

## UTILITY CONSUMER PARTICIPATION BOARD

April 14, 2014

### MINUTES

A meeting of the Utility Consumer Participation Board was held Monday, April 14, 2014, in the Ottawa Building, 4th Floor Training Room, Lansing, Michigan.

#### I. Call to Order

Jim MacInnes called the meeting to order at 11:08 a.m. Board members present: James MacInnes, Chairperson, Paul Isely, Vice Chairperson, Susan Licata Haroutunian, Conan Smith, and Ryan Dinkgrave.

Others present: Michelle Wilsey, UCPB Board Assistant, Christopher Bzdok, Michigan Environmental Council (MEC), John Liskey, Citizens Against Rate Excess (CARE), Connie Groh (CARE), Robert Burns, (CARE), Don Keskey, Michigan Community Action Agency Association (MCAAA) and Great Lakes Renewable Energy Association (GLREA), David Shaltz, Residential Ratepayer Consortium (RRC), Douglas Jester, Institute for Energy Innovation (IEI), LeAnn Droste, State of Michigan Department of Licensing and Regulatory Affairs (LARA), Suzy Westmoreland, Michigan Electric and Gas Association (MEGA), Sherri Wellman, Miller Canfield Paddock and Stone.

##### a. Approval of Consent Agenda

MacInnes proposed approval of the consent agenda with the modification of agenda item II(c) to, Addition of Expert and 2013 PSCR Reconciliation Cases for Small and Medium Utilities, and removal of, Intervention in Balfour's proposed \$298 million purchase of UPPCO from its parent company, Integrys (Case #U-17564) per request of CARE. Isely moved, second by Smith and motion carried to approve the consent agenda as amended.

#### II. Business Items

##### a. RRC Grant Amendment Request - 2014-2015 GCR Plan cases.

David Shaltz gave a presentation on changes and updates to the four gas cost recovery plan cases of Michigan's four largest gas companies. The board approved an initial grant of \$60,000 for participation in these cases. The most significant change is that all of the companies will have to reexamine the initial filing made in December 2013 due to the unprecedented demand on their systems and high natural gas price spikes this winter. Two of the companies have requested temporary orders from the MPSC. The requests include a change in the original GCR factor on customer bills to reflect a new projection of what gas costs will be in this GCR period; and the second part of it is an increase in the amount of under-recovered gas costs from the prior period. The companies have done a reasonable job of colder than normal planning, the extreme conditions caused them to purchase gas at the City Gate. All of the companies will request additional relief. The RRC is exploring the impacts on its constituency from the combination of roll-in of previous under-recovery and recovery of the new projected cost of gas. They are also exploring proposals to the Commission to mitigate the impact, such as suspending the roll-in methodology this year or spreading it over a longer period. RRC also has to examine the new projections and actual accountings that the utilities have put into their filings. RRC is also concerned with the past-period recovery practice and consumer gas choice. If a large number of customers leave the system due to a large increase in price, it impacts the utilities' planning.

Current GCR rate increases range from about 21-percent increase on Consumers Energy up to 35-percent on SEMCO Energy Gas Company.

Due to the second round of filings, the amount of work will be increased. RRC is requesting the board approve the remainder of the funding requested in the initial grant filing. Smith asked if the roll-in methodology and migration of customers to gas choice was a new issue. Shaltz said it was not, just the severity of the issue will send an improper price signal. RRC is not suggesting a complete change in methodology, just measures to cope with this year. Smith noted that while this winter seems anomalous but he is not confident it is. Shaltz noted that will be interesting to see how the utilities' projections treat this going forward. Smith asked what the Commission's interest is in a methodology that responds to climatic changes. Shaltz responded that the Commission is more likely to go along with that if the utility proposes it. It is a longer process if proposed by intervenors. MacInnes commented on scientific observations, personal observations, less predictability and increased volatility of climate. Isely asked how that corresponds with arguments related to reduction of fixed price purchases and more purchases on the spot market? Shaltz responded that you rely on the data. If you look at 5-8 years of data, you may pay a premium in one year for the spot purchases, however, the result was beneficial the remaining years. Smith asked Shaltz if he could estimate the dollar amount for the rate increases faced by low-income customers. Shaltz responded that the estimate in the Consumers case was \$50-60 per year for the under-recovery portion. They have not run the numbers for the increased gas cost portion, but he guessed it will be in the \$100 plus range.

b. MEC Grant Amendment Request – Withdrawal of Experts and 2014 PSCR Plan Cases (Consumers and DTE)

Bzdok reported that MEC is requesting supplemental funding for the Consumers Energy and DTE Electric Company PSCR plan cases. The funding will support MEC's effort to directly evaluate and run alternate scenarios and present testimony on alternate scenarios on each Company's PROMOD modeling. PROMOD is the short-term production cost modeling that underlies PSCR plans that are done by both utilities, and it results in unit generation numbers and fuel costs and dispatch and a number of other things, emissions and emissions' costs. In the Consumers case, MEC is trying to figure out if there are more optimal ways of running their fleet of resources, and trying to demonstrate using their own tools.

The utilities have greatly diversified their resources with wind and capacity upgrades. MEC is seeking new and better information on the optimal use and deployment of these resources. It is also important to understanding the projections that are made year after year. There was also verbage in a recent PFD indicating that evidence on the modeling was needed to support the issues and concerns raised by MEC.

In the DTE case, MEC filed a motion to compel and resolved issues to obtain the data. They have also negotiated to obtain the background data in the Consumers case. MEC has requested the supplement to help support the cost of the licenses for the modeling and the additional effort needed to gather the data and run the models. Isely asked if the expert would be able to see the formulas in the PROMOD modeling. Bzdok responded that he would. MEC will see the output.

Wilsey asked if MEC was requesting any changes to the personnel approved to work on UCPB cases? Bzdok responded yes, related to a different matter he will address under item (d). Wilsey suggested the board consider withdrawal of the attorneys from approved legal personnel on UCPB cases as part of the motion(s) for the MEC grant amendment.

MacInnes asked Bzdok if the PROMOD version used would be the same as that used by MISO and PJM? Bzdok responded yes. The expert has reviewed what the utilities are using in each situation and will secure

licenses that are the same. The expert also runs validation tests to be sure the results match the utilities for the same modeling runs. MacInnes asked if the utilities are using the most current versions. Bzdok said the expert is investigating that as well. MacInnes suggested running validation tests with MISO to see if they are getting the same results as the utilities. MEC will also be able to look at the projections versus actual and better understand why the utilities are always under in some areas. MacInnes suggested comparing and contrasting modeling results from MISO, the utilities and MEC runs. MacInnes noted the data needs to be similar. That inputs are provided and understood. Bzdok said the only input they are still working on is DTE's coal price forecast. DTE agreed to provide it with supplier names redacted. However, they also now want to redact the dollar amount. There is no use for a coal price forecast with no coal prices provided. That is the issue of a hearing tomorrow.

c. CARE Grant Amendment Request – Addition of expert and 2013 PSCR Reconciliation Cases for Small and Medium Utilities.

Liskey requested the addition of Douglas Jester as an approved expert on the CARE UCRF funded grants. They plan to use him on both the federal cases and MISO proceedings as well as the PSCR cases. Doug Jester has been approved to work on other UCRF funded grants and his credentials are on file with the board. Dinkgrave commented that the board has encouraged cooperation. MacInnes asked Jester to comment on his background and qualifications. Doug provided a verbal summary of his credentials and past work experience.

Liskey reported that the board had previously authorized \$55,000 for the PSCR Plan cases and, at the last meeting, approved \$30,000 for CARE intervention in PSCR Reconciliation cases. In the Plan cases, CARE opted not to intervene in the Indiana & Michigan Power cases as the board had issued a grant to another grantee and funds were limited. Liskey has learned that no grantee was going to intervene in the I&M Power Reconciliation Case. The funding will allow for intervention in the case, examination of some new issues such as bidding of energy efficiency programs into the forward capacity market.

Issues identified in the review of the filing include four unplanned outages over 90 days, which require review of replacement power costs. The total additional amount requested to cover all of the cases is \$40,000. MacInnes asked Liskey if they planned to address demand response in the I&M case. Liskey responded yes. Jester noted that the opportunity is more limited in a reconciliation case than a plan case. They will want to review to make certain customers get appropriate credit for what I&M has done. MacInnes asked about DERs (coordination between grid and transmission systems using distributed resources). Jester noted that GLREA is dealing with that in regard to solar opportunity. There is a solar work group led by the MPSC staff where those issues are considered as well. MacInnes asked Jester to comment on the recent ruling in Minnesota on the value of solar. Jester described the ruling which allowed the utilities to opt out of net metering if they adopted a value of solar tariff. He further described the process for adopting the methodology and the methodology itself. He also described the competitive bid process for meeting additional capacity needs in Minnesota and noted, in a recent competitive bid process, the solar option was selected on its merits over natural gas options.

a. UCRF Disclosure and Screening Memo

MacInnes presented the board with a disclosure memo of the pending merger/acquisition of one of the law firms that works for Crystal Mountain Resort by a firm that has applied for and been awarded UCRF grants in the past and is a current grantee. The details have been reviewed by outside counsel and he was advised there was no conflict. However, he felt it was important to provide the board with disclosure and details of the arrangements. He also felt it made sense to create a Memorandum of Understanding providing complete disclosure and screening memo. Haroutunian asked if the Attorney General reviewed it and if they

had any concerns. Wilsey responded that it was submitted to their office for review. No comments had been issued nor had they raised any concerns. Bzdok noted that anyone working on Crystal Mountain would not be involved in the utility cases he was involved with. At this time, their firm has no contract with Crystal Mountain. This action is prospective. He provided further information on the merger timing and process.

At 1:45 p.m. there was a 25 minute recess.

### III. Board Education

#### a. IEEE Power and Energy Society Video – Transmission Issues

MacInnes reconvened the meeting and presented a 20 minute video on transmission from the IEEE Power and Energy Society Meeting of Vancouver. Haroutunian asked if extended transmission would help alleviate significant disruptions to the grid from storms, terrorism, or other disasters? MacInnes responded that IEEE and NERC are working on grid resiliency and adaptability. Having a diverse grid would help. MacInnes related a story on real estate development dealing with these issues.

Isely commented that the board has discussed distributed generation. The economics of DG seem to be incompatible with building a more robust grid. He pointed to examples of some subdivisions in California that do not support the cost of the surrounding grid because there is so much distributed generation. MacInnes noted that Rauch explained that MISO is trying to model on many different possibilities. That is why he mentioned DERs (distributed energy resources) earlier. The grid is still needed to interconnect the DERs. Isely noted that building redundancies into the system is very expensive. MacInnes noted that is why modeling is critical. It is a long analysis. There was further general discussion on resource nationalism, electricity costs as a tax, job creation trade-offs, and economic gardening.

MacInnes requested motions on the business items.

Dinkgrave moved, second by Haroutunian and motion carried to approve the RRC grant amendment request for increased funding for intervention in the 2014-15 GCR Plan cases for Consumers Energy, DE Gas, SEMCO and Michigan Gas Utilities in the total amount of \$40,000. Funds to be allocated to the budgets for the approved cases as determined by the grantee.

Dinkgrave moved, second by Haroutunian and motion carried to approve the CARE grant amendment request to add Douglas Jester as an approved expert on CARE UCRF-approved grants, and to increase the funding for intervention in the 2013 PSCR reconciliation cases for Alpena Power Company, Indiana Michigan Power Company, Northern States Power Company, U.P. Power Company, Wisconsin Electric Power Company, and Wisconsin Public Service Corporation in the total amount of \$40,000. Funds to be allocated to the budgets for the approved cases as determined by the grantee.

Dinkgrave moved, second by Isely and motion carried to approve the MEC grant amendment request to remove legal personnel Ross Hammersley and Katherine Redman from MEC UCRF-approved grants, and to increase the funding for intervention in the CECO 2014 PSCR plan Case U-17317 and the DTE Electric 2014 PSCR plan Case U-17319 in the amount of \$15,150. Funds to be allocated to the budgets for the approved cases as determined by the grantee.

### IV. Grantee Reports

CARE – Burns reported on the ATC project in northern Michigan. It directly relates to the voltage control issues discussed earlier. The ATC project, which is the Straights power flow control, that acts as an AC/DC/AC back-to-back voltage source converter which controls power flows in the Upper Peninsula. Without that, the only way to control the power flow is to open up the 69 kV circuits in the central and eastern U.P., and that's not a long-term viable solution for maintenance outages, and it results in high-voltage scenarios under light loading conditions. The device was approved by the MTEP, the MISO Transmission Expansion Plan 11, as a baseline reliability project. The way it's designed to typically operate is in the north-to-south direction, and it's capable of controlling load flows plus or minus 30 megawatts. It protects the U.P. from power flows from the Lower Peninsula, that could cause outages during those maintenance times and other times. It is slated to go into operation July 19, 2014.

Burns also reported that the Office of MISO States and MISO Resource Adequacy Survey, issued an update and changed the expected capacity and demand for 2016. The earlier survey had a shortfall of 8.5 gigawatts in the north and central regions. That has been revised in the new survey to 2 gigawatts. For our local Resource Zone 7, they have the shortfall at 3.1 gigawatts, which is roughly the equivalent of three good-size nuclear power plants. Shortfall for the U.P., which is part of Local Resource Zone 2 is 500 megawatts. There are excess reserves in the Zone 1, which is the main wind zone, which is right next to Zone 2, and it looks like there is enough capacity import capabilities to get from that area into the U.P., but that will require, of course, planning and making certain that there is the ability to do that. They also have identified some unused capacity that was not registered and has not been active in MISO. There's 577 megawatts of unused capacity within Local Resource Zone 7 (lower peninsula). Some of that is uneconomic gas-fired generation, and some of it is behind-the-meter resources distributed generation that had not been previously registered. For the U.P., there's 230 megawatts. MacInnes asked how they plan to make that up. Burns said they turn to the local utilities who ought to be coming to the state. Some of the ideas such as the geo-located energy efficiency and other ideas in the Governor's No Regrets Energy Plan need to be brought forward. There are two years to resolve this.

Groh commented in the Northern Area Study. The original Northern Area Study assumed that the Presque Isle facility would continue in operation. With the possibility of shut-down, it will be considered in phase 2 of the Northern Area Study. FERC has approved the system support resource status for the Presque Isle plant, which lasts a year, gets the operating expenses paid for WEPCo during that one-year period. The cost allocation is uncertain.

MEC – Bzdok provided a detailed status report focusing on the plan cases. A report on the reconciliation cases will be provided for the next meeting.

GLREA - GLREA is involved in two cases. the first is Consumers energy Plan Case, U-17317. Consumers contested GLREA intervention in the case. The ALJ granted the intervention. Consumers Energy and the MPSC staff filed appeals. The ALJ again granted intervention. On March 16, 2014, the Commission issued its order finding that GLREA should be granted intervention by right, affirming the administrative law judge's ruling. Discovery is underway and testimony is due in May.

The other case is the DTE Electric PSCR Plan Case, U-17319. Discovery is underway and testimony is due in June.

IEI – Jester reported that The Institute was not admitted by the administrative law judge in the Indiana Michigan case. The Insitute is intervening in the Consumers and DTE Electric PSCR Cases with

permissive standing. The issues IEI is raising are different than GLREA. IEI will be submitting testimony mostly around the opportunities in the plans to reduce future power supply costs through efficiency, load management, etc. Jester indicated that a memo requesting reallocation of funds was submitted. Wilsey reported that no request had been received prior to the meeting. Jester would follow-up. MacInnes noted the ideas were very good and encouraged more reporting and communication from IEI.

V. Public Comment – none.

VI. Next Meeting – The next meeting of the board is scheduled Monday, June 2, 2014, 12:30 p.m.

VII. Adjournment – The meeting adjourned at 3:06 p.m.

Recorded by:

Michelle Wilsey, Board Assistant

Utility Consumer Participation Board

Transcript available.