

# ISSUE BRIEF

June 29, 2022 | Docket No. [U-21090](#)

## Consumers Energy 2021 Integrated Resource Plan



### 1. What is an Integrated Resource Plan (IRP) and why is it important?

An Integrated Resource Plan (IRP) is a roadmap of how an electric utility plans to meet the future electricity needs of its customers in a cost-effective and reliable manner. An IRP addresses issues such as the utility's expected customer demand, the retirement of current generation resources, the amount of anticipated or planned new generation resources, and the timing for building or acquiring the new resources. An IRP also addresses programs that help customers cut energy waste which can impact utility bills, electric reliability, and the environment in the short term and well into the future. This transparent planning process was established in PA 341 of 2016 which directs all rate-regulated utilities to submit IRPs to the Michigan Public Service Commission (the Commission) for review and approval.

### 2. When was Consumers' last IRP approved?

Consumers Energy's last IRP was [approved](#) on June 7, 2019, in MPSC Docket No. [U-20165](#). The approved IRP was the result of a contested settlement agreement entered into by many parties to the case and represented a "significant change to the traditional utility business model" including a move to a greater mix of demand side resources and competitively bid renewable energy. More information on the previous IRP is available in the Commission's [Issue Brief](#).

### 3. How does the Commission evaluate an IRP?

An IRP is submitted for review through the Commission's contested case process. In addition to the utility and MPSC Staff (the Staff), several stakeholders generally intervene as parties to



the case and submit expert witness testimony regarding the proposed IRP to the case record.

To approve an IRP, the Commission must determine that the utility proposal represents the "most reasonable and prudent" means of meeting the electricity needs of the utility's customers. An IRP must appropriately balance factors related to resource adequacy, reliability, compliance with environmental rules, competitive pricing, and diversity of supply. An IRP must also determine whether levels of planned peak load reduction<sup>1</sup> and energy waste reduction, both of which can help to lower customer demand, are reasonable and cost-effective. The Commission considers all record evidence in the case in its evaluation of the IRP.

### 4. What are the major features of the settlement agreement?

Several parties entered into a [proposed settlement agreement](#) which was filed with the Commission in late April. Major features of the settlement agreement include:

<sup>1</sup> Peak load reduction can be achieved in several ways including, for instance, through utility demand response programs.

- The closure of three generating units at the J.H. Campbell coal-fired plant by May 31, 2025.
- The purchase of the Covert Generating Station, a natural gas-fired power plant in Covert Township. The purchase will be completed in 2023 and will add significant new generation capacity to the planning zone in which Consumers Energy operates.
- Providing for the availability of the D.E. Karn Generating Complex units 3 and 4 through May 2031.
- The addition of up to 8,000 MW of solar generation by 2040. The annual solicitation process approved in Case No. U-20165 will continue and will maintain a 50/50 structure with added flexibility around the 50% ownership provision while soliciting competitive power purchase agreements for the remainder.<sup>2</sup>
- The deployment of energy storage to 75 MW of storage by 2027 and 550 MW of storage by 2040
- A one-time solicitation for an additional 700 MW of capacity by 2025 which will be sourced from competitive bids.

The settlement also includes several agreements regarding accounting issues, addresses the utility's avoided cost methodology under the Public Utility Regulatory Policies Act of 1978 (PURPA), and continues a financial compensation mechanism incentive for power purchase agreements. Additionally, it outlines several commitments related to the company's next IRP including specific modeling and analysis that will be conducted and requires public engagement opportunities during the development of the next IRP.

Finally, the company agrees to donate \$5 million in 2022 to a fund that provides low-income energy assistance to Consumers Energy's electric customers and further commits to ongoing annual contributions of \$2 million.

<sup>2</sup> The Settlement Agreement requires the company to use "commercially reasonable efforts" to maintain this proportion for new resources from 2022 through the company's next IRP proceeding but provides that the company may own up to 60% of the new resources acquired in the solicitation process.

## 5. Did all parties agree to the settlement? Was there any opposition? If so, how was it handled?

Twenty parties to the case either joined in the settlement agreement or submitted statements of non-objection. These parties include Consumers Energy, the MPSC Staff, the Attorney General, customer advocates representing both residential and business customers, environmental organizations, and others.

When a settlement agreement is filed, each party has fourteen days to file either an agreement, objection, or a statement of non-objection to the agreement (Administrative Hearing Rule 792.10431 - Rule 431). Objecting parties are provided an opportunity to submit evidence and arguments in opposition to the agreement.

In order to approve a proposed settlement agreement, the Commission must make the following findings:

- The Commission must find that the public interest is adequately represented by the parties who entered into the settlement agreement.
- The Commission must find that the settlement agreement is in the public interest and represents a fair and reasonable resolution of the proceeding.
- If any party objects to the settlement agreement (a "contested settlement"), the Commission must also find that the settlement agreement is supported by "substantial evidence on the record as a whole."

Four parties to the case (the Biomass Merchant Plants, Energy Michigan, Mackinac Center for Public Policy, and Wolverine Power Supply Cooperative, Inc.) filed objections to the settlement agreement.

Pursuant to Rule 431 discussed above, the Commission provided an opportunity for the objecting parties to submit evidence and legal briefs on the proposed settlement agreement. The Commission reviewed the evidence submitted by

all parties regarding the settlement agreement and found that the parties to the agreement adequately represented the public interest, that the settlement agreement is in the public interest and represents a fair and reasonable resolution of the proceeding, and that the agreement is supported by substantial evidence on the record. Therefore, the Commission approved the settlement agreement, which became effective immediately upon the Commission's issuance of the order.

#### 6. Several parties objected to the settlement agreement based on concerns related to projected capacity shortfalls. Did the Commission address these concerns in its order?

In its [order](#) approving the settlement agreement, the Commission observed that the agreement provided for more generating capacity in the planning zone than was included in the company's originally filed IRP proposal in the short-term, the medium term, and the long-term, an outcome that is expected to help mitigate capacity concerns (June 23, 2022 Order, Pg. 91-92).

However, the Commission also acknowledged that the objecting parties were concerned with projected capacity shortfalls across the planning zone if retiring generators are simply replaced by acquiring existing resources in the zone that are currently serving other utility customers without accounting for the effects of that shift on other providers in the zone. Because all providers are tied into the same system, a shortfall for one provider is likely to impact others. The Commission stated that “[w]hile the market construct . . . allows for the pooling for resources to lower the total cost to customers, this market construct means that the planned retirements and resource decisions of one utility impact the customers of those utilities within the [planning] Zone . . . .” (Order Pg. 92).

The Commission further stated that, while each utility individually “is not expected to plan for the entirety of the [planning zone], it is also clear that a deficiency in any part of [the planning zone]

would increase the likelihood of grid outages for all customers in [the planning zone], including those served by Consumers” (Order Pg. 92). In order to ensure future IRPs appropriately consider zonal resource adequacy in addition to simply the resource requirements of a particular utility, the Commission directed Staff to include a requirement for utilities to consider the impacts of their proposed IRPs on the resource adequacy of their own customers and the applicable planning zone in order to assist the Commission in determining whether a proposed IRP will meet the resource adequacy needs of the planning zone (Order Pg. 93).

#### 7. When will Consumers file its next IRP?

Pursuant to the agreement and PA 341 of 2016 ([MCL 460.6t\(20\)](#)), the company will file its next IRP by June 23, 2027.