Public Service Commission
Energy, Labor & Economic Growth

Presentation to the
House Committee on Energy and Technology

Energy Utility Regulation in Michigan

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Energy Utility Regulation in Michigan

- Brief History of Energy Utility Regulation
- Comprehensive Energy Laws of 2008
- Ratemaking Basics

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Energy Utility Regulation – The Early Years

- "Regulatory Compact" created in early 1900's
  - Franchised service territories in exchange for regulated rates and opportunity for rate of return
- Federal Power Act (1934)
  - Federal Regulation of Wholesale transactions, including transmission
- Public Utility Holding Company Act (1935)
  - Utilities required to focus on core business

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Energy Utility Regulation

- 1970's
  - Power plant cost over-runs lead to high electric rates
  - Overbuild created over-capacity
- 1980's
  - Industrial customers seek rate relief through competitive options (retail wheeling)
  - Cheap and plentiful gas supply
    - Federal Energy Policy Act of 1992
    - FERC and US DOE develop models for competitive wholesale electricity markets
      - Geographic rationality
      - Non-discriminatory access
      - Independent grid operator (MISO and PJM)

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Electric Utility Regulation in Michigan – 1990's to 2000's

- Market concepts embraced as alternative to expensive utility generation
- PA 141 passed and enacted
  - Hybrid type
  - Natural gas scarcity
  - Rate impacts
  - Choice participation varied
- Blackout 2003 – Wake up Call for Reliability
- Michigan's Response to Blackout 2003
  - Capacity Need Forum (CNF)
  - 21st Century Energy Plan (21CEP)

Energy Legislation in 2008

- PA 295 – "Clean, Efficient and Renewable Energy Act"
- PA 286 – Amendments to MPSC Regulation and Authority

Energy Legislation in 2008

- PA 295
  - Renewable Portfolio Standard
  - Energy Optimization
  - State Government Energy Efficiency and Optimization
  - Wind Energy Resource Zones
  - Net Metering

Energy Legislation in 2008

- PA 286
  - File and Use Rates
  - Merger and Acquisition Review Authority
  - Certificate of Need for New Generation – Integrated Resource Planning
  - Cap on Customer Choice Levels
  - Rate Alignment with Cost of Service (Deskewing)

Ratemaking Basics

- Generally Two Types of Cases Involving Energy Rates and Costs
  - General Rate Cases
    - Cost of Service-based rates reflect the costs necessary to safely and reliably run the utility
  - Act 304 Cases
    - Power Supply Cost Recovery (PSCR)
    - Gas Cost Recovery (GCR)

Ratemaking Basics

(Reflecting modifications under PA 286)

- Utility Application Filing
  - 30 days to determine completeness
  - 180 day clock for self-implementation starts ticking (File and Use Rates)
  - Scheduling set which allows final order within twelve months

Ratemaking Basics

- Evidentiary Hearings
  - Utility case filing (application)
  - Staff and intervener case filed (4-5 months)
  - Cross examination of all parties
- Self Implementation date (180 days)
  - Unless for good cause, the commission issues a temporary order preventing rate increase.

Ratemaking Basics

- Rebuttal Phase
- Briefs
- Proposal for Decision
- Final Order within 12 months of Application filing.
  - If utility self-implemented a rate increase and over-collected, a refund is required, with interest.

MPSC Reports to the Legislature

Name of Report	Brief Description of Report	Statutory Requirem't	Recipients	Reporting Period
Status of Electric Competition in MI	Annual report of the status of electric competition in MI	MCL 460.10u	Governor and Legislature	Yearly
Status of Video Services Competi'n in MI	Annual report on the status of video services competi'n in MI		Governor and Legislature	Yearly
MPSC Annual Report	Outlines the MPSC's accomplishments over the prior year	MCL 460.5a	Governor and Legislature	Yearly
Low Income & Energy Efficiency Fund Report	Outlines the grants awarded through the LEEP – required by yearly appropriations bills		DELEG, Governor and Legislature	Yearly
Status of Telecommunications Competition in Michigan	Annual report on the status of telecommunications competition in Michigan	MCL 484.2103(2)	Governor and House/Senate Committees with oversight of telecommunications matters	Yearly
Report on the Implementation of PA295 Utility Energy Optimization Programs	Summarizes data collected under this section and fulfills requirements as outlined in the statute	MCL 460.1095(3)(e)	House/Senate Committees with primary responsibility for energy and environmental issues	Yearly
Report on the Implementation of PA295 Utility Renewable Energy Programs	Summarizes data collected under this section and fulfills requirements as outlined in the statute	MCL 460.1051(5	House/Senate Committees with primary responsibility for energy and environmental issues	Yearly
Combined Renewable Energy Report and Report on Cost Effectiveness of RE and EO	A report that evaluates and determines whether this subpart and subpart A have each been cost-effective and makes recommendations to the legislature.	MCL 460.1097(6) & (7)	DELEG and House/Senate Committees (Energy Related.)	Yearly
Wind Energy Resource Zone Annual Report	Report Summarizing impact of establishing wind energy resource zones, expedited transmission line siting, and estimates for future wind generation within zones and recommendations	MCL 460.1155	Governor/Legislature	One Time
Report on Progress of Reducing Energy Use	Report on the progress of electric providers in achieving reductions in energy use	MCL 460.1097(5	House/Senate Committees (Energy & Environment)	One Time
Report on Effort to Reduce Peak Demand	Report on the effort to reduce peak demand that includes any recommendations for legislative action concerning load management.	MCL 460.1097(1d)	MCL 460.1097(1d)Legislature	One Time
Report on Toll Access Restructuring	Annual report regarding the administration of the restructuring mechanism	MCL484.2310(10)	Governor and Legislature	Yearly
Federal Low Income and Energy Assistance Funding	Required to be submitted to the Governor and legislature if there is a reduction in the amount of federal funds available – also requires the Commission to conduct a hearing and issue a report on need for additional funding in the state	MPSC Case No. U-15236	Governor and Legislature	As necessary

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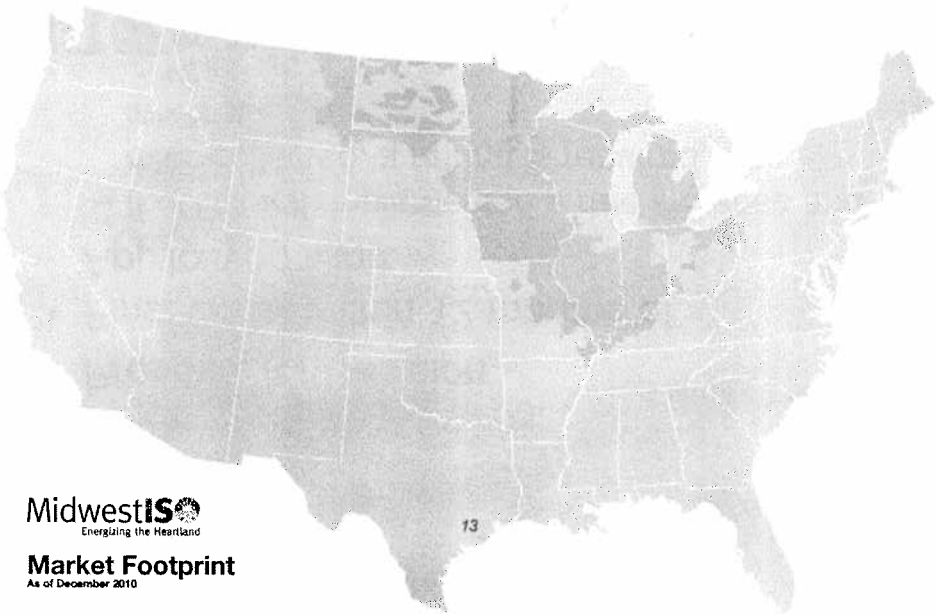

Questions?

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