

**Chairman Sally Talberg**

**Presentation to the  
House Energy Policy Committee**

**March 13, 2019**



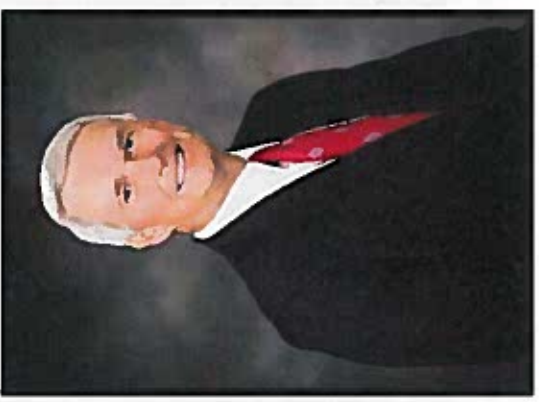
# Who We Are

~ 170 employees serving the public on public utility matters, with expertise in:

- Engineering
- Law
- Auditing
- Finance
- Economics
- Public administration



# Who We Are



**Commissioner  
Norm Saari**



**Chairman  
Sally Talberg**

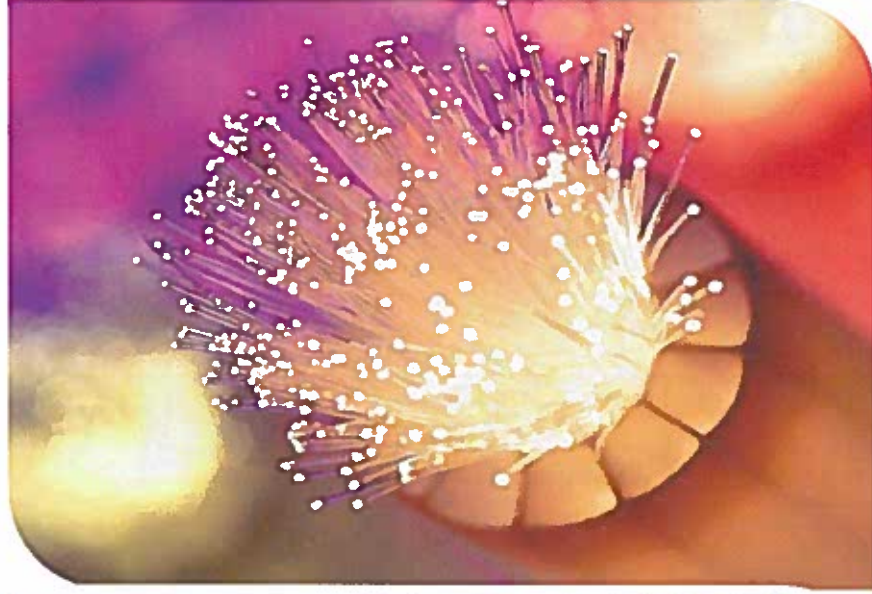


**Commissioner  
Dan Scripps**

**Electric**



**Telecom**



**Gas**



# Our Mission

Protect the public by ensuring safe, reliable, and accessible energy and telecommunications services at reasonable rates for Michigan's residents

## Key Priorities

- Modernize energy infrastructure
- Ensure long-term adequacy of power supplies at reasonable rates
- Adopt emerging technologies and approaches to regulation
- Facilitate transparent information sharing among all stakeholders in energy and telecommunication matters
- Promote staff development and opportunities

# MPSC Creature of Statute

- Commission only has authority provided by legislature
- No common-law powers
- Courts have clarified extent of MPSC authority, e.g.:
  - Union Carbide Corporation v. Public Service Commission, 431 Mich. 135 (1988)
  - Telephone Association of Michigan v. Public Service Commission, 210 Mich. App. 662 (1995)
  - Attorney General v. Public Service Commission, 231 Mich. App. 76 (1998)

# Major Functions

Setting Just and Reasonable Rates

Facility Siting & Need Determination

Customer Assistance & Protection

Reliability

Public Safety

Licensing & Fostering Competitive Markets

# Setting Just and Reasonable Rates

Intensive  
process to  
review  
investments  
and expenses





# Facility Siting & Need Determination



- Oil Pipelines
- Intrastate Gas Pipelines
- Certain Electric Generation, and Transmission Facilities

Review new infrastructure proposals



# Customer Service & Protection

## Protecting and serving Michigan ratepayers

- Resolve issues about utility service and billing through call center, informal and formal complaints
- Inform the public of utility issues relating to electric, gas, telecom, or video franchise (cable) matters
- Assure the delivery of energy assistance grants



# Reliability



## Consumers Energy Integrated Resource Plan

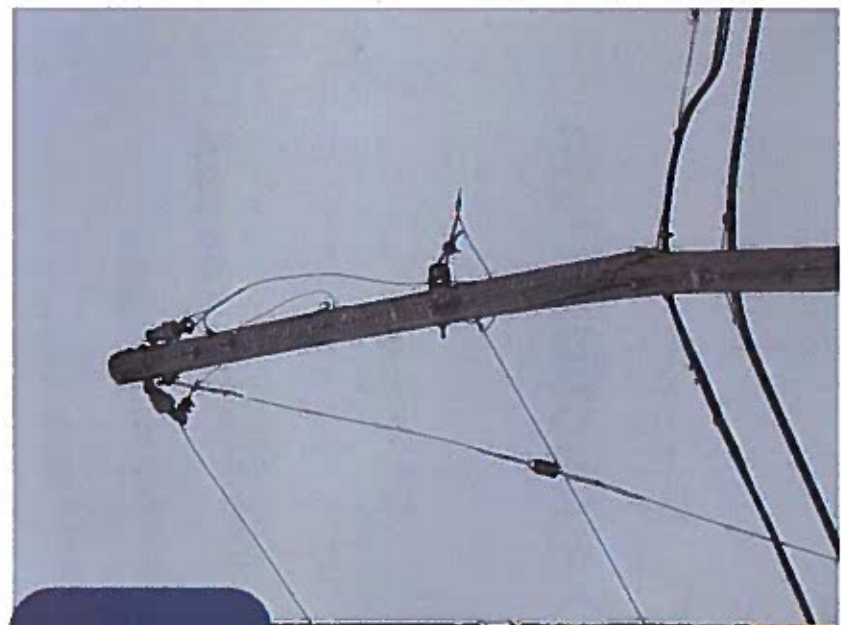
## DTE Energy 5-Year Distribution Plan



# Public Safety



911



Know what's below.  
Call before you dig.

Michigan 

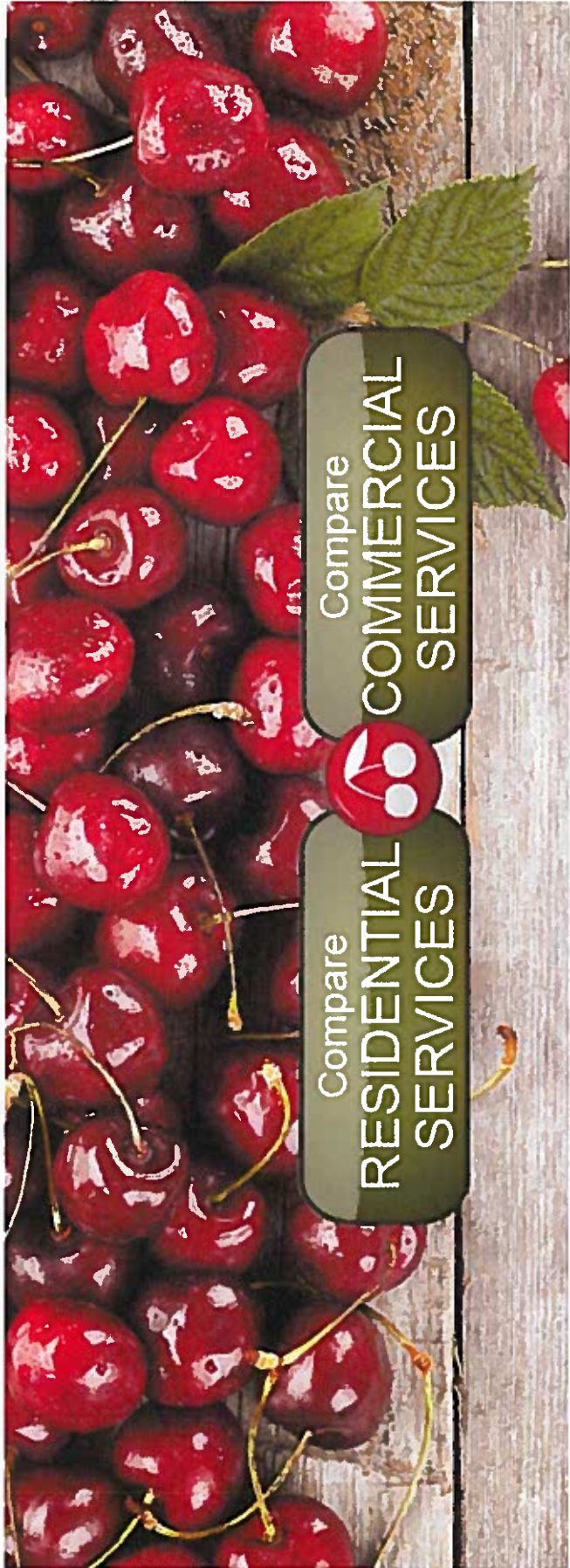
2-1-1™

Get Connected. Get Answers.

# Licensing & Competitive Markets



- [ABOUT CHOICE](#) ▾
- [COMPARE OFFERS](#) ▾
- [CUSTOMER INFORMATION](#) ▾
- [NATURAL GAS INFORMATION](#) ▾



# 2016 Energy Law Update: Impetus for Change

- Aging infrastructure
- Changing industry

Act No. 347  
Public Act 2015  
Approved by the Senate  
Effective Date: August 1, 2015

STATE OF MICHIGAN  
WITH LEGISLATURE  
REGULAR SESSION OF 2015

## ENROLLED SENATE BILL No. 437

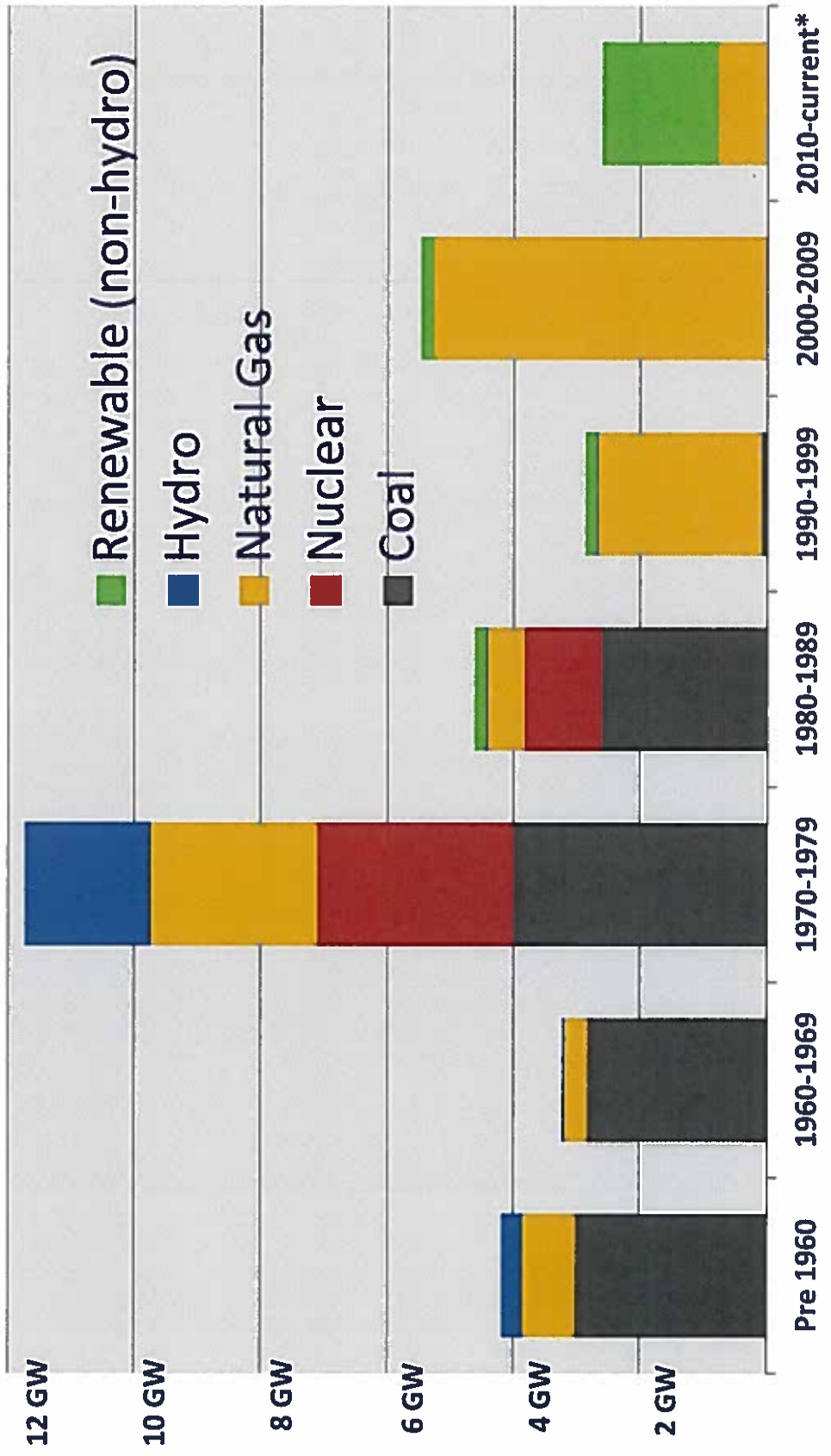
Act No. 347  
Public Act 2015  
Approved by the Senate  
Effective Date: August 1, 2015

STATE OF MICHIGAN  
WITH LEGISLATURE  
REGULAR SESSION OF 2015

## ENROLLED SENATE BILL No. 438

Act No. 348  
Public Act 2015  
Approved by the Senate  
Effective Date: August 1, 2015

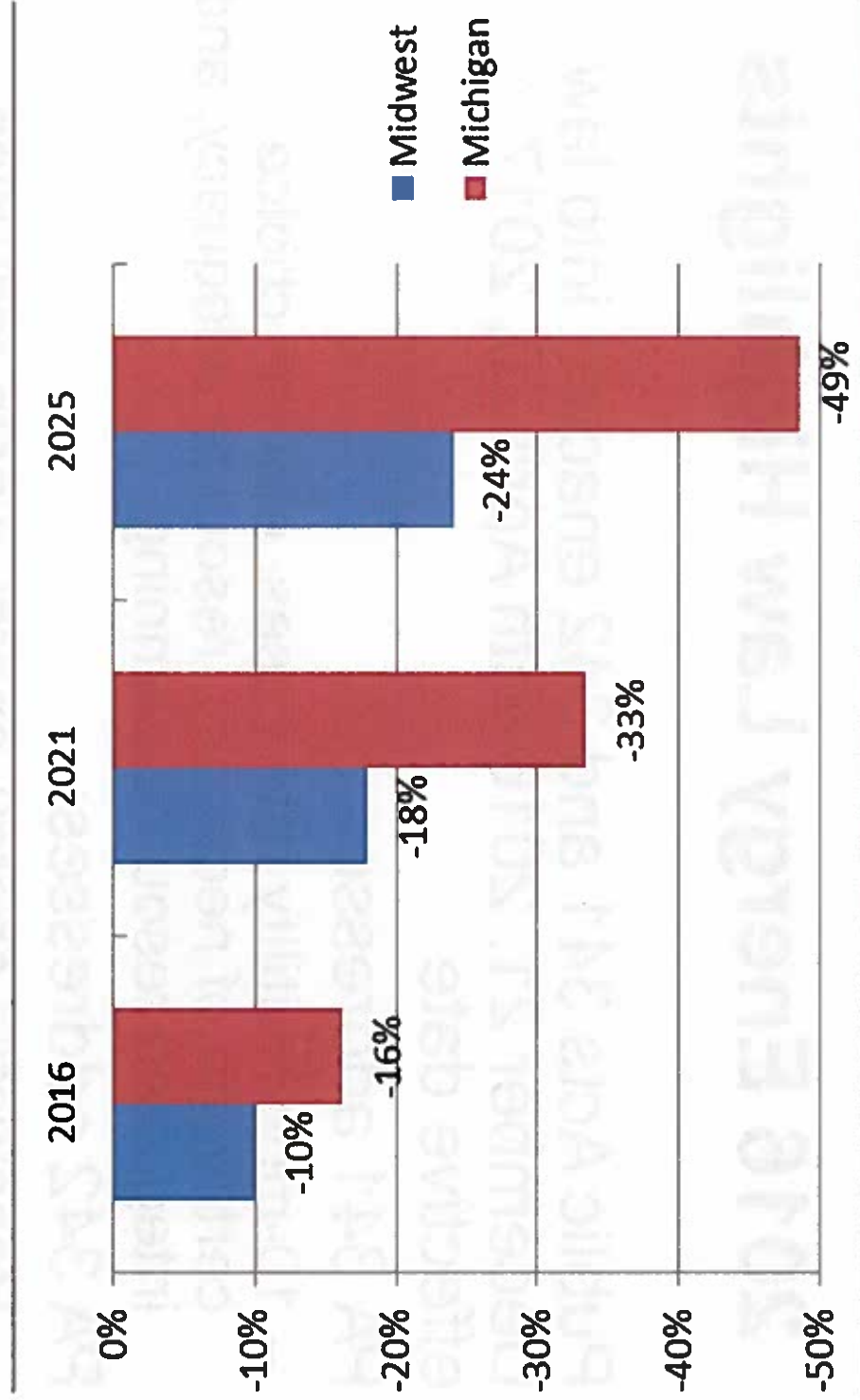
# What was built when in Michigan







# Reductions In Coal Capacity



## 2016 Energy Law Highlights

- Public Acts 341 and 342 enacted into law December 21, 2016 with April 20, 2017 effective date
- PA 341 addresses:
  - 10-month utility rate cases, electric choice, certificate of necessity, resource adequacy, and integrated resource planning
- PA 342 addresses:
  - Renewable energy, energy waste reduction, distributed generation, on-bill financing, and “green pricing” programs

Department of Licensing and Regulatory Affairs

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- Petroleum
- Renewable Energy
- Smart Grid
- Telecommunications
- Videos/Cable



MPSC / ENERGY LEGISLATION

**Energy Law Updates**

Public Acts 341 and 342 were passed on December 15, 2016, and signed by Governor Rick Snyder on December 21, 2016. PA 341 updates Michigan's energy laws relating to utility rate cases, electric choice, certificate of necessity, and electric capacity resource adequacy, and establishes an integrated resource planning process. PA 342 updates Michigan's energy laws relating to renewable energy, energy waste reduction, and distributed generation, and allows utilities to implement on-bill financing programs. The laws take effect on April 20, 2017.

Below, you will find general information about implementation tasks, staff leads for each of the tasks, implementation status updates, and ways to keep informed of stakeholder engagement opportunities. Click here to receive email updates.

Click here to access a calendar with information about energy legislation implementation meetings.

Task	Description	Statutory Section	Status
<b>Rate Case and Certificate of Necessity (CON)</b>			
Rate Case Filing Requirements	The new energy law shortens the deadline for rate cases to be completed from 12 months to 10 months. It also removes the ability of utilities to "self-implement" new rates after 6 months if a final order has not been issued by the MPSC. Existing filing requirements need to be updated to account for these, and related, changes.	MCL 460 6a	 Complete <a href="#">Click Here to See Update</a>
Certificate of Necessity Filing Requirements	Electric utilities are able to apply to the MPSC for a Certificate of Necessity to obtain new electric generation resources. The new energy law made changes to these provisions, and existing CON filing requirements need to be updated to account for these changes.	MCL 460 6s	 Complete <a href="#">Click Here to See Update</a>
<b>Integrated Resource Planning Process</b>			

# Implementation Task Page

MPSC / ENERGY LEGISLATION

## Rate Case Filing Requirements

**UPDATE 10/11/17:** Under PA 341, the Commission must decide rate cases within 10 months instead of 12 months, as previously required. In a July ruling, the MPSC adopted standard rate case filing forms and instructions, but questions subsequently were raised about specific wording used in the ruling and what that means for meeting the new deadline schedule.

The Commission ruled on October 11, 2017, in Case No. U-18238 that rate cases will be decided within the 10-month window required by the law, but that attachments to the final decision, including tariff rates sheets, can still be issued after the disposition of the case.

2016 PA 341 Sec. 6a shortened the amount of time the MPSC has to issue a final order in a rate case from 12 months to 10 months. It also eliminates the ability of a utility to self-implement a rate increase after 6 months if a final order has yet to be issued. Additionally, providers are required to provide notice to the MPSC prior to filing a rate case; small natural gas utilities have the ability to request "partial and immediate rate relief" as part of a rate case, and rate regulation is extended to steam utilities (in addition to electric and natural gas utilities). The MPSC needs to amend rate case filing requirements to account for these changes.

### Accomplishments

- Four orders issued
- Held two collaborative stakeholder sessions
- A 10-month schedule was created
- Partial and Immediate Rate Relief rules were added into the filing requirements
- Discovery and process guidelines were refined
- Part I, II, and III of the filing previous filing requirements were amended and attachments 1 through 13 were created

### Staff Lead:

Bill Slovak

### Additional Steps

- Convene a new collaborative on the rate case filing requirements by September 2020

### Task Reports

MPSC-approved Rate Case Filing Requirements

Staff's Final Proposal to the Commission

Staff's Draft Proposal to the Commission

### Task Events

June 21 - Deadline for comments on MPSC staff's final proposal

June 9 - Deadline for MPSC staff's final proposal filing

May 15 and May 22 - Collaborative sessions held by the Commission. Those who are interested in participating in the collaborative sessions must submit a letter indicating the names and contact information of their representatives via email to [mpscstafflocks@midMichigan.gov](mailto:mpscstafflocks@midMichigan.gov) or by fax to (517) 284-8304.

May 3 - Comments due on the MPSC staff's filing

April 10 - MPSC staff files initial proposal on the schedule and procedure for establishing new rate case filing requirements

### Task - Related Documents and Links

July 31 Press Release and Order approving amended rate case standard filing requirements

May 22 Collaborative Agenda

May 15 Collaborative Agenda

U-18238

# Hear From Us

## CONTACT INFORMATION

If you are interested in receiving additional information about specific work areas and learning about any public meetings taking place, please enter your contact information and choose a topic area to be added to the relevant email listserv.

## LISTSERV

- Select All
- Electric Choice
- Energy Waste Reduction
- Integrated Resource Planning Process
- Demand Response
- Distributed Generation
- Resource Adequacy
- Rate Case and CON
- Renewable Energy
- Other Items

Submit

# Where are we today?

60+



stakeholder meetings  
to solicit feedback  
and input

70+



orders by the MPSC  
implementing 18 identified  
legislative tasks

3

public forums



41

organizations  
participated in the  
integrated  
resource  
planning  
process



# Task 1: State Reliability Mechanism

- The **State Reliability Mechanism (SRM)** ensures sufficient electric supply for all Michigan electricity customers.
- **Capacity demonstrations** are formal filings by investor-owned utilities, municipal utilities, cooperatives, and alternative energy suppliers to document adequacy of electric capacity supplies to meet customer demand. Annual demonstrations made for upcoming four years.
  - If an AES has insufficient supplies, its customers pay the local utility a SRM charge, with the utility arranging default supplies
- The **Local Clearing Requirement (LCR)** sets a threshold for the amount of capacity sourced from a designated area, or zone as designated by the regional grid operator (MISO)

# Task 2: Distributed Generation

- Law phased out net metering for customers with on-site generation
- Grandfathered net metering customers 10 years from date of enrollment
- Required Commission to develop “appropriate tariff reflecting equitable cost of service” and apply tariff in utility rate cases filed after June 1, 2018
- First case is DTE Electric (decision May 2019)





## Task 3: Integrated Resource Plans

An IRP is a comprehensive 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 utility industry.

# Task 4: Renewable Energy Standard and Energy Waste Reduction

2017

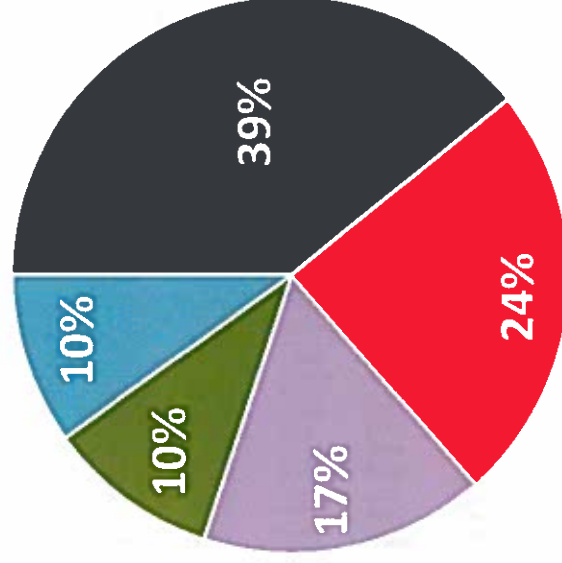
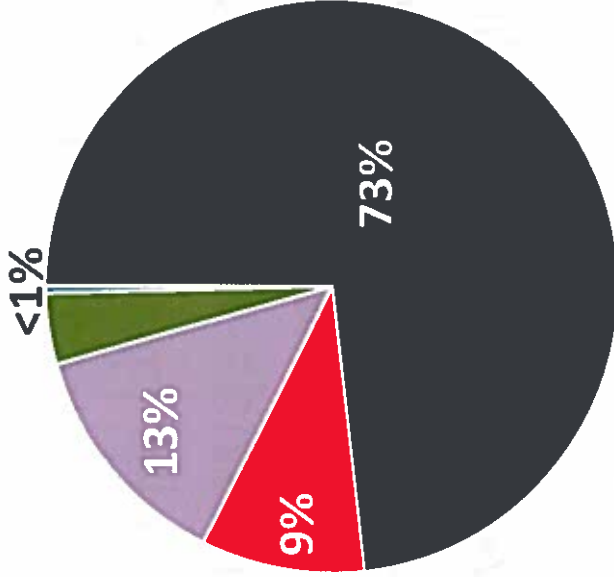
■ COAL

■ NATURAL GAS

■ NUCLEAR

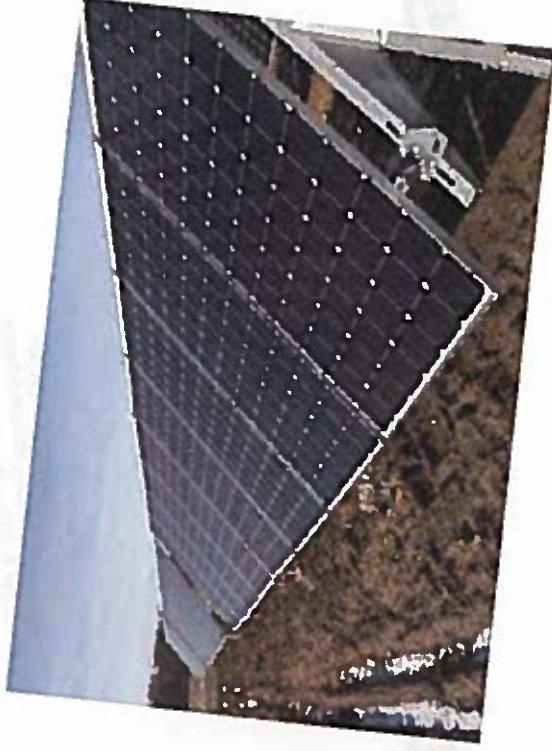
■ RENEWABLE ENERGY

■ ENERGY WASTE REDUCTION Since 2009



# Task 5: Green Pricing Programs

- Customers of all sizes may elect to receive up to 100% renewable energy from local utility
- Growing interest in programs with corporate clean energy/sustainability goals



# Completion of Required Reports

## REPORT ON THE STUDY OF PERFORMANCE-BASED REGULATION

Sally A. Talberg, Chairman  
Norman J. Saari, Commissioner  
Rachael A. Eubanks, Commissioner

MICHIGAN PUBLIC SERVICE COMMISSION  
Department of Licensing and Regulatory Affairs  
In compliance with Act 341 of 2016

April 20, 2018



## REPORT ON THE IMPLEMENTATION OF THE PUBLIC UTILITY REGULATORY POLICIES ACT OF 1978 (PURPA)

Sally A. Talberg, Chairman  
Norman J. Saari, Commissioner  
Rachael A. Eubanks, Commissioner

MICHIGAN PUBLIC SERVICE COMMISSION  
Department of Licensing and Regulatory Affairs  
In compliance with Act 341 of 2016

April 20, 2018



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13 e r v i c e  
14 i r p  
15 r e p  
16 c o  
17 d g u s t  
18 a r y  
19 s r m

# 2019 Priorities

- Infrastructure modernization
- Assessment of energy supply and deliverability and contingency planning per Governor Whitmer's request
- Consumers Energy Ray Compressor Station fire investigation
- Customer education and access to the MPSC
- Training and professional development
- Integrated resource planning
- Interconnection standards and PURPA implementation

## References

### MPSC Authority – 1939 PA 3 – MPSC Enabling Act

The public service commission is vested with complete power and jurisdiction to regulate all public utilities in the state except a municipally owned utility, the owner of a renewable resource power production facility as provided in section 6d, and except as otherwise restricted by law. The public service commission is vested with the power and jurisdiction to regulate all rates, fares, fees, charges, services, rules, conditions of service, and all other matters pertaining to the formation, operation, or direction of public utilities. The public service commission is further granted the power and jurisdiction to hear and pass upon all matters pertaining to, necessary, or incident to the regulation of public utilities, including electric light and power companies, whether private, corporate, or cooperative; water, telegraph, oil, gas, and pipeline companies; motor carriers; private wastewater treatment facilities; and all public transportation and communication agencies other than railroads and railroad companies.” MCL 460.6 (1).

#### Public Utilities

- Act 3 of 1939 MICHIGAN PUBLIC SERVICE COMMISSION (460.1 - 460.11.amended)
- E.R.O. No. 1993-9 EXECUTIVE REORGANIZATION ORDER (460.20 - 460.20)
- E.R.O. No. 2015-3 EXECUTIVE REORGANIZATION ORDER (460.21 - 460.21)
- Act 167 of 2008 ELECTRIC COOPERATIVE MEMBER-REGULATION ACT (460.31 - 460.39)
- Act 419 of 1919 MICHIGAN PUBLIC UTILITIES COMMISSION (460.51 - 460.62)
- Act 299 of 1972 COSTS OF REGULATING PUBLIC UTILITIES (460.111 - 460.120)
- Act 149 of 1996 ORDERS AND JURISDICTION OF PUBLIC SERVICE COMMISSION (460.311 - 460.312)
- Act 94 of 1923 REHEARINGS BY PUBLIC UTILITY COMMISSION (460.351 - 460.352)
- Act 69 of 1929 CERTIFICATE OF CONVENIENCE AND NECESSITY (460.501 - 460.506)
- Act 30 of 1995 ELECTRIC TRANSMISSION LINE CERTIFICATION ACT (460.561 - 460.575)
- Act 347 of 1921 GUARANTY DEPOSITS (460.651 - 460.652)
- Act 174 of 2013 MISS DIG UNDERGROUND FACILITY DAMAGE PREVENTION AND SAFETY ACT (460.721 - 460.733)
- E.R.O. No. 1986-4 EXECUTIVE REORGANIZATION ORDER (460.901 - 460.901)
- Act 295 of 2008 CLEAN, RENEWABLE, AND EFFICIENT ENERGY ACT (460.1001 - 460.1211.added)
- Acts 341 and 342 of 2016

#### Railroads

- Act 300 of 1909 RAILROADS (462.2 - 462.50)

#### Oil, Gas & Brine Lines

- Act 16 of 1929 CRUDE OIL AND PETROLEUM (483.1 - 483.11)
- Act 9 of 1929 NATURAL GAS (483.101 - 483.120)
- Act 165 of 1969 GAS SAFETY STANDARDS (483.151 - 483.162)

#### Telephone, Telegraph and Radio

- Act 32 of 1986 EMERGENCY 9-1-1 SERVICE ENABLING ACT (484.1101 - 484.1717)
- Act 179 of 1991 MICHIGAN TELECOMMUNICATIONS ACT (484.2101 - 484.2701)
- Act 48 of 2002 METROPOLITAN EXTENSION TELECOMMUNICATIONS RIGHTS-OF-WAY OVERSIGHT ACT (484.3101 - 484.3120)
- Act 480 of 2006 UNIFORM VIDEO SERVICES LOCAL FRANCHISE ACT (484.3301 - 484.3315)





## MPSC investigates Consumers' Natural Gas Fire

On January 30<sup>th</sup>, 2019, record cold across MI set a record for natural gas demand in the state. At 10:30 AM, a fire broke out at the Consumers Energy Ray Compressor Station, which is the largest source of working gas capacity in Michigan and which also supplies a large portion of Consumers' natural gas needs during winter usage. Consumers stopped the flow of natural gas at the station, activated peaking storage fields in Northville and St. Clair, arranged for more natural gas supplies, and began reaching out to large industrial customers asking them to curtail their natural gas usage.



Photo Credit: Todd McInturf, The Detroit News (2019).

MPSC Gas Safety staff were onsite at the compressor station before 1:30 PM and offsite staff, including those at the State Emergency Operations Center, received update calls throughout the day. The fire was extinguished roughly 5 hours after it began.

As information was received throughout the day, it became clear that the viable portions of the compressor station were going to take longer than anticipated to bring back on line and that natural gas demand was higher than had originally been expected. While outages weren't expected, Consumers and the State Police were beginning to prepare for outages along isolated portions of the system.

Between 10:00 and 10:30 PM, an assessment was made that the health and safety of MI residents was at risk if portions of the natural gas distribution system went off line given the record cold. The emergency alert system operated by State Police was determined to be the quickest, most effective way to deliver the message to MI residents to lower their thermostats, thus decreasing demand for natural gas.

Portions of the compressor station were brought back on line throughout the night and Consumers began preparing for Thursday's demand. By 6:00 AM Thursday, Jan. 31, the projected demand had dropped 10% helping to avoid shut-offs to residential gas customers. At 12 AM on Feb. 1, Consumers resumed normal natural gas delivery to customers.

The Commission investigates all natural gas incidents throughout the state. However, given the scope and system-wide impacts involved in the Ray Compressor Station Fire, on February 7, the Commission issued an order for a broader investigation in Docket No. U-20064. The Investigation will examine the following:

- The origin of the fire.
- How Consumers responded to the fire, both at the site and at its corporate office.
- The company's implementation of gas curtailment procedures.
- Whether there is evidence of a failure on the part of Consumers to properly maintain its equipment or any non-compliance with Commission rules.
- Whether the company properly responded to the natural gas shortage.

- Estimated reductions in natural gas usage from large customer curtailments and residential conservation during the emergency and as a result of public appeals and emergency alerts by Consumers and the State of Michigan.
- Consumers' coordination and communication with State of Michigan officials and local emergency response agencies.
- Actions to protect against physical and cybersecurity before and during the event.
- The total cost of the incident, including gas lost on site, emergency natural gas purchases, estimates of customer curtailment impacts, and repair of the facility.

#### Investigation Time Line

- February 7 Order issued launching formal investigation into the Ray Compressor Station Fire
- April 7 Consumers findings to be filed in the docket
- May 8 Commission staff report due (staff's full investigation may continue after this date)
- May 8 External stakeholder comments due