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DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS  
LANSING

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# Memorandum

**DATE:** 7/25/2017

**TO:** Stakeholders interested in Michigan IRP Implementation

**FROM:** Cathy Cole, MPSC Staff  
Bonnie Janssen, MAE Staff  
Mary Maupin, MDEQ Staff

**SUBJECT:** Follow-up Q&A from July 17 meeting on Draft IRP Strawman

Thank you for your assistance in implementing the provisions of PA 341 Section 6t related to integrated resource planning. On July 17, Staff held a meeting to review the draft IRP Strawman document ([link](#)) which is posted for comments from stakeholders through July 31. The following questions were raised and clarifications are outlined below. Staff looks forward to receiving your written comments or proposed redline edits on the IRP Strawman by July 31. Please direct your comments or proposed edits to [colec1@michigan.gov](mailto:colec1@michigan.gov) and [janssenb@michigan.gov](mailto:janssenb@michigan.gov).

## Energy Waste Reduction:

1. Page 3 of the strawman document mentions an EWR supply curve. How will this be created and who will create it? *Staff will create the EWR supply curve using data and results from the 2016 EWR potential studies and supplemental EWR potential results from July 2017. Estimated time frame is the end of July. Results will be posted to the EWR Potential Study webpage.*
2. When considering EWR for the Upper Peninsula, is the Ontario Emissions Study still assumed? *The Ontario Emissions Study was one of several studies considered as a potential proxy for the Upper Peninsula, but it was not used in the estimate of the UP potential due to various constraints. The rough estimate of the energy waste reduction potential for the Upper Peninsula is being estimated by GDS Associates, using historical and forecast load data for the load serving entities in the UP, incorporating some of the assumptions from the Consumers Energy potential study to reflect a more disperse population density associated with the Upper Peninsula, and estimating higher avoided cost of electricity by reflecting higher electricity prices in the Upper Peninsula. These results are expected by the end of July.*

#### Environmental Sections:

3. The Coal Combustion Residuals (part of RCRA) might be on hold? Staff was not aware of any potential hold, but will check. *EPA has published a rule that regulates coal combustion residuals under Subtitle D of RCRA, therefore they have determined it is to be regulated as a non-hazardous waste. The rule is not likely to be stayed, but several of the compliance deadlines established in the rule may be extended.*

#### Business as Usual Scenario:

4. Low gas prices and low growth reduces the economic viability of alternative generation technology? Because we currently have low gas prices and we currently have low growth already, shouldn't the economic viability of alternative generation technology stay the same? *Staff invites stakeholders to comment on this and will consider revisions prior to releasing the second draft strawman into the docket.*

5. Some of the sensitivities are one-sided – just high or low. Shouldn't all of the sensitivities include both a high and a low? *Staff invites stakeholders to comment on this and will consider revisions prior to releasing the second draft strawman into the docket.*

#### Emerging Technologies Scenario:

6. Should we use the cost curves technology costs for EWR and DR instead of the costs from the potential studies? *The cost curves for EWR will be developed using data from the utility potential studies and the data from the supplemental scenarios. The cost curves for DR will be determined in the MPSC DR potential study that is underway.*

7. Should we remove the high demand from the scenario description and handle it in the sensitivity so that we can get a feel for the impact of the technology as opposed to changing too many things at once? *Staff invites stakeholders to comment on this and will consider revisions prior to releasing the second draft strawman into the docket.*

8. Should the list of advanced technologies listed on the separate excel spreadsheet be incorporated into the scenario narrative? *Staff will consider revisions to include more detail regarding the advanced technologies in the scenario narrative prior to releasing the second draft strawman into the docket. Stakeholder comments are invited on this issue.*

9. Regarding this bullet "Total resource limits for EWR and demand response programs are raised by the lesser of: 25% from their achievable level or the 50% of their economic level of potential as identified by their potential studies," is there double counting? If not should the company use its own potential study or the MPSC potential study? *The Commission-approved IRP scenarios resulting from this process must use the Staff DR potential study (results expected September 2017) and the EWR potential identified in the July 2017 supplemental EWR scenarios, which modeled among other things, emerging technologies. In utility-created IRP*

*scenarios, the utilities are free to choose the data source. The goal of this scenario is to model an increase in the level of DR available beyond achievable, but not make it so high as to be unrealistic (e.g. the full economic level). In order to clarify, the bullet in question should be changed to:*

- *The total resource limit for DR will be increased to the lesser of:*
  - *The achievable level identified in the potential study times 1.25 or*
  - *The achievable level plus half the difference between the economic and achievable level*
- *The total resource limit for EWR will be increased to:*
  - *The achievable level identified in the July 2017 supplemental potential study using aggressive assumptions*

Environmental Policy Scenario:

10. Carbon reductions should be reductions from business as usual case instead of from 2005 levels? *The environmental policy workgroup consensus was to tie it to a base year for consistency.*

11. Comment was made that the state of Michigan has already achieved something close to 25% reduction in carbon since 2005 levels and this scenario is only looking to go to 30%? Isn't that somewhat close to where we already are or the business as usual case? *Possibly, however there is a sensitivity proposed that would consider a 50% reduction. Staff invites stakeholders to comment on this issue further and would be open to increasing the carbon reduction above 30%.*

General Questions:

12. Should the individual workgroup whitepapers be included as an appendix? *Staff did not include them on purpose so that there would not be any confusion on what the actual requirements and guidelines would be in the events where some whitepaper comments and issues from one workgroup don't mesh up well with comments and issues from another workgroup. Staff will combine all of the whitepapers into a single document and post it to the website. The revised IRP strawman could discuss the development of the whitepapers by the individual workgroups and link to the combined document. Please comment further if interested.*

Excel Spreadsheet of assumptions:

13. The analysis period says a minimum of 20 years, however statute states 5, 10, 15 years. *Staff will modify this in the updated strawman, but Staff is interested in an overall time horizon that is greater than 15 years.*

14. For number 10, should we add in the cost curve information for EWR and DR? *Yes, this can be added as an information source for item 10.*

15. For number 17 renewable capacity factors – if the utility experiences different local capacity factors and the utility wants to use those local capacity factors as long as justification is provided, would that be acceptable? *Staff invites comments on this. Staff intends to consider providing a range of acceptable capacity factors and deviations from that range would need to be justified.*

16. For number 9, EWR has 2.5% listed. Is this a typo? Should this be 1.5%?  
*This is not a typo. Energy Waste Reduction is meant to compete as a resource option. With that in mind, the strawman proposal reflects that the EWR reduction mandated by law will be reflected as a net to the load forecast. (With the exception of utilities which qualify for the financial incentive and their incremental savings will also be reflected as a net to load.) Incremental EWR above 1.5% should be included as a resource option for the model to select and the strawman proposal recommends allowing the model to ramp the base 1.5% annual savings up to a 2.5% annual reduction, by 2021, and then continuing to allow the model to select additional EWR between the base 1.5% and 2.5% annual amounts based upon economic merit after 2021.*