

## Regulatory Assistance Project Electric Resource Long-range Planning Survey<sup>1</sup>

State: **Michigan** Date: 6/11/03  
Name of Agency: Michigan Public Service Commission (PSC)  
Source: Phone Interview, email  
Contact Person, title: Tom Stanton, Technical Assistant, Competitive Energy Division  
Background: Public Policy (25 years in energy policy)  
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### Policies

1. Is any form of long-range electrical resource and/or investment planning required?

Not really, but there is a statutory short-term planning process. The PSC also has siting authority for transmission lines that cross county lines or are > 5 miles.

2. What is it called?

The statutory planning process is the Power Supply Cost Recovery Plan (PSCR Plan).

3. What is the process?

Utilities that have an active fuel adjustment clause must file a PSCR Plan annually. The plan must describe anticipated fuel sources in detail for the coming year and provide a supply/demand forecast for the next five years. Utilities file their PSCR plans by September 30 for the coming calendar year. The plan is docketed as a formal, contested case. The PSC Order is generally issued in the spring of the calendar year covered by the Plan. Utilities must file reconciliation data by March 31, covering the previous calendar year. The result of the Plan Case Orders is a PSCR factor to be included in rates for the year. The result of the Reconciliation Case is a PSCR factor adjustment, if necessary. If the amount of the adjustment is modest, it is typically processed as either a one-time refund to customers of any overcollection or one-time charge for undercollection. If the adjustment is greater, it may result in a 12-month increment to the PSCR factor.

Recent restructuring activities in Michigan froze rates, including PSCR factors, for the state's two largest electric utilities (Consumers Energy and Detroit Edison). As a result, PSCR plans for those companies have not been filed in recent years. With the

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<sup>1</sup> All responses written from notes compiled and edited by Cathie Murray at RAP. Any corrections to the draft document, suggested by the contact person, have been incorporated.

legislated rate freeze starting to expire in 2004, it is expected that most Michigan electric utilities will resume filing PSCR plans in September 2003.

4. Describe the analysis required by the regulatory body

The PSCR plan is more of a record-keeping and reconciliation process than a planning process. However, the PSC and intervenors can use the occasion to examine a utility's resource portfolio plans.

5. Is it statewide or utility-specific planning? What types of entities are required to participate?

It is utility-specific. IOUs and electrical cooperatives are required to submit PSCR plans, but municipal utilities or cooperative G&T providers are not.

6. This form of planning has been required since what date?

PSCR plans have been required since 1982, in response to the oil crises of the 1970's. The process was slightly amended in 1987. Michigan used an IRP process, in addition to the PSCR process, from 1989-1993.

**Required Elements**

7. Which of the following resources must be evaluated/included:

Generation	Yes
Transmission	No
Distribution	No
Energy efficiency	No
Load Management	Interruptible tariffs come up.

8. Is a comparison of supply and demand side options/resources required? No

9. The plans' objectives, from the regulatory perspective:

To smooth out fuel price volatility over time and prevent "rate shock." To assure adequate supply at a reasonable price.

10. The plans' objectives, from the utility perspective:

The process provides some regulatory protection, and assurance that costs approved in the adopted PSCR plan will be recoverable. It also reduces the number of rate cases and attendant costs. It keeps fuel price risk on consumers, not shareholders.

11. Are alternative scenarios analyzed as part of the plan? Not really

The utility's PSCR plan posits one proposal. Since it is a contested proceeding, other scenarios may be brought to the PSC's attention by Staff or Intervenors, but that is not typically done.

12. Are externalities considered? No

13. What is the planning horizon? 5 years  
Length of Energy and Demand forecasts: 5 years  
Length of Short-term Action Plan: calendar year

14. How often do utilities have to file plans? Update plans? What actually happens?

Annually, provided their fuel adjustment clauses are active.

15. What monitoring or other processes are used to determine consistency of investments with plans?

The March 31 reconciliation report.

16. Are environmental issues considered in the planning process? No

### **Agency Process**

17. Agency holds public hearings on utility plans? Yes

18. Other ways public participates and comments on plans are:

Public participation takes place in the context of formal, contested hearings. The PSC does maintain email lists to notify interested parties of upcoming activities.

19. What action does the Commission take on the plan(s)?

The PSC issues an Order setting the PSCR factor for the coming year. It may also provide guidance for future plans.

20. Have resource acquisition decisions changed as a result of the planning process?

The PSC might give some portfolio management guidance "at the margins," such as a recommended percent of fuel bought on the spot market.

21. Are competitive processes used to acquire new resources? Yes

Wholesale power sales are now deregulated in Michigan. In the past the PSC has issued orders re: competitive acquisition of generation resources. Power supply contracts longer than 6 months must be approved by the PSC.

22. Do utilities file an energy efficiency or DSM plan? No

23. Is competitive bidding used to acquire EE resources?

Since the mid-1990's, Michigan electric utilities have not purposefully acquired any EE resources.

24. Does the regulatory agency have open dockets, or is it considering opening a docket investigating any long-range electrical investments?

No. However, Detroit Edison plans to file a rate case and PSCR this summer. Consumers Energy is also expected to file a rate case soon.

25. Citation and description: N/A

26. Are filed plans available on-line?

Not as a rule, in the past. However, as a result of a pilot program, several PSCR plans were filed on-line in September 2002. See September 2002 cases on the following web page (indexed in order of case number, highest to lowest, which is generally chronological with newest cases at the top and oldest at the bottom):

<http://efile.mpsc.cis.state.mi.us/efile/electric.html>

27. Citation and description of State policies (legislation, rules/regs, PUC orders) governing planning:

Public Act 304, Part of Act 3 of 1939, Sections 460.6j-m.

To review this statute, go to

<http://www.michiganlegislature.org/law/mileg.asp?page=getObject&objName=mcl-Act-3-of-1939>.

28. Do you anticipate any changes to this process in the near future? No

29. Does your state do performance-based regulation?

Not yet. However a recent PSC Order required distribution companies to report performance on some specific standards regarding telephone assistance to consumers, number and duration of outages, etc. A rulemaking procedure to adopt performance standards is underway. The Order in Case #12270 was electronically filed on 11/7/02, and can be seen at:

<http://www.cis.state.mi.us/mpsc/orders/electric/2002/>.

## State Energy Plan

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| 30. Is there a State Energy Plan?  | No  |     |
| 31. Is it connected to the planning described above?                         | N/A |     |
| 32. If yes, who is responsible for the Plan?                                 | N/A |     |
| 33. What is included in the Plan, apropos of long-range electrical planning? |     | N/A |

Notes: There is a Transmission Act with no planning requirement. The MISO is trying to develop principles that FERC will agree to, regarding standard market design. This will probably result in a planning process directed by FERC. There is no Michigan initiative right now, but a recent near-crisis in the Upper Peninsula may cause one. The UP was close to losing grid during 6 weeks of the Spring of 2003 due to a dam-break and subsequent flood, which inundated the switchyard of a 600 MW coal generator and damaged or destroyed two hydroelectric dams.