

# Fiscal Year 2017 Budget Request

Michigan Agency for Energy  
Michigan Public Service Commission  
Department of Licensing and Regulatory Affairs

Presentation to  
House LARA Appropriations Subcommittee  
March 8, 2016



# Michigan Agency for Energy

## Mission

Ensure Michigan's energy future is adaptable, affordable, reliable and environmentally protective

- Agency created by Executive Order in 2015
- Combined elements of MPSC, Michigan Energy Office and DEQ
- Single entity dedicated to development and oversight of state energy policy, as well as a resource for state agencies regarding energy policy and programs

- FY 2017 Challenges
  - Generation
    - 25 coal-fired plants to close by 2020
    - How to replace that power
  - Distribution
    - Aging infrastructure
    - Outage risks
    - Investments in infrastructure
  - Environmental compliance
    - Coordination of requirements

# Michigan Agency for Energy

## Why Investment is Needed...

- Participate in key regional and national reliability decision-making processes
- Better energy coordination for emergency outages & related plans
- Coordinate multi-agency responses to federal mandates

## Potential Risks...

- Increased rate payer costs imposed without input
- Mandates not tailored for Michigan
- Risk social order breakdowns from long outages
- Duplicative and conflicting state requirements

# Michigan Agency for Energy

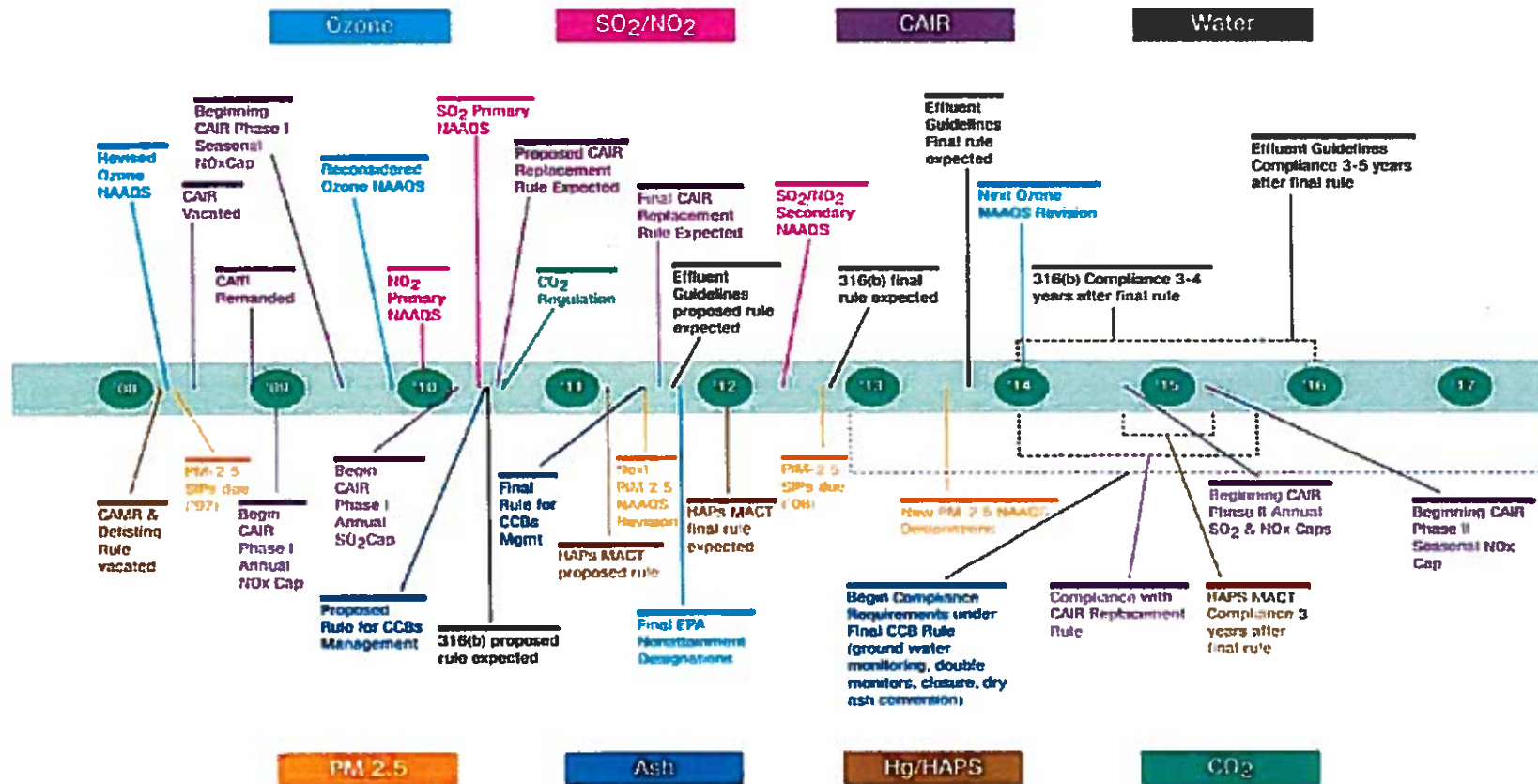
- Position – Reliability Standards Engineer
  - Concern: Increased costs without participation in decision-making
  - Past decision by NERC costing Michigan ratepayers tens of millions of dollars a year with no input
  - Allow Michigan to focus on regional and national organizations' reliability-related decisions
  - Alert MAE and MPSC to risks of cost shifts to Michigan ratepayers
  - Prevent ineffective and costly mandates

# Michigan Agency for Energy

- Position – Energy Emergency & Resiliency Engineer
  - Concern: Long-term outages from weather, cyber or terrorist attack and related social impacts
  - Outages impact both utilities and customers
  - Consumers spent \$48M on Dec. 2013 ice storm restoration efforts (their annual budget for storm restoration \$38M)
  - August 2003 blackout - \$220M metro Detroit, \$6B+ nationally
  - Better energy emergency coordination & resiliency planning
  - Outline vulnerable customer systems, develop petroleum readiness plans and evaluate energy systems which provide resiliency benefits

# Michigan Agency for Energy

## EPA Rules Affecting Power Plants in Michigan



- Position - Public Reliability and Interagency Liaison
  - Concern: New federal environmental regulations impact current and future generation
  - Eight different environmental rules affect Michigan power plants, with the potential for millions of dollars in compliance costs
  - Identify reliability issues, evaluate impacts and recommend responses
  - Institutionalize interagency coordination
  - Use knowledge to impact design or program implementation for lower cost environmental outcomes



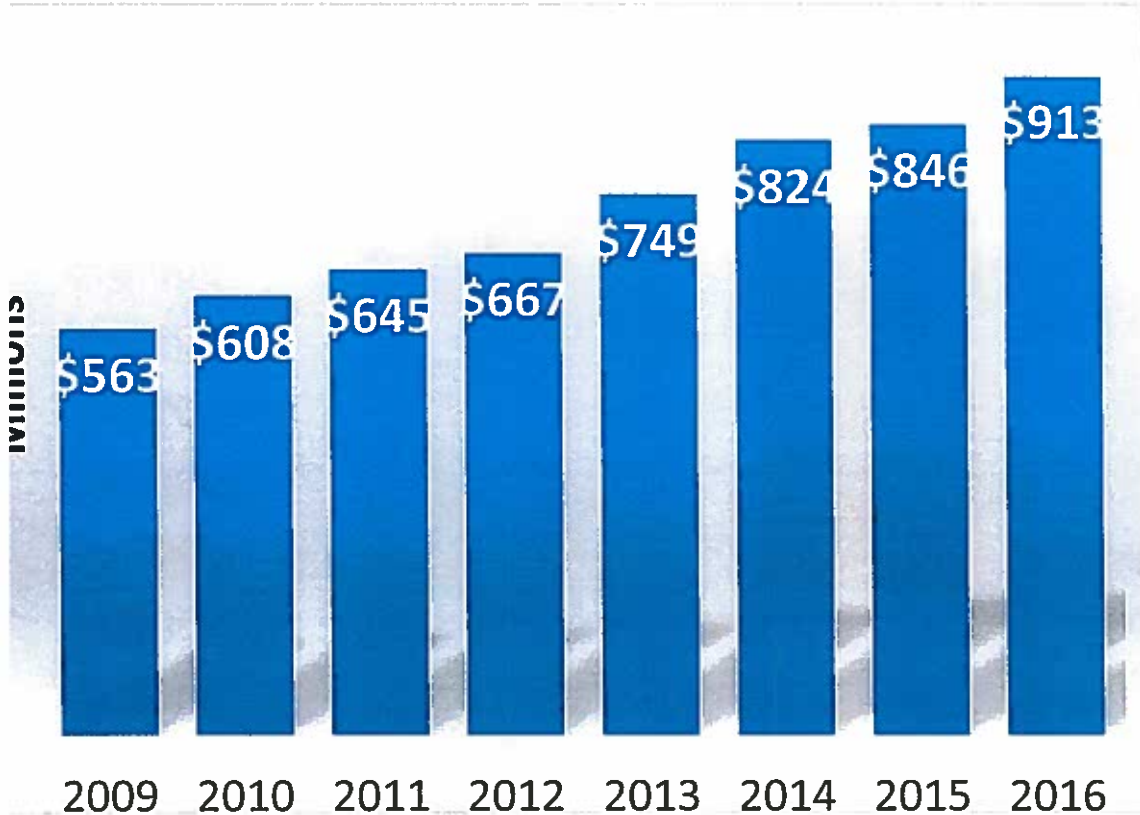
# MI Public Service Commission Overview

- Mission
  - Ensure safe, reliable energy and telecommunications at reasonable rates
- Key roles:
  - Review natural gas and electric utility investments and expenditures
  - Natural gas safety inspections and investigations
  - Siting of certain pipelines and transmission facilities
  - Telecommunications interconnection agreements and licensing
- Key priorities as chairman:
  - Staff development and retention
  - Infrastructure modernization
  - Adequate and diverse power supplies



MICHIGAN PUBLIC SERVICE COMMISSION

# Electric Distribution Infrastructure Investment



## New MPSC position –

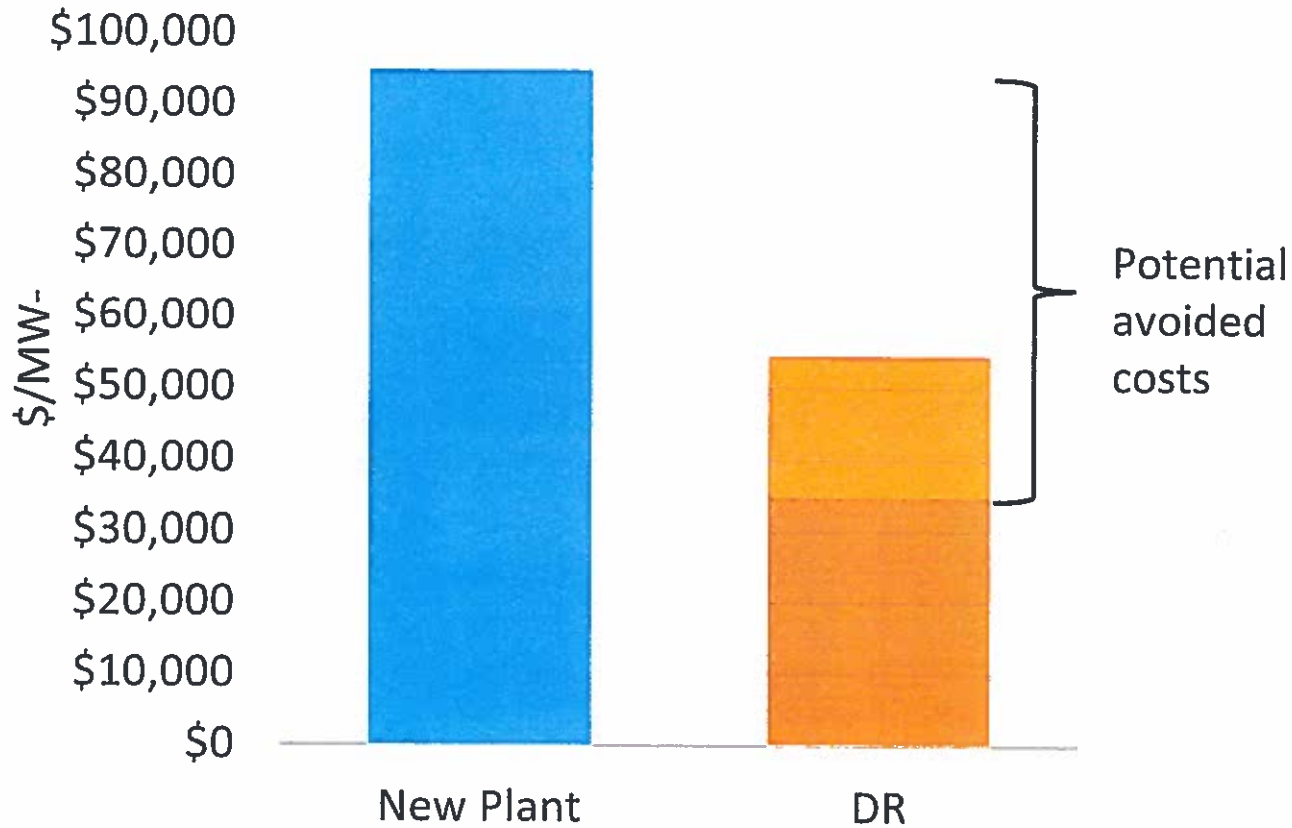
- Analyze utility requests to increase expenditures and recover distribution infrastructure costs
- Ensure investments will improve reliability and be cost-effective for customers

\*Electric distribution infrastructure investments by DTE and Consumers.



MICHIGAN PUBLIC SERVICE COMMISSION

# Peak Shaving



New MPSC position –  
Analyze ways that energy waste reduction and demand response/peak shaving can help offset need for building new power plants

New plant represents the “cost of new entry” or CONE as calculated by MISO. This represents the capital costs to construct a gas-fired power plant; MISO CONE price is \$94,830 per MW-year in 2015-16 planning year  
Estimated cost of Demand Response (DR) resources is ~30% to 60% of CONE (\$34,745 - \$54,491 per MW-year)



MICHIGAN PUBLIC SERVICE COMMISSION