

The MPSC and Utility Regulation

An overview of energy and telecommunications regulation and oversight in Michigan



Dan Scripps

Chair

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Public Utilities: Why regulation?

Traditional utility services (electricity, natural gas service, landline phonelines, water) are **natural monopolies** and regulation serves as a check to prevent the monopoly from acting in a way that is inconsistent with the public interest.



MPSC Authority: A Creature of Statute

- ❑ The Commission is a “creature of statute” and has only the authority provided by the Legislature ([MCL 460.6](#))
 - The Commission has broad authority to regulate investor owned electric and natural gas utilities, plus other duties as prescribed
 - The Commission may regulate “all rates, fares, fees, charges, services, rules, conditions of service” and other matters of formation, operation and direction of the utilities
 - The Commission has power and jurisdiction “to hear and pass upon all matters pertaining to, necessary, or incident to” the regulation of the utilities
 - **BUT** the Commission does not have authority to make management decisions for the utilities (*Union Carbide Corp. v. Public Service Commission*, 431 Mich 135 (1988))
- ❑ The Commission has no Common Law or equity powers



The Michigan Public Service Commission – A History

1873 – The MI Railroad Commission (MRC) is established to regulate railroad rates and conditions of service

1909 – Legislature expands jurisdiction to include regulation of electric rates and terms of service

1911 – Legislature expands MRC's authority to include telephone service

1919 – MRC is abolished and replaced with a 5 member MI Public Utilities Commission (MPUC); Given authority to regulate steam and natural gas

1929 – MPUC given authority to regulate natural gas pipelines (PA 9 of 1929) and Petroleum Pipelines (PA 16 of 1929)



The Michigan Public Service Commission – A History

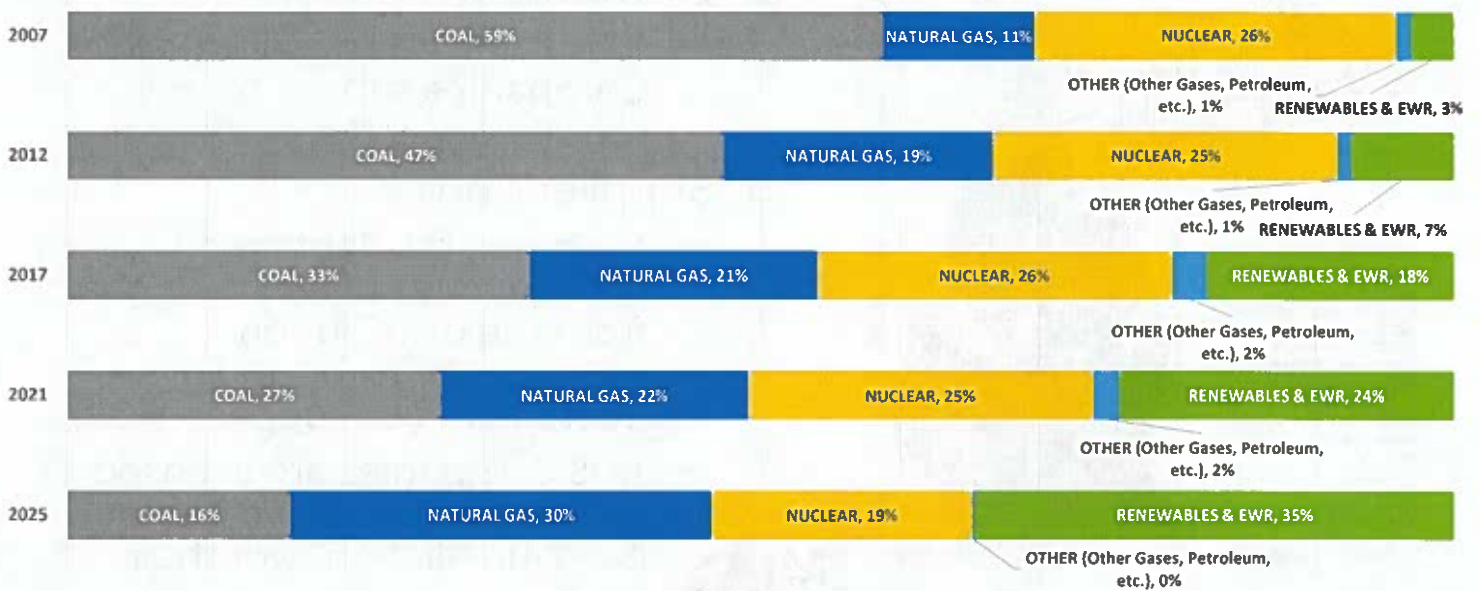
- 1939 – Public Act 3 abolished the MPUC and established the MPSC
- 1957 – MPSC establishes the first Gas Safety Standards
- 1969 – Legislature adopts PA 165 establishing enforcement mechanisms and penalties for violation of the Gas Safety Standards
- 1986 – EO 1986-17 added energy planning responsibilities
- 1991 – MI Telecommunications Act
- 2000 – Electric industry restructuring (PA 141), full customer choice and transmission ownership divestment
- 2002 – PA 634 directs the establishment of the Natural Gas Customer Choice program
- 2008 – PA 286 and 295 capped the electric choice market at 10%; authorized energy efficiency programs; established 10% Renewable Portfolio Standard (RPS); required investor-owned utilities to establish net metering programs capped at 1% of their sales
- 2016 – PA 341 and 342 addressed long term planning proceedings and electric capacity resource adequacy; increased RPS to 15% by 2021; sunset EWR targets for municipal and co-op utilities in 2021; added requirement for investor-owned utilities to offer voluntary green pricing programs, and switched from net metering to cost-based distributed generation tariffs

Current Legal Framework – Electricity

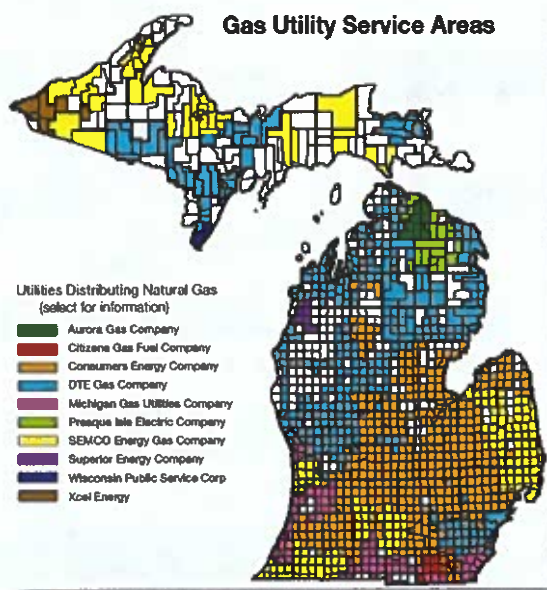
- ❑ Market Structure
 - For Investor-Owned Utility (IOUs) service territory, 90% monopoly service, 10% Retail Open Access (“Choice” customers)
 - Choice customers may select the provider of their electric generation; distribution service is via the incumbent utility; MPSC requires licensing of Alternative Electric Suppliers, but does not regulate their rates
- ❑ Resource requirements and targets
 - 15% Renewable Portfolio Standard by 2021
 - 1% EWR/year (requirement sunset for municipal and electric utilities in 2021)
 - By 2025, goal of getting 35% of electricity from renewable energy and EWR
- ❑ Long Term Planning
 - Filed by IOUs at least every 5 years to identify short- mid- and long-term plans (including generation additions and retirements, and considering both demand- and supply-side options) to meet anticipated customer demand
 - Plans must include considerations relating to renewable energy, EWR, load management and demand response, cogeneration resources, transmission options, and gas supply arrangements among others
 - MPSC required to balance factors including resource adequacy, capacity, competitive pricing, diversity of generation supply, environmental compliance, and cost-effectiveness of peak load reduction and EWR
- ❑ Capacity Demonstrations
 - Filed annually by all utilities to demonstrate capacity to serve expected demand 4 years in the future

Michigan Energy Mix: A System in Transition

Michigan Energy Mix (MWh)



Current Legal Framework – Natural Gas



- Distribution monopoly
 - 10 Natural Gas distribution Companies subject to rate regulation by the commission
- Supplier Choice
 - Michigan residents may choose to purchase their gas from the distribution company or through an alternative gas supplier (AGS)
 - AGS companies are licensed by the MPSC, but we do not have jurisdiction over their rates

Current Legal Framework - Telecom

- ❑ Commission telecommunications responsibilities and authority derive from
 - MI Telecommunications Act
 - Uniform Video Franchise Act
 - METRO Act
 - Emergency 9-1-1 Services Enabling Act
 - Federal Telecommunications Act



- ❑ Legal Framework

Primarily open competition with minimal MPSC regulation or oversight; primary focus is enabling effective competition

- License certain providers
- Address competitive concerns
- Responsible for numbering including 9-1-1, 2-1-1, area codes, and 9-1-1 provider reimbursement
- Consumer programs including lifeline and telecommunications relay service
- Video cable consumer complaints and dispute resolution

The MPSC Today



Chair
Dan Scripps



Commissioner
Tremaine
Phillips



Commissioner
Katherine
Peretick

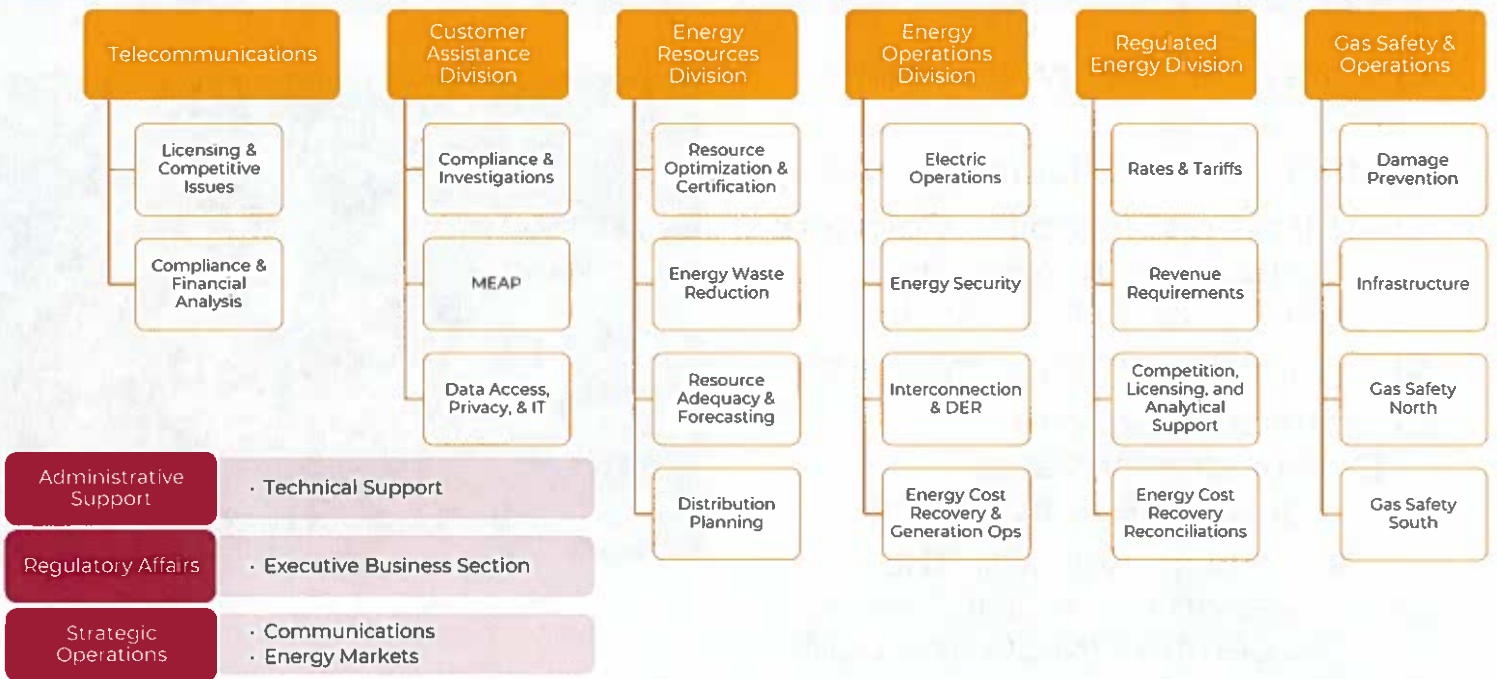


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Our Staff



MPSC Initiatives

- ❑ Statewide Energy Assessment (2019)
- ❑ MI Power Grid (Launched 2019)
- ❑ Addressing Reliability Concerns – 2021-22 Storm Response orders; 2023 System Audit
- ❑ Resource Adequacy Initiatives
- ❑ Statutory: Capacity Demonstrations and Integrated Resource Plans
 - Participation with the Regional Transmission Operators (MISO and PJM)



Major Functions

Ensuring System Reliability

Setting Just & Reasonable Rates

Licensing & Fostering Competitive Markets

Energy Assurance and Planning

Facility Siting and Need Determination

Public Safety and Infrastructure Oversight

Customer Assistance & Protection

Ensuring System Reliability

□ Current efforts

- Initiated third-party utility audit to improve reliability and reduce outages
- Approved significant investments in tree trimming and grid hardening
- Updating rules for service quality, technical standards, and interconnection
- Technical conferences on energy storage resources/ batteries

□ Issues to note

- Need to maintain focus on improving reliability
- Additional transparency in distribution planning could help with modernization efforts and in preparing for and leveraging benefits of EV adoption



Setting Just and Reasonable Rates



□ Current efforts

- Review rates to ensure they accurately reflect cost-of-service principles
- Review utility Distributed Generation (DG) tariffs and utility Electric Vehicle programs
- Utility time-based pricing programs
- Maintain competitiveness for large industrial customers

□ Issues to note

- DG program compensation determined in contested cases
- Allocation of costs among customer classes and energy burden remain significant issues
- Statutory timelines a significant challenge

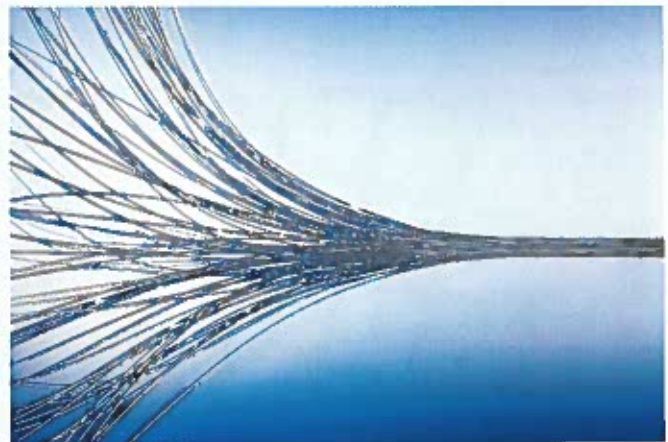
Licensing & Fostering Competitive Markets

□ Current efforts

- License telecommunications providers
 - Required step to be eligible for federal broadband funding through the Rural Development Opportunity Fund
- License Alternative Electric Suppliers and Alternative Gas Suppliers
- Ensure compliance with Code of Conduct and other rules
- Produce annual reports on status of electric and video service competition

□ Issues to note

- No current licensing requirement for demand response aggregators or aggregators of distributed energy resources



Energy Assurance and Planning

Current efforts

- Review utility IRPs and capacity demonstrations
- Active with MISO and PJM on regional issues
- Recently expanded demand response aggregation to bundled retail market
- Conduct market monitoring of unregulated commodities, including weekly survey of propane retailers

Issues to note

- Lack of timely propane data hampers emergency response
- Need to focus on attributes as system continues to evolve



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Facility Siting and Need Determination



□ Current efforts

- Review siting applications for larger electric transmission projects
- Review siting applications and issuance of Certificates of Public Convenience and Necessity for intrastate natural gas pipelines
- Review siting applications for petroleum and other hazardous materials pipelines
- Assess need for large-scale generation additions through Certificate of Need process

□ Issues to note

- Siting of generation projects takes place at the local level

Public Safety and Infrastructure Oversight

❑ Current efforts

- MISS DIG inspections and enforcement
- Pipeline safety inspections and investigations
- Review utility cyber and physical security protections

❑ Issues to note

- Inadequate pipeline safety enforcement ability results in loss of federal funding
- Additional protections needed for Critical Energy Infrastructure Information



Customer Assistance & Protection

❑ Current efforts

- Administer MEAP program in partnership with DHHS and network of grantees
- Low-Income Energy Policy Board
- Energy Affordability & Accessibility Collaborative

❑ Issues to note

- Significant need as a result of continued high commodity costs and expiration of federal programs
- MEAP statute sunsets on Sept. 30, 2023



Current Legislative Projects

- Rate Design Study for Distributed Energy Resources
(Senate Resolution 142 of 2020)
- Grid Integration Study
(Senate Resolution 143 of 2020)
- Renewable Natural Gas Study
(PA 87 of 2021)
- Low Carbon Energy Infrastructure Enhancement and Development Grants (PAs 53 and 166 of 2022)
- Nuclear Feasibility Study
(PAs 166 and 218 of 2022)



Questions & Discussion

Thank you!

