



2020 Annual Report

March 1, 2021

Dan Scripps, Chair
Tremaine Phillips, Commissioner
Katherine Peretick, Commissioner



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Executive Summary

This annual report of the Michigan Public Service Commission (MPSC or Commission) is developed in accordance with Section 5a of Public Act 3 of 1939, as amended, MCL 460.5a, and provides a summary of the Commission's activities.

The MPSC experienced a remarkable year in 2020 as it worked to maintain Michiganders' access to safe, reliable, and affordable energy and telecommunications services amid a worldwide pandemic that upended lives and shook the economy. The COVID-19 pandemic response dominated the work at the MPSC tackling critical issues and Staff transitioned to working remotely to ensure the mission of energy and telecommunications regulation continued uninterrupted.

The Commission completed multiple rate cases and integrated resource plans; issued nearly 600 orders and minute actions; held over 40 public hearings, meetings, and stakeholder forums; and managed over 19,000 filings and comments submitted to the MPSC's E-Dockets system.

Other highlights include participating in many new taskforces throughout state government; marking a year of MI Power Grid activity; increasing transparency and public access to Commission meetings; ramping up diversity, equity and inclusion efforts; updating the strategic plan; amending the rules governing the technical standards for gas service in Michigan; releasing a Wi-Fi hotspots map; performing inspections of Michigan's natural gas pipeline infrastructure; addressing safety and reliability challenges in the distribution planning process and within rate cases; and completing a Commission leadership transition.

Streamlining the energy assistance process and developing resources to help educate Michiganders on obtaining energy assistance also continues to be a Commission priority, with the help of our partners and stakeholders.

Who We Are

The Michigan Public Service Commission (MPSC or Commission) is the state regulatory body charged with serving the public by ensuring safe, reliable, accessible energy and telecommunications services at reasonable rates. The Commission regulates the rates and services of investor-owned natural gas and electric utilities, authorizes energy infrastructure proposals, implements state law governing competition and other aspects of the energy and telecommunications industries, and monitors the safety of inter- and intra-state natural gas pipelines.

The Commission is a three-member body of commissioners appointed by the Governor for staggered, six-year terms. The MPSC has a professional staff of approximately 180 individuals with expertise in engineering, accounting, finance, law, economics, and other fields.

Section 5a of Public Act 3 of 1939, as amended, MCL 460.5a, requires the MPSC to file an annual report with the Governor and the Legislature on or before the first Monday of March each year.

Commission Members



[Dan Scripps](#) was appointed by Governor Gretchen Whitmer to the Michigan Public Service Commission on February 25, 2019 and was designated as Chair in July 2020. His term ends on July 2, 2023. Chair Scripps serves on the Michigan Council on Climate Solutions, the Upper Peninsula Energy Task Force, and the Michigan Dam Safety Task Force. He is a member of the National Association of Regulatory Utility Commissioners and serves on its Committee on Gas; the Committee on International Relations; the Committee on Critical Infrastructure; the Task Force on Emergency Preparedness, Recovery, and Resiliency; and the Washington Action Program. He formerly served on the Committee on Electricity during 2020. He also chairs MISO's Regional Expansion Criteria and Benefits Workgroup and serves on the executive committee of the Organization of MISO States and the Mid-America Regulatory Conference.

[Tremaine Phillips](#) was appointed by Governor Gretchen Whitmer to the Michigan Public Service Commission on September 9, 2019. His term ends on July 2, 2025. Commissioner Phillips is a member of the National Association of Regulatory Utility Commissioners where he serves on its Committee on Consumers and the Public Interest and as Co-Vice Chair on the Committee on Telecommunications. He also serves on the board of directors of the Organization of PJM States and represents the Commission on Governor Gretchen Whitmer's Michigan Poverty Task Force, the Michigan Council on Future Mobility, and the Connecting Michigan Task Force. In February 2020 he was appointed to serve on the NARUC Broadband Expansion Task Force, a two-year effort to identify best practices and solutions to improving broadband access in underserved communities throughout the country.



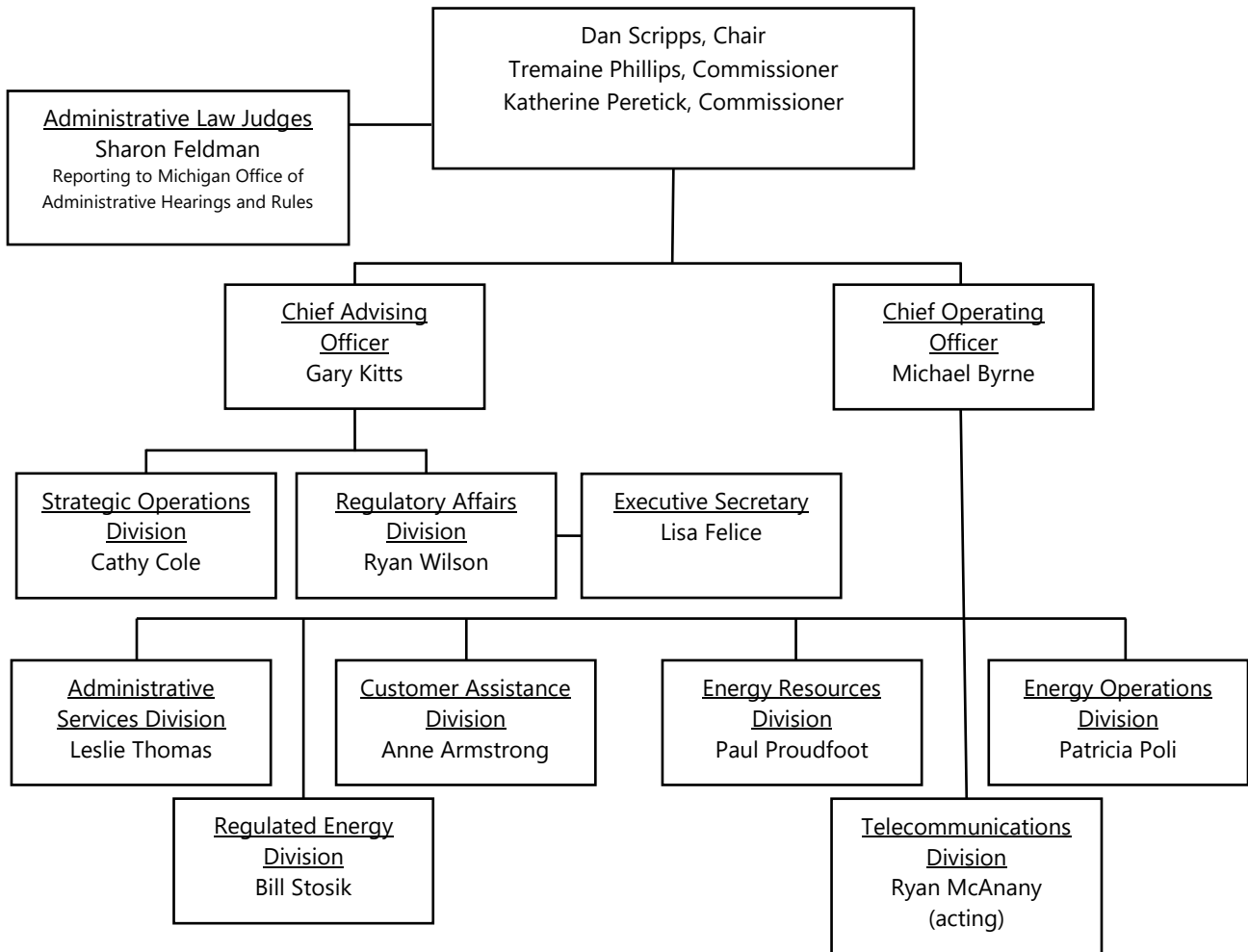


On January 4, 2021, [Katherine Peretick](#) was appointed by Governor Gretchen Whitmer to the Michigan Public Service Commission. Her term ends July 2, 2021. Katherine came to the Commission from NRStor where she was the director of engineering and has an extensive background in energy storage and technology development. As a member of the National Association of Regulatory Utility Commissioners, she serves on the Committee on Electricity and the Subcommittee on Nuclear Issues-Waste Disposal. She was named to *Energy News Network's* 40 Under 40 list recognizing clean energy leaders in the Midwest region in 2020.

Organizational Structure

It was a year of change for the MPSC. On December 31, 2020 we said farewell to one Commissioner, [Sally Talberg](#), who was appointed by former Governor Rick Snyder in July 2013 and served as chairman from July 2016 until July 2020.

Below is the current organizational structure of the MPSC, including division directors, at the time the report was issued on March 1, 2021.



Mission, Vision, Goals, Priorities, Strategic Initiatives

During 2020, the Commission reviewed its mission and vision statements and implemented the revised version in January 2021 as part of the new strategic plan.

Mission

Serve the public by ensuring safe, reliable, and accessible energy and telecommunications services at reasonable rates.

Vision

Be a best-in-class commission by making well-informed decisions at every level of the organization, meaningfully engaging the public, and enabling innovation for the future.

Goals

Create a culture of excellence through an informed and competent workforce, in a welcoming and comfortable work environment.

Assure safe, secure, and reliable energy and telecommunications service and infrastructure.

Assure accessible and affordable utility services through regulatory oversight.

Cultivate open and diverse communication and education within the organization and externally to stakeholders, customers, and the general public.

Empower customers to make informed choices to meet their energy and telecommunications needs.

Priorities

Infrastructure modernization

Internal and external communications

Process improvement

Attraction and retention of workforce

Fair, transparent, and effective regulatory processes

Strategic Initiatives

MI Power Grid

Diversity, Equity, and Inclusion (DEI)

2019 Statewide Energy Assessment – Implementation of Recommendations

- Previous mission statement: To protect the public by ensuring safe, reliable, and assessable energy and telecommunications services at reasonable rates for Michigan’s residents.
- Previous vision statement: We will be a best-in-class commission by focusing on the public we serve and making well-informed decisions at every level of the organization.

MPSC Impact on Michiganders

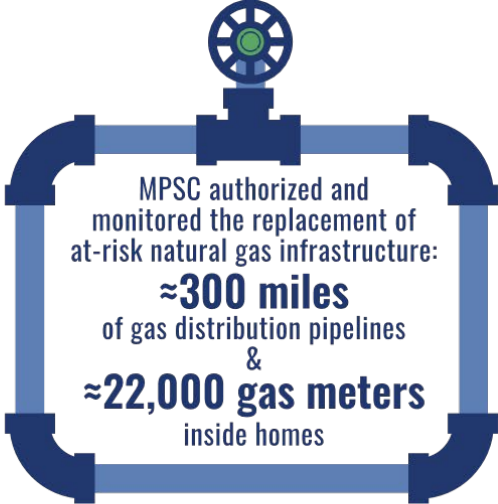
258,200
LIFELINE CUSTOMERS IN MICHIGAN



9,121 Customers assisted with utility and telecommunications issues in 2020





MPSC authorized and monitored the replacement of at-risk natural gas infrastructure:
≈300 miles of gas distribution pipelines & **≈22,000 gas meters** inside homes




ENERGY WASTE REDUCTION

In 2019, MI utilities saved a combined **1.46 million MWh** in electricity and **5.37 million Mcf** in natural gas. This equates to over **20 million MWh** and over **77 million Mcf** of savings over the life of the measures.

MI utilities spent around \$347 million on EWR programs which will result in around **\$1.18 billion in savings** for all Michigan residents and businesses.



Michigan Energy Assistance Program awarded **\$55 million** in grants, providing energy assistance payments and self-sufficiency services to **55,620** low-income Michigan households



COVID-19 Response

MPSC coordinated with utilities during coronavirus pandemic, leading to service being restored to more than 3,500 disconnected customers, and 41,000 low-income customers were directly linked to energy assistance.

In 2020, the Commission approved requests to delay rate cases for 3 utilities, deferring up to \$153 million in rate increases to Michigan ratepayers.

MPSC Partnerships

In 2020, the MPSC partnered with other departments and organizations on programs and issues that affected our state.

Partnerships with State Department

Partners	Issue(s) & Activities
Michigan Department of Environment, Great Lakes, and Energy (EGLE)	Integrated resource planning Interagency Environmental Justice Task Force MI Healthy Climate Plan (ED 2020-10) Michigan Dam Safety Task Force Pipeline Safety Advisory Board UP Energy Task Force
Michigan Department of Health & Human Services (MDHHS)	Michigan COVID-19 Racial Disparities Task Force Michigan Energy Assistance Program (MEAP)
Michigan Department of Labor and Economic Opportunity (LEO)	Michigan Council on Future Mobility and Electrification Michigan Poverty Task Force
Michigan Department of Licensing and Regulatory Affairs (LARA)	Bureau of Fire Services wire down response Economy and Workforce Task Force Resume In-Person Work Team (RENEW) State Operations Task Force
Michigan Department of Technology, Management and Budget (DTMB)	Audio-visual upgrades Connecting Michigan Communities Grant Program Energy efficiency opportunities for State-owned and operated buildings (ED 2020-10)
Michigan Department of Treasury	Michigan Infrastructure Council Energy Transition Impact Project (ED 2020-10)
Michigan Economic Development Corporation (MEDC)	Connecting Michigan Task Force (CMIT) on broadband
Michigan State Police	Cyber and energy security Data access and privacy Energy emergency planning and response State Critical Infrastructure Stakeholder Group State 9-1-1 Committee

Partnerships with State and National Organizations

Partners	Issue(s) & Activities
Coalition to Keep Michigan Warm	Energy assistance needs of low-income households
Connected Nation Michigan	Mapping the availability of broadband and other telecommunication services
National Association of Regulatory Utility Commissioners (NARUC)	Broadband Expansion Task Force (BETF) Comprehensive Electricity Planning Task Force Emergency Preparedness, Recovery, and Resiliency Task Force, including Black Sky Subcommittee Lifeline Task Force
National Energy and Utility Assistance Coalition	Low-income energy needs



Public Engagement & Outreach

The MPSC values openness and transparency in its interactions with the public and the media. Last year, the MPSC continued to ramp up outreach efforts through various initiatives and as the COVID-19 response dominated the MPSC's work in 2020.

Social Media

One key communication channel the MPSC leveraged throughout 2020 was social media. With a focus on increasing and expanding an online presence, prioritizing customer education through social media continues to carry over from year to year.

As of December 31, 2020:

	(Launched in 2019)	400 followers
	(Launched in 2018)	2500 followers
	(Launched in 2018)	125 subscribers

Outreach Toolkit

At the onset of the COVID-19 pandemic, as businesses and educational institutions responded to stay home mandates, it became apparent that the associated economic situation would jeopardize the ability of Michigan residents to pay their utility bills. The MPSC worked collaboratively with MDHHS, Michigan utility companies, non-profit agencies, and other stakeholders to streamline the energy assistance process and to develop resources and communication plans to help educate Michiganders on obtaining energy assistance during COVID-19. The MPSC compiled these resources and distributed an outreach toolkit (consisting of sample social media graphics, newsletter content, and public service announcements) to stakeholders to promote awareness. The MPSC has been fortunate to leverage its current partnerships and worked to establish many

new ones. The MPSC also continued to create and publish new educational resources as well as update its Consumer Tips. For more information, see the MPSC's 'Be Informed' webpage.

Meetings

The MPSC worked to ensure that it could hold meetings, public hearings, and cross examinations virtually by Microsoft Teams video conference, in keeping with pandemic safety measures preventing public gatherings. The MPSC held 15 commission meetings virtually, which were livestreamed and are available on the MPSC's YouTube channel, and held a public hearing in Case No. U-20763 on Enbridge Energy's Line 5 Act 16 application. The MPSC will continue to prioritize enhancements to its teleconferencing and video streaming capabilities for remote access and within hearing rooms and conference rooms to allow for greater functionality and flexibility.

Website

The MPSC's website - www.michigan.gov/mpsc - continues to be regularly updated with ongoing MPSC activity and trending energy and telecommunication related news. Major updates during 2020 included launching the new "Notify Me of Approved Filings" button in the electronic docketing system (E-Dockets). This new feature allows the public the option to receive email updates when new filings are posted in individual cases and provides instructions for users to easily submit public comments. Additionally, two new webpages were developed in response to the COVID-19 pandemic,¹ and a [dedicated Line 5 website](#) was launched in coordination with EGLE and DNR in response to Enbridge Energy's Act 16 application for the authority to replace and relocate the segment of Line 5 crossing the Straits of Mackinac into a tunnel beneath the Straits of Mackinac.

Newsletter

Issued monthly is a new external newsletter, the [MPSC Spotlight](#), which was developed to help increase transparency and inform the public on current MPSC news, meetings, reminders, decisions on commission orders, and other issues affecting state of Michigan residents.

Other Key Activities:

- Issued 26 news releases covering 97 Commission orders at its meetings.
- Issued 31 news releases relating to other MPSC programs, activities, and initiatives.
- Provided information and assistance through 178 media contacts.
- Facilitated over 40 public hearings, meetings, and stakeholder forums.
- Managed over 19,000 filings and comments submitted to the MPSC's E-Dockets system.
 - Processed 7,100 filings

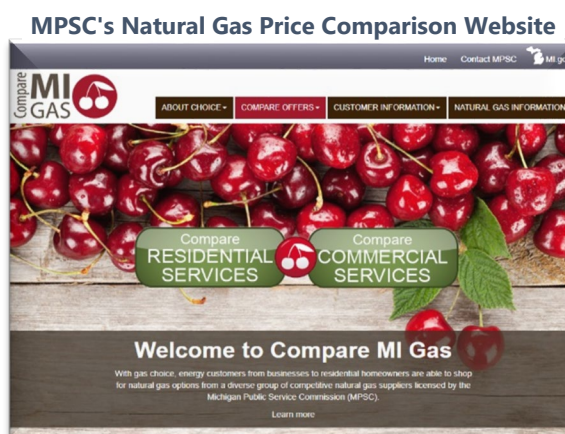
¹ MPSC Response to COVID-19 – Learn More (https://www.michigan.gov/mpsc/0,9535,7-395-93253_99286---,00.html)

MPSC Response to COVID-19 – Get Help (https://www.michigan.gov/mpsc/0,9535,7-395-93253_99286_99470-525246--,00.html)

- Received approximately 12,000 public comments
- Issued 591 orders and minute actions

Compare MI Gas

The MPSC's natural gas price comparison website - www.michigan.gov/CompareMIGas - continues to be a valuable resource for customers when choosing an alternative gas supplier (AGS). The website includes the prices currently charged by all AGSs actively marketing or enrolling customers in Michigan and the basic terms and conditions of their offers. As of December 2020, there were **334,990** customers statewide participating in the Gas Customer Choice Program.



Tribal Liaison

Executive Directive 2019 – 17 directed each State Department and Agency to establish a Tribal Liaison tasked with coordinating interactions with Michigan's 12 federally recognized Tribes and implementing the department's or agency's Tribal consultation process. In July, the Commission assigned the Tribal Liaison role to Staff working in the Commission Office under the supervision of the Chief Advising Officer.² The Commission also adopted procedures for Tribal consultation consistent with Executive Directive 2019-17 and the Commission's Rules of Practice and Procedure and its governing statutes. Finally, the Commission Staff participated in three informal consultations with multiple Tribes related to Tribal participation in U-20763, Enbridge's application before the Commission to replace and relocate the segment of Line 5 pipeline crossing the Straits of Mackinac into a tunnel beneath the Straits of Mackinac. The Commission continues to identify opportunities for outreach to Tribal Governments.

COVID-19 Response

As COVID-19 brought uncertainty to personal financial situations and state and national economies, responding to the pandemic became a focus of the MPSC's work in 2020. The MPSC

² It should be noted that the role of the MPSC Tribal Liaison and the Commission's commitment to engagement with the Tribes pre-dates the issuance of Executive Directive 2019-17. Prior to the issuance of the Directive the MPSC Tribal Liaison participated in monthly calls with the Tribes and the Governor's advisor on state-tribal relations, participated in several events hosted by the Tribes, and engaged with the Tribes during the State's review of the Federal Clean Power Plan.

enacted its business continuity and pandemic plans and closed its Lansing office to the public on March 20, 2020.

With pandemic safety measures enacted by the Governor that prevented public gatherings, the MPSC transitioned to virtual operations. Even while experiencing mandated furlough days and limited employee availability at times due to the impacts of COVID-19, Staff successfully transitioned to handling customer complaints remotely and continued to tackle critical energy and telecommunication issues and ensure the integrity of the critical infrastructure on which Michigan businesses and residents depend. The MPSC was among the first state agencies to fully transition to remote working and conducted internal/external meetings, Commission meetings, public hearings, and cross examination using Microsoft Teams video conferencing applications.

Driven by a sense of community and desire to help, much of the work of countering the spread of COVID-19 has been done by people stepping beyond their regular roles. Individuals from Staff willingly participated on the statewide return-to-in-person-work planning efforts and volunteered to serve as contact tracers for the state of Michigan.

Order U-20757

The Commission, through its own motion, issued an order on April 15, 2020 in [Case No. U-20757](#) to review its response to the COVID-19 pandemic and to call on providers to undertake a number of steps to ensure customers continued to have safe, reliable energy at reasonable rates. Specifically, the Commission directed electric, natural gas, and telecommunications providers to:

- Affirm the availability of customer protections for vulnerable households and address affordability and payment flexibility options for customers.
- Report additional data on households without gas or electric service and the actions taken to restore service to occupied households.
- Coordinate with stakeholders to develop continuity plans for meeting energy and demand savings targets - even with social distancing requirements imposing limits on the ability of workers to interact with customers - through energy waste reduction and demand response programs.
- Direct utilities to keep records that track uncollectible expenses or bad debt for future monitoring.
- Invite comments from interested persons regarding the accounting practices by regulated utility companies of COVID-related expenses, regulatory compliance deadlines, and prioritization of regular MPSC activities during this emergency.

Since the order in [Case No. U-20757](#) was issued on April 15, the Commission has continued to monitor the pandemic and participated in many of the Governor's COVID-19 task forces and other response activities through the State Emergency Operations Center (SEOC). The MPSC led the

state's Critical Infrastructure stakeholder group,³ frequently engaged with energy and telecommunications providers and stakeholders, and provided regular updates of the COVID-19 response through the Commission's website, Commission orders, Staff reports, and other communications.

Protections for Vulnerable Customers

All investor-owned utilities and all but one electric cooperative filed statements in response to the Commission's April 15th order in [Case No. U-20757](#) affirming the following protections for customers had been put into place:

- Suspending utility service disconnections for Michigan's most vulnerable populations, low-income and senior customers, through June 12, 2020.
- Waiving late fees for eligible low-income customers receiving energy assistance.
- Allowing for customers exposed to, infected by, or quarantined because of COVID-19 to be eligible for a 30-day medical hold to avoid a disconnection of service.
- Waiving deposits and reconnection fees for seniors and low-income customers seeking restoration of electric or gas service, as well as customers experiencing financial hardship related to COVID-19.
- Extending access and availability of flexible payment plans to customers financially impacted by COVID-19 and providing customer assistance personnel with the resources necessary to connect customers to available financial assistance and social service agencies.

The MPSC hosted weekly calls with cable, wireless, and other telecommunications providers and associations to share important COVID-19 information, discuss how providers were responding to the pandemic, and address any unresolved issues or complaints.

The state received \$162 million in Low-Income Home Energy Assistance Program (LIHEAP) funds and was awarded an additional [\\$35.1 million](#) through the CARES Act. Leveraging \$18 million of the CARES Act funding, the Commission coordinated with MDHHS and several utility companies to develop a special program - LIHEAP Energy Direct. The program streamlined the energy assistance process for low-income customers who were behind on their utility bill payments, directly assisting nearly 41,000 low-income Michigan households that owed past-due amounts to DTE Energy, Consumers Energy, SEMCO Energy, and UPPCO. In addition, these three utilities contributed another 25% on top of the CARES Act Funding to help with these customers' past due bills. The MPSC also partnered with MDHHS to raise the allowed amounts for energy assistance through the Michigan Energy Assistance Program (MEAP program) from \$2,000 to \$3,000 per household. To ensure that eligible households, especially households newly economically stressed from COVID-19, could access this critical assistance, the MPSC, MDHHS,

³ Refer to the [order](#) in U-20757 issued on July 23, 2020.

utilities and non-profit partners engaged in an intensive, coordinated state-wide outreach campaign.

The Commission worked collaboratively with MDHHS, MEAP grantees, the Coalition to Keep Michigan Warm, and utility companies to reach out and provide assistance to vulnerable households, especially families who found themselves in need after losing work due to the pandemic. The MEAP section also worked with grantees to redesign the delivery of energy assistance to customers once the voluntary shutoff protections were lifted. In collaboration with the MEAP workgroup and the MEAP grantees, the Commission also developed pilot projects to develop affordable payment plans for propane customers and for customers under 20% of the federal poverty level.

The Commission engaged in consultations with utilities and stakeholder groups to improve data collection regarding disconnected households with a focus on low-income and senior customers. As a result of these consultations, Staff has gained a clearer picture of the utilities' efforts to provide customers with payment flexibility, ascertain the number of disconnected customers, and contact those disconnected customers to restore service. These efforts ensured that service to more than 3,500 disconnected households was reconnected, and tens of thousands of low-income customers were directly linked to energy assistance.

The Commission has been and will continue to partner with organizations to distribute information on various assistance programs and customer protections. The MPSC worked collaboratively with stakeholders to develop resources and communication plans to help educate Michiganders about the availability of and ways to obtain energy assistance during COVID-19. The MPSC compiled these resources and distributed an outreach toolkit (consisting of sample social media graphics, newsletter content, and public service announcements) to stakeholders to help promote awareness.

911 Emergency Order

To prevent a crisis in public safety dispatching, the MPSC issued an [emergency order](#) in Case No. [U-20926](#) that suspended deadlines for 911 telecommunicators to complete training and continuing education required under state rules. This emergency order by the Commission allowed 500 or more 911 workers to continue to perform their duties and respond to emergency dispatches across the state during the ongoing pandemic.

included are measures that have been placed on a new MPSC Scorecard, as well as operating processes used to implement the actions.

Diversity, Equity, and Inclusion Initiative

In an effort to formalize its promotion of diversity, equity and inclusion, the Commission updated its bylaws to include a non-discrimination policy as an employer and a regulator. The MPSC also launched a Staff-led diversity, equity, and inclusion (DEI) steering committee that held dozens of meetings to address some of the pressing issues of inequality and discrimination raised by Staff. The meetings focused on sharing and learning about perspectives, attitudes, experiences, and policies to help ensure the MPSC's work reflects the full breadth of diversity in the state and strives for equity and inclusion in the MPSC's workforce. Further work on this topic will continue to comprehensively examine the MPSC's practices and identify opportunities to promote DEI in a fundamental, meaningful manner (i.e., DEI policy statement; recruitment, hiring and advancement practices, DEI context in regulatory strategies; and DEI education and awareness).

The results of a recently conducted internal DEI survey, which was completed by well over 50% of the Commission's Staff, will serve as a pathway for the group's 2021 programming. This important self-examination will strengthen the MPSC as an agency and will better equip us as public servants.

MI Power Grid

On October 17, 2019, the Commission launched MI Power Grid in collaboration with Governor Gretchen Whitmer. MI Power Grid is a customer-focused, multi-year stakeholder initiative intended to ensure safe, reliable, affordable, and accessible energy resources for the state's clean energy future. The initiative is designed to maximize the benefits of the transition to clean, distributed energy resources for Michigan residents and businesses and pulls together under one umbrella multiple ongoing stakeholder efforts underway at the Commission.

The initiative provides a cohesive vision and set of objectives to interested stakeholders by focusing on three core areas of emphasis, encompassing multiple work areas. Each core area of emphasis has a designated lead commissioner, and each work area is led by a Staff member, with support from the lead commissioner, Staff sponsors, and assistance from a team of Staff volunteers.

- 1) Customer Engagement (Commissioner Tremaine Phillips)
 - a) Objective: Providing Michigan residents and businesses with the demand-side technologies, programs, and price signals that will allow customers to be more active and effective participants in the state's transition to increased clean and distributed energy resources.
 - b) Work areas: customer education and participation, innovative rate offerings, demand response, energy programs and technology pilots.

- 2) Integrating Emerging Technologies (Commissioner Sally Talberg⁴)
 - a) Objective: Ensuring timely and fair grid access and appropriate information exchange to support customer-oriented solutions and reliable system operations.
 - b) Work areas: interconnection standards and worker safety, data access and privacy, competitive procurement, new technologies and business models.
- 3) Optimizing Grid Investments and Performance (Chair Dan Scripps)
 - a) Objective: Integrating transmission, distribution, and resource planning to increase transparency and optimize solutions; enhancement of tools, financial incentives, and regulatory approaches to adapt to technology change and customer preferences.
 - b) Work areas: financial incentives/disincentives, grid security and reliability standards, advanced planning processes.

Activities for these core areas of emphasis were prioritized to help manage the workload for Staff and stakeholders. The Commission created a number of resources to better facilitate the collection of input from stakeholders and the public. A website, www.michigan.gov/MIPowerGrid, was established to serve as a one-stop location to obtain information about ongoing activities, including workgroups connected to specific work areas, and led by MPSC Staff. Electronic listservs are also available for stakeholders and the public to receive MI Power Grid updates and to keep abreast of the latest meeting information.

The MPSC worked diligently to engage stakeholders and recommend actions to help enable the transition to cleaner, more distributed forms of energy.



Several work areas within MI Power Grid have wrapped up or are ongoing, while others have yet to be initiated. These work areas are critical to ensuring the regulatory environment is fully

⁴ The Integrating Emerging Technologies core area of emphasis will be transitioning to Commissioner Katherine Peretick as the lead commissioner in 2021.

equipped to respond to challenges associated with the transition to cleaner, distributed energy; and will build upon work that has already been completed throughout this initiative.

Staff released a [one-year status report](#) in October summarizing MI Power Grid activity to date. The Commission expects a second status report to be issued in the third quarter of 2021, with a final report detailing actions taken to be published no later than October 1, 2022.

Statewide Energy Assessment Implementation Update

Michigan experienced historic extreme cold weather across the state from January 29, 2019 to February 1, 2019 during the polar vortex (Polar Vortex 2019 or PV19). The extreme cold posed a

MUTUAL AID AND TRANSMISSION CONTINGENCY PLANNING

The Commission recommended convening a utility workgroup to facilitate the development of mutual assistance agreements for natural gas distribution utilities and transmission contingency planning.

The MPSC Staff filed its Phase 1 workgroup report focused on the mutual assistance agreements for distribution utilities in Case No. U-20631.

The Phase 2 report on transmission contingency planning is expected in 2021.

threat to Michigan residents which was exacerbated due to a fire at Consumers Energy's Ray Compressor Station in Ray Township. The fire threatened the utility's ability to serve its natural gas customers during a time of projected record demand. The extreme temperatures also resulted in a maximum generation or "Max Gen" event across the MISO footprint due to a combination of increased demand and generator outages resulting in a call for electricity curtailments by Michigan utilities.

The confluence of events surrounding PV19 prompted the Governor to send a letter requesting that the MPSC undertake a statewide review of the supply, engineering, and deliverability of natural gas, electricity, and propane systems, as well as contingency planning related to those systems. The Commission issued an order in Case No. U-20464 to implement the Governor's request and issued a final Statewide Energy Assessment (SEA) report making 37 MPSC jurisdictional and 15 non-jurisdictional recommendations for improving the safety and reliability of Michigan's energy infrastructure. Addressing the recommendations made by the SEA was a priority of the Commission in 2020 and will continue into 2021. Many of the recommendations are being addressed in the MPSC's MI Power Grid initiative. For a high-level overview of the SEA, see the MPSC's [SEA Fact Sheet](#).

NATURAL GAS DEMAND RESPONSE

The MPSC Staff has convened discussions with utilities on the development of natural gas demand response programs.

Pilot programs are being proposed and evaluated in rate cases.

Activities & Accomplishments

During 2020, the MPSC continued its critical role in regulation of the electric, natural gas, and telecommunications industries. The Commission handled hundreds of cases involving rate and policy determinations resulting in the approval and issuance of 591 orders and other actions. The following outlines major accomplishments and projects for the year:

Public Safety

Natural Gas Pipeline Safety

The MPSC is responsible for the regulation, oversight, and inspections of Michigan's natural gas pipeline infrastructure and employs several highly trained engineers to conduct safety inspections and incident investigations. During 2020, the MPSC team:

- Conducted 980 inspection person-days.⁵ This included inspections of Consumers Energy's Saginaw Trail Pipeline Phase 4 construction, which concluded the project replacing a total of 94 miles of transmission pipeline in Saginaw, Genesee, and Oakland counties.
- Conducted 82 days of inspection activity at the direction of the Pipeline and Hazardous Materials Safety Administration (PHMSA) of interstate operators, including ANR Pipeline Company; Vector Pipeline L.P.; NEXUS Gas Transmission, LLC; Northern Natural Gas Company; and Great Lakes Gas Transmission. This inspection activity included both scheduled inspections as well as emergent investigations related to pipeline incidents.
- Authorized and monitored the replacement of approximately 300 miles of gas distribution pipelines made of cast iron, bare steel, or other at-risk materials, and approximately 22,000 meters inside homes through accelerated infrastructure replacement programs of gas utilities serving Michigan customers, including (DTE Gas, Consumers Energy, SEMCO, Northern States Power of Wisconsin, and Michigan Gas Utilities).
- Identified 170 violations of the Michigan Gas Safety Standards and levied \$160,500 in civil penalties.
- Investigated 17 natural gas incidents involving any of the following: fatality, injury, property damage of \$50,000 or more, and/or unintentional gas loss of three million cubic feet or more.
- Implemented its new on-call procedure for receiving reports of, and responding to, natural gas pipeline emergencies. This new procedure increases efficiency and makes the incident reporting process more streamlined.

⁵PHMSA required pipeline safety partners to track "inspection person-days" rather than "inspections." An inspection person-day accounts for an inspector's activities in a single day, which may include covering multiple operators, inspection units, or inspection forms. It also accounts for inspection person-days for each inspector when multiple inspectors jointly conduct an inspection or investigation.

- Granted authority by the U.S. Department of Transportation’s Pipeline and Hazardous Materials Safety Administration for a new inspection and enforcement program covering pipeline safety regulations in 49 CFR Part 192 for intrastate underground natural gas storage facilities. This new inspection program will receive additional federal funding and will be conducted jointly in 2021 with the Michigan Department of Environment, Great Lakes, and Energy’s Oil, Gas, and Minerals Division through delegation of the MPSC’s authority under Public Act 165 of 1969.

As the onset of the COVID-19 pandemic forced a change in how many Michigan residents and businesses operate, the MPSC pipeline safety inspection staff were able to quickly transition inspections that are normally conducted on-site, such as inspections of procedures, plans, and records, to virtual meeting platforms. Certain field inspection activities such as construction, maintenance, and incident investigations continued to be in-person and on-site as necessary, using social distancing. Staff successfully completed a majority of the required inspections, although some field inspections will need to be completed in 2021.

MISS DIG Oversight

The leading cause of damage to underground utility infrastructure is from third parties such as excavators. Hitting natural gas or electrical infrastructure during excavation or other digging poses significant safety risks. To prevent such damage, the MISS DIG Underground Facility Damage Prevention and Safety Act (Public Act 174 of 2013) was instituted and the MPSC is responsible for its statewide administration and enforcement. The MPSC’s responsibility under the act includes:



- investigating facility damages and complaints involving potential violations of the Act;
- maintaining information on damaged facilities; and
- making damage data publicly available.

Public Act 174 provides civil and criminal penalties for violation, including a general civil enforcement process and a specific enforcement process for local governments, which are also administered by the MPSC. In 2020, there were 23 gas pipeline incidents involving excavation damage reported to the MPSC under PA 165. The investigation of these types of incidents resulted in a total of 6 enforcement actions and \$2,500 in civil penalties assessed against excavators and pipeline facility operators. The MPSC also received a total of 39 complaints under PA 174, which resulted in a total of 17 enforcement actions and \$122,500 in civil penalties assessed against

parties involved in excavation of underground facility operations.⁶ Additionally, the MPSC conducted proactive inspections of excavation activity and damage notifications, which resulted in a total of 40 enforcement actions and \$38,500 in civil penalties assessed against parties involved in excavation.

The MPSC also supported MISS DIG and other public education efforts, partnered with utilities, state agencies, and local partners to reinforce the important safety message to “call 8-1-1 before you dig.” While the MPSC enforces Public Act 174, MISS DIG is an independent organization that receives notifications of intent to excavate and communicates that information to the facility operators so they can respond.

Completion of 2019 Ray Compressor Station Fire Investigation

On January 31, 2019, a fire at the Consumers Energy Ray Natural Gas Compressor Station in Macomb County led to a statewide natural gas emergency amid a polar vortex cold snap. MPSC gas safety staff responded immediately to the emergency and spent several days conducting on-site investigations with representatives from Consumers and several other agencies. The Commission undertook a detailed investigation into the root cause of the fire and concluded its investigation in May 2020 ([Case No. U- 20463](#)).

Based on the investigation, the Commission determined that the root cause of the Ray Station fire was grounding interference on the electrical system of the facility. This grounding interference led to automated “blowdown” procedures in which natural gas is released to the atmosphere for worker and public safety. When combined with the record low temperatures and high winds, the natural gas did not disperse as it normally would but rather came into contact with nearby plant equipment which operates at a high temperature, igniting the airborne gas and causing the fire.

The MPSC Staff identified a violation of federal safety standards during the emergency shut down of the station because the discharge created a hazard. Staff resolved the enforcement action with Consumers Energy who agreed to pay a \$10,000 fine, the maximum amount allowed by law.

⁶ The MPSC receives notice of potential violations of the Underground Damage Prevention and Safety Act (Public Act 174) in three main ways and initiates investigations as appropriate. First, the MPSC requires information related to incidents of excavation damage to be submitted directly by the underground facility owner or operator on a quarterly basis and these filings may lead to an investigation. Second, if an excavator is involved in an incident reported under the Gas Safety Standards (Public Act 165), the MPSC will investigate the excavator to determine whether there are any violations of Public Act 174 while also investigating the pipeline operator for violations of Public Act 165. Finally, complaints of potential violations may be initiated by property owners, excavators, utility operators, or other affected parties for both damages to underground facilities and events not involving damage such as near misses resulting from excavation or blasting.

The design of the Ray Compressor facility was modified as part of the repairs made at the plant to bring it back into service. While other compressor stations do not present the same risk of a fire due to design differences, the Commission ordered Consumers Energy to submit a systemwide evaluation of blowdown systems and document mitigation of any existing risks on the system.

Cybersecurity

In 2020, the Commission updated the Technical Standards for Gas Service, which promote safe and adequate gas service to the public, provide standards for uniform and reasonable practices by utility companies, and encourage efficiency and safety. The 2020 update reflects emerging technological advances in metering, equipment inspections and tests, removes obsolete technical specifications, and implements nation-leading cybersecurity standards.

Under the Commission's Technical Standards for Electric Service, regulated utilities are required to meet annually with MPSC Staff to provide an update regarding their cybersecurity plans and risk planning. While this was a challenge in the virtual environment demanded by COVID-19, Staff met with 16 of the 18 utilities subject to the rules (investor-owned and cooperative utilities). These meetings will expand to include jurisdictional gas utilities in 2021 under the newly updated Technical Standards for Gas Service. In December 2020, Staff submitted a report on the Technical Standards for Electric Service as part of the MI Power Grid initiative. The report recommended further rule changes to enhance the security of the electric system. The Commission is expected to undertake a rulemaking on these and other recommendations in 2021.

9-1-1 Cost Studies Report

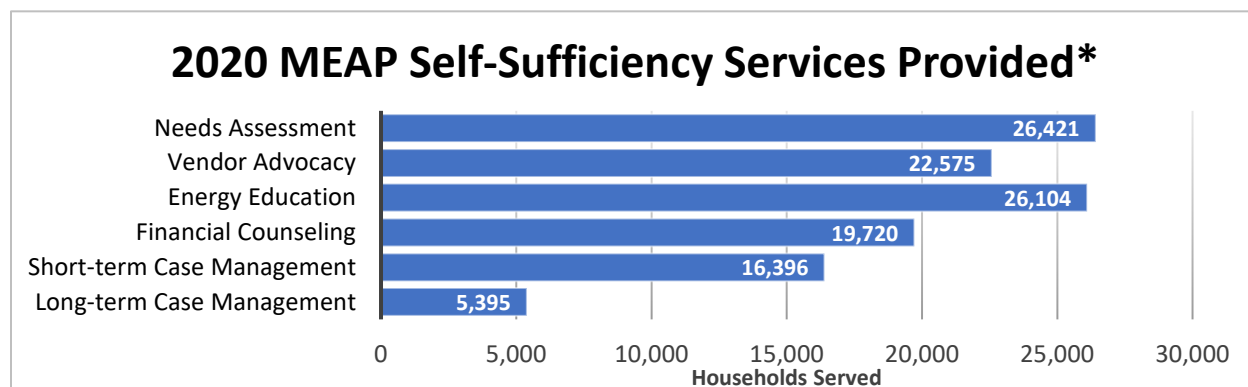
The MPSC Staff continued to review 9-1-1 cost studies, pursuant to Public Act 51 of 2018. In 2020, a total of eight cost studies were approved which covered 23 counties in Michigan. In addition to the review and approval of 9-1-1 cost studies, the Commission was also directed to provide a report to the Governor and Legislature regarding the actual and estimated costs of transitioning to an IP-based 9-1-1 service. This [report](#) was issued on December 1, 2020.

Consumer Protection and Customer Assistance

Michigan Energy Assistance Program (MEAP) Grants

MEAP grants provide energy assistance services that enable eligible low-income participants to become or move toward becoming self-sufficient in paying their utility bills. The Commission approves an annual assessment on utility customers as authorized by Public Act 95 of 2013 to fund the MEAP grants which are awarded through an RFP process to various local non-profits that provide payment assistance to low-income customers. The MPSC administers the MEAP through an agreement with the Michigan Department of Health and Human Services (MDHHS). The MEAP program is scheduled to sunset in September 2023.

The voluntary shutoff moratoriums implemented by many Michigan utilities resulted in fewer households initially seeking MEAP assistance than in previous years. However, MPSC Staff worked with MDHHS, the utilities, and MEAP grantees to proactively seek out customers with significant arrearages and utilize available resources, including increased federal assistance dollars, to drastically reduce outstanding customer unpaid bill balance going into the 2020/2021 heating season. Additional information regarding the efforts and impacts of MPSC Staff to address the unique challenges faced by customers and grantees during the COVID-19 pandemic is available in the [Fiscal Year 2020 Michigan Energy Assistance Program Report to the Legislature](#).



*Households may have received more than one service. A total of 39,576 households received some type of Assurance16 service.

Highlights of the 2020 program year include:

- Commission approval of a 91 cent monthly charge per meter in Case No. [U-17377](#) for all Michigan electric utilities opting to participate in the Low-Income Energy Assistance Program to fund the MEAP effective for the September 2020 through August 2021 billing months.
- The MEAP awarded \$54.5 million in grants to nine grantees across the state, providing assistance to 55,620 unduplicated low-income customers. Funding sources for MEAP included the Low-Income Energy Assistance Fund (LIEAF) and the Low-Income Home Energy Assistance Program (LIHEAP) federal Assurance 16 program for self-sufficiency services. (Some customers received both energy payments and self-sufficiency services.)
- The MEAP workgroup⁷ continued its efforts toward implementation of a single structure affordable payment plan for purposes of streamlining delivery of energy assistance. Where necessary, utilities adjusted their assistance timelines, allowing customers to enroll in 24-month affordable payment plans instead of the previous plans which varied by utility company. Additionally, adjustments to the assistance timelines allowed for utilities and MEAP grantees to deliver assistance year-round.

⁷ The MEAP workgroup consists of MPSC Staff, MDHHS Staff, utilities, and MEAP grantees, as well as other stakeholders.

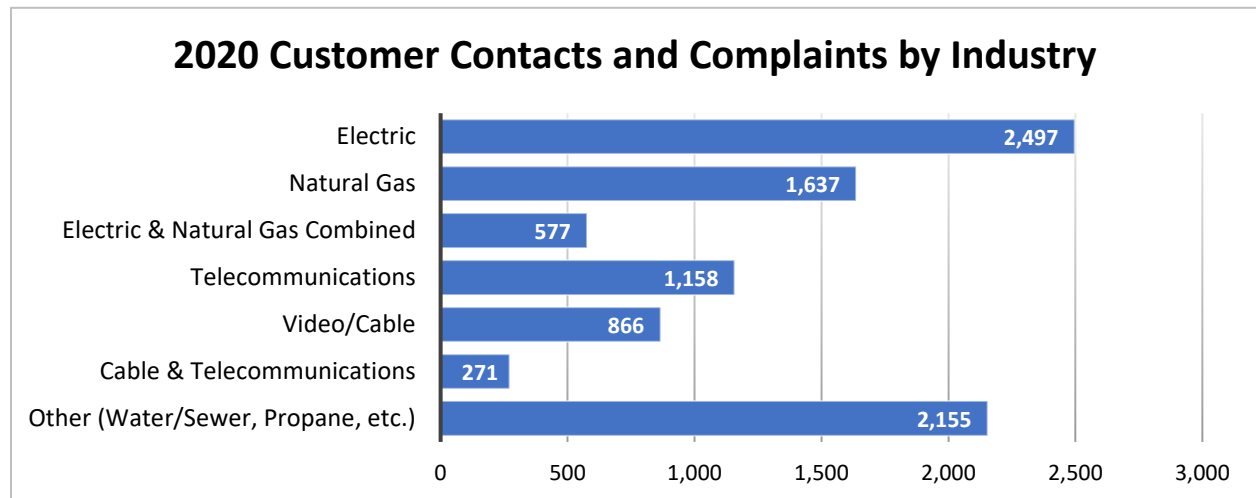
- The MEAP workgroup developed three sub-committees focused on: 1) Addressing issues related to potential affordable payment plans for propane customers; 2) Developing affordable payment plan opportunities which can lead to self-sufficiency for customers who do not meet current income eligibility criteria - focused this year on households with incomes under 20% of the federal poverty level; 3) Defining self-sufficiency and developing a common metric for determining when a customer on an affordable payment plan has achieved self-sufficiency.

Lifeline Eligibility for Telecommunications

The Lifeline program provides a discount for phone and/or broadband service for qualifying low-income customers. The Universal Service Administrative Company (USAC) reports that 258,200 Michigan customers are served through a Lifeline program (broadband, voice, or bundled services). Additional information about the Lifeline program can be found in the [Lifeline issue brief](#) published by the MPSC.

Customer Support and Complaint Resolution

The MPSC provides direct assistance to Michigan residents and businesses having problems with utility bills or service by operating a call center and handling general inquiries and customer complaints. In 2020, a total of 9,161 customers contacted the MPSC with a complaint or inquiry. Common customer complaints and concerns include service outages/interruptions, high bills, cancellation of contracts, and other matters outside of the Commission’s jurisdiction.



Customers who are not satisfied with the results of their informal inquiry or complaint may file a formal complaint for resolution with the MPSC. Formal complaints are coordinated by MPSC Staff and subject to various filing criteria which is readily available on the [website](#). During 2020, Staff received 15 formal complaint requests related to energy, with eight of those meeting the required criteria for adjudication. Due to the informal mediation work of the Staff, no formal disputes related to telecommunications were filed. For video services, there were two formal customer complaints filed in 2020, both of which were not found to be prima facie.

Telecommunications Outages

Before the sun set on May 19, 2020, the Edenville dam failed forcing the evacuation of thousands of Midland area residents and creating catastrophic flooding. In addition to significant property damage, the failure of the dam and subsequent flooding caused substantial damage to telecommunications infrastructure and facilities. Staff in the Telecommunications Division worked diligently with telecommunications providers to monitor the outages and ensure service restoration.

Following the failure of the Edenville dam, the Governor established the Dam Safety Task Force which was charged with providing recommendations on policy, budget, legislative, and enforcement reforms to prevent future dam failures across the state. MPSC Chair Dan Scripps represented the Commission on the task force.

In the summer of 2020, a damaged telecommunications cable within Pentwater Lake caused telephone outages in the surrounding area. The MPSC Staff received and processed several complaints from customers and worked with the telecommunications provider to ensure that the damage was repaired, and that telecommunications service was fully restored. Staff also ensured that individual customers received the appropriate outage credits.

Healthy Climate Work

In 2020, Governor Whitmer announced the MI Healthy Climate plan through Executive Directive 2020-10, which includes an economy wide carbon emissions reduction goal of 28% below 2005 levels by 2025. In response to this Executive Directive, the Commission issued an order in Case No. U-20633 directing Staff to include consideration of this emissions reduction goal into its recommendations for updating the utility planning process as part of the MI Power Grid stakeholder process. After soliciting extensive stakeholder input, Staff developed two options for the Commission to consider relevant to the IRPs that will be filed by the utilities prior to the updating of the IRP Planning Parameters and Filing Requirements in 2022. Details regarding these recommendations are available in the Staff Report "[Emissions Reporting Requirements for Utility IRPs](#)" available in Case No. U-20633. Importantly, the Commission's review of utility Integrated Resource Plans will continue to be made in accordance with the IRP statute.

Two Michigan utilities announced carbon emissions goals in 2020 as well. In February, Consumers Energy announced a goal to achieve net zero carbon emissions by 2040. In June, DTE Energy expanded on an earlier emissions reduction goal it had announced in 2019 and committed to achieving net zero carbon emissions by 2050 across both its electric and gas operations. The Commission will evaluate the actions of the utilities taken pursuant to achieving these emissions reduction goals based upon the standards articulated in statute and applicable precedent both as it relates to long term planning as well as rate recovery.

Customers are also seeking out opportunities to participate in reducing their carbon footprint and utilities are providing those opportunities through various voluntary programs. In 2020, citing market studies suggesting significant customer interest, DTE Gas Company filed an application in

[Case No. U-20839](#) requesting approval of a new Voluntary Emissions Offset Program (VEOP) pilot. This pilot program would allow participating customers to offset a portion of their carbon emission profile through a combination of carbon offsets (primarily through the Company's funding of forest management programs) and the use of renewable natural gas (sourced primarily from landfill gas or anaerobic digestion from wastewater treatment facilities or farm operations). DTE expects approximately 20,000 customers to enroll in this voluntary pilot program over the next 36 months. The Commission approved DTE's application in October.

Just and Reasonable Rates

Significant Rate Case Workload

Rate cases are a major undertaking involving MPSC Staff audits of financial and operational information, prudence review of capital investments and operating expenses, allocation of costs and the design of rates charged to customers, and other issues that are often highly contested. In 2020, the Commission handled six electric, natural gas, and steam rate cases in various stages of the rate case process throughout the year. Rate cases must be conducted under an expedited 10-month schedule set by statute.

The Commission issued final orders in three electric rate cases involving Consumers Energy, DTE Electric, and Indiana Michigan Power Company. The Commission issued orders in two gas rate cases involving two gas utilities in Michigan: Consumers Energy and DTE Gas. One steam rate case involving Detroit Thermal LLC was pending at the close of 2020.

The Commission approved \$570.7 million in rate increases in 2020, \$542.1 million less than what was requested by the utilities. The primary driver for rate case increases has been increased infrastructure investments to improve reliability and aging infrastructure. On average, the Commission approved 51% of a utility's proposed rate increase.

Rate Increases Deferred in 2020

While the Commission approved several rate increases during 2020, the Commission also received several requests for accounting authority and deferrals aimed in part at delaying the filing of rate cases in 2020. The primary result of delaying rate case filings is delayed rate increases for customers which was timely during 2020 due to the economic challenges posed by the pandemic on Michigan customers.

As outlined below, Northern States Power Company and DTE Electric both proposed accelerating previously approved deferred income tax amounts due to the Tax Cuts and Jobs Act to continue planned investments without increasing rates for a period of time. Michigan Gas Utilities and DTE Electric also requested special accounting treatment to delay requesting additional rate increases.

Company	Case No.	Amount approved*	Original rate case filing	Revised rate case filing
Michigan Gas Utilities	U-20797	\$5 million	March 2020	2021
Northern States Power	U-20901	\$878,463	June 2020	May 2021
DTE Electric	U-20835	\$108 million	July 2020	March 2021
DTE Electric	U-20921	\$40 million	March 2021	May 2021

**Amounts approved for deferral or special accounting authority to delay base rate increases will be reviewed for reasonableness and prudence in future cases.*

New Rate Designs

Rate design is evolving and aims to send the right price signals to customers to impact behavior. In 2020, the Commission approved new rates for distributed generation, electric vehicle charging, and made progress towards implementing summer on-peak rates.

Distributed Generation Tariffs

The 2016 energy law included a new distributed generation (DG) program to replace Michigan's existing net metering program and directed the MPSC to conduct a DG study and develop an equitable cost of service-based DG tariff for the program. The Commission approved the first two DG tariffs for DTE Electric and Upper Peninsula Power Company (UPPCO) in 2019 based on an inflow/outflow methodology. In 2020, the Commission approved DG tariffs for Indiana Michigan Power Company and Consumers Energy, also based on an inflow/outflow methodology. Additional information on the DG programs and tariffs may be found in an [issue brief](#) released by the MPSC.

Customer participation rates in DG tariffs have been increasing, steadily putting pressure on the program size limitations. In its 2019 rate case settlement, UPPCO agreed to double the size of its net metering and DG program to 2 percent of its average in-state peak load for the preceding five years. Likewise, Consumers Energy notified the Commission of its program expansion to 2 percent by filing a letter in the docket for Case No. U-15787 on December 21, 2020.

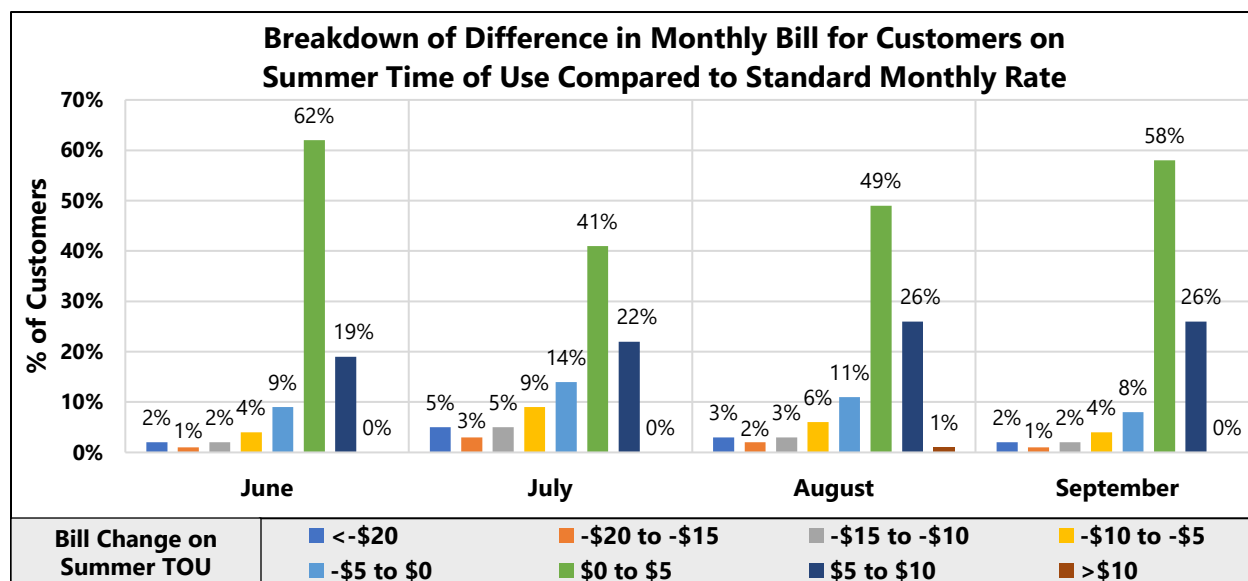
Electric Vehicle Pilots

Progress was made in 2020 with additional approvals of electric vehicle (EV) pilots through utility rate cases. In 2020, the Commission approved Indiana Michigan Power Company's "IM Plugged In" program, a plug-in electric vehicle pilot program that will include rebates up to \$2,500 for workplace, multi-unit dwelling and fleet incentives, and \$20,000 for interstate corridor direct current fast charging infrastructure. The Commission also reviewed projections for DTE Electric's EV programs and tariffs in 2020 and approved Consumers Energy's three-year PowerMIFleet pilot project to study the impact of increasing electrification of business vehicle fleets on the power grid. The Commission first approved Consumers Energy's PowerMIDrive pilot program to support the growing EV market in Michigan through new rates, rebates, and customer education, as well as DTE's Charging Forward program to better understand the market and its customers, learn

about EV load and its relationship to overall system load, and understand EV impacts on the electric distribution system, in 2019. Additional information on EV pilots approved by the Commission may be found in an [issue brief](#) released by the MPSC.

Summer On-Peak Rates

To improve price signals to customers, the Commission approved Michigan utilities to continue to work towards the full implementation of summer on-peak rates. In early 2019, the Commission ordered Consumers Energy to eliminate its residential summer “inverted block” rate (rate increases with increased monthly consumption in block increments) and replace it with on-peak and all-other hours rates. Consumers Energy piloted the implementation of its summer on-peak rate during the summer of 2019 and worked with the MPSC Staff to review the results of its 2019 pilot to make improvements prior to full implementation. Consumers Energy reported that most customers saw an increase of less than \$10 per month in the summer, and some even saw small decreases in the summer months during the pilot. The chart below highlights the impact on customer bills observed during Consumers Energy’s summer on-peak pilot in 2019.



The chart reflects the actual bill impacts to customers after they received outreach communications from the company. The actual results of the pilot have not been weather normalized or averaged, and due to changes in consumption behaviors attributable to the pandemic, customer impacts may differ for the upcoming transition for all customers.

In response to the uncertainty and expected impact of the coronavirus pandemic, particularly on the residential customer class during the expected implementation of the summer on-peak rate, the Commission approved an amended settlement agreement in Case No. U-20134. Under the agreement, Consumers implemented a revenue-neutral, uniform on-peak/off-peak power supply charge for residential customers instead of transitioning to summertime peak rates that had been set to be in effect June 1 to Sept. 30, 2020. The full implementation of Consumers Energy’s on-peak/off-peak rates is delayed until the summer of 2021.

DTE Electric received approval from the Commission for two new rates for its Advanced Customer Pricing Pilot (ACPP) in 2019 to be implemented in 2020-2021 in advance of full implementation in 2022. In Case No. U-20602, DTE Electric provided notice to the Commission that it had delayed the implementation of its ACPP due to the uncertainty and expected impact stemming from the coronavirus pandemic. DTE Electric requested the Commission approve its revised plans to begin enrolling customers in the ACPP starting in March 2021 and running the pilot for the following 12 months. Given this timing, DTE expects the pilot to conclude in time to support a 2022 rate case filing that would include requests for full implementation in 2023. This request was pending before the Commission at the close of 2020.

Voluntary Green Pricing Programs

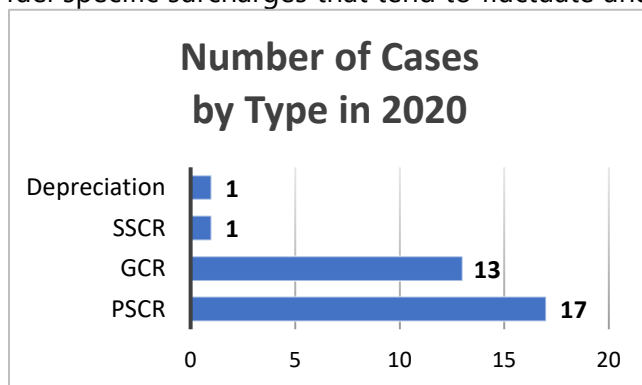
Voluntary Green Pricing (VGP) programs were established pursuant to Public Act 342 to allow customers to voluntarily purchase up to 100 percent of electricity from renewable sources from their utility. Electric providers whose rates are regulated by the MPSC must have their programs approved by the Commission. Customer participation in VGP programs has continued to grow. In 2020, the Commission approved updated VGP programs for Consumers Energy, Indiana Michigan Power Company, Northern States Power Company, Upper Peninsula Power Company, and Upper Michigan Energy Resources Corporation. For more information on VGP, see the MPSC's [Voluntary Green Pricing Issue Brief](#).

Fuel Cost Recovery Plans, Reconciliations and Depreciation

In the ratemaking process, a portion of the power, gas, and steam supply costs are recovered through a base amount that is included in base rates. The costs that exceed the base amount included are recovered through the following fuel specific surcharges that tend to fluctuate and may vary from month to month:

- Power Supply Cost Recovery (PSCR)
- Gas Cost Recovery (GCR)
- Steam Supply Cost Recovery (SSCR)

Costs are reconciled every year to recover actual fuel and purchased power costs and the cost of transmission service following a prudence review. Billions of dollars of expenses and the utilities' one-year and five-year plans for arranging fuel supplies to serve expected customer demand are reviewed annually.



Depreciation cases evaluate recovery of a utility's plant investment incrementally throughout the service life of the asset so that customers are only charged for utility assets that are used to provide them service. Depreciation cases are typically conducted every five years to ensure the accuracy of power plant life expectations and adjust depreciation rates accordingly.

PURPA Avoided Cost Rates

The Commission issued orders related to the continued implementation of the Public Utility Regulatory Policies Act of 1978 (PURPA) for rate-regulated electric providers. Under PURPA, the MPSC sets rates that electric utilities are required to pay qualifying facilities (PURPA QFs) which include cogeneration and small independent renewable power producers, based on avoided energy and capacity costs. Final orders establishing avoided costs and tariffs were issued for Upper Peninsula Power Company and Alpena Power Company. With final orders issued for all the utilities, the MPSC updated its [PURPA Avoided Cost Fact Sheet](#) in 2020.

Along with the approval of PURPA Avoided Costs, PURPA QFs and electric utilities worked on the studies necessary to safely interconnect QF projects and contract negotiations. Both Consumers Energy and DTE Electric continued to receive significant numbers of interconnection requests from PURPA QFs. During 2020, the Commission approved 48 [PURPA contracts](#).

The Federal Energy Regulatory Commission (FERC) issued Order 872 outlining significant changes to its PURPA rules and regulations.⁸ The changes include additional flexibility for states in setting avoided cost rates, including through the use of competitive solicitations, changes to the one-mile rule, revised regulations for a utility's obligation to purchase from a QF, changes to QF self-certification provisions, and provides specific guidance for states to determine legally enforceable obligations. In response to these changes to the FERC's PURPA rules and regulations, the MPSC solicited comments from stakeholders to determine how the MPSC should implement these changes in Michigan. At the close of 2020, this inquiry was pending before the Commission.

Federal Energy Regulatory Commission Advocacy

The MPSC remained active before the Federal Energy Regulatory Commission and regional transmission organizations (grid operators regulated by FERC) to monitor federal proceedings and represent the interests of Michigan ratepayers. In 2020, the MPSC made 17 filings in matters before the FERC and the Washington DC Court of Appeals. Highlights include:

- The MPSC intervened and recommended clarifications in FERC's Notice of Proposed Rulemaking (NOPR) to revise its regulations pertaining to sections 201 and 210 of the federal Public Utility Regulatory Policies Act of 1978. FERC issued Orders 872 and 872-A in 2020 outlining sweeping changes in PURPA regulations.
- The Commission advocated for refunds to reflect the pipeline companies' lower tax obligations under the federal Tax Cuts and Jobs Act (TCJA). The Northern Natural Gas case reached a settlement in 2020. The MPSC filed testimony and exhibits supporting TCJA adjustments, proxy group, and return on equity in the Panhandle rate case which was pending at the close of 2020.

⁸FERC issued Order 872-A on November 19, 2020 addressing arguments raised on rehearing and clarifying prior order in part.

- The MPSC monitored Bluewater Gas Storage’s application for a certificate of convenience and necessity to construct, own, and operate a FERC-jurisdiction new natural gas storage compressor station in Ray Township, Macomb County, Michigan (near Consumers Energy’s Ray compressor station). FERC approved Bluewater’s request in 2020 and the MPSC is monitoring the construction reports.
- The MPSC intervened and commented in several cases pertaining to changes to FERC-jurisdictional tariffs administered by regional transmission operators, MISO and PJM, serving Michigan. Issues related to transmission cost allocation, capacity market design, and energy storage.
- The FERC issued Order 2222 in 2020 removing barriers to distributed energy resources participation in wholesale markets affecting wholesale market rules, wholesale and retail tariffs and distribution interconnections going forward. The MPSC is participating in regional transmission organization stakeholder groups developing revised market rules.

Access Restructuring Mechanism Fund

The MPSC continues administration of the Intrastate Switched Toll Access Restructuring Mechanism (ARM), taking in monthly contributions from approximately 230 providers and disbursing \$8,750,665.29 to 35 eligible carriers in the fiscal year. More information on the ARM and the recalculation can be found in the current Annual [ARM Report](#) to the Governor and Legislature.

Infrastructure

Pipeline and Service Area Certification

In November, the MPSC granted Consumers Energy a Certificate of Public Convenience and Necessity for its Mid-Michigan Pipeline which will replace an existing line which runs between Ovid and Chelsea. The existing, twenty-inch line, which is more than 70 years old, will be replaced by a new thirty-six-inch line, expanding the capacity of the Consumers Energy system and improving system resilience by eliminating existing bottlenecks. Under the approval issued by the Commission, Consumers Energy will reroute significant portions of the line to avoid densely populated areas. In issuing its order, the Commission found that the proposed line serves the public convenience and necessity because it addresses corrosion issues, seam weld concerns, and other anomalies of the line, eliminates the existing bottleneck, and provides a more resilient and flexible natural gas system. The Commission also found that the pipeline’s engineering specifications meet or exceed the Michigan Gas Safety Standards. Construction is expected to occur in 2023 to 2024.

Enbridge Line 5

In April, Enbridge Energy Limited Partnership filed an application with the Commission seeking authority to construct a replacement pipeline that crosses the Straits of Mackinac and relocate that segment into a tunnel beneath the Straits of Mackinac (Line 5). Enbridge also requested a declaratory ruling from the Commission that it already had such authority pursuant to the 1953

order originally granting authority to construct Line 5. The Commission held the application in abeyance while accepting public comment related to the request for a declaratory ruling. Hundreds of public comments were received, and the Commission issued an order in June denying Enbridge's request for a declaratory ruling and establishing a full hearing process for the proposal.

Following the Commission's rejection of Enbridge's declaratory ruling request, Enbridge filed a motion seeking to limit and define the scope of review thereby defining the appropriate evidentiary scope for the parties. While the Administrative Law Judge overseeing the case initially granted portions of Enbridge's request, the November 13 revocation and termination of Enbridge's easement by the DNR and Governor Whitmer prompted the Commission to order further review of Enbridge's motion to determine whether this termination and revocation impacts the scope of review. A decision by the Administrative Law Judge relative to the scope of review in the case is expected in the first quarter of 2021.

With almost 500 people participating in the Commission's August 23rd virtual public hearing on the application, and more than 1,500 written comments received in the case as of the end of 2020, opportunities for the public to participate and easily follow the case developments is of critical importance to the Commission. For this reason, the Commission has established a dedicated webpage (www.michigan.gov/mpscline5) to explain the application process, provide an overview of Enbridge's request, detail public engagement opportunities, and provide easy access to case updates.

Barring any procedural delays, a decision is expected in this case by the end of 2021.

Lincoln – Traverse City Pipeline Loop

In April, the Commission approved DTE Gas' application for Act 9 Certificates of Public Convenience and Necessity for the Lincoln-Traverse City Pipeline Loop ([Case No. U-20640](#)) and the Frankfort Pipeline Loop ([Case No. U-20641](#)). The two pipelines are part of DTE's Traverse City-Alpena Reinforcement project which is designed to strengthen existing natural gas supply sources to customers in the Traverse City area and to ensure minimal customer disruptions during routing and emergency situations. Construction on the Lincoln-Traverse City Pipeline loop began in June and is expected to be in service in the first quarter of 2021. Once active, the Lincoln-Traverse City Pipeline Loop will provide redundancy and mitigate outage risk to approximately 18,000 customers in the Traverse City area. Construction of the Frankfort Pipeline Loop is expected to begin in May 2021.

Reliability

Electric Distribution Planning

The initial objective of this planning effort was to provide the MPSC and interested stakeholders a better opportunity to understand the current state of the utilities' electric distribution infrastructure, the anticipated investment needs and prioritization of investment in the coming years, and how advanced and emerging technologies impact the distribution planning process.

Aging infrastructure and less aggressive tree trimming have created safety and reliability challenges that must be addressed, and the Commission has authorized significant investments to meaningfully impact these issues, while acknowledging that systemwide changes will not materialize immediately.

Following the initial round of distribution plans, the Commission directed Staff to hold a series of stakeholder meetings that were part of the MI Power Grid initiative, culminating in a Staff [report](#) with recommendations on April 1, 2020. The Commission [Order](#) approving the Staff report, focuses on transparent and long-term electric distribution planning for the three utilities, with emphasis on the Commission's standing objectives for distribution planning: safety, reliability and resiliency, cost-effectiveness and affordability, and accessibility, as well as on the goals of the MI Power Grid initiative. In its Order, the Commission clarified that that it does not view each objective for distribution planning in a serial, myopic fashion, such as only focusing initially on safety, reliability, and resilience, then, after those issues are resolved, turning to cost effectiveness/affordability and accessibility. The Commission reiterated that instead, it views these objectives in an integrated fashion to maximize value for ratepayers. The Commission directed Consumers Energy, DTE Electric, and Indiana Michigan Power Company to file the second round of distribution plans in 2021 after receiving stakeholder comments on draft plans.

Integrated Resource Planning

Public Act 341 of 2016 instituted an integrated resource planning (IRP) process to examine options to meet long-term electricity needs considering reliability, cost, performance, environmental impact, and other considerations. In 2020, the Commission issued final orders on IRPs for Upper Peninsula Power Company, DTE Electric, Northern States Power Company, and Indiana Michigan Power Company, completing the first round of IRP cases pursuant to the statute.

A common theme among the recent IRPs is the continued transition from coal-fired electric generation to cleaner forms of energy, such as wind, solar, and energy waste reduction (EWR). Some of the drivers for the transition away from coal to increased investments in renewable energy include aging infrastructure, environmental regulations, economics, customer demand for cleaner energy, and voluntary utility company carbon reduction goals.

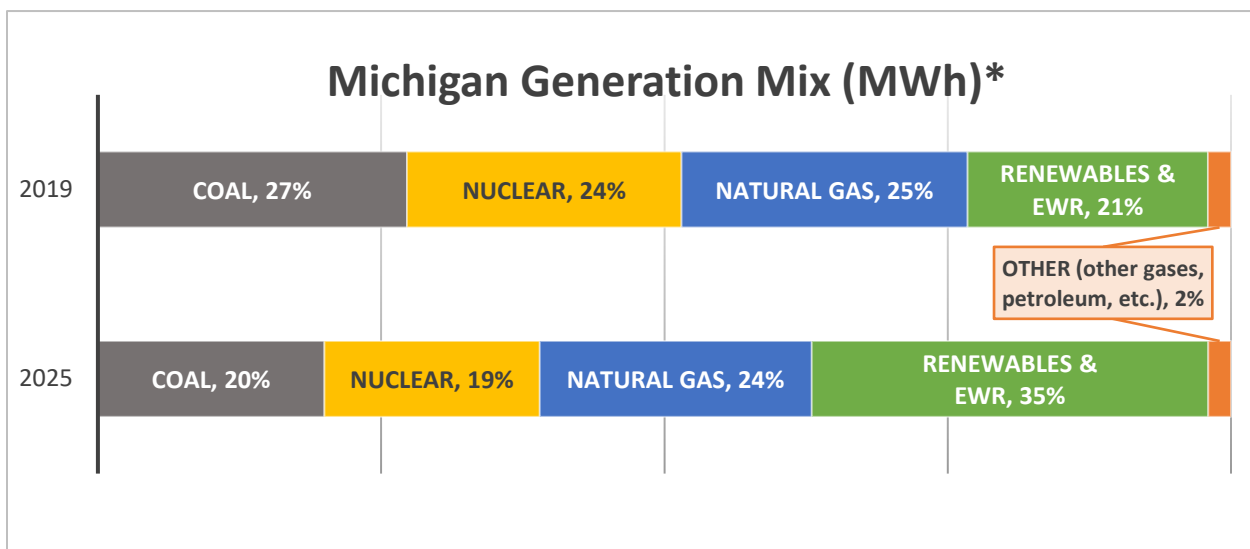
Michigan utilities took steps in 2020 to solidify plans to retire baseload coal and nuclear generation in the state. DTE Electric filed its [River Rouge Power Plant Community Transition Plan](#) requested by the Commission in Case No. U-20651. The Commission approved a financing [order](#)

RENEWABLE ENERGY AND ENERGY WASTE REDUCTION

Electric providers have demonstrated that they achieved the required 12.5% renewable portfolio standard which is an increase from 10% in 2015. Michigan electric and natural gas providers have consistently reached their annual Energy Waste Reduction targets, and in most cases continue to exceed the statutory requirement.

authorizing Consumers Energy to issue securitization bonds to lower the cost of recovery for its D.E. Karn 1 and Karn 2 coal-fired plants planned to be retired by 2023. The financing order provides certainty regarding the rate recovery of those assets following retirement and allows the use of lower-cost debt, saving ratepayers money in the long run. The Commission is also participating in an Energy Transition Impact Project interagency workgroup, led by the Michigan Department of Treasury, examining transition issues in local communities stemming from the retirement of power plants, including the Palisades Nuclear Power Plant in New Covert, MI. The Palisades plant will retire in 2022 after the expiration of a long-term power purchase agreement that had been in place with Consumers Energy. The Commission previously approved a [settlement](#) in Consumers Energy’s IRP outlining the addition of renewable energy and demand-side resources including EWR at levels of 2% annually, to offset the capacity it would lose from the retirement of the Palisades plant.

The MPSC continues to monitor the utilities plans and projects the following generation mix for the state in the coming years (Note, this would meet the non-binding goal in Public Act 342 of 35% of energy coming from renewable energy and energy waste reduction by 2025):



**Includes the full generating output of the Cook nuclear units. Changes in the calculation assumptions led to a slight decrease in 2025’s projections compared to last year’s projection. Demand Response is not included in the EWR percentage.*

Long-Term Resource Adequacy

In 2017, the Commission established state reliability mechanism (SRM) charges and capacity demonstration requirements pursuant to Public Act 341 to ensure all electric providers have enough capacity to maintain reliability and meet their customers’ needs over the long term. All electricity providers in Michigan, including investor-owned utilities, cooperatives, municipal utilities, and alternative electric suppliers annually demonstrate electric capacity resources such as ownership of electric generating facilities, capacity contracts, and energy waste reduction or demand response programs to serve their respective customers for the next four years.

Following Staff review in 2020, the Commission determined in [Case No. U-20590](#) that electricity providers demonstrated enough capacity to meet the requirements for planning year 2023/24, obviating the need for customers of alternative electric providers to pay the local utility to arrange capacity on their behalf. The Commission noted Staff's projections for the majority of Lower Michigan, specifically the Midcontinent Independent System Operator's (MISO) Local Resource Zone 7 (LRZ 7), show that even though electricity providers have continued to demonstrate sufficient levels of capacity to meet Michigan's requirements, that risk of not meeting MISO's local clearing requirement (LCR) in its Planning Resource Auction (PRA) exists over the next several years. Under MISO's tariff, capacity is priced at the Cost of New Entry (CONE), or the net cost of a new natural gas combustion turbine, when the local clearing requirement is not met. In its [Order](#), the Commission noted that while the Staff projected in March 2020 a slim margin of surplus with respect to the LCR for LRZ 7 based on the most recent data available, this year's PRA results for LRZ 7, published in June, revealed a shortfall of 123 MW.⁹ The Commission noted that the possibility that its projections for meeting future requirements for upcoming or future planning years will vary from actual experience in the MISO PRA each spring due to changes in MISO requirements, load levels, and/or resource availability over time. The Commission published an [issue brief](#) in 2020 with additional information.

Capacity demonstrations for planning year 2024/25 were filed in December 2020 and will continue through February 2021 in [Case No. U-20886](#).

[Ongoing Litigation regarding Michigan's Capacity Requirements](#)

Section 6w of PA 341 of 2016 was enacted to enhance the reliability of Michigan's electric grid, by requiring all electric providers to secure sufficient supplies of electric capacity to serve their anticipated customer needs four years in advance. In Case No. U-18197, the Commission found that the statute granted the MPSC authority to impose a locational requirement on individual energy providers. Specifically, the Commission found that it could require that a portion of the energy used to serve providers' load come from within the applicable MISO zone (Zone 7 for providers in a majority of the lower peninsula and Zone 2 for providers in the Upper Peninsula). In June 2018, in Case No. U-18444, the MPSC approved a methodology to establish a location requirement applicable to individual providers and established a locational requirement for capacity demonstrations through planning year 2023. These orders were appealed by ABATE and Energy Michigan and the Court of Appeals held in favor of the appealing parties in 2019.¹⁰

However, in April 2020, following briefing and oral arguments, the Michigan Supreme Court issued a unanimous decision holding that PA 341 of 2016 granted the MPSC authority to impose a

⁹ See: [MISO Update for MPSC dated 6/10/2020](#).

¹⁰ The Commission granted a stay of the forward locational requirement established in U-18444 pending the outcome of the ABATE and Energy Michigan appeals.

locational requirement applicable to individual providers. The Court then remanded the case to the Court of Appeals to address whether the process used by the Commission to set the locational requirement complied with the Administrative Procedures Act.

In a unanimous decision issued by the Court of Appeals in December, the Court upheld the actions of the Commission in setting the locational requirement applicable to individual providers holding that there were no violations of the APA.¹¹

Because the methodology and locational requirement applicable to individual providers set by the Commission in U-18444 extended only through the 2023 planning year, and because these capacity demonstrations have already occurred, a new contested case will be required should the Commission wish to move forward with setting a locational requirement applicable to individual providers. Due to the timing of capacity demonstration filings, it is unlikely that any such locational requirement applicable to individual providers could be applied prior to the 2025 planning year.

One case¹² is still pending in the U.S. Eastern District Court of Michigan regarding the Commission's ability to set a locational requirement applicable to individual providers in Michigan.

Capacity Import / Export Limit Expansion Study

On September 11, 2019, the Commission published its Statewide Energy Assessment in [Case No. U-20464](#) at the request of Governor Whitmer following the reliability issues experienced during the Polar Vortex in 2019. In conjunction, Governor Whitmer and then-Chairman Sally Talberg sent a [letter](#) requesting that MISO, among other things, work with Commission Staff and stakeholders on solutions to increase Michigan's import capability. MPSC Staff convened stakeholder meetings in 2020 in cooperation with MISO to facilitate the development of the [scope](#) of the study to include three scenarios.

Study Targeted CIL Expansions	
Local Smaller-Scope	Approximately 500 MW incremental increase in capacity import limit
Local Larger-Scope	Approximately 1,500 MW incremental increase in capacity import limit
Regional	3,000 MW+ incremental increase in capacity import limit

During 2020, MISO provided updates to Michigan stakeholders through its existing stakeholder process. To date, MISO has completed the modeling for the first two scenarios and, as a result of the input from this study, has changed the methodology used to model the capacity import limit.

¹¹ Following the Michigan Supreme Court decision, Energy Michigan filed an appeal of the Commission's order in U-18197 in Federal Court. This appeal is pending.

¹² Energy Mich., Inc. v. Mich. Pub. Serv. Comm., No. 2:20-cv-12521 (E.D. Mich. Filed Sept. 14, 2020)

The [status update](#) provided by MISO at the end of 2020 shows that near-term 500 MW incremental increase (Scenario 1) in capacity import limit can be met without additional infrastructure due to a change in the modeling methodology. For Scenario 2, the 1,500 MW incremental increase in capacity import limit would require revised siting locations for future generation projects, potentially at zero cost, or infrastructure projects with alternatives ranging from \$22.8 million to \$159.5 million. Scenario 3 which looks for 3,000+ MW of incremental capacity import capability in 2035 with significant amounts of renewable generation additions, is expected to be completed in 2021.

Telecommunications Planning

Broadband Expansion

During 2020, the MPSC Staff participated on a task force with other state departments and agencies for the Connecting Michigan Communities (CMIC) broadband grant program. The CMIC 1.0 grant awards of more than \$11 million were announced on October 8, 2020. The CMIC 1.5 initial award recommendations of more than \$5 million were published on November 23, 2020. The Steering Committee is also working on the CMIC 2.0 grant program which plans to award more than \$14 million in additional funds for projects that extend broadband service into unserved areas of Michigan.

In December 2020, the FCC announced Phase 1 awards of more than \$16 billion as part of the Rural Digital Opportunity Fund (RDOF). This Phase 1 auction targeted homes and businesses in census blocks entirely unserved by 25/3 Mbps¹³ broadband service. Michigan bidders received awards of almost \$363 million in support expected to be paid out over ten years to extend service to 249,263 locations. Auction winners must be designated as an Eligible Telecommunications Carrier (ETC), must be licensed telecommunications providers, and must offer standalone Lifeline voice services. Several Michigan auction winners will need to apply for ETC designation and become licensed telecommunications providers in order to meet the terms of the awards. Staff will work diligently to ensure these applications are processed within the timeframe pursuant to the RDOF terms and Michigan Telecommunications Act.

Discontinuance of Service

The Telecommunications Division handled five notices from providers of basic local exchange service seeking to discontinue the service pursuant to Section 313 of the Michigan Telecommunications Act (MTA). These notices were the first from telecommunications providers seeking discontinuance of service since the amended Section 313 of the MTA became effective

¹³ 25/3 Mbps represents a minimum download speed of 25 megabits per second and upload speed of 3 megabits per second to meet the FCC's definition of "broadband".

on January 1, 2017. In the discontinuance case of Talk America Services, LLC (Case No. U-20623), the Commission received several customer complaints and a request from a customer to open an investigation into the availability of comparable voice service with reliable access to 9-1-1 and emergency services in the service area in which Talk America Services was discontinuing its service. The Commission then issued an order and directed all competitive and incumbent local exchange carriers operating in Talk America Services territory to file statements listing the comparable voice services they provided in that area. The Commission also requested that all wireless and VoIP providers file such statements as well. After the receipt of the filings by the providers, the Commission issued an order on January 23, 2020 along with a press release, consumer alert, and social media announcement to inform the Talk America Services customers of the comparable providers in that area. The Commission concluded its investigation in June 2020 after the customer complaints were resolved and the discontinuance process was completed.

Conclusion

The Commission had a productive 2020, working on statutory and operational priorities and ensuring alignment with the state's energy policy and telecommunication goals. As always, the MPSC continues its commitment to work with the Governor and Legislature on energy and telecommunications matters to improve infrastructure, enhance services, and ensure appropriate protection of Michigan residents and businesses.