

UTILITY CONSUMER PARTICIPATION BOARD

December 2, 2013

MINUTES

A meeting of the Utility Consumer Participation Board was held Monday, December 2, 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, Susan Licata Haroutunian (via telephone), Ryan Dinkgrave. Members absent: Paul Isely, Vice Chairperson, Conan Smith.

Others present: Michelle Wilsey, UCPB Board Assistant, Christopher Bzdok, Michigan Environmental Council (MEC), Dan Scripps, Institute for Energy Innovation (IEI), Doug Jester, IEI, Don Keskey, Michigan Community Action Agency Association (MCAAA) and Great Lakes Renewable Energy Association (GLREA), David Shaltz, Residential Ratepayer Consortium (RRC), Robert Burns, Citizens Against Rate Excess (CARE), Wes VanMalsen, LARA, Jim Ault, Michigan Electric and Gas Association.

a. Approval of Consent Agenda

MacInnes proposed approval of the consent agenda with the addition of Brief Amicus Curiae of Electrical Engineers, Energy Economists and Physicists in Support of Respondents in No. 00568 versus Federal Energy Regulatory Commission, Enron Power Marketing Incorporated, and the Federal Energy Regulatory Commission to items of correspondence. Haroutunian moved, second by Dinkgrave and motion carried to approve the consent agenda as amended.

II. Business Items

a. MEC UCRF 14-01 Grant Amendment Request

Bzdok explained that MEC was requesting an amendment for the DTE renewable energy reconciliation case. He discussed MEC's efforts and progress in reducing surcharges for residential customers in the renewable energy cases, first through a series of decisions involving Consumers Energy, and then working on DTE. Bzdok explained that in last year's grant cycle, the board approved UCRF grant funds for full participation in the DTE renewable energy plan case, and also approved smaller grants for limited participation in the other three renewable energy cases that were on the horizon; the Consumers plan case and the DTE and Consumers reconciliations. MEC indicated that they would request additional grant funding if the issues in the case merited additional work. That has not been the case in Consumers cases.

However, MEC is requesting additional grant funds to participate in the DTE PSCR reconciliation. MEC has been working on several issues in the DTE cases, transfer price, wind depreciation rates, capacity factors, wind curtailment expense, and the utility-owned costs versus the private developer PPA costs.

MEC is concerned about the unanticipated delay in getting orders depreciation and transfer prices. It appears that an order in the plan case will be issued before the earlier cases. Additional work may be required in these cases due to the delay in sequencing.

An issue that arose in the DTE Plan case was their position that the plan must be approved as presented and they would not accept amendments, such as on the surcharge issue. It is not known if the Commission will

accept that legal argument or not. However, no similar statutory limitations exist in a reconciliation case. So, this is the forum that MEC would like to argue these issues. Testimony is due in January. MacInnes asked what the wind capacity factors were in the case. Bzdok said MEC was arguing for low 40s. DTE's number was in the 30s. He explained that for PPAs, the utility focuses on levelized price, not capacity factors. There was further discussion on comparability of capacity factors of different types of projects (eg, wind, nuclear). Bzdok responded that this discussion is something that he expects to see in the context of any cases that involve resource planning. He referred to the Thetford IRP case as an example. It is not UCRF funded but the outcome has many implications for PSCR costs.

Wilsey asked what risk the change in sequencing of the orders might have on MEC cases or on the surcharge issue? Bzdok responded that the risk is that the outcomes of those cases won't be reflected in the surcharges that ultimately come out of the plan case. And, then there is the risk that DTE may reject a commission order that lowers the surcharge, which could lead to a further proceeding.

b. RRC Grant Request – 2014-15 GCR Plan Cases

Shaltz explained that, in its original application for 2014 UCRF Funding, RRC requested funding for four gas cost recovery (GCR) plan cases, and four GCR reconciliation cases. The present request is for funding of the four GCR plan cases for Consumers Energy Company, DTE Gas, SEMCO Energy Company and Michigan Gas Utilities Corporation. Filings will be made at the end of December. Shaltz reported that these cases affect about 65 to 70 percent of the charges on the monthly bill for residential natural gas customers. These four companies affect over 99 percent of the residential customers in Michigan, so RRC is addressing the customers who have contributed to the UCRF and the costs that they are incurring.

The grant application presents RRC's general focus on auditing each of these cases in terms of how the utilities are both planning to deal with their costs and supply reliability, and also in the reconciliation cases to see how they've actually performed. This approach has generally yielded good results. In the board's last annual report, RRC reported over \$40 million of cost savings for the 2012 year.

In addition to general audit, there are specific issues RRC is concerned with in these gas cases.

In the Consumers Energy GCR Plan case, the most significant development is the issuance of a FERC order in early November which approves Trunkline Gas Company's proposal to abandon a portion of its pipeline structure and convert that to transportation for oil as opposed to natural gas. This is important for Consumers because Trunkline actually serves about 60 percent of that utility's services. RRC will carefully examine Consumers' plans to come up with alternative firm pipeline supplies and the terms and conditions under which they acquire that supply.

Another issue for Consumers is that, through its general rate cases, it has been securing funding to improve its Ray storage field. This has involved a significant investment to increase the capabilities of that storage field. RRC will review how Consumers plans to flow through the improvements in the deliverability of that field into their GCR plan, and whether that's going to reduce costs for the GCR customers.

RRC will also review the statistical refinements Consumers uses in its sales forecasting and the results. Shaltz explained that forecasting is important, especially with Consumers in the late winter period when it's making decisions about whether it's going to pull gas out of storage or go on the market and buy it on the spot market. Spot market purchases at that time can drive up costs dramatically.

Shultz noted that Consumers has been publicizing that it has the lowest natural gas prices of any utility in Michigan. RRC believes part of that is due to the fact that they have been able to get the company to scale back their fixed-price purchasing program to well below 20 percent.

RRC will also review all of the gas companies' use of contingent factor mechanisms (CFM). This mechanism may be used if the company experiences a spike in prices. It allows them to impose a GCR factor that is higher than what may have been approved by the commission. This mechanism hasn't been used for the last seven to eight years. RRC has always been opposed to this mechanism because they do not think it's authorized by Act 304. They may pursue eliminating it again given the fact that it has not been used for such a long time.

For DTE Gas, RRC will examine whether the Company's going to be seeking to continue its reservation charge that it just started last year. The reservation charge is a charge on Gas Customer Choice (GCC) suppliers to compensate the GCR customers for the fixed costs of the transportation system that has to be available in case the GCC customers come back to normal GCR supply. RRC believes it was successful in this past year. However, it will be important to monitor what changes the Company might make as a result of its experience in the first year.

DTE Gas instituted a docket where it is seeking to expand its ability to conduct public education about gas Customer Choice and inject some transparency into the market. RRC has provided comment. This is an area where the contingent factor mechanism is used in a way that mis-informs the public. For example, competitive gas suppliers include the contingent factor in calculating the utility pricing it compares to its own price to potential customers, even though it is rarely or never used. This results in utility GCR prices appearing to be higher and, in fact, customers may end up signing up with a competitive supplier at a price higher than they would actually pay with the utility. This is another reason that supports eliminating the CFM.

RRC noted that DTE Gas, among the four utilities, is the only one who is projecting net increases in its market. They will review those projections to determine if they are justified.

RRC will examine DTE Gas planning related to expirations of firm transportation contracts in this next 2014-2015 GCR plan year, and also into the five-year forecast period.

RRC will continue to pressure DTE Gas high level of fixed-price purchases. DTE gas has the highest GCR factor of any of the gas companies in Michigan. The most recent development on this issue was a proposal for decision issued by the administrative law judge recommending a reduction of FPP's from 75 percent to 50 percent of their supplies. Even with this proposed reduction, DTE Gas would remain more than 30 percent above the current FPP level of other utilities.

RRC will also examine SEMCO Energy Gas Companies plans regarding several interstate transportation pipeline agreements that are going to be coming up for renewal in the 2014-2015 GCR plan period. For companies like SEMCO and MGUC, these are very important to GCR customers because they don't have the degree of storage capability that the bigger companies have.

Also, SEMCO is a company that uses an asset manager to monitor its supply and seize on opportunities to market its excess either pipeline supply or actual supplies with positive results. RRC will monitor the renewal process for the asset manager and SEMCO's plans in this area. RRC will also monitor commitments made in past settlement agreements with SEMCO that are coming online in this 2014-2015 GCR plan year.

Michigan Gas Utilities Corporation (MGUC) also has a number of new transportation, storage and supply contracts that are expiring in this time period. RRC will review plans and new contracts. Of concern with MGUC is how they set peak day requirement for how much supply they need if they have what's called a design day, a very, very cold winter day. RRC is concerned about their results in this area and will continue to monitor their approach and performance. MGUC is experiencing the fastest migration of GCR customers to the gas Customer Choice program, which causes them a lot of problems for planning purposes. Each year they have to re-adjust their storage and transportation agreements to accommodate these changes. RRC will also monitor their hedging strategy used to buy fixed price gas.

MGUC is also a subsidiary of a larger company, Integrys. Much of the bookkeeping and accounting occurs at the parent level. Shaltz reported that, in the past two or three years in GCR plan and reconciliation cases, the numbers don't add up. Areas such as accounting for lost and unaccounted for gas or unbilled sales revenues just don't match. RRC audits in these areas end up in significant savings for GCR customers.

RRC will provide the board with an updated report on issues once the cases are filed and RRC has completed a preliminary review. MacInnes asked Shaltz what the number and mix of customers were in the four utility service territories. Shaltz responded that Consumers is over 1.5 million customers; DTE Gas is around a million; SEMCO's about 320,000; and MGU is about 230,000 to 240,000. MacInnes asked about DTE's projected increases. Shaltz noted that these were customer additions, new GCR customers being added to the system. Shaltz noted that it was opposite of all of the other utility projections for customer additions, so it merited review. MacInnes asked about the timing of the filing and review. Shaltz responded that they should have the preliminary review completed by mid-late January.

At 2:00 p.m. there was a 26 minute recess.

MacInnes asked if there were any motions on the requests presented. Dinkgrave moved, second by Haroutunian, and motion carried to approve MEC Grant Amendment UCRF Grant 14-01 addition of Case U-17322, with a budget of \$40,400 as presented.

Dinkgrave moved, second by Haroutunian, and motion carried to approve RRC Grant Request for 2014-15 GCR plan cases in total amount of \$60,000.

MacInnes noted the board would be willing to consider additional funding if the issues merited. RRC can revise the budgets for the cases and the board will consider any proposed changes by RRC at the next meeting.

MacInnes called for grantee reports.

III. Grantee Reports

MCAAA – Keskey reported on cases covered in the MCAAA grant, for the year ending 2013. In U-17097, DTE PSCR Plan Case, the administrative law issued an extensive PFD on November 8, 2013. A good majority of that PFD ruled that the reduced emission fuel treatment and program by DTE Electric is unreasonable and imprudent. Keskey noted that the commission did not agree but this is the second ALJ that has found that the reduced emission fuel program and the way Edison has treated it, is not prudent and reasonable.

In case U-16890-R, Consumer 2012 PSCR reconciliation case, MCAAA has focused on an issue in which Consumers Energy and Detroit Edison, along with the transmission company, have asserted and claimed that

there was a metering error and that Consumers Energy was not charged \$30.6 million for electricity in the years 2008 through 2011, with a small portion of 2012. The problem is that this reconciliation year under Act 304 only applies to 2012, not the prior years. Keskey noted that the two utilities resolved this metering error by indicating that Consumers should pay the \$30.6 million pursuant to a settlement that they did not enter into until March of 2013, and Consumers Energy does not have to make the payments on that amount except for three payments spread out over three different time periods in 2013. The settlement agreement between the utilities provides that Consumers Energy will have to pay no interest on that metering error from prior years. MCAAA has taken the position that the 30.6 million metering error should not be reflected in 2012, which would mean that the \$12 million approximately under-recovery claimed by Consumers Energy should really be an 18 million plus surplus, or over-recovery, to which interest would be added. Consumers Energy has also added starting in December an interest cost to their claimed under-recovery resulting from the metering error, which swings this from an over-recovery into an under-recovery, and they would purport to charge interest to the ratepayers in 2013 even though, for this metering error, there is no interest to be paid by Consumers Energy. MCAAA argues that there should not be interest included in the PSCR if the company is not incurring any interest.

In case U-16892-R, 2012 DTE PSCR Reconciliation, MCAAA is again pursuing the reduced emission fuel issue. They also are concerned with a major issue about some severe problems DTE Electric has had with respect to the Fermi plant. They had a repair that had to be undertaken, it was not done properly, it caused an outage, then it caused reduced production at the plant because they had to curtail or reduce production, and that has caused an immense cost DTE Electric would like to charge the ratepayers under Act 304. Hearings start tomorrow.

Keskey then reported on the Great Lakes Renewable Energy Association funded cases, U-17319 DTE. GLREA was admitted to the case over the objections of DTE. Consumers Energy Company PSCR plan case, U-17317, prehearing is scheduled for December 11, 2013. GLREA expects an objection to their intervention but to be allowed to intervene.

Keskey then provided an extensive report to the board on developments on the nuclear waste fund and the SNF fees because the board in previous years had granted funds to work on that issue. His firm continues to participate in the proceedings without UCRF funding. Details of the report are available in the meeting transcript.

Haroutunian noted she had to leave the meeting. MacInnes called for action on the 2014 meeting schedule prior to her departure.

II Business Items Continued

c. Approval of 2014 UCPB Meeting Schedule

MacInnes reviewed the proposed schedule. He recommended setting the start time for all meetings to be 12:30 p.m. Dinkgrave moved, second by Haroutunian, and motion carried to approve the 2014 meeting schedule with a start time for all meetings at 12:30 p.m. 2014 Meeting dates are February 3, April 14, June 2, August 4, August 25, October 13, December 1. All meetings will be held in the 4th Floor Training Room, Ottawa Building, Lansing.

d. Retirement Acknowledgement for Wes VanMalsen

On behalf of the Utility Consumer Participation Board, MacInnes welcomed LARA staff to the meeting and acknowledged the service of Wes VanMalsen on the happy occasion of his retirement. He thanked Wes for his excellent work and service to the board and wished him a happy retirement.

III. Grantee Reports Continued

IEI – Scripps reported that IEI intervened in DTE 2014 PSCR case, U-17319, and are also seeking to intervene in the Consumers and Indiana Michigan 2014 PSCR Plan cases; U-17317 and U-17318 respectively.

DTE challenged IEI intervention. Scripps explained that the challenge was to IEI's standing to represent residential ratepayers. IEI is not a traditional membership organization. As presented in the initial grant application, IEI is structured as a directorate, and they work through specific projects. This case involves IEI's electric reliability project. This does have members, including residential ratepayers, in all three of the service territories in which we seek to intervene. IEI was asked by Judge Feldman to resubmit a revised petition by this Thursday that included affidavits from the members of the electric reliability project, and Scripps reported that IEI is on pace to comply with that request. IEI expects that will be sufficient to establish the nexus between IEI and its representation of residential ratepayers. A hearing on that revised petition is scheduled Monday, December 16. Petitions in the Consumers and Indiana Michigan cases are due on Wednesday, December 4. Based on the DTE objection, IEI bolstered the petitions in those cases, including affidavits, to address some of the issues of standing that were raised in the DTE case. Those prehearings are both scheduled on December 11.

Scripps also noted that in the original 2014 UCRF grant application, IEI had submitted a request for funding in the Consumers and DTE Gas GCR cases. IEI is requesting deferral of that original request while IEI establishes standing in the PSCR cases. He noted that the issues that IEI would raise in those cases are separate from those identified earlier today by the RRC. IEI would largely focus on savings from expanded energy optimization. We may revisit this issue in the future.

An issue that IEI has been engaged in, not using UCRF dollars, is on the reliability cost issues in the U.P. given the Mine's decision to seek their power from an independent provider and how that has affected reliability and cost and planning. We've had meetings with the governor's office working to develop a U.P. energy strategy, and leading a multi-stakeholder engagement. Much of this is driven by the MISO proceedings. An initial conversation was held today with CARE and IEI will continue to monitor this area.

Scripps noted that Douglas Jester was willing to provide some board education on the energy efficiency potentials study IEI is working on. Jester briefly explained what a potentials study is and noted one was recently completed for Michigan. He reported the headline numbers are that 33 to 35 percent of our electricity consumption could be saved through cost-effective energy efficiency improvements. When you look at the practicalities of what could be done through utility programs, that percentage shrinks by a little more than half. So, over a decade you could accomplish approximately 20 percent. Jester noted that this is the essence of the utility energy optimization programs that utilities are required to have.

CARE – MacInnes asked Burns to respond to questions related to the MISO activity report, August through November 15, 2013, submitted to the board. MacInnes was concerned about some statements in the report. On page 11, 10/4/2013, under OMS tariffs and marketing work group, comments on MISO market vision, guiding principles and focus areas - it says: "CARE supports cost allocation that is reflective of cost causation, but is cautious about anything that might continue to burden Michigan ratepayers with 20 percent of Multi Value Projects since many of the projects are intended to move intermittent wind energy that will never reach Michigan." The other comment, on the next page, says: "CARE supports investment in renewables and supporting infrastructure provided that the cost of renewables and supporting infrastructure are allocated to those who generate and receive power. Michigan consumers are currently burdened by paying 20 percent

of the cost of Multi Value Projects, and the only benefit on the horizon is the Michigan Thumb project, which costs less than the 20-percent allocation.” MacInnes noted that this issue has been discussed for two years. The board has had speakers and presenters from MISO, CARE, and Consumers Energy. MacInnes submitted a document, Amicus Curiae of Electrical Engineers and Energy Economists, on how the grid works.

MacInnes has spent days studying MISO material on MTEP -- on MVP projects, looking at the benefits and looking at the operations research analysis. There was a court case that upheld the MVP tariff, as was reported by MISO at the last meeting by Laura Rauch and Brian Rybarik, and it said that proportionality, crude will have to suffice, but MISO established a plausible reason to believe that the benefits are roughly commensurate.

MacInnes questioned the data CARE relied on that would say that the only benefit that Michigan is getting from these MVP projects is the Thumb project. Burns responded that CARE is trying to get the market vision to consider some of the other things that need to also be done to open up the flow gates so that the energy from the renewable projects that are being done under the Multi Value plans would actually start to flow into Michigan. MacInnes interjected that the MVP analysis shows that it does already. He acknowledged that more can be done, but if you look at the MVP analysis, the benefit to cost is something on the order of three to one, so as it is with the other MISO zones. So to actually say that it's not happening, seems to violate the laws of physics that are outlined in this report. MacInnes has not seen any data from CARE that would support that conclusion. He noted that, it doesn't make sense based how power flows work.

Burns restated that what CARE is commenting on is the market vision that they're putting forward as where they are going to try to redesign the market toward particular goals. The market vision that was written doesn't really open up the possibility to the extent that CARE could tell.

MacInnes asked if Burns had thoroughly read the MVP report and gone through and looked at the data on the MVP financial analysis and power flow analysis? Burns responded that he had gone through the various water flow charts which summarize the data. MacInnes asserted that it clearly shows that there is significant benefit from the 17 MVP projects that were proposed in MTEP '11. He does not see data from CARE that counters that.

Burns responded that what they're doing here is a market vision with the Brattle Group pointing the direction that they want to take the MISO market design. CARE is trying to get them to actually prioritize and concentrate on opening up the flow gates that would bring power into Michigan. The market design that they wrote in this initial draft had MVPs focused on the movement of renewable energies, and we don't think that that should be the sole focus of a market vision for MISO in the future.

MacInnes suggested Burns review the Amicus Brief. It explains how the grid works from an electrical engineering and physics standpoint. He commented that, when you go through here, you recognize that wind may be coming on the other side of the lake, and you can't direct it to a certain place. It lowers the cost of electricity in the grid, some of which gets translated over here to Michigan, as was outlined in the MVP analysis in MTEP '11 in detail. MacInnes read a passage that summarized the main point, “Congress wrote the Federal Power Act in the language of electrical engineers and mandated that federal jurisdiction follow the flow of electric energy, an engineering and scientific rather than a legalistic or government test, yet state Public Service Commissions challenging FERC's decision under Order 888 misunderstand the physics of electric energy and how it's transmitted and, therefore, misapply the FPA's test for federal jurisdiction. The PUCs base their argument for restrictions on FERC jurisdiction on an inaccurate and misleading metaphor. They imagine electrons entering one end of the transmission wire at the generating plant, flowing through

the wire like drops of water through a pipe, and then emerging at the other end of the wire in a lightbulb in a home. They imagine electrons as discrete items whose transmission can be controlled, directed and traced. They extend this metaphor to argue that FERC does not have jurisdiction to regulate the interstate transmission of such a stream of electrons unless it can show every electron used by the retail customer in each state is generated in a different state. But this is not how electricity works. Energy is transmitted, not electrons. Energy transmission is accomplished through the promulgation of electromagnetic wave. Electrons merely oscillate in place, but the energy, the electromagnetic wave, moves at the speed of light. The energized electrons making the light bulb in a house glow are not the same electrons that were induced to oscillate in the generator back at the power plant. Electric energy on an alternating current network cannot be addressed like a telephone number or an e-mail and dispatched to a particular recipient over a pre-described and fixed pathway. Energy flowing on to the power network or grid energizes the entire grid, and consumers then draw undifferentiated energy from that grid. A networked electric grid flexes and the electric current flows in conformity with physical laws, and those laws do not notice let alone conform to political boundaries. If the transmission lines of the system cross state boundaries, then the electric currents on the system necessarily do likewise. With the exception of transmissions on the electric grids in isolated states of Hawaii, Texas and Alaska, all transmissions are interstate, because all transmission lines are part of at least one of the two vast American electric grids that span multiple state boundaries. The state PUC arguments to the contrary defy established principles of physics and electrical engineering”

MacInnes explained that the operations research analysis looks at the whole system, and they add renewable energy to the system and wires all over the system, and it changes the flow of electrons all over the entire system, not just next to the wind power, wind turbine, not just on the other side of the lake, but throughout the whole system. So, he noted, when you make a statement like the only benefit you can see from the Multi Value Projects is the Thumb project, it doesn't make sense.

Burns reiterated that what CARE is trying to do is to move up the idea of opening up the flow gates, which would actually then allow for more energy to come into Michigan, whether it's renewable or nonrenewable at lower cost. He further explained that, again, the strawman proposal that was put out there focused almost solely on having MVPs move renewable power, but not necessarily in a manner in which they were going to relieve the flow gates. Burns explained that there are three major flow gate restrictions flowing into Michigan; two are in Indiana, one is in Wisconsin. Unless those flow gates are opened up, most of the benefit we're going to get is going to be from the thumbprint. MacInnes asked how he knew that? Where is the data that supports that? CARE has not presented any analysis that represents that. Burns responded that the data is contained within the capacity import limit analysis that MISO has done.

MacInnes countered that he had seen the MISO data showing a benefit of roughly three times the cost of the 17 MVP projects, and most of those projects were wires on the other side of the lake, and of course the Thumb project. That's the data he has seen, and was supported by the court. He commented that he has not seen the data the CARE is relying on. He agrees with the idea of opening up those flow gates. But objects to the statement that many of the projects are intended to move intermittent wind energy that will never reach Michigan.

Burns continued his report noting that CARE has confirmation on the end point nodal data being made transparent. The locational marginal price data, including the congestion and loss components, are going to be made for a day ahead, and hourly time is going to be made available January 5, real-time end-point data on January 8. Burns noted that this actually fits very well in with Five Lakes efforts to find ways of figuring out how much the value of energy efficiency would be, the value of distributed generation, and also to help relieve any problems in the U.P.

CARE filed reply comments on the minimal offer pricing rule (MOPR). The reply comments dealt with the idea of cooperative federalism and how MISO itself is set up based upon cooperative federalism, state and federal agencies working together.

CARE is working on the ABATE ROE, rate of return on equity, complaint. They are part of the joint motion to intervene with the other consumers' advocates. The 50-page complaint plus additional rate of return on equity filing would reduce the rate of return on equity for MISO transmission owners from 12.2 percent to 9.15 percent, they would have capital structures with no more than 50-percent equity, and they are arguing that the adders for ITC and Michigan Electric Transmission Corporation should be removed. If we simply reduced the rate of return on equity, the savings would be roughly \$18 million each. That does not include getting rid of the adders. The adders would create incentives to build transmission. CARE would advocate for specific plans for building transmission tied to the adders. Right now the adders are simply out there with no requirement to build.

The Northern Study is being redone. The results of the first study didn't show a cost benefit that was enough to justify the project. This revision will try to capture the possible additional benefits related to ongoing reliability needs in the U.P. and in the L.P. due to power plant retirements and suspensions.

CARE is reviewing the Presque Isle Attachment Y filing disclosing plans to suspend operation or retire the plant. The plant has five units. It is currently in closed review, and we will not know exactly what the outcome is until the review is completed. CARE expects that this review will find that they cannot close all five of the units without creating reliability problems. If they announce that, CARE can become involved with providing input on the System Support Resource (SSR) Agreement. If there is an agreement, it will allow CARE to closely examine whether it is possible to offset the closings with dispatchable demand-side management or energy efficiency or some other means. Burns noted that all the announcements on retirements and suspensions are kept confidential, and they only release a composite number as to how much retirement is expected in a zone.

MacInnes commented that he thinks MISO's looking at that Northern Area Study to see if there are other options on transmission upgrades. Burns concurred and added, with the idea that possibly one of those three flow gates that I was talking about, that they will attempt to begin to address that. The completion date was still uncertain.

Burns noted that CARE will make certain that it will be particularly sensitive about the language used with the market vision report, and to make certain that they emphasize that the need to open up the flow gates and state that in a positive manner.

MacInnes commented that would be excellent and he urged everybody to read the Amicus document.

Burns further commented that one of the things when these plants retire in the individual load resource zones, they are keeping those capacity import limits as the maximum amount that can be imported in to a zone, and it's going to affect whether or not we can count on energy moving into the, into our zone or whether we're going to have to build or do things locally.

MacInnes responded that MISO has that information. Burns said that MISO has that information, capacity import limit. Unless we do things to open the flow gates to make those capacity import limits larger, the power cannot flow.

MacInnes said that's what they call security constraint unit dispatch, unit commitment, security, SCUD, and that's what MISO does. MISO is not going to propose something and analyze it, that is not going to be security constrained and take those things into account, because that's what they do in their operations research analysis. Right? Burns said correct, but that's where we get into the Multi Valued planning plants could be used to focus on those flow gates to open them up.

MacInnes made the point that it is important to recognize how the system works and make it better. If the process or policy denies how it works, we are not getting any benefit, that doesn't make sense. He encouraged CARE keep how the grid works in mind when they are doing their work. He supports the idea for opening up the flow gates, as long as it's cost effective for our ratepayers.

MEC – Bzdok reported on the PFD in U-17097. He agreed with Keskey's comments, including that there was a good deal of collaborative effort that produced a good recommended outcome on the REF issue. The PFD is only a recommendation at this stage. The ALJ didn't disapprove of the PSCR forecasts but recommended that the commission direct DTE to provide more rigorous information to support its five-year PSCR forecasts in the future. This recommendation resulted from all of that evidence that the board funded.

Another recommendation in the PFD was that the commission, in these five-year forecasts, can indicate if there are specific items that, based on present evidence, they will not approve in the future. MEC noted that issue is coming up frequently, for example, in the pollution controls that are coming on line in 2015-2016. Bzdok discussed these issues more detail and changing regulations. MEC sees potential increasing cost risk at the back end of five-year forecasts, or even probably later, and in general rate cases. Bzdok explained that they do not have any specific proposals at this point, as it will be determined in the future.

Bzdok commented on case U-16890-R. He commended Mr. Keskey for his cross-exams in that hearing. He explained that Keskey picked up on some discovery MEC had done in a prior case, and did further discovery, and then he conducted cross examination of several of the Company's witnesses on this issue of the company shifting an expense that they agreed to incur and actually incurred in 2013 up to 2012, so that rather than have an over-recovery for 2012, that ended up with an under-recovery, and rather than paying interest back to the customers, suddenly the customers are paying interest to them even though they're not actually writing the checks until 2013. And then MEC's contribution on the back end of that was that Bzdok was aware that in the 2013 plan case, the company actually had said they were going to be recovering that money, most of it in 2013. MEC was able to get that into the record as well. MEC is filing a brief in support of Keskey's position.

Bzdok also reported that he conducted an extensive exam on a closed record involving the bid strategy and the evaluations the Company is doing every day for how to designate coal units. In U-15675-R, which was a board-funded reconciliation case, the commission, at MEC's request, ordered Consumers to provide an explanation of its bidding strategy for its generating plants based on some of these issues about coal and gas. They did that in U-16890, the plan case. They then supplemented that in the 2012 plan case and indicated a change of strategy. They decided to cycle coal units, and run the gas plant a lot more, and conduct daily evaluations. MEC secured all of the daily evaluations and conducted a thorough examination of the reports. MEC filed a confidential brief on their findings a couple weeks ago. It was work funded by the UCRF. The information is subject to a protective order. If the board wants more information on that, the board would need to make that request to MEC. MEC would then have to approach Consumers to see if the Company would allow MEC to share any information with the board.

MacInnes responded that he is interested in the report. Wilsey noted that the board would likely have to go into closed session for this report and she would have to make sure the board is able to do that. Bzdok responded that the board should obtain advice from legal counsel. Wilsey will follow-up with Erickson.

MacInnes noted that the board has funded this work for a long time and it would be good to see the resulting data. He asked if it addressed the question of must-run status that Bzdok has referred to before. Bzdok responded yes and that, based on live testimony, what they are doing is dispatching every business day in 2012 based on this change in the markets. So, on January 1, they will look the next 30 days out, and will have a projection of what the costs are going to be to run this unit each day. Then they have a projection of what the LMP is going to be, and they have an algorithm that projects the power curve for the unit over the next 24 hours, so that has to do with what the costs are going to be and then also what the revenues are going to be from the LMP. They do their projection for 30 days, and they say each day this is going to have X, which Bzdok calls profit or loss, and the utility calls it net positive energy value or net negative energy value. They are all added up, and at the end of day 30, if there is a positive energy value, that day they designate it must-run, and then they do this again on January 2 for the next 30 days, and they do the same analyses for all these units.

MacInnes asked if they did that same thing for the gas turbine? So in other words, they can bid the coal unit in or they can bid the gas turbine unit in. Bzdok responded that these are the kinds of issues that MEC was pursuing and examining in the cases. Based on the evaluations, MEC feels decisions should have been much different than they were. He explained that he has shared everything with the board that he can based on the public testimony, but to actually see any data, he would need permission under the protective order.

Bzdok also reported on the Thetford IRP case. It is not funded by the board but related to cases MEC is working on under the grant program.

RRC – Shaltz reported that they were awaiting ALJ decisions in the GCR plan cases completed in April and May. They are presently in discovery for the GCR Reconciliation cases. He also noted that he would forward a copy of RRC comments on the docket the commission started to bring more transparency into the gas Customer Choice program.

IV. Public Comment – None.

V. Next meeting - The next meeting of the board is scheduled Monday, February 3, 2014, 12:30 p.m.

VI. Adjournment – The meeting was adjourned at 4:06 p.m.

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

Transcript available.