ELECTRICITY REGULATION IN MICHIGAN
Part III – New Energy Laws
2016 PA 341 - 2016 PA 342

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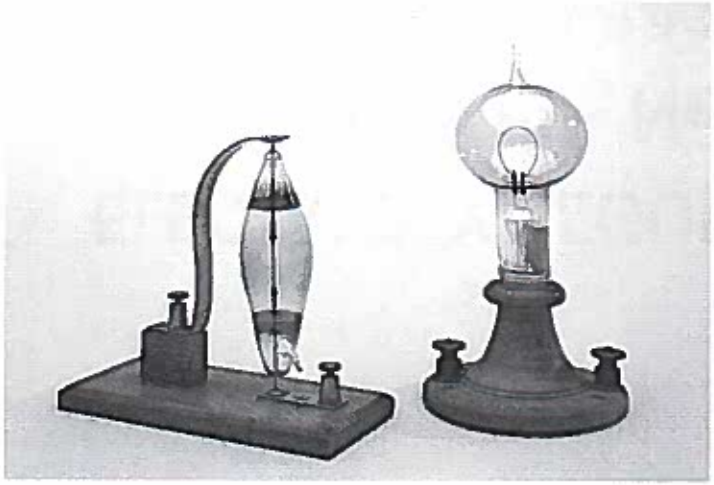
Musings From A Genius – Albert Einstein

- "Education is what remains when one has forgotten what one has learned in school."
- "The difference between stupidity and genius is that genius has its limits."



Reviewing the Steps to 2016 #1

- **Retail Electric Choice (100%) added by 2000 PA 141, 142.**
- **Impact of Enron/California Crisis/High Natural Gas Prices.**
- **Projected Need for Major New Capacity in Lower MI (Capacity Need Forum and 21st Century Energy Plan).**
- **National Trends and Gov. Granholm efforts for energy efficiency and conservation + renewable portfolio standards.**
- **Regulatory Reforms of 2008 PA 286: self implementation of rates (180 days); deemed approval (12 months); projected test year; new MPSC authority: asset sales and mergers + certificate of need for large projects ($500 million+); retail choice cap 10% of load; cost of service rates.**

Reviewing the Steps to 2016 #2

- Clean, Renewable and Efficient Energy Act, 2008 PA 295.
- 10% Renewable Portfolio Standard (RPS) by 2015 for IOUs and AESs.
- 1100 MW renewable capacity requirement for DTE and Consumers.
- Renewable Energy Credits (RECs): tracking, incentives, territorial limit to MI and nearby.
- Energy Optimization (EO) Standards for all providers: 1% electric sales; 0.75% gas sales (annual targets); EO plans and State Administrator Option.
- Statutory Statewide Net Metering Program for IOUs and AESs.
- Wind Energy Resource Board and Zones.
- Governor Snyder's 2013 Making Good Energy Decisions Project: adaptability (no regrets) + reliability + affordability + environmental protection.

Impetus for 2016 Statutory Amendments

- Concerns over resource adequacy and electric choice impacting financing of new plants.
- Concerns over Michigan's high electric rates and some customers seeking to expand electric choice.
- Energy issues in the Upper Peninsula: capacity needs/energy costs/PIPP retirement.
- Resource Adequacy Planning Issues:
  - Retiring of aging coal plants and replacement.
  - Anticipated impact of the EPA Clean Power Plan (before stay issued Feb. 2016 – MI was engaged in implementation)
  - State/national movement towards natural gas/renewable energy.
  - MISO reports on reliability in Zone 7 (lower Michigan).
- PA 295's Renewable Portfolio Standards stopped at 10% - debate over expanding vs. elimination of energy mandates.

Impetus for Statutory Amendments

- Debate over elimination of IPP guaranteed renewable energy development in PA 295 (50/50 capacity split).
- Adaptability + reliability + affordability + environmental protection and the Governor's 2013 initiative.
- Continuing emphasis on energy efficiency and conservation (Governor Snyder's rebranding from EO to Energy Waste Reduction ("EWR")).
- Debate over enlarging programs and alleged subsidy issues for Net Metering (now rebranded as Distributed Generation).
- Easing of utility ratemaking requirements.
  - Further streamlining of electric/natural gas rate case filings.
  - Easing of code-of-conduct requirements.
- Updating of PURPA requirements in Michigan statutory law.

SB 437 and SB 438

- Introduced by Sen. Mike Nofs (SB 437) and Sen. John Proos (SB 438) in July, 2015.
  - SB 437: Amends 1939 PA 3 (MPSC Enabling Act and amendments to 2008 PA 286 - amended 2000 PA 141)
  - SB 438: Amendments to 2008 PA 295.
- Passed on December 15, 2016.
- Signed into law by Governor Rick Snyder on December 21, 2016.
- PA 341 (SB 437) and PA 342(SB 438).
- Effective date: April 20, 2017.
- House Fiscal Agency Legislative Analyses:
  - PA 341 Legislative Analysis
  - PA 342 Legislative Analysis
  - Ault/Chappelle outline: Electricity Regulation in Michigan - A History

Major Provisions of PA 341 (SB 437)

- MPSC Ratemaking Adjustments (end self implementation, 10 month clock…)
- More funded interventions (UCPB)
- New Study of Performance-Based Regulation (PBR).
- Electric Revenue Decoupling (for small electric utilities).
- Electric Retail Choice – preserve the 10% level.
- Resource Adequacy Provisions ("Sec. 6w")
  - Capacity Demonstrations
  - State Reliability Mechanism

Major Provisions of PA 341 (SB 437)

- Modify CON provisions for electric generation facilities.
- Major expansion of IRP for IOUs.
- PURPA avoided costs: federal requirements and 5-year updates.
- New MPSC Authority – Abandonment of Service.
- Value-Added (Unregulated) Services and Code of Conduct.
- New State Energy Ombudsman.
- Additional funding for regulation.

Major Provisions of PA 342 (SB 438)

- Name change to Clean, Renewable and Energy Waste Reduction Act (and EO becomes WR).
- Renewable Energy: REC Plan/Goal Increases – 12.5% in 2019 then 15% in 2021.
- 35% renewable energy + waste reduction "goal" by 2025
- Renewable Energy Plan Cases continue.
- Elimination of 50% cap on utility renewable energy ownership.
- Demand Response (DR), esp. for largest utilities with AMI
- Energy Waste Reduction (EWR): same targets; electric goes to IRP after 2021; ends for munis and co-ops; cost caps gone.
- Distributed Generation (f/k/a net metering) revisions.
- Voluntary Green Pricing Programs.
- New Optional Residential Home Improvements Financing (with included on-bill financing)

MPSC Implementation of PA 341 and PA 342

LARA Public Service Commission

Department of Licensing and Regulatory Affairs

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- About the MPSC
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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	Staff Lead(s)
Rate Case and Certificate of Necessity (CON)			Click Here to Sign Up!
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	Bill Stosik
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	Naomi Simpson

Integrated Resource Planning Process			Click Here to Sign Up!
Integrated Resource Plan Statewide Parameter Setting/Modeling	The new energy law requires rate-regulated electric utilities to submit integrated resource plans to the MPSC for review and approval. The law also requires that the MPSC hold a collaborative proceeding to take input from the Michigan Agency for Energy (MAE), Department of Environmental Quality (DEQ), and the public, to set modeling parameters and assumptions for utilities to use in filing integrated resource plans.	MCL 460.6t	Cathy Cole, Bonnie Janssen, Mary Maupin
Integrated Resource Plan Filing Requirements/Schedule	The new energy law requires rate-regulated electric utilities to submit integrated resource plans to the MPSC for review and approval. The law also requires the MPSC to set a schedule and establish filing requirements for utility integrated resource plan filings.	MCL 460.6t	Cathy Cole
Demand Response Potential Study	As part of the collaborative proceeding to set modeling parameters and assumptions for utilities to use in filing integrated resource plans, the MPSC is required to conduct a study to determine the potential to use demand response resources to meet electric needs.	MCL 460.6t	Dave Isakson
Energy Waste Reduction Potential Study	As part of the collaborative proceeding to set modeling parameters and assumptions for utilities to use in filing integrated resource plans, the MPSC is required to conduct a study to determine the potential to use energy waste reduction resources to meet electric needs.	MCL 460.6t	Patricia Poli

Resource Adequacy			Click Here to Sign Up!
Capacity Demonstration	Provisions in the new energy law require all electric providers to demonstrate to the MPSC that they have enough resources to serve the anticipated needs of their customers.	MCL 460.6w	Cathy Cole
State Reliability Mechanism	Under the new energy law, the MPSC is required to determine a generation capacity charge in certain areas of the state where some customers are served by non-utility electric providers under the electric choice program.	MCL 460.6w	Cathy Cole
Electric Choice			Click Here to Sign Up!
Electric Choice Implementation	The new energy law updates provisions related to the electric choice program, which allows up to 10% of the electric load in a utility's service territory to choose a non-utility provider of electric generation service. The MPSC needs to modify existing electric choice provisions to reflect these changes.	MCL 460.10a	Heather Cantin
Renewable Energy			Click Here to Sign Up!
Renewable Energy Plan Cases	The new energy law increases the amount of energy that electric providers are required to produce from renewable sources to 15% of their production by 2021. The MPSC needs to review electric providers' plans to meet this requirement.	MCL 460.1022 et seq.	April Stow
Green Pricing Programs	Under the new energy law, electric utilities are required to offer "green-pricing programs" which allow their customers to purchase electricity generated by renewable energy sources. The MPSC needs to work with electric providers to implement these new provisions.	MCL 460.1061	Katie Trachsel

Distributed Generation			Click Here to Sign Up!
Distributed Generation Program	The new energy law requires the MPSC to create a new distributed generation program within 90 days of the law's effective date. The MPSC is also required to conduct a study by April 20, 2018, on an appropriate cost-of-service tariff for customers who participate in net metering or distributed generation programs.	MCL 460.1171 et seq. MCL 460.6a	Julie Baldwin, Jesse Harlow
Energy Waste Reduction			Click Here to Sign Up!
Energy Waste Reduction Program Updates	Energy waste reduction programs help participants use less energy, and lower overall costs for utility companies, helping all utility customers save money. The new energy law makes a number of changes to these provisions, and the MPSC needs to work with utilities and other interested parties to implement these changes.	MCL 460.1071 et seq	Patricia Poli
On-Bill Financing Implementation/Rulemaking	Under the new energy law, rate-regulated utilities may offer residential customers the option to finance home energy improvement projects, and the ability to pay off the costs of those projects on their utility bill. The MPSC and MAE will work with utilities and other interested parties to create a framework for "on-bill financing" programs.	MCL 460.1201 et seq	Patricia Poli, Madhu Anderson
Demand Response			Click Here to Sign Up!
Demand Response Implementation	The new energy law requires the MPSC to promote voluntary load management programs such as demand response programs, time-of-use and peak pricing, and remote shut off of air conditioning, and requires certain utility companies to offer MPSC-approved demand response programs. The MPSC will work with providers and interested parties to implement these provisions.	MCL 460.1095	Dave Isakson

Other Items			Click Here to Sign Up!
PURPA Avoided Cost Review	PURPA is a federal law which requires electric utilities to purchase electricity from certain generators that use renewable energy and cogeneration resources. The MPSC is required to determine the rate that a utility must pay these generators. The new energy law creates a process for MPSC review of these "avoided cost" rates.	MCL 460.6v	Merideth Hadala
Performance Based Regulation Report	The new energy law requires the MPSC to complete a study on "performance-based regulation" of utility companies by April 20, 2018.	MCL 460.6u	Patrick Hudson
Code of Conduct / Value-Added Programs	Under the new energy law, the MPSC is required to establish a code of conduct that applies to electric, natural gas, and steam utilities, and which is intended to prevent cross-subsidization, preferential treatment, and information sharing, between a utility's regulated services and unregulated programs and services. The law also allows utility companies to offer their customers "value-added programs and services." The MPSC needs to undertake a rulemaking process to implement these provisions.	MCL 460.10ee	Lisa Gold, Mike Byrne

MPSC Energy Legislation Implementation Orders

January 20, 2017

U-18197	Commission's Own Motion (Annual Capacity Assessment)
U-18248	Commission's Own Motion (Implement Section 6w For DTE)
U-18239	Commission's Own Motion (Implement Section 6w For CE)
U-15895 Et Al.	Commission's Own Motion, And U-18238 - (Filing Requirements)

March 28, 2017

U-18239 ET Al.	Section 6w Of Act 341
U-18239 ET AL	Commission's Own Motion
U-15801	Commission's Own Motion (Electric Choice)
U-18349 ET AL.	Opportunity For Comments (Voluntary Green Pricing Programs)
U-18326	Commission's Own Motion (Section 10ee Of Act 341)
U-18260 ET Al.	Energy Waste Reduction Biennial Plans
U-15896	CON – Opportunity To Comment
U-15895 ET Al.	Commission's Own Motion, And U-18238 - Commission's
U-15825	Renewable Energy Plans, Reconciliations, And Annual Report

May 11, 2017

U-15801 ET Al.	Implement Provisions Of Section 10a(1) Of 2016 PA 341
U-18383	Implement The Provisions Of Section 173 Of 2016 PA 342
U-18369	Commission's Own Motion (Demand Response Comments)
U-18197 ET Al.	Commission's Own Motion (SRM Technical Conferences)
U-15896	Commission's Own Motion (Certificate Of Necessity)
U-15801 ET AL.	Commission's Own Motion, (AES Filing Instructions)
U-18409	Commission's Own Motion (Request For Comments)
U-18253 ET Al.	Commission's Own Motion (SRM Cases)

October 25, 2017

U-18455:	U-18455 - Upper Peninsula Power Company (waiver of billing rules)
U-17913-R:	U-17913-R - Northern States Power Company ('16 PSCR reconciliation)
U-18382:	Consumers Energy Company (long-term power purchase contracts)
U-18224:	Upper Michigan Energy Resources Corporation (certificate of necessity)
U-18368:	Commission's Own Motion (PEV pilot programs)
U-17912-R:	We Energies and UMERC ('16 PSCR reconciliation)
U-18381:	Consumers Energy Company (rate case self-implementation)
U-18251:	DTE Electric Company ('16 rate TRM reconciliation)
U-17914-R:	U-17914-R - Upper Michigan Energy Resources Corporation ('16 PSCR reconciliation)

October 11, 2017

U-17919-R:	U-17919-R - Indiana Michigan Power Company ('16 PSCR reconciliation)
U-17990 et al:	U-17990 – Consumers/DTE (5-year distribution investment and maintenance plan)
U-18461:	Commission's Own Motion (IRP filing requirements)
U-18444:	Commission's Own Motion (Section 6w of Act 341; forward locational requirement)
U-18238:	Commission's Own Motion (standard rate application; rehearing/clarification)
U-18335:	Upper Peninsula Power Company ('16 EO reconciliation)

September 28, 2017

U-18334:	Northern States Power Company (amended settlement agreement)
U-18391:	Consumers Energy (certificate of public convenience and necessity)
U-18337:	WEPCO and UMERC (2016 energy optimization reconciliation)
U-18260:	Alpena Power Company (energy waste reduction plan)
U-18094:	Upper Peninsula Power Company (PURPA avoided costs)
U-18331:	Consumers Energy Company (2016 energy optimization plan reconciliation)
U-17419:	City of Wakefield (2016 energy optimization annual report extension)

September 15, 2017

U-18336:	Upper Michigan Energy Resources Corporation (EO reconciliation)
U-18441:	Commission's Own Motion (capacity demonstration docket)
U-18344:	DTE Electric Company (self-implementation)
U-18330:	Alpena Power Company (2016 EO reconciliation)
U-18369:	Commission's Own Motion (demand response framework)
U-17762:	DTE Electric Company (amended EO plan)
U-18197:	Commission's Own Motion (capacity demonstration)

MPSC Ratemaking Process (MCL 460.6a)

- Includes "steam utilities" [Sec. 6a(3)(4)]
- Requires pre-general rate case filing coordination of electric, gas or steam utility case with PSC. [Sec. 6a(1)]
- Shortens rate cases to from 12 months to 10 months. [Sec. 6a(5)]
- Eliminates utility 6-month "self-implementation" of rates.
- Revenue decoupling for small electric utilities (fewer than 200,000 customers) [Sec. 6a(12)(13)]
  - Adjustment allowed for decreases in lost sales due to EWR, conservation and demand-side programs.
- Small gas utility (fewer than 1 M customers) allowed to self-implement rates in 6 months; final rate case by 12 months. [Sec. 6a(1)]
- Equitable cost of service tariff study for distributed generation; utilities file tariffs in cases after June 1, 2018. [Sec. 6a(14)]

Utility Consumer Participation Board (UCPB)

Section 6l and 6m

- The UCPB was created by Act 304, P.A. of 1982, (MCL 460.6*l*).
- Governor appoints five-member Board
  - 1 member must be chosen from list provided by the Attorney General
- Provides grants to qualified applicants that represent the interests of Michigan's residential energy (gas, electric, and other fuel) utility customers before the MPSC.
- Funding is generated through annual assessments of certain regulated utility companies.
  - Funding split between UCPB and Attorney General.
- In 2016, Michigan's six largest investor-owned utilities that use cost recovery proceedings collected and remitted $1,180,500 to the Fund.
  - Grants totaling $267,000 were awarded to: Citizens Against Rate Excess (CARE), Michigan Environmental Council (MEC), the Residential Customer Group (RCG), and the Great Lakes Renewable Energy Association (GLREA). The board also awarded $252,800 in grants from FY 2016 to support interventions in new and ongoing cases.
- UCPB issues Annual Reports: 2016 UCPB Annual Report

Utility Consumer Participation Board (UCPB)

Section 6l and 6m

- PA 341 broadened case interventions for UCPB grantees (includes rate cases, decoupling, tariff and DG customers, as well as gas cost recovery, power supply cost recovery, CON and IRP cases).

- Disbursements for grants from the UCPB are restricted to advocating for residential energy utility customers regarding energy costs or rates.

- Increases/revises base amount of revenues remitted to the UCPB and Attorney General.

  - Adds a requirement for small energy utilities to fund UCPB.
  - Additional requirements on grant applicants.
  - Allows UCPB to consider EWR, DR and rate design options to encourage EE, EWR and DR when considering grants.
  - New total base amount will be $1.75 million.

Certificate of Necessity (CON) – Section 6s

- CON threshold requirement reduced from $500 M to $100 M.
  - For small electric utilities (fewer than 1 M customers) lowers threshold from less than $500 M to less than $100 M.
- Requires MPSC consolidation of IRP and CON proceedings for construction of an additional electric generation facility of 225 MW or more.
- Sec. 6s CON IRP provisions prevail over Sec. 6t IRP provisions.
- Sec. 6s(4): Broader invention/standing for parties (MPSC "may" allow intervention for interested parties, and "shall" allow intervention for certain existing suppliers of generation capacity (200 MW of firm electric generation capacity in the utility's ISO zone).
- New requirement for Commission to consider "alternative proposals" of electric generation capacity (direct review if from specified existing suppliers of 200 MW of firm electric gen. capacity in utility's ISO zone). (Utility not required to accept alternative proposal.)
- Utility financial incentive for non-affiliated PPAs.
  - Cannot exceed the utility's weighted average cost of capital.

Certificate of Necessity (CON) – Section 6s

- Revises provisions regarding cost-overruns.
  - Presumption of imprudence for any cost overruns of a plant, facility or PPA that exceeds the Commission-approved costs.
  - Requires PSC to include costs if, by a preponderance of the evidence, the costs were prudently incurred.
  - PSC must disallow costs that are found to have been incurred as a result of fraud, concealment, or gross mismanagement.
- PSC standards for an IRP filed by a utility when requesting a CON do not apply to utilities having an approved IRP under Section 6t.

Integrated Resource Plan – Section 6t

- New Standards for IRPs.
- Beginning in 2019, regulated utilities file a 5, 10 and 15-year projection of the utility's load obligations to provide generation reliability and a plan to meet those obligations.
- Allows MPSC to approve separate IRP standards for small electric utilities.
- Specifies certain IRP requirements (i.e., long-term forecast of sales and peak demand; type of generation technology proposed, including projected fuel costs; projected energy purchased or produced; level of renewable energy purchased or produced; WER; projected load management and demand response, etc.)
- New requirement to show projected long-term firm gas transportation contracts or natural gas storage of an electric utility.
- Approval criteria: "most reasonable and prudent."
- IRP review every 5 years.
- MPSC may order plan review.

MPSC IRP Implementation Update

- 13 Stakeholder Workgroup meetings since March 10, 2017
- 3 Commissioner-attended Public Hearings in September, 2017
  - Marquette, Grand Rapids and Livonia
- Task Force Reports
  - Michigan Demand Response Market Assessment
    Michigan Demand Response Potential Study
  - Draft IRP Parameters (Strawman Proposal)
  - Staff Strawman Proposal (Draft) | Michigan IRP Modeling Input Assumptions and Sources
- **MPSC Docket No: U-18418**: IRP Parameter Setting/Modeling ("Strawman Proposal")
- **MPSC Docket No: U-18461:** IRP Filing Requirements/Alternative Proposal Filing Requirements

MPSC IRP Timeline

Integrated Resource Plan Statewide Parameter Setting/Modeling

Key Milestones	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
Informal Pre-Collaborative stakeholder engagement												
Initial open stakeholder meeting												
Full group and interest area sub group meetings												
Present strawman proposal - Michigan modeling scenarios and assumptions												
Ending date for informal comments on straw man proposal												
Staff develops report including revised strawman proposal and summary of comments												
Formal Collaborative												
Commission order initiating												
Staff to post revised strawman proposal on the docket												
Public Hearings - present strawman; take questions; take verbal comments												
Accept written comments in docket												
Last date for written comments in the docket												
Staff develops report detailing comments along with revised Michigan parameters, scenarios, and assumptions												
Staff to post report and recommended Michigan modeling scenarios and assumptions in the docket												
Final Commission Order outlining Michigan modeling scenarios and assumptions												

Demand Response – Sec. 6t(1)(b)

- MPSC required to conduct study to determine the potential to use DR to meet electric needs
- MCL 460.6t(1)(b): MPSC shall "conduct an assessment for the use of demand response programs in this state, based on what is economically and technologically feasible, as well as what is reasonably achievable.
  - The assessment shall expressly account for advanced metering infrastructure that has already been installed in this state and seek to fully maximize potential benefits to ratepayers in lowering utility bills
- **MCL 460.6t: Case No. U-18369**
  - Staff to conduct workgroup meetings to set the framework for the evaluation and cost recovery of demand response investments by regulated electric utilities.
  - May 31 Comments from eight parties
- **MPSC Workgroup:** Workgroup meetings over the summer 2017 on implementation issues.
- **MPSC Order in U-18369** on September 15, 2017 adopted Staff framework proposal for regulatory handling of DR proposals following a comment proceeding: evaluation and cost approval in IRP cases; between IRPS address changes in utility rate cases; annual reconciliations (and use this prior to IRP case filings).

Performance-Based Regulation (PBR) Study – Section 6u

- New Sec. 6u requires the MPSC to conduct a study of PBR under which a utility's ROR would "depend on the utility achieving targeted policy outcomes." Report to Governor and legislature by April 2018.

- Performance-based Ratemaking is a move away from "cost-of-service" ratemaking towards an incentive/penalty rate structure.

- PBR gives utilities earnings incentives for achieving certain predetermined performance goals.

- Study must include an evaluation of the U.K.'s PBR and other state models; examine potential of revenue requirements over a multi-year period; ROE that uses forecasts of efficient total utility expenditures, instead of distinguishing between operating and capital costs.

- Does not prohibit MPSC from instituting PBR.

- Implementation: Staff holding informational sessions and has requested stakeholder input on outline; Staff working internally on the report.

Public Utility Regulatory Policies Act ("PURPA") Section 6v

- PURPA passed Congress in 1978.
  - Purpose was/is to encourage conservation, reliability, and efficiency in the delivery and generation of electricity.
  - Promote certain small renewable power producers and co-generators.

- PURPA section 210(b) states that purchase price rates must be:
  - just and reasonable to the electric consumers of the electric utility and in the public interest;
  - and must not discriminate against co-generators or small power producers.
  - Rates also must not exceed the incremental cost to the utility of alternative electric energy.
    - rates must equal the utility's full avoided costs (i.e., the incremental costs to the electric utility of electric energy or capacity, or both, which, but for the purchase from the QF or QFs, the utility would generate itself or purchase from another source)

- Most existing Qualified Facilities in Michigan have had long-term contracts with utilities since 1982, the date of the settlement in the MPSC's initial avoided cost case, U-6798.

- Section 6v places into Michigan's statute the federal requirements Sections 201 and 210 of PURPA.

- The MPSC is required to conduct a contest case proceeding to reevaluate the procedures and rate schedules, including avoided cost rates to implement provisions of PURPA as it relates to QFs at least every 5 years.

- Within one year of PA 341 effective date and then every 2 years thereafter, MPSC provides report to Legislature and the Governor of QFs in the state, current status of PPAs with utilities and the MPSC's efforts to comply with PURPA requirements.

MPSC PURPA Implementation

- **Impetus of PURPA MPSC proceedings:**
  - Long-term PURPA contracts expiring
    - Currently 45 contracts with expiration dates ranging from May 2017 to 2039.
      - 17 Hydroelectric QFs
      - 15 Landfill Gas QFs
      - 7 Biomass QFs
      - 4 co-gen QFs
      - 2 Solid Waste Management QFs
  - New potential QFs inquiring

- **MPSC proceedings began in 2015**
  - IPPC Complaint – Consumers Energy (U-18791)
  - MPSC opened its own docket on October 27, 2015, to review avoided cost methodologies/application to regulated utilities (U-17973)
    - Directed MPSC Staff to convene a Technical Advisory Committee
    - Staff Final Report – April 8, 2016

- **May, 2016 – Commission opened 8 dockets for the regulated utilities.**
  - Commission accepted Staff's Hybrid Proxy Plant Methodology for avoided costs.
  - Petitions for Rehearing pending
    - IPPC Petition for Rehearing – Consumers (U-18090)
    - DTE Petition for Rehearing – DTE (U-18091)
  - Dockets awaiting final orders.

Retail Choice – Sec. 10 – 10bb: Amendments to PA 141 Customer Choice Act

- Deletes title ("Customer Choice and Electricity Reliability Act") and several stated purposes.

- Amends Sec. 10a (electric choice), in part, to:
  - Retain 10% choice cap
  - Possible reduction in choice cap
    - applies downward ratchet for reduction in electric choice based on prior calendar year weather-adjusted retail sales

  - Allows certain choice customers that expand facility to continue with electric choice – despite cap.

  - "Cliffs exception" – iron ore mines are not subject to new choice provisions, provided they adhere to specified settlement agreement.

  - New provisions for "choice queue."

  - Requirement of SRM grid charge pursuant to Sec. 6w.

Retail Choice – Resource Adequacy: Sec. 6w

- **State Reliability Mechanism (SRM):** means a plan adopted by the MPSC to ensure reliability of the electric grid in the state consistent with Sec. 6w(8).

- **Capacity Charge:** MPSC holds contested case to determine CC for any provider (including an AES) that cannot meet sufficient resource adequacy pursuant to the SRM Capacity Obligations.
  - In order to ensure that non-capacity electric services are not included in CC, specified provisions for MPSC included. [Sec. 6w(3)]

- **SRM Capacity Obligations:**
  - Specified provisions to ensure that providers demonstrate that it owns or has contractual rights to sufficient capacity to meet its capacity obligations as set by the ISO or MPSC, as applicable, for planning year beginning 4 years after the beginning of the current planning year. [Sec. 6w(8)]

MPSC Electric Choice/Resource Adequacy Implementation

- **Updated Electric Choice procedures: U-15801 (Sec. 10a(1)(c) – choice cap)**
  - July 12, 2017 orders reduced choice to 0% through 2018 for Alpena Power, I&M, Northern States (Xcel) and 9 cooperatives under MCL 460.10a(1)(c)

- **Capacity Demonstration: U-18197**
  - 5 MPSC Staff Technical Conferences
  - September 15 MPSC Order
    - Finds authority to set a locational requirement
      - Section 6w, the MISO tariff, and applicable case law, a properly designed locational requirement applied to individual load serving entities as part of a demonstration that capacity obligations have been met is consistent with these requirements."
      - Except as applicable under MISO's tariff, a locational requirement will not be applied to individual load serving entities during planning years 2018-2021 as part of the transition to the new capacity obligations required under Section 6w.
      - A formal contested case proceeding is necessary to provide an opportunity for parties to present and challenge evidence in order for the Commission to determine a just and reasonable locational requirement and methodology that is consistent with federally approved tariffs, which will be applied beginning in the 2022 planning year.
    - Outlines format by which all electric providers will be required to file their capacity demonstrations for PYs 2018-2021 pursuant to SRM
  - U-18197 Order appealed to Michigan Court of Appeals by ABATE and Energy Michigan on October 13, 2017.

MPSC Electric Choice/Resource Adequacy Implementation

- **Case No. U-18441**
  - Issued September 15, 2017
  - Case Docket that will become the repository for all capacity demonstrations made by electric providers for PYs 2018-2021.
    - Utility capacity demonstrations filed by Dec. 1, 2017
    - AESs, cooperatives and municipal electric filings by February 9, 2018

- **Case No. U-18444**
  - Issued October 11, 2017
  - Case Docket that will establish a LCR to be applicable beginning in the 2022 PY.

EIA: Average Price of Electricity

U.S. Energy Information Administration

Electric Power Monthly

Data for August 2017| Release Date: October 24, 2017

Table 5.6.A. Average Price of Electricity to Ultimate Customers by End-Use Sector, by State, August 2017 and 2016 (Cents per Kilowatthour)

Census Division and State	Residential		Commercial		Industrial		Transportation		All Sectors	
	August 2017	August 2016	August 2017	August 2016	August 2017	August 2016	August 2017	August 2016	August 2017	August 2016
East North Central	**13.31**	**12.90**	**10.12**	**9.90**	**7.02**	**7.09**	**6.81**	**6.88**	**10.17**	**10.18**
Illinois	12.59	11.94	8.86	8.87	6.47	6.64	6.58	6.66	9.42	9.41
Indiana	11.97	11.35	10.29	9.74	7.26	7.13	11.05	9.49	9.62	9.34
Michigan	15.70	15.87	11.07	10.74	7.22	7.34	11.48	11.20	11.48	11.81
Ohio	12.62	12.21	10.03	9.78	6.69	6.81	7.64	7.89	9.87	9.90
Wisconsin	14.98	14.33	11.30	11.08	7.88	8.09	14.12	15.00	11.14	11.16

Electric Energy Waste Reduction Incentive - Section 6x

- Shared Savings Mechanism (SSM).
- MPSC required to authorize shared savings incentives for EWR by Jan. 1, 2021 in electric IRP.
- SSM must be 25% of net benefits validated for energy savings of 1-1.25%, not to exceed 15% of EWR expenditures for calendar year.
- SSM must be 27.5% of net benefits for energy savings of 1.25 – 1.5%, not to exceed 17.5% of EWR expenditures for calendar year.
- SSM must be 30% of net benefits validated for energy savings greater than 1.5%, not to exceed 20% of EWR expenditures for calendar year.

Additional PA 341 Provisions

- Amends Utility Shutoff Protection
  - Allows for failure to pay charges under new residential energy project programs added in PA 348. [Sec. 10t]

- Additional appropriations from utility assessments to implement provisions of the bill (MPSC; A.G., MAHS; MDEQ; and MAE). [Sec. 10ee]

- Utility Value Added Services – New Code of Conduct
  - Replaces and modifies current COC
  - Applies the COC to natural gas utilities
  - Loosens COC to allow utilities to offer "value-added programs and services" that are utility or energy related, including home comfort and protection, appliance service, building energy performance, alternative energy options or engineering and construction services.
  - The term does not include energy optimization or EWR programs paid for by utility customer as part of their regulated rates.

- Energy Ombudsman [Sec. 10ff]
  - Creates new EO with MAE to, in part, serve as a liaison for businesses and individuals regarding energy issues, problems and disputes.
  - Monitors activities of the MPSC, MAE and other state regulatory entities and communicates those entities' decisions, policy changes and developments to businesses and individuals.

PA 342 – "Clean, Renewable and Energy Waste Reduction Act"

- "Energy Waste Reduction" (replaces energy optimization).
- Purpose of the Act changes to meet a "Goal" of at least 35% of the state's electric needs through a combination of EWR and renewable energy (RE) by 20205
  - "most reasonable and prudent" standard.
- New provisions for RE Plans and Revenue Recovery.
- New RE Credit (REC) Portfolio [Sec. 28]
  - Maintain the 10% REC Portfolio requirement through 2018.
  - Increase the standard to 12.5% from 2019 to 2020.
  - Require 15% REC Portfolio by 2021.
  - RECs may be met from electric generation or REC purchases.
  - EWR credits can be substituted on a one-to-one basis for up to 10% of RECs.

Energy Standards – Renewable Energy Subpart A

- Repeals certain former RE Plan sections and provides new provisions and requirements. RE Plans continue to apply to all regulated electric providers, AESs, Coops and Muni electrics.

- Sec.22: RE Plans filed and approved pursuant to PA 295 remain in effect. MPSC reviews each provider's plan by April 20, 2018, pursuant to a contested case.

- Sec. 47: Cost of service to be recovered for RE Plans
  - Redefines "advanced cleaner energy system," in part, to include the addition of a hydroelectric pump storage facility (i.e., Ludington – co-owned by DTE and Consumers Energy)

Customer-Requested Renewable Energy (Subpart B)
Energy Waste Reduction (Subpart C)

- **Sec. 61: Voluntary Green Pricing Programs**
  - Requires electric providers (IOUs, municipals and cooperatives) to offer customers the opportunity to participate in voluntary green pricing programs.
  - MPSC approves VGP Programs, including the rates paid by electric providers.

- Sec. 71: PA 295 EO Plans continue as EWR Plans, with added goal to "help the provider's customers reduce energy waste."

- Energy Waste Reduction Plan Provisions
  - PSC Approval of EWR Plans; requirement of biennial MPSC review.
  - EWR cost reconciliations
  - Retails incentive for a provider that exceeds EWR Plan but revises allowable incentive.

MPSC RE Plan/VGP Programs Implementation

- **Renewable Energy Plans (REPs):**
  - MCL 460.1022 – Requires Commission to review electric providers' REP pursuant to a filing scheduled established by the Commission'
    - **U-15825**: REPs, reconciliations and annual reports – assignment of dockets; filing of plans
    - **U-18409:** Order issued August 23, 2017 in comment proceeding adopting revised filing requirements for REPs; 20 year forecasts 2009 to 2029 and how utilities will meet the increased 15% standard in 2021.

- **Voluntary Green Pricing Programs:**
  - MCL 460.1061 – Requires electric providers to offer a voluntary green pricing program

    - **U-18349**, *et al.* MPSC issued a guidance order on July 12, 2017 in this comment docket for regulated utilities and interested parties. The due date for Voluntary Green Pricing Program Filings was changed to Oct. 18, 2017 and the filings have been made.

    - **U-18393**: Consumers Energy's Application for Ex Parte Approval of a Voluntary Large Customer Renewable Energy Program
      - Opposed by Energy Michigan; Michigan Environmental Council, and Environmental Law and Policy Center
      - Currently part of Consumers' Ex Parte Application in VGP Program case (U-18351)

- **MPSC PA 295 Renewable Energy Report (Feb. 2017)**

Distributed Generation – Part 5

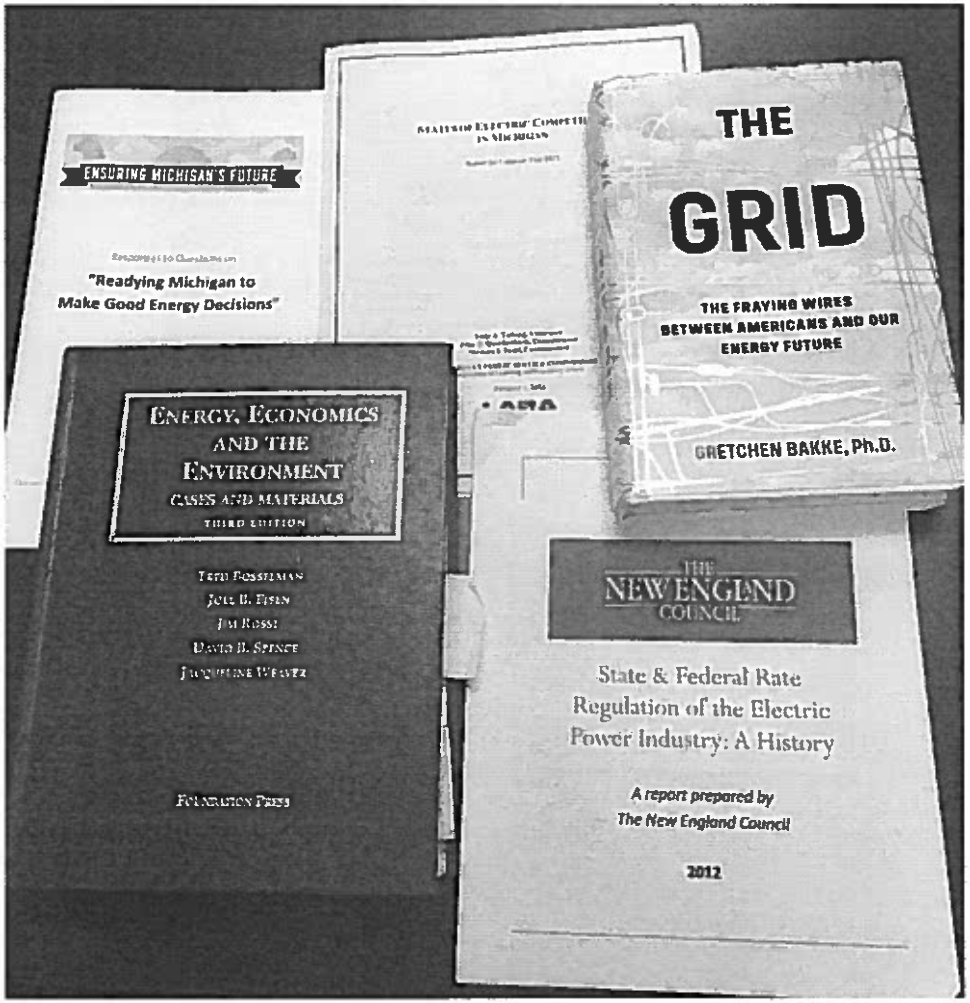
- Sec. 173:
  - Net Metering becomes "Distributed Generation."
  - MPSC to establish DG Program within 90 days
    - Applies to regulated electric providers and AESs
    - DG Customer generator size limit changed from capacity to meet customer's own need to 100% of customer's electricity consumption for the previous 12 months
    - Utility program cap stays at 1% of provider load, but calculated on 5 year average load instead of 1 year
    - MPSC must "conduct a study on an appropriate tariff reflecting equitable cost of service for utility revenue requirements for customers who participate in a net metering program or distributed generation program."
- Sec. 183: grandfathers current net metering customers for up to 10 years; under MCL 460.6a(14) MPSC to study equitable cost tariff for DG customers; such a tariff to be included in utility rate cases filed after June 1, 2018.
- Implementation:
  - Staff working group continues to meet on tariff issues; MPSC Order July 12, 2017 in U-18383 continued existing net metering programs until new tariffs are approved after June 1, 2018.
  - October: Staff presented DG "concept tariff" based on Inflow/Outflow billing mechanism (tariff to be completed by April, 2018).
  - Staff to present distribution-related cost of service analysis.

"Each decision issued by the courts in the area of utilities regulation entails a journey into the heart of darkness in which the only reliable guideposts are this Court's own prior decisions. The time has long-since passed for a comprehensive review of this legislation."

Michigan Supreme Court

Union Carbide decision - 1988

QUESTIONS??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