

Avoided Cost Fact Sheet



MPSC

11/17/2020

The Public Utility Regulatory Policies Act (PURPA) encourages competition, conservation, reliability, and efficiency in generating and delivering electricity. PURPA established a class of generating facilities known as qualifying facilities (QFs). Michigan utilities are required to buy power generated by a QF smaller than 20 MW and are bound to compensate QFs based on the host utility's avoided cost. An electric utility's avoided cost is the amount the utility would pay to a QF in the utility's service area that is equal to the amount the utility would have to pay to generate the power itself or purchase from another source. This gives the QF an opportunity to produce power and be compensated at the appropriate avoided cost rate.

Company	Case No.	Status	Avoided Energy (per kWh)	Avoided Capacity (per kWh)	Standard Offer Tariff	Max Capacity Standard Offer		
Consumers Energy	U-18090	6/7/2019 Order in U-20165	QFs at or below 150 kW				Standard Offer Rate Schedules	2 MW
			Avoided cost based on competitive bid results regardless of capacity need					
			QFs over 150 kW					
			With Capacity Need: avoided cost based on competitive bid results	With Capacity Need: avoided cost based on competitive bid results				
			Without Capacity Need: contract rates option of i) 15-year contract based on actual LMP, or ii) 10-year contract with years 1-5 based on scheduled energy rates 2.67¢-3.97¢ & years 6-10 equal to the year 5 forecasted rate	Without Capacity Need: MISO PRA				
DTE	U-18091	9/26/2019 Order	With Capacity Need: Years 1-5 based on forecasted energy rates 2.52¢-3.41¢, then variable rate based on actual energy cost of Bluewater Energy Center	With Capacity Need: 1.4¢	Standard Offer Rate Schedules (D78-83)	550 kW		
			Without Capacity Need: contract rates option of i) Years 1-5 based on forecasted LMP energy rates 2.39¢-3.56¢, then variable rate based on actual LMP ii) Actual LMP	Without Capacity Need: MISO PRA				
Alpena Power Company	U-18089	10/29/2020 Order	Historically 3.928¢-4.425¢ (rolling average based on contract with Consumers Energy)	1.74¢-1.87¢	Standard Offer Rate Schedules (D35-41)	550 kW		
Indiana Michigan Power Company	U-18092	3/21/2019 Order	Years 1-5 based on forecasted LMP energy rates 2.42¢-4.41¢, then variable rate based on actual LMP	\$0	Standard Offer Rate Schedules (D68-74)	550 kW		
Northern States Power Company	U-18093	12/20/2018 Order	Years 1-5 based on forecasted LMP energy rates 2.92¢-4.05¢, then variable rate based on actual LMP	\$0	Standard Offer Rate Schedules	550 kW		
Upper Peninsula Power Company	U-18094	2/6/2020 Order in U-20350	Years 1-5 based on forecasted LMP energy rates 2.78¢-4.32¢, then variable rate based on actual LMP	MISO PRA	Standard Offer Rate Schedules (D72.70-72.73)	550 kW		
Upper Michigan Energy Resources Corporation	U-18095	12/20/2018 Order	Years 1-5 based on forecasted LMP energy rates 2.61¢-3¢, then variable rate based on previous year LMP	0.01¢-0.03¢	Standard Offer Rate Schedules (D58-60.08 & 143-150)	550 kW		

Questions about the information in this fact sheet can be sent to Merideth Hadala: HadalaM@michigan.gov

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