

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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| In the matter of the application of         | ) |                  |
| <b>COLDWATER BOARD OF PUBLIC UTILITIES</b>  | ) |                  |
| for approval of a renewable energy plan and | ) | Case No. U-15853 |
| energy optimization plan to comply with the | ) |                  |
| requirements of Public Act 295 of 2008.     | ) |                  |
| _____                                       | ) |                  |

At the July 1, 2009 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. Orjiakor N. Isiogu, Chairman  
Hon. Monica Martinez, Commissioner  
Hon. Steven A. Transeth, Commissioner

**ORDER**

On October 21, 2008, the Commission opened a docket in this case addressing the regulatory issues created by the passage of Public Act 286 of 2008, an amendment to the “Customer Choice and Electricity Reliability Act,” 2000 PA 141, MCL 460.10 *et seq.*, and Public Act 295 of 2008, the “Clean, Renewable and Efficient Energy Act,” MCL 460.1001 *et seq.* (Act 295). In the order, the Commission required Coldwater Board of Public Utilities (Coldwater), a municipally-owned electric utility, to file with the Commission a plan for establishing a renewable energy program (REP) and energy optimization program (EOP). The plans were to be filed within 120 days after the Commission issued a temporary order pursuant to Section 191 of Act 295. The Commission issued a temporary order in Case No. U-15800 on December 4, 2008.

On April 3, 2009, Coldwater filed with the Commission an application for approval of its REP and EOP.

### **RENEWABLE ENERGY PLAN**

Section 25(2) of Act 295 provides that a municipally-owned electric utility's proposed renewable energy plan must fulfill the following requirements: (1) the plan must describe how the municipally-owned electric utility will meet the renewable energy standards, (2) the plan must specify whether the number of megawatt-hours (MWh) used in the calculation of the renewable energy portfolio will be weather-normalized or based on the average number of MWh sold to Michigan retail customers annually during the previous three years, (3) the plan must include the expected incremental cost of compliance with the renewable energy standards, and (4) the plan must describe the manner in which the provider will allocate costs.

The Michigan South Central Power Agency (MSCPA) filed a joint renewable energy plan for its members: Village of Clinton, City of Coldwater, City of Hillsdale, City of Marshall, and Village of Union City. On behalf of its members, MSCPA will meet the renewable energy requirements by using new hydro resources currently under development and expected to be on-line in 2012 and modification to a jointly-owned coal fired facility through a new process that utilizes fractionalized tires as a replacement source of energy. This is expected to be on-line by late 2009. MSCPA proposes to calculate the REC requirement using the average of the previous three years of electricity sold to its customers. Members do not anticipate any incremental costs of compliance and no REP surcharges.

## ENERGY OPTIMIZATION PLAN

Section 71(2) of Act 295 states that the overall goal of an energy optimization plan is to reduce the future costs of provider service to customers. Energy optimization plans shall be “designed to delay the need for constructing new electric generating facilities and thereby protect consumers from incurring the costs of such construction.”

The EOP must: (1) propose a set of programs that will meet energy savings targets established by Act 295; (2) include offerings for each customer class, including low income residential; (3) specify necessary funding levels; (4) propose cost recovery mechanisms that will allow recovery of EOP costs; (5) demonstrate that the energy optimization programs, excluding program offerings to low income residential customers, will be cost effective; and (6) provide for the practical and effective administration of the proposed programs.

Section 73(2) of Act 295 provides:

The commission shall not approve a proposed energy optimization plan unless the commission determines that the EO plan meets the utility system resource cost test and is reasonable and prudent. In determining whether the EO plan is reasonable and prudent, the commission shall review each element and consider whether it would reduce the future cost of service for the provider’s customers. In addition, the commission shall consider at least all of the following:

- (a) The specific changes in customers’ consumption patterns that the proposed EO plan is attempting to influence.
- (b) The cost and benefit analysis and other justification for specific programs and measures included in a proposed EO plan.
- (c) Whether the proposed EO plan is consistent with any long-range resource plan filed by the provider with the commission.
- (d) Whether the proposed EO plan will result in any unreasonable prejudice or disadvantage to any class of customers.
- (e) The extent to which the EO plan provides programs that are available, affordable, and useful to all customers.

Coldwater’s program portfolio was prepared by Summit Blue Consulting, LLC, and Wisconsin Energy Conservation Corporation to outline goals, budgets, and programs that have the potential to achieve the targets identified by Act 295. The programs described in this plan were

modeled based on typical measure characteristics used in similar “best practice” programs across the country, along with specific savings estimates from the new Michigan Energy Measures Database.

Coldwater’s EOP extends through December 2012. Coldwater proposed a set of programs to meet energy savings targets and included offerings for each customer class, including low income residential. Coldwater specified necessary funding levels and proposed cost recovery mechanisms that will allow recovery of EOP costs. Coldwater demonstrated how the EOPs, excluding low income residential, will be cost effective and how the plan will provide for the practical and effective administration of the programs.

Section 25 of Act 295 requires the Commission to provide an opportunity for public comment on Coldwater’s renewable energy plan unless the governing body of the provider has already provided an opportunity for public comment. Coldwater held a public hearing on March 30, 2009 and provided an opportunity for comment on the REP and EOP. No comments were received.

Section 73(1) of Act 295 states that a provider’s energy optimization plan shall be filed, reviewed, and approved or rejected by the Commission and enforced subject to the same procedures that apply to a renewable energy plan.

The Commission Staff reviewed Coldwater’s application and recommends the Commission find that Coldwater’s REP and EOP comply with the requirements of Act 295. However, with regard to MSCPA’s proposal to include a tire fractionation facility as part of its renewable generation portfolio, the Commission previously ruled on this issue in its June 2, 2009 order in Case No. U-15806, concerning the REP and EOP for The Detroit Edison Company. In that order the Commission determined that municipal waste did not include scrap tires, but left open the

possibility that the company might be able to obtain certification for granting advanced cleaner energy credits for energy produced using that fuel. *See*, June 2, 2009 order, p. 19.

Section 45(2) of Act 295 permits recovery of "the incremental cost of compliance with the renewable energy standards by an itemized charge on the customer's bill for billing periods beginning not earlier than 90 days after the commission .... determines under section 25 that the plan complies with this act." MCL 460.1045(2). With regard to energy optimization plan surcharges, the Commission previously indicated that "energy optimization plan costs may be recovered as soon as practicable after energy optimization plan approval. Beginning the surcharge as soon as possible will allow the costs to be spread over more months, which will lower the monthly surcharge amount." December 4, 2008 order, Case No. U-15800, p. 34.

The Commission concludes therefore that it should approve the instant REP and EOP as compliant with Act 295, except for the planned tire fractionation facility.

THEREFORE, IT IS ORDERED that:

A. The renewable energy plan and energy optimization plan of Coldwater Board of Public Utilities are approved as in compliance with Public Act 295 of 2008 with the exception of the tire fractionation facility.

B. Coldwater Board of Public Utilities shall file an annual report with the Commission describing the status of compliance with the requirements of Public Act 295 of 2008 by February 1, 2010, and annually thereafter until further order of the Commission.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, under MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

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Orjiakor N. Isiogu, Chairman

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Monica Martinez, Commissioner

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Steven A. Transeth, Commissioner

By its action of July 1, 2009.

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Mary Jo Kunkle, Executive Secretary