

Integrated Resource Planning

1. What is an Integrated Resource Plan?

An Integrated Resource Plan (IRP) is a **plan developed by an electric utility which outlines its future resource strategy** – how the electric utility will provide reliable, cost-effective electric service to its customers while addressing the risks and uncertainties inherent in the electric utility business.

2. Why is an IRP important?

IRPs **ensure reliable electric service in Michigan**. As demand shifts and electric utility generation resources age and evolve, resources must be added and retired consistent with reliability standards, environmental requirements, and in the most cost-effective way.

3. Why are electric utilities developing IRPs?

Section 6t of Public Act 341 of 2016 requires Michigan electric utilities whose rates are regulated by the Michigan Public Service Commission (MPSC) to submit IRPs to the MPSC for review and approval. It also requires the MPSC to determine modeling parameters and assumptions for utilities to use when filing IRPs, and to issue an order establishing filing requirements, including application forms and instructions, and electric utility filing deadlines for IRPs.

4. Has the MPSC established requirements for IRP filings?

Yes. The MPSC issued an [order](#) on November 21, 2017 approving the **Michigan Integrated Resource Planning Parameters** (MIRPP) which established required scenarios and sensitivity analyses to be included in electric utility IRPs. The MPSC also issued an order on December 20, 2017 approving **filing requirements** and an initial **filing schedule** for electric utility IRPs.

5. How were the IRP requirements developed?

In March 2017, Staff from the MPSC, Michigan Agency for Energy, and the Michigan Department of Environmental Quality initiated a **collaborative process with stakeholders** to address the requirements of Section 6t. Throughout the spring and summer eleven stakeholder meetings were held leading to the development of the Draft Integrated Resource Planning Parameters, commonly known as the “Strawman Proposal.” In accordance with Section 6t, the Strawman Proposal contained proposed modeling scenarios, along with multiple assumptions and sensitivities related to load growth, fuel prices, generating resources, energy waste reduction, demand response, and other variables for each scenario. The MPSC also conducted studies on Michigan’s potential for additional demand response and energy waste reduction to help inform the Strawman Proposal.

Following the issuance of the Strawman Proposal, **three public hearings were held across the state** to garner feedback on the proposal, and **written comments** on the proposal were accepted by the MPSC. The MPSC carefully reviewed all the comments and input received regarding the Strawman Proposal. Subsequently, the MPSC approved the MIRPP, which lays out the required scenarios to be modeled by utilities in the development of their individual IRP applications.

6. What are the IRP modeling scenarios?

The MIRPP contains four modeling scenarios, each with associated sensitivity analyses:

- (1) The **Business as Usual scenario** studies the future of the electric supply landscape assuming status quo conditions continue throughout the planning period.
- (2) The **Emerging Technologies scenario** analyzes the potential impact to that could result from reduced costs for emerging technologies that include demand response, energy waste reduction programs, large and small-scale storage, as well as solar energy.
- (3) The **Environmental Policy scenario** is only applicable to Lower Peninsula utilities, and studies carbon regulations, modeled by placing a hard cap on the amount of allowable carbon emissions through the twenty-year time horizon.
- (4) The **High Market Price Variant scenario** is only applicable to Upper Peninsula utilities, and evaluates the impact of significantly higher than expected natural gas prices and energy market prices.

7. What is the IRP planning period?

The IRP planning period is the length of time over which a utility must provide a forecast in its IRP. For the MIRPP, **the planning period is a minimum of twenty years, with specific reporting of 5-year, 10-year, and 15-year projections** to the MPSC.

8. What is the timeframe for utilities to submit an IRP?

Each electric utility is required to file an IRP with the MPSC by April 20, 2019. The December 20, 2017 order includes a schedule of filing dates for each regulated electric utility in Michigan. The first IRP is expected to be filed in June 2018, and IRPs are not allowed to be filed closer than 21 days from another electric utility's IRP filing.

9. What must the MPSC take into consideration when reviewing an IRP?

The MPSC must consider whether the proposed integrated resource plan represents **the most reasonable and prudent means of meeting the electric utility's energy and capacity needs.**

10. What is the IRP process for utilities located in multiple states, such as those serving customers in both Michigan and Indiana?

Utilities serving customers in both Michigan and another state with an established IRP process may submit their IRP **consistent with the other state's IRP filing requirements**, consistent with Section 6t(4) of Act 341. The MPSC still reserves the right to request any additional information as it relates specifically to Michigan.

11. What is the IRP process for smaller electric utilities?

An electric utility with less than one million customers **may request a waiver** of any portion of the IRP filing requirements provided it includes discussion and justification when it files its IRP application. In

addition, an electric utility with less than one million customers may also request approval to file a joint IRP with other smaller utilities.

12. How often are IRPs required to be submitted?

Section 6t(1) requires that the IRP parameters, required modeling scenarios and sensitivities, applicable reliability requirements, applicable environmental rules and regulations, and the demand response and energy waste reduction potential studies be re-examined every five years. The next proceeding to conduct these assessments and gather input will commence in July 2022. After updating the IRP parameters, utilities will file new IRPs in accordance with those new parameters. In short, **utilities will file IRPs at least once every five years.**

13. What are the benefits of having an approved IRP?

An approved IRP **allows for the electric utility to obtain pre-approval for the recovery of costs of specific near-term projects proposed in its IRP.** Customers also benefit from reliable electric service being provided in the most cost-efficient manner.

14. What happens if the MPSC does not approve an electric utility's IRP?

The electric utility may choose to **submit revisions** to its IRP within 60 days to the MPSC for approval. The electric utility may also choose to proceed with any planned construction, purchase, investment, or power purchase agreement as outlined in the IRP; however, without approval, there is no pre-approval of cost recovery for those projects or investments.

15. What are the next steps?

In mid-year 2018, **Michigan regulated electric utilities will begin submitting their individual IRPs** to the MPSC for approval. If the IRP is approved, the electric utility may include the approved planned project costs in subsequent cost recovery cases. If approval is not granted, the electric utility may choose to submit a modified IRP or proceed with planned projects without pre-approval of cost recovery.

In early 2022, MPSC Staff will commence an informal stakeholder engagement process to develop updated draft Michigan Integrated Resource Planning Parameters. By July 2022, the MPSC will commence a formal proceeding for vetting IRP scenarios and sensitivities with utilities and stakeholders before the next round of electric utility IRP filings would be required. The IRP process takes place on a five-year cycle.

For more information, visit:

www.michigan.gov/energylegislation

MPSC Case No. [U-18418](#): Michigan Integrated Resource Planning Parameters

MPSC Case No. [U-18461](#): IRP Filing Requirements

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