

UTILITY CONSUMER PARTICIPATION BOARD

October 14, 2013

MINUTES

A meeting of the Utility Consumer Participation Board was held Monday, October 14, 2013, 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, Ryan Dinkgrave, Conan Smith. Members absent: Susan Licata Haroutunian.

Others present: Michelle Wilsey, UCPB Board Assistant, Christopher Bzdok, Michigan Environmental Council (MEC), Bruce Goodman, Institute for Energy Innovation (IEI), Doug Jester, IEI, Don Keskey, Michigan Community Action Agency Association (MCAAAA) and Great Lakes Renewable Energy Association (GLREA), David Shaltz, Residential Ratepayer Consortium (RRC), John Liskey, Citizens Against Rate Excess (CARE), Robert Burns, CARE, Connie Groh, CARE, Laura Rauch, MISO, Brian Rybarik, MISO.

a. Approval of Consent Agenda

MacInnes proposed approval of the consent agenda with the addition of the meeting minutes for August 5, 2013 and August 26, 2013. Isely moved, second by Smith and motion carried to approve the consent agenda as amended.

II. Board Education

a. MISO Update – Laura Rauch and Brian Rybarik

Laura Rauch provided an extensive update on MISO. She began with a discussion of the recent work MISO is doing on the planning front, including MTEP 13 (reliability) and the Northern Area Study, future direction and scope for MTEP 14. Brian Rybarik then discussed resource assessment and news related to the MVP cost allocation court case.

A copy of the presentation is attached and included by reference to these minutes. The complete presentation and discussion is available in the transcript of the meeting.

At 1:08 p.m. there was a ten-minute recess.

III. Business Items

a. MEC UCRF 14-3 Grant Amendment Request – Addition of expert

Chris Bzdok presented MEC's request for addition of expert George Evans, Evans Power Consulting to the approved list of experts for the 2014 UCRF grants to MEC. Bzdok reviewed his resume noting his modeling expertise and experience with ProMod and Strategist. The request is not for a specific case but to work on any of the approved cases as needed. The hourly rate is consistent with that approved for other experts working on UCRF grant funded cases. He has previously worked for the Michigan Attorney General on cases in Michigan. Smith moved, second by Dinkgrave and motion carried to approve the addition of expert George Evans, Evans Power Consulting as presented.

IV. Grantee Reports

a. IEI – Bruce Goodman reported that IEI submitted the revised budgets for cases approved for grants by the UCPB in conformance with the board approvals and conditions. The AG office has been contacted and a coordination meeting will be held prior to the petition to intervene filing date. Jester has reviewed the three PSCR case filings made on September 30 and IEI is in the process of identifying issues and developing strategy.

b. RRC – David Shaltz reported on the main GCR cases. All of the cases have been fully briefed to the Commission. They are awaiting the ALJ recommended decisions. They will review the recommendations and decide whether to file exceptions and, if they will file any replies to exceptions filed by other parties. RRC received a proposal for decision (PFD) for the MichCon case from the last GCR period. The ALJ did recommend Michcon's fixed price purchases be reduced from 75% to 50%, consistent with RRC's advocacy in the case. This recommendation may be used to support current cases. RRC is also working on GCR Reconciliation cases. They have conducted discovery and are waiting for responses. They should be able to brief the board on the arguments they will pursue in the cases at the UCPB December meeting.

IEI report continued - Jester returned to the room and MacInnes asked him to add to the update on the IEI UCRF grant funded work. Jester reported that he conducted an initial review of the PSCR case filings with particular attention to the issues related to the potential benefit to ratepayers of doing efficiency beyond the statutory minimum provided by the energy optimization standard and the possibility of various load control strategies to reduce costs by reducing the peak load energy consumption. In their PSCR filings it appeared that Indiana and Michigan and DTE essentially assumed continuation of what they have been doing in those areas and don't speak to any change.

Consumers indicates that they intend to initiate new programs for critical peak pricing as an option, and for load control focused primarily on air conditioner cycling. Those would be new programs for them. They do not indicate doing anymore energy efficiency than mandated by statute. Jester noted that IEI will study the Consumers' proposal to focus on air conditioner cycling center. They are concerned that if the program focus and infrastructure is too narrow, other opportunities will be missed.

DTE has an air conditioner cycling program. None of the utilities offer any indication that they've evaluated the potential to avoid power supply costs by doing more energy efficiency than statutory minimum. IEI will refine its strategy after discovery.

MacInnes asked IEI if they were exploring the possibility of grid enhancement and redesign to incorporate switches to provide different levels of service and islanding capability, etc. Jester said he was not seeing any indication that Michigan utilities were pursuing that direction. IEI would not pursue that in a PSCR case. Jester is participating in the Michigan Public Service Commission smart grid collaborative where these topics have come up in conversation. But Michigan utilities have mostly shown interest in advance metering. MacInnes asked if there was any interest from Indiana Michigan? Jester responded that the participation in Indiana Michigan cases is primarily to expose the Michigan Public Service Commission and its staff the benefits of looking at those kinds of programs in the context of the PJM territory compared to MISO.

c. CARE – John Liskey provided a brief report on their activity in PSCR cases. CARE has testimony due tomorrow in a WEPCo case. All of the other PSCR Plan cases were filed September 30th. CARE will not have any further information until discovery is conducted. Liskey noted the MISO presentation today was excellent and invited Bob Burns to comment on CARE's UCPB funded work with MISO. Smith asked Burns to include discussion of the Minimum Offer Price Rule (MOPR) in his report. Burns reported that FERC has

issued an order initiating briefing procedures on whether or not there should be a Minimum Offer Price Rule, MOPR, for the capacity auction MISO. CARE filed some initial comments, mainly economic in nature. CARE's position is that this type of MOPR is not really necessary, particularly in view of the fact that there are vertically integrated utilities within the MISO footprint. Dr. Ken Rose was questioning the efficacy of capacity auctions in general, but that certainly it's not necessary within MISO. That is consistent with the America's Power Plan position, which points out that within vertically integrated utilities, state commissions can do performance-based ratemaking to incentivize what they want, and that it's really not MISO's role, as they pointed out, to obligate us to build capacity. Organization of MISO States, OMS, also filed a brief much more jurisdictional in nature. CARE agrees with much of it and may file in support of that brief, but we wanted to make those economic points at the initial filing.

Smith asked Burns to explain CARE's view on how the MOPR would drive prices up? Burns explained that in the capacity auction, there would be a minimal price that you have to offer, and they haven't really said what that minimum price would be, but the idea is that if the capacity auction is generating prices that are down around \$1.05 per megawatt hour, that there is no incentive for people to come on board and add capacity if they're generators.

Liskey said to compare that to the capacity auction results in the PJM market where the price was \$55 per megawatt hour. The generators in MISO territory want to sell their power to PJM territory because of that differential. That creates what is being referred to as "seams issues".

Smith asked if the right comparison is between the minimum price and the alternative to getting additional participation, like building new generation capacity? Burns responded that, to the extent it's needed, we want to build new generation capacity, or alternatively, we want to put in additional demand response or energy efficiency. Since each of the state commissions is close to the boundaries of its local resource zone, the state commissions can obligate their utilities to engage in the demand response, encourage or engage in energy efficiency or build the plants. CARE contends that option ought to be open. The Independent Market Monitor, who is asking for rehearing of FERC on this issue, is saying the state commissions should not be relied upon for this, and if the state commissions succeed at this, then you're depressing the market price and discouraging independent power producers who would come in if the price was higher.

From a consumers' point of view, if you can get power through the regulated market through performance-based ratemaking and regulation at a lower cost than a capacity market, and do so in a way that's still cleaner and more reliant, then it says that having a regulated market for this function, namely, trying to deal with the base load, makes far more sense. CARE is saying that this is really the way we have decided to do things in MISO, the state commissions decided to enter the MISO market this way, the utilities entered the market this way, and it really doesn't make a great deal of sense from the ratepayer standpoint or the regulator standpoint to do things that will cause capacity costs to go up. Suppliers complain there's missing money for them so that they don't want to build generation, yet there are alternative ways of providing those functions.

MacInnes asked Burns to comment on America's Power Plan. Burns explained that it talks about what would be necessary to bring renewables, demand response and energy efficiency up to meeting 80 percent of the overall power needs of the country. It points out that you can do it through markets, in which case it suggests how you could do it through markets, or you could do it through a regulated process.

Our MISO area is a hybrid with markets providing certain functions, particularly short-term wholesale energy sales and some voluntary capacity additions, but we also have a regulated market where we have vertically

integrated utilities in most of our states. In Michigan it is 90 percent with only 10 percent of the load being deregulated. And, and in those situations, there are other things that you could do to reach the same results. The approach that they highlighted the most was performance-based ratemaking, and particularly looking at metrics for reliability, using some traditional ratemaking to actually get the capacity on board, whether that be a demand -- whether it be a supply-side capacity or a demand response, but that you could use those integrated resource planning functions at the state level to meet your local resource requirements. You would not need a MOPR to follow that America's Power Plan.

Burns also reported on the topic of reliability. It is a major concern of CARE. Burns noted that MISO did an excellent job managing the grid during the summer. There were three days that they were in a situation where they were on alert, and they were able to get through the process without any interruption of firm load. PJM did not fare as well in the September heat wave. On September 9-10 PJM blacked out White Pigeon, Michigan, as part of steps to assure the reliability of the system. They also blacked out other areas in northeast Ohio and along the Pennsylvania border. It took them two days to find behind-the-meter generation and resolve the situation. There was danger of voltage collapse. Burns feels MISO has better information on behind-the-meter generation.

Burns also reported on the market manipulation that JP Morgan engaged in which was actually caught by the Independent Market Monitor. It was caught very quickly in MISO, brought before FERC, and \$410 in penalties and surrendered profits assessed. \$125 million is going to ratepayers, at least \$1 million of that is supposed to be within the MISO footprint. The plant that was manipulated by JP Morgan was in Jackson, Michigan. Liskey commented that CARE is trying to get as much of the \$1 million to flow back to Michigan ratepayers.

d. MCAAA – Keskey reported on active cases under UCRF Grant 13-01. As mentioned by Shaltz, a PFD was issued in a MichCon GCR case U-16921. MCAAA had advocated that the utility had far too many gas supply arrangements under fixed-price contracts rather than a greater mix from the market. The ALJ has recommended at least decreasing it from 75 percent to 50 percent. MCAAA also raised the issue and opposed MichCon wanting to keep its contracts with its own affiliates within the 75 percent. This amounted to a utility preference, and the ALJ agreed with us on that issue. And another issue was the percentage of storage capacity what should be preserved for the GCR gas cost recovery customers as opposed to third-party customers. The PFD supported MCAAA and MPSC staff position on that issue.

A PFD was also issued in a Consumers Energy PSCR case in which MCAAA participated in the hearings and briefing process. In that case MCAAA opposed Consumers Energy including the capital cost of a pipeline that interconnected ANR with the Zeeland gas plant, which generates electricity. Act 304 has a provision that expressly bars the inclusion of capital costs in Act 304 cases. That would not have prohibited Consumers Energy from filing an accounting application and a ratemaking application separate from the Act 304 or including it in their base rates. They pursued neither one of those two options. The Commission did not support MCAAA position on the issue.

MCAAA has also challenged in some of these cases why Consumers Energy is not generating more electricity from Zeeland. MacInnes asked if it had anything to do with the must-run status of the plants? Keskey responded that he asked MISO who determines the must-run status. MCAAA cross exam indicates it is the utility. MacInnes asked if the MPSC had role in determining that? Keskey said they should exercise a say but, in recent years, have not. In the most recent PSCR Plan cases, MCAAA has conducted discovery on a number of issues relative to both Consumers and Detroit Edison which is available and helpful to all the parties in the proceedings.

e. GLREA – Keskey reported that budgets were revised and submitted in accordance with the board’s decision. Initial preparation is underway. The notice of hearings in the upcoming plan cases for Consumers Energy and DTE Electric have not been issued by the Commission yet. Additional information can be provided at the December meeting.

f. MEC – Bzdok highlighted a discovery response provided to the board for the purpose of explaining what came from all the transfer price work that the board has funded in these cases over the years. Consumers indicated that the last 13 cents of its surcharge did drop out because of the adoption of the transfer prices that MEC had been favoring and had worked towards over that time. Residential customers will pay about a third of that 75 million under the PSCR where they were paying two-thirds of that 75 million under the surcharge, so there’s a defined savings there of about 25 million for the residential customers. It is a cost that’s shifted on to the commercial and industrial customers. Most of the time the costs get shifted in the opposite direction.

MEC also is pleased with a strong PFD on the wind depreciation rates. Depending on which scenario gets adopted, there will be approximately 4 million-12.5 million in annual savings for all customer classes. If the Commission overturns the PFD recommendations and goes with DTE’s request, then there will be no savings. Exceptions have been filed and replies are due tomorrow.

The DTE RE Biennial review hearing was held and went well. There was good information provided by the DTE witness on capacity factors. On wind curtailment expense, the exam revealed that the data that the company had did not support a level of projected wind curtailment expense. Further details of the capacity factors, tariffs, and curtailment data were discussed.

Bzdok does expect to return to the board in December with a request to supplement the budget in the DTE reconciliation case, because he does not think all of these issues are going to get addressed in the Commission order. The current budget is \$5,000 but, given the issues, MEC will seek a supplement.

MEC filed petitions to intervene in Consumers Energy and DTE PSCR Plan cases. Bzdok expects MEC to pursue discovery in those areas detailed in their July memo to the board. Bzdok noted there are a few issues in the filing that were a surprise but further review and discovery were needed to assess their position. More information should be available in December or early 2014.

Wilsey commented that the board will set its 2014 meeting schedule at the December 2, 2013 meeting. Members are welcome to provide input into planning the schedule for 2014.

V. Public Comment

Groh explained that her questions in the presentation regarding SSR were to understand what was happening with WEPCo. She was particularly interested in “Attachment Y” which is the MISO form completed when a company wants to retire a plant. It is not a public document until MISO has completed it’s study. Based on their report today, they will likely complete it faster than the 20 weeks provided in the tariff. Then CARE will know more about what is going on with the WEPCo matter.

VI. Next meeting - The next meeting of the board is scheduled Monday, December 2, 2013, 1:00 p.m.

VII. Adjournment – The meeting was adjourned at 2:13 p.m.

Recorded by:
Michelle Wilsey, Board Assistant
Utility Consumer Participation Board

Transcript available.