

Consumers Energy Integrated Resource Plan

1. Does Michigan's 2016 energy laws require electric utilities to file Integrated Resource Plans (IRPs)? What is an IRP and why is it important?

An Integrated Resource Plan (IRP) is a roadmap for how an electric utility will meet its future electricity needs to serve customers in a cost-effective, reliable manner. A plan addresses issues such as the utility's expected customer demand, retirement of existing power plants, and the timing and amount of new electricity sources such as natural gas fired generation and renewable energy. A plan also addresses programs that help customers cut energy waste and is important because it can impact utility bills, electric reliability, and the environment now and well into the future. Public Act 341 of 2016 instituted a transparent planning process and requires all rate-regulated utilities to submit IRPs to the Michigan Public Service Commission (MPSC) to for review and approval.

2. After the MPSC stakeholder process in 2017 to establish the IRP framework, Consumers Energy (Consumers) was the first utility to file an IRP. What did Consumers propose in its IRP?

In its June 15, 2018 application in Docket No. [U-20165](#), Consumers proposed to retire two older coal-fired generating units (Karn units 1 and 2) and to replace the lost generation with programs that help customers cut energy waste at their homes or businesses or shift when they use electricity away from peak times such as hot summer afternoons. Consumers also proposed a new program, known as conservation voltage reduction, to improve the efficiency of existing electric infrastructure. Over the longer-term, Consumers proposed the use of competitive bidding to procure 6,350 megawatts (MW) of new solar resources giving them the ability to retire additional coal-fired generation in 2030.

3. How is the IRP evaluated by the MPSC? What factors does it consider?

To approve an IRP, the MPSC must determine that a proposed plan represents the "most reasonable and prudent" means of meeting the utility's needs. A plan needs to appropriately balance factors related to reliability, environmental compliance, competitive pricing, and diversity of supply. A plan must also determine whether levels of planned peak load reduction and energy waste reduction are reasonable and cost-effective. The MPSC considers all expert witness testimony on these issues.

4. After a full evidentiary hearing on Consumers IRP, most of the parties joined a settlement agreement resolving all issues in the case. What are the highlights of the agreement?

The [agreement](#) approves Consumers' plan with several modifications. Specific provisions include:

- Retiring coal fueled D.E. Karn Plant Units 1 and 2 near Bay City in 2023, replacing their electric output with a combination of renewable energy sources and programs that cut energy waste. The utility will seek to use a low-cost method of financing known as securitization to recover the unamortized book value of the closed Karn units.
- Approving of new investments in cost-effective programs that help residents and businesses cut energy waste (equivalent to 718 MW, or 2% of the utility's annual electricity sales); improve system efficiencies through conservation voltage reduction programs (44 MW); and demand response programs that shave peak consumption to avoid having to build new power plants (607 MW).

- Conducting annual competitive bidding under oversight of an independent third-party administrator for adding power generation capacity, including approximately 1,200 MW of new solar energy being put out for bid in the 2019-2021 timeframe. Consumers can only own up to half of all future additional capacity it procures through competitive solicitations and must buy the remaining half through power purchase agreements with third parties, excluding affiliates of Consumers.
- Modifying the avoided cost rates and terms set in MPSC Case No. U-18090 for small, alternative power producers under the Public Utility Regulatory Policies Act of 1978 (PURPA). See discussion below for details.
- Approval of a “financial compensation mechanism” (FCM) for power purchase agreements the company enters into with third-party power suppliers, including qualified facilities (QFs) under PURPA. The FCM is authorized by the 2016 energy laws to remove a utility’s disincentive to arrange power supplies from third parties.
- Consumers will conduct a retirement analysis of coal fueled J.H. Campbell Plant Units 1 and 2 near Port Sheldon and possibly retire them as early as 2025.

5. The parties devoted significant attention to the competitive bidding process for solar generation as well as the implementation of PURPA, a federal law that requires utilities to pay certain small power producers at the utility’s avoided cost rate. How does the agreement address these issues?

The agreement requires Consumers to use competitive bidding to arrange future power supplies. The bidding will be for solar energy although any qualifying facility may participate regardless of the type of generation. Additional details include:

- A five-year outlook for determining whether the utility has a capacity need instead of the previously determined 10-year outlook;
- Annual competitive bidding for new generation will be conducted beginning in the fall of 2019. Any remaining capacity not filled by the solicitation would be available to PURPA QFs;
- Modified the PURPA avoided cost rates established in MPSC Case No. U-18090 will be used as wholesale energy prices for the energy portion of the rate. Capacity prices are based on the MISO annual capacity auction prices if there is no capacity need over the next five years, or the updated pricing from the competitive bidding process;
- New full avoided cost rates will be filed with the MPSC for review and approval within 30 days of each solicitation;
- Current QFs with a PURPA-based contract with the Company will receive new purchase power agreements, regardless of the Company’s capacity need, upon expiration of their current contracts based on the Company’s full (energy and capacity) avoided cost rates at the time of the purchase power agreement’s expiration;
- A revised standard offer tariff for QFs up to 2 MW;
- QFs at or below 150 kilowatts will receive full avoided costs rates, regardless of capacity need.

6. Did all parties agree to the settlement? Was there any opposition, and how was that handled?

Multiple parties representing a broad range of interests signed the agreement or submitted statements of non-objection. Two parties, Solar Energy Industries Association and Cypress Creek Renewables LLC, opposed the agreement.

Pursuant to procedural rules (R 792.10431), the MPSC provided parties the opportunity to submit testimony and legal briefs on the contested settlement. The MPSC considered the agreement and the additional evidence and arguments and determined that it meets the standards for approval. That is, the MPSC found the settlement to be in the public interest, a fair and reasonable resolution to the proceeding, and supported by substantial evidence.

The agreement represents a significant change to the traditional utility business model and transitions the utility and its customers from predominantly fossil-fuel based generation to a mix of demand-side resources and competitively bid renewable energy. The agreement allows the utility to take advantage of competitive forces as the energy industry rapidly undergoes change.

7. When will Consumers file its next IRP?

Pursuant to the agreement, the company will file its next IRP in June 2021.

For more information, visit:
[MPSC Website](#)
[IRP Filing Requirements & Schedule](#)
[IRP Issue Brief](#)

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