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To: Joy Wang, Ph.D., Public Utilities Engineer, Smart Grid Section, Michigan Public Service Commission

Re: Comments on the Electric Distribution Planning Stakeholder Staff Report Draft

Indiana Michigan Power Company (I&M or Company) submits these comments on the Michigan Public Service Commission (MPSC) Staff's draft report entitled Utility Pilot Best Practices and Future Pilot Areas issued July 31, 2020 (Draft Report). The issuance of the Draft Report is an important milestone in the Michigan Power Grid Forum. I&M appreciates this opportunity to comment on Staff's proposed review, summary, and recommendations regarding the process so far. I&M has participated throughout these proceedings, providing information about its systems and operations in Commission workshops, and plans to continue its participation. I&M appreciates the input provided by all participants in this process.

I. Energy Program and Technology Pilot Workgroup Purpose and Considerations

The Draft Report does an excellent job of summarizing the process and the input of participants in this workgroup, along with identifying many key topics around utility pilot projects. I&M reviewed the Draft Report and is providing comments while keeping the Commission's October 17, 2019 Order in U-20645 (U-20645 Order), establishing the workgroup, in mind. As provided in the U-20645 Order, the Energy Program and Technology Pilots workgroup (Pilot Workgroup) was tasked to:

- 1) engage with utilities and stakeholders on existing pilot projects to understand outcomes and apply lessons learned;
- 2) investigate past Commission-approved pilots and identify best practices in other states, in order to propose objective criteria for the Commission to utilize when evaluating proposed utility pilot projects; and
- 3) work with utilities and stakeholders to identify potential areas for additional pilot proposals, including distributed generation, storage, microgrids, third-party-owned community solar power, on-bill financing, and electric vehicle infrastructure.

U-20645 Order, at 9 (emphasis added).

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The U-20645 Order further noted that Staff’s report was to provide a summary of efforts to date, providing recommendations for objective criteria to apply when evaluating proposed utility pilot projects, and identifying potential areas for additional pilot proposals. *Id.*

While the MI Power Grid’s focus is on guiding Michigan residents and businesses through the energy industry’s rapid changes in the transition to clean energy, the Pilot Workgroup’s task was broader. The Pilot Workgroup’s scope has been utility pilot projects generally, which is not limited only to pilots that support Michigan’s transition to clean, distributed energy resources. That broader scope has a direct impact on Staff’s pilot definition, proposed objective criteria, and on Staff’s recommendation for establishing foundational goals. I&M submits that Staff’s Final Report should reflect the broader purpose of pilots.

A Public Utility’s Role: As a regulated public utility, I&M has an obligation to serve customers with safe and reliable power and the responsibility to manage the business it owns and operates to ensure investments are reasonable and necessary for the provision of service to its customers.

Pilots are an important part of I&M’s business. This is especially true today as technology, equipment, business operations, and customer interests are rapidly changing and evolving. Customers often bring ideas and needs to I&M, and look to I&M as their trusted energy advisor. The challenge to I&M is to find solutions for its customers that I&M can offer as a regulated utility within a timeframe that supports their interest or need. Pilots can provide a path forward to be innovative, enhancing business operations and services, and solving customer needs by examining potential solutions in real-world applications.

Pilots provide I&M the ability to “drive before buying,” by allowing a utility to validate assumptions and expectations on a smaller scale. As technology and businesses change, it can be difficult to determine if expectations are accurate until an idea is implemented. Pilots allow a utility to implement ideas on a more limited scale and determine if the assumptions and results align with goals and expectations.

There are several key considerations around pilot projects. One such consideration is pilot agility. Agility requires a pilot framework that is flexible and can therefore be responsive to the utility and its customers’ needs and interests. Today pilots are developed and undertaken in many different forums that include a variety of stakeholder engagement. Maintaining or expanding this optionality and utility discretion in managing its business is key to supporting innovation through pilots.

A second key consideration is customer interest. Pilots need to consider new services and emerging technologies that are important to utility customers in meeting their needs.



Another key consideration is the utility perspective, as each utility is unique. Generally, the Draft Report proposes uniform criteria for utilities. Utilities can have distinct service area, business operations, and customer size and profile characteristics that should be considered in evaluating pilot project objective criteria. For I&M, utility characteristics include the level of distributed energy resources (DER), a smaller and more rural service area compared to the largest utilities serving the state, the status of advanced metering infrastructure (AMI), and the multistate areas served. When designing pilot objectives, it is important to be mindful of the utility position and situation, and that the final recommendations do not create a one-size-fits-all approach.

A final key consideration is risk. Pilot projects can bring risk. The utility, Commission, and stakeholders have to be willing to accept that a primary goal in a pilot is learning. The outcome is ancillary to this and goals and outcomes can be different. Technology tested today may or may not provide the benefits expected, but that does not mean that what is learned during the pilot will not be useful in the future. Pilot projects also help to avoid taking larger-consequence risks by allowing exploration of possible solutions on a limited scale or scope, limiting financial exposure.

Pilot Approval and Cost Recovery: The discussions during the workshops supported that a streamlined pilot review and approval process coupled with timely cost recovery are key to fostering pilot innovation. However, the Draft Report does not address a streamlined approach for requesting Commission pilot project approval and timely cost recovery. Under the current regulatory process, it can take multiple years from pilot conception to pilot approval. Currently, pilots are often approved as part of a base rate proceeding, IRP proceeding, or EWR proceeding. These types of dockets do not provide agility or timeliness for pilot project review and approval. Base rate proceedings are complex and require several months to prepare. Once filed, an order will not be issued for 10 months. Smaller utilities in the state, such as I&M, do not file annual base rate proceedings. Likewise, utility IRP filings are filed every 3-5 years and involve multi-year processes including a pre-filing stakeholder process, followed by a contested regulatory proceeding. Likewise, EWR plans are filed every two years and the contested dockets can take over a year to conclude. The Final Report should address alternative procedural vehicles that provide utilities seeking pre-approval and timely cost recovery of pilots the opportunity for a streamlined review.

Staff's Final Report also should address the subject of cost recovery. Staff's recommendations in the Draft Report all require the expenditure of utility funds, for mandated pilot criteria, stakeholder engagement, pilot analysis, and reporting; they did not, however, include recommendations regarding cost recovery. It is imperative that all aspects of a pilot, including its costs, be included as part of the overall discussion on pilot programs and processes.



II. Comments on Staff Recommendations

Recommendation 1: Pilot Definition

I&M recommends slight changes to Staff’s proposed pilot definition. I&M’s changes seek to recognize in the definition that a pilot project can be a customer service or a resource and involve behavior and technology. I&M further recommends removing “intervention” from the definition as it can have a negative connotation. I&M’s proposed pilot definition is:

A pilot is a limited duration experiment to determine the impact of an ~~intervention~~ idea or technology on one or more outcomes of interest.

Recommendation 2: Pilot Objective Criteria

There is a balance between creating a framework to support and evaluate pilots and ensuring sufficient flexibility is retained to allow utilities to respond to changes in customer needs and interests and available technologies and services. Pilot opportunities should not be limited to those pre-defined through the regulatory process. Nor should pilots be strictly reviewed and approved in a “check the box” manner. Greater benefits will be realized if utilities are provided the opportunity to support pilot proposals without overly defined sub-categories. As discussed further below I&M supports the majority of Staff’s six objective criteria for purposes of evaluating pilots. However, the various sub criteria further defining the main criteria should be taken as more illustrative than as strict requirements.

With this background in mind, I&M submits the following comments on Staff’s six objective criteria to apply to any utility pilot projects meeting the recommended pilot definition.

1. Clear pilot need and goals

I&M Comment: The objective criteria should steer clear from using subjective words such as “clear” and “clearly.” I&M suggests the words “clear” and “clearly” be removed and that utilities be required to provide pilot need, goals, and details.

2. Pilot design and evaluation plan designed and presented together.
 - a. Pilot program design and evaluation plans should be designed together so examined metrics and collected data support evaluation of the pilot in meeting goals and desired learnings.
 - b. If applicable, define target customer population, selection rationale, recruitment plans, and evaluation plans for customer adoption and satisfaction.
 - c. If statistical analysis will be conducted on pilot results, a statistically significant sample size must be selected, supported, and detailed.



d. If statistical analysis will not be conducted, justification must be provided.

I&M Comment: Statistical analysis is not defined and can be subjective. In addition, for 2(d), I&M recommends the following wording change:

If statistical analysis will not be conducted, ~~justification~~ an approach for evaluating pilot goals must be provided.

3. *Pilot project costs detailed.*

- a. Project costs detailed by source and amount for all applicable rate case periods.
- b. Description of available non-utility funding and whether any was pursued (such as state or federal funding opportunities).
- c. Projected cost-effectiveness of pilot over expected life described.

I&M Comment: As discussed initially, I&M supports the objective criteria that project costs be detailed, but recommends that objective criteria not specifically define how that is to be done, but leave that to the utility to tailor to the particular pilot itself. Pilots may be undertaken to demonstrate benefits to customers that are uncertain or unquantified. The “projected cost-effectiveness” of a pilot would be conjecture against these unknowns. A pilot outcome may be to discover that the benefits do not exceed the costs—that is the idea or technology is not “cost-effective.” This is the purpose of conducting pilots. To impose a cost-effectiveness criterion at the outset would defeat this purpose. As such, I&M recommends removing 3(c).

It is also unclear what is meant or required by the wording in 3(a) “all applicable rate case periods” as many pilots are reviewed and approved outside general rate case proceedings.

4. *Project timeline detailed.* a. Proposed timeline for the pilot project and any related reports or evaluations clearly delineated.

I&M Comment: As addressed above, I&M requests removal of the word “clearly.”

5. *Stakeholders engaged.*

- a. Describe stakeholder engagement plan before, during, and after pilot takes place.
- b. Interim and final stakeholder reporting described.
- c. Publicly available data from pilot described.

I&M Comment: It is important to recognize that stakeholders come in many different forms from customers and the communities we serve to internal business units. The type and nature of stakeholder engagement is dependent on the type of pilot program being undertaken. A



balanced and flexible approach to stakeholder engagement should be supported and not be pre-determined or defined by the Commission. In addition, a formal stakeholder process is not always necessary and in some cases can be burdensome. For example, for commercial and industrial customers, utility stakeholder engagement can occur naturally during the course business as new business offerings are being developed or as customers reach out to I&M for business needs.

I&M appreciates Staff's recognition of the need for low income and equity stakeholder engagement as discussed in Section 4.3.1 of the Draft Report. I&M is committed to including key stakeholders such as CAP agencies and community organizations in pilot programs impacting this customer segment. As addressed in Section 4.3.1-2 of the Draft Report, it has historically been a challenge to engage income-qualified and racially diverse customers. The Draft Report accurately discusses many of the barriers that utilities face when trying to engage customers. This has also been I&M's experience. For example, there were fewer participants in energy efficiency workshops that I&M held in the past because potential attendees lacked transportation or childcare, or had to work at the same time as the event. Pilot cost recovery which includes a budget for stakeholder participation in pilot creation and design, including childcare, transportation, and incentives such as food or drawings for prizes, could increase participation for this customer segment.

6. *Public interest is clear.*

- a. Describe how pilot supports the transition to clean, distributed energy resources and its expected impacts in this regard.
- b. Share any added benefits to ratepayers or the energy delivery system, either due to proposed site selection or through other pilot variables, especially if any system weaknesses or forecasted needs are addressed.
- c. Expected impacts of the piloted intervention on reliability, resilience, safety, and ratepayer bills.
- d. Description of expected local or Michigan based employment and business opportunities created by pilot.

I&M Comment: In the criteria that "public interest is clear," the term "clear" is very subjective and it is recommended that it be replaced with "demonstrated." Limiting the pilot guidance to only pilots that support the transition to clean, distributed energy resources is too limiting. As noted above, utilities undertake pilots for several reasons, including to evaluate potential improvements to reliability and operating efficiencies. The Pilot Workgroup's focus has been on utility pilot projects and is not limited to pilots that only support Michigan's transition to clean, distributed energy resources. In view of this, 6a should be removed as an objective criterion. In 6c, "intervention" should be replaced with "idea or technology" to match I&M's recommended pilot definition. I&M is concerned that the inclusion of 6d may impact multi-



jurisdictional utilities' ability to obtain pilot approval or cost recovery if the Michigan requirement is not satisfied.

Recommendation 3: Pilot Directory

A Pilot Directory hosted by the Commission is reasonable. However, careful consideration should be given to the nature and type of content to be posted. Foremost, any posting should recognize the importance of confidentiality and protection of customer and utility data. Depending on the nature of the information, access to certain data should be restricted to governmental and academic sources. In addition, it is important to recognize that the cost associated with pilots and related data are utility expenditures subject to approval by the Commission and a component of a utilities cost of service. Therefore, the benefits and value of such should inure to those entities, or otherwise support broad public policy goals – and specifically not advance the commercial interests of individual third-party for-profit entities, at the expense of the utility and its customers. Pilot information should not be required to be posted if a pilot has not been approved by the Commission and granted cost recovery. While a pilot is being reviewed by the Commission, pilot information would be available publically through that docketed proceeding. This will ensure to the extent a pilot is modified as a result of approval that it is not necessary to have to update, revise or remove information in the pilot directory.

In determining, the information beyond utility contact, utility pilots, and associated docket numbers that would be included in a Pilot Directory, the following issues should also be considered and addressed:

- Posted data should conform to utility data privacy tariffs.
- Posted data should be anonymized, and a receiving party should be required to explicitly agree that it will not attempt to de-anonymize the information it obtains.
- There should be some definition of “approved parties” having access to the data. That should be defined narrowly to governmental agencies and academic institutions.

Recommendation 4: Foundational Goals

I&M recommends that Staff reconsider the need to establish foundational goals because, as discussed above, pilot programs should not be limited to clean energy initiatives, but rather be encouraged in all aspects of providing safe and reliable energy at reasonable prices to Michigan residents. Moreover, while I&M recognizes the economic and environmental benefits of clean energy and the "movement toward realizing that vision in a safe and affordable manner," I&M also supports improving other aspects of reliably serving customers through pilots programs that are not exclusively focused on clean energy.



Narrowing the policy directive of the legislature to include only clean energy programs may miss opportunities to improve the customers' experience.

The Company's commitment to advancing clean energy through green technologies is driven by a number of factors including capacity and energy needs, the economic realities of today's energy market, customer interests and consistency with applicable state laws and regulations. Looking forward, the use of additional pilot projects beyond clean energy initiatives may be critical to charting the best course for the future. The rapid growth of distributed energy resources and large-scale renewable energy is driving all utilities to develop and test a wide range of new technologies, business models, and customer programs. I&M looks forward to working with the MPSC to advance a wide spectrum of innovative technologies for our customers when approval and cost recovery is sought. Collective efforts can better effectuate a more robust spectrum of innovations to better provide for safe and reliable energy at reasonable prices for Michigan residents.

III. Summary and Conclusion

I&M appreciates the time and effort Staff has devoted to conducting this workshop and developing its draft report. The workshops brought a tremendous amount of information and perspectives to a diverse group of stakeholders. It is encouraging to see the Commission and Staff's interest in pilots. Fostering a regulatory environment which encourages pilots through a diverse and agile framework will drive pilot innovation for the benefit of Michigan customers. I&M respectfully requests that Staff consider the above positions and make appropriate modifications in its Final Report before filing it with the Commission.