



May 9, 2022

Ms. Lisa Felice
Michigan Public Service Commission
7109 W. Saginaw Hwy.
P. O. Box 30221
Lansing, MI 48909

Via E-Filing

RE: MPSC Case No. U-21090

Dear Ms. Felice:

The following is attached for paperless electronic filing:

**Testimony of Douglas Jester in Support of Settlement Agreement on behalf
of Michigan Environmental Council, Natural Resources Defense Council,
Sierra Club and Citizens Utility Board of Michigan, and**

Proof of Service.

Sincerely,

Lydia Barbash-Riley
lydia@envlaw.com

xc: Parties to Case No. U-21090

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the Application of
CONSUMERS ENERGY COMPANY for
Approval of an Integrated Resource Plan
under MCL 460.6t, certain accounting
approvals, and for other relief.

U-21090

ALJ Sally L. Wallace

**TESTIMONY OF DOUGLAS B. JESTER
IN SUPPORT OF SETTLEMENT AGREEMENT**

ON BEHALF OF

**THE MICHIGAN ENVIRONMENTAL COUNCIL,
NATURAL RESOURCES DEFENSE COUNCIL, SIERRA CLUB,
AND CITIZENS UTILITY BOARD OF MICHIGAN**

May 9, 2022

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I. INTRODUCTION

Q. Are you the same Douglas Jester who previously filed testimony in this case?

A. Yes.

Q. On whose behalf is this testimony being offered?

A. I am testifying on behalf of Michigan Environmental Council (MEC), Natural Resources Defense Council (NRDC), and Sierra Club (SC) (collectively, “MNS”) and Citizens Utility Board of Michigan (CUB).

Q. What is the purpose of your testimony?

A. I am testifying on behalf of MNS and CUB to support the settlement agreement in this case.¹

Q. Are you sponsoring any exhibits?

A. No.

Q. Please summarize your opinions regarding the settlement agreement.

A. The settlement agreement is in the public interest; represents a fair and reasonable resolution of this case; and is supported by substantial evidence. The settlement preserves the most beneficial aspects of Consumers’ Proposed Course of Action, including the retirement of the entire Campbell plant and the permanent exit from coal generation in 2025; as well as the solar ramp-up and annual competitive solicitations for solar generation.

¹ Case No. U-21090, Settlement Agreement filed April 20, 2022.

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1 The settlement also improves upon Consumers' initially-filed PCA by:

- 2 • Eliminating the purchase of certain gas plants from Consumers' affiliate CMS
3 Enterprises;
- 4 • Providing for competitive solicitation of Power Purchase Agreements to backfill
5 the retiring Campbell capacity, including a tranche of dispatchable, non-
6 intermittent generation and a tranche of clean capacity (which includes battery
7 storage resources);
- 8 • Maintaining Karn units 3-4 in operation to support resource adequacy;
- 9 • Reducing the return on equity for the proposed regulatory asset for the retiring
10 Campbell plant;
- 11 • Providing additional support from Company shareholders to low-income customer
12 bill assistance programs;
- 13 • Substantially maintaining the 50/50 procurement terms from the settlement in Case
14 No. U-20165;
- 15 • Maintaining the Financial Compensation Mechanism methodology from the
16 settlement in Case No. U-20165;
- 17 • Requiring further evaluation of transmission options to improve reliability and
18 facilitate economic power imports;
- 19 • Advancing battery storage investments;
- 20 • Improving future analysis of line losses and avoided transmission and distribution
21 costs in the evaluation of distributed resources, including residential demand
22 response;

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- 1 • Requiring environmental justice analysis in Consumers' next IRP;
- 2 • Providing for public filing of community transition plans for the Campbell and
- 3 Karn sites; and
- 4 • Addressing issues under the Public Utility Regulatory Policies Act (PURPA) to the
- 5 satisfaction of the parties who engaged on those issues.

6 The improvements to the PCA reflected in the settlement agreement resulted from
7 extensive, arms-length negotiations between Consumers and the parties, and the settlement
8 agreement is supported by the vast majority of the parties in this case. For these reasons,
9 it is my opinion that the settlement is in the best interest of customers and the environment,
10 and I wholeheartedly recommend that the Commission approve it.

11 **II. OVERVIEW OF CONSUMERS' INITIAL PROPOSALS IN THIS CASE**

12 **Q. Please summarize the resource portfolio presented in Consumers' initial PCA in this**
13 **case.**

14 **A. The PCA described in Consumers Energy's direct case included the following resource**
15 **elements:**

- 16 • Retire Karn units 3 and 4, which are oil/gas peakers, in May 2023;
- 17 • Retire coal-fired Campbell units 1, 2, and 3 in May 2025;
- 18 • Purchase the New Covert Generating Facility, a natural gas-fired plant, in May
- 19 2023;
- 20 • Purchase three gas plants owned by Consumers' affiliate, CMS Enterprises
- 21 Company – Dearborn Industrial Generation (DIG), Kalamazoo, and Livingston –
- 22 in May 2025;

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- 1 • Continue procuring solar resources via annual competitive solicitations, with
2 increases in projected utility-scale solar deployment throughout the 2020s and
3 2030s;
- 4 • Slow development of battery storage projects, with the first battery resources
5 coming online in 2030;
- 6 • Make modest adjustments in Consumers' projected Energy Waste Reduction,
7 Demand Response, and Conservation Voltage Reduction programs; and
- 8 • Pursue no new transmission projects or agreements to secure power imports from
9 outside MISO Zone 7.

10 **Q. Please summarize the principal financial requests that Consumers made in its direct**
11 **case.**

12 **A.** Apart from the gas plant acquisition costs, Consumers made two significant financial
13 requests in its initial case.

14 First, Consumers proposed to establish a \$1.5 billion regulatory asset for the unrecovered
15 book balances of the Campbell plant and Karn units 3-4. Consumers also proposed to
16 recover that asset through conventional ratemaking over the previously planned remaining
17 life of the units, with recovery of depreciation expense and pre-tax weighted average cost
18 of capital, or WACC, including return on equity.

19 Second, Consumers proposed to change the method by which its PPA Financial
20 Compensation Mechanism, or FCM, is calculated. The settlement in Consumers' last IRP
21 case, U-20165, provided the Company with an FCM calculated by multiplying the PPA

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1 payments by Consumers' after-tax WACC using its total capital structure. In this case,
2 Consumers proposed to increase the FCM by multiplying the PPA payments by
3 Consumers' pre-tax WACC using its permanent capital structure. Using pre-tax WACC
4 instead of after-tax WACC and using permanent capital structure instead of total capital
5 structure would have increased Consumers' current PPA incentive by almost 50%.

6 **Q. Did Consumers propose changing its solar procurement practices?**

7 **A.** Yes. The most significant proposed change was to the allocation between Company-owned
8 and PPA solar projects. In the settlement of Case No. U-20165, Consumers agreed to
9 acquire at least 50% of its solar capacity acquired via PPAs and no more than 50% from
10 company-owned projects or build-transfer agreements. In this case, the Company proposed
11 to reverse that allocation and acquire at least 50% from company-owned resources and no
12 more than 50% via PPAs.

13 **III. REASONABLENESS OF THE SETTLEMENT AGREEMENT**

14 **Q. What does the settlement provide regarding the Campbell plant?**

15 **A.** In paragraph 4(ii) of the settlement, the parties agree that Campbell units 1, 2, and 3 will
16 retire on or before May 31, 2025.

17 **Q. In your opinion, is retiring the Campbell plant a reasonable and beneficial**
18 **settlement term?**

19 **A.** Yes. First it should be noted that no party in this case opposed retirement of Campbell units
20 1 and 2. The Proposal for Decision (PFD) in this case also recommended approval of those
21 retirements.

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1 Further, retiring the entire Campbell plant will benefit both customers and the
2 environment and is therefore in the public interest. After Karn 1 and 2 retire in 2023,
3 Campbell 1-3 will be the last remaining coal units in Consumers' portfolio. The Campbell
4 plant has a greater carbon impact than any other resource owned by the Company, and its
5 retirement is critical to meeting state and federal climate goals, including the Michigan
6 Healthy Climate Plan.² Because the Campbell plant emits other pollutants, such as SO₂,
7 NO_x, and particulate matter, retiring Campbell is likely to also have health benefits in
8 addition to those from reducing the Company's carbon output.

9 Extensive modeling conducted by Consumers and by MNS in this case demonstrated that
10 retiring Campbell in 2025 is economic for customers. MNS witnesses Tyler Comings and
11 Casey Roberts also explained that Campbell's continued operation poses regulatory risks
12 due to Steam Electric Effluent Guidelines (SEEG) requirements and potential carbon costs.
13 And witness Comings noted that retiring Campbell in 2025 will save customers more than
14 \$150 million of avoidable capital expenditures. In proposing Campbell's retirement, the
15 Company also cited community and worker benefits of accelerated retirement over
16 continued operation. The testimony, exhibits, and modeling regarding these issues provide
17 substantial evidence to support the Campbell plant retirement.

18 **Q. Please explain why Campbell's 2025 retirement is important for meeting the**
19 **Michigan Healthy Climate Plan goals.**

² Available at <https://www.michigan.gov/egle/-/media/Project/Websites/egle/Documents/Offices/OCE/MI-Healthy-Climate-Plan.pdf?rev=d13f4adc2b1d45909bd708cafccbfffa&hash=99437BF2709B9B3471D16FC1EC692588>, last checked May 6, 2022.

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A. Governor Whitmer's Executive Directive, which initiated development of the Michigan Healthy Climate Plan, directed that the plan should result in 26-28% reduction in economy-wide greenhouse gas emissions from 2005 to 2025.³ The following table displays Michigan's GHG emissions in 2005 and the associated goals of the Michigan Healthy Climate Plan as I compiled them from reports by the US Energy Information Administration:⁴

Michigan Energy GHG Emissions 2005 (million metric tons CO2 Equivalent)	Residential Sector	Commercial Sector	Industrial Sector	Transportation Sector	Electric Power Sector	All Energy Sectors
Coal	0.0	0.3	7.3	0.0	67.8	75.4
Petroleum Products	4.6	0.9	5.8	53.8	0.8	65.9
Natural Gas	19.3	9.4	12.0	1.5	7.0	49.2
Total Energy-Related	23.9	10.6	25.1	55.3	75.6	190.5
Non-Energy 2002 GHG Emissions						29.3
Total 2005 GHG Emissions						219.8
NDC Goal 2025	26% Reduction from 2005					162.7
NDC Goal 2030	50% reduction from 2005					109.9
Whitmer Goal 2050	Net Zero by 2050					0.0
Energy Emissions Goal 2025	Assume 0% reductions in non-energy GHG emissions since 2005					133.4
Energy Emissions Goal 2030	Assume 25% reduction in non-energy GHG emissions since 2005					88.0
Energy Emissions Goal 2050	Assume elimination or offsets by 2050					0.0

2019 is the most recent full compilation of similar data available from EIA. As of 2019, the corresponding emissions were as shown in the following table:

³ Executive Directive 2020-10 affirmed this goal that she first adopted in Executive Directive 2019-12.

⁴ State Carbon Dioxide Emissions Data - U.S. Energy Information Administration (EIA), available at <https://www.eia.gov/environment/emissions/state/>, last checked May 6, 2022.

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Michigan Energy GHG Emissions 2019 (million metric tons CO2 Equivalent)	Residential Sector	Commercial Sector	Industrial Sector	Transportation Sector	Electric Power Sector	All Energy Sectors
Coal	0.0	0.0	4.0	0.0	44.2	48.2
Petroleum Products	3.5	1.5	6.2	50.5	0.6	62.2
Natural Gas	20.2	11.1	10.6	0.0	16.8	58.7
Total Energy-Related	23.7	12.6	20.8	50.5	61.6	169.2
Energy Emissions Reduction Needed by 2025						35.8
Energy Emissions Reduction Needed by 2030						81.2

Since policy and economic trends related to the residential, commercial, industrial, and transportation sectors have not obviously caused a change in emissions trends in these sectors, I used those trends to project a similar table for 2025. In addition, I used EPA's facility-level GHG emissions inventory⁵ to identify 2019 GHG emissions from Michigan power plants that have since retired or been committed to retire by 2025, including the Campbell plant, and assumed that reduction from Electric Power Sector emissions. That forecast provides the following comparable table:

2025 GHG Emissions Reductions (million metric tons CO2 equivalent)	Residential Sector	Commercial Sector	Industrial Sector	Transportation Sector	Electric Power Sector	All Energy Sectors
Replace Coal Generation with Clean Generation					-17.8	
EV Sales Ramp to 100% by 2035				-3.5		
Accelerate Heating Efficiency & Electrification to 3.5%/yr	-5.6	-2.6	-4.1			
2025 Remaining Energy-Related Emissions	18.1	9.9	16.7	47.0	43.8	135.5
2025 Gap						2.1

⁵ EPA Facility Level GHG Emissions Data, available at: <https://ghgdata.epa.gov/ghgp/main.do#/facility/>, last checked May 9, 2022.

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1 Assuming the Campbell retirement and no new gas-fueled generation, there is a gap of 2.1
2 million metric tons CO₂ equivalent (MMT CO₂eq) between the 2025 goal of the Michigan
3 Healthy Climate Plan and what is likely to be achieved. Since the Campbell plant annual
4 emissions are approximately 8.285 MMT CO₂eq, it is clearly not possible to meet the 2025
5 goal of the Michigan Healthy Climate Plan without the retirement of the Campbell plant
6 by 2025. The retirement of Campbell is therefore critical to meeting the Climate Plan's
7 goal.

8 Further, the Michigan Healthy Climate Plan calls for the retirement of all coal generation
9 by 2030, which would necessarily include the Campbell units.

10 **Q. What does the settlement provide regarding solar generation?**

11 A. By approving the PCA except as modified in the settlement agreement, paragraph 1 of the
12 agreement approves Consumers' continued ramp-up of solar resources – an initiative first
13 approved as part of Consumers' 2018 IRP. In the 2018 case, the Commission approved a
14 plan that included approximately 5 GW nameplate of new solar resources in the 2020s. In
15 this case, Consumers proposed to continue those additions and also procure an additional
16 2 GW of solar in the 2030s above the levels included in the 2018 IRP. Paragraph 8 of the
17 settlement agreement provides that Consumers will continue to utilize annual competitive
18 solicitations to procure these solar resources.

19 **Q. In your opinion, is approval of Consumers' solar additions a reasonable and**
20 **beneficial settlement term?**

21 A. Yes. In approving the settlement in U-20165, the Commission recognized that Consumers

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1 Energy's planned solar ramp-up was both groundbreaking and environmentally beneficial.
2 The Commission also endorsed the use of the annual solicitations to promote competition
3 that would keep costs down and benefit customers. These public interest benefits, which
4 the Commission has already recognized, will continue with the new settlement.

5 **Q. What does the settlement provide for regarding the acquisition of gas plants?**

6 **A.** First, the parties agree at paragraph 2 to Consumers' acquisition of the Covert plant, and
7 that the purchase costs for that plant of \$815 million are reasonable and prudent.

8 Second, the parties agree at paragraph 2 that Consumers will not obtain ownership of the
9 three CMS plants: DIG, Livingston, and Kalamazoo.

10 **Q. In your opinion, are the settlement terms regarding the acquisition of gas plants**
11 **reasonable and beneficial?**

12 **A.** Yes. With respect to Covert, no party opposed Consumers' acquisition of that plant, and
13 the PFD recommended approving it. As testimony by both Staff and Consumers pointed
14 out, because Covert is currently in PJM, Consumers' acquisition of Covert will add 1,114
15 Zonal Resource Credits or ZRCs to MISO Zone 7. That action will support reliability for
16 Consumers as well as overall resource adequacy for Zone 7. For these reasons, acquisition
17 of Covert is both in the public interest from a reliability and resource adequacy standpoint,
18 and it is supported by substantial evidence in the record of this case.

19 Consumers' agreement not to acquire the CMS plants is also in the public interest and
20 supported by substantial evidence. The record in this case showed myriad concerns
21 regarding the CMS acquisitions – including issues with respect to affiliate transactions; the

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1 nature of the gas plant RFP solicitation that led to the proposed purchase of these plants;
2 and related issues. Staff, the Attorney General, and MNS all submitted substantial
3 testimony and exhibits regarding these issues, and the hearing included substantial live
4 testimony concerning them as well. In addition, parties including MNS, the Clean Energy
5 Organizations (CEOs), and the Great Lakes Renewable Energy Association also provided
6 evidence concerning certain risks associated with acquisition of those plants. Based on all
7 of this evidence, the PFD also recommended against acquisition of the CMS plants.

8 Consumers has since come up with prudent plans to backfill capacity from retiring
9 Campbell units by other means. I describe those plans next. Finally, it is worth noting that
10 Staff supported in testimony Consumers' acquisition of Covert but not the CMS plants.
11 The acquisition of some, but not all, of the assets Consumers sought to acquire is a self-
12 evidently reasonable compromise.

13 **Q. Which resources would replace Campbell's retiring capacity?**

14 **A.** Under the settlement, Campbell's capacity will be replaced by a mix of resources. First,
15 acquisition of the Covert plant will provide Consumers most of the energy and capacity
16 currently provided by Campbell. Second, the settlement includes a one-time solicitation
17 for PPAs that will provide up to 700 ZRCs of energy and capacity. These PPAs would be
18 added to the Company's resource portfolio in the 2025 Planning Year – coinciding with
19 the retirement of Campbell.

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1 **Q. Please describe the one-time solicitation of capacity and energy for the 2025**
2 **Planning Year.**

3 **A.** In paragraph 6 of the settlement, the parties agree that Consumers will issue a one-time
4 competitive solicitation for PPAs to begin in PY 2025. The solicitation will contain two
5 tranches. The first tranche will seek up to 500 ZRCs of energy and capacity for up to 10
6 years from dispatchable, non-intermittent generation. The second tranche will seek up to
7 200 ZRCs of energy and capacity for up to 25 years from clean energy resources (including
8 battery storage).

9 **Q. In your opinion, is the one-time competitive solicitation a reasonable and beneficial**
10 **settlement term?**

11 **A.** Yes. The first tranche will provide energy and capacity of similar characteristics to what
12 Consumers sought via the proposal to acquire the CMS plants. However, soliciting 10-year
13 PPAs instead of acquiring affiliate assets planned to remain in rate base until 2040 will
14 reduce risks to customers. Further, a solicitation for PPAs addresses one of the issues with
15 the earlier RFP identified by parties and the PFD, which was that the earlier RFP only
16 sought assets for purchase. Obtaining power via PPAs also addresses some of the other
17 risks identified in the record, namely, those related to environmental permitting and fixed
18 operating and maintenance expenses. Finally, the PPA approach is consistent with MNS
19 modeling plans 1 and 3 discussed by witnesses George Evans and Tyler Comings. Those
20 plans proposed using capacity purchases as part of lower-cost portfolios that retired

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1 Campbell 3 without buying most or all of the CMS plants.

2 The second tranche is also beneficial to the public interest and supported by substantial
3 evidence. It will provide additional clean energy resources for Consumers' portfolio, with
4 the attendant benefits I discussed earlier in my testimony. It is also consistent with my
5 testimony that Consumers should solicit for up to 750 MW of solar resources per year
6 rather than 500 MW – a recommendation the PFD also adopted.

7 **Q. What does the settlement provide regarding Karn units 3-4?**

8 **A.** Paragraph 4(i) of the settlement provides that Karn units 3-4 will not retire in 2023 but
9 instead will continue operating and retire on or before their previously planned retirement
10 date of May 31, 2031, absent extraordinary circumstances.

11 **Q. In your opinion, is the Karn retirement date a reasonable and beneficial settlement**
12 **term?**

13 **A.** Yes. Karn 3-4 are large peaking units already owned by Consumers. They provide
14 substantial capacity but operate infrequently. Continuing to operate Karn 3-4 supports
15 Consumers' attainment of planning reserve margin requirements by maintaining more than
16 780 ZRCs in the Company's portfolio. It also supports resource adequacy in Zone 7, for
17 the same reason. Public health and climate impacts from Karn 3-4 are minor because the
18 units operate so infrequently; in recent years their capacity factor has been substantially
19 less than 5%. Keeping Karn 3-4 in operation also removes its unrecovered net book value
20 from the total balance of the regulatory asset that Consumers seeks, which will now be
21 limited to the balance for the Campbell plant, lowering the costs of the regulatory asset for

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1 customers.

2 **Q. What does the settlement provide regarding Consumers' request for the regulatory**
3 **asset you just mentioned?**

4 **A.** In paragraph 5 of the settlement, the parties agree that after retirement of the Campbell
5 plant in 2025, the return on equity used to calculate the WACC for the regulatory asset will
6 be 9.0%.

7 **Q. In your opinion, is this regulatory asset provision a reasonable and beneficial**
8 **settlement term?**

9 **A.** Yes. Consumers has taken a very firm position that it will not retire Campbell in 2025
10 without being able to recover a return of and on the unrecovered balance. Therefore, it was
11 necessary for the other parties to agree with a regulatory asset based on WACC for this
12 settlement to occur and to facilitate Consumers' permanent exit from coal generation three
13 years from now. On the other hand, setting the ROE at 9.0% for the calculation of the
14 WACC on the regulatory asset is a significant compromise for Consumers, as that figure
15 is substantially lower than the authorized ROE of 9.9% that the Commission approved in
16 Consumers Energy's last electric rate case, U-20963. In addition, it is my understanding
17 that the Attorney General negotiated the low-income bill assistance provision I describe
18 next in tandem with the compromise on the regulatory asset, which further balances the
19 burdens and benefits of this important financial component of the agreement.

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1 **Q. What does the settlement provide regarding support from Company shareholders to**
2 **low-income customer bill assistance programs?**

3 **A.** Consumers agreed in paragraph 13 of the settlement to donate funds to its low-income bill
4 assistance programs. These donated funds will not be recovered in rates. Consumers will
5 donate \$5 million in 2022 and \$2 million per year for the rest of the term of the regulatory
6 asset for the Campbell plant. Consumers will consult with the Attorney General and Staff
7 on the recipient low-income fund, and will provide an annual report to the Commission.

8 **Q. In your opinion, are the low-income assistance donations a beneficial settlement**
9 **term?**

10 **A.** Yes. The need for additional low-income customer bill assistance has been demonstrated
11 both in recent Consumers electric rate cases and in recent Consumers EWR cases, and
12 recognized by the Commission in a variety of orders.⁶ Prohibiting recovery of these funds
13 in rates will ensure that they come from shareholders, which is a reasonable component of
14 the overall compromise on the regulatory asset and ROE.

15 **Q. What does the settlement provide regarding the allocation of future solar**
16 **procurements?**

17 **A.** Paragraph 9 of the settlement requires Consumers to use commercially reasonable efforts
18 to maintain the 50/50 split between owned resources and PPAs for new solar procurements

⁶ See for example Case No. U-20963, December 22, 2021 Order, pp. 402-403 (agreeing “that a COSS with a low-income customer subclass may be beneficial and recommends the company include a low-income customer subclass in the COSS for the EAAC in Case No. U-20757[.]”); Case No. U-20875, March 17, 2022 Order Approving Settlement Agreement.

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1 that was first approved in the U-20165 settlement. This provision creates an absolute cap
2 of 60% on capacity that Consumers acquires for ownership in any annual solicitation, while
3 setting no cap on the amount of new solar the Company may acquire via PPA. The term
4 also maintains the bar on Consumers affiliates participating in the PPA portion of the
5 solicitations.

6 **Q. In your opinion, is continuing the 50/50 split a reasonable and beneficial settlement**
7 **term?**

8 **A.** Yes. The Commission found this allocation reasonable and in the public interest in Case
9 No. U-20165 and this term maintains the essential components of that agreement. It
10 promotes competition among third-party developers which reduces customer costs, and it
11 helps support the solar industry in Michigan. This term represents a substantial compromise
12 by Consumers, which had sought in this case to eliminate a maximum amount of solar it
13 could procure for Company ownership. This provision is also consistent with the PFD
14 recommendation on this issue.

15 **Q. What does the settlement provide regarding the Financial Compensation**
16 **Mechanism?**

17 **A.** The settlement provides at paragraph 10 for an extension of the FCM approved in Case
18 No. U-20165. The method for calculating the FCM will remain the same as approved in
19 that case, using after-tax WACC and total capital structure. The FCM will not be applied
20 to PPA amendments, PURPA PPAs, Voluntary Green Pricing PPAs, or PPAs executed
21 under Consumers' renewable energy plan.

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1 **Q. In your opinion, is the FCM a reasonable and beneficial settlement term?**

2 **A.** Yes. Consumers has substantially changed its business model by agreeing to shift its
3 resource portfolio away from coal generation and toward solar generation, and by agreeing
4 to procure the solar generation via competitive solicitations under which half of that
5 capacity will be in the form of PPAs. An FCM is a reasonable incentive for the Commission
6 to authorize under such circumstances. I supported the FCM under these terms in both U-
7 20165 and this case for those reasons. The Commission approved the FCM in Case No. U-
8 20165 over vigorous objection of a small minority of parties, and the Commission's
9 reasoning in that case applies equally in this one. Further, Consumers has compromised on
10 the methodology for calculating the FCM by using after-tax WACC and total capital
11 structure rather than pre-tax WACC and permanent capital structure as the Company
12 requested in this case. The calculation methodology is also supported by my testimony in
13 this case.

14 **Q. What does the settlement provide regarding transmission analysis?**

15 **A.** Paragraph 16 of the settlement states that the parties agree in Consumers' next IRP to
16 consider how transmission investments can improve reliability and access to economic
17 sources of power from areas outside Zone 7.

18 **Q. In your opinion, is the transmission provision a reasonable and beneficial settlement**
19 **term?**

20 **A.** Yes. MNS witness Jay Caspary described the importance of transmission for both
21 reliability and economics in his direct testimony in this case. The PFD found that

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1 Consumers' transmission analysis in this case was deficient and did not meet the terms of
2 the settlement agreement in U-21065. Consumers' commitment to address transmission
3 analysis further in its next IRP will maintain focus on this issue going forward.

4 **Q. What does the settlement provide regarding battery storage investments?**

5 **A.** The parties agree to approval of a battery deployment program in paragraph 3 of the
6 settlement agreement. Consumers proposed in rebuttal testimony to advance investment in
7 75 MW of battery storage resources. The settlement reserves approval of the costs of the
8 program to future electric rate cases.

9 **Q. In your opinion, is the battery storage program a reasonable and beneficial**
10 **settlement term?**

11 **A.** Yes. Consumers made the battery proposal in response to testimony from Staff, MNS, and
12 other parties that called for acceleration of battery storage investments as part of
13 Consumers' resource portfolio for this IRP. The battery deployment will provide another
14 clean energy resource to bolster Consumers' maintenance of its PRMR and support
15 resource adequacy in Zone 7. It is also worth noting that the clean energy tranche of the
16 one-time solicitation (paragraph 6(b)(ii)) may similarly lead to the development of new
17 battery storage resources within Zone 7.

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1 **Q. What does the settlement provide regarding collection and analysis of line loss data**
2 **and avoided transmission and distribution costs in the evaluation of distributed**
3 **resources?**

4 **A.** Consumers agrees in paragraph 14 of the settlement to collect further data on marginal line
5 losses and to include marginal line losses and avoided transmission and distribution (T&D)
6 costs in the evaluation of all distributed resources, including residential demand response,
7 for its next IRP.

8 **Q. In your opinion, is the line loss and avoided T&D provision a reasonable and**
9 **beneficial settlement term?**

10 **A.** Yes. This term is based on recommendations by CUB witness David Gard and MNS
11 witness Chris Neme. Both of these witnesses explained the importance of these issues to
12 the evaluation of EWR potential and DR potential for future IRPs. Consumers agreed to
13 some but not all of their recommendations in rebuttal testimony, and has reached further
14 agreement via this settlement term.

15 **Q. What does the settlement provide regarding environmental justice and community**
16 **outreach?**

17 **A.** Paragraphs 17 and 18 of the settlement contain detailed provisions regarding environmental
18 justice analysis and community outreach for Consumers' next IRP.

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1 **Q. In your opinion, are the environmental justice and community outreach provisions**
2 **reasonable and beneficial settlement terms?**

3 **A.** Yes. The CEOs and Urban Core Collective sought measures like these in their testimony
4 in this case. The environmental justice analysis will provide vital information regarding the
5 people and communities who bear disproportionate impacts of electric generation activities
6 – information that has been lacking in Michigan IRP cases up until now. The community
7 outreach provisions are important steps toward facilitating greater awareness and
8 participation by people and communities who are normally excluded by the nature of
9 proceedings like these.

10 **Q. What does the settlement provide regarding community transition plans for the**
11 **Campbell and Karn sites?**

12 **A.** Paragraph 7 of the settlement agreement requires Consumers to publicly file its community
13 transition plans for the Campbell and Karn sites.

14 **Q. In your opinion, is the community transition plans provision a reasonable and**
15 **beneficial settlement term?**

16 **A.** Yes. MNS witness Tyler Comings testified in this case regarding the need for these plans
17 to be public.

18 **IV. CONCLUSION AND RECOMMENDATIONS**

19 **Q. What is your overall conclusion regarding the settlement agreement?**

20 **A.** The settlement agreement in this case continues and significantly extends the progress of
21 the settlement in U-20165. The settlement approves a major step by Consumers to address

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1 the climate crisis while providing numerous protections for customers from future costs
2 and risks. It is comprehensive, detailed, thorough, and embodies the input of many parties
3 to this case. It is supported by the great weight of the evidence in the record of this case
4 and consistent with many of the findings and recommendations in the PFD. It is the product
5 of extensive negotiations and represents reasonable compromises on many fronts. I
6 recommend that the Commission approve it.

7 **Q. Does that complete your testimony?**

8 **A. Yes.**

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the Application of
CONSUMERS ENERGY COMPANY for
Approval of an Integrated Resource Plan
under MCL 460.6t, certain accounting
approvals, and for other relief.

U-21090

ALJ Sally Wallace

PROOF OF SERVICE

On the date below, an electronic copy of **Testimony of Douglas Jester in Support of Settlement Agreement on behalf of Michigan Environmental Council, Natural Resources Defense Council, Sierra Club and Citizens Utility Board of Michigan** was served on the following:

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The statements above are true to the best of my knowledge, information and belief.

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Date: May 9, 2022

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