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May 13, 2022

Ms. Lisa Felice
Executive Secretary
Michigan Public Service Commission
7109 West Saginaw Highway
Post Office Box 30221
Lansing, MI 48909

RE: Case No. U-21090 – 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.

Dear Ms. Felice:

Included in this electronic file in the above-captioned case is **Consumers Energy Company's Second Rebuttal Testimony and Exhibits of Company witnesses Richard T. Blumenstock, Thomas P. Clark, and Michael A. Torrey**. This is a paperless filing and is therefore being filed only in a PDF format. I have also enclosed a Proof of Service showing electronic service upon the parties.

Sincerely,

Robert W. Beach

cc: Parties per Attachment 1 to the Proof of Service

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.)
_____)

Case No. U-21090

SECOND REBUTTAL TESTIMONY

OF

RICHARD T. BLUMENSTOCK

ON BEHALF OF

CONSUMERS ENERGY COMPANY

May 2022

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1 **Q. Please state your name and business address.**

2 A. My name is Richard T. Blumenstock, and my business address is 1945 West Parnall Road,
3 Jackson, Michigan 49201.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am employed by Consumers Energy Company (“Consumers Energy” or the “Company”)
6 as Executive Director of Electric Supply.

7 **Q. Are you the same Richard T. Blumenstock that submitted direct and rebuttal**
8 **testimony in this proceeding?**

9 A. Yes, I am.

10 **Q. What is the purpose of your second rebuttal testimony?**

11 A. My second rebuttal testimony will provide an overview of the Settlement Agreement filed
12 in this matter on April 20, 2022 and explain how the Settlement Agreement represents the
13 most reasonable and prudent means of meeting the Company’s energy and capacity needs,
14 pursuant to MCL 460.6t(8). In the contested settlement portion of this proceeding, direct
15 testimony was filed by Michigan Public Service Commission (“Commission” or “MPSC”)
16 Staff (“Staff”) witness Paul A. Proudfoot; Michigan Environmental Council, Natural
17 Resources Defense Council, Sierra Club, and Citizens Utility Board (“MNS-CUB”)
18 witness Douglas B. Jester; Environmental Law and Policy Center, Vote Solar, Ecology
19 Center, Union of Concerned Scientists, Urban Core Collective (collectively the Clean
20 Energy Organizations (“CEOs”)) witness James Gignac; Energy Michigan, Inc. (“Energy
21 Michigan”) witness Alexander J. Zakem; Wolverine Power Supply Cooperative, Inc.
22 (“Wolverine”) witness Thomas King, Jr.; and Cadillac Renewable Energy, LLC, Genesee
23 Power Partners Limited Partnership, Decker Energy-Grayling, LLC, Tondu Corporation,

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1 National Energy of Lincoln, LLC, and National Energy of McBain, LLC (collectively the
2 Biomass Merchant Plants (“BMPs”)) witness Richard A. Polich. My second rebuttal
3 testimony will respond to portions of the testimony filed by the aforementioned witnesses
4 but will particularly focus on responding to the assertions raised by the parties contesting
5 approval of the Settlement Agreement, namely, Energy Michigan, Wolverine, and the
6 BMPs.

7 **Q. Have you prepared any exhibits in conjunction with your second rebuttal testimony?**

8 A. Yes. I am sponsoring Exhibit A-150 (RTB-5), the April 20, 2022 Settlement Agreement.

9 **Q. Was this exhibit prepared by you or under your direction?**

10 A. Yes.

11 **I. THE SETTLEMENT AGREEMENT**

12 **Q. On page 1 of his contested settlement direct testimony, BMP witness Polich alleges**
13 **that there are “inconsistencies, failures and risks presented by the proposed**
14 **Settlement.” Furthermore, on page 1 of his contested settlement direct testimony,**
15 **Energy Michigan witness Zakem indicates that “Energy Michigan is objecting to the**
16 **Settlement” and on page 9 of his testimony, Wolverine witness King recommends that**
17 **the Settlement Agreement be rejected. Please describe the proposed Settlement**
18 **Agreement which the BMPs, Energy Michigan, and Wolverine are contesting.**

19 A. The Settlement Agreement, as provided in Exhibit A-150 (RTB-5), is the result of
20 extensive negotiations and represents a compromise on the positions filed by the parties in
21 this case. The Settlement Agreement proposes to completely resolve this matter and the
22 signing parties have agreed that the resolution is in the public interest. Numerous other

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1 parties have also agreed not to object to the Settlement Agreement. The Settlement
2 Agreement also generally provides for the following:

- 3 • The approval of the Company’s Proposed Course of Action (“PCA”), as
4 modified by the Settlement Agreement, as the most reasonable and prudent
5 means of meeting the Company’s energy and capacity needs over the 5-year,
6 10-year, and 15-year time horizons. The Company will file its next Integrated
7 Resource Plan (“IRP”) consistent with the requirements of MCL 460.6t;
- 8 • The approval of the purchase of the New Covert Generating Facility (“Covert
9 Plant”) and of investments in, and the capacity value of, resources which the
10 Company will commence within the next three years;
- 11 • The approval of a battery deployment program which will accelerate the
12 deployment of batteries in the PCA through an additional 75 MW of batteries
13 being added between 2024 and 2027;
- 14 • The retirement of the entire J.H. Campbell (“Campbell”) coal plant in 2025,
15 approximately 15 years sooner than planned, and accounting mechanisms to
16 recover the unrecovered book balance and decommissioning costs of the
17 Campbell Plant. D.E. Karn (“Karn”) Units 3 and 4 will continue operating
18 until 2031, consistent with the design lives of those units, and will continue
19 to provide capacity and reliability for the Company and its customers as the
20 PCA is implemented;
- 21 • A one-time solicitation which will seek to acquire: (i) up to 500 Zonal
22 Resource Credits (“ZRCs”) of capacity through power purchase agreements
23 (“PPA”) with dispatchable, nonintermittent generation and (ii) up to

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200 ZRCs from unaffiliated third-party intermittent resources and dispatchable, nonintermittent clean capacity resources;

- Accounting approval to defer expenses related to the Campbell site severance and retention agreement. The Settlement Agreement also provides for community transition activities related to the Campbell and Karn sites;
- The extension of the annual competitive solicitation process used to acquire the supply-side resource technologies specified in the PCA and the 50%/50%, Company ownership to third-party ownership construct, as initially approved in Case No. U-20165, with certain modifications. Among other things, those modifications provide greater flexibility for the Company to pursue the most economic projects in each solicitation. Through the annual solicitation process the Company will continue the solar glidepath, as outlined in the PCA, which provides for the addition of approximately 8,000 MWs of solar resources by 2040;
- The extension of the Financial Compensation Mechanism (“FCM”) approved in Case No. U-20165, with certain modifications to the new PPAs for which the FCM applies;
- The extension of the Company’s Public Utility Regulatory Policies Act of 1978 (“PURPA”) avoided cost construct, as approved in Case No. U-20165, with certain modifications which include modifications impacting eligibility for avoided cost rates and the Standard Offer Tariff and PPA;

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- Ongoing Company donations, which will not be recovered from customers, to a low-income fund that provides bill assistance to Consumers Energy's electric customers; and
- Finally, the Settlement Agreement includes numerous actions that the Company must implement and items that the Company must evaluate and consider in the Company's next IRP. That includes modeling and analysis related to distributed resources and generation, emissions analysis, combined heat and power resource analysis, and new processes to implement in the Company's public outreach efforts.

Q. What parties to this matter signed the Settlement Agreement?

A. On April 20, 2022, Consumers Energy entered into the Settlement Agreement with the following parties: the Michigan Public Service Commission Staff, Michigan Environmental Council, National Resource Defense Council, Sierra Club, Michigan Attorney General Dana Nessel ("Attorney General"), Environmental Law and Policy Center, Vote Solar, Ecology Center, Union of Concerned Scientists, Urban Core Collective, Citizens Utility Board of Michigan, Hemlock Semiconductor Operations, LLC, Michigan Energy Innovation Business Council, Institute for Energy Innovation, Clean Grid Alliance, Michigan Electric Transmission Company, LLC, and Great Lakes Renewable Energy Association.

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1 **Q. What parties to this matter indicated that they do not object to the approval of the**
2 **Settlement Agreement?**

3 A. The following parties signed a statement of non-objection: Michigan Public Power
4 Agency, Midland Cogeneration Venture, LP, Association of Businesses Advocating Tariff
5 Equity, and Residential Customer Group.

6 **Q. What positions did the remaining parties to the proceeding take with respect to the**
7 **filing of the Settlement Agreement?**

8 A. On May 3, 2022, Energy Michigan filed Objections to the Settlement Agreement. On
9 May 4, 2022, the following parties filed Objections to the Settlement Agreement: the
10 Mackinac Center for Public Policy, Wolverine, and the BMPs. Only Energy Michigan,
11 Wolverine, and the BMPs have filed direct testimony in this contested case proceeding.

12 **Q. On page 4 of his contested settlement direct testimony, Wolverine witness King alleges**
13 **that the outcome of the Settlement Agreement “not the ‘most reasonable and prudent**
14 **plan to meet the utility’s energy and capacity needs”” under MCL 460.6t. BMP**
15 **witness Polich makes similar allegations on page 4 of his contested settlement direct**
16 **testimony. Furthermore, on page 7 of his direct testimony supporting the Settlement**
17 **Agreement, Staff witness Proudfoot asserts that the PCA, as modified in the**
18 **Settlement Agreement, meets the statutory requirements of MCL 460.6t. Does the**
19 **Settlement Agreement meet the statutory requirements of MCL 460.6t?**

20 A. Yes. As discussed in more detail below, the Settlement Agreement should be approved by
21 the Commission because it results in the most reasonable and prudent plan to meet the
22 energy and capacity needs of the Company’s customers.

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1 **Q. Please explain the requirements for approval of an IRP under MCL 460.6(t)?**

2 A. As indicated in my direct testimony filed in this matter, Subsection (8) of MCL 460.6t
3 requires the Commission to approve an IRP, if it determines the plan represents the most
4 reasonable and prudent means of meeting the electric utility's energy and capacity needs.
5 To make this determination, the Commission shall consider whether the plan appropriately
6 balances all of the following factors:

- 7 i. Resource adequacy and capacity sufficient in quantity to serve anticipated
8 peak electric load plus applicable Planning Reserve Margin Requirement
9 ("PRMR") and Local Clearing Requirement ("LCR");
- 10 ii. Compliance with applicable state and federal environmental regulations;
- 11 iii. Competitive pricing;
- 12 iv. Reliability;
- 13 v. Commodity price risks;
- 14 vi. Diversity of generation supply; and
- 15 vii. Whether the proposed levels of peak load reduction and Energy Waste
16 Reduction ("EWR") are reasonable and cost effective.

17 **Q. Does the Settlement Agreement meet the requirements for approval of an IRP under**
18 **MCL 460.6t?**

19 A. Yes. One of the over-arching objectives in developing the IRP PCA, and the resulting
20 Settlement Agreement, was to create the most reasonable and prudent means of meeting
21 short- and long-term energy and capacity needs. In the Settlement Agreement, the intent
22 and focus of the Company's original PCA were maintained, ensuring the Company's clean
23 energy transition, as initially set forth in the Company's 2018 IRP. The PCA, as modified
24 by the Settlement Agreement, will help lead a faster clean energy transformation by
25 accelerating the Company's exit from coal-fired generation while increasing electric

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1 reliability and providing resource adequacy for customers. The Settlement Agreement
2 satisfies the planning objectives set forth by the Commission in Subsection (8) of
3 MCL 460.6t.

4 **Q. Please explain how the Settlement Agreement ensures resource adequacy and**
5 **capacity that is sufficient in quantity to serve anticipated peak electric load plus**
6 **applicable PRMR and LCR.**

7 A. The PCA, as modified in the Settlement Agreement, has maintained a balance of resource
8 additions and retirements—backfilling capacity lost to accelerated retirement with the
9 addition of new baseload resources, expansion of demand-side resources, expansion of
10 renewable resources, and deployment of battery storage resources. The Settlement
11 Agreement continues the annual solicitation process which will procure the supply-side
12 resource technologies specified in the PCA. The Settlement Agreement also provides for
13 the purchase of the Covert Plant, which is a resource that will move into the Midcontinent
14 Independent System Operator, Inc. (“MISO”) Zone 7 from PJM Interconnection, LLC
15 (“PJM”), the continued operation of Karn Units 3 and 4 (with retirement on or before May
16 31, 2031), consistent with the design lives of those units, and the one-time solicitation
17 which will procure 700 Zonal Resource Credits (“ZRCs”) of capacity and associated
18 energy. The Settlement Agreement also provides for numerous mechanisms for the
19 Company to procure capacity if it is needed, such as the flexibility to procure additional
20 MWs in the annual solicitation process and the ability to make short-term capacity
21 additions to address capacity shortfalls which cannot reasonably be addressed through the
22 annual solicitation process. All of these items provided for in the Settlement Agreement

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1 ensure resource adequacy and capacity that is sufficient in quantity to serve anticipated
2 peak electric load plus applicable PRMR and LCR.

3 **Q. Please explain how the Settlement Agreement ensures compliance with applicable**
4 **state and federal environmental regulations.**

5 A. The PCA, as modified in the Settlement Agreement, is in full compliance with all
6 environmental regulations and mitigates future financial risks of potential environmental
7 regulation on fossil fuel generation. The PCA also specifies retirement of Campbell
8 Units 1, 2, and 3 by 2025, approximately 15 years sooner than planned, aggressively
9 reduces waste, and continues to increase solar generation; all consistent with the
10 Company's evolved Clean Energy and decarbonization goals. As indicated in my direct
11 testimony in this case, the Company's Clean Energy Goal calls for reducing carbon
12 emissions to achieve net zero by 2040 and exit coal by 2025. The Settlement Agreement
13 keeps the Company on a path to achieving these goals and also would put Michigan on
14 track to achieve the Governor's Michigan Healthy Climate Plan which calls for reducing
15 carbon emissions by 52% by 2030 and ending coal-fired generation. This is further
16 confirmed in the testimony of CEO witness Gignac and MNS-CUB witness Jester as filed
17 in this contested settlement proceeding. See CEO witness Gignac's Testimony in Support
18 of Settlement Agreement, page 3; MNS-CUB witness Jester's Testimony in Support of
19 Settlement Agreement, pages 6-9.

20 **Q. Please explain how the Settlement Agreement ensures competitive pricing.**

21 A. The PCA, as modified in the Settlement Agreement, provides competitive pricing in
22 numerous ways. First, the Settlement Agreement PCA provides for customer savings of
23 nearly \$600 million. These savings are achieved through accelerated retirement of existing

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assets, acquisition of the Covert Plant, and continuing the strategy of modular deployment of new generation and demand-side sources. The plan provides for balancing retirements and additions along a glide path that provides flexibility to adjust plans in the future should lower-cost technologies become available. The resources identified in the PCA are also supported by the Company's extensive modeling performed in this case which identified least-cost resources. The Company also agrees with MNS-CUB witness Jester that "[e]xtensive modeling conducted by Consumers and by MNS-CUB in this case demonstrated that retiring Campbell in 2025 is economic for customers." MNS-CUB witness Jester's Testimony in Support of Settlement Agreement, page 6. Additionally, competitively bidding new supply-side generation in the one-time solicitation and annual solicitation processes provides an opportunity to identify and take advantage of the best implementation opportunities while limiting cost to customers.

Q. Please explain how the Settlement Agreement ensures reliability.

A. The PCA, as modified in the Settlement Agreement, allows the Company to maintain sufficient capacity resources to meet the expected PRMR. Additionally, the Company plans to secure resources within the lower peninsula of Michigan that will be transferred to MISO Zone 7 through the purchase of the Covert Plant and are located in MISO Zone 7 through the solicitations provided for in the Settlement Agreement, ensuring that the LCR is also met. MNS-CUB witness Jester correctly noted in his testimony filed in this contested settlement proceeding that the acquisition of the Covert Plant supports reliability because "Covert will add 1,114 Zonal Resource Credits or ZRCs to MISO Zone 7." See MNS-CUB witness Jester's Testimony in Support of Settlement Agreement, page 10.

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Further, the PCA, as modified in the Settlement Agreement, provides electric reliability assurance consistent with the PCA as filed. The Company provided a capacity sufficiency analysis and stochastic risk assessment that highlighted the electric reliability benefits of the PCA and the PCA, as modified by the Settlement Agreement, is expected to provide similar reliability benefits. Finally, the flexibility of phased-in modular resources provides the Company adequate time to mitigate cost, assess reliability within the reconfigured portfolio, and to modify as necessary.

Q. Please explain how the Settlement Agreement addresses commodity price risks.

A. The PCA, as modified in the Settlement Agreement, provides for a diverse portfolio of pumped storage and hydro generation, gas generation, wind and solar generation, energy efficiency, demand response, emerging technologies such as grid modernization and battery storage, and PPAs with numerous technology types. This represents a balanced and modular supply plan which provides flexibility to adjust to changes in fuel costs, technology cost, electric demand, or the business environment and insulates the Company and its customers from commodity price risks. The Settlement Agreement also continues the Clean Energy Plan which provides for a modular and scalable supply portfolio which will provide further opportunities for the utilization of diverse supply resources and protects against high customer rates.

Q. Please explain how the Settlement Agreement ensures diversity of generation supply.

A. As explained above, the PCA, as modified in the Settlement Agreement, provides for a diverse portfolio of pumped storage and hydro generation, gas generation, wind and solar generation, energy efficiency, demand response, emerging technologies such as grid modernization and battery storage, and PPAs with numerous technology types. In addition,

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1 the Company intends to keep its gas- and oil-fired peaking resources (i.e. Karn Units 3 and
2 4) operational, to ensure customer reliability needs are met. This blend of resources
3 provides a significant diversity of generation supply. The modular nature in which many
4 of these resources are added to the generation supply ensures future agility in response to
5 changing technology or market conditions.

6 **Q. Please explain whether the proposed levels of peak load reduction (Demand Response**
7 **(“DR”), Conservation Voltage Reduction (“CVR”), and EWR), in the Settlement**
8 **Agreement are reasonable and cost effective.**

9 A. The proposed levels of peak load reduction (DR, CVR, and EWR) in the PCA, as modified
10 in the Settlement Agreement, are aligned with the Company’s testimony in this proceeding,
11 the DR and EWR potential studies conducted in support of the Company’s IRP and are
12 reasonable and cost effective. The implementation of demand-side resources ensures
13 consistent and effective marketing can be developed and deployed. Also, as detailed in the
14 Settlement Agreement, the Company will continue reporting any changes to the approved
15 demand-side projects, thereby ensuring that cost will be continuously assessed as the
16 Company’s implementation of its PCA moves forward.

17 **Q. Please explain other benefits of the Settlement Agreement that the Commission**
18 **should consider.**

19 A. As explained above, the Settlement Agreement continues the annual solicitation process
20 for procuring capacity through competitive bids originally approved in Case No. U-20165,
21 with certain modifications, and provides for a one-time solicitation process for procuring
22 700 ZRCs of capacity and energy. These solicitations provide an orderly process for the
23 acquisition of capacity and energy and provide customers with the benefit of competitively

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1 priced energy and capacity. Furthermore, the modifications to the annual solicitation
2 process provide the Company with greater ability to pursue the most economic projects in
3 each solicitation. The Settlement Agreement also continues the Company's PURPA
4 avoided cost construct, as approved in Case No. U-20165, with certain modifications.
5 Among other things, those modifications will provide Qualifying Facilities ("QFs"), which
6 the Company has obligation to purchase from under PURPA, with greater access to the
7 Standard Offer PPA.

8 The Settlement Agreement provides that approximately 50% of the new capacity
9 that the Company intends to procure through the PCA in each annual solicitation will be
10 from PPAs and other third-party agreements that do not result in Company ownership and
11 approximately 50% will be owned by the Company, as acquired through a competitive
12 bidding process. This approach, which is similar to what was approved in Case No.
13 U-20165, provides opportunities for third-party resources and resources which will
14 ultimately be owned by the Company to participate in the annual solicitation process.

15 The Settlement Agreement also provides for an extension of the FCM approved in
16 Case No. U-20165, and FCM cap, on PPA payments, which appropriately incentivizes the
17 Company to proceed with the PCA instead of the traditional utility regulatory model which
18 encourages utilities to build owned assets and discourages pursuit of PPAs due to imputed
19 debt concerns. This important incentive was correctly acknowledged by MNS-CUB
20 witness Jester in his testimony filed in this contested settlement proceeding. See, MNS-
21 CUB witness Jester's Testimony in Support of Settlement Agreement, page 17. The
22 continued approval of such compensation is critical to creating a stable, sustainable

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1 regulatory and financial model that drives utilization of PPAs that benefit the Company's
2 customers and the state of Michigan.

3 The Settlement Agreement also provides for the approval of accounting
4 mechanisms to recover the unrecovered book balance and decommissioning costs of the
5 Campbell Plant. The recovery of these costs in a manner which helps ensure the financial
6 health of the utility, as provided for in the Settlement Agreement, is critical to the
7 Company's ability to retire the Campbell Plant in 2025.

8 The Settlement Agreement further provides for the accelerated deployment of
9 battery storage in advance of when these resources were planned to be deployed in the
10 originally proposed PCA. The battery deployment program will accelerate the deployment
11 of battery storage in the PCA through an additional 75 MW of batteries being added
12 between 2024 and 2027 and the one-time solicitation will provide an additional opportunity
13 for battery storage resources to be procured and deployed.

14 The Settlement Agreement provides that the Company will donate \$5 million in
15 2022 to a low-income fund that provides bill assistance to Consumers Energy's electric
16 customers and will donate \$2 million annually to the same low-income fund in future years.
17 These donations will not be recovered in rates and Consumers Energy will consult with the
18 Attorney General and Staff on the low-income fund receiving the donations.

19 The collaboration agreed to as part of the Settlement Agreement is also extensive
20 and important to note. This includes: (i) stakeholder engagement prior to the initiation of
21 the battery deployment program; (ii) stakeholder engagement related to the one-time
22 solicitation process; (iii) consultation with organizations and community members
23 regarding the Campbell Plant community transition plan; (iv) consultation with the settling

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1 parties regarding the bid evaluation criteria in the annual solicitation process;
2 (v) stakeholder outreach to develop a simplified agreement, tariff-based program, or other
3 mechanism which will allow QFs 150 kWac and below to receive full avoided cost rates;
4 and (vi) stakeholder outreach related to a distributed generation as a resource modeling
5 approach. The Settlement Agreement also provides for greater public accessibility during
6 the public outreach process implemented by the Company prior to its next IRP.

7 **Q. Does the Company's evidence, as bound into the record in this matter, support the**
8 **Settlement Agreement?**

9 A. Yes. The Company's direct testimony, rebuttal testimony, second rebuttal testimony, and
10 exhibits support approval of the PCA and the Settlement Agreement. The testimony and
11 exhibits of many other parties, including that of Staff, also support the compromise
12 positions reached in the Settlement Agreement. Therefore, the evidence submitted in this
13 matter establishes that the Settlement Agreement is based on substantial record evidence.

14 **II. RESPONSE TO ENERGY MICHIGAN WITNESS ZAKEM**

15 **Q. Beginning on page 1 of his contested settlement direct testimony, Energy Michigan**
16 **witness Zakem indicates that Energy Michigan objects to the Settlement Agreement**
17 **because of "impacts on resource adequacy and impacts on the competitive markets."**
18 **Do you agree with Mr. Zakem's concerns?**

19 A. No. Company witness Thomas P. Clark addresses and refutes Mr. Zakem's alleged
20 "impacts on resource adequacy and impacts on the competitive markets." However, there
21 are other foundational flaws in Mr. Zakem's arguments which the Commission should
22 consider in rejecting Energy Michigan's objections. In this contested settlement
23 proceeding, Energy Michigan is continuing to rely on its direct testimony as previously
24 submitted in this case before the Settlement Agreement was reached. See Energy Michigan

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witness Zakem’s Contested Settlement Direct, page 2. The problem with that approach is that Mr. Zakem’s direct testimony was focused on the Company’s purchase of the Dearborn Industrial Generation (“DIG”), the Kalamazoo River Generating Station (“Kalamazoo”), and the Livingston Generating Station (“Livingston”) plants (see 8 TR 3171-3178) and the Settlement Agreement no longer provides for the purchase of those plants in the manner initially proposed by the Company. Mr. Zakem has also made no adjustment to his initial position to account for the fact that the Settlement Agreement continues operation of Karn Units 3 and 4 until 2031, as opposed to 2023, as initially proposed by the Company. Therefore, while Mr. Zakem’s assessment of the Company’s PCA was incorrect from the outset, it is now also incorrect because it no longer accurately describes the elements of the PCA, as modified by the Settlement Agreement.

In an attempt to rehabilitate his direct testimony, Mr. Zakem claims that the one-time solicitation provided for in the Settlement Agreement may “already being counted toward MISO Zone 7’s resource adequacy requirements” but this position is entirely speculative. Furthermore, for the reasons discussed by Company witness Clark, Mr. Zakem has failed to establish that the Company’s procurement of resources already located in MISO Zone 7 is a valid reason to reject the Settlement Agreement.

III. RESPONSE TO WOLVERINE WITNESS KING

Q. What are the arguments discussed in the contested settlement direct testimony of Wolverine witness King that you will address in your second rebuttal testimony?

A. Mr. King’s arguments focus on purported reliability issues that he claims are at risk in the Settlement Agreement. Mr. King attempts to suggest that the Company’s PCA, as modified by the Settlement Agreement, leaves the Company capacity deficient in 2025 and recommends that “[t]he Commission should simply adjust the timeline for retirement of

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1 Campbell 3.” See Wolverine witness King’s Contested Settlement Direct, page 9.
2 Mr. King’s claimed Company capacity deficiency is plainly incorrect. Wolverine has also
3 failed to establish any reliability risks related to the PCA, as modified by the Settlement
4 Agreement.

5 My second rebuttal testimony will discuss the fatal flaws of the calculations
6 presented in Mr. King’s exhibit regarding the Settlement Agreement capacity position.
7 Company witness Clark will address Mr. King’s incorrect assessment of reliability risks
8 including: the Company’s December 2021 capacity demonstration filing, Case No.
9 U-21099, underlying load forecast assumptions, and solar capacity accreditation. See
10 Wolverine witness King’s Contested Settlement Direct, pages 4-9. Company witness Clark
11 will also address other areas where Wolverine has incorrectly conveyed the reliability risks
12 of the Settlement Agreement.

13 Finally, the Commission should reject Mr. King request to adjust the timeline for
14 retirement of Campbell Unit 3, as proposed in the Settlement Agreement. As explained in
15 response to the BMPs, the terms of the Settlement Agreement do not permit modification
16 to the Settlement Agreement. Furthermore, proposed modifications to the Settlement
17 Agreement or alternative settlement proposals are beyond the scope of this contested
18 settlement proceeding.

19 **Q. What are Mr. King’s arguments regarding the Settlement Agreement capacity**
20 **position?**

21 A. Beginning on page 3 of his contested settlement direct testimony, Mr. King states that
22 “Consumers will likely be capacity negative in 2025,” and later discusses the basis for that
23 opinion. However, Mr. King’s arguments are philosophically and technically flawed.

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1 **Q. What are the flaws of Mr. King's arguments regarding the Settlement Agreement**
2 **capacity position?**

3 A. There are two initial flaws in Mr. King's representation of the Company's capacity position
4 which undermine the credibility of Mr. King's position. First, the magnitude of Mr. King's
5 (erroneously) calculated shortfall is insignificant (28 ZRC, as shown in Exhibit WPSC-7)
6 for 2025. On page 3 of his contested settlement direct testimony, Mr. King references his
7 own Exhibit WPSC-6, which states

8 *The 2020-21 OMS-MISO survey projected a small surplus*
9 *for planning year 2022-23, which was eroded by an*
10 *increased load forecast, less capacity entering the auction*
11 *as result of retirements, and the decreased accredited*
12 *capacity of new resources.*

13 MISO's above statement is indicative of the fact that a small magnitude surplus *or* shortfall
14 can shift over a relatively short period of time. This is why the Company implements a
15 strategy of maintaining approximately 200 ZRCs of capacity surplus.

16 The second issue with Mr. King's argument is that he relies on the exclusion of
17 capacity acquired through the one-time solicitation included in this Settlement Agreement.
18 His claim that the Company could be capacity negative in 2025 would assume the
19 Company is wholly unsuccessful in its one-time solicitation – that 0 ZRC of capacity are
20 acquired through a Request for Proposals soliciting up to 700 ZRCs. That is highly
21 unlikely. Properly including the addition of up to 700 ZRCs, even Mr. King's own exhibit
22 shows capacity sufficiency in year 2025 above the Company's strategic surplus amount of
23 200 ZRC.

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1 **Q. What are the technical flaws of Mr. King's arguments regarding the Settlement**
2 **Agreement capacity position?**

3 A. Exhibit WPSC-7 is offered as evidence to support an alleged 28 ZRC capacity shortfall
4 (disregarding any capacity acquired through a solicitation looking for up to 700 ZRCs) in
5 2025. The mechanics in the calculation supporting the shortfall for 2025 are incorrect.

6 The calculation is presented in Exhibit WPSC-7. The first column of data,
7 "**Settlement 2022/23**" is taken directly from the Company's detailed calculations of
8 capacity position. The value shown on the row labeled as "Surplus/Deficient" is the correct
9 ZRC surplus level projected and presented in Figure 6 of my direct testimony in the initial
10 filing of this case.

11 Mr. King's next step is to compare the filed capacity position of the 2021 IRP to
12 the filed capacity position presented in the Company's December 2021 capacity
13 demonstration filing, Case No. U-21099. This is summarized in Exhibit WPSC-7 in the
14 column labeled as "**Cap Dem 2022/23.**" Mr. King has generally populated this column
15 with appropriate values from Case No. U-21099. He has then created an "Equalization
16 Adjustment Factor," which accounts for the difference in final capacity position between
17 the Capacity Demonstration and the IRP. Although Mr. King's testimony is not
18 well-supportive of the calculation, the Company is able to confirm the accuracy of this
19 value for planning year 2022/2023.

20 Next, in Exhibit WPSC-7, Mr. King calculates a planning year 2025 capacity
21 position in the column labeled as "**Settlement 2025/26.**" This is consistent with Figure 6
22 of my direct testimony, with modifications to (i) remove the DIG, Kalamazoo, and
23 Livingston plant capacity; (ii) extend the capacity for Karn Units 3 and 4; and (iii) add

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1 capacity that will be acquired through the one-time solicitation. I take no issue with these
2 modifications; however, Mr. King has failed to add capacity provided by the battery
3 deployment program, which would contribute approximately 14 ZRCs by 2025.

4 The flaw in the analysis, however, occurs in the final column of Exhibit WPSC-7
5 labeled as “**Cap Dem 2025/26.**” While the lines of data through the row labeled as
6 “PRMR” are generally accurate (though again, Mr. King fails to include 14 ZRC that will
7 be provided by the battery deployment program), attention must be brought to the row
8 “Equalization Adjustment Factor.” While Mr. King referenced this row on page 4, line 21,
9 of his testimony, he offers little in the way of explanation for it. While this section of my
10 testimony addresses the Company’s general acceptance of the -343 ZRC value *for planning*
11 *year 2022/2023*, Mr. King’s testimony fails to explain how this value is calculated or the
12 appropriate use of this value. In fact, Mr. King offers no explanation whatsoever in his
13 application of the -343 ZRC value to the final column of Exhibit WPSC-7, which is an
14 accounting of *planning year 2025/2026* capacity and demand, not 2022/2023. An
15 appropriate re-calculation of the “Equalization Adjustment Factor” for planning year
16 2025/26 would be required, but Mr. King failed to do so. In fact, Mr. King’s “Equalization
17 Adjustment Factors” are only included in his exhibit to calculate the capacity position filed
18 in the capacity demonstration. That value is readily available in Case No. U-21099,
19 Exhibit 2 of 11, line 35, column (d), shown to be a +25 ZRC surplus¹. Application of a
20 correct “Equalization Adjustment Factor” as well as inclusion of 14 ZRCs of battery
21 deployment capacity would result in a positive “Surplus/Deficit” value of +39 ZRCs, a
22 capacity surplus, not a -28 ZRC capacity shortfall, as mis-calculated in Exhibit WPSC-7.

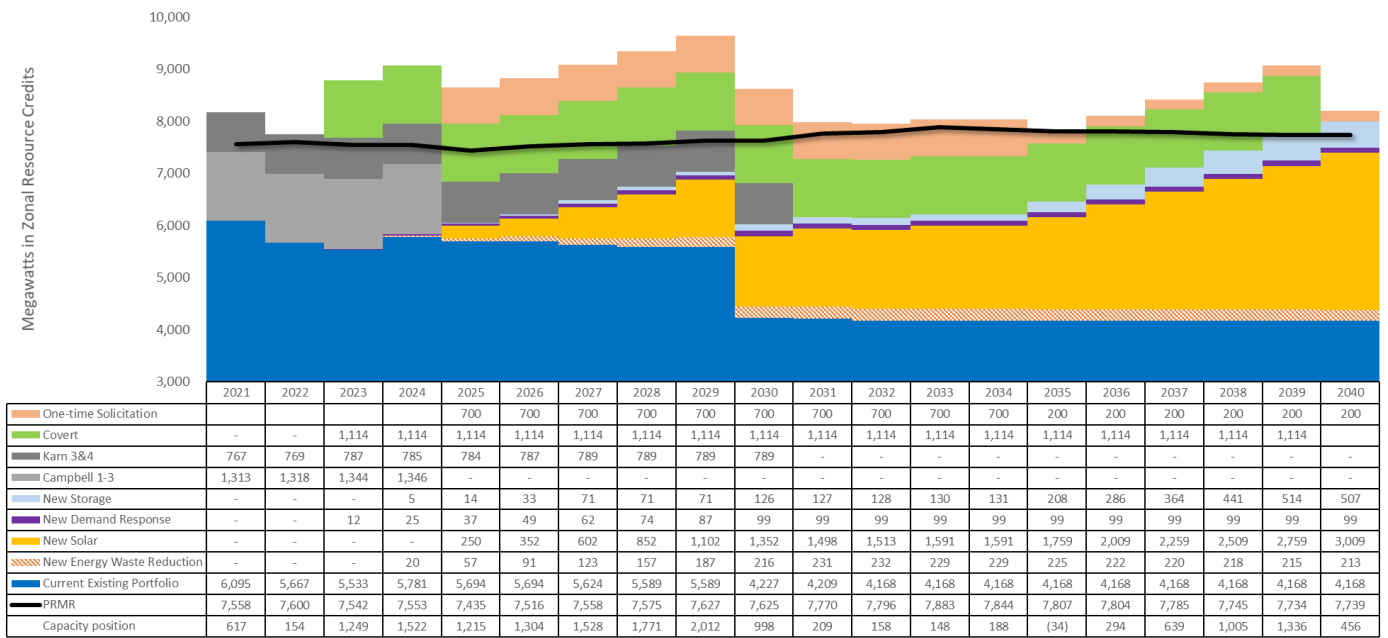
¹ This is consistent with Mr. King’s column “Cap Dem 2022/23,” which is also presented in Case No. U-21099, Exhibit 2 of 11, line 33, column (a).

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Combined with up to +700 ZRCs of capacity acquired through the one-time solicitation, it is abundantly clear that Mr. King's statement that the Company could be capacity negative in 2025 is disproven.

The prior discussion reconciled Mr. King's calculated capacity position from the Company's December 2021 capacity demonstration, Case No. U-21099. Figure 1, below, presents the capacity position of the PCA, as modified by the Settlement Agreement. While Figure 1 indicates a very small capacity shortfall in 2035 (34 ZRCs), the Company will have sufficient time between now and 2035 to address that shortfall. There are also numerous mechanisms provided for in the Settlement Agreement which will allow the Company to address that projected shortfall long before it may happen.

Figure 1: Proposed Course of Action, as Modified by the Settlement Agreement



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1 **IV. RESPONSE TO BMP WITNESS POLICH, P.E.**

2 **A. CONSIDERATION OF BIOMASS PLANTS**

3 **Q. Beginning on page 2 of his contested settlement proceeding direct testimony, BMP**
4 **witness Polich offers eight objections to the Settlement Agreement. Do you agree with**
5 **Mr. Polich's objections?**

6 A. No. I will address Mr. Polich's arguments in more detail below; however, the BMPs'
7 foundational position in this case has not changed in this contested settlement proceeding
8 from what the BMPs initially argued prior to settlement. The BMPs are continuing to claim
9 that the Company did not appropriately consider biomass plants in this IRP and continue
10 to push for PPA extensions for the individual BMP plants. See BMP witness Polich's
11 Contested Settlement Direct Testimony, pages 4-6. The BMPs' positions are unreasonable,
12 not supported in the record, and fail to provide a basis to reject the proposed Settlement
13 Agreement.

14 As explained by Company witness Keith G. Troyer in his rebuttal testimony, the
15 Company is not under any obligation to enter new PPAs with the BMPs or extend the
16 BMPs' existing contracts. Each of the BMPs are above the Company's must-purchase
17 obligation MW threshold under PURPA and therefore, the Company is not required under
18 PURPA to continue purchasing from the BMPs once the current PPAs for those plants
19 expire. Furthermore, while the BMPs concede that the Hillman Plant will retire in 2022
20 (see BMP witness Polich's Contested Settlement Direct, page 5), the BMPs fail to
21 acknowledge that the prior owners of the National Energy of Lincoln and McBain plants
22 contractually agreed to decommission those plants when their current PPAs expire. This
23 means that the only BMPs which could conceivably enter a new PPA or PPA extension
24 with the Company are TES Filer City Station (PPA expires in 2025), Grayling Generating

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1 Station (PPA expires in 2027), Cadillac Renewable Energy (PPA expires in 2028), and
2 Genesee Power Station (PPA expires in December 2030).

3 Moreover, the Company did consider biomass plants in the development of the IRP.
4 The Company considered biomass plants as it began its modeling process, but due to the
5 fact that those resources were not viable options on an economic or cost basis, biomass
6 plants did not pass the Company's resource screen process. It should further be noted that
7 the plants which make up the BMPs are included in the PCA through the end of their
8 current PPA terms. Upon expiration of those contracts, those plants are eligible to
9 participate in the MISO markets.

10 Through the litigation of this proceeding, it has become apparent that the BMPs
11 take issue with the Company not considering the cost to extend or enter new PPAs with the
12 existing plants which make up the BMPs. Beyond the fact that the Company has no
13 obligation to do that, and the fact that the BMP PPAs are not set to expire for numerous
14 years, the flaw in the BMPs' position is that the Company did not have adequate
15 information to determine the cost of new PPAs or PPA extensions with the BMPs in the
16 development of this IRP. And throughout this proceeding, the BMPs have failed to
17 produce any evidence in the record establishing the costs that the BMPs could agree to in
18 new PPAs or PPA extension. As explained in the rebuttal testimony of Company witness
19 Troyer, the cost of current BMP PPAs have not been historically competitive with either
20 market pricing or the Company's more-recent competitive procurement of new solar
21 resources. Based on the cost of the BMPs' existing PPAs, the Company had no reason to

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1 assume that the BMP suppliers were willing to accept lower rates than what is provided for
2 in the current agreements during the development of this IRP.

3 Therefore, prior to addressing the individual objections offered by the BMPs, it is
4 important to acknowledge that: (i) the Company has no obligation to enter new PPAs or
5 extend existing PPAs with any of the BMPs; (ii) the Company did consider biomass plants
6 in the development of its IRP and that type of resource was shown not to be a viable option
7 on an economic or cost basis; (iii) the BMPs have failed to produce any evidence
8 establishing the costs that the BMPs could agree to in new PPAs or PPA extension, and
9 (iv) the existing BMP PPA cost information available to the Company establishes that the
10 BMPs are not competitive with either market pricing or the Company's recent competitive
11 procurement results.

12 **Q. Beginning on page 17 of his contested settlement direct testimony, Mr. Polich**
13 **recommends modifications to the proposed Settlement Agreement which would**
14 **provide PPA extensions to the BMPs. Should the Commission adopt any changes to**
15 **the proposed Settlement Agreement?**

16 **A.** No. As explained on page 7 of Staff witness Proudfoot's direct testimony supporting the
17 Settlement Agreement, Paragraph 22 of the Settlement Agreement provides that if the
18 Commission rejects or modifies the Settlement Agreement or any provision of the
19 Settlement Agreement, the Settlement Agreement shall be deemed to be withdrawn. See
20 Exhibit A-150 (RTB-5), page 17, Paragraph 22. This is standard language which preserves

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1 the bargain that the settling parties negotiated. Since the Settlement Agreement cannot be
2 modified, the BMPs' requested modifications should be rejected by the Commission.

3 The BMPs' requested modifications to the settlement agreement are also beyond
4 the scope of this contested settlement proceeding. As set forth in the Commission's June 7,
5 2019 Order Approving Settlement Agreement in Case No. U-20165, other proposed
6 versions of settlements not adopted by the parties who signed the settlement agreement are
7 not within the scope of issues to be decided by the Commission in a contested settlement
8 proceeding:

9 The Commission agrees with Consumers that SEIA's
10 proposal is outside the scope of this contested settlement
11 agreement. The issue to be decided in this case is whether
12 the criteria set forth in Rule 431(5)(a) through (c) have been
13 satisfied so that the Commission may approve of the
14 settlement agreement at issue here. Other proposed versions
15 of settlements not adopted by the parties who signed the
16 settlement agreement are not properly before the
17 Commission. Further, the Commission agrees with the Staff
18 that SEIA's proposal should not be used to derail the
19 settlement agreement in this case. Accordingly, the
20 Commission rejects SEIA's recommendation to make
21 approval of the settlement agreement contingent on SEIA's
22 proposal. [MPSC Case No. U-20165, June 7, 2019 Order
23 Approving Settlement Agreement, page 82.]

24 Since the BMPs' proposed Settlement Agreement modifications are beyond the scope of
25 this contested settlement proceeding, they should be rejected by the Commission.

26 Furthermore, as set forth above, the BMPs have failed to produce any evidence in
27 the record establishing that extended PPAs with the BMPs would be economic compared
28 to other resource options. And the record establishes just the opposite. Based on historic
29 information related to existing PPAs, the BMPs are not competitive with either market
30 pricing or the Company's recent competitive procurement results. Therefore, even if the
31 Settlement Agreement could be modified, which it cannot, and if the BMPs' proposal was

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1 within the scope of this proceeding, which it is not, there is still no basis to adopt the BMPs
2 recommended modifications to the Settlement Agreement because the record does not
3 establish that the PPA extensions with the BMPs would be economic compared to other
4 resource options.

5 **B. CAPACITY POSITION**

6 **Q. Beginning on page 6 of his contested settlement direct testimony, Mr. Polich claims**
7 **that the Settlement Agreement PCA will result in excess capacity between 2023 and**
8 **2030 and capacity shortages between 2031 and 2038. Do you agree?**

9 A. I do not agree with Mr. Polich's generalizations regarding the Company's capacity position
10 under the PCA, as modified by the Settlement Agreement. Specifically, I do not agree that
11 the Settlement Agreement PCA results in capacity shortages. As explained in response to
12 Wolverine witness King, under the PCA, as modified by the Settlement Agreement, the
13 Company maintains sufficient capacity to serve customers. See Figure 1 of this second
14 rebuttal testimony. Furthermore, below I discuss that Mr. Polich's own Exhibit BMP-7
15 (RAP-7) supports the capacity sufficiency of the Settlement Agreement.

16 With respect to the BMPs allegations of excess capacity, I also disagree with Mr.
17 Polich that the capacity amounts in any year of the PCA is to the detriment of customers.
18 I will discuss this in more detail below.

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1 **Q. On page 8, beginning on line 1 of his contested settlement direct testimony, Mr. Polich**
2 **states the Settlement Agreement results in excess capacity, exposing customers to**
3 **unreasonable expense. Mr. Polich opines that the addition of the Covert Plant in 2023**
4 **means customers will be paying for two years of “unnecessary costs for the Covert**
5 **capacity that is unnecessary” and that one-time solicitation “is not needed until 2030.”**
6 **Do you agree with Mr. Polich’s claims?**

7 A. No. The record in this case demonstrates that the Company initially proposed to acquire
8 the Covert Plant *and* the DIG, Kalamazoo, and Livingston plants to retire Karn Units 3 and
9 4, which are capacity resources, *and* Campbell Units 1, 2, and 3, which are capacity and
10 energy resources. In other words, the acquisition of any particular unit was not assigned
11 to the retirement of any particular unit. The acquisitions and retirements were considered
12 as a whole based on the impact of the energy and capacity lost and the energy and capacity
13 gained. Through the settlement process, the settling parties agreed that the Company would
14 not purchase the DIG, Kalamazoo, and Livingston plants, as originally proposed.
15 However, in order to retire Campbell Units 1, 2, and 3, the Company still needs to acquire
16 the Covert Plant and the Purchase Sale Agreement (“PSA”) for that plant provides for the
17 purchase in 2023. Therefore, Mr. Polich is plainly incorrect in alleging that the Covert
18 Plant capacity is “unnecessary.” Nearly every party in this proceeding supported
19 acquisition of the Covert Plant in 2023. This acquisition brings dispatchable baseload
20 capacity into MISO and Zone 7 and will support the replacement of the energy and capacity
21 of the units proposed for retirement in this IRP.

22 Mr. Polich has also not established that the Company has any ability to move the
23 start date of the Covert Plant purchase. Since the PSA provides for the Covert Plant to be

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1 purchased in 2023, attempting to move that date is not possible under the terms of the
2 agreement. Furthermore, even if the Covert Plant does provide surplus energy and capacity
3 for a short period, the Company can monetize the energy and capacity of the Covert Plant
4 by selling it into the MISO markets and using the resulting revenue to lower power supply
5 costs to the benefit of customers. The Company disagrees with Mr. Polich that customers
6 will face economic harm as a result of the Company owning the Covert Plant.

7 Moreover, without the acquisition of the DIG, Kalamazoo, and Livingston units, as
8 initially proposed by the Company, the one-time solicitation included in the proposed
9 Settlement Agreement also supports the retirement of Campbell Units 1, 2, and 3. It is
10 expected that the 500 ZRCs of dispatchable generation and the 200 ZRCs of intermittent
11 and non-intermittent clean resources will provide sufficiency of supply to support
12 retirement of the Campbell Units. However, until such resources are acquired and
13 operational on behalf of customers, the Settlement Agreement provides for continued
14 operation of Karn Units 3 and 4, which provide low-cost capacity for the benefit of
15 customers. The continued operation of Karn Units 3 and 4 further addresses reliability
16 concerns for customers. These low-cost capacity resources will continue to be evaluated
17 in future IRPs, along with other existing assets, to identify if they continue to serve
18 customer needs reliably and affordably. The Settlement Agreement identifies the plan to
19 cease operations of these units by May 31, 2031, however, the Company intends to manage
20 its capacity surplus position in the best interests of its customers. Because the one-time
21 solicitation will support the retirement of Campbell Units 1, 2, and 3, and the need for
22 continued operations of Karn Units 3 and 4 can be assessed in the future, the BMPs have

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1 not established that the one-time solicitation is unnecessary or to the detriment of
2 customers.

3 **Q. Beginning on page 13 of his contested settlement direct testimony, Mr. Polich claims**
4 **that the PCA, as modified in the Settlement Agreement, results in a capacity shortfall**
5 **position in years 2031 through 2038. Do you agree with Mr. Polich's alleged capacity**
6 **shortfall?**

7 A. No. The calculation described by Mr. Polich and included as Exhibit BMP-9 (RAP-9) is
8 misleading and inconsistent with the modeling presented in this case. Company witness
9 Clark discusses the issue of solar accreditation itself, in further detail. Mr. Polich suggests
10 that *if* a change to solar accreditation is made at MISO, the PCA would result in capacity
11 shortfalls eight years into the future. This argument is not compelling for two primary
12 reasons.

13 First, the PCA was developed using current MISO solar capacity accreditation
14 practices. While discussions in MISO have raised the possibility of changes to solar
15 capacity accreditation, it would be premature to adopt such changes ahead of MISO itself
16 issuing the rule change. In fact, at the Company's existing solar facilities, capacity
17 accreditation, based on actual performance, has been as high as 65%. While the possibility
18 of lowering the accreditation is under consideration, actual performance will ultimately
19 dictate the levels of capacity customers receive from these resources. Mr. Polich's Exhibit
20 BMP-7 (RAP-7) actually presents a capacity position for the Company under a 50% solar
21 accreditation and demonstrates that the Company has no capacity shortfall through 2040.

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See Exhibit BMP-7 (RAP-7), line 24.² Table 1, below, which is pulled directly from the referenced line of Exhibit BMP-7 (RAP-7) illustrates the capacity position calculated by Mr. Polich.

Table 1: Capacity Position Presented in Exhibit BMP-7 (RAP-7)

<u>Year</u>	<u>Settlement Agreement Net Capacity in Excess of PRMR (Line 24)</u>
2021	617
2022	154
2023	1,249
2024	1,517
2025	1,201
2026	1,271
2027	1,457
2028	1,700
2029	1,942
2030	927
2031	138
2032	88
2033	78
2034	118
2035	396
2036	224
2037	568
2038	934
2039	1,270
2040	1,514

Since Mr. Polich's own exhibit clearly supports the sufficiency of capacity in the Settlement Agreement, as set forth above, his claim of a capacity shortfall should be rejected.

Second, Mr. Polich's alleged and miscalculated capacity shortfall is projected to occur eight years into the future. The Company will file at least one, if not multiple, IRPs

² Note that Figure 1 in my second rebuttal testimony provides the Company's actual PCA capacity position, as modified in the Settlement Agreement. The Company is only providing the purported "Settlement Agreement Net Capacity in Excess of PRMR," as provided in Exhibit BMP-7 (RAP-7), to demonstrate that Mr. Polich's own calculations show that the PCA has no capacity shortfalls. Exhibit BMP-7 (RAP-7) contains errors which include the omission of the battery storage deployment program beginning in planning year 2024/2025.

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1 between now and that time. If changes to solar accreditation occur at MISO, the Company
2 has ample time to respond and adjust the PCA. Furthermore, as set forth above, under the
3 PCA, as modified by the Settlement Agreement, and the numerous mechanisms provided
4 for in the Settlement Agreement which will allow the Company to address that projected
5 shortfall long before it happens, the Company will maintain sufficient capacity to serve
6 customers.

7 C. ONE-TIME SOLICITATION

8 **Q. Beginning on page 9 of his contested settlement direct testimony, BMP witness Polich**
9 **suggests that the one-time solicitation proposed in the Settlement Agreement is**
10 **“deeply flawed.” Do you agree with Mr. Polich’s claims regarding the solicitation?**

11 A. No. The first “flaw” Mr. Polich claims is that the one-time solicitation timing will favor
12 existing generation facilities, and he cites engineering, financing, and construction time
13 limitations, as well as delays in the MISO interconnection process. The Company
14 disagrees that this is a flaw in the design of the solicitation. As explained above, the
15 resources acquired in the one-time solicitation will help replace the capacity and energy
16 lost by Campbell Units 1, 2, and 3 in 2025. Furthermore, beyond speculating what plants
17 can participate, Mr. Polich fails to establish anything unreasonable about the solicitation.
18 The solicitation will provide capacity and energy to meet the needs of the Company and its
19 customers, and the characteristics of the resources sought in the solicitation are consistent
20 with the results of the extensive modeling performed by the Company in this case. As
21 explained by Company witness Sara T. Walz, the Company’s modeling selected natural
22 gas units to satisfy large capacity and energy needs, which is consistent with the
23 characteristics sought in the 500 ZRC tranche. The Company’s modeling also selected
24 clean resources, like solar, which is consistent with the 200 ZRC tranche.

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1 Mr. Polich's second claimed flaw relies on incorrect data assumptions.
2 Specifically, Mr. Polich incorrectly states that MISO Zone 7 is projected to be 397.4 ZRCs
3 short in 2023. See BMP witness Polich's Contested Settlement Direct, page 10. This is
4 inaccurate. Mr. Polich has incorrectly interpreted page 13 of Exhibit BMP-8 (RAP-8),
5 which provides the results of the Planning Year 2022/2023 Planning Resource Auction
6 ("PRA"). The results presented in this summary are not indicative of any projection of
7 Zone 7 in Planning Year 2023/2024, as stated in Mr. Polich's testimony. Further, the
8 Company's addition of the Covert Plant results in an increase of capacity resources of over
9 1,100 ZRCs in Zone 7 in 2023.

10 Mr. Polich correctly stated that the MISO PRA for planning year 2022-2023
11 resulted in higher clearing prices than recent historical averages, as well as a shortfall
12 position for Zone 7. However, the PCA, as presented in this Settlement Agreement,
13 provides for long-term capacity sufficiency for customers. Mr. Polich has himself
14 acknowledged that the Settlement Agreement will provide a capacity surplus for customers
15 for years 2023 through 2030. See BMP witness Polich's Contested Settlement Direct,
16 page 8. As has been discussed repeatedly in this case, Consumers Energy customers are
17 not responsible for resource adequacy requirements for the entire Zone 7, which includes
18 customers served by alternative energy suppliers ("AESs") as well as other utilities. The
19 Settlement Agreement ensures PRMRs are met for Consumers Energy customers. Please
20 see the testimony of Company witness Clark for additional discussion on this matter.

21 Mr. Polich's third claimed flaw suggests that the BMPs are precluded from
22 participation in the one-time solicitation because of their existing contracts and
23 dispatchability constraints. See BMP witness Polich's Contested Settlement Direct,

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1 page 11. However, this limitation is untrue, and one created by the BMPs. At the outset,
2 Mr. Polich's alleged flaw is a red herring because the Company was under no obligation
3 to issue the one-time solicitation in a manner that would align sought PPA start dates with
4 the expiration of the BMPs current PPAs. Because the current PPAs of the BMPs expire
5 in different years between 2025 and 2030, it would not be possible to align the one-time
6 solicitation with the expiration of every BMP PPA. Furthermore, while the solicitation is
7 seeking bids which will provide the Company with capacity credit in the MISO Zone 7
8 starting in the 2025 Planning Year, this would not preclude certain BMPs from submitting
9 bids which take into account current contractual commitments. Such contractual
10 commitments could be evaluated in the solicitation when determining the overall
11 economics of a bid.

12 Mr. Polich also suggests that the BMPs are excluded from the 500 ZRC tranche of
13 the one-time solicitation because it "provides for hourly dispatch" and the BMPs are
14 "dispatched on 24 hours-notice." BMP witness Polich's Contested Settlement Direct,
15 page 11. However, Mr. Polich does not correctly represent the Settlement Agreement
16 language which provides that "[t]his tranche will seek dispatchable, nonintermittent
17 generation *capable* of dispatching up or down in every hour of the year in response to
18 wholesale energy market signals." See Exhibit A-150 (RTB-5), page 6, Paragraph 6
19 (emphasis added). It is also notable that during this proceeding Mr. Polich has claimed
20 that the BMPs "generation facilities can provide *around the clock*, renewable, *dispatchable*
21 and reliable power generation." See 7 TR 2684 (emphasis added). Mr. Polich's statements
22 in his contested settlement direct testimony are therefore inconsistent with his prior
23 testimony in this proceeding which suggested that the BMPs are "dispatchable" "around

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1 the clock.”³ It should also be noted that, under existing BMP PPAs, certain BMPs are
2 offered into the MISO Day-Ahead Market as units which can dispatch on an hourly basis.
3 Since the MISO Day-Ahead Market clears the day prior to operation, the plants are
4 provided dispatch notice prior to actual operation.

5 Mr. Polich’s fourth alleged flaw in the one-time solicitation suggests that the second
6 tranche which seeks to procure 200 ZRCs does not define “clean capacity resources” and
7 could mean any resources cleaner than “Consumers existing generation resources” and
8 therefore “natural gas plants could offer proposals.” BMP witness Polich’s Contested
9 Settlement Direct, page 11. This fourth alleged flaw is not an actual flaw in the one-time
10 solicitation and instead represents Mr. Polich’s interpretation of the second tranche of the
11 one-time solicitation. The Settlement Agreement was entered by 18 parties and represents
12 a compromise reached by those parties. The terms of the Settlement Agreement speak for
13 themselves and Mr. Polich’s observations are irrelevant. Nevertheless, Mr. Polich’s
14 interpretation of the second tranche simply does not make sense. The Company’s
15 generation portfolio includes fossil fuel and clean capacity resources such as solar and
16 hydro generation. Since the Company already possesses clean capacity resources in its
17 generation portfolio, Mr. Polich’s interpretation that this tranche “can mean any generation
18 resource *cleaner* than Consumers existing generation resources” (emphasis added) would
19 produce absurd results because nothing could be “cleaner” than the clean capacity
20 resources the Company already has.

³ Mr. Polich has presented numerous claims in this proceeding that the BMPs are dispatchable and has not previously explained any of the limitations on dispatchability expressed in his contested settlement direct testimony. See, e.g., 7 TR 2684, 2689, 2691, 2698, 2703, 2714, 2715, 2721, 2722, 2728. Mr. Polich also compared the operation of the BMPs to the DIG gas plant, claiming that “[a]s with DIG, these plants are dispatchable and provide equivalent availability.” 7 TR 2715.

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1 Mr. Polich also fails to provide the full text describing the “clean capacity
2 resources” that can participate in the second tranche of the one-time solicitation. The
3 Settlement Agreement specifically provides that “[t]his tranche will seek intermittent
4 resources and dispatchable, nonintermittent clean capacity resources (*including battery
5 storage resources*) providing capacity which meets the Local Clearing Requirement of
6 MISO Zone 7.” Exhibit A-150 (RTB-5), page 6, Paragraph 6 (emphasis added). Since the
7 Settlement Agreement provides “battery storage resources” as an example of the
8 “dispatchable, nonintermittent clean capacity resources” that can participate in the second
9 tranche, the Settlement Agreement is not “very ambiguous,” as Mr. Polich claims. See
10 BMP witness Polich’s Contested Settlement Direct, page 11.

11 Mr. Polich’s fifth alleged flaw in the one-time solicitation assumes that the “One-
12 Time Solicitation will likely result in Consumers acquiring substantial amount of natural
13 gas capacity in addition to the Covert capacity” and discusses “volatility of natural gas
14 pricing.” BMP witness Polich’s Contested Settlement Direct, page 12. In making this
15 argument, Mr. Polich is speculating on the outcome of the one-time solicitation for
16 500 ZRCs of dispatchable resources, which is unproductive. For the reasons set forth by
17 Company witness Brian D. Gallaway in the record, Mr. Polich’s discussion of gas price
18 volatility should also be rejected. Mr. Gallaway established that gas price volatility is not
19 expected to continue into the future. Furthermore, Mr. Polich’s suggested “need for a more
20 fuel diverse generation portfolio” (see BMP witness Polich’s Contested Settlement Direct,
21 page 12) ignores that the Company will have an incredibly diverse resource portfolio that
22 includes: pumped storage and hydro generation, gas generation, wind generation, solar
23 generation, energy efficiency, DR, and emerging technologies such as grid modernization

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1 and battery storage to meet the future demand of its customers. The Company also
2 maintains PPAs with numerous technology types.

3 Mr. Polich's sixth and final alleged flaw with the one-time solicitation suggests that
4 it is flawed because it solicits "only intermittent generation because solar generation with
5 battery storage will likely be too expensive to compete with solar generation without
6 battery storage and due to shortages of materials." BMP witness Polich's Contested
7 Settlement Direct Testimony, page 12. Here, again, Mr. Polich is speculating on the
8 outcomes of the 200 ZRC tranche. The one-time solicitation is a competitive bidding
9 process which will consider the value of the resources which are bid. If certain resources
10 are "too expensive," as Mr. Polich claims, that issue will naturally be resolved through the
11 evaluation and ranking of eligible bids.

12 **D. OTHER ISSUES**

13 **Q. On page 14 of his contested settlement direct testimony, Mr. Polich states that the**
14 **Settlement Agreement does not "meet the intent of being carbon neutral by 2040 as**
15 **[sic] stated in Settlement Section 16." Do you agree?**

16 **A.** No. First of all, Mr. Polich purported "intent of being carbon neutral by 2040" is not a
17 term of the Settlement Agreement. Paragraph 16 of the Settlement Agreement merely
18 reiterates that the Company's filed IRP "set forth a proposal to be Carbon Neutral by 2040
19 and retire all coal generation by 2025." See Exhibit A-150 (RTB-5), page 13,
20 Paragraph 16. While the Company still aims to be carbon neutral by 2040, this is not a
21 requirement in the Settlement Agreement. Still, there is nothing in the Settlement
22 Agreement that will necessarily impede the Company's ability to meet its goal.

23 In an attempt to support his argument regarding not meeting carbon neutrality by
24 2040, Mr. Polich asserts that "Consumers is relying on Covert and 200 MW of generation

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1 from PPAs originating under the One-Time Solicitation” and that “[t]hese are fossil
2 generation resources and are not carbon neutral.” BMP witness Polich’s Contested
3 Settlement Direct, page 14. However, Mr. Polich’s assumptions are not accurate. First, as
4 made clear in my direct testimony, the 20-year capacity plan provided by the Company in
5 this IRP assumed cessation of operations of the Covert Plant by May 31, 2040. The final
6 solution in 2040 will vary dependent upon the evolution of cleaner technologies, the
7 possibility of carbon sequestration technologies, and potential for carbon offsets. Second,
8 Mr. Polich is incorrect that the Company will acquire 200 MWs of “fossil generation
9 resources” in the one-time solicitation that will operate beyond 2040. Mr. Polich implies
10 that the 200 ZRC tranche, which can result in contracts up to 25 years, could result in fossil
11 generation resources but that is inconsistent with the description of that tranche which
12 provides that only “intermittent resources and dispatchable, nonintermittent clean capacity
13 resources (including battery storage resources)” are eligible. See Exhibit A-150 (RTB-5),
14 page 6, Paragraph 6. Mr. Polich has therefore not established that the Covert Plant purchase
15 or the one-time solicitation will result in the Company not meeting its carbon neutrality
16 goal.

17 Mr. Polich also suggests the resource mix included in the PCA will impact the
18 Company’s ability to meet its carbon neutrality goal. Specifically, Mr. Polich questions
19 solar production levels, a lack of battery storage, and levels of energy market purchases.
20 See BMP witness Polich’s Contested Settlement Direct, page 14. These matters have all
21 been extensively addressed and refuted by the evidence provided by the Company in this
22 case. First, the Company utilized and successfully supported use of National Renewable
23 Energy Laboratories (“NREL”) projections for solar operating factors. Testimony

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provided by Company witness Jeffrey E. Battaglia supports these projections from third-party and reputable sources. Secondly, the Settlement Agreement provides for an incremental 75 MW of battery storage capacity by 2027, as compared to the initial PCA. This brings the total capacity of battery storage to 550 MW installed throughout the study period on top of 1,170 MW of Ludington pumped storage capacity. Lastly, purchase of energy from MISO's energy market is a benefit to customers, to ensure the lowest-cost resources are used to meet their needs. The Company's Net Zero Carbon goal accounts for carbon emissions from those market purchases, as discussed in testimony presented by Company witness Heather A. Breining.

Q. On page 7 of his contested settlement direct testimony, Mr. Polich suggests that potential risk of capacity shortages in Zone 7 could prevent retirement of Karn Units 3 and 4. Specifically, Mr. Polich suggests that the units could be designated as a System Support Resource ("SSR") by MISO. Does this represent a significant risk to customers?

A. No. Mr. Polich's discussion of an SSR designation for Karn Units 3 and 4 does not represent a significant risk to customers because, as discussed above, Mr. Polich's position is based on a flawed interpretation of the Company's future capacity position. Mr. Polich has failed to establish that the Company will experience a capacity shortage between 2031 and 2038 and therefore has not established that there is a "likelihood that MISO will designate one or more of Consumers' fossil fuel Karn generating plants as System Support Resource and not allow their retirement." BMP witness Polich's Contested Settlement Direct, page 7.

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1 Mr. Polich also fails to accurately represent the customer benefit of Karn Units 3
2 and 4 and what an SSR designation actually means for customers. An SSR designation
3 would not be due to a capacity or energy shortfall. An SSR designation would result from
4 an electric transmission system deficiency that must be mitigated before Karn Units 3 and
5 4 could be retired. Karn Units 3 and 4 will continue to operate to ensure near-term
6 reliability for the benefit of Consumers Energy customers. These units may be operated
7 through May 31, 2031, depending on the Company's capacity needs and the outcome of
8 the Company's resource procurement efforts. The cost to maintain operations of Karn
9 Units 3 and 4 is very low⁴, compared to many alternatives available to meet load
10 obligations which means that customers will not be required to pay high costs for extensive
11 capacity and reliability benefits provided by these units. Moreover, even if Karn Units 3
12 and 4 were designated as SSR units, the cost burden associated with that designation would
13 shift to all customers who benefit from the reliability assets, in this case, all customers in
14 Zone 7. Moreover, the SSR period would only be in place while system improvements are
15 made to accommodate retirement of Karn Units 3 and 4. At the time the Company submits
16 an Attachment Y with MISO, to initiate the process of retirement, if MISO designates the
17 units as SSR for Zone 7, the entirety of the zone would then financially support the

⁴ See page 1 of Exhibit A-51 (NJK-2) Revised, page 1 of Exhibit A-52 (NJK-3) Revised, and page 1 of Exhibit A-53 (NJK-4) Revised.

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1 continued operation of the units. Therefore, an SSR designation does not pose an increased
2 risk to customers.

3 **Q. Beginning on page 15 of his contested settlement direct testimony, Mr. Polich suggests**
4 **that there are risks associated with the Company’s proposal solar generation. Do you**
5 **agree with Mr. Polich’s assessment?**

6 A. No. For the reasons discussed in the second rebuttal testimony of Company witness Clark,
7 the Company disagrees with Mr. Polich’s assessments of the risks of solar procurement
8 and development.

9 **Q. On page 6 of his contested settlement direct testimony, Mr. Polich suggests that the**
10 **Settlement Agreement “fails to consider both the employment and tax benefits of the**
11 **Biomass Plants as well as the full panoply of their environmental benefits as identified**
12 **in my initial direct testimony.” Do you agree with Mr. Polich’s criticism of the**
13 **Settlement Agreement?**

14 A. No. The BMPs positions on these issues were extensively refuted by the Company’s record
15 evidence and briefs. The BMPs position regarding the consideration of the employment
16 and tax benefits of the BMPs is also based on a flawed reading of MCL 6t(8)(b). See
17 BMPs’ May 4, 2022 Objections, page 6. The BMPs’ reading of the requirements of
18 Section 6t(8)(b) is also incorrect. That provision addresses what the Commission shall
19 determine in approving an IRP. See MCL 460.6t(8). In relevant part, Section 6t(8)(b)
20 provides “[t]o the extent practicable, the construction or investment in a new or existing
21 capacity resource in this state is completed using a workforce composed of residents of this
22 state as determined by the commission.” MCL 460.6t(8)(b). Section 6t(8)(b) therefore
23 only applies when a utility is proposing to construct a new resource or invest in an existing

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resource and aligns with the cost approval provision of the IRP law which allows utilities to seek pre-approval of those construction and investment costs in an IRP. MCL 460.6t(11) (“the commission shall specify the costs approved for the construction of or significant investment in an electric generation facility...”). There is no reasonable interpretation of Section 6t(8)(b) which could link that provision to a required evaluation of the “instate employment and tax benefits” of the BMPs. The Company does not own the BMPs and is not proposing any construction or investment related to those plants.

V. CONCLUSION

Q. Based on the contested settlement direct testimony filed by Energy Michigan, Wolverine, and the BMPs, have those parties established any basis for the Commission to reject the Settlement Agreement?

A. No. For the reasons discussed above, Energy Michigan and Wolverine have failed to establish that there are detrimental reliability and resource adequacy impacts related to the Settlement Agreement. Wolverine’s assertion that the Company will experience a capacity deficiency in 2025 was also shown to be incorrect. As explained by Company witness Clark, Energy Michigan and Wolverine have also refused to provide the capacity projections and future capacity plans for Energy Michigan’s AES members and Wolverine. Therefore, beyond the fact that Energy Michigan’s and Wolverine’s claims are incorrect about the impact of the Settlement Agreement on Zone 7, Wolverine’s and Energy Michigan’s failure to provide capacity forecasts and future capacity plans also makes clear that their criticisms of the Settlement Agreement cannot be sustained. Wolverine and

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1 Energy Michigan have failed to establish any basis for the Commission to not approve the
2 Settlement Agreement.

3 The BMPs have also failed to establish any basis for the Commission to not approve
4 the Settlement Agreement. The BMPs positions should be rejected because: (i) the
5 Company has no obligation to enter new PPAs or extend existing PPAs with any of the
6 BMPs; (ii) the Company did consider biomass plants in the development of its IRP and
7 that type of resource was shown not to be a viable option on an economic or cost basis; (iii)
8 the BMPs have failed to produce any evidence establishing the costs that the BMPs could
9 agree to in new PPAs or PPA extension; and (iv) the existing BMP PPA cost information
10 available to the Company establishes that the BMPs are not competitive with either market
11 pricing or the Company's recent competitive procurement results. For the reasons detailed
12 above, the BMPs have also failed to establish any real flaws in the Settlement Agreement
13 which would prevent the Settlement Agreement from being approved by the Commission.

14 **Q. Does this conclude your second rebuttal testimony?**

15 **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.)
_____)

Case No. U-21090

EXHIBIT
OF
RICHARD T. BLUMENSTOCK
ON BEHALF OF
CONSUMERS ENERGY COMPANY

May 2022

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)
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_____)

Case No. U-21090

SETTLEMENT AGREEMENT

Pursuant to MCL 24.278 and Rule 431 of the Michigan Administrative Hearing System's Rules of Practice and Procedure before the Michigan Public Service Commission ("MPSC" or the "Commission"), the undersigned parties agree as follows:

WHEREAS, on June 30, 2021 Consumers Energy Company ("Consumers Energy" or the "Company") filed an Application requesting approval of the Company's Integrated Resource Plan ("IRP") pursuant to Section 6t of 2016 PA 341, MCL 460.6t, the Commission's June 7, 2019 Order Approving Settlement Agreement in Case No. U-20165, and all other orders and applicable law. The Company filed testimony and exhibits in support of its positions concurrently with its Application.

WHEREAS, the initial prehearing conference was held on July 22, 2021 before Administrative Law Judge ("ALJ") Sally L. Wallace. Beyond the Company, the parties to the IRP are: the MPSC Staff ("Staff"); the Attorney General; Hemlock Semiconductor Operations, LLC ("HSC"); the Biomass Merchant Plants ("BMPs")¹; Michigan Environmental Council, Natural Resources Defense Council, and Sierra Club ("MNS"); Great Lakes Renewable Energy

¹ The BMPs consist of: Cadillac Renewable Energy, LLC, Genesee Power Partners Limited Partnership, Decker Energy-Grayling, LLC, Hillman Power Company, LLC, Tondur Corporation, National Energy of Lincoln, LLC, f/k/a Viking Energy of Lincoln, LP and National Energy of McBain, f/k/a Viking Energy of McBain, LLC.

Association (“GLREA”), Environmental Law and Policy Center, the Ecology Center, Vote Solar, and the Union of Concerned Scientists (collectively, the Clean Energy Organizations (“CEO”)); Residential Customer Group (“RCG”); Association of Businesses Advocating Tariff Equity (“ABATE”); Michigan Energy Innovation Business Council, Institute for Energy Innovation, and the Clean Grid Alliance (collectively, “Michigan EIBC/IEI/CGA”); Energy Michigan, Inc. (“Energy Michigan”); Midland Cogeneration Venture Limited Partnership (“MCV”); Michigan Electric Transmission Company, LLC (“METC”); Michigan Public Power Agency (“MPPA”); Wolverine Power Supply Cooperative (“Wolverine”); the Citizens Utility Board (“CUB”); the Mackinac Center for Public Policy (“Mackinac”); and the Urban Core Collective (“UCC”). 1 TR 11-12, 22.

WHEREAS, Consumers Energy filed testimony and exhibits requesting approval of the Company’s IRP Proposed Course of Action (“PCA”) in its entirety, as the most reasonable and prudent means of meeting the Company’s energy and capacity needs through 2040. The Company specifically requested the Commission to make the following determinations:

- (i.) Approve Consumers Energy’s PCA, which is inclusive of all proposals presented by the Company in this case, including the battery deployment program, as the most reasonable and prudent means of meeting the energy and capacity needs of the Company and its customers;
- (ii.) Approve the Company’s acquisition and proposed purchase costs for the New Covert Generating Facility (“Covert Plant”) and Dearborn Industrial Generation (“DIG Plant”), the Livingston Generating Station (“Livingston Plant”), and the Kalamazoo River Generating Station (“Kalamazoo Plant”), in the manner proposed by the Company, and proposed Energy Waste Reduction (“EWR”), Demand Response (“DR”), and Conservation Voltage Reduction (“CVR”) costs which will be commenced by the Company within three years following the Commission’s expected approval of the Company’s IRP;
- (iii.) Approval of the selection and proposed purchase of the DIG, Kalamazoo, and Livingston plants, by the Company from its affiliate, CMS Enterprises. The transaction was a result of a competitive solicitation and is compliant with the Commission’s Code of Conduct requirements. In the alternative, while complying with all other provisions of the Code of Conduct, the Company

requests a waiver of the asset transfer provision of the Code of Conduct, Mich Admin Code R 460.10108(4), for the acquisition of the DIG, Livingston, and Kalamazoo plants, from CMS Enterprises;

- (iv.) Approve the Company's proposal to recover the unrecovered book balances of D.E. Karn ("Karn") Units 3 and 4 and J.H. Campbell ("Campbell") Units 1, 2, and 3, including decommissioning costs, through regulatory asset treatment, with full return, over the design lives of those units;
- (v.) Approve the Company's proposals to: (i) defer employee retention costs related to the proposed accelerated retirements of Karn Units 3 and 4 and Campbell Units 1, 2, and 3, and (ii) defer retirement transition costs for future recovery;
- (vi.) Approve the Company's proposed modifications to its Public Utility Regulatory Policies Act of 1978 ("PURPA") construct and the Company's proposed competitive procurement process and the use of that competitive procurement process for: (i) determining PURPA avoided costs rates, and (ii) determining and addressing the Company's capacity position under PURPA;
- (vii.) Determine that the Company has no PURPA capacity need so long as the Company is implementing the PCA, with the competitive procurement process proposed by the Company; and
- (viii.) Approve the Company's proposed Financial Compensation Mechanism ("FCM") for any new, or newly amended, Power Purchase Agreements ("PPAs") entered into by the Company.

Staff and other intervening parties filed testimony and exhibits addressing various issues.

NOW THEREFORE, for purposes of settlement of Case No. U-21090, the undersigned parties agree as follows:

1. The parties agree that the Company's PCA, as modified in this Settlement Agreement, should be approved as the most reasonable and prudent means of meeting the Company's energy and capacity needs over the 5-year, 10-year, and 15-year time horizons. The parties agree that the Company will file its next IRP consistent with the requirements of MCL 460.6t.

2. The parties agree that the PCA shall include the Company's proposed purchase of the Covert Plant in 2023 but shall not include the ownership of the DIG, Kalamazoo, and

Livingston plants. The parties agree that the identified capital costs that the Company will incur for DR (\$23,751,000), CVR (\$9,736,315), and the purchase of the Covert Plant (\$815 million) in the next three years (June 2022 – June 2025) are reasonable and prudent and approved for cost recovery purposes and will be included in rates in a future Company rate case consistent with MCL 460.6t(11) and (17). The parties further agree to the approval of the projected capacity value provided by the Covert Plant and the DR (projected to achieve a total of 641 MW (657 Zonal Resource Credits (“ZRCs”)) by 2025), CVR (projected to achieve 136,351 MWh savings by 2025, 56.81 MW savings by 2025), and EWR (projected to achieve 545,305 MWh savings in 2025, 879 MW savings by 2025) resources included in the PCA during the next three years. The parties further agree that the Company shall continue to file an annual reporting template with the Commission addressing the implementation of the approved DR and CVR resources above.

3. The parties agree to the approval of the battery deployment program as proposed by Company witness Richard T. Blumenstock. The parties agree that the Company will conduct stakeholder outreach to solicit feedback regarding the battery deployment program prior to the issuance of the first battery deployment program competitive solicitation. The approval to recover the costs associated with the batteries acquired in the battery deployment program will be sought in future electric rate cases.

4. The parties agree that (i) Karn Units 3 and 4 will be retired on or before May 31, 2031, absent extraordinary circumstances that require prolonged operation, such as a System Support Resource designation by Midcontinent Independent System Operator, Inc. (“MISO”) or other emergent issues within the Company’s generation portfolio which require continued

operation of Karn Units 3 and 4 to maintain sufficient supply; and (ii) Campbell Units 1, 2, and 3 will be retired on or before May 31, 2025.

5. The parties agree that the Company will not file an application for a financing order for the unrecovered book balance and decommissioning costs of Campbell Units 1, 2, and 3. The parties agree that the Commission will permit Consumers Energy to recover the unrecovered book balance of Campbell Units 1, 2, and 3 through the Company's proposed regulatory asset treatment, with a return equal to the Company's weighted average cost of capital ("WACC") premised on the return on equity approved by the Commission in rate cases prior to the retirement date of those units and a 9.0% return on equity after the retirement date of those units, as part of the Company's electric rates over the current design lives of those units. The 9.0% return on equity will be used to modify the capital structure filed with each rate case and the return on equity will be the only modification to the capital structure used to calculate the return on the regulatory asset after the retirement date of the units. The parties further agree that the Company will be permitted to record a regulatory asset for actual decommissioning spending for Campbell Units 1, 2, and 3, with a return on the regulatory asset, with subsequent rate recovery in a rate case after a review of the reasonableness and prudence of the expenses. Recovery of the associated decommissioning and ash disposal costs will be treated as follows:

- a. The decommissioning costs, less salvage value, related to Campbell Units 1, 2, and 3 and the ash disposal costs related to Campbell Units 1, 2, and 3 will be recorded, as spent, to a regulatory asset; and
- b. The Company may request recovery in future base rate proceedings, and upon Commission determination that the Company has incurred those costs as the result of reasonable and prudent actions, they shall be included in rates. The Company will ensure that the amounts recovered through a regulatory asset account are net of any accumulated depreciation amounts.

6. The parties agree that subsequent to the Commission's order approving this Settlement Agreement, the Company shall issue a competitive solicitation ("the One-Time Solicitation") which will include the following parameters:

- a. The One-Time Solicitation will seek projects which will provide the Company with capacity credit in the MISO Zone 7 starting in the 2025 Planning Year;
- b. The One-Time Solicitation will include two all source tranches:
 - i. The first tranche will seek up to 500 ZRCs of capacity and associated energy and renewable energy credits ("RECs"), if applicable, from PPAs with terms up to 10 years. This tranche will seek dispatchable, non-intermittent generation capable of dispatching up or down in every hour of the year in response to wholesale energy market signals, providing capacity which meets the Local Clearing Requirement of MISO Zone 7; and
 - ii. The second tranche will seek up to 200 ZRCs of capacity and associated energy and RECs, if applicable, secured from unaffiliated third parties via PPAs or other third-party agreements that do not result in Company ownership with terms up to 25 years, at the discretion of the bidder. This tranche will seek intermittent resources and dispatchable, non-intermittent clean capacity resources (including battery storage resources), providing capacity which meets the Local Clearing Requirement of MISO Zone 7. This tranche will furthermore take into consideration the ability of the offered capacity to meet the Local Clearing Requirement of MISO Zone 7 for the duration of the contract length. Prior to the issuance of the second tranche portion of the One-Time Solicitation, the Company shall hold a stakeholder meeting including parties to this case and energy storage developers to discuss methods to improve RFPs and response to solicitations with respect to stand-alone storage projects and hybrid-storage projects.
- c. The Company's acquisition of the 700 ZRCs and associated energy and RECs, if applicable, sought in the One-Time Solicitation shall be considered incorporated into the PCA approved in Paragraph 1 of this Settlement Agreement. However, the actual selected bid(s) will be submitted in Case No. U-21090 for Commission approval subsequent to the completion of the One-Time Solicitation;
 - i. In that approval proceeding, the Commission shall: (i) confirm whether the solicitation process followed by the Company is consistent with the requirements of the Settlement Agreement; (ii) grant approval of the recovery of the costs associated with the selected project(s) pursuant to applicable law or make a preliminary finding that the costs associated

with the project(s) that prevail in the solicitation are reasonable and prudent; and (iii) grant any other approvals or findings necessary as required or provided by applicable law.

- d. The One-Time Solicitation will not be used to set the Company's avoided costs rates or capacity needs under PURPA.

7. The parties agree to the approval of the Company's proposed accounting request to defer expense related to the Campbell site severance and retention agreement, utilizing a regulatory asset to record the deferred amounts. The deferred amounts for 2022 will be capped at \$26 million. All amounts deferred for 2022 and beyond will be reviewed in future rate cases. This Settlement Agreement does not permit the Company to defer amounts related to the Campbell site severance and retention agreement outside of 2022.

- a. Consumers Energy will publicly file in Case No. U-21090 its community transition plan for Karn Units 1 through 4 within 150 days of all four Karn Units ceasing operation; and
- b. Consumers Energy will develop a draft community transition plan for the Campbell site. During the development of this draft community transition plan for the Campbell site, Consumers Energy will consult with community-based organizations and community members living in the area surrounding the retired assets on the community transition plan before finalizing and filing it for informational purposes in Case No. U-21090.

8. The parties agree to the extension of the annual competitive bidding process used to acquire the supply-side resource technologies specified in the PCA, as approved in Case No. U-20165 (collectively the "Annual Solicitations" and individually an "Annual Solicitation"), with certain modifications included below:

- a. Qualifying Facilities ("QFs") that the Company has a legal obligation to purchase from under PURPA (such facilities are referred to as "QFs" in this Settlement Agreement), may bid any technology into the Annual Solicitation but will be required to submit an offer consistent with the PPA terms sought in the Annual Solicitation;
- b. The competitive bid process shall be administered by an independent third party. The evaluation criteria and process is to be made available to all bidders submitting responses for the specific technology requested by the

Company, as part of the RFP, to ensure transparency. QFs may bid any technology that meets the requirements of PURPA. A ranking of proposals is to be used by the independent third party and provided to the Company for selection;

- c. In its September 9, 2021 Order in Case No. U-20852 the Commission adopted competitive bidding guidelines titled “Competitive Procurement Guidelines for Rate-Regulated Electric Utilities (Not for PUPRA Compliance) and “Competitive Procurement Guidelines For Rate-Regulated Electric Utilities for PURPA Avoided Cost and Capacity Determination.” The “Objective” of the adopted guidelines provides that when the guidelines are utilized by utilities, it is presumed that resulting projects and contracts are reasonable and prudent and in the event utilities diverge from the guidance provided in the guidelines, it is expected that the utility will provide sufficient justification in order to receive Commission approval and recovery. In the Annual Solicitation process, the Company will follow the Commission’s adopted guidelines, including the ability to diverge from the guidance as provided in the guidelines;
- d. The first competitive solicitation for the Company pursuant to this Settlement Agreement will be conducted no later than December 31, 2022. New full avoided cost rates stemming from each competitive solicitation will be filed with the Commission for review and approval within 30 days of the conclusion of each competitive solicitation;
- e. The Company will seek term lengths for competitively bid projects up to 25 years, at the discretion of the bidder;
- f. The Company will seek to acquire the target amount of capacity identified in the PCA for each Annual Solicitation period and may exceed that target amount depending on the amount of bids, the size of projects bid, cost and value, and variations in project commercial operation dates. Total newly acquired capacity will be reconciled against the amount of capacity projected in the PCA in the Company’s next IRP. (For example, if the Company acquired more capacity than planned, the proposed resource plan in the next IRP would incorporate that additional capacity with a potential reduction in the capacity needed going forward.);
- g. If the Company is unable to meet the target capacity amount identified in the PCA in any given Annual Solicitation, the remaining "open" capacity will not be offered to QFs. The remaining capacity would instead be addressed through the process described in Paragraph 8.f.;
- h. The parties agree and acknowledge that there are supply chain, energy security, labor, and environmental benefits associated with robust, local clean energy manufacturing capabilities. As part of the Company’s competitive bidding process, the parties agree that the Company will, to the extent

reasonably possible, incorporate clear, fair, and transparent criteria in the bid evaluation process to recognize value associated with clean energy supply chain diversification and sustainability, including intended use of Michigan manufactured components and low-carbon manufacturing as verifiable by life cycle assessment and/or disclosure using public, third-party verified environmental product declarations. The Company agrees to consult with parties to the settlement on the details of such bid evaluation criteria. Nothing in this settlement alters the opportunity for stakeholders and potential bidders to review and comment on any new proposed bidding criteria through the process as set forth in the MPSC's competitive bidding guidelines approved in MPSC Case No. U-20852 on September 9, 2021;

- i. The parties agree that the Annual Solicitation process does not restrict the Company's ability to make short-term capacity additions to address capacity shortfalls which cannot reasonably be addressed through the Annual Solicitation process; and
- j. The Company may pursue supply-side resource pilots for new and emerging technologies outside of an Annual Solicitation subject to cost and project approval in its future rate cases.

9. The parties agree that the new capacity that the Company intends to procure through the PCA, in each Annual Solicitation, shall be: (i) acquired through a competitive bidding process; and (ii) approximately 50% will be from PPAs and other third-party agreements that do not result in Company ownership and approximately 50% will be owned by the Company, as acquired through a competitive bidding process. The new capacity acquired from PPAs or other third-party agreements that do not result in Company ownership will not compete against the new capacity which will be owned by the Company. The Company will use commercially reasonable efforts to maintain the 50%/50% proportion for new IRP resources from 2022 through the Company's next IRP proceeding, and in no event shall any given annual solicitation result in the Company owning more than 60% of the new capacity acquired in such solicitation. The Company, in its sole discretion, may also choose to acquire more than 50% of its new capacity from third parties. The parties further agree that the Company's affiliates will

be prohibited from bidding on the portion of the Company's new capacity acquired from third parties.

10. The parties agree to the approval of the extension of the Company's FCM approved in Case No. U-20165 equal to the product of: (i) the annual PPA payment, and (ii) the Company's after-tax WACC based on its total capital structure, which is currently 5.62%, as updated from time to time by the MPSC in electric rate case final orders. The FCM will be applicable to all new PPAs, but will not apply to PPA amendments, PURPA PPAs, and Voluntary Green Pricing PPAs. The Company shall also not receive an FCM on any PPAs executed under the Company's Renewable Energy Plan. The FCM will be subject to the cap, as provided in Attachment A of the Settlement Agreement. The parties agree that nothing in this Settlement Agreement is intended to waive the requirements of MCL 460.6t(15).

11. The parties agree to the extension of the Company's PURPA avoided cost construct, as approved in Case No. U-20165 (based on the Company's Annual Solicitations), with certain modifications included below:

- a. The Company's PURPA avoided cost construct will be subject to review in the Company's future IRP filings, as opposed to separate biennial filings;
- b. QFs 150 kWac and below are eligible to receive full avoided cost rates regardless of the Company's capacity needs;
- c. Within 180 days subsequent to the Commission's approval of this Settlement Agreement, the Company shall initiate stakeholder outreach to develop a simplified agreement, tariff-based program, or other mechanism which will allow QFs 150 kWac and below to receive full avoided cost rates. Subsequent to the completion of the stakeholder outreach, at the earliest practicable date, the Company will file a proposal with the Commission for approval;
- d. When the Company does not have a PURPA capacity need, QFs above 150 kWac, that the Company has a legal obligation to purchase from under PURPA, are eligible to receive the Company's energy-only avoided cost rates. The Company's energy-only avoided cost rates shall be based on a forecast of LMPs for the first 5 years and actual LMPs for years 6 through 10. The

Company's energy-only avoided cost rates shall not include a payment for capacity;

- e. Current existing QFs, at or below the Company's PURPA must-purchase obligation MW threshold, with a PURPA-based PPA with the Company as of January 1, 2019 shall receive new PPAs, regardless of the Company's capacity need, upon the expiration of their current PPAs based on the Company's full avoided cost rates at the time of PPA expiration. QFs that entered a PPA with the Company prior to January 1, 2019 at an amount less than full avoided cost rates, such as reduced avoided cost rates based on the Planning Resource Auction ("PRA") rate and forecasted or actual LMPs and energy-only rates which only include an energy rate and do not provide a payment for capacity, shall not automatically receive a new PPA at the full avoided cost rate when their current PPA expires. QFs that have entered a PPA with the Company after January 1, 2019 are not eligible to receive a new full avoided cost rate PPA with the Company regardless of the Company's capacity need;
- f. QFs that the Company has a legal obligation to purchase from under PURPA, and which are eligible for full avoided cost rates, may select PPA terms up to 20 years; and
- g. QFs up to 5 MWac, that the Company has a legal obligation to purchase from under PURPA, are eligible for the Company's PURPA Standard Offer Tariff and Standard Offer Contract. The terms of the Standard Offer Contract will also be updated from using the MISO methodology for capacity accreditation at the time of PPA execution, to the average of the MISO methodologies at the time of PPA execution and delivery under the PPA. Within 30 days following the Commission's approval of this Settlement Agreement, the Company shall file revised Standard Offer tariff sheets and a revised Standard Offer contract, to reflect the Standard Offer construct and rates approved as part of this Settlement Agreement. Parties shall be given 14 calendar days subsequent to the Company's filing to provide comments to the Commission.

12. The Company has no PURPA capacity need so long as the Company is implementing the Commission-approved PCA, as provided in Paragraph 1, including the competitive Annual Solicitation process for future capacity needs.

13. The parties agree that the Company will donate \$5 million in 2022 to a low-income fund that provides bill assistance to Consumers Energy's electric customers. The Company will also donate \$2 million annually to the same low-income fund each year during the amortization period for the regulatory asset, provided in Paragraph 5 of this Settlement

Agreement, with each annual donation contingent on the Company filing and the Commission approving a Voluntary Revenue Refund (“VRR”). The donations described in this paragraph will not be recovered in rates and Consumers Energy will consult with the Attorney General and Staff on the low-income fund receiving the donations. The Company will provide an annual report to the Commission each year a donation is made. If known, the report will include the number of households served, the number of households over 150% of the federal poverty level (“FPL”), and number under 150% of the FPL. For those households 150% of FPL and under, the report will explain, if known, whether they are receiving the funds because they exhausted other benefits such as the Michigan Energy Assistance Program or State Emergency Relief.

14. In future IRPs, beginning with its next IRP, the Company will (i) collect the necessary data to compute marginal line losses and report these with average line losses and (ii) include marginal line losses and avoided transmission and distribution costs in its evaluation of all distributed resources, including residential DR potential.

15. Consumers Energy agrees to develop a distributed generation as a resource model approach that considers economic distribution connected solar to be modeled by bundling resources installed at the customer level to compare the total economic costs to the utility of distributed generation as a resource to other selectable supply-side resources, consistent with the methodology used for EWR. The Company will develop a model that accounts for all utility costs and/or incentives associated with participating and non-participating distributed generation customers. The Company agrees to present the model approach for stakeholder review and feedback prior to the next IRP. The model approach, including any incorporated stakeholder feedback, will be included into the Company’s next IRP.

16. The parties agree that Consumers Energy's IRP set forth a proposal to be Carbon Neutral by 2040 and retire all coal generation by 2025, 14 years ahead of the original timeline. These retirements include two substantial coal and gas units totaling approximately 2,000 MW. To replace the capacity, Consumers Energy has proposed adding existing natural gas-fired generation and plans to add about 8,000 MW of solar generation by 2040, to dramatically reduce the use of fossil fuel resources. The next IRP should consider transmission and how it can facilitate the mitigation of reliability and economic impacts to the electric system. The parties also agree that strategic investment in electric transmission needs continual assessment to understand the role of transmission in allowing for the most economic path to meeting the state's energy goals while complementing Michigan's Load Serving Entities' ("LSE") objectives. Michigan is transitioning its generation portfolio and must take the appropriate steps to increase system reliability, resiliency, flexibility, and affordability. Michigan will be better positioned by taking a forward-looking approach regarding resource adequacy. The state should continue to recognize and support the value of a multitude of resources such as Solar, Wind, DR, and Distributed Energy Resources which assist in an "all of the above" approach. Transmission is essential in delivering the reliability of these resources. The value of transmission can be even further realized by leveraging those transmission resources to better assist the Consumers Energy IRP. This will allow MISO LRZ 7 to access broader pools of generation resources, be better situated for future demands placed on the system, mitigate unnecessary risks, and increase performance of those "all of the above" resources to serve the demands of Michigan's customers reliably and economically.

17. The parties agree that the Company will include the following analysis in its next IRP:

- a. The Company will provide total emissions, in lbs or tons, and rate of emissions, in lbs or tons per MWh and per MMBtu, for each owned power plant unit, or units that the Company has a power purchase agreement with, for the last 5 years of operation (for existing units) and projected for the next 5 years (for all units) for the following pollutants: carbon dioxide, nitrogen oxides, sulfur dioxide, volatile organic compounds (“VOCs”), and primary particulate matter (“PM2.5”);
- b. The Company will calculate the annual PM2.5-related health impacts associated with each power plant’s emissions. The modeling will include the impacts from primary PM2.5 emissions and PM2.5 precursors emissions (nitrogen oxides, sulfur dioxide, VOCs). The Company will use one model to evaluate the number and economic value of PM2.5-related health impacts of these emissions. The Company may use COBRA or BenMAP (which will require pollutant change inputs from another model such as InMAP) for these calculations, or models that are of equal or greater complexity and accuracy. The Company will report the total number and economic value of PM2.5-related health impacts across the US for the chosen model and spatially by Michigan county or at a higher resolution;
- c. The Company will use the MiEJScreen mapping and screening tool, or, if the MiEJScreen tool is not yet finalized, the EPA Environmental Justice Screening and Mapping Tool (“EJSCREEN”), to assess populations in a 1-mile and 3-mile buffer around each power plant location, including reporting total populations and any indicators and total index results above the 75th percentile;
- d. The Company will report projected low-income energy efficiency participation levels, low-income load-reduction data, and publicly available rooftop solar adoption rates. If available, information on rooftop solar adoption by low-income customers will be provided;
- e. The Company will include a narrative discussion of how the data obtained in a-d were considered by the utility; and
- f. To the extent that the Commission formally adopts revised Integrated Resource Plan Filing Requirements and/or revised Michigan Integrated Resource Planning Parameters that address environmental emissions, health impacts from emissions, or environmental justice, such filing requirements will supersede the terms of this Paragraph 17.

18. The parties agree that the Company will take the following steps to engage and gather input from the public prior to the filing of its next IRP with the Commission:

- a. Host meetings about the topic of the filing at a variety of times, during the daytime and the evening, with the Company providing equivalent content and equivalent and sufficient time for robust public response at each session;
- b. Host meetings about the topics in the filing with a roughly equal mix between (i) in-person meetings and (ii) virtual or hybrid meetings;
- c. For the duration of the proceedings before the MPSC, make available on its website recordings of (i) all virtual or hybrid meetings and (ii) to the extent feasible, any portion of an in-person meeting in which the Company is (a) addressing all participants in the meeting and/or (b) receiving public feedback and/or questions in a format intended to be heard by all participants in the meeting at the same time;
- d. When requested 10 business days prior to a meeting, provide translations of materials for the benefit of those communities whose first language is not English, based on the demographics of the community;
- e. When requested within 30 days subsequent to a meeting, the Company will use best efforts to provide a translation of recordings of the community meeting in a language specified by the person requesting the translation. Such translation recordings will be provided within 15 business days, subject to the Company's best efforts, after the request is received. If the Company is unable, after a good faith effort, to find or reasonably engage the services of a translator capable of translating the recording into the language requested, the Company will not be obligated to provide the translation;
- f. When requested at least 10 business days prior to an in-person meeting, the Company will use best efforts to include at least one live interpreter who can translate in the requested language. If the Company is unable, after a good faith effort, to find or reasonably engage the services of a translator capable of translating the meeting into the language requested, the Company will not be obligated to provide the translation;
- g. Coordinate with community-based organizations when organizing and promoting meetings about the filing. The Company will solicit input regarding the time, place, and manner of the meetings from the community organizations, in addition to any other meetings the Company wishes to hold of its own accord;
- h. Use best efforts to present the details of the integrated resource planning process in accessible, non-technical language that includes, but is not limited to, descriptions of the impacts of the Company's plans on communities, the environment, and public health;
- i. Include in its filings a concise general statement of the basis and purpose of the comments received by the Company and how the Company considered,

addressed, or rejected the issues raised in those comments in the IRP (as practicable); and

- j. Subsequent to the issuance of the Commission's order approving this Settlement Agreement, the Company agrees to meet with UCC to discuss potential stakeholder outreach prior to or subsequent to future electric rate case filings.

19. The parties agree that the Company will do the following with respect to combined heat and power ("CHP") resources:

- a. Within 180 days of the effective date of the Commission's order approving the settlement, the Company will initiate a voluntary survey among its commercial and industrial customers to gauge interest in CHP (the "CHP survey"), with survey responses intended to be used by the Company to support the evaluation of: (1) the types of CHP that customers prefer, with regard to size, technology and overall configuration, on both the demand side and supply side, including co-ownership arrangements and other potential partnerships with the Company, and: (2) non-confidential information regarding locations within the Consumers Energy territory that may be most appropriate for deployment of CHP. The CHP survey will be conditioned on respondent approval of the public release of all information provided by the respondent in response to the survey. Nothing in this section is intended to require the public release of any confidential and/or commercially sensitive customer or Company information;
- b. Within 360 days of the effective date of the Commission's order approving the settlement, the Company will share the results of the CHP survey in the Case No. U-21090 e-docket, including a summary of the types of CHP that customers prefer, with regard to size, technology, and overall configuration, on both the demand side and supply side, including co-ownership arrangements and other potential partnerships with the Company; and a summary of non-confidential information regarding locations within the Company's territory that may be most appropriate for deployment of CHP, according to the CHP survey results;
- c. In its next IRP proceeding, the Company will model behind-the-meter CHP representative of a demand-side resource based upon the results from the CHP survey as appropriate; and
- d. In its next IRP proceeding, the Company will model front-of-the-meter CHP configurations based upon the results from the CHP survey as appropriate.

20. This settlement is entered into for the sole and express purpose of reaching a compromise among the parties. All offers of settlement and discussions relating to this settlement are, and shall be considered, privileged under MRE 408. If the Commission approves this Settlement Agreement without modification, neither the parties to this Settlement Agreement nor the Commission shall make any reference to, or use, this Settlement Agreement or the order approving it, as a reason, authority, rationale, or example for taking any action or position or making any subsequent decision in any other case or proceeding; provided, however, such references may be made to enforce or implement the provisions of this Settlement Agreement and the order approving it.

21. This Settlement Agreement is based on the facts and circumstances of this case and is intended for the final disposition of Case No. U-21090. So long as the Commission approves this Settlement Agreement without any modification, the parties agree not to appeal, challenge, or otherwise contest the Commission order approving this Settlement Agreement. Except as otherwise set forth herein, the parties agree and understand that this Settlement Agreement does not limit any party's right to take new and/or different positions on similar issues in other administrative proceedings, or appeals related thereto.

22. This Settlement Agreement is not severable. Each provision of the Settlement Agreement is dependent upon all other provisions of this Settlement Agreement. Failure to comply with any provision of this Settlement Agreement constitutes failure to comply with the entire Settlement Agreement. If the Commission rejects or modifies this Settlement Agreement or any provision of the Settlement Agreement, this Settlement Agreement shall be deemed to be withdrawn, shall not constitute any part of the record in this proceeding or be used for any other purpose, and shall be without prejudice to the pre-negotiation positions of the parties.

23. The parties agree that approval of this Settlement Agreement by the Commission would be reasonable and in the public interest.

24. The parties agree to waive Section 81 of the Administrative Procedures Act of 1969 (MCL 24.281), as it applies to the issues resolved in this Settlement Agreement, if the Commission approves this Settlement Agreement without modification.

WHEREFORE, the undersigned parties respectfully request the Commission to approve this Settlement Agreement on an expeditious basis and to make it effective in accordance with its terms by final order.


MICHIGAN PUBLIC SERVICE COMMISSION STAFF

By: **Spencer Sattler** Digitally signed by Spencer
Sattler
Date: 2022.04.19 14:00:30 -04'00'

Date: April 19, 2022

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CONSUMERS ENERGY COMPANY

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Date: April 19, 2022


MICHIGAN ENVIRONMENTAL COUNCIL

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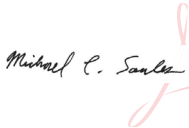
NATURAL RESOURCES DEFENSE COUNCIL

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CITIZENS UTILITY BOARD OF MICHIGAN

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MICHIGAN ENERGY INNOVATION BUSINESS COUNCIL, INSTITUTE FOR ENERGY
INNOVATION, AND CLEAN GRID ALLIANCE

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Date: April 19, 2022

MICHIGAN ELECTRIC TRANSMISSION COMPANY, LLC

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Aaron
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ENVIRONMENTAL LAW & POLICY CENTER, VOTE SOLAR, ECOLOGY CENTER, AND
UNION OF CONCERNED SCIENTISTS

By: 
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Date: April 19, 2022

HEMLOCK SEMICONDUCTOR OPERATIONS LLC

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Date: April 19, 2022

URBAN CORE COLLECTIVE



By:

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Date:

19-April-2022

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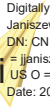
The following parties do not wish to be signatories to this Settlement Agreement; however they have agreed to sign below to indicate non-objection to the Settlement Agreement.

MICHIGAN PUBLIC POWER AGENCY

By: Nolan J. Moody Digitally signed by Nolan J. Moody
Date: 2022.04.19 12:19:10 -04'00'
Nolan J. Moody, Esq.
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Date: April 19, 2022

MIDLAND COGENERATION VENTURE LIMITED PARTNERSHIP

By:  **John Janiszewski**
John A. Janiszewski, Esq.
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Date: April 20, 2022

ATTACHMENT A

ATTACHMENT A

Contract Year	Total Rate (\$/MWh)
2019	\$ 55.54
2020	\$ 57.49
2021	\$ 59.38
2022	\$ 61.28
2023	\$ 63.25
2024	\$ 65.24
2025	\$ 67.24
2026	\$ 69.24
2027	\$ 71.23
2028	\$ 73.18
2029	\$ 75.08
2030	\$ 76.95

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.)
_____)

Case No. U-21090

SECOND REBUTTAL TESTIMONY

OF

THOMAS P. CLARK

ON BEHALF OF

CONSUMERS ENERGY COMPANY

May 2022

THOMAS P. CLARK
SECOND REBUTTAL TESTIMONY

1 **Q. Please state your name and business address.**

2 A. My name is Thomas P. Clark, and my business address is 1945 W. Parnall Road, Jackson,
3 MI 49201.

4 **Q. Are you the same Thomas P. Clark who previously presented direct and rebuttal**
5 **testimony in this case?**

6 A. Yes.

7 **Q. What is the purpose of your second rebuttal testimony?**

8 A. My second rebuttal testimony relates to the Settlement Agreement filed in this case on
9 April 20, 2022 in this docket (“Settlement Agreement”), and I will rebut the assertions and
10 positions raised by Energy Michigan, Inc. (“Energy Michigan”) witness Alexander J.
11 Zakem, Wolverine Power Supply Cooperative, Inc. (“Wolverine”) witness Thomas King
12 Jr., and Biomass Merchant Plant (“BMP”) witness Richard A. Polich filed in opposition to
13 the Settlement Agreement. I will focus on the reliability concerns raised by these witnesses
14 in connection with Consumers Energy Company’s (“Consumers Energy” or the
15 “Company”) retirement of its J.H. Campbell (“Campbell”) Unit 3; the potential volatility
16 of the Midcontinent Independent System Operator, Inc. (“MISO”) capacity planning
17 process and its impact on the Company’s customers; claims that the Settlement Agreement
18 fails to address the forthcoming MISO seasonal capacity construct; claims that the
19 Settlement Agreement will impact reliability for residents in the lower peninsula and result
20 in a capacity shortfall between 2031 and 2038; and claims regarding competitive pricing
21 in Michigan resulting from the Settlement Agreement.

THOMAS P. CLARK
SECOND REBUTTAL TESTIMONY

1 **Q. Have you prepared any exhibits in conjunction with your second rebuttal testimony?**

2 A. Yes. I am sponsoring Exhibit A-151 (TPC-3), consisting of Wolverine's responses to
3 Discovery requests 21090-CE-WPSC-1 and 21090-CE-WPSC-2, Exhibit A-152 (TPC-4),
4 consisting of Energy Michigan's responses to several discovery requests, and Exhibit
5 A-153 (TPC-5), consisting of an Affidavit signed by Mr. Zakem and filed in the Federal
6 District Court for the Eastern District of Michigan in connection with Energy Michigan's
7 challenge of the Commission's authority to implement a local clearing requirement
8 ("LCR") on Alternative Electric Suppliers ("AESs").

9 **Q. Please describe the Settlement Agreement filed in this case?**

10 A. The Settlement Agreement proposes to completely resolve this matter and was signed by a
11 substantial portion of the parties in this case. The Settlement Agreement maintains the
12 intent and focus of the Company's original PCA, which is to ensure the Company's clean
13 energy transition, as initially set forth in the Company's 2018 IRP. The PCA, as modified
14 by the Settlement Agreement, will help lead a faster clean energy transformation by
15 accelerating the Company's exit from coal-fired generation in 2025, approximately
16 15 years sooner than planned, while increasing electric reliability and providing resource
17 adequacy for customers. The second rebuttal testimony of Company witness Richard T.
18 Blumenstock provides an overview of the Settlement Agreement filed and includes the
19 Settlement Agreement as Exhibit A-150 (RTB-5).

20 **Q. Are the arguments presented by Mr. Zakem, Mr. King, and Mr. Polich regarding the**
21 **impact of the Settlement Agreement on reliability and competitiveness accurate?**

22 A. No. As detailed throughout the remainder of this second rebuttal testimony, the arguments
23 offered by the intervening parties lack merit and fail to support the position that the

THOMAS P. CLARK
SECOND REBUTTAL TESTIMONY

1 Settlement Agreement is somehow detrimental to Consumers Energy's customers and to
2 Michigan's energy market in general. Based on the extensive record evidence already
3 offered in this proceeding and the evidence provided by the Company in this contested
4 settlement proceeding, it is clear that the Settlement Agreement will greatly support
5 reliability, rather than put it at risk. The objecting parties' focus on capacity accreditation
6 for solar, the impact of the one-time solicitation, and the changes in the Company's
7 capacity planning requirements fails to recognize that the Settlement Agreement has the
8 effect of adding approximately 770 Zonal Resource Credits ("ZRCs") through the
9 continued operation of D.E. Karn ("Karn") Units 3 and 4, the addition of 1,114 ZRCs
10 through the acquisition of the New Covert Generating Facility ("Covert Plant"), and the
11 addition of at least 200 more ZRCs through the one-time solicitation. In total, the
12 Settlement Agreement brings at least 2,084 ZRCs into MISO Local Resource Zone
13 ("LRZ") 7 and retires only approximately 1,400 ZRCs of capacity. This nets LRZ 7 nearly
14 700 ZRCs (at least). This increase in capacity enables the Company to manage any
15 challenges or delays associated with bringing new resources online, changes in MISO's
16 planning requirements that may impact the Company's Planning Reserve Margin
17 Requirement ("PRMR"), the migration to a seasonal capacity construct, and any
18 degradation that might be applied to solar capacity accreditation. In short, each of the
19 parties contesting the Settlement Agreement have picked very specific issues that attempt
20 to create doubt that the Settlement Agreement is in the best interest of Consumers Energy
21 and its customers when, in reality, their arguments demonstrate a self-interested concern
22 that this Settlement Agreement will challenge their ability to profit off Consumers Energy
23 and its customers and Michigan's hybrid deregulation construct. In truth, the Settlement

THOMAS P. CLARK
SECOND REBUTTAL TESTIMONY

1 Agreement improves reliability for Consumers Energy and its customers and, because the
2 Settlement Agreement adds more ZRCs to LRZ 7 than it removes, the Settlement
3 Agreement will improve reliability for all of LRZ 7.

4 **Q. On page 4 of his direct testimony opposing the Settlement Agreement, Wolverine**
5 **witness King opines that “[w]ithout the [one-time] solicitation, Consumers will be**
6 **unlikely to serve its own load with its own resources in 2025. When Consumers’**
7 **speculative solicitation is included and realized, Consumers will be dangerously close**
8 **to not meeting its own load obligations. Not only is this outcome not the ‘most**
9 **reasonable and prudent plan to meet the utility’s energy and capacity needs,’ but it**
10 **also puts Michigan’s broader grid at risk.” Do you agree with his assessment?**

11 **A.** No. As discussed and presented more directly by Company witness Blumenstock in his
12 second rebuttal testimony, Mr. King’s evaluation of the capacity reflected in the Settlement
13 Agreement is incorrect. Based on projections from this IRP, and with modifications from
14 the Settlement Agreement, the Company projects a capacity surplus of 1,215 ZRCs for the
15 2025-2026 planning year, including 700 ZRCs from the one-time solicitation. As
16 demonstrated in Mr. Blumenstock’s second rebuttal testimony, the shortfall of capacity
17 suggested by Mr. King was a miscalculation and should be rejected.

18 **Q. Does Mr. King state other concerns with the Company’s capacity position for the**
19 **2025-2026 planning year?**

20 **A.** Yes. On page 7 of his contested settlement direct testimony, Mr. King questions the
21 reasonableness of the Company’s projected installation of 500 MW of solar capacity by
22 June 1, 2025, and on pages 6 through 7, he questions the Company’s 50% capacity
23 accreditation assumption (Effective Load Carrying Capability (“ELCC”)) for solar assets.

THOMAS P. CLARK
SECOND REBUTTAL TESTIMONY

1 In addition, on page 6, Mr. King questions the efficacy of the Company's demand
2 response/energy waste reduction program and its ability to offset increasing load
3 requirements and, finally, he claims that the Company's declining PRMR is not reasonable
4 (pages 5-6).

5 **Q. What is your opinion of Mr. King's position regarding solar capacity additions and**
6 **their accreditation?**

7 A. While the Company acknowledges that it has experienced challenges in its expansion of
8 solar capacity due to issues with supply chain and local zoning, it continues to work through
9 those challenges in a focused and deliberate manner, and considers those challenges to be
10 short-term in nature. The Company is confident that its solar capacity expansion will be
11 successful despite these challenges and, to the extent that the Company experiences minor
12 delays beyond the 2025-2026 planning year, it continues to have sufficient capacity to
13 reliably serve its load as a result of the continuing operation of Karn Units 3 and 4 and the
14 one-time solicitation proposed in the Settlement Agreement. With respect to the reduced
15 accreditation for solar capacity suggested by Mr. King, the current ELCC is 50% of a solar
16 generator's installed capacity, and there is no certainty of timeline for a reduction from the
17 current MISO practice. Company witness Blumenstock addresses solar capacity
18 accreditation in more detail in his second rebuttal testimony.

19 **Q. What is your response to Mr. King's statement that a continued reduction to the**
20 **Company's PRMR is not reasonable?**

21 A. While the Company's forecasted load may be increasing, the Company's internal waste
22 reduction and demand response programs are also increasing, thereby offsetting a large
23 portion of the load growth. In addition, the planning reserve margin ("PRM") provided by

THOMAS P. CLARK
SECOND REBUTTAL TESTIMONY

MISO is decreasing, thereby allowing the Company's PRMR¹ to decrease rather than increase. The Company's most recent capacity demonstration filing reflects that the PRM provided by MISO² dropped from 8.70% for planning year 2022-2023 to 7.40% for planning year 2025-2026. The Planning Year 2022-2023 Loss of Load Expectation Study Report indicates that the 2025-2026 planning year PRM decreased slightly from the 2022-2023 planning year PRM primarily based upon expected new unit additions.

Q. Beginning at page 2 of his contested settlement direct testimony, Mr. King states that “Consumers’ ‘most reasonable and prudent plan to meet the utility’s energy and capacity needs’ (see MCL 460.6t(8)(a)) is now based almost entirely on a 700 MW speculative solicitation of both dispatchable and intermittent resources that likely cannot be built in time and, therefore, is likely to still result in the purchase from the affiliated plants because they will be the only dispatchable resources available in Zone 7 (that only have 451 MW available in 2025).” Do you agree that the Company’s resource plan is now based “almost entirely” on a solicitation for 700 MW of dispatchable and intermittent resources?

A. No. As discussed by Company witness Blumenstock, in both this 2021 IRP proceeding, as well as in respect to the December 2021 capacity demonstration filing, the Company has projected sufficient capacity for planning year 2025-2026, even without the additional 700 ZRCs of capacity proposed to be acquired via the solicitation. Additionally, as Mr. King suggests, the CMS Enterprises units (i.e. Dearborn Industrial Generation (“DIG

¹ MISO determines the PRM for the entire footprint. That PRM is applied to each Load Serving Entity's ("LSE") load forecast individually to determine the PRMR for a specific LSE. See Company witness Clark's direct testimony (5 TR 1123-1131) for a detailed explanation of the MISO market and reliability requirements.

²Planning Year 2022-2023 Loss of Load Expectation Study Report, November 1, 2021. <https://cdn.misoenergy.org/PY%202021%2022%20LOLE%20Study%20Report489442.pdf>

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Plant”), the Livingston Generating Station (“Livingston Plant”), and the Kalamazoo River Generating Station (“Kalamazoo Plant”)), which will not be added to the Company’s portfolio, have approximately 451 ZRCs available in 2025. Additional resources within LRZ 7 may also be available to participate in the solicitation. Furthermore, neither a short delay in the onboarding of this additional capacity nor a lack of available additional economic capacity would have a material, detrimental impact to the Company’s immediate capacity position. Over the longer term, the Company’s capacity position would be reviewed in a subsequent IRP filing. The primary intent of the one-time solicitation is to procure adequate capacity and energy supplies at economic prices similar to the supply produced from the Campbell Plant.

Q. Beginning at page 2 of his contested settlement direct testimony, Energy Michigan witness Zakem states that the Settlement Agreement will impact resource adequacy and the competitive market because the 500 ZRCs of dispatchable capacity that the Company will be seeking via solicitation will not necessarily be in addition to what is already being counted toward LRZ 7’s resource adequacy requirements. Do you agree?

A. No. As I discussed in my initially filed rebuttal testimony, Consumers Energy, like all other LSEs, is responsible for ensuring that it has adequate supply to meet its customers’ needs. Mr. Zakem is correct that the Company is proposing to solicit capacity from wholesale generators that may exist in LRZ 7. However, the Company has a requirement to serve its own customers’ load while meeting applicable MISO requirements. The Company does not have an obligation to ensure that LRZ 7 has adequate capacity for all LSEs to meet their customers’ supply needs. Further, Mr. Zakem ignores the fact that the

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1 Company's Settlement Agreement includes the addition of substantial solar resources,
2 continued operation of Karn Units 3 and 4, and adding approximately 1,114 ZRCs to LRZ 7
3 through the transfer of the Covert Plant from PJM to MISO. The Company's Settlement
4 Agreement provides for more LRZ 7 resource adequacy than originally included in the
5 Company's PCA. For these reasons, Mr. Zakem's concerns are unfounded.

6 **Q. Beginning at page 2 of his contested settlement direct testimony, Energy Michigan**
7 **witness Zakem states that the Company's Settlement Agreement does not address the**
8 **anti-competitive concerns that he raised in his direct testimony. Do you agree?**

9 A. No. First and foremost, the proposed Settlement Agreement directly increases the amount
10 of capacity available to meet both Consumers Energy's and LRZ 7's resource requirements
11 by the addition of the Covert Plant and retains approximately 770 ZRCs through the
12 continued operation of Karn Units 3 and 4. Mr. Zakem's focus on the solicitation for
13 500 ZRCs beginning in 2025 completely overlooks these very significant changes in the
14 Company's resource plan and increased capacity in LZR 7. Additionally, and as previously
15 stated in my initially filed rebuttal testimony, and in this second rebuttal testimony, the
16 Company has an obligation to serve and plan for its *own* customer load, not the load of
17 other LSEs in Michigan. Other LSE's, like Energy Michigan's AES members maintain
18 the obligation to serve their own load and to ensure an equitable contribution to reliability
19 requirements. Consumers Energy is not responsible to provide a reliability backstop for the
20 benefit of AESs unless the requirement to provide backup capacity is triggered by an AES's
21 failure to meet its own four-year forward capacity obligations as required under Public Act
22 341 of 2016.

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1 While some of the additional resources that the Company committed to solicit
2 through the one-time solicitation may be currently available in LRZ 7, nothing precludes
3 other LSEs from securing capacity today from these resources or any other resources.
4 Other LSE's have been aware of the Company's PCA since June of 2021 which has
5 provided ample time to secure resources they may need to satisfy their own capacity
6 obligations. Furthermore, the Company has not issued the one-time solicitation yet and
7 therefore, other LSEs continue to have the opportunity and ability to secure resources they
8 may need to satisfy their own capacity obligations prior to the issuance of the one-time
9 solicitation. In addition, all electric providers in Michigan have been on notice since the
10 passage of Public Act 341 of 2016 that they are responsible to meet the reliability
11 requirements established by the Commission pursuant to that law. Consumers Energy is
12 not responsible to ensure the reliability of Zone 7 beyond its own capacity obligations.

13 The annual capacity demonstration process under MCL 460.6w demonstrates that
14 Energy Michigan's claims are baseless. Pursuant to MCL 460.6w(8), and applicable
15 MPSC orders, all Michigan LSEs are required to file capacity demonstrations for the
16 planning year four years ahead. Based on Staff's March 25, 2022 Capacity Demonstration
17 Results report filed in Case No. U-21099, all LSEs met their filing requirement detailing
18 how the necessary capacity resources will be met for the Planning Year 2025-2026 (with
19 one exception).³ Therefore, since all LSEs provided capacity projections through Planning
20 Year 2025-2026, the 500 ZRCs of capacity that the Company will solicit for starting in
21 2025 should have no impact on an LSE who should have already committed capacity for
22 the Planning Year 2025-2026. Capacity needs for LSEs beyond planning year 2025-2026

³ Staff's Report indicates that Spartan Renewables was short on capacity but "another supplier anticipates covering Spartan's load later in the year." Staff's March 25, 2022 Capacity Demonstration Results Report, page 10.

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1 could be served through existing LRZ 7 resources or through new resources that can be
2 developed between now and then.

3 **Q. Energy Michigan witness Zakem states on page 2 of his contested settlement direct**
4 **testimony that in regard to capacity resources in this IRP, the Commission should**
5 **review the filing not from the Company's ability to secure capacity, but instead in**
6 **light of new capacity secured for the state of Michigan. How does the Company**
7 **respond?**

8 A. First, the Company undertook this IRP with an eye to the future of energy in the state of
9 Michigan because Consumers Energy's service territory covers a large portion of the state
10 and because of the desire for cleaner energy as stated by the State of Michigan and its
11 citizens. The Company also sought to provide the most cost-efficient methods of
12 reasonably transitioning to reliable and clean resources. Second, as I stated in my initially
13 filed rebuttal testimony, the current capacity planning construct requires that all LSEs
14 secure and report their capacity on an annual basis (with a required four-year forward
15 outlook). By soliciting capacity from that which meets the LCR of LZR 7, as the Company
16 is seeking to do in the one-time solicitation, the Company is fulfilling its obligation to
17 MISO as an LSE and to its customers which are located throughout the state. Other electric
18 providers are required to do the same. Arguments that Consumers Energy is required to
19 subsidize other electric providers' capacity obligations should be rejected.

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1 **Q. Regarding Wolverine witness King's assertion that the Settlement Agreement puts**
2 **Michigan's broader grid at risk, and Energy Michigan witness Zakem's assertions**
3 **regarding impacts on resource adequacy, has Wolverine or Energy Michigan**
4 **provided specific information showing reliability risks to Wolverine or Energy**
5 **Michigan's members?**

6 A. No. In discovery, the Company asked Wolverine to provide: (i) its 2-year, 5-year, 10-year,
7 15-year, and 20-year forecast of all owned and contracted for capacity and energy; and
8 (ii) all future plans to build energy and capacity resources, purchase energy and capacity
9 resources, and contract for energy and capacity in LRZ 7. As shown in Exhibit A-151
10 (TPC-3), Wolverine did not provide the requested information, but instead stated that it
11 was irrelevant. If the Settlement Agreement jeopardizes reliability as Wolverine claims,
12 then Wolverine's forecasts and future plans for owned and contracted capacity and energy
13 are relevant. Wolverine has placed its capacity and energy plans at issue by claiming that
14 resource adequacy and reliability is at risk, and I would have expected Wolverine to have
15 provided forecasts to demonstrate the risks that it claims exist. Beyond the fact that
16 Wolverine's claims are incorrect about the impact of the Settlement Agreement on LZR 7,
17 Wolverine's failure to provide its own capacity forecasts and future capacity plans makes clear
18 that Wolverine's criticisms of the Settlement Agreement cannot be sustained.

19 Energy Michigan responded similarly with respect to its members, as shown in
20 Exhibit A-152 (TPC-4). Energy Michigan claimed its members' forecasts and future plans
21 for owned and contracted capacity and energy are irrelevant, and that it does not collect
22 such information. See responses to discovery questions 21090-CE-EM-10, 11, 13, 16, 19,
23 22, and 25 in the exhibit. Energy Michigan would not confirm whether any member owns
24 any generating plants in LRZ 7. See responses to discovery questions 21090-CE-EM-12,

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1 15, 18, 21, 24, and 27. And Energy Michigan stated that its members' future plans to build
2 energy and capacity resources, purchase energy and capacity resources, and contract for
3 energy and capacity in LRZ 7 are irrelevant, and not in its possession. See response to
4 21090-CE-EM-31. Indeed, Energy Michigan objected to even confirming its members.
5 See response to 21090-CE-EM-31. Energy Michigan's claim that it does not have access
6 to information about its members' capacity resources are contradicted by its witness
7 Zakem's August 11, 2021 Affidavit filed in the pending lawsuit in the U.S. District Court
8 in the Eastern District of Michigan in which Energy Michigan is currently challenging the
9 Commission's authority to implement a LCR on AESs, Case No. 2:20-cv-12521. See my
10 Exhibit A-153 (TPC-5). In that Affidavit, Mr. Zakem set forth details of capacity resources
11 owned by several of Energy Michigan's members, including Calpine Energy Solutions,
12 Constellation New Energy, Direct Energy Business, and Wolverine Power Marketing. As
13 with Wolverine, Energy Michigan's claim that this information is not relevant does not
14 square with its claim that the Settlement Agreement jeopardizes reliability, and that the
15 Settlement Agreement should be evaluated for all of Michigan.

16 **Q. Energy Michigan witness Zakem states on page 2 of his contested settlement direct**
17 **testimony that the Settlement Agreement does not require that the up to 500 ZRCs of**
18 **capacity that the Company is seeking be additional capacity for LRZ 7. As a result,**
19 **Mr. Zakem indicates that the proposed IRP has a detrimental effect on reliability in**
20 **Michigan. How does the Company respond?**

21 **A.** I would agree that the Company's acquisition of 500 ZRCs of capacity in the one-time
22 solicitation set forth in the Settlement Agreement may not increase the reliability in LRZ 7,
23 to the extent the request is served by existing resources, but I do not agree that reliability

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1 would be negatively impacted by this transaction as these resources would be required to
2 serve any resulting transactions and therefore continue to contribute to both the state's
3 PRMR and LCR, providing continued reliability to the grid. Further, the Settlement
4 Agreement results in increased reliability to LRZ 7 with the addition of the Covert Plant,
5 and retention of approximately 770 ZRCs through the continued operation of Karn Units 3
6 and 4. As I stated previously, Mr. Zakem's focus on the solicitation for 500 ZRCs
7 beginning in 2025 completely overlooks these very significant changes in the Company's
8 resource plan and increased capacity in MISO Zone 7. As previously stated, the
9 Company's obligation is to serve and plan for its own customer load, not the load of other
10 LSEs in Michigan. Energy Michigan's criticism of the Settlement Agreement on the basis
11 that it fails to add additional capacity to LRZ 7 is particularly dubious and lacking in
12 credibility when Energy Michigan is simultaneously arguing that AESs should not be
13 required to contribute to the Zone's local clearing requirement in its challenge to the
14 Commission's authority in the federal lawsuit noted above.

15 **Q. Does the Company have a preference for securing capacity resources located within**
16 **LRZ 7?**

17 A. Yes. Securing in-state resources contributes to customer affordability by avoiding
18 potential transmission constraints or higher costs such as Zonal Deliverability Charges.
19 Securing resources across MISO zones creates a potential misalignment between the MISO
20 revenue received from the generator and the cost incurred to serve load in MISO Zone 7
21 for both capacity and energy markets. This risk and associated increase in costs by using
22 out of Zone 7 resources would be borne directly by the Company's customers.

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1 **Q. Beginning at page 4 of his contested settlement direct testimony, BMP witness Polich**
2 **claims that the Settlement Agreement will result in an average capacity shortfall of**
3 **5.4% between 2031 and 2038. Do you agree?**

4 A. No. As discussed by Company witness Blumenstock, Mr. Polich's conclusion is the result
5 of changes to underlying assumptions previously reviewed in this proceeding. Further,
6 even if Mr. Polich's assumptions had merit, the risk of shortfall is projected eight years
7 into the future. Lastly, to the extent that a small capacity shortfall continues to persist into
8 the future, the Company has a variety of opportunities to address that shortfall, including
9 future IRP filings and revisions to contractual arrangements. The Settlement Agreement
10 also provides mechanisms to add more capacity and address short-term capacity shortfalls,
11 such as greater flexibility in the amount of MWs acquired in each annual solicitation and
12 ability to make short-term capacity additions to address capacity shortfalls which cannot
13 reasonably be addressed through the annual solicitation process.

14 **Q. How did Mr. Polich arrive at his conclusion that the Company would be capacity**
15 **deficient for the period from 2031 through 2038?**

16 A. Mr. Polich cites a reduction in the ELCC for solar from 50% to 30%. As I previously
17 discussed in this case, the current ELCC for solar is 50% for new capacity. Subsequently,
18 the actual performance of the solar assets will be utilized to determine the accreditation.
19 The ELCC that MISO has historically assigned as the class average for solar has remained
20 stable at 50% for the last 6 years⁴. Please refer to my initially filed rebuttal testimony
21 (5 TR 1154) for additional support for utilization of 50% as the ELCC for new solar
22 capacity. At this time, there are no pending changes to this practice. Company witness

⁴ Solar Capacity credit of 50% was included in MISO BPM-011 r16 effective July 15, 2016 for planning year 2016-2017.

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Blumenstock also addresses the correction to Mr. Polich's capacity position calculations with regard to this issue.

Q. Beginning at page 8 of his direct testimony, BMP witness Polich states that the Settlement Agreement, including the acquisition of the Covert Plant, will result in the Company having excess capacity through 2030. How do you respond?

A. While the Company may be in a capacity sufficiency position in certain years, there are a number of factors that could impact that capacity position. First of all, the diversity factor that the Company calculates using regression modeling can swing the Company's PRMR depending on the coincidence of the Company's peak demands with those of MISO. The Company's December 1, 2021, capacity demonstration filing in Case No. U-21099 reflected an approximate 2% change in the diversity factor versus that calculated in prior filings, thereby resulting in a PRMR increase of 181 ZRCs. In addition to a change in the diversity factor, the forthcoming seasonal construct for capacity as well as the challenges currently experienced with the solar capacity buildout, as I previously discussed, are reasons that a capacity surplus can protect the Company's customers and does not harm LRZ 7.

Q. Please discuss the status of the MISO seasonal construct.

A. The final decisions and actual impact of the MISO seasonal construct (and the necessary Federal Energy Regulatory Commission approval) have not been finalized. However, the Company sees the final construct as important for the transition between fossil fuels and more intermittent resources. Ultimately, the seasonal construct will highlight the importance of generation resources that are available to serve peak demand in all seasons. The Company's decision to acquire the Covert Plant, continue operation of Karn Units 3

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1 and 4, solicit 700 ZRCs of additional dispatchable and intermittent resources, as well as
2 continue its solar buildout, will ensure continued reliable electric service to Consumers
3 Energy's customers.

4 **Q. What is the purpose of the MISO seasonal construct?**

5 A. MISO's migration to a seasonal construct is intended to make sure that sufficient capacity
6 is available at all times of the year to meet North American Electric Reliability Corporation
7 reliability requirements. As the requirements associated with a seasonal construct become
8 clearer, Consumers Energy and DTE Electric, and all LRZ 7 LSEs, will adjust capacity
9 plans to meet these new requirements. Being in a long capacity position will help the
10 Company meet the seasonal construct requirements with sufficient resources located in
11 LRZ 7.

12 **Q. Does this conclude your second rebuttal testimony?**

13 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.)
_____)

Case No. U-21090

EXHIBITS

OF

THOMAS P. CLARK

ON BEHALF OF

CONSUMERS ENERGY COMPANY

May 2022

21090-CE-WPSC-1:Request

Please provide Wolverine Power Supply Cooperative, Inc.'s ("Wolverine") 2-year, 5-year, 10-year, 15-year, and 20-year forecast of all owned and contracted for capacity and energy.

Response

Wolverine objects to this request because it seeks documents and information that are not relevant to the subject matter of this proceeding and which are not reasonably calculated to lead to the discovery of admissible evidence. Wolverine also objects to this request because it seeks confidential, proprietary, and sensitive business information and documents.

Preparer:

Counsel

21090-CE-WPSC-2:

Request:

Please provide all future plans for Wolverine to build energy and capacity resources, purchase energy and capacity resources, and contract for energy and capacity in Midcontinent Independent System Operator, Inc. ("MISO") Local Resource Zone 7.

Response:

Wolverine objects to this request because it seeks documents and information that are not relevant to the subject matter of this proceeding and which are not reasonably calculated to lead to the discovery of admissible evidence. Wolverine also objects to this request because it seeks confidential, proprietary, and sensitive business information and documents.

Preparer:

Counsel

21090-CE-EM-4:

Please identify all members of Energy Michigan.

Objection of Counsel: The membership of Energy Michigan is not relevant to the Commission's approval of the IRP Application filed by Consumers Energy in this case. Energy Michigan has already been admitted as an intervenor in this proceeding, so there is no basis for examining its membership in the context of this case. Without waiving this objection, information about who is eligible for Energy Michigan membership may be found here: <https://energymichigan.org/membership/>.

21090-CE-EM-10

Question:

Please provide Energy Michigan member Wolverine Power Marketing Cooperative's 2-year, 5-year, 10-year, 15-year, and 20-year forecast of all owned and contracted for capacity and energy.

Response:

Objection of Counsel:

Energy Michigan objects to the request on the grounds that the information it seeks is not relevant to the Commission's evaluation of the proposed Settlement Agreement. Specifically, the forecasts and/or plans of Michigan load serving entities other than Consumers have no bearing on the question of whether Consumers' integrated resource plan itself represents the most reasonable and prudent means of meeting its energy and capacity needs.

Furthermore, the information sought in the request is not in the possession, custody or control of Energy Michigan. Energy Michigan is a trade organization that represents its members on matters of energy policy, rate responsibilities, regulatory issues, and related matters. Energy Michigan does not collect operational or forecast information from its members.

21090-CE-EM-11

Question:

Please confirm if Energy Michigan member Wolverine Power Marketing Cooperative is a Load Serving Entity (“LSE”), as defined by Midcontinent Independent System Operator, Inc. (“MISO”), in MISO Local Resource Zone 7.

Response:

Objection of Counsel:

Energy Michigan objects to the request on the grounds that the information it seeks is not relevant to the Commission’s evaluation of the proposed Settlement Agreement. Specifically, the forecasts and/or plans of Michigan load serving entities other than Consumers have no bearing on the question of whether Consumers’ integrated resource plan itself represents the most reasonable and prudent means of meeting its energy and capacity needs.

Furthermore, the information sought in the request is not in the possession, custody or control of Energy Michigan. Energy Michigan is a trade organization that represents its members on matters of energy policy, rate responsibilities, regulatory issues, and related matters. Energy Michigan does not collect operational or forecast information from its members.

Without waiving the above objections, Energy MI response as follows:

Response of Alexander J. Zakem:

Subject to and without waiving the objections of counsel, a list of LSEs in Zone 7 is displayed by the names of the respondents to the MPSC Case No. U-21099, case entitled “In the matter, on the Commission’s own motion, to open a docket for load serving entities in Michigan to file their capacity demonstrations as required by MCL 460.6w”: <https://mi-psc.force.com/s/case/500t000000n40yyAAA/in-the-matter-on-the-commissions-own-motion-to-open-a-docket-for-load-serving-entities-in-michigan-to-file-their-capacity-demonstrations-as-required-by-mcl-4606w>

21090-CE-EM-12

Question:

Please confirm if Energy Michigan member Wolverine Power Marketing Cooperative owns any generating plants in MISO Local Resource Zone 7 and specifically detail which generating plants are owned by Wolverine Power Marketing Cooperative.

Response:

Objection of Counsel:

Energy Michigan objects to the request on the grounds that the information it seeks is not relevant to the Commission's evaluation of the proposed Settlement Agreement. Specifically, the forecasts and/or plans of Michigan load serving entities other than Consumers have no bearing on the question of whether Consumers' integrated resource plan itself represents the most reasonable and prudent means of meeting its energy and capacity needs.

Furthermore, the information sought in the request is not in the possession, custody or control of Energy Michigan. Energy Michigan is a trade organization that represents its members on matters of energy policy, rate responsibilities, regulatory issues, and related matters. Energy Michigan does not collect operational or forecast information from its members.

21090-CE-EM-13

Question:

Please provide Energy Michigan member Schneider Electric's 2-year, 5-year, 10-year, 15-year, and 20-year forecast of all owned and contracted for capacity and energy.

Response:

Objection of Counsel:

See response to 21090-CE-EM-10.

21090-CE-EM-14

Question:

Please confirm if Energy Michigan member Schneider Electric is an LSE, as defined by MISO, in MISO Local Resource Zone 7.

Response:

Objection of Counsel:

See Response to 21090-CE-EM-11.

21090-CE-EM-15

Question:

Please confirm if Energy Michigan member Schneider Electric owns any generating plants in MISO Local Resource Zone 7 and specifically detail which generating plants are owned by Schneider Electric.

Response:

Objection of Counsel:

See response to 21090-CE-EM-12.

21090-CE-EM-16

Question:

Please provide Energy Michigan member Calpine Energy Solutions' 2-year, 5-year, 10-year, 15-year, and 20-year forecast of all owned and contracted for capacity and energy.

Response:

Objection of Counsel:

See response to 21090-CE-EM-10.

21090-CE-EM-17

Question:

Please confirm if Energy Michigan member Calpine Energy Solutions is an LSE, as defined by MISO, in MISO Local Resource Zone 7.

Response:

Objection of Counsel:

See Response to 21090-CE-EM-11.

21090-CE-EM-18

Question:

Please confirm if Energy Michigan member Calpine Energy Solutions owns any generating plants in MISO Local Resource Zone 7 and specifically detail which generating plants are owned by Calpine Energy Solutions.

Response:

Objection of Counsel:

See response to 21090-CE-EM-12.

21090-CE-EM-19

Question:

Please provide Energy Michigan member Constellation's 2-year, 5-year, 10-year, 15-year, and 20-year forecast of all owned and contracted for capacity and energy.

Response:

Objection of Counsel:

See response to 21090-CE-EM-10.

21090-CE-EM-20

Question:

Please confirm if Energy Michigan member Constellation is an LSE, as defined by MISO, in MISO Local Resource Zone 7.

Response:

Objection of Counsel:

See Response to 21090-CE-EM-11.

21090-CE-EM-21

Question:

Please confirm if Energy Michigan member Constellation owns any generating plants in MISO Local Resource Zone 7 and specifically detail which generating plants are owned by Constellation.

Response:

Objection of Counsel:

See response to 21090-CE-EM-12.

21090-CE-EM-22

Question:

Please provide Energy Michigan member Direct Energy's 2-year, 5-year, 10-year, 15-year, and 20-year forecast of all owned and contracted for capacity and energy.

Response:

Objection of Counsel:

See response to 21090-CE-EM-10.

21090-CE-EM-23

Question:

Please confirm if Energy Michigan member Direct Energy is an LSE, as defined by MISO, in MISO Local Resource Zone 7.

Response:

Objection of Counsel:

See Response to 21090-CE-EM-11.

21090-CE-EM-24

Question:

Please confirm if Energy Michigan member Direct Energy owns any generating plants in MISO Local Resource Zone 7 and specifically detail which generating plants are owned by Direct Energy.

Response:

Objection of Counsel:

See response to 21090-CE-EM-12.

21090-CE-EM-25

Question:

Please provide Energy Michigan member Executive Energy's 2-year, 5-year, 10-year, 15-year, and 20-year forecast of all owned and contracted for capacity and energy.

Response:

Objection of Counsel:

See response to 21090-CE-EM-10.

21090-CE-EM-26

Question:

Please confirm if Energy Michigan member Executive Energy is an LSE, as defined by MISO, in MISO Local Resource Zone 7.

Response:

Objection of Counsel:

See Response to 21090-CE-EM-11.

21090-CE-EM-27

Question:

Please confirm if Energy Michigan member Executive Energy owns any generating plants in MISO Local Resource Zone 7 and specifically detail which generating plants are owned by Executive Energy.

Response:

Objection of Counsel:

See response to 21090-CE-EM-12.

21090-CE-EM-28

Question:

Please provide all future plans for Energy Michigan members Schneider Electric, Wolverine Power Marketing Cooperative, Calpine Energy Solutions, Constellation, Direct Energy, and Executive Energy to build energy and capacity resources, purchase energy and capacity resources, and contract for energy and capacity in MISO Local Resource Zone 7.

Response:

Objection of Counsel:

Energy Michigan objects to the request on the grounds that the information it seeks is not relevant to the Commission's evaluation of the proposed Settlement Agreement. Specifically, the forecasts and/or plans of Michigan load serving entities other than Consumers have no bearing on the question of whether Consumers' integrated resource plan itself represents the most reasonable and prudent means of meeting its energy and capacity needs.

Furthermore, the information sought in the request is not in the possession, custody or control of Energy Michigan. Energy Michigan is a trade organization that represents its members on matters of energy policy, rate responsibilities, regulatory issues, and related matters. Energy Michigan does not collect operational or forecast information from its members.

21090-CE-EM-31

Question:

Please confirm that there are no Energy Michigan members beyond those listed as “Current Energy Michigan Members” on the Energy Michigan website: <https://energymichigan.org/membership/>.

- a. If there are more Energy Michigan members beyond those listed as “Current Energy Michigan Members” on the Energy Michigan website, please identify all such members.

Response:

Objection of Counsel:

Energy Michigan objects to the request on the grounds that the information it seeks is not relevant to the Commission’s evaluation of the proposed Settlement Agreement. Specifically, Energy Michigan has already been admitted as an intervenor in this proceeding, so there is no basis for examining its membership in the context of this case, and the membership of Energy Michigan has no bearing on the question of whether Consumers’ integrated resource plan itself represents the most reasonable and prudent means of meeting its energy and capacity needs.

4856-8759-9647, v. 1

Exhibit B

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

ENERGY MICHIGAN, INC., a
Michigan Corporation; and
ASSOCIATION OF BUSINESSES
ADVOCATING TARIFF EQUITY, an
unincorporated Michigan association,

Case No. 2:20-cv-12521

Honorable David M. Lawson

Plaintiffs,

v.

MICHIGAN PUBLIC SERVICE
COMMISSION; DANIEL C. SCRIPPS,
in his official capacity as Chair of the
Michigan Public Service Commission; and
SALLY A. TALBERG and TREMAINE L.
PHILLIPS, in their official capacities as
Commissioners of the Michigan Public
Service Commission,
Defendants.

CONSUMERS ENERGY,
Intervening Defendants.

_____ /

DECLARATION OF ALEXANDER J. ZAKEM

Alexander J. Zakem states for this declaration as follows and would
testify to the same if called as a witness:

1. My name is Alexander J. Zakem, and my business address is 46180 Concord Drive, Plymouth, Michigan 48170. I am a consultant in the areas of merchant energy and utility regulation.

2. I am a member of Energy Michigan, am on the Board of Trustees of Energy Michigan, and provide consulting services to Energy Michigan.

3. During 2002 and 2003, I was vice president of operations for Quest Energy, LLC, an alternative electric supplier (“AES”) in Michigan that was a subsidiary of Integrys Energy Services, responsible for the planning, acquisition, scheduling, and delivery of annual power supply and transmission to serve competitive retail electric customers in Michigan.

4. Prior to joining Quest/Integrys, I was the director of power sourcing and reliability for DTE Electric (known at that time as Detroit Edison), responsible for monthly, annual, and long-term purchases and sales of power and transmission.

5. As a consultant to Integrys Energy Services, I participated as a representative of Integrys Energy Service at the Midcontinent Independent System Operator (“MISO”) in the development by MISO and stakeholders, during approximately 2009-2013, of a resource adequacy tariff, including the current construction of capacity requirements by zone.

6. I also participated with a small group of stakeholders in the development of a tradable and commercially workable contractual product for capacity named a Planning Resource Credit (“PRC”); the PRC became a Zonal Resource Credit (“ZRC”) when MISO established zones within its region.

7. MISO established its Midwest Energy Market on April 1, 2005, where (a) prior to that Load Serving Entities (“LSEs” – MISO’s term for businesses responsible for power supply to retail customers, including utilities, municipalities, cooperatives, and competitive retail suppliers) had to arrange specific power sources plus transmission contract paths from those sources to the location of the retail customer loads, and (b) subsequent to that MISO dispatched all power sources regardless of location to serve all customer loads regardless of location – LSEs no longer had to arrange for sources and transmission from and to specific locations, and thus “deliverability” became irrelevant to LSEs.

8. The Michigan Public Service Commission shows that 24 AESs are licensed in Michigan, with 8 of those serving customers.¹

¹https://www.michigan.gov/documents/mpsc/Status_of_Electric_Competition_Report_2020_-_Feb_1_2021_714883_7.pdf. See page 4.

9. Several of Energy Michigan's members are AESs in Michigan and own substantial capacity resources in many locations nationwide, including:

- Calpine Energy Solutions – an affiliate of Calpine which owns 75 operating plants in 16 states totaling 21,331 MW (25,348 MW including peaking capability).²
- Constellation New Energy – an affiliate of Exelon which owns 31,271 MW of generation (plus 3,966 MW of contracted generation).³
- Direct Energy Business – an affiliate of NRG which owns approximately 26,000 MW of generation.⁴
- Wolverine Power Marketing – an affiliate of Wolverine Power Cooperative which owns 1,360 MW of generation within Zone 7.⁵

10. Over time, traditional regulated utilities have generally built generation in their own local distribution areas or nearby surrounding areas, as for example, Consumers Energy has: “The Company currently owns

² <https://www.calpine.com/Operations/Power-Operations/Our-Fleet> . Click “Power Plants Portfolio” for a list of individual plants and MW capabilities. Numbers above exclude the plant in Ontario, Canada.

³ https://www.annualreports.com/HostedData/AnnualReports/PDF/NYSE_EXC_2020.pdf
See page 9.

⁴ <https://www.nrg.com/generation.html>

⁵ <https://www.wpmc.coop>. Click “Our Power.”

5,945 MW of installed capacity located within Michigan and within MISO Zone 7”⁶; at the same time, a traditional regulated utility might have a significant amount of power it purchases by contract from others who own the underlying physical resources, for example: “The Company also has contractual rights through PPAs to capacity from 118 counterparties totaling 3,793.3 MWs”⁷

11. The MISO tariff states that a Load Serving Entity (whether utility or AES) can meet its Planning Reserve Margin Requirement (“PRMR”) by one or a combination of four methods:

- i. voluntarily submitting a Fixed Resource Adequacy Plan (“FRAP”), which means opting out of the annual Planning Resource Auction (“PRA”) for a portion or all of its PRMR;
- ii. “self-scheduling” ZRCs, which means submitting ZRCs at a zero price into the PRA – then the ZRCS will automatically “clear” and MISO will pay the LSE the same zonal price per MW for the ZRC as it charges for load, and the LSE will end up financially neutral;

⁶ Consumers Energy IRP, Case No. U-21090, Direct Testimony of Richard T. Blumenstock, p.47. <https://mi-psc.force.com/sfc/servlet.shepherd/version/download/068t000000Nib8YAAR>

⁷ Consumers Energy IRP, Case No. U-21090, Direct Testimony of Richard T. Blumenstock, p.47. <https://mi-psc.force.com/sfc/servlet.shepherd/version/download/068t000000Nib8YAAR>

- iii. “purchasing” ZRCs through the PRA – a term of art (since ZRCs are not actually purchased in the PRA) that means that the LSE is being paid less money for ZRCs it owns than it is being charged for its PRMR;
- iv. paying a Capacity Deficiency Charge.⁸

12. Of the four ways of satisfying the PRMR, only the FRAP method (Fixed Resource Adequacy Plan) has a locational qualification for ZRCs, and MISO will apply a Zonal Deliverability Charge to the portion of a FRAP that does not meet this qualification⁹; in plain language, the intent of the locational qualification together with the Zonal Deliverability Charge is that an LSE cannot use a FRAP to offset load MWs in a high-priced zone with low-priced ZRCs in another zone.

13. Through the four methods of satisfying the PRMRs of all LSEs via the MISO tariff, MISO ends up controlling the underlying capacity resources for all ZRCs (with minor exceptions) in its region, as evidenced in the Planning Resource Auction , and subsequently dispatches all capacity resources to serve all loads – individual resources are not matched up to individual LSEs’ loads for operational purposes.

⁸ MISO Tariff, Module E-1, Section 69A.

⁹ MISO Tariff, Module E-1, Section 69A.7.6.b, Section 69A.9.a, b, f, g.

14. Consequently, who owns which ZRCs does not affect resource adequacy – regardless of ownership, the underlying generation stays the same, the loads stay the same, the transmission facilities stay the same, the MISO dispatch stays the same, and the power flows stay the same.

15. The Planning Resource Auction results for the year 2021-2022 show that the total PRMR obligation for Zone 7 was 21,459.2 MW and the Local Clearing Requirement was 19,710.1 MW.¹⁰ Thus, under the MISO tariff, which does not impose a local capacity obligation on individual LSEs, the potential market for ZRCs from outside Zone 7 would be 21,459.2 MW; but with a local capacity obligation imposed on individual LSEs, the potential market for ZRCs from outside Zone 7 would be the difference between the total PRMR and the LCR, 1,749.1 MW ($= 21,459.2 - 19,710.1$).

16. All LSEs and all owners of generation (in each case) participate in the MISO wholesale capacity market on equal terms.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Date: August 11, 2021


Alexander J. Zakem

¹⁰ MISO, “2021/2022 Planning Resource Auction (PRA) Results,” April 15, 2021, page 7. <https://cdn.misoenergy.org/PY21-22%20Planning%20Resource%20Auction%20Results541166.pdf>

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.)
_____)

Case No. U-21090

SECOND REBUTTAL TESTIMONY

OF

MICHAEL A. TORREY

ON BEHALF OF

CONSUMERS ENERGY COMPANY

May 2022

MICHAEL A. TORREY
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1 **Q. Please state your name and business address.**

2 A. My name is Michael A. Torrey. My business address is One Energy Plaza, Jackson
3 Michigan 49201.

4 **Q. By whom are you employed and what is your present position?**

5 A. I am employed by Consumers Energy Company (“Consumers Energy” or the “Company”)
6 as its Vice President, Rates and Regulation.

7 **Q. Please describe your educational background.**

8 A. I graduated from the University of Michigan-Flint in 1982 with a Bachelor of Business
9 Administration in Accounting degree, and in 1992, I earned a Master of Business
10 Administration degree from Western Michigan University, majoring in finance. I have
11 also completed courses and seminars in utility accounting, economics, finance, and
12 ratemaking.

13 **Q. Please describe your professional experience.**

14 A. In May 1983 I joined Consumers Energy’s Nuclear Operations Department as a Graduate
15 Accountant assigned to the Controllers Department at the Palisades Plant. I progressed
16 through several levels of increasing responsibility during my Palisades Plant assignment,
17 achieving the position of Senior Accounting Analyst in April 1993. In July 1998, I was
18 appointed Director of Revenue Requirements, Cost Analysis and Planning in the
19 Company’s Rates Department. In December 2006, I was promoted to Executive Director
20 - Rates. In March 2015, my responsibilities were expanded to include Regulatory Affairs.
21 In July 2016, I was promoted to Vice President, Rates and Regulation.

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1 **Q. What are your responsibilities as Vice President, Rates and Regulation?**

2 A. I am responsible for ratemaking and regulatory activities at Consumers Energy, including
3 revenue requirements, cost of service, rate design, tariff administration, Consumers
4 Energy's Michigan Public Service Commission ("MPSC" or the "Commission")
5 compliance program, as well as regulatory affairs and policy.

6 **Q. Are you a member of any professional organizations?**

7 A. Yes. I am a member of the Institute of Management Accountants, a worldwide association
8 of accountants and finance professionals. I am also a member of Beta Gamma Sigma, the
9 honor society of the business school accreditation organization the Association to Advance
10 Collegiate Schools of Business. In addition, I am a member of the School of Management's
11 Advisory Board at the University of Michigan – Flint.

12 **Q. Have you previously testified before the Commission?**

13 A. Yes. I have sponsored testimony in the following Consumers Energy cases:

14 U-12891 Electric Restructuring Implementation Costs;

15 U-13000 Gas General Rate Case;

16 U-13380 Stranded Cost;

17 U-13720 Stranded Cost;

18 U-13715 Securitization;

19 U-14098 Stranded Cost;

20 U-14274 Power Supply Cost Recovery ("PSCR") Plan;

21 U-14347 Electric General Rate Case;

22 U-14992 Palisades Sale;

23 U-14981 Midland Cogeneration Venture Limited Partnership Sale;

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1	U-15290	Balanced Energy Initiative;
2	U-15415	PSCR Plan;
3	U-15611	Big Rock Decommissioning Reconciliation;
4	U-16191	Electric General Rate Case;
5	U-16861	Department of Energy Litigation Settlement Proceeds;
6	U-17473	Power Plant Securitization;
7	U-17990	Electric General Rate Case;
8	U-18124	Gas General Rate Case;
9	U-18322	Electric General Rate Case;
10	U-18424	Gas General Rate Case;
11	U-20134	Electric General Rate Case;
12	U-20165	Integrated Resource Plan (“IRP”);
13	U-20322	Gas General Rate Case;
14	U-20650	Gas General Rate Case;
15	U-20697	Electric General Rate Case;
16	U-20963	Electric General Rate Case;
17	U-21148	Gas General Rate Case; and
18	U-21224	Electric Rate Case.
19	Q.	Are you sponsoring any exhibits related to your second rebuttal testimony?
20	A.	No.

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SECTION I: SETTLEMENT AGREEMENT

Q. Please explain the Settlement Agreement filed in this matter?

A. The Settlement Agreement proposes to completely resolve this matter. Company witnesses Richard T. Blumenstock and Thomas P. Clark provide additional detail about the specific provisions in the Settlement Agreement. The Settlement Agreement was negotiated by numerous parties and represents a compromise on the positions in this case.

The Settlement Agreement was signed by 18 parties: Consumers Energy, the MPSC Staff (“Staff”), Attorney General Dana Nessel (“Attorney General”), Hemlock Semiconductor Operations, LLC (“HSC”), Michigan Environmental Council (“MEC”), Natural Resources Defense Council (“NRDC”), Sierra Club, the Great Lakes Renewable Energy Association (“GLREA”), Environmental Law and Policy Center (“ELPC”), the Ecology Center, Vote Solar, the Union of Concerned Scientists (“UCS”), the Michigan Energy Innovation Business Council (“MEIBC”), Institute for Energy Innovation, the Clean Grid Alliance, Michigan Electric Transmission Company, LLC (“METC”), the Citizens Utility Board of Michigan (“CUB”), and the Urban Core Collective (“UCC”). Furthermore, four parties, Michigan Public Power Agency (“MPPA”), Midland Cogeneration Venture, LP (“MCV”), the Residential Customer Group (“RCG”), and the Association of Businesses Advocating Tariff Equity (“ABATE”) signed statements indicating that they do not object to the Settlement Agreement. The only parties that objected to the Settlement are Energy Michigan, Inc. (“Energy Michigan”), the Mackinac Center for Public Policy (“Mackinac”), Wolverine Power Supply Cooperative, Inc. (“Wolverine”), and the Biomass Merchant Plants (“BMPs”).

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SECTION II: APPROVAL OF SETTLEMENT AGREEMENT

Q. At page 2, lines 15 through 20, of his settlement direct testimony, Energy Michigan witness Alexander J. Zakem states he does not believe the Settlement Agreement is in the public interest as being the best plan for Michigan. Was the public interest adequately represented by the parties who entered the Settlement Agreement?

A. Yes. The parties that signed the Settlement Agreement overwhelmingly represent the public interest. These parties include the utility; the regulator; environmental groups; independent power producers and renewable trade organizations; large business and industrial customers; a transmission owner; customer groups, including a community justice advocate; and the Attorney General, who among other things, represents residential customers.

Q. Please describe the broad and diverse support represented by the parties that signed the Settlement Agreement.

A. The broad and diverse parties describe their interests in their Petitions to Intervene in this proceeding:

- **Consumers Energy** – Consumers Energy is, among other things, engaged as a public utility in the business of generating, purchasing, distributing, and selling electric energy to approximately 1.9 million retail customers in the state of Michigan. The retail electric system of Consumers Energy is operated as a single utility system, within which uniform rates are charged. The Company presented an IRP which is comprehensive, robust, and represents the best plan for the state of Michigan. In developing this IRP, the Company assessed its capacity resource portfolio considering capacity needs, regulatory and

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1 environmental compliance, and the planning objectives set forth by the
2 Commission and the Company. The Company's assessment also sought to
3 provide residents of the state of Michigan with more options for sustainable
4 and/or renewable generation resources, where possible and appropriate. The
5 Proposed Course of Action ("PCA"), as modified by the Settlement Agreement,
6 represents the most reasonable and prudent means of meeting the Company's
7 energy and capacity needs over the 5-year, 10-year and 15-year time horizons.

- 8 • **Staff** – Staff is responsible for, among many things: supporting the
9 Commission's decision-making process, interaction with external stakeholders,
10 case management and strategy, and implementation of the new energy
11 legislation, ensuring safe, reliable, and accessible energy supplies, accounting
12 and audit issues, financial statistics, annual reports, implementation of the
13 state's Clean & Renewable Energy and Energy Waste Reduction Act, and
14 electric resource adequacy and modeling.

- 15 • **The Attorney General** – the Attorney General of the State of Michigan holds
16 office pursuant to Michigan's Constitution, and by mandate of the qualified
17 electorate of the State of Michigan. The Attorney General appears in this
18 proceeding for and on behalf of the People of the state of Michigan and for and
19 on behalf of the State of Michigan, its departments, commissions, and agencies,
20 as customers and ratepayers of the Company. Consumers Energy provides
21 electricity to approximately 1.9 million retail electric customers, including the
22 State of Michigan which is a substantial user of the Company's electrical

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1 services. The interest of these customers is public in nature, being common
2 among virtually all electrical customers in Consumer Energy's service area.

- 3 • **HSC** – HSC is the nation's largest manufacturer of high-purity polysilicon used
4 in the semiconductor and solar industries with a large facility located in
5 Hemlock, Michigan. HSC currently employs more than 1,000 people. HSC is
6 Consumers Energy's largest retail electric customer. HSC purchases large
7 quantities of electricity from Consumers Energy and will be subject to the rates,
8 terms, and conditions of service approved in this case.

- 9 • **MEC** - MEC is a statewide environmental organization with 70 member-groups
10 and a collective membership of over 200,000 people. MEC's members live,
11 work, and advocate on behalf of ratepayer, energy, and environmental issues in
12 Consumers Energy's electric service territory. In addition, several individual
13 members of, donors to, and supporters of MEC live and work within Consumers
14 Energy's electric service territory. MEC's members have a strong interest in
15 having their electricity needs met in a manner that is dependable,
16 environmentally responsible, economically feasible, and provided at costs that
17 are relatively stable over the long term. MEC has indicated that its members
18 have the potential to be harmed if they were required to incur higher costs or
19 encounter environmental harm caused by imprudent or unreasonable utility
20 practices. MEC has also indicated that its members who are also customers of
21 Consumers Energy are directly affected by the rates, terms and conditions, and
22 policies governing the provision of electricity by Consumers Energy to them.

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- 1 • **NRDC** – NRDC is a national nonprofit corporation organized under the laws
2 of the State of New York. NRDC is a national environmental organization with
3 over 30 years of experience working on state energy policy, including utility
4 regulation and energy efficiency. NRDC has over 12,300 members who live,
5 use electricity, and pay electric bills in Michigan, and over 4,800 members who
6 are within the service territory of Consumers Energy. NRDC’s members live,
7 work, and advocate on behalf of ratepayer, energy, and environmental issues in
8 Consumers Energy’s electric service territory. In addition, a number of
9 individual members of, donors to, and supporters of NRDC live and work
10 within Consumers Energy’s electric service territory. NRDC has indicated that
11 its members have a strong interest in having their electricity needs met in a
12 manner that is dependable, environmentally responsible, economically feasible,
13 and provided at costs that are relatively stable over the long term. NRDC has
14 also indicated that its members have the potential to be harmed if they were
15 required to incur higher costs or encounter environmental harm caused by
16 imprudent or unreasonable utility practices. Furthermore, NRDC has indicated
17 that its members who are also customers of Consumers Energy are directly
18 affected by the rates, terms and conditions, and policies governing the provision
19 of electricity by Consumers to them.
- 20 • **Sierra Club** – Sierra Club has nearly 800,000 members, nationwide, dedicated
21 to exploring, enjoying, and protecting the wild places of the earth; to practicing
22 and promoting the responsible use of the earth’s ecosystems and resources; to
23 educating and enlisting humanity to protect and restore the quality of the natural

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1 and human environment; and to using all lawful means to carry out these
2 objectives. Sierra Club has many years of experience working on energy and
3 electric generation issues throughout the United States, including in Michigan.
4 Sierra Club has about 23,000 members in Michigan, a significant number of
5 whom live, work, and pay electric bills in the Consumers Energy service
6 territory. Sierra Club has indicated that its members are directly affected by the
7 rates, policies, terms, and conditions governing the Company's provision of
8 electricity to them. Sierra Club has further indicated that its members have the
9 potential to be harmed if they were required to incur higher costs or encounter
10 environmental harm caused by imprudent or unreasonable utility practices.

- 11 • **GLREA** - GLREA is a nonprofit organization established in 1991. GLREA
12 has approximately 300 individual members who are residential customers of
13 Michigan utilities, including numerous electric customers of Consumers
14 Energy who have a direct interest in promoting just and reasonable rates and
15 cost minimization through the use of more efficient and diverse energy sources.
16 GLREA, and its member customers, are directly affected by and interested in
17 the rates, terms and conditions, and policies governing the provision of electric
18 energy by Consumers Energy to its members and the general public. GLREA
19 and its members also have a vital interest in ensuring that electricity is provided
20 in an efficient manner with minimization of waste to Michigan's economic and
21 environmental resources. In addition to individual member customers of
22 Consumers Energy, GLREA also includes several small companies which
23 directly assist customers in installing and maintaining solar facilities in

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1 Consumers Energy's service territory, which enables said customers in
2 reducing their energy costs. GLREA also has a unique perspective given its
3 "hands on" grass roots membership that actually installs renewable energy
4 resources for utility customers. GLREA has among its missions and objectives
5 the promotion and expansion of cost-effective renewable energy resources to
6 the public, including to its member customers served by Consumers Energy. In
7 this role, GLREA seeks to advance the many economic and environment
8 benefits to be derived from renewable energy resources, including the
9 diversification of the state's energy resources. GLREA's members have an
10 interest in the availability of safe, clean, and affordable energy from Consumers
11 Energy. GLREA's members benefit from the development of a PCA that
12 identifies resources that are both dependable and environmentally responsible
13 and are also procured at costs that are relatively stable and affordable over the
14 long term. Many of GLREA's members live, work, and pay electric bills in
15 Consumers Energy's service territory. These members are directly affected by
16 the Company's long-term resource planning, and the rates, policies, terms, and
17 conditions through which the Company manages and recovers capital
18 investments in those resources.

- 19 • **ELPC** - ELPC is a not-for-profit public interest environmental organization that
20 works to achieve cleaner air, advance clean renewable energy and energy
21 efficiency resources, improve environmental quality, protect clean water, and
22 preserve natural resources in Michigan and the Midwest. With offices located
23 in Grand Rapids, Michigan, ELPC has members throughout the state of

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Michigan, including members who reside in Consumers Energy's service territory and members who are electric customers of Consumers Energy. Their members have an interest in the availability of safe, clean, and affordable energy from Consumers Energy. ELPC's members benefit from the development of a PCA that identifies resources that are both dependable and environmentally responsible and are also procured at costs that are relatively stable and affordable over the long term. Many of ELPC's members live, work, and pay electric bills in Consumers Energy's service territory. These members are directly affected by the Company's long-term resource planning, and the rates, policies, terms, and conditions through which the Company manages and recovers capital investments in those resources.

- **The Ecology Center** – The Ecology Center is a membership-based, nonprofit environmental organization based in Ann Arbor, Michigan. Founded by community activists after the country's first Earth Day in 1970, the Ecology Center is now a regional leader that works for a safe and healthy environment where people live, work, and play. The Ecology Center works for a just and healthy environment through grassroots organizing, advocacy, and demonstration projects, and has advocated for expanded use of renewable energy since the organization's founding in 1970. The Ecology Center has members throughout the state of Michigan, including in Consumers Energy's service territory. Their members have an interest in the availability of safe, clean, and affordable energy from Consumers Energy. The Ecology Center's members benefit from the development of a PCA that identifies resources that

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are both dependable and environmentally responsible and are also procured at costs that are relatively stable and affordable over the long term. Many of the Ecology Center's members live, work, and pay electric bills in Consumers Energy's service territory. These members are directly affected by the Company's long-term resource planning, and the rates, policies, terms, and conditions through which the Company manages and recovers capital investments in those resources.

- **Vote Solar** – Vote Solar is a non-profit grassroots organization working to foster economic opportunity, promote energy independence, and fight climate change by making solar a mainstream energy resource across the United States. Since 2002, Vote Solar has engaged in state, local, and federal advocacy campaigns to remove regulatory barriers and implement the key policies needed to bring solar to scale. Vote Solar has over 3,700 members in Michigan, including in Consumers Energy's service territory, and is a frequent party to state utility regulatory dockets throughout the nation. Vote Solar and its members have an interest in expanding prudent and cost-effective opportunities to provide solar power in Consumers Energy's service territory. Vote Solar's technical experts help regulators and other policymakers understand policy options, identify strong program and regulatory design, and provide expertise on how to implement sustainable programs for solar growth. Vote Solar members have an interest in the availability of safe, clean, and affordable energy from Consumers Energy. Vote Solar members benefit from the development of a PCA that identifies resources that are both dependable and

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1 environmentally responsible and are also procured at costs that are relatively
2 stable and affordable over the long term. Many of Vote Solar's members live,
3 work and pay electric bills in Consumers Energy's service territory. These
4 members are directly affected by the Company's long-term resource planning,
5 and the rates, policies, terms, and conditions through which the Company
6 manages and recovers capital investments in those resources.

- 7 • **UCS** – UCS is a national non-profit organization headquartered in Cambridge,
8 Massachusetts, with additional offices in Washington, DC; Oakland,
9 California; and Chicago, Illinois. UCS is a public interest organization with
10 more than 50 years of experience advocating for science-based policies,
11 including responsible energy policy and utility oversight at the state and federal
12 level, and with more than six years working in Michigan on these issues. UCS
13 has over 10,500 supporters, 1,300 members, and 658 Science Network
14 members that live, use electricity, and pay electric bills in Michigan, including
15 in Consumers Energy's service territory. UCS has been engaged in Michigan's
16 energy future for several years, including advancing sound policies through the
17 legislative process, and ensuring appropriate enforcement of relevant
18 regulations. UCS members have an interest in the availability of safe, clean,
19 and affordable energy from Consumers Energy. UCS members benefit from
20 the development of a PCA that identifies resources that are both dependable
21 and environmentally responsible and are also procured at costs that are
22 relatively stable and affordable over the long term. These members are directly
23 affected by the Company's long-term resource planning, and the rates, policies,

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terms, and conditions through which the Company manages and recovers capital investments in those resources.

- **MEIBC** - MEIBC is a business trade association representing companies in Michigan's advanced energy sector. MEIBC's mission is to grow Michigan's advanced energy economy by fostering opportunities for innovation and business growth and offering a unified voice in creating a business-friendly environment for the advanced energy industry in Michigan. MEIBC member companies represent the full range of the advanced energy sector, including advanced materials, biomass/biofuels, energy efficiency, energy storage, lighting, smart grid, solar, transportation, and wind, and include some who are customers in the Consumers Energy electric service territory.
- **Institute for Energy Innovation** – The Institute for Energy Innovation is a partner organization of MEIBC and is a Michigan non-profit, 501(c)(3) organization whose mission is to promote greater public understanding of advanced and renewable energy and its economic potential for Michigan, and to inform the public and policy discussion on Michigan's energy challenges and opportunities, including by engaging with the public and representing ratepayers' interests in administrative and other proceedings at the state level.
- **Clean Grid Alliance** – Clean Grid Alliance is a not-for-profit 501(c)(3) corporation organized and existing under the laws of the State of Minnesota. Clean Grid Alliance is a collaborative organization dedicated to renewable energy's fair access to the electric transmission system and market throughout the Midwest. Clean Grid Alliance's Board of Directors and members are

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1 comprised of: owners and operators of wind, solar, and battery storage facilities;
2 environmental organizations; wind, battery storage, and solar energy experts;
3 contractors that build wind, solar, and battery storage facilities; clean energy
4 advocates; and businesses providing goods and services to the renewable
5 energy industry in Michigan and across the country. Members of Clean Grid
6 Alliance operate plants in Michigan, some of whom have contracts with entities
7 in Michigan, and have projects in Zone 7 of the Midcontinent Independent
8 System Operator, Inc. (“MISO”) generation interconnection queue.

- 9 • **METC** – METC is a Michigan limited liability company engaged in the Federal
10 Energy Regulatory Commission (“FERC”) jurisdictional transmission of
11 electricity. METC operates and maintains approximately 5,600 circuit miles of
12 transmission lines in the western and northern portions of Michigan’s Lower
13 Peninsula, serving a population of approximately 4.9 million. METC operates
14 solely in the state of Michigan, and provides open, non-discriminatory access
15 to its transmission facilities. Consumers Energy is METC’s single largest
16 customer. Consumers Energy’s IRP must include “[a]n analysis of potential
17 new or upgraded electric transmission options for the electric utility.” MCL
18 460.6t(5)(h). As part of Consumers Energy’s development of its IRP,
19 Consumers Energy met with METC representatives to discuss certain scenarios
20 for generation additions and retirements suggested by Consumers Energy,
21 including potential system improvements or advanced technologies. METC
22 indicated that its participation in this proceeding is necessary to monitor and
23 potentially provide information to the Commission related to issues that may

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1 arise as to potential new or upgraded electric transmission options that may
2 impact the Commission's analysis of Consumers Energy's IRP and whether any
3 recommended changes are necessary to the IRP.

- 4 • **CUB** – CUB is a Michigan nonprofit corporation organized to protect
5 Michigan's residential ratepayers from unreasonable and unnecessary utility
6 rate increases. CUB has members that are residential electric customers of
7 Consumers Energy and whose rates will be directly affected by the decision of
8 the Commission in this matter. CUB's members have a strong interest in having
9 their electricity needs met in a manner that is dependable, environmentally
10 responsible, economically feasible, and provided at costs that are relatively
11 stable over the long term. CUB indicated its members have the potential to be
12 harmed if they are required to incur higher costs or encounter environmental
13 harm caused by imprudent or unreasonable utility practices. CUB's members
14 who are also customers of Consumers Energy are directly affected by the rates,
15 terms and conditions, and policies governing the provision of electricity by
16 Consumers Energy to them.

- 17 • **UCC** – UCC is a Grand Rapids, Michigan-based nonprofit organization, whose
18 member groups are composed of clients, constituents, students, and residents
19 who are customers of Consumers Energy, represents the interests of its clients
20 and constituents in receiving cost-effective electricity that is generated and
21 delivered through prudent and environmentally sound practices. UCC is a
22 community justice organization focused on uplifting historically marginalized
23 communities to a place of greater self-sufficiency through unity in order to

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1 reduce the effects of systemic racism. UCC and its clients and constituents use
2 electricity and pay electricity bills in Consumers Energy's service territory. The
3 rates, terms and conditions, and policies governing the provision of electricity
4 by Consumers Energy directly affects them. UCC and its clients and
5 constituents have a strong interest in having their electricity needs met in a
6 manner that is dependable, environmentally responsible, economically feasible,
7 and provided at costs that are relatively stable over the long term and allocated
8 fairly among customer classes. UCC indicated its clients and constituents have
9 the potential to be harmed if they were required to incur higher costs. The
10 clients and constituents of UCC have the potential to continue to bear
11 disproportionate environmental and public health burdens caused by imprudent
12 or unreasonable utility practices.

13 **Q. What can you conclude by reviewing the parties that signed the Settlement**
14 **Agreement?**

15 A. The parties represent a broad, diverse group of parties advocating for the economic and
16 environmental interests of Consumers Energy's electric customers and the state of
17 Michigan. These parties are also focused on ensuring that the Company's customers are
18 provided with reliable electricity.

19 **Q. Please describe the interests of the parties that participated in the case and signed**
20 **statements of non-objection.**

21 A. Four parties participated in the case and signed statements of non-objection.

- 22 • **MPPA** – MPPA is a public body politic and corporate of the state of Michigan
23 created under 1976 PA 448, as amended, that exists to help its municipally

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owned members realize the benefits of joint action in the planning, development, acquisition, and management of energy related assets and services. Among other things, MPPA supplies wholesale electric power to many of its members, presently consisting of 22 Michigan community-owned electric utility systems that supply electric power at retail. MPPA owns a 4.80% undivided interest in J.H. Campbell ("Campbell") Unit 3, as well as the common and joint facilities, among other interests. As an owner of Campbell Unit 3, whose accelerated retirement date is a subject of these proceedings, MPPA indicated it has a direct and immediate interest in this proceeding.

- **MCV**- MCV is a Michigan Limited Partnership, which owns and operates an approximate 1633 MW gas-fired cogeneration plant in Midland, Michigan. MCV provides steam and electricity to Corteva Agriscience, steam to Dow Silicones, and capacity and energy to Consumers Energy. MCV also makes wholesale electricity sales to third parties. MCV's relationship with Consumers Energy is unique because of the parties' symbiotic relationship, with MCV simultaneously being a customer, generator, and supplier to Consumers Energy. MCV is the single largest source of non-utility power for Consumers Energy's energy supply portfolio. MCV is also a customer of Consumers Energy, with the latter providing electric service to MCV pursuant to numerous tariffs. MCV also has a contract with Consumers Energy for 25 MW of standby power and is obligated to pay for certain standby charges for power Consumers Energy provides to Corteva. MCV indicated it will be economically dispatched as part of Consumers Energy's system and, as a result, payments to MCV will be

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1 affected depending on how Consumers Energy's system is economically
2 managed, which the determinations in this proceeding are likely to affect. MCV
3 has an interest relating to the transactions that are the subject of this action —
4 specifically, the interests of Consumers Energy's customers. As a major source
5 of energy supply to Consumers Energy and as a customer of Consumers Energy,
6 MCV has a protected interest in Consumers Energy's IRP.

- 7 • **RCG** – RCG is a non-profit corporation and group association, comprising
8 individual members who are residential electric customers of Consumers
9 Energy. RCG and its member customers have a direct interest in promoting just
10 and reasonable rates, and the implementation of cost minimization strategies and
11 policies to encourage the use of more efficient and diverse energy sources, and
12 to mitigate cost and rate impacts upon the residential class of ratepayers. The
13 group of residential customers comprising RCG are directly affected by and
14 interested in the rates, terms and conditions, and policies governing the provision
15 of electric energy by Consumers Energy to its members and the general public.
- 16 • **ABATE** - ABATE is a voluntary association of large industrial companies that
17 conduct business throughout the state of Michigan. The primary purpose of
18 ABATE is to participate in state and federal regulatory proceedings to protect
19 the interests of businesses in connection with energy and utility matters. To that
20 end ABATE consistently advocates for cost-of-service based energy rates,
21 equitable terms of service, and increased access to a competitive energy market.
22 ABATE is also interested in assuring that rates, surcharges, and conditions of
23 service are adopted in conformance with the law and in a fair and reasonable

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manner. Collectively, ABATE members employ nearly 100,000 Michiganders and spend approximately \$1.5 billion on energy and related services in Michigan each year. As the representative of such large users of electricity, natural gas, and transportation services, ABATE is vitally interested in achieving increased economic efficiencies for the utilities that serve its members. Present members of ABATE include: AK Steel Corporation; Carbon Green BioEnergy, LLC; Cargill, Inc.; Charles River Laboratories; The Dow Chemical Company; DW-National Standard-Niles, LLC; Eaton Corporation; Edw. C. Levy Co.; Enbridge Energy, Limited Partnership; FCA US LLC; General Motors LLC; Gerdau Macsteel INC; Graphic Packaging International, Inc.; Hemlock Semiconductor Operations LLC; J. Rettenmaier USA LP; Linde, Inc.; Marathon Petroleum Corporation; Martin Marietta Magnesia Specialties LLC; Metal Technologies, Inc.; Occidental Chemical Corporation; OX Paperboard Michigan, LLC; Pfizer-Kalamazoo; United States Gypsum Company; WestRock California, Inc.; and Zoetis LLC. ABATE indicated its members are directly impacted by the issues raised in this proceeding and have a substantial interest therein.

Q. Should the Commission consider the four parties that signed statements of non-objections?

A. Yes. Four parties signed statements indicating they do not object to the Settlement Agreement. A statement of non-objection is not a statement in opposition. In finding that the parties that joined the Settlement Agreement represent the public interest, the Commission should consider the four parties that signed statements indicating that they do

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1 not object to the settlement. These parties are: MPPA, MCV, RCG, and ABATE. The
2 Commission should give significant weight to the fact that 22 parties in this case have
3 either signed the Settlement Agreement or indicated that they would not object to the
4 Settlement Agreement. Only four parties: Energy Michigan, Mackinac, Wolverine, and
5 the BMPs, have contested the Settlement Agreement.

6 **Q. Is the Settlement Agreement in the public interest and does it represent a fair and**
7 **reasonable resolution of this proceeding?**

8 A. Yes. As explained above, 22 parties in this case have either signed the Settlement
9 Agreement or indicated that they do not object to the Settlement Agreement. The
10 Settlement Agreement embodies the positions of numerous parties which include the
11 utility; the regulator; environmental groups; independent power producers and renewable
12 trade organizations; large business and industrial customers; a transmission owner;
13 customer groups, including a community justice advocate; and the Attorney General, which
14 among other things, represents residential customers. These positions ensure that the
15 Settlement Agreement is in the public interest. The parties that signed the Settlement
16 Agreement also agreed, in Paragraph 23 of the Settlement Agreement, that approval of this
17 Settlement Agreement by the Commission would be reasonable and in the public interest.

18 Furthermore, because the Settlement Agreement represents a compromise reached
19 by a substantial portion of the parties in this case, it represents a fair and reasonable
20 resolution of this proceeding. As explained by Company witness Blumenstock, the
21 Settlement Agreement also meets the requirements for approval of an IRP as the most
22 reasonable and prudent plan to meet energy and capacity needs pursuant to MCL 460.6t.

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1 **Q. In evaluating whether the Settlement Agreement is in the public interest, how should**
2 **the Commission view the testimony of Energy Michigan, Wolverine, and the BMPs**
3 **opposing the Settlement Agreement?**

4 **A.** It is notable that the three parties who filed testimony opposing the Settlement Agreement
5 in this case all represent competitors of Consumers Energy. The BMPs competitive
6 interests stand to benefit if the Company were forced to enter contract extensions with the
7 plants which comprise the BMPs at the expense of other resources which make up the PCA.
8 Energy Michigan's and Wolverine's competitive business interests stand to benefit if the
9 Company supplies a disproportionate share of the total capacity needed in Zone 7 relative
10 to the share of the overall demand in Zone 7 represented by Consumers Energy's own
11 customers. Energy Michigan, Wolverine, and the BMPs frame their arguments in terms of
12 an altruistic concern about reliability in Zone 7 and "flaws" in the Settlement Agreement.
13 But, the reality is that these parties are not uniquely qualified to express insights or concerns
14 about the reliability of service in Consumers Energy's service territory, or in Zone 7 more
15 broadly, or provide opinions regarding the reasonableness of the Settlement Agreement
16 terms or the components of the PCA. As discussed above, virtually all of the parties who
17 signed the Settlement Agreement or statements of non-objection are customers of
18 Consumers Energy who have at least an equal interest in ensuring the Company's resource
19 adequacy, reliability, and the reliability of the zone. By signing the Settlement Agreement
20 or non-objecting, those parties have signified their confidence that the Settlement
21 Agreement positions Consumers Energy appropriately to meet its resource adequacy and
22 reliability responsibilities. Consumers Energy shares that confidence as discussed in more
23 detail in the Second Rebuttal Testimony of Company witnesses Blumenstock and Clark.

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1 The parties who signed or non-objected to the Settlement Agreement have nothing
2 to gain from Consumers Energy supplying a disproportionate share of the total capacity
3 needed in Zone 7. Those parties have also signed or non-objected to a Settlement
4 Agreement have nothing to gain by extending contracts with the BMPs when the PCA
5 already provides them with sufficient capacity. In contrast, Energy Michigan and
6 Wolverine would benefit financially from the opportunity created in this proceeding to
7 procure surplus capacity to meet their own customers' needs at a lower cost than building
8 their own. The BMPs would also benefit financially if they received contract extensions at
9 the expense of other resources which make up the PCA. That kind of motivation represents
10 the opposite of the public interest. Energy Michigan, Wolverine, and the BMPs must rely
11 on claims regarding reliability in Zone 7 and Settlement Agreement "flaws" because they
12 cannot be candid about their narrow self-interest in opposing the Settlement Agreement.
13 The parties who signed the Settlement Agreement and the parties who signed statements
14 of non-objection are a far better representation of the public interest in this proceeding than
15 the parties who oppose it.

16 **Q. Has there been additional validation to the Company's claim that the IRP is the most**
17 **reasonable and prudent plan?**

18 A. Yes. On page 7, line 1, through page 8, line 3, of his settlement direct testimony, Staff
19 witness Paul A. Proudfoot, a leader with extensive experience, indicated that Staff believes
20 the PCA as revised by the Settlement Agreement meets all the requirements of PA 341 of
21 2016. Mr. Proudfoot therefore recommends that the Commission approve the Settlement
22 Agreement without modification.

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1 **Q. Are there other indications that the settlement negotiation process resulted in a fair**
2 **and reasonable compromise?**

3 A. Yes. MEC, NRDC, Sierra Club, and CUB witness Douglas B. Jester, a veteran energy and
4 environmental policy analyst with considerable Michigan regulatory experience, on
5 page 1, line 13, through page 3, line 10, of his direct testimony in support of the Settlement
6 Agreement summarizes how the Settlement Agreement is in the public interest, and
7 through arms-length negotiation, resulted in improvements to the PCA that is supported by
8 the vast majority of the parties. He also explains on page 3, lines 8 through 10, that the
9 settlement is in the best interest of customers and the environment, and that he
10 “wholeheartedly recommends the Commission approve it.”

11 **Q. Have any other parties beyond Staff and MEC, NRDC, Sierra Club, and CUB filed**
12 **testimony supporting the Settlement Agreement?**

13 A. Yes. ELPC, Vote Solar, the Ecology Center, and UCS witness James Gignac, an attorney
14 and senior energy analyst with considerable Midwest experience, filed testimony which
15 specifically addresses the standards set forth in Rule 431(5). Mr. Gignac identifies several
16 ways in which the proposed settlement supports the public interest. Specifically, on page 1,
17 line 22, through page 3, line 7, of his direct testimony, Mr. Gignac indicates that he is
18 familiar with the standards for review in the Commission’s Rule 431(5) when a settlement
19 is contested. He indicates, “[t]he proposed settlement preserves crucial elements of
20 Consumers’ filed plan, achieves reasonable resolution of other issues, and adds new
21 components to improve future resource planning.” Mr. Gignac further indicated that he
22 believes the settlement, “supports the public interest in three main ways: (1) it aligns with
23 important climate action goals intended to protect Michiganders; (2) it improves economic

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1 and public health outcomes; and (3) it includes beneficial modeling and community
2 engagement commitments for the Company's next IRP."

3 **Q. Is the Settlement Agreement supported by substantial evidence on the whole record?**

4 A. Yes. As explained by Company witness Blumenstock, the Company's direct testimony,
5 rebuttal testimony, and exhibits support approval of the PCA and the Settlement
6 Agreement. The direct testimony, rebuttal testimony, and exhibits of other parties,
7 including that of Staff, also supports the compromise positions reached in the Settlement
8 Agreement. Company witnesses Blumenstock and Clark also establish in their respective
9 second rebuttal testimonies that the Settlement Agreement is supported by substantial
10 evidence in the record. Therefore, the evidence submitted in this matter establishes that
11 the Settlement Agreement is based on substantial record evidence.

12 **Q. Do you recommend that the Commission approve the Settlement Agreement?**

13 A. Yes. Since the public interest is adequately represented by the parties who entered the
14 Settlement Agreement, the Settlement Agreement is in the public interest, the Settlement
15 Agreement represents a fair and reasonable resolution of this proceeding, and the
16 Settlement Agreement is supported by substantial evidence on the record as a whole, it
17 should be approved by the Commission.

18 **Q. Does this complete your second rebuttal testimony?**

19 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.)
_____)

Case No. U-21090

PROOF OF SERVICE

STATE OF MICHIGAN)
) SS
COUNTY OF JACKSON)

Melissa K. Harris, being first duly sworn, deposes and says that she is employed in the Legal Department of Consumers Energy Company; that on May 13, 2022, she served an electronic copy of **Consumers Energy Company's Second Rebuttal Testimony and Exhibits of Company witnesses Richard T. Blumenstock, Thomas P. Clark, and Michael A. Torrey**, upon the persons listed in Attachment 1 hereto, at the e-mail addresses listed therein.



Melissa K. Harris

Subscribed and sworn to before me this 13th day of May 2022.



Crystal L. Chacon, Notary Public
State of Michigan, County of Ingham
My Commission Expires: 05/25/24
Acting in the County of Jackson

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