

**UTILITY CONSUMER REPRESENTATION FUND
ANNUAL REPORT**

CALENDAR YEAR 2013

UTILITY CONSUMER PARTICIPATION BOARD

Mr. James MacInnes, Chair
Dr. Paul Isely, Vice Chair
Mr. Conan Smith
Mrs. Susan Licata Haroutunian
Mr. Ryan Dinkgrave

EXECUTIVE SUMMARY

PA 304 of 1982 established a separate proceeding that allows energy utilities to more quickly recover costs for power supply and purchased gas than they otherwise could in a full rate case. It further created the Utility Consumer Representation Fund (UCRF) to provide financial resources for customers who pay these costs to be represented in these utility cost recovery proceedings.

UCRF funds are collected by certain utilities in their rates. The UCRF funds collected are split between the Attorney General and the Utility Consumer Participation Board (UCPB). The Attorney General uses the funding to advocate on behalf of the interests of Michigan utility customers in general and the UCPB is responsible for granting funding to specific interest groups to advocate interests of the residential consumer groups they represent.

In 2013, Michigan's six largest investor-owned utilities that use cost recovery proceedings collected and remitted \$1,198,650 to the Utility Consumer Representation Fund. The Attorney General and the UCPB were each allocated \$569,359. The remaining 5% (\$59,932) was allocated for administrative costs.

The FY 2014 budget authorization for the Utility Consumer Participation Board (UCPB) was \$950,000. The request and authorization included the current year allocation plus unspent funds accrued from past years. Of that amount, \$902,500 was available for awarding FY2014 grants and \$47,500 was allocated for administrative costs.

In 2013, AY 2014 grants in the total amount of \$465,020 were awarded to the Residential Ratepayer Consortium (RRC), Michigan Environmental Council (MEC), Citizens Against Rate Excess (CARE), the Michigan Community Action Agency Association (MCAAA), Institute for Energy Innovation (IEI) and the Great Lakes Renewable Energy Association (GLREA). The board also awarded \$328,920 in grants from AY2013 to support interventions in new and on-going cases. The total amount of grants awarded from the 2013 authorization was \$777,320. The unspent authorization for 2013 was \$125,180. The membership and scope of UCRF grantee organizations is geographically and demographically diverse. The cases selected for UCRF funding represent approximately 3 million residential natural gas customers and 3.5 million residential electric customers in the State of Michigan.

In 2013, UCRF funds helped Michigan citizen advocates achieved, directly and in collaboration with other parties, significant benefits for residential utility customers throughout the State of Michigan. Major areas of impact for residential customers included PSCR related reductions in rate increases, continued use of the 50-25-25 cost allocation method, reduction of surcharges relative to transfer prices for renewable energy, continued pressure on uneconomic operation of old coal units, scrutiny and pressure on DTE's Reduced Emission Fuel (REF) project and cost impacts on customers, scrutiny of MichCon's MGAT affiliate transactions and costs, proposals and recommendations for Consumers' gas purchases and gas storage policies to reduce cost impacts on customers, examination of gas company operations, continued scrutiny and modification of gas companies Fixed Price Purchasing programs and methodologies.

Among the direct measurable benefits of grantee funded intervention were \$50 million savings from transfer price design and \$3 million of PSCR adjustments. In addition, grantee intervention contributed, in conjunction with other parties, to \$2.5 million in gas customer savings from adjustments to over/under recoveries, \$51 million in potential costs from cost allocation adjustments, and \$1.7 million in other adjustments. Participation in capacity market design reduced exposure of Michigan customers to approximately \$35 million of additional costs.

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ATTACHMENT A

UCRF Grant Activity and Results for 2013 Calendar Year

ATTACHMENT B

UCRF 2013 Grantees Membership Scope and Description

Questions regarding this report should be addressed to:

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1. INTRODUCTION

Public Act 304 of 1982, as amended (Act 304) provides for the establishment and implementation of gas and power supply cost recovery clauses in the rates and rate schedules of public utilities. The Utility Consumer Participation Board (UCPB) and the Utility Consumer Representation Fund (UCRF) were created by the Act to achieve equitable representation of interests of energy utility customers in energy cost recovery proceedings. The purpose of the UCPB is to make grants from the Act 304 Utility Consumer Representation Fund (UCRF) to qualified nonprofit organizations and local units of government to represent the interests of residential utility customers in energy cost recovery and reconciliation proceedings before the Michigan Public Service Commission.

This annual report to the Legislature, which is required under section 6m(22) of the Act, covers the activities of the Utility Consumer Participation Board for the 2013 calendar year.

From January 1, 2013-December 31, 2013, The Utility Consumer Participation Board awarded \$328,920 in grants from remaining AY2013 funds and \$465,020 in grants from AY2014 to consortia of several non-profit, consumer groups. Grant recipients in 2013 included the Residential Ratepayer Consortium (RRC), Michigan Environmental Council (MEC), Citizens Against Rate Excess (CARE), Michigan Community Action Agency Association (MCAA), Institute for Energy Innovation (IEI) and Great Lakes Renewable Energy Association. Combined, the grantees represent state-wide, nonprofit groups with over 400 member agencies and tens of thousands of individual members focused on issues related to energy costs, consumer protection, environmental, public health, emerging energy, energy conservation and community action. The actions of these grantees influence utility costs for 3 million residential natural gas customers and 3.5 million residential electric customers in the State of Michigan.

In 2013, UCRF grant recipients participated in over 30 proceedings on behalf of residential customers of the State of Michigan. UCRF funds helped Michigan citizen advocates achieve, directly and in collaboration with other parties, significant benefits for residential utility customers throughout the State of Michigan. Major areas of impact for residential customers included PSCR related reductions in rate increases, continued use of the 50-25-25 cost allocation method, reduction of surcharges relative to transfer prices for renewable energy, continued pressure on uneconomic operation of old coal units, scrutiny and pressure on DTE's Reduced Emission Fuel (REF) project and cost impacts on customers, scrutiny of MichCon's MGAT affiliate transactions and costs, proposals and recommendations for Consumers gas purchases and gas storage policies to reduce cost impacts on customers, examination of gas company operations, continued scrutiny and modification of gas utilities' Fixed Price Purchasing programs and methodologies.

Among the direct measurable benefits of grantee funded intervention were \$50 million savings from transfer price design and \$3 million from PSCR adjustments. In addition, grantee intervention contributed, in conjunction with other parties, to \$2.5 million in gas customer savings from adjustments to over/under recoveries, \$51 million in potential costs from cost allocation adjustments, and \$1.7 million in other adjustments. Participation in capacity market design reduced exposure of Michigan customers to approximately \$35 million of additional costs. Other results, such as programmatic changes were also achieved. Results are summarized in Section 3. with details provided in Attachment A of this report. The board actively monitors participant activity and results.

The Attorney General's Office also receives UCRF funding for intervention on behalf of the utility ratepayers of Michigan. Coordination between the Attorney General, MPSC staff and other participants in UCRF funded cases is

monitored by the board. Thorough review of grant applications, grant amendments, and regular reporting on case status and interventions by the UCPB continue to improve coordination of the grantees efforts with the Attorney General. This provides efficient use of resources and maximizes coverage of cases and issues without duplication of effort. The Attorney General's office is also consulted in its role as legal counsel to the board. Expenditures and results of the Attorney General's intervention are provided in a separate annual report submitted by their office to the Legislature.

2. UCPB MAJOR RESPONSIBILITIES

MCL 460.6l provides for the creation of a Utility Consumer Participation Board (UCPB), defines its membership, and prescribes its duties. MCL 460.6m creates the Utility Consumer Representation Fund (UCRF), establishes provisions for its generation, distribution and use, limits the beginning dates of cost recovery proceedings, and places reporting requirements on both fund recipients and the Board.

The duties and responsibilities of the Act under these two sections were discharged as described in sections 2.1 and 2.2.

2.1 UCPB Board Activities 2013

The Board approved and maintained a bimonthly meeting schedule in 2013. Regular meetings were held with a quorum present on February 4, April 15, June 3, August 5, August 26, October 14, and December 2. The board also held a special meeting focusing on board education on January 24, 2013. All meeting notices were published and held in compliance with the Open Meetings Act. Members of the public were present at all meetings and given opportunity for public comment. The 2014 UCRF Grant Announcement and Application were distributed on June 13, 2013.

Amendments and approval of new grants occurred on 2/4, 4/15, 8/5, 8/26, and 12/2. The 2014 regular meeting schedule was approved on 12/2/2013. Transcripts are available for all meetings and the minutes are available on the web site www.michigan.gov/lara under "Agencies", "Utility Consumer Participation Board."

2.2 UCRF Grants (New Funds) and Contracts Awarded by UCPB in Calendar Year 2013

2/4/2013

CARE 2013 Grant Request for the 2012 PSCR Reconciliation cases for small – medium sized utilities was approved in the amount of \$65,000.

MEC 2013 Grant Request for the 2012 PSCR Reconciliation cases for CECO and DECO was approved in the amount of \$ 70,700 contingent on a strategy meeting with other grantees involved in the case with the goal of maximizing use of UCRF funds and to avoid unproductive duplication.

MCAA 2013 Grant Request for the 2012 PSCR Reconciliation cases for CECO and DECO was approved in the amount of \$ 50,096

MCAA 2013 Grant Request for the 2012 GCR Reconciliation cases for CECO and Michcon was approved in the

total amount of \$ 12,524 contingent on a strategy meeting with other grantees involved in the case with the goal of maximizing use of UCRF funds and to avoid duplication.

4/15/2013

RRC 2013 Grant Amendment Request to transfer funds from Consumers Case U-16485-R to MGUC Case U-16481-R was approved.

MEC 2013 Grant Request in the total amount of \$60,600 for participation in Detroit Edison 2013 Biennial Review, Consumers Energy 2013 Biennial Review, and Consumers 2012 PSCR Reconciliation, Detroit Edison 2012 PSCR Reconciliation was approved.

CARE request to extend the end date for UCRF Grant 12-03 to December 31, 2013, and to add Case AD12-16-000 was approved.

8/5/2013

MEC grant request to transfer \$2,500 from the expert to legal line item in case U-17302, DTE Renewable Energy Biennial Plan Review (2013) was approved.

RRC Grant Amendment to UCRF 13-05 to reduce the approved budget by \$2,000 was approved..

RRC 2013 UCRF grant request in a total amount of \$70,000 for the Consumers Energy, DTE Gas Company, SEMCO and MGU GCR Reconciliation cases for the 2012-13 year was approved.

One-year contract extension for UCPB Board Assistant, Michelle Wilsey in the amount of \$23,925 was approved.

8/26/2013

MCAAA UCRF Grant 13-01 transfer amendment request was approved.

MEC UCRF 13-04 grant amendment request to transfer \$4,000 of refunded funds from Case U-17087 to Consumers PSCR Reconciliation Case U-16890-R was approved.

2014 UCRF Grant for CARE in the amount of \$55,000 for intervention in the PSCR Plan cases for Alpena Power, I&M Power, Northern States Power (Integrus Energy), Wisconsin Electric Power d/b/a WE Energies, Wisconsin Public Service Corp, and Upper Peninsula Power was approved.

2014 UCRF Grant for CARE in the amount of \$60,000 plus \$7,000 additional administrative expense for intervention in federal administrative and MISO proceedings, subject to the following conditions: Additional administrative expenses in the total amount of \$7,000 for travel related expenses to MISO meetings and UCPB meetings only was approved.

2014 UCRF Grant for MEC in the amount of \$90,000 for intervention in the PSCR Plan Cases for Consumers Energy and DTE Energy was approved.

2014 UCRF Grant for IEI in the amount of \$90,000 for intervention in the PSCR Plan cases for Consumers Energy, DTE Energy and IM Power, subject to the following conditions: Hourly rates for counsel and experts paid from this grant

shall not exceed \$180; administrative expenses paid from this grant shall not exceed 1%; approval of this grant is conditioned on the grantee achieving standing in the case; coordination with other UCRF grantees and attorney general is required to assure no duplicity that is not considered productive and beneficial supplementation of effort for residential customers was approved.

2014 UCRF Grant for GLREA in the amount of \$ 62,620 for intervention in the PSCR Plan Cases for Consumers Energy and DTE Energy, subject to the following conditions: Approval of this grant is conditioned on the grantee achieving standing in the case; coordination with other UCRF grantees and attorney general is required to assure no duplicity that is not considered productive and beneficial supplementation of effort for residential customers was approved.

Paul Isely was re-appointed Vice Chairman of the UCPB for a one-year term through August 2014.

10/14/2013

MEC UCRF 14-3 Grant Amendment Request to add expert George Evans, Evans Power Consulting was approved.

12/2/2013

MEC Grant Amendment UCRF Grant 14-01 addition of Case U-17322 in the amount of \$40,400 was approved.

RRC Grant Request for 2014-15 GCR plan cases in the amount of \$60,000 was approved.

2014 meeting schedule with a new start time for all meetings at 12:30 p.m. was approved.

TOTAL AMOUNT OF 2013 UCRF Grant Funding Awarded in 2013 = \$328,920

TOTAL 2013 GRANT AUTHORIZATION = \$902,500

TOTAL 2013 GRANTS AWARDED (All Years) = \$777,320

UNSPENT 2013 GRANT AUTHORIZATION = \$125,180

TOTAL AMOUNT OF 2014 UCRF Grant Funding Awarded in 2013 = \$465,020

2.3 Resource Availability

The total UCRF funding requested by applicants in the initial 2014 authorization year grant cycle was: \$1,270,351. \$1,064,166.23, approximately 19% more than 2013. The UCRF authorization available for grants was \$902,500. The potential funding deficiency based on the proposals submitted was \$367,851. The board determined that grants would be prioritized and awarded in phases. This allowed the board to examine workplans for cases more closely and more proximate to the actual filing dates. This also allowed grantees to refine and modify grant requests prior to full consideration and approval.

The total 2014 amount initially granted by the board on 8/26/2012 was \$364,620. On 12/2/2013 the board awarded additional grants in the total amount of \$100,400. The total amount of UCRF funds granted by the board in calendar year 2013 was \$793,940.

In addition to intervenor funds, the board approved a 2014 administrative support contract in the total amount of \$23,925.

2.4 Resource Efficiency and Non-Duplication Due Diligence

To further resource efficiency, the board has modified its grant review process to consider and award grants in phases closer to the actual filing dates and has also made very conservative approvals based on the work plans presented by grantees. The board has encouraged grantees to use resources carefully but to also return to the board if developments in or demands of the case require additional resources. This allows detailed work plans based on the proceedings and expected results in the case can be provided and evaluated.

The UCRF grant application requires each applicant to provide a work plan specifying, among other things, the cases they intend to intervene in, the issues and strategies they intend to pursue and potential benefits to consumers. Individual board members, the UCRF board assistant, and attorney general staff review the proposals in advance and provide comments to the board. Any potential duplication among grantees or with the attorney general is identified and reviewed for purpose and justification. The board has not approved or reduced funding in some cases for unsupported duplication. When multiple grantees are approved for funding in the same case, grantees must report to the board on their distinct contributions and strategies in those cases. Bi-monthly case status reports are required from grantees and testimony reviewed in order to prevent or address any potential duplication of effort. The board does not discourage coordination of effort where it serves the interest of consumers.

2.5 Administrative Efficiency

The Board achieves administrative efficiency in the following ways:

1. Implemented a grant review process requiring more detailed workplans.
2. Modified the grant review process to award grants in phases closer to the filing dates of actual cases.
3. Modified the grant review process to encourage more defined strategic focus areas by grantees.
4. Utilized the revised UCRF grant application designed by LARA Purchasing and Grant Services and the Michigan Attorney General's Office.
5. Requested the opinion of the Attorney General's office during grant review regarding the legal compliance of the individual grant applications with the governing statute or case law prior to the approval of grants and whether there was any objection to either the approval or the submission of individual grants to the State Administrative Board.
6. Requested the opinion of utility representatives present during grant review as to concerns or objections regarding the legal compliance of the individual grant applications with the governing statute or case law prior to the approval of grants and whether there was any objection to either the approval or the submission of individual grants to the State Administrative Board.
7. Renewed contract with part-time contractor to assist the Board and coordinate efforts with other parties of interest.
8. Followed regular bi-monthly meeting schedule.
9. Implemented bi-monthly case status reports from grantees.
10. Formalized process of written grant amendments and documented board approval prior to submission to LARA.
11. Expanded regular board education sessions, held a board education retreat and attended Michigan Public Policy Forum and other events to study issues, policy and technology related to grant applications.
12. Revised annual report.
13. Coordinated with LARA staff to distribute board information and post public information on a web site.

3. UCRF GRANT RECIPIENT RESULTS

3.1 Cost/Benefit Analysis and Discussion

In creating cost recovery mechanisms that allowed utilities to recover energy supply costs from ratepayers outside of a contested rate case, the Michigan Legislature assured that Michigan's residential energy customers would be effectively represented through the creation of the Utility Consumer Representation Fund (UCRF). UCRF funding is collected from assessments on utilities that use the cost recovery mechanism. This cost is paid by customers through their rates. Therefore, the revenue for the fund is generated from ratepayers and expended to assure their representation in utility cost recovery proceedings.

The PSCR and GCR cases have a "plan" and "reconciliation" phase. The plan cases for each utility set the framework and establish the cost of fuel recoverable from all customers. The reconciliation phase looks back at the assumptions and performance of the utility under the plan and "corrects" or "trues-up" the plan factors with reality. The differences are then passed through to customers through collections, credits or refunds. UCRF grant funded parties advocate for the interests of residential customers in this process.

There are many factors that impact assessment of effectiveness of UCRF funded intervention on behalf of residential customers including: 1) certain cases and proceedings span more than one grant year, 2) proceedings, through the appeal process, may remain pending for several years, 3) impact of a decision in one year often continues to benefit ratepayers in future years, 4) outcomes may result from multiple parties interventions and may be reported (in whole or part) by each party, 5) lack of a standardized reporting approach and validation method, and 6) indirect benefits not reflected in direct cost reductions.

UCRF funded intervention in cases decided in 2013 calendar year (based on actual orders issued) again yielded substantial benefits for residential utility customers. The following are highlights of measurable benefits and results achieved for residential customers by consumer advocates using UCRF grant funds. Details of UCRF Grant Activity and Results are provided in **Attachment A**:

MEC arguments in U-16656 (and prior cases) resulted in the MPSC Staff developing and the Commission approving a set of projected transfer prices which the utilities opposed and MEC supported representing a savings to residential customers of approximately \$50 million total, or 13 cents per month for each residential customer.

RRC arguments in U-16924 (and prior cases) contributed to Consumers Energy Company substantially reducing its reliance on fixed price purchases. This change to limiting FPP to the current GCR year plus the next GCR year and only below the First Quartile is expected to result in gas cost savings to the GCR customers going forward. The actual cost savings will become available in future GCR Reconciliation cases once these modifications to the FPP are fully implemented by Consumers Energy Company.

RRC advocacy and testimony in U-16481-R contributed to a settlement agreement in which MGUC's proposed \$4,718,981 cumulative GCR underrecovery for the 2011-2012 GCR period be reduced to \$4,268,981 -- a cost savings of \$450,000 to the GCR customers.

RRC Advocacy and testimony in U-16485-R on excess costs caused by the FPP program directly affected CECO's decision to incorporate in its 2012-2013 GCR plan a change to its FPP methodology to limit FPP to the current GCR

year plus the next GCR year and only below the first quartile. That change will result in cost savings to GCR customers in future years.

CARE Advocacy in U-17096 contributed to a settlement in which the originally filed PSCR factor by I&M Power was reduced from 6.27 to 5.68 mills and agreement by the company to remove \$4,294,000 in ash disposal costs from its Michigan based power supply cost. Net result is a savings to Michigan ratepayers of \$1,518,873.

CARE Advocacy in U-17094 contributed to a settlement in the Wisconsin Electric Power Company 2013 PSCR Plan Case which saved Michigan ratepayers \$919,738.

CARE Advocacy in U-17091 resulted in a settlement in the Upper Peninsula Power Company 2013 PSCR Plan Case in which the company adopted CARE's position seeking adjustments in the company's estimate of real time market price sales (\$49,883), purchase power costs adjustments (\$990,225), transportation costs (\$194,190) and other adjustments saving Michigan ratepayers \$1,561,054.

CARE Advocacy in U-17092 contributed to a settlement in the Wisconsin Public Service Corporation 2013 PSCR Plan Case in which the company refiled an amended plan resulting in a savings for Michigan ratepayers of \$817,034.

CARE participated in the FERC mandated MISO process of creating a capacity market for the Midwest region (sometimes referred to as a Regional Transmission Organization or RTO or an Independent System Operator or ISO) that includes Michigan. CARE experts alerted FERC that in the PJM RTO over \$7 billion was added to the cost of electricity on an annual basis throughout that region and discouraged a mandatory auction that may result in higher costs passed on to residential ratepayers. CARE's comments suggested that Michigan's ratepayers could see as much as \$100 million per year of increased costs. Residential ratepayer's portion of that increase would be approximately \$35 million per year. FERC agreed with CARE by not requiring a mandatory auction resulting in potential savings because MISO's first auction in April 2013 resulted in significantly less prices than that conducted in the PJM region (\$1.05 vs \$59.37). CARE continues to be engaged in this process to monitor and review additional mechanisms that may result in unnecessary costs being passed onto Michigan utilities and therefore Michigan's residential ratepayers.

MCAAA participated in a settlement agreement in U-16485-R CEC0 2012 GCR Reconciliation resulting in a determination that CEC0 had a \$2,392,729 overrecovery for the reconciliation period (including principal and interest), to be credited under the Commission-approved ongoing "rollover" mechanism.

MCAAA participated in a settlement agreement in U-17087 Consumers Rate Case resulting in \$51 million savings on cost allocation (rate design) issues.

4. FINANCIAL REPORTING AND GRANT ADMINISTRATION

4.1 Calendar Year 2013 Remittances

The following information is compiled and provided by the Michigan Department of Licensing and Regulatory Affairs (LARA) for purposes of the Annual Report.

Public Act 304 of 1982 requires annual remittances to the Utility Consumer Representation Fund from any regulated utility company serving at least 100,000 customers. The total size of the fund is set at \$500,000 multiplied by a factor "set by the Board at a level not to exceed the percentage increase in...The consumer price index for the Detroit standard metropolitan statistical area...between January 1981 and January of the year in which the payment is required to be made." Since enactment of Act 304, total remittances have been as follows:

1982	\$630,600	1998	\$851,728
1983	\$653,400	1999	\$864,600
1984	\$582,250	2000	\$899,000
1985	\$569,600	2001	\$930,650
1986	\$592,650	2002	\$946,150
1987	\$596,050	2003	\$981,150
1988	\$615,250	2004	\$988,350
1989	\$650,450	2005	\$1,013,299
1990	\$683,450	2006	\$1,052,150
1991	\$715,300	2007	\$1,069,450
1992	\$728,650	2008	\$1,096,950
1993	\$745,838	2009	\$1,088,750
1994	\$760,266	2010	\$1,103,851
1995	\$791,900	2011	\$1,125,700
1996	\$813,000	2012	\$1,176,700
1997	\$834,050	2013	\$1,198,650

Statutory Calculation of UCRF Funds

Remittances due from the six utilities serving at least 100,000 customers are calculated from the proportion of each "company's jurisdictional 1981 operating revenues...compared to the 1981 total operating revenues of all energy utility companies" contributing to the fund. This proportion, initially calculated in 1982 and recalculated in 1996, remains constant, and was applied to the six remitting utilities in the amounts shown in the following table.

UTILITY REMITTANCES AND REVENUE DISTRIBUTION

<u>Source of</u> <u>Calendar Year 2013 Remittance Revenue</u>		<u>Distribution of</u> <u>Calendar year 2013 Revenue</u>	
<u>Utility</u>	<u>Amount</u> <u>Contributed</u>	<u>Amount</u> <u>Recipient Allocated</u>	
Consumers Energy	\$491,008	Attorney General (47.5%)	\$ 569,359
Detroit Edison Co.	340,032	Intervenor Grants (47.5%)	569,359
MichCon Gas Co.	300,725	Administration (5%)	<u>59,932</u>
Michigan Gas Utilities	25,969		\$1,198,650
SEMCO	29,255		
Indiana Michigan Power	<u>11,661</u>		
TOTAL	\$1,198,650		

Letters were sent to each utility on 3/19/13 and all remittances were made by 09/2013.

In addition to the calendar year 2013 utility fees, interest was earned for the Fiscal Year ending 9/30/13. This was allocated proportionately between the Attorney General and the intervenor grants. The intervenor proportion totaled \$1,286.

4.2 Fiscal Year 2013 Appropriation and Accrued Funds

Total funding available for awarding intervenor grants was \$902,500 for FY13 as shown below and \$902,500 FY13 authorization subject to budget approval.

Intervenor Grant Funding for fiscal year 2013:

Appropriation (Public Act 200 of 2012)	\$950,000
Less 5% for Administration	<u>(47,500)</u>
Appropriation Available for Intervenor Grants	\$ 902,500
New Revenue	\$569,359
Fiscal Year 2012 Unreserved Fund Balance	456,845
Fiscal Year Interest Earned from Common Cash Fund	<u>1,286</u>
Total Available if sufficient spending authorization	\$ 1,027,490

4.3 Notification of Readiness to Proceed

The Act requires that the Public Service Commission not act on "an application for an energy cost recovery proceeding...until 30 days after it has been notified by the Board or the director of the Energy Administration...that the Board or the director is ready to process grant applications, will transfer funds payable to the Attorney General immediately upon [their] receipt...and will within 30 days approve grants and remit funds to qualified grant applicants." Additionally, the Act requires that "in order to implement the gas [or power supply] cost recovery clause....a utility annually shall file...a complete gas [or power supply] cost recovery plan...The plan shall be filed not less than 3 months before the beginning of the 12-month period covered by the plan." The electric utilities selected January 1 - December 31 as the 12-month plan period. Most of the gas utilities selected April 1 – March 31 as their 12 month period.

4.4 Scope of Work

Money from the UCRF, less administrative costs, "may be used only for participation in administrative and judicial proceedings under sections 6h, 6i, 6j, and 6k [of P.A. 304] and in federal administrative and judicial proceedings which directly affect the energy costs paid by Michigan energy utilities." The Attorney General has issued formal and informal opinions to guide the Board regarding cost matters that may be covered by Act 304 grants. The Act describes several kinds of proceedings. Cases required by statute are:

- | | |
|----------------------------|----------------------------------|
| Gas supply and cost review | Power supply and cost review |
| Gas cost reconciliation | Power supply cost reconciliation |

Decisions in any of these four proceedings may be appealed to the appropriate courts.

Grant proposals compliant with the provisions of the Act were solicited for intervention in on-going and new GCR Plan cases, GCR Reconciliation proceedings, PSCR Plan cases, PSCR Reconciliation proceedings and other cases eligible under Act 304.

4.5 Application and Selection Process

Act 304 limits eligibility for funding to non-profit organizations or local units of government in Michigan, places specific additional restrictions on applicants, and suggests criteria that could be used in the selection process.

Applications for grants were received from the Residential Ratepayer Consortium (RRC), the Michigan Environmental Council (MEC), Michigan Consumer Action Agency Association (MCAAA), Citizens Against Rate Excess (CARE), Institute for Energy Innovation (IEI) and Great Lakes Renewable Energy Association (GLREA). IEI and GLREA were new grantees of UCRF funding. The board followed a phased-in approach to awarding grants. Funding decisions were made as close to the filing of cases as possible in order to review the grant application workplans in more detail and render better decisions on potential benefits to consumers.

5. UPDATE ON THE LEGISLATIVE REVIEW OF ACT 304

Section 6m(23) of Act 304 requires a three-year legislative review of the costs and benefits attributable to the Act. The most recent review was conducted in 1986 by the House Public Utilities Committee. No further reviews have been conducted since the 1986 review. The findings and results of that review are presented below.

1986 Legislative Review Findings

In the fall of 1986, the Michigan Public Service Commission sought to resolve some of issues identified in the public hearings by initiating a review of the various suggestions that were directed toward the Commission by the Board, intervenors, and the utilities. Recommendations resulting from this review were submitted to the Commission in the spring of 1987. The following discusses the issues identified by the Board and their current status.

ISSUE ONE: The Public Service Commission should refrain from dismembering Act 304 by holding separate proceedings for certain energy cost issues. The shifting of these issues to non-Act 304 cases strains resources available for intervention on behalf of residential ratepayers. Intervenors may have difficulty getting status and funding in the non-Act 304 cases. If they are able to intervene, they may be required to duplicate prior Act 304 efforts in the new proceeding.

The Board is concerned that the wording of Section 6m(17) of Act 304 unduly limits the ability to award UCRF funds for non-Act 304 cases that have a direct impact on energy costs paid by residential electric and gas customers of Michigan utilities.

STATUS: While there has been improvement in the detail provided in the Commission's Notices of Hearing to alert the public that in the non-Act 304 cases, there may be issues that affect purchased gas or electric power supply costs, the Board remains restricted in its ability to grant funds outside of Act 304 cases. New options should be considered for protecting Michigan's residential customers in light of restructuring and escalating gas and electric rates. However, the restrictive language of this section restricts the Board's ability to solicit and award grants for innovative proposals. The urgency of this issue is heightened in 2007 with the energy legislation package under consideration in the Michigan Legislature. The effect of some aspects of this legislation will seriously compromise the ability for effective UCRF funded intervention on behalf of ratepayers.

ISSUE TWO: Numerous and lengthy delays in the Act 304 process were a serious problem up to 1991.

STATUS: The Commission has taken steps to reduce the delays with the goal of issuing orders within nine months of the filing. It has also initiated a staggered filing schedule for gas cost recovery cases. Since the Board cannot accept a utility's filing until 30 days after certification of readiness, early certification was needed to implement the staggered schedule. The Board supported the Commission's actions and in 1991, to allow for more staggering, the Board accelerated the entire grant award process by two months. Also in 1991, the Commission issued Proposed Guidelines for Completion of Cases (Order No. U-9832). In 1992, the Commission's new policy effectively solved the problem of delays in the Act 304 process. The Board commends the Commission for its actions.

ISSUE THREE: The Public Service Commission should adopt a more aggressive review of the utilities' five-year cost projections. Annual review of a utility's five-year forecast, as required by Act 304, is intended to provide an opportunity for future cost containment and increased efficiency.

STATUS: The Board encourages the Commission to continue to increase its scrutiny of the five-year forecasts and to create more rigorous filing requirements. Further the Board encourages the Commission to place greater emphasis on conservation and energy efficiency as part of reasonable and prudent supply planning, particularly in light of increasing energy prices and limited mitigation options for residential energy customers.

ISSUE FOUR: The Public Service Commission should disallow the recovery of costs that were not allowed prior to Act 304.

STATUS: This issue is resolved. Michigan courts have endorsed the Commission's designation of energy costs that may be recovered by electric and gas utilities under Act 304.

ISSUE FIVE: Information provided by the utilities should be standardized to reduce the time and effort required by intervenors spent in obtaining information needed for presenting cases to the Public Service Commission.

STATUS: Filing of standardized information was recognized as an area of need during the Public Service Commission's review in 1987. However, the Commission has issued no formalized requirement for standardized information, and there has been no increase in voluntary compliance by the utilities. This issue was examined again during 1989, but final recommendations were not reached on this issue. The Board continues its support for standardized filings as a means of reducing intervention costs and improving time frames for hearing cases. Further, standardized filing will improve the Board's ability to independently analyze the impact of UCRF funded intervention in Act 304 proceedings.

ISSUE SIX: There is a need for increased intervenor funding. The amount of funding available for intervention has been limited to the annual appropriation less administrative and operating costs incurred. The board does not have the advantage of a large number of in-house experts during the plan and reconciliation case proceedings. Adequate funding is needed to secure technical assistance of expert witnesses to aid in the process of case investigation, analysis and cross-examination.

STATUS: Fees charged by the most prominent expert witnesses have increased at a faster rate than funds available for intervention, resulting in a net decrease in expert witness testimony on behalf of residential ratepayers. If the Attorney General is not participating in a case, and therefore not available to jointly sponsor an

expert witness, the intervenors are often forced to reject bids from the most qualified expert consultants due to the lack of funds. Additionally, utilities are becoming more active in sponsoring rebuttal testimony. The intervenors' legal counsel continues to donate time for carry-over cases.

This need for increased resources is heightened by recent, dramatic structural changes in the electric and natural gas industries. Those changes have a profound effect on the energy costs paid by residential utility customers. Without additional funding to support interventions in the various forums in which key decisions about those costs are being made, there is a real danger that the interests of homeowners and renters will not be advocated and that they will ultimately bear an unreasonable share of those costs. The Board specifically requested an increase in the UCRF annual appropriation for the 2006-07 fiscal year. The annual appropriation for 2007 was increased substantially using accrued, unspent funds from previous years. Increasing the spending authorization will be effective until the reserve is depleted.

Questions regarding this report should be addressed to:

Utility Consumer Participation Board
Attention: Amber Lemon
State of Michigan
Department of Licensing & Regulatory Affairs
Office of Finance & Administrative Services
P.O. Box 30004
Lansing, Michigan 48909
(517) 517-335-0764

ATTACHMENT A: UCRF Grant Activity and Results

The following are results in cases in which an ORDER(S) has been issued in the period January 1, 2013-December 31, 2013. Some of the cases in which UCRF grantees participate in 2013 will not conclude until subsequent years. Results for those cases will be reported in future annual reports. Results are reported by grantees and audited by UCPB board staff based on an independent review of the record and edited for purposes of this annual report. Complete dockets related to the majority of cases are available through the Michigan Public Service Commission's Electronic Docket Filing System (eDocket) at www.michigan.gov/mpsc. Results for individual cases may be verified by reviewing the case docket. MPSC case numbers have been included for purposes of research and validation.

GRANTEE: MICHIGAN ENVIRONMENTAL COUNCIL (MEC)

Docket No.	Case Title	UCRF Grant No.	UCRF Grant Amt Awarded (as amended)	Balance (12/31/2013)	Other financial support (matching funds, pro bono support, etc.)
U-16047-R	Detroit Edison PSCR Reconciliation (2010)	11-04	\$10,605.00	\$0.00	
<p>MEC supported the Attorney General on one issue: It is not just and reasonable to use Detroit Edison's short-term borrowing rate for periods of both over and under recovery. It is just and reasonable to use the rate differential used for the PSCR or, at a minimum, to use the weighted average of the ratepayer borrowing rate. On April 25, 2013, the Commission issued its final order accepting Detroit Edison's position and rejecting the AG's position.</p>					
U-17087	Consumers Energy General Rate Case	13-04	\$42,420.00	\$0.00	Contributions of funds and expert resources were provided by a partner organization, the Natural Resources Defense Council.
<p>The Commission approved a Settlement Agreement on May 15, 2013. Highlights of the settlement include:</p> <ul style="list-style-type: none"> • Rate increase of \$89 million (out of \$145 million requested). • Increase to residential customers of \$65 million, or 3.9% (out of \$140 million requested, or 9.6%). • Authorized return on equity of 10.3% (compared to 10.5% requested). • No capital expenditures tracker (a/k/a Investment Recovery Mechanism), or Revenue Adjustment Mechanism (similar to decoupling). • Use of the 50-25-25 cost of service method suggested by MCL 460.11(1) for allocating transmission and production costs for residential, commercial, and industrial customer classes. 					
U-16432-R	Consumers Energy PSCR Reconciliation (2011)	11-04	\$48,075.00	\$0.00	
<p>Commission order issued May 29, 2013. MEC critiqued the way Consumers modeled the baseload dispatch of the Zeeland natural gas plant for purposes of comparing the economics of that mode to the current cycling mode of operation. Consumers responded in rebuttal that two inputs to MEC's model were incorrect. In cross exam, the company witness admitted he was wrong about one of the inputs, which were the same as the inputs MEC used. The result is that the modeling of both parties' witnesses is inconclusive, and the issue will need to be explored further in subsequent cases.</p>					
U-16656	Consumers Energy Renewable Energy Reconciliation	12-01	\$17,675.00	\$0.00	
<p>Commission order issued June 28, 2013. The main issue in the case concerned future transfer prices for renewable energy that are projected to be recovered through the PSCR. A portion of the cost of renewable energy is covered by per-meter surcharges, which are different for different customer classes. The rest is transferred to the PSCR, where it is recovered on a per-kWh basis. Because residential customers pay proportionally more of the</p>					

surcharges than the energy they use, higher transfer prices and lower surcharges provide cost savings to residential customers through a more equitable allocation of the costs of renewable energy. This case was the culmination of several policy successes by MEC, which led to Staff developing a set of projected transfer prices which the utilities opposed and MEC supported. The Commission adopted these more equitable transfer prices. Subsequent discovery (17301-MEC-CE-20) confirmed a savings to residential customers of approximately \$50 million total, or 13 cents per month for each residential customer.

GRANTEE: MICHIGAN COMMUNITY ACTION AGENCY ASSOCIATION

Docket No.	Case Title	UCRF Grant No.	UCRF Grant Amt Awarded (as amended)	Balance (12/31/2013)	Other financial support (matching funds, pro bono support, etc.)
I. GAS CASES					
Michigan COA 312296 and 312305	Appeals of In Re Michigan Consolidated Gas Co, GCR Reconciliation Cases U-15701-R and U-16146-R	13-01	\$5,940.00	\$0	\$6,337.00 Pro Bono
Status/Results Michigan Court of Appeals decision in Dockets 312296 and 312305, <i>In Re Michigan Consolidated Gas Co</i> , 304 Mich App 155 (02/06/2013), Mich Con's appeals of MPSC Orders in U-15701-R (Mich Con 2010 GCR Reconciliation) and U-16146-R (Mich Con 2011 GCR Reconciliation)	<p>The Michigan Court of Appeals issued its published decision on February 6, 2013 upon review of MPSC orders issued in 2011 and 2012 in Mich Con's GCR Reconciliation cases for 2010 (U-15701-R) and 2011 (U-16146-R). MCAAA actively participated in both MPSC cases, and filed briefs defending rate adjustments adopted by the MPSC.</p> <p>In MPSC Case U-15701-R, MCAAA advocated that Mich Con had not demonstrated that it had undertaken reasonable and prudent actions to minimize its costs with respect to affiliate transactions, and particularly with its affiliate, the Michigan Gathering Company (MGAT). MCAAA presented in evidence and briefing a downward rate adjustment of \$3,453,356 relating to MGAT transactions. The Attorney General recommended a similar adjustment. MCAAA also presented evidence and briefing in support of more effective regulatory remedies to curtail affiliated transaction abuses and cross-subsidization in advance, such as "ring-fencing" remedies implemented in some other states.</p> <p>MCAAA also supported downward rate adjustment for MGAT affiliated transactions in MPSC Case U-16146-R.</p> <p>The MPSC's December 6, 2011 Order in U-15701-R adopted a downward rate adjustment of \$3.3 million related to Mich Con's MGAT transactions for the 12 months ending March 2010. The MPSC's August 14, 2012 Order in U-16146-R adopted a downward rate adjustment of \$1.42 million related to Mich Con's gas purchases from its affiliate, MGAT for the 12 months ending March 2011.</p> <p>The Michigan Court of Appeals reversed the MPSC's orders insofar as the orders retroactively re-priced Mich Con's purchases of MGAT gas prior to September 28, 2010, and remanded the cases for corrective action. The Court decision did not alter MPSC discretion to prospectively adopt downward rate adjustments to Mich Con's affiliated gas purchases from MGAT based upon more objective pricing standards.</p> <p>On March 18, 2014, the MPSC issued its Order upon remand in accordance with the Court of Appeals decision.</p>				
U-16485-R	CECo 2012 GCR Reconciliation	12-02 13-01	\$0 \$2,970.00	\$0 \$0	\$450.00 Pro Bono
Status/Results MPSC Order dated 05/29/13 approving settlement agreement	<p>MCAAA undertook a more limited role in this case in the form of intervention, review of discovery and testimony and exhibits of other parties, and by participating in settlement negotiations.</p> <p>On May 29, 2013, the MPSC issued its order approving a settlement agreement that was entered into by the case parties, including MCAAA. The MPSC order and settlement agreement determined that CECO had a \$2,392,729 overrecovery for the reconciliation period (including principal and interest), to be credited under the Commission-approved ongoing "rollover" mechanism.</p>				

GRANTEE: CITIZENS AGAINST RATE EXCESS (CARE)

Docket No.	Case Title	UCRF Grant No.	UCRF Grant Amt Awarded	Balance (12/31/2013)	Other financial support (matching funds, pro bono support, etc.)
U-17093	Northern States Power Company 2013 Plan Case	13-02	\$2,545.20	\$0.00	None Reported.
RESULTS Order 1/31/2013. After review, CARE agreed to settle the case as originally filed.					
U-17090	Alpena Power Company 2013 PSCR Plan Case	13-02	\$1,636.20	\$0.00	None Reported.
RESULTS Order 2/28/2013. After review, CARE agreed to settle the case as originally filed					
U-17096	Indiana Michigan Power Company 2013 Plan Case	13-02	\$5,635.80	\$0.00	None Reported.
RESULTS Order 3/15/2013. In its original filing, the Company sought a PSCR factor of 6.27 mills. After discovery and review of this information by CARE's expert witness, and one day prior to the filing of testimony, settlement discussions were entered and the company agreed to lower its PSCR factor to 5.68 mills. The Company also removed \$4,294,000 in ash disposal costs from its Michigan based power supply cost. Net result is a savings to Michigan ratepayers of \$1,518,873 .					
U-17094	Wisconsin Electric Power Company 2013 Plan Case	13-02	\$17,089.20	\$0.00	None Reported.
RESULTS Order 3/15/2013. A careful examination of the proposed 2013 plan was made with an emphasis on replacement costs for the wind facilities located in Wisconsin, Glacier Hills and Montford because these facilities are not in Michigan and therefore do not qualify for Act 295 treatment. Additionally, sales estimates were adjusted as was the over-under recovery amounts. Testimony was prepared but not filed due to settlement discussions. A Settlement Agreement was reached on 2/15/13 and a Commission Order was entered on March 15, 2013. While many of the issues were deferred, the Settlement saved Michigan ratepayers \$919,738 .					
U-17091	Upper Peninsula Power Company 2013 Plan Case	13-02	\$28,640.00	\$2,233.55	None Reported.
RESULTS Order 4/16/2013. The case was filed on September 24, 2012, the Company requested a negative PSCR factor of \$0.00644 per kWh. After extensive discovery by CARE and after CARE's expert filed testimony on March 6, 2013, the Company entered into a settlement agreement adopting CARE's position seeking adjustments in the company's estimate of real time market price sales (\$49,883), purchase power costs adjustments (\$990,225), transportation costs (\$194,190) and other adjustments saving Michigan ratepayers \$1,561,054 .					
U-17092	Wisconsin Public Service Corporation 2013 Plan Case	13-02	\$9,453.60	\$0.00	None Reported.
RESULTS Order 5/15/2013. The case was filed on September 26, 2012. After thorough discovery and careful examination of the proposed 2013 plan and prior to the filing of testimony, settlement discussions were entered into and the company refiled an amended plan resulting in a savings for Michigan ratepayers of \$817,034 .					
U-16883-R	Northern States Power Company 2012 Reconciliation Case	13-02	\$1,090.80	\$0.00	None Reported.

RESULTS Order 7/29/2013. After review and discovery, CARE agreed to settle the case as originally filed.					
U-16880-R	Alpena Power Company 2012 Reconciliation case	13-02	\$1,370.00	\$6.50	None Reported.
RESULTS Order 7/29/2013. After review and discovery, CARE agreed to settle the case as originally filed.					
U-16891-R	Indiana Michigan Power Company 2012 Reconciliation Case	13-02	\$8,726.40	\$1,818.00	None Reported.
RESULTS Order 10/04/2013. In April 2012 Cook Nuclear Unit 2 had an output of 35,753 MWhs compared to a projection of 128,000 MWhs in their plan case. After extensive discovery and consultation with Staff, however, we agreed that we could not prove imprudence on the Company's part and we entered into a settlement agreement as originally filed.					
U-16881-R	Upper Peninsula Power Company 2012 Reconciliation Case	13-02	\$23,270.40	\$0.00	None Reported.
RESULTS Order 10/14/2013. The parties settled the case by agreeing that in connection with booking the Rate Schedule 74 true-up credit of \$47,096, UPPCO will credit that amount to its 2012 PSCR costs and debit that \$47,096 from its 2013 PSCR costs. With this change, the difference between PSCR revenues and costs for 2012 was (\$872,054) and represented an underrecovery. This amount when added to the 2011 rolled-in overrecovery of \$1,130,210, as authorized in Case No. U-16421-R results in a net cumulative overrecovery of \$258,156 before giving effect to the impact of interest. With interest of \$111,244, the total over-recovery balance for 2012 was \$369,400.					
U-16882-R	Wisconsin Public Service Corporation 2012 Reconciliation Case	13-02	\$11,271.60	\$0.00	None Reported.
RESULTS Order 11/14/2013. After review and discovery, the Company revised its testimony and further explained why the output at two of its hydro facilities caused an estimated loss of 4,135 MWhs resulting in lost opportunity revenues of \$121,997 .					
U-16424-R	Wisconsin Electric Power Company 2011 Reconciliation	12-03	\$20,200.00	\$65.65	None Reported.
RESULTS. Order 12/19/2013. This was a very contentious case of first impression lasting 18 months. At issue was the inclusion of WEPCO's Barton Wind Energy plant located in Iowa and other Wisconsin specific renewable energy costs. CARE objected to Michigan ratepayers having to pay for renewable energy costs related to the company meeting Wisconsin's renewable portfolio standard. CARE took the position that the Iowa wind farm did not meet the "in-state" location requirements of Act 295 and that it would be unjust to burden Michigan ratepayers with any costs related to meeting Wisconsin's RPS standards. Ultimately CARE lost these issues when the Commission issued its Order in this case.					
U-16034-R	Wisconsin Electric Power Company 2010 Reconciliation Case	11-02	\$50,500.00	\$25.25	None Reported.
RESULTS . Order 12/19/2013. This case took 2 ½ years to come to a conclusion. The case dealt with many of the issues mentioned in U-16424-R. CARE focused the replacement energy costs due to the fact that WEPCO's new power plant, ELM Road 1, was out of service 177 days in the first year of operation and that Michigan ratepayers should not have to pay excessive replacement power costs for a substandard brand new power plant. Ultimately the Commission disagreed with CARE and other parties and we lost on this issue. If CARE's position had been adopted it would have saved Michigan ratepayers \$1,450,185.					

GRANTEE: RESIDENTIAL RATEPAYER CONSORTIUM

Docket No.	Case Title	UCRF Grant No.	UCRF Grant Amt Awarded	Balance (12/31/2013)	Other financial support (matching funds, pro bono support, etc.)
U-16924	Consumers Energy Company 2012-2013 GCR Plan	12-04	\$25,954.20 (10-1-2012)	\$0.00	\$0.00
<p>RESULTS: MPSC Order - 2/28/2013</p> <p>The RRC presented testimony that: (1) Analyzed the financial results of CECO's fixed price purchase (FPP) program from the past six GCR periods as well as the current status of the FPP for the 2012-2013 and 2013-2014 GCR years. The testimony documented \$1.843 billion in excess costs caused by the FPP in the seven GCR periods from 2006-2007 through 2012-2013. It also showed that there is an upward price bias in the NYMEX futures strip on which CECO's FPP is based and that there is current price stability in natural gas markets. Given all these factors, the RRC recommended cessation of CECO's FPP as a means of avoiding the excess costs this program causes for the GCR customers. (2) Presented an analysis of CECO's GCR sales forecast for 2012-2013 and the Company's monthly distribution of sales. For the 2012-2013 GCR year CECO changed the method of for monthly distribution of sales estimates. The Company's estimate of annual sales was 2% high and its estimate for winter only sales was 3.5-3.0% high. CECO did not, however, provide sufficient information to allow a complete evaluation of the forecast and the RRC decided to hold making a firm recommendation to the Commission for modifications of the forecast methodology until a future case when additional information becomes available. In its Order, the MPSC approved Consumers modification of its FPP guidelines to limit its fixed price purchases, eliminate tier purchases and all quartile purchases, except for purchases below the first quartile. In addition, the first quartile purchases are limited to the upcoming GCR year and the following year. The Commission noted the presiding Administrative Law Judge's observation that Consumers Energy Company has "substantially reduced its reliance on fixed price purchases" consistent with the concerns raised by the RRC and other intervenors over the past years. This change to limiting FPP to the current GCR year plus the next GCR year and only below the First Quartile will result in gas cost savings to the GCR customers going forward. The actual cost savings will become available in future GCR Reconciliation cases once these modifications to the FPP are fully implemented by Consumers Energy Company.</p>					
U-16483-R	SEMCO Energy Gas Company 2011-2012 GCR Reconciliation	12-04	\$10,908.00	\$0.00	\$0.00
<p>RESULTS: MPSC Order - 3/15/2013</p> <p>The RRC audited SEMCO's fixed price purchases (FPP), term purchases, monthly and intra-month purchases, its peaking services, its storage operations during the winter period, its pipeline utilization and capacity release results and its actual peak days and supply in the April 2011 through March 2012 GCR period. In its testimony, the RRC: (1) Documented \$6.76 million in excess costs caused by the fixed price purchase (FPP) program in the 2011-2012 GCR year. No recommendation for a disallowance was made because: (a) consistent with the RRC's recommendation in prior GCR cases, the Company modified its FPP guidelines to reduce the level of FPP thereby achieving cost savings compared to prior years, (b) the Company made its FPP consistent with the underlying GCR Plan, and (c) SEMCO is engaged with the RRC in collaborative discussions to make further prospective changes to the FPP to address the RRC's concerns for minimizing gas costs to the GCR customers. (2) Concluded that SEMCO's term purchases and peaking services were favorably priced for the GCR customers and that its swing and intra-month purchases were acceptable for the 2011-2012 GCR period. (3) Recommended that SEMCO change the allocation of its monthly and intra-month purchases by purchasing 75% at Index on ANR SE and 75% at NYMEX on Great Lakes and NNG-Demarc to achieve additional cost savings for the GCR Customers that the data shows is available using that split. (4) Recommended that, in the future, the Company make every effort to maximize use of its storage. The RRC documented instances in 2011-2012 where that was not done but made no request for disallowance because fortunately, there was no financial impact on the GCR customers. (5) Concluded that the Company achieved excellent results with its capacity release and optimization credits that were 14% more than the previous year. (6) Concluded that the Company's experienced peak day and supply were consistent with the underlying GCR Plan. In its Order the Commission approved a Settlement Agreement among the parties in which SEMCO agreed to the RRC's recommendation that it continuously monitor monthly spot NYMEX and Index prices at each SEMCO supply source to create a rolling 2-year history at each of those supply sources. Based on that data SEMCO will propose changes to its month purchase strategy in its GCR plan filings to achieve gas cost savings for the GCR customers. The MPSC approved SEMCO's reconciliation of its gas costs for the 2011-2012 period and ordered that the Company's net underrecovery of \$88,464 be rolled into beginning balance for the cost of gas in the 2012-2013 GCR Reconciliation.</p>					
U-16481-R	Michigan Gas Utilities Corporation 2011-2012 GCR Reconciliation	12-04	\$19,634.00 (4-14-2013)	\$1,090.40	\$0.00
<p>RESULTS: MPSC Order - 5/15/2013</p> <p>In this case the RRC audited all of MGUC's fixed price purchases (FPP) utilizing Quartile Analysis, monthly and daily purchases and the swing/call packages and attendant reservation charges, the Company's storage operations, its non-core sales, its underrecovery and its Lost and Unaccounted For (LAUF) gas. The RRC presented testimony that: (1) Revealed the financial results of MGUC's FPP in the 2011-2012 GCR period and documented \$19.6 million in excess costs to the GCR customers caused by MGUC's FPP purchasing methodology. This translates to natural gas supplies that cost on average \$1.50/Dth more than published Index prices in 2011-2012. The RRC made no recommendation for a disallowance</p>					

because the FPP were made in accordance with the GCR Plan and because 2011-2012 was the final year for FPP using the Quartile Method of making FPP. The RRC's presentation of data in the GCR Reconciliation cases on the performance of the FPP program has contributed to the reform of those purchasing practices. (2) Concluded that the data on MGUC's daily intra-month spot and some swing/call purchases show they were necessary, timely and all at reasonable prices. However, the RRC did identify six call/swing packages that were unnecessary and recommended a disallowance of \$68,350. (3) Recommended that in the future, MGUC issue and Operational Flow Order (OFO) to the largest and most likely end user transportation (EUT) customers for any weekend or holidays where a potential supply/demand imbalance is forecasted and that the Company use its remote metering capability on each day to verify compliance with the OFO. This will remedy the over-supply volumes that MGUC experienced from the EUT customers in 2011-2012. (4) Concluded that MGUC's error in the reporting of its underrecovery was caused by miscommunication between different sections of the Company. (5) Concluded that the Company's failed to provide sufficient information to justify the increase to the GCR cost of gas caused by the August 3, 2011 adjustment to LAUF. In its Order the Commission approved a settlement agreement in which the parties agreed (a) that MGUC will adjust the LAUF rate each year in September for the difference in the actual LAUF rate versus the assumed LAUF rate using a three-year average, (b) that MGUC will endeavor to assure the validity of the data used in the unbilled gas sales calculation performed each August, and (c) that MGUC's proposed \$4,718,981 cumulative GCR underrecovery for the 2011-2012 GCR period be reduced to \$4,268,981 -- a cost savings of \$450,000 to the GCR customers. On that basis, the MPSC approved MGUC's reconciliation of its gas costs for the 2011-2012 period and ordered that the Company's net underrecovery of \$4,268,981 be rolled into beginning balance for the cost of gas in the 2012-2013 GCR Reconciliation.

U-16485-R	Consumers Energy Company 2011-2012 GCR Reconciliation	12-04	\$12,726.00 (4-15-2013)	\$0.00	\$0.00
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RESULTS: MPSC Order - 5/29/2013
The RRC audited CECO's execution of its fixed price purchase (FPP) guidelines, its forecast of Gas Customer Choice (GCC) sales, the Company's monthly updated summer plans, its Normal, Colder Than Normal (CTN) and Warmer Than Normal (WTN) plans and the Company's updated Winter operating plans. In its testimony, the RRC: (1) Documented \$303.6 million in excess costs caused by the FPP program in the 2011-2012 GCR year that equates to \$2.01/Mcf of extra cost to the GCR customers. The RRC also documented just under \$1 billion in excess costs caused by the FPP in the previous 5 years. The RRC made no recommendation for a disallowance as CECO executed its FPP according to the underlying GCR Plan. However, a direct effect of the RRC's advocacy on this issue is CECO's decision to incorporate in its 2012-2013 GCR plan a change to its FPP methodology to limit FPP to the current GCR year plus the next GCR year and only below the first quartile. That change will result in cost savings to GCR customers in future years. (2) Recommended that data from this case and prior GCR reconciliation cases and responses to discovery be used as a basis for evaluating the Company's updates because actual historical data is not available in GCR plan cases to identify improvements that can be made to the Company's operations as a result of these periodic updates. A settlement agreement was reached among the parties that was approved by the MPSC. In the settlement, CECO agreed to include in its 2012-2013 GCR Reconciliation case a monthly comparison of the Company's Finalized Winter Operating Plan with the filed GCR Plan for the months of November through March and with November through March actual results of operations. The MPSC approved CECO's reconciliation of its gas costs for the 2011-2012 period and ordered that the Company reflect its \$2,392,729 overrecovery in beginning balance as a credit to the cost of gas in the 2012-2013 GCR Reconciliation.

U-17132	SEMCO Gas Energy Company 2013-2014 GCR Reconciliation	13-05	\$16,543.80 (8-5-2013)	\$272.20	\$0.00
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RESULTS: MPSC Order - 8/13/2013
Over the past several years the RRC and SEMCO have worked together to address the Company's operational and economic issues. As a result, the RRC focused its advocacy in this GCR Plan case on two new issues: (1) The Company's proposal to change making its fixed price purchases from the Quartile Method to the Moving Average-Relative Strength Index (MARSi) Methodology, and (2) SEMCO's planned reduction from the CECO Gas Balancing Account on an Experienced Peak Day. In its testimony on the MARSi Methodology the RRC used the Company's responses to interrogatories to illustrate why there may be too many or too few Buy Indicators during the October through March purchase period. The RRC also challenged with data the Company's assumption about "the presence of a firmly entrenched rising gas market environment" and showed that there is implied stability on the NYMEX Gas Futures. Based on this analysis, the RRC recommended that (a) the MARSi Methodology should not be used in a rising market, (b) there should be specific quantities and a "target" price range for the implementation of this method, (c) there should be future technical conferences between SEMCO and the parties to confirm or reset "target" prices and to reexamine whether the purchase period should be extended. With respect to the CECO Gas Balancing Account, the RRC's testimony addressed the Company's plan to fully utilize its available interstate pipeline capacity and let the remainder be supplied by that account. The RRC supported the Company's plan to fully utilize its available interstate pipeline capacity, however, for purposes of supply reliability the RRC recommended that the Company schedule 30,000 Dth from the CECO Gas Balancing Account (GBA) on any day forecasted at 60 Heating Degree Days (HDDs) or more. This will ensure that supply is available on a Design Day. A corresponding reduction in SEMCO Storage and/or ANR Storage could then provide any necessary back-up supply. The same process should be used for a forecast of 65 GDDs or more, except that 40,000 Dth would be scheduled. The purpose of this recommendation is to test the firm availability of supply from the CECO GBA before it becomes a necessity on a Design Day. In its rebuttal testimony, SEMCO indicated that the way it would address the RRC's concerns about the CECO GBA's supply reliability was to utilize it at a lower level. The reasonableness and prudence of the Company's decision in this regard will be subject to review in a gas cost reconciliation. The parties reached a settlement agreement in which it was stipulated that the parties would continue to meet with the Company in a technical conference on the implementation of the MARSi methodology. The MPSC approved the settlement agreement on August 12, 2013.

U-17130	Michigan Gas Utilities Corporation 2013-2014 GCR Plan	13-05	\$17,634.60 (8-5-13)	\$0.00	\$0.00
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RESULTS: MPSC Order - 8/13/2013

The RRC audited MGUC's proposed storage operations, estimated peak day, colder-than-normal (CTN) weather plan and utilization of least cost pipelines for supply and the Company's current hedging plan and status and found them all to be acceptable. The RRC also examined the Company's use of call/swing packages to meet peak day requirements, the use of the Partello/Anderson storage field for limited contribution to supply, the use of Bluewater Gas Storage for peak shaving, the Company's sales estimates for GCC and GCR customers, the Company's proposal to change its GCR Year from April-March to November-October and its non-core sales and recommended changes in all these areas. The RRC's testimony: (1) made several recommendations for how MGUC should solicit and contract for call/swing packages at the Company's delivery points to minimize the cost of these supplies as much as possible, (2) made recommendations on changing the way the Partello/Anderson reservoirs should be used to meet the Company's supply needs, (3) made a recommendation of how MGUC should pursue whether the Bluewater Gas Storage is available for peak shaving purposes, (4) presented an analysis of Gas Customer Choice (GCC) sales and concluded that the Company's estimate of these sales is understated, (5) presented an analysis of Gas Cost Recovery (GCR) sales and concluded that the Company's estimate of these sales was overstated, (6) suggested that in light of the sales estimates in the RRC's testimony, the Company could reduce the daily amount of Swing supply and cost by assuming that at least 50% of scheduled GCC volumes would be available to meet peak day requirements and that the Company should monitor the level of GCR/GCC sales and make monthly normalization during the winter period, (7) stated the reasons for the RRC's opposition to the Company's proposal to change its GCR Year from April-March to November-October and (8) recommended that the Company issue an Operational Flow Order to the largest and most likely End User Transportation customers for any weekends and/or holidays where a potential supply/demand imbalance is forecasted and that it use its remote metering capability on each day to monitor compliance. The parties reached a settlement agreement in this case in which MGUC committed to the following: (a) convening a technical conference with the parties to address issues regarding the return to service of the Partello/Anderson storage field, including the possibility of using the field for peak shaving service, (b) modifying the response plan for warmer than normal weather during the latter half of the winter period by including first of month purchases in conjunction with increasing storage withdrawal, (c) implementing Operational Flow Orders to Transport customers during Low Flow Constraint Periods in accordance with the Company's tariff provisions, (d) including in its next GCR Plan a gas supply analysis regarding peak shaving service from Bluewater Gas Storage and an analysis of hedge effectiveness including the effect of not hedging basis, and (e) withdrawal of the Company's request to shift the 12-month GCR period to end in October. The MPSC approved the settlement agreement on August 13, 2013.

U-16921	Michigan Consolidated Gas Co. 2012-2013 GCR Plan	12-04	\$34,317.00 (10-1-12)	\$0.00	\$0.00
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RESULTS: MPSC Order - 12/19/2013

PREFACE: This case addressed Michigan Consolidated Gas Company's GCR Plan for the period April 2012 through March 2013. This case was fully briefed by the parties as of August 1, 2012. However, the presiding administrative law judge did not issue a Proposal for Decision until August 30, **2013** after which the MPSC Issued an order on December 19, 2013. Because Commission action on this case occurred well past the end of the time period affected by the GCR Plan, it was too late to affect MichCon's actual operations during that GCR period. The Company's execution of its 2012-2013 GCR Plan was a *fait accompli*. CASE DESCRIPTION: The RRC analyzed and critiqued MichCon's fixed price purchase (FPP) program, the Company's proposed storage utilization for 2012-2013 and the Company's proposal to reduce gas storage availability for GCR/GCC customers. In its testimony in this case, the RRC: (1) Documented more than \$1 billion in excess gas costs caused by MichCon's use of FPP over the period 2006-2007 through 2010-2011 with increased costs for 2011-2012 of \$193 million, projected increased costs for 2012-2013 of \$193.6 million and for 2013-2014, \$74.6 million in increased costs. (2) Analyzed MichCon's VCA method of making FPP and provided extensive economic data on its poor performance, the current lack of volatility in gas prices and the existence of an upward price bias in the NYMEX which the VCA uses to trigger gas supply purchases. (3) Showed that MichCon is the only Michigan gas utility company that is making FPP at a level of 75% of its supply requirements in spite of the change in natural gas supply/demand fundamentals that have occurred over the past years. (4) Recommended that the Commission order that the VCA program be cancelled, require MichCon to engage in discussions with the parties regarding the future of FPP given the fact that the Company will have already purchased 75% of its 2012-2103 purchase requirements by April 1, 2012 and 75% of its 2013-2014 purchase requirements by the Fall of 2012 and hold MichCon accountable for all FPP being made in the current price environment without any use of its discretion and failure to even attempt a revision to the current FPP program. (5) Analyzed MichCon's proposal to further reduce the storage allocation for GCR/GCC customers and recommended that current storage levels remain in place as a means of assuring supply reliability and minimizing costs to the GCR customers. In the Proposal for Decision in this case, the Administrative Law Judge recommended that the Commission reduce MichCon's level of FPP from 75% to 50% and that MichCon's proposal to reduce the storage allocation to its GCR/GCC customers be rejected. In its December 19, 2013 Order in this case, the MPSC observed that, "The passage of time... has rendered this case a mere shadow of its former self" and that with respect to the issues in the case, "the importance of its determination is of very little moment now because the utility's 2012-2013 GCR plan ended March 31, 2013, and because the 2013-2014 GCR plan is nearing completion." The Commission then made no ruling on the ALJ's rejection of the Company's proposed storage allocation and deferred resolution of the VCA FPP issue to Case No. U-17131, MichCon's 2013-2014 GCR Plan.

ATTACHMENT B: UCRF 2012-13 GRANTEES Membership Scope and Description

Residential Ratepayer Consortium (RRC) is comprised of The Area Agencies on Aging Association of Michigan (AAAAM) and the Michigan League for Public Policy (MLPP).

The Area Agencies on Aging Association of Michigan (AAAAM) www.mi-seniors.net. Nonprofit organization composed of 16 local area agencies on aging that serve Michigan citizens age 60 and older in all eighty-three Michigan counties. Based on 2010 census statistics, that represents 19.5% of the total state population. Local area agencies include:

- 1-A Detroit Agency on Aging
Serves Detroit, Hamtramck, Highland Park, Grosse Pointe, Grosse Pointe Park, Grosse Pointe Shores, Grosse Pointe Woods, Grosse Pointe Farms, and Harper Woods cities.
- 1-B Area Agency on Aging 1-B
Serves Livingston, Macomb, Monroe, Oakland, Washtenaw, and St. Clair Counties.
- 1-C The Senior Alliance, Inc
Serves Wayne County except areas served by 1-A
- 2 Region 2 Area Agency on Aging
Serves Jackson, Hillsdale, and Lenawee Counties.
- 3-A Region 3-A Area Agency on Aging
Serves Kalamazoo County.
- 3-B Region 3-B Area Agency on Aging (616) 966-2450
Serves Barry and Calhoun Counties.
- 3-C Region 3-C Area Agency on Aging
Serves Branch and St. Joseph Counties.
- 4 Region IV Area Agency on Aging
Serves Cass, Berrien, and Van Buren counties.
- 5 Valley Area Agency on Aging
Serves Genessee, Lapeer, and Shiawassee Counties.
- 6 Tri-County Office on Aging
Serves Clinton, Eaton, and Ingham Counties.
- 7 Region VII Area Agency on Aging
Serves Bay, Clair, Gladwin, Gratiot, Huron, Isabella, Midland, Saginaw, Sanilac, and Tuscola Counties.
- 8 Area Agency on Aging of Western Michigan, Inc.
Serves Allegan, Ionia, Kent, Lake, Mason, Mecosta, Montcalm, Newaygo, and Osceola Counties.
- 9 Region IX Area Agency on Aging
Serves Alcona, Arenac, Alpena, Cheboygan, Crawford, Iosco, Montmorency, Ogemaw, Oscoda, Otsego, Presque Isle, and Roscommon Counties.
- 10 Area Agency on Aging of Northwest Michigan
Serves Antrim, Benzie, Charlevoix, Emmet, Grand Traverse, Kalkaska, Leelanau, Manistee, Missaukee, and Wexford Counties.
- 11 U.P. Area Agency on Aging, UPCAP Services, Inc. Serves Alger, Baraga, Chippewa, Delta, Dickinson, Gogebic, Houghton, Iron, Keweenaw, Luce, Mackinac, Marquette, Menominee, Ontonagon, and Schoolcraft Counties.
- 14 Senior Resources of West Michigan
Serves Muskegon, Oceana, and Ottawa Counties.

Michigan League for Public Policy (MLPP) www.mlpp.org. Organization with nearly 2,000 dues paying members, including more than 300 organizational members, with many of the latter having statewide constituencies.

Michigan Environmental Council (MEC) www.environmentalcouncil.org. Statewide nonprofit public interest and environmental organization consisting of over 71 public health and environmental organizations, having over 200,000 members.

Michigan Community Action Agencies Association (MCAAA) www.mcaaa.org. Michigan nonprofit corporation established on a membership basis. Its constituent members are Community Action Agencies ("CAAs") operating in each county in Michigan.

Citizens Against Rate Excess (CARE) www.utilityratewatch.org. Michigan non-profit corporation that serves as a consumer watchdog group to focus on utility rates. They have members across the State of Michigan, mostly in outstate Michigan, including the Upper Peninsula. The goal of the organization is to seek grants from the UCPB and help the Board "maximize the number of hearings and proceedings with intervener participation" as provided by MCL 460.6m(18). For example, Intervener participation in PSCR cases of the electric utility companies that serve the upper peninsula have been rare and this

organization has filled that gap. The organization also sought to fill the void in the lack of Michigan residential ratepayer participation in federal proceedings “which directly affect the energy costs paid by Michigan utilities,” MCL 460.6m(17). The objective to participation in these federal proceedings is to prevent Michigan utilities and their Michigan residential ratepayers from being disproportionately allocated expenses (i.e. transmission, etc) that may benefit other states substantially more than Michigan.