineers to conduct safety inspections and incident investigations. During 2019, the MPSC team:

- Conducted 957 inspection days<sup>1</sup> including inspections of Consumers Energy's Saginaw Trail Pipeline Phase 3 construction, Consumers Energy's Freedom Compressor Station Upgrade project, SEMCO Energy Gas Company's Marquette Connector Pipeline construction, and Zeeland Farm Service's West Yankee Pipeline construction.
- Conducted 56 days of inspection activity at the direction of the Pipeline and Hazardous Materials Safety Administration (PHMSA) of interstate operators including Panhandle Eastern Pipeline, NEXUS Gas Transmission, LLC, Northern Natural Gas Company, and DTE Gas Company.
- Authorized and monitored the replacement of approximately 300 miles of gas distribution pipelines made of cast iron, bare steel or other at-risk materials and approximately 26,000 meters inside homes through accelerated infrastructure replacement programs of

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<sup>1</sup> The industry standard tracks "inspection days" rather than "inspections." An inspection day may cover multiple operations, inspection units, and inspection forms.

Michigan gas utilities (DTE Gas, Consumers Energy, SEMCO, Northern States Power of Wisconsin, and Michigan Gas Utilities).

- Identified 173 violations of the Michigan Gas Safety Standards and levied \$430,000 in civil penalties.
- Investigated 13 natural gas incidents involving any of the following: fatality, injury, property damage of \$50,000 or more, and/or unintentional gas loss of three million cubic feet or more.

The MPSC is also working to improve tracking and reporting capabilities. After several months of development, the MPSC initiated the use of a new database for the tracking of gas pipeline inspections, investigations of incidents, and enforcement related to gas safety and damage prevention activities. Additionally, a new on-call procedure has been developed for receiving reports of and responding to natural gas pipeline emergencies; the new procedure is being implemented in 2020. This new procedure will increase efficiency and make the incident reporting process more streamlined.

### MISS DIG Oversight

The leading cause of damage to underground utility infrastructure is from third parties such as excavators. Hitting natural gas or electrical infrastructure during excavation or other digging poses significant safety risks. To prevent such damage, the MISS DIG Underground Facility Damage Prevention and Safety Act (Public Act 174 of 2013) was instituted and the MPSC is responsible for its statewide administration and enforcement. MPSC responsibility under the act includes:



- investigating facility damages and complaints involving potential violations of the Act;
- maintaining information on damaged facilities; and
- making damage data publicly available.

Public Act 174 provides civil and criminal penalties for violation, including a general civil enforcement process and a specific enforcement process for local governments, which are also administered by the MPSC. In 2019, there were 31 gas pipeline incidents involving excavation damage reported to the MPSC. The investigation of these types of incidents resulted in a total of 38 enforcement actions and \$81,000 in civil penalties assessed against excavators and pipeline facility operators. The MPSC also received a total of 54 complaints which resulted in a total of

eight enforcement actions and \$6,500 in civil penalties assessed against parties involved in excavation of underground facility operations.<sup>2</sup>

Staff initiated an investigation into the issues relating to a utility's late marking of thousands of notifications to dig by excavators resulting in the issuance of a show cause order (Case No. [U-20569](#)). In late 2019, the parties to the case filed a settlement agreement that included \$545,000 in penalties and other payments. The settlement agreement was approved by the Commission in 2020.

The MPSC also supported MISS DIG and other public education efforts, partnered with utilities, state agencies, and local partners to reinforce the important safety message to "call 8-1-1 before you dig." While the MPSC enforces Public Act 174, MISS DIG is an independent organization that receives notifications of intent to excavate and communicates that information to the facility operators so they can respond.

### Cybersecurity

The Commission's updated *Technical Standards for Electric Service* went into effect in 2019 and included new provisions designed to enhance cybersecurity and risk planning. Under the rules, regulated utilities are required to meet annually with MPSC staff to provide an update regarding their cyber security plans and risk planning. Staff met with all 18 utilities subject to the rules (investor-owned and cooperative utilities). Additionally, one non-regulated municipal utility chose to voluntarily meet with MPSC staff to provide a cybersecurity update.

MPSC staff also partnered with the Michigan State Police on energy assurance issues and held seven local energy assurance planning workshops across the state.

## Consumer Protection and Customer Assistance

### Michigan Energy Assistance Program (MEAP) Grants

MEAP grants provide energy assistance services that enable eligible low-income participants to become or move toward becoming self-sufficient in paying their utility bills. The Commission approves an annual assessment on utility customers as authorized by Public Act 95 of 2013 to

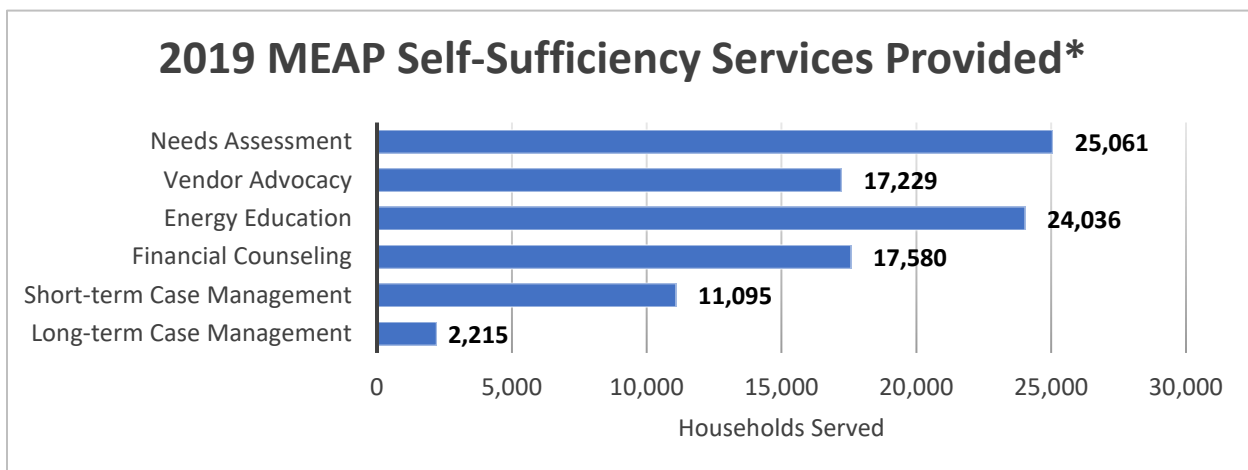
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<sup>2</sup> The MPSC receives notice of potential violations of the Underground Damage Prevention and Safety Act (Public Act 174) in three main ways and initiates investigations as appropriate. First, the MPSC requires information related to incidents of excavation damage to be submitted directly by the underground facility owner or operator on a quarterly basis and these filings may lead to an investigation. Second, if an excavator is involved in an incident reported under the Gas Safety Standards (Public Act 165), the MPSC will investigate the excavator to determine whether there are any violations of Public Act 174 while also investigating the pipeline operator for violations of Public Act 165. Finally, complaints of potential violations may be initiated by property owners, excavators, utility operators, or other affected parties for both damages to underground facilities and events not involving damage such as near misses as a result of excavation or blasting.

fund the MEAP grants which are awarded through an RFP process to various local non-profits that provide payment assistance to low-income customers. The MPSC administers the MEAP through an agreement with the Michigan Department of Health and Human Services (MDHHS). Public Act 87 of 2019 extended the sunset of the MEAP program to September 20, 2023.

Highlights of the 2019 program year include:

- Commission approval of a 92 cent monthly charge per meter in Case No. [U-17377](#) for all Michigan electric utilities opting to participate in the Low-Income Energy Assistance Program to fund the MEAP effective for the September 2019 through August 2020 billing months.
- Awarded \$55 million in grants to 9 grantees across the state which provided assistance to 61,199 low-income customers. 57,065 customers received a MEAP payment and 32,884 received federal self-sufficiency services through the federal Assurance 16 program (some customers received both energy payments and self-sufficiency services).
- A single-structure affordable payment plan was developed by the MEAP workgroup<sup>3</sup> to streamline delivery of energy assistance allowing more dollars to go toward energy assistance for low-income households.



\*32,884 total households served with Assurance 16 Services; households may have received more than one type of service

### Lifeline Eligibility for Telecommunications

The Lifeline program provides a discount for phone or broadband service for qualifying low-income customers. The Universal Service Administrative Company (USAC) reports that 247,240 Michigan customers are served through a Lifeline program (broadband, voice, or bundled services). Additional information about the Lifeline program can be found in an [issue brief](#) published by the MPSC during 2019.

<sup>3</sup> The MEAP workgroup consists of MPSC staff, MDHHS staff, utilities, and MEAP grantees, as well as other stakeholders.



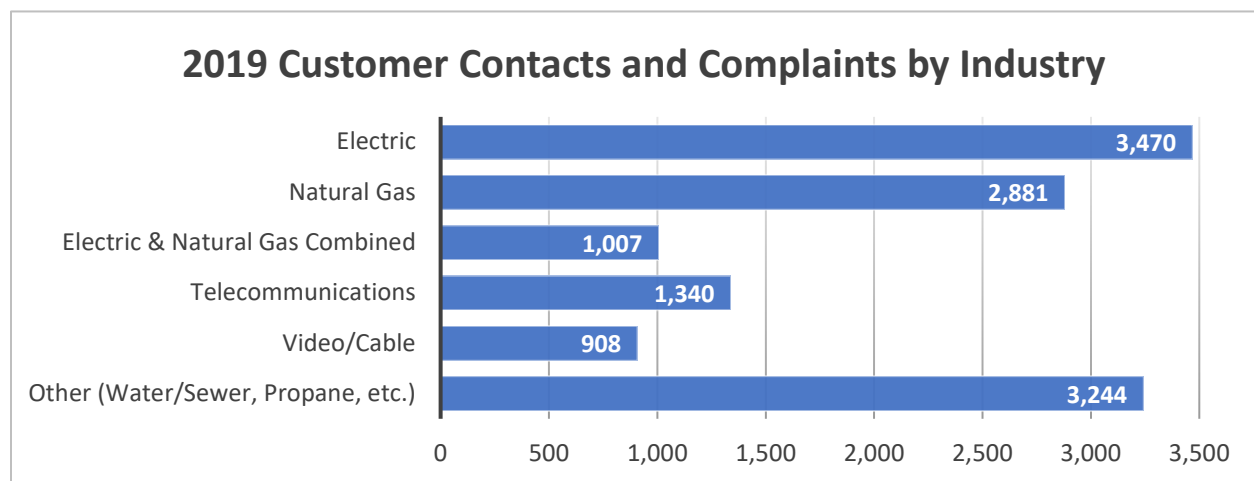
In 2016, the Federal Communications Commission modified the criteria for customers applying for the federal Lifeline benefit and the USAC, the program administrator, developed the Lifeline National Verifier to determine customer eligibility for the federal program.

Michigan was able to obtain a waiver from the federal requirements and use of the National Verifier for two years. However, as of June 11, 2019, all eligible telecommunications carriers are required to use the National Verifier to determine federal Lifeline eligibility.

During the period of the waiver, the MPSC worked with the Department of Technology, Management, and Budget (DTMB), MDHHS, and the USAC to develop database access for Michigan providers that checks customer eligibility against four government assistance programs. Most other states can only electronically check eligibility against two assistance programs resulting in delays in eligibility determinations. The MPSC staff's work during the period of the waiver creating the expanded eligibility check resulted in an efficient and effective system for Michigan providers and customers. Additionally, the MPSC was proactive in working with DTMB, MDHHS, and the USAC to ensure that proper customer privacy protections were built into the Michigan database, heading off concerns that are currently being raised in other states and at the federal level.

### Customer Support and Complaint Resolution

The MPSC provides direct assistance to Michigan residents and businesses having problems with utility bills or service by operating a call center and handling general inquiries and customer complaints. In 2019, a total of 12,850 customers contacted the MPSC with a complaint or inquiry. Common customer complaints and concerns include outages/interruptions, high bills, and cancellation of contract.



Customers who are not satisfied with the results of their informal inquiry or complaint may file a formal complaint for resolution with the MPSC. Formal complaints are coordinated by MPSC staff and subject to various filing criteria which is readily available on our website. During 2019, staff received 59 formal complaint requests related to energy, with 24 of those meeting the required



criteria for adjudication. Due to the informal mediation work of the staff, no formal disputes related to telecommunications were filed.

In addition to customer inquiries and complaints, staff investigated concerns addressing the underlying causes of problems related to the implementation of the settlement agreement with DTE Energy as outlined in Case No. [U-20084](#) (see 2018 annual report regarding the Commission's enforcement action to address improper disconnections). In addition, the MPSC staff investigated delays in utility service restoration, billing for distributed generation customers, outage/interruption processes, and deceptive marketing by alternative providers.

The MPSC also updated customer communication capabilities and correspondence to better serve constituents who contact the MPSC via phone, referrals, or other channels.

## Just and Reasonable Rates

### Significant Rate Case Workload

Rate cases are a major undertaking involving MPSC staff audits of financial and operational information, prudence review of capital investments and operating expenses, allocation of costs and the design of rates charged to customers, and other issues that are often highly contested. In 2019, the Commission handled nine electric and natural gas rate cases in various stages of the rate case process throughout the year. Rate cases must be conducted under an expedited 10-month schedule set by statute.

The Commission issued final orders in three electric rate cases involving Consumers Energy, Upper Peninsula Power Company, and DTE Electric. The Commission issued orders in two gas rate cases involving two gas utilities in Michigan: Consumers Energy and SEMCO.

The Commission approved \$417.5 million in rate increases in 2019, \$245.5 million less than requested by the utilities. The primary driver for rate case increases has been increased infrastructure investments to improve reliability and address aging infrastructure. On average, the Commission approved 63% of a utility's proposed rate increase.

Throughout 2019, four new applications for rate increases – two electric and two gas - were received by the MPSC.

In 2019 in Case No. [U-20653](#), the MPSC approved a joint petition by Presque Isle Electric & Gas Co-op and the Township of Allis in northern Michigan to return the township to home rule so that Allis and Presque Isle will jointly establish rates, charges, terms and conditions for natural gas service, no longer subject to regulation by the MPSC. Presque Isle was the last cooperative utility in the state with rates regulated by the MPSC.

### More than \$4 Billion Returned to Customers from Federal Tax Savings

On November 14, 2019, the Commission wrapped up nearly two years of work to ensure that Michigan's utility customers received the benefits of the 2017 Tax Cuts and Jobs Act (TCJA). Through three rounds of calculations, the MPSC staff worked diligently with the state's regulated

utility companies and stakeholders to accurately tally the impact of the TCJA, which cut the corporate tax to 21 percent from 35 percent. The corporate savings are being returned to ratepayers, some through monthly bill credits, and others through longer-term adjustments to rates because the tax cuts affect long-term corporate investments over terms as long as 40 years.

In previous orders, the MPSC approved \$382 million in initial rate decreases for Michigan utility customers in summer 2018 through the first round of calculations, called Credit A, which adjusted rates on a going-forward basis to account for the changes in the tax law. The second round of calculations, Credit B, resulted in \$234 million in one-time refunds that factored in the gap between when the TCJA took effect in January 2018 and when rates were adjusted in Credit A. The Commission issued final orders in cases addressing Calculation C for the rate-regulated utilities in Michigan before the end of 2019, approving approximately \$4.1 billion in customer savings through settlement agreements and rate cases. The amounts individual utilities returned to customers are shown in the following table:

<b>Ratepayer Savings</b>
Credit A \$382 million
Credit B \$234 million
Calculation C \$4.1 billion

#### **Total Savings for Michigan Ratepayers**

<b>Utility</b>	<b>Credit A</b>	<b>Credit B</b>	<b>Calculation C (After Gross-Up)</b>
Consumers Energy – Electric	\$ 112,690,000	\$ 69,956,000	\$ 1,174,181,000
DTE Electric	\$ 156,900,000	\$ 92,812,000	\$ 1,836,094,000
Indiana Michigan Power Co.	\$ 8,681,000	\$ 5,398,000	\$ 100,815,000
Northern States Power Co. – Electric	\$ 513,000	\$ 135,000	\$ 4,060,000
Upper Michigan Energy Resources Corp.	\$ 2,005,000	\$ 948,000	\$ 15,024,000
Upper Peninsula Power Co.	\$ 3,324,000	\$ 1,669,000	\$ 6,360,000
Alpena Power Co.	\$ 507,000	\$ 216,000	\$ 5,145,000
Wisconsin Electric Power Co.*	\$ 840,000	\$ -	\$ -
Consumers Energy – Gas	\$ 49,304,000	\$ 31,012,000	\$ 451,588,000
DTE Gas	\$ 38,172,000	\$ 24,995,000	\$ 451,265,000
Michigan Gas Utilities	\$ 2,433,000	\$ 1,663,000	\$ 30,736,000
Northern States Power Co. – Gas	\$ 77,000	\$ 52,000	\$ 564,000
SEMCO Energy Gas Co.	\$ 6,544,000	\$ 4,735,000	\$ 51,950,000
<b>TOTAL</b>	<b>\$ 381,990,000</b>	<b>\$ 233,591,000</b>	<b>\$ 4,127,782,000</b>

\*Wisconsin Electric Power Company no longer serves customers in Michigan as of April 1, 2019.

#### **New Rate Designs**

Rate design is evolving, sending the right pricing signals to customers to impact behavior. In 2019, the Commission approved new rates for distributed generation, electric vehicle charging, as well as made progress towards implementing summer on-peak rates.

The 2016 energy law included a new distributed generation program to replace Michigan's existing net metering program and directed the MPSC to conduct a distributed generation (DG)

study and develop an equitable cost of service-based DG tariff for the program. The Commission approved the first two DG tariffs for DTE Electric and Upper Peninsula Power Company (UPPCO). The DG tariff approved for DTE Electric as part of its rate case in 2019, is based on an inflow/outflow billing mechanism. Additional information on DTE's DG tariff may be found in an [issue brief](#) released by the MPSC. In its 2019 rate case, UPPCO agreed to expand the size of its net metering and DG program to 2 percent of its average in-state peak load for the preceding five years. UPPCO's DG tariff also contains provisions for customers to receive an outflow credit equal to the power supply component of the customer's rates.

Michigan's two largest utilities, Consumers Energy and DTE Electric, launched their electric vehicle (EV) pilot programs in 2019 that were approved by the Commission through utility rate cases. The Commission approved Consumers Energy's PowerMIDrive pilot program, a three-year, \$10 million effort to support the growing electric vehicle (EV) market in Michigan through new rates, rebates and customer education. The program includes a Nighttime Savers Rate to encourage EV drivers to charge their vehicles between 7 p.m. and 6 a.m. The Commission also approved DTE Electric's Charging Forward three-year electric vehicle pilot in 2019. The Charging Forward program will help DTE understand the market and its customers, learn about EV load and its relationship to overall system load, and understand EV impacts on the electric distribution system. In 2019, the Commission also approved changes to Indiana Michigan Power Company's plug-in electric vehicle charging tariff. Additional information on EV pilots approved by the Commission may be found in an [issue brief](#) released by the MPSC.

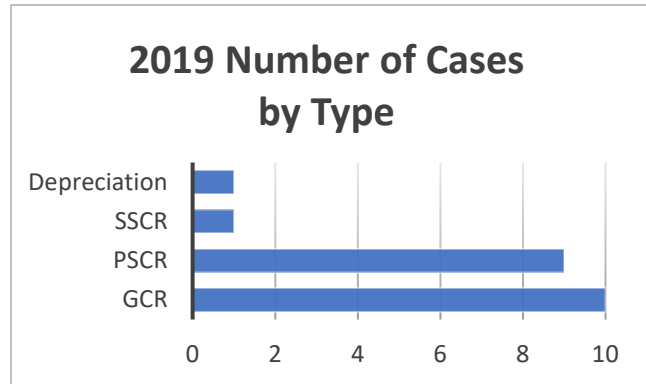
To improve price signals to customers, the Commission approved work by Michigan utilities to begin the implementation of summer on-peak rates. In early 2019, the Commission ordered Consumers Energy to eliminate its residential summer "inverted block" rate (rate increases with increased monthly consumption in block increments) by January 2020 and replace it with on-peak and all-other hours rates. Consumers Energy piloted the implementation of its summer on-peak rate during the summer of 2019 and worked with the MPSC staff to review the results of its 2019 pilot to make improvements prior to full implementation in 2020. Also in 2019, the Commission approved two new rates in DTE Electric's Advanced Customer Pricing Pilot. These rates will be used to pilot new rate structures in 2020 in order to comply with the Commission's order to transition fully to summer on-peak rates.

### [Fuel Cost Recovery Plans, Reconciliations and Depreciation](#)

In the ratemaking process, a portion of the power, gas, and steam supply costs are recovered through a base amount that is included in base rates. The costs that exceed the base amount included are recovered through the following fuel specific surcharges that tend to fluctuate and may vary from month to month:

- Power Supply Cost Recovery (PSCR)
- Gas Cost Recovery (GCR)
- Steam Supply Cost Recovery (SSCR)

Costs are reconciled every year to recover actual fuel and purchased power costs and the cost of transmission service following a prudence review. Billions of dollars of expenses and the utilities' one-year and five-year plans for arranging fuel supplies to serve expected customer demand are reviewed annually.



Depreciation cases evaluate recovery of a utility's plant investment incrementally throughout the service life of the asset so that customers are only charged for utility assets that are used to provide them service. Depreciation cases are typically conducted every five years to ensure the accuracy of plant life expectations and adjust depreciation rates accordingly.

### PURPA Avoided Cost Rates

The Commission issued orders related to the continued implementation of the Public Utility Regulatory Policies Act of 1978 (PURPA) for rate-regulated electric providers. Under PURPA, the MPSC sets rates that electric utilities are required to pay qualifying facilities (PURPA QFs) which include cogeneration and small independent renewable power producers based on avoided energy and capacity costs. Final orders establishing avoided costs and tariffs were issued for Consumers Energy, DTE Electric, and Indiana Michigan Power Company. With final orders issued for all of the utilities, the MPSC published a [PURPA Avoided Cost Fact Sheet](#) in 2019.

Along with the approval of PURPA Avoided Costs, PURPA QFs and electric utilities worked on the studies necessary to safely interconnect QF projects and contract negotiations. Both Consumers Energy and DTE Electric received significant increases in the amount of interconnection requests from PURPA QFs leading to requests from the utilities to waive some of the timelines in the MPSC's interconnection standards. During 2019, the MPSC had ten formal complaints open from more than 40 PURPA QFs against Michigan electric utilities regarding interconnection and contract issues. The majority of those complaints have been resolved with only three open cases remaining at the close of 2019. During 2019, the Commission approved 33 PURPA contracts.

Also during 2019, MPSC staff held a number of stakeholder meetings related to PURPA issues. Eight stakeholder meetings regarding distributed generation interconnection and four stakeholder meetings regarding PURPA legally enforceable obligations were held in 2019. Draft rules and stakeholder comments remain under review.

### Federal Energy Regulatory Commission (FERC) Advocacy

The MPSC remained active before the Federal Energy Regulatory Commission and regional transmission organizations (grid operators regulated by FERC) to monitor federal proceedings

and represent the interests of Michigan ratepayers. In 2019, the MPSC made 23 filings in matters before the FERC. Highlights include:

- The MPSC intervened and provided testimony on behalf of Michigan natural gas ratepayers in the Panhandle and Northern Natural Gas Natural Gas Act Section 5 rate cases. The Commission advocated for refunds to reflect the pipeline companies' lower tax obligations under the federal Tax Cuts and Jobs Act.
- The MPSC monitored Bluewater Gas Storage's application for a certificate of convenience and necessity to construct, own, and operate a FERC-jurisdiction new natural gas storage compressor station in Ray Township, Macomb County, Michigan (near Consumers Energy's Ray compressor station).
- The MPSC intervened and commented in several dockets pertaining to changes to FERC-jurisdictional tariffs administered by regional transmission operators, MISO and PJM, serving Michigan. Issues related to transmission cost allocation, capacity market design, and energy storage.
- The MPSC intervened and recommended clarifications in FERC's Notice of Proposed Rulemaking (NOPR) to revise its regulations pertaining to sections 201 and 210 of the federal Public Utility Regulatory Policies Act of 1978.

## Facility Siting and Authorizations

### Certificate of Necessity (CON)

The MPSC monitored the progress of DTE Electric's construction of its Blue Water Energy Center, an 1,110 combined cycle natural gas plant in East China Township that was approved by the Commission in April 2018 (Case No. [U-18419](#)). DTE Electric reported that the project (including engineering, procurement, and construction) is approximately one-third complete, with the interconnection agreement to connect to the electric grid expected in the second quarter of 2020. As of October 2019, DTE Electric reported that the project is on track to remain within the approved budget. The plant is expected to be in service in 2022.



The MPSC also continued to monitor the construction of two reciprocating internal combustion engine (RICE) electric generation facilities in the Upper Peninsula. The Commission granted a CON in 2017 to Upper Michigan Energy Resource Corporation (UMERC), in Case No. [U-18224](#), for these



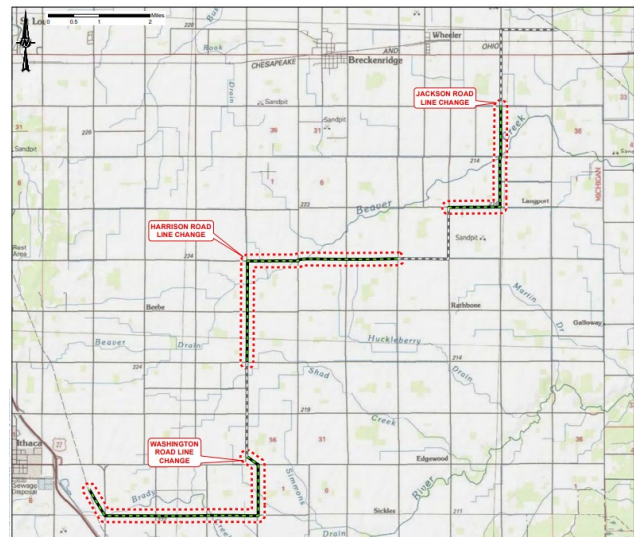
facilities. The facilities are comprised of seven natural gas-fired RICE units with a generating capacity of 128 MW and 55 MW, located in Negaunee Township and Baraga Township. Both facilities commenced operation in April 2019.



## Pipeline and Service Area Certification

The MPSC has jurisdiction to site intrastate natural gas pipelines through certificates granted under Act 9 of 1929 and oil pipelines under Act 16 of 1929. During 2019, the Commission approved the applications of Consumers Energy to construct and operate natural gas lateral pipelines associated with gas storage wells in Ira Township and Salem Township pursuant to Act 9. These pipelines assist Consumers Energy with meeting its design day requirements and may allow the company to plug and abandon poor performing wells.

The Commission also approved the application of ZFS Ithaca, LLC to construct and operate a new natural gas pipeline, of approximately 93,000 feet, in Gratiot County, pursuant to Act 9. Following the approval, MPSC natural gas safety engineers later discovered during a construction audit that, among other things, ZFS had deviated from the approved route. The Commission took enforcement action with MPSC staff working with ZFS to develop remedial actions necessary for the pipeline to commence operation, which was approved in 2019.



## Reliability

### Electric Distribution Planning

Throughout 2018 and 2019, MPSC staff continued to work with DTE Electric, Consumers Energy, Indiana Michigan Power Company, and stakeholders on the next round of long-term electric distribution plans. The initial objective of this planning effort was to provide the MPSC and interested stakeholders a better opportunity to understand the current state of the utilities' electric distribution infrastructure, the anticipated investment needs and prioritization of investment in the coming years, and how advanced and emerging technologies impact the distribution planning process. The Commission issued an order in September 2019 in Case No. [U-20147](#) further clarifying the stakeholder process, setting an April 1, 2020 deadline for a staff report that will summarize stakeholder comments and provide recommendations to the Commission, setting a June 30, 2021 deadline for utilities to submit their next distribution plans, and providing additional clarifications to Indiana Michigan Power Company for its next distribution plan. The Commission also incorporated the Electric Distribution Planning process into the larger MI Power Grid initiative.

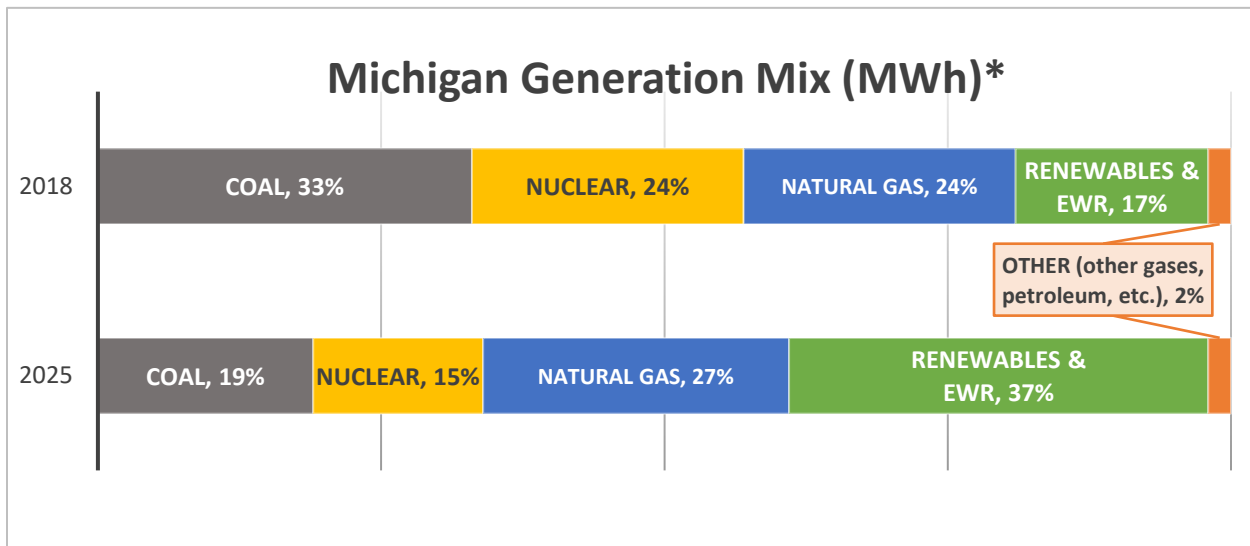
### Integrated Resource Planning

Public Act 341 of 2016 instituted an integrated resource planning (IRP) process to examine options to meet long-term electricity needs considering reliability, cost, performance, environmental

impact, and other considerations. In 2019, six electric utilities filed IRP applications and the Commission issued final orders on IRPs for Consumers Energy, Alpena Power Company, and Upper Michigan Energy Resources Corporation. The Commission issued an interim order on Upper Peninsula Power Company’s IRP, and four IRP cases were pending at the close of 2019.

A common theme among the recent IRPs is the continued transition from coal-fired electric generation to cleaner forms of energy, such as wind, solar, and energy waste reduction. For example, Consumers Energy plans to retire its Karn 1 and 2 coal units earlier than originally planned and to develop or procure over 6,000 MW of solar and increase its energy waste reduction targets over the next several years. DTE Electric is also planning to retire several coal-fired generating units according to its IRP application while also increasing its renewable portfolio and energy waste reduction programs. Some of the drivers for the transition away from coal and increased investments in renewable energy include aging infrastructure, environmental regulations, economics, customer demand for cleaner energy, and voluntary utility company carbon reduction goals.

The MPSC continues to monitor the utilities plans and projects the following generation mix for the state in the coming years (Note, this would exceed the non-binding goal in Public Act 342 of 35% of energy coming from renewable energy and energy waste reduction by 2025):



\*Includes full generating output of Cook nuclear units. Demand Response is not considered an energy source.

### Long-Term Resource Adequacy

In 2017, the Commission established state reliability mechanism charges (SRM) and capacity demonstration requirements pursuant to Public Act 341 to ensure all electric providers have enough capacity to maintain reliability and meet their customers’ needs over the long term. All electricity providers in Michigan, including investor-owned utilities, cooperatives, municipal utilities, and alternative electric suppliers annually demonstrate electric capacity resources such as ownership of electric generating facilities, capacity contracts, and energy waste reduction or demand response programs to serve their respective customers for the next four years. Following

staff review, the Commission determined in 2019 that electricity providers had enough capacity for planning purposes under the new requirements, obviating the need for customers of alternative electric providers to pay the local utility to arrange capacity on their behalf. In 2019, the Commission adopted enhancements to the capacity demonstration process resulting from MPSC staff discussions with stakeholders focused on demand response aggregation. Capacity demonstrations pursuant to the improved process were filed in December 2019 and will continue through February 2020.

## Other Notable Activities

### Pilot Program Approvals and Updates

Michigan's two largest utilities, Consumers Energy and DTE Electric, launched EV pilot programs that were approved by the Commission as part of rate cases. The pilots aim to increase electric vehicle adoption in Michigan and effectively plan charging infrastructure to reduce electric grid impacts. The experimental nature of the pilot programs will test technology innovations, rate design, customer response, and other factors. Pilot program data and lessons learned will help position the utilities and the Commission to make more informed decisions over the long term. For more information on utility EV programs, see the MPSC's [EV Pilot Issue Brief](#).

### Access Restructuring Fund

The MPSC continues administration of the Intrastate Switched Toll Access Restructuring Mechanism (ARM), taking in monthly contributions from approximately 230 providers and disbursing \$8,750,665.29, to 35 eligible carriers in the fiscal year. More information on the ARM and the recalculation can be found in the current Annual [ARM Report](#) to the Governor and Legislature.

### Voluntary Green Pricing Programs

Voluntary Green Pricing (VGP) programs were put in place pursuant to Public Act 342 to allow customers to voluntarily purchase up to 100 percent of electricity from renewable sources from their utility. Electric providers whose rates are regulated by the MPSC must have their programs approved by the Commission. The VGP programs saw growth during 2019 by corporations and other large customers. The October 2019 semi-annual filings required by the MPSC show that approximately 29,000 customers were participating in VGP programs. For more information on VGP, see the MPSC's [Voluntary Green Pricing Issue Brief](#).

### 9-1-1 Cost Study

The MPSC is required to review cost studies from IP-based 9-1-1 service providers, and staff thoroughly reviews these cost studies to determine the appropriate recurring and nonrecurring rates. These rates are used by service providers for the reimbursement from the 9-1-1 fund administered by the Michigan Department of Treasury for the costs related to the transport, routing, or delivery of PSAPs of IP-based 9-1-1 emergency service. During 2019, staff completed its cost study model that is now being used by IP-based 9-1-1 service providers that are seeking to submit cost studies to the MPSC.



## Demand Response Aggregation

After a staff-led stakeholder process and technical conferences, the Commission rescinded its ban on third party aggregators being able to bid demand response into wholesale electric markets for retail choice customers, allowing aggregators to sign up customers of alternative electric suppliers to participate in demand response programs. However, it kept in place a ban on the direct participation in wholesale markets by retail customers of MPSC-regulated electric utilities. Customers of regulated utilities can participate in a variety of demand response programs available through their utility.

## Public Act 299 Fees for Pipeline Applications

The Commission found it appropriate to re-evaluate the fees prescribed pursuant to Public Act 299 of 1972 for pipeline applications under 1929 Public Act 9 or 1929 Public Act 16. After a stakeholder comment period in Case No. [U-20634](#), staff filed a report with 13 recommendations for the Commission. On December 19, 2019, the Commission approved new fee structures for natural gas and petroleum pipeline applications that better reflect actual costs incurred by the MPSC's regulatory work.

## Broadband Grant Program – MPSC Support

During 2019, the MPSC staff participated on a Steering Committee with other state departments for the Connecting Michigan Communities (CMIC) broadband grant program. The Steering Committee is reviewing the applications from providers for the \$20 million fund that was approved by the legislature during 2018. Grants will be awarded in the summer of 2020.

## Upper Peninsula (UP) Energy Task Force – MPSC Support

Through [Executive Order No. 2019-14](#), Governor Whitmer established the UP Energy Task Force within the Department of Environment, Great Lakes, and Energy to assess the overall energy needs for the UP and how they are currently being met. The Task Force has been directed to formulate alternative solutions for meeting the UP's energy needs and to identify and evaluate potential changes that could occur to energy supply and distribution. Commissioner Scripps serves as a member of the Task Force on behalf of the MPSC and participated along with MPSC staff in many meetings throughout 2019.

## Conclusion

The Commission had a productive 2019, working on statutory and operational priorities and ensuring alignment with the state's energy policy and telecommunication goals. As always, the MPSC continues its commitment to work with the Governor and Legislature on energy and telecommunications matters to improve infrastructure and service for Michigan residents and businesses.