



March 5, 2020

Ms. Lisa Felice
Executive Secretary
Michigan Public Service Commission
7109 West Saginaw Highway
PO Box 30221
Lansing, MI 48909

Re: MPSC Case No. U-20147 – In the matter, on the Commission’s own motion, to open a docket for certain regulated electric utilities to file their five-year distribution investment and maintenance plans and for other related, uncontested matters.

Dear Ms. Felice:

Enclosed for electronic filing in the above-captioned proceeding, please find Michigan Municipal Association for Utility Issue’s comments on the draft Electric Distribution Planning Stakeholder Process report. This is a paperless filing and is therefore being filed only in PDF.

Sincerely,

Rick Bunch
Executive Director



STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own motion, to open a docket for certain regulated electric utilities to file their five-year distribution investment and maintenance plans and for other related, uncontested matters.

Case No. U-20147

MICHIGAN MUNICIPAL ASSOCIATION FOR UTILITY ISSUE'S COMMENTS ON DRAFT ELECTRIC DISTRIBUTION PLANNING STAKEHOLDER PROCESS REPORT

The Michigan Municipal Association for Utility Issues (MI-MAUI) appreciates the opportunity to submit these comments and the Commission's efforts to develop inclusive and comprehensive electric distribution system planning processes

MI-MAUI is a non-profit municipal membership association that provides technical support and a collective voice to local governments in their relationships with regulated utilities and in MPSC proceedings. The views, thoughts, and opinions expressed herein belong solely to MI-MAUI, and do not necessarily represent those of municipalities, organizations or individuals associated with MI-MAUI.

We applaud the development of this report and the Commission's commitment to more rigorous, long-term, inclusive and transparent distribution system planning processes. Local governments care about distribution system planning, investment and maintenance for two reasons:

- Electric distribution systems commonly occupy public rights of way, which local governments are responsible to manage for the public good;
- Local governments, as the elected leaders of a community, are best positioned to recognize and balance the costs of distribution system development and maintenance activities with the community's needs for the benefits of reliability and resilience.

As such, we advocate that municipal governments should have specific and reserved representation in distribution system planning processes. Furthermore, distribution utilities should have specific responsibilities to coordinate prioritization, planning and implementation of distribution system projects with municipal governments of areas impacted by the projects.

The draft report includes several statements about stakeholder engagement in distribution system planning. We support those statements in general but advocate greater specificity concerning the rights and roles of municipal governments, for the reasons stated above.

Specific examples of distribution system planning and projects that should involve municipal governments include:

- Electric distribution plans should incorporate input from local officials and plans about community reliability and resilience needs. Local officials can advise distribution utilities where changes in capacity needs are anticipated, for example when new residential, commercial or industrial



developments are planned or approved. Local officials can also help prioritize reliability investments that benefit vulnerable ratepayers, or areas that have been hardest hit by reliability issues.

- Municipal officials manage various uses of public rights of way and can provide valuable coordination of projects and uses, to reduce costs and delays for providers and inconvenience for residents and businesses. Municipal officials are especially eager for improved coordination of road and sidewalk improvements with distribution utilities.
- Electric distribution system resilience should be planned as one element of overall community resilience, which local governments increasingly prioritize in their various planning efforts. Cost-effective community resilience cannot be achieved by planning elements of a complex system in isolation from each other, for example by planning electric distribution systems without regard for other ways that reliability and resilience might be achieved. Local resilience plans may be advanced most cost effectively by installation of microgrids, distributed generation and storage or community solar. The only way to achieve optimal overall outcomes is for distribution utilities to engage municipal officials in planning from the beginning, as well as in actual project implementation.

Comments filed by Consumers Energy stating that a stakeholder engaged distribution planning process would be an “intrusion into utility business practice...” fail to appreciate the rights and responsibilities of local governments to manage public rights of way and to represent needs of their communities. We cannot agree that a business activity that relies so heavily on the use of public property is a purely private business matter. The power of municipal governments to regulate distribution systems may be circumscribed by state and federal authority, but it is not extinguished. Regardless of legal authority, furthermore, it should be self-evident that communication and coordination with municipal authorities is vital to effective planning and management of electric distribution systems.

While local governments have a vital role to play in electric distribution system planning, they are also constrained in capacity and expertise. We recommend that distribution system planning processes:

- Include specific roles for representatives of municipal governments collectively;
- Include outreach and education efforts to municipal governments to make them aware of planning processes, how they might contribute and identified priorities for the distribution system investments;
- Include broader public communication elements such as public meetings.

Resilience, reliability and Benefit-Cost Analysis

The draft report grapples with the distinction between reliability and resilience. This is an important discussion for municipal governments, many of whom now reference resilience as a primary objective of all manner of local planning efforts. Local governments are concerned with maximizing overall community resilience through a complex systems approach – rather than investing in only one component such as the electric distribution system. We are concerned that any planning process that seeks to maximize reliability and resilience of only one component of the system will cost more, create duplication of or gaps in investment and ultimately prove to be less effective than a systems approach. In particular, many municipal governments see Distributed Energy Resources as key building blocks of local resilience. Solar PV with storage, other backup power sources, urban microgrids and other DERs can target investments in reliability and resilience where they are most needed and supplement electric grid services.



Therefore, we strongly support the draft report's discussion of resource diversity: "An important consideration to 'cost effectiveness and affordability' is resource diversity. Both HCA and NWA are directly tied to how accessible the distribution system can be to emerging technologies such as DER. HCA and NWA may serve as key components to resource diversity on the distribution system over time." These observations have important implications for Benefit-Cost Analysis (BCA), as the draft report also notes: "There are notable differences in the benefits and costs associated with energy efficiency and DER applications like distributed generation and energy storage, which may increasingly enter the distribution system."

With regard to these observations, we have two specific concerns about recommendations in the draft report.

- When Benefit-Cost Analysis (BCA) is performed to evaluate a potential distribution system investment, it is critical to include costs imposed on local governments, public lands and rights of way and communities, and likewise to consider how those projects benefit *overall* community resilience. For this reason, we are wary of continued default use of Utility Cost as the boundary for Benefit-Cost Analysis, since it considers only costs and benefits borne by the utility and ratepayers. The Utility Cost model also fails to properly capture the investments that a growing number of property owners are making in Distributed Energy Resources, which depend on the electric distribution system and in many cases create ancillary grid benefits. In sum, BCA must consider the costs borne, and the benefits created, not just by the distribution utility but also by many other stakeholders, among them local governments.
- For similar reasons, BCA must use time horizons to evaluate investment returns that reflect all affected stakeholders and resources, not only the utility's shareholders and bondholders. Governments and property owners typically expect significantly lower rates of return on investments, reflecting a longer-term investment mentality than is typical for private companies. Therefore, using a utility's Weighted Average Cost of Capital (WACC) as the default discount rate for BCA might eliminate many projects that would create long-term value from the perspective of local governments and communities. Put another way, when all costs and benefits are not borne by the distribution utility, it is not appropriate to discount cash flows using only the utility's WACC. We acknowledge that the draft report discusses these concerns, but ultimately recommends the Utility Cost test if the Commission elects to require only one BCA sensitivity.

The draft report recognizes these problems, but owing to disagreement among stakeholders or methodological hurdles it lacks specificity about how to address them. We are concerned that this lack of specificity will cause planning processes to default to traditional planning methods, including use of Utility Cost and WACC in BCAs, which would be increasingly out of step with the needs of communities and ratepayers and with the reality of how energy reliability and community resilience are enhanced. We urge the Commission to mandate multiple boundaries and sensitivities for BCAs, with clear guidance on the use of low-risk discount rates and treatment of non-monetized benefits.

Respectfully submitted,

Rick Bunch
Executive Director