

STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of <b>CONSUMERS</b>	)	
<b>ENERGY COMPANY</b> for approval of its integrated	)	
resource plan pursuant to MCL 460.6t and for other	)	Case No. U-21090
relief.	)	
_____	)	

At the June 23, 2022 meeting of the Michigan Public Service Commission in Lansing,  
Michigan.

PRESENT: Hon. Daniel C. Scripps, Chair  
Hon. Tremaine L. Phillips, Commissioner

**ORDER APPROVING SETTLEMENT AGREEMENT**

I. Procedural History

On June 30, 2021, Consumers Energy Company (Consumers) filed an application, together with supporting testimony and exhibits, pursuant to: (1) Section 6t of Public Act 341 of 2016 (Act 341), MCL 460.6t; (2) the November 21, 2017 order in Case No. U-18418, Exhibit A, which approved the Michigan Integrated Resource Planning Parameters; (3) the December 20, 2017 order in Case Nos. U-15896 *et al.*, Exhibit A, which approved the Integrated Resource Plan (IRP) Filing Requirements; and (4) the February 18, 2021 order in Case Nos. U-20633 *et al.*, which adopted additional modeling scenarios to assist in achieving the objectives of Executive Directive 2020-10 (ED 2020-10) and Governor Gretchen Whitmer’s MI (Michigan) Healthy Climate Plan.

On July 22, 2021, a prehearing conference was held before Administrative Law Judge Sally L. Wallace (ALJ). Intervenor status was granted to the Michigan Environmental Council, Natural

Resources Defense Council, Inc., and Sierra Club (collectively, MNS); the Michigan Department of Attorney General (Attorney General); the Great Lakes Renewable Energy Association, Inc. (GLREA); the Environmental Law and Policy Center of the Midwest, Ecology Center, Inc., Union of Concerned Scientists, Inc., and Vote Solar (collectively, the Clean Energy Organizations (CEOs)); Hemlock Semiconductor Operations LLC (HSC); Cadillac Renewable Energy, LLC, Genesee Power Partner Limited Partnership, Decker Energy-Grayling, Inc., Hillman Power Company, L.L.C., Tondu Corporation, Viking Energy of Lincoln, LLC, and Viking Energy of McBain, LLC, (collectively, the Biomass Merchant Plants (BMPs)); the Association of Businesses Advocating Tariff Equity (ABATE); Energy Michigan; Michigan Energy Innovation Business Council, Institute for Energy Innovation, and Clean Grid Alliance (jointly, EIBC/IEI/CGA); Midland Cogeneration Venture Limited Partnership (MCV); Michigan Electric Transmission Company, LLC (METC); Wolverine Power Supply Cooperative, Inc. (WPSC); Michigan Public Power Agency (MPPA); Residential Customer Group (RCG); Citizens Utility Board of Michigan (CUB); and Urban Core Collective (UCC). Permissive intervention was granted to the Mackinac Center for Public Policy (Mackinac). Consumers and the Commission Staff (Staff) also participated in the proceeding.

The ALJ issued a Proposal for Decision (PFD) on March 7, 2022. On or before March 21, 2022, exceptions were filed by Consumers, HSC, the Attorney General, the Staff, MNS, the CEOs, GLREA, Mackinac, ABATE, the BMPs, UCC, EIBC/IEI/CGA, and WPSC. On March 28, 2022, replies to exceptions were filed by Consumers, Energy Michigan, HSC, the Attorney General, the Staff, MNS, the CEOs, GLREA, ABATE, the BMPs, UCC, EIBC/IEI/CGA, and WPSC.

On April 20, 2022, Consumers entered into a settlement agreement with the following parties: the Staff, MNS, the Attorney General, the CEOs, UCC, CUB, HSC, EIBC/IEI/CGA, METC, and

GLREA. The settlement agreement recommends approval of Consumers' proposed course of action (PCA) with changes and covers issues such as: the acquisition of new resources; investments in demand response (DR), conservation voltage reduction (CVR), and energy waste reduction (EWR); deployment of energy storage; retirement of certain coal-fired generation units and associated decommissioning costs; a financial compensation mechanism (FCM); avoided cost methodology under the Public Utility Regulatory Policies Act of 1978 (PURPA); and implementation of competitive bidding. MPPA, MCV, RCG, and ABATE did not join the settlement, but offered statements of non-objection.

On April 20, 2022, Consumers and the Staff jointly filed a motion to extend the statutory deadline found in Section 6t(7) of Act 341, MCL 460.6t(7). In its April 25, 2022 order in the present case (April 25 order), the Commission granted the joint motion and extended the deadlines for the Commission's 300-day and 360-day orders. In addition, the Commission set a tentative schedule for the remainder of this proceeding. *See*, April 25 order, p. 5.

On May 4, 2022, Energy Michigan, Mackinac, WPSC, and the BMPs filed responses objecting to the settlement agreement. MNS, the CEOs, Energy Michigan, the Staff, the BMPs, and WPSC filed direct testimony in the contested settlement phase of this proceeding on May 9, 2022. MNS, the Staff, EIBC/IEI/CGA, WPSC, the BMPs, Consumers, and the CEOs filed rebuttal testimony on May 13, 2022. Initial briefs on the contested settlement were filed by MNS, Mackinac, EIBC/IEI/CGA, the Attorney General, the CEOs, HSC, the Staff, Consumers, CUB, the BMPs, and WPSC on May 25, 2022, and reply briefs were filed by MNS, the Staff, the CEOs, Consumers, WPSC, and the BMPs on May 27, 2022. UCC filed a letter in support of the settlement agreement on May 25, 2022. The evidentiary record in this contested settlement proceeding consists of 315 pages of transcript and 22 exhibits, all of which appear in Volume 10

of the transcript. Unless otherwise noted, all citations to briefing in this order refer to the briefing in the contested settlement phase of this case and not the contested IRP phase.

## II. Applicable Law

Act 341 requires the Commission to approve an IRP if the proposed IRP “represents the most reasonable and prudent means of meeting the electric utility’s energy and capacity needs” based on whether the proposed plan: (1) appropriately balances a series of statutorily listed factors; (2) uses a workforce comprised of residents of this state to the extent practicable in the completion of construction or investment in new or existing capacity resources; and (3) meets the requirements of subsection 6t(5) of Act 341, which enumerates the information to be included in an IRP. MCL 460.6t(8).

In addition, Rule 431 of the Michigan Administrative Code, Mich Admin Code, R 792.10431, governs proceedings before the Commission where a settlement is filed. Pursuant to Rule 431(5)(a)-(c), the Commission may approve a contested settlement agreement when the Commission determines the following conditions are met: (1) objecting parties have been given a reasonable opportunity to present evidence and arguments in opposition to the settlement agreement, (2) the public interest is adequately represented by the parties who entered into the settlement agreement, and (3) the settlement agreement is in the public interest, represents a fair and reasonable resolution of the proceeding, and is supported by substantial evidence on the record as a whole.

## III. Proposed Settlement Agreement

Under the terms of the settlement agreement, the parties to the settlement (settlement parties) agree that Consumers’ PCA, as modified, should be approved by the Commission as the most reasonable and prudent means of meeting the company’s energy and capacity needs for the 5-year,

10-year, and 15-year time horizons as required by Sections 6t(3) and 6t(8)(a) of Act 341, MCL 460.6t. Settlement Agreement, p. 3. The settlement parties agree that Consumers will file its next IRP consistent with the requirements of Section 6t. *Id.* The settlement agreement, attached to this order as Exhibit A, contains the following provisions relevant to the arguments in the contested settlement proceeding:

The settlement agreement provides that Consumers' PCA shall include the proposed purchase of the New Covert Generating Facility (Covert plant) in 2023 but shall not include the ownership of the Dearborn Industrial Generation Plant (DIG), the Livingston Generating Station (Livingston), and the Kalamazoo River Generating Station (Kalamazoo) (collectively, CMS plants). Settlement Agreement, pp. 2-3. The parties agree that the identified capital costs that Consumers will incur for DR, CVR, and the purchase of the Covert plant in the next three years are reasonable and prudent, should be approved for cost recovery purposes, and will be included in Consumers next electric rate case, consistent with Sections (11) and (17) of Act 341, MCL 460.6t(11),(17). *Id.*, p. 4. The parties agree to the projected capacity values provided by the Covert plant, and DR, CVR, and EWR resources in the next three years. *Id.*

The settlement provides for the approval of a battery deployment program as proposed in rebuttal testimony of company witness Blumenstock in the principal case. *Id.*; *see also*, 3 Tr 185, 203-205.

The settlement agreement provides that D.E. Karn (Karn) Units 3 and 4 will be retired on or before May 31, 2031, and J.H. Campbell (Campbell) Units 1, 2, and 3 will be retired on or before May 31, 2025. Settlement Agreement, pp. 4-5.

The settlement agreement provides that Consumers shall issue a one-time competitive solicitation following the approval of the settlement agreement that includes the following parameters:

a. The One-Time Solicitation will seek projects which will provide the Company with capacity credit in the MISO [Midcontinent Independent System Operator, Inc.] 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 [zonal resource credits] of capacity and associated energy and renewable energy credits ("RECs"), if applicable, from PPAs [power purchase agreements] with terms up to 10 years. This tranche will seek dispatchable, nonintermittent 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, nonintermittent 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 OneTime Solicitation, the Company shall hold a stakeholder meeting including parties to this case and energy storage developers to discuss methods to improve RFPs [requests for proposals] 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 OneTime 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.

*Id.*, pp. 6-7.

The settlement agreement provides for an extension of the annual competitive bidding process used to acquire supply-side resource technologies as approved in the settlement agreement in Case No. U-20165 with modifications. *Id.*, pp. 7-9.

The settlement agreement provides that Consumers "will donate \$5 million in 2022 to a low-income fund that provides bill assistance to Consumers Energy's electric customers." *Id.*, p. 11. The settlement agreement also provides that Consumers will donate \$2 million annually to the same fund during the amortization period for the regulatory asset created to recover the unrecovered book balance of Campbell Units 1, 2, and 3. *Id.* These donations will not be recovered in rates. *Id.*, p. 12.

The settlement agreement provides that in future IRPs, Consumers 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." *Id.*

The settlement agreement provides that Consumers will "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 . . . ." *Id.* The settlement also provides that in its next IRP, Consumers will "consider transmission and how it can facilitate the mitigation of reliability and economic impacts to the electric system." *Id.*, p. 13.

The settlement agreement provides that Consumers’ next IRP will include further analyses on environmental emissions, health impacts from emissions, and environmental justice. The settlement agreement also provides that Consumers will “take . . . steps to engage and gather input from the public prior to the filing of its next IRP with the Commission . . .” *Id.*, pp. 13-14.

#### IV. Evidentiary Record

Because the Commission has decided to read the record for purposes of evaluating the settlement agreement, a summary of the evidentiary record related to the settlement agreement follows.<sup>1</sup>

##### A. Direct Testimony

1. Michigan Environmental Council, Natural Resources Defense Council, Inc., Sierra Club, and Citizens Utility Board of Michigan

MNS and CUB presented the direct testimony of Douglas B. Jester. Mr. Jester testifies that the settlement agreement is in the public interest and recommends that the Commission approve the settlement agreement. Mr. Jester opines that “retiring the entire Campbell plant will benefit both customers and the environment and is therefore in the public interest.” 10 Tr 4327.

Mr. Jester notes that no party in this case opposed the retirement of Campbell Units 1 and 2 and adds that the ALJ also recommended approval of these retirements. Mr. Jester posits that “[t]he Campbell plant has a greater carbon impact than any other resource owned by [Consumers], and its retirement is critical to meeting state and federal climate goals, including the Michigan Healthy Climate Plan.” 10 Tr 4327 (footnote omitted). Mr. Jester presents tables compiling Michigan’s greenhouse gas emissions and the associated goals from the MI Healthy Climate Plan to

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<sup>1</sup> The Commission notes that, in the original IRP proceeding that resulted in a PFD, the evidentiary record included 4,094 pages of transcript across nine volumes and over 500 exhibits with certain transcript pages and exhibits designated as confidential. PFD, p. 3. The Commission references this evidence throughout this order.



demonstrate that it is “not possible to meet the 2025 goal of the Michigan Healthy Climate Plan without the retirement of the Campbell plant by 2025[.]” adding that, “the Michigan Healthy Climate Plan calls for the retirement of all coal generation by 2030, which would necessarily include the Campbell units.” 10 Tr 4330.

Mr. Jester adds that because the Campbell plant emits other pollutants, such as sulfur dioxide (SO<sub>2</sub>), nitrogen oxide (NO<sub>x</sub>), and particulate matter (PM<sub>2.5</sub>), the retirement of the entire Campbell plant is likely to have health benefits beyond those of reducing the company’s carbon output. 10 Tr 4327.

In addition to the environmental and health benefits outlined above, Mr. Jester testifies that “[e]xtensive modeling conducted by Consumers and by MNS in this case demonstrated that retiring Campbell in 2025 is economic for customers.” 10 Tr 4327.

Mr. Jester provides that “paragraph 1 of the [settlement] agreement approves Consumers’ continued ramp-up of solar resources—an initiative first approved as part of Consumers’ 2018 IRP.” 10 Tr 4330. Additionally, Mr. Jester provides that:

In the 2018 case, the Commission approved a plan that included approximately 5 GW [gigawatts] nameplate [capacity] of new solar resources in the 2020s. In this case, Consumers proposed to continue those additions and also procure an additional 2 GW of solar in the 2030s above the levels included in the 2018 IRP. Paragraph 8 of the settlement agreement provides that Consumers will continue to utilize annual competitive solicitations to procure these solar resources.

10 Tr 4330. Mr. Jester posits that the Consumers’ proposed procurement is a reasonable and beneficial settlement term. 10 Tr 4330. Mr. Jester notes that the benefits the Commission recognized in 2018 IRP, such as the environmental benefits of additional renewable energy resources and the use of annual solicitations to promote competitive pricing, will continue with the new settlement agreement. 10 Tr 4331.

With respect to the proposed gas plant acquisitions, Mr. Jester opines that the settlement agreement terms regarding the acquisition of the Covert gas plant are reasonable and prudent. 10 Tr 4331. Mr. Jester provides that these terms include the approval of the acquisition of Covert and the recovery of the associated \$815 million purchase cost. The parties also agreed that Consumers would not obtain the CMS plants from its affiliate, CMS Enterprises Company (CMS Enterprises). 10 Tr 4331.

Mr. Jester notes that no party opposed the acquisition of the Covert plant and the ALJ recommended the Commission approve the acquisition. 10 Tr 4331. Mr. Jester posits that both the Staff and Consumers testified in the primary proceeding that “because Covert is currently in PJM [PJM Interconnection, L.L.C.’s American Electric Power (AEP) Zone], Consumers’ acquisition of Covert will add 1,114 Zonal Resource Credits or ZRCs to MISO Zone 7.” 10 Tr 4331. Mr. Jester adds that the addition of these ZRCs to Zone 7 “will support reliability for Consumers as well as overall resource adequacy for Zone 7.” 10 Tr 4331. Mr. Jester concludes that “[f]or these reasons, acquisition of Covert is both in the public interest from a reliability and resource adequacy standpoint” and is supported by the record in this case. 10 Tr 4331.

Mr. Jester asserts that Consumers’ agreement not to acquire the CMS plants is also in the public interest. Mr. Jester posits that the record demonstrated numerous concerns with acquisition of these plants from CMS Enterprises including, “issues with respect to affiliate transactions” and “the nature of the gas plant RFP solicitation that led to the proposed purchase of these plants . . . .” 10 Tr 4331-4332. Finally, Mr. Jester notes that the ALJ and the Staff also recommended the Commission deny the acquisition of the affiliate plants from CMS Enterprises. 10 Tr 4332.

Mr. Jester supports the proposed one-time solicitation of capacity and energy for the 2025 planning year (PY). Mr. Jester outlines the terms of the one-time solicitation as follows:

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

10 Tr 4333. Mr. Jester posits that “[t]he first tranche will provide energy and capacity of similar characteristics to what Consumers sought via the proposal to acquire the CMS plants[,]” adding that “soliciting 10-year PPAs instead of acquiring affiliate assets planned to remain in rate base until 2040 will reduce risks to customers.” 10 Tr 4333. Mr. Jester also notes that a solicitation for PPAs addresses some of the issues identified with the earlier RFP by parties and the ALJ’s decision, which include that the earlier RFP only sought assets for purchase, and risks related to environmental permitting and fixed operating and maintenance expenses. 10 Tr 4333. Mr. Jester testifies that the second tranche is also in the public interest as it will “provide additional clean energy resources for Consumers’ portfolio . . . .” 10 Tr 4334.

Mr. Jester provides that “[p]aragraph 4(i) of the settlement [agreement] provides that Karn units 3-4 will not retire in 2023 but instead will continue operating and retire on or before their previously planned retirement date of May 31, 2031, absent extraordinary circumstances.”

10 Tr 4334. Mr. Jester posits that Karn Units 3 and 4 “provide substantial capacity but operate infrequently.” 10 Tr 4334. Mr. Jester testifies that “[c]ontinuing to operate Karn 3-4 supports Consumers’ attainment of planning reserve margin requirements [PRMR] by maintaining more than 780 ZRCs in the Company’s portfolio.” 10 Tr 4334. Further, Mr. Jester notes that Karn Units 3 and 4 staying online supports resource adequacy in MISO Zone 7 by maintaining these additional ZRCs. Mr. Jester testifies that keeping Karn Units 3 and 4 in operation removes the “unrecovered net book value from the total balance of the regulatory asset that Consumers seeks . . . lowering the costs of the regulatory asset for customers.” 10 Tr 4334-4335.

Mr. Jester supports the regulatory asset provisions of the settlement agreement mentioned above. Mr. Jester provides that “[i]n paragraph 5 of the settlement, the parties agree that after retirement of the Campbell plan in 2025, the return on equity used to calculate the WACC [weighted average cost of capital] for the regulatory asset will be 9.0%.” 10 Tr 4335. Mr. Jester posits that:

Consumers has taken a very firm position that it will not retire Campbell in 2025 without being able to recover a return of and on the unrecovered balance. Therefore, it was necessary for the other parties to agree with a regulatory asset based on WACC for this settlement [agreement] to occur and to facilitate Consumers’ permanent exit from coal generation three years from now.

10 Tr 4335. Mr. Jester notes, however, that “setting the ROE [return on equity] at 9.0% for the calculation of the WACC on the regulatory asset is a significant compromise for Consumers, as that figure is substantially lower than the authorized ROE of 9.9% that the Commission approved in Consumers Energy’s last electric rate case, [Case No.] U-20963.” 10 Tr 4335.

Mr. Jester posits that Consumers’ low-income customer bill assistance donations are a beneficial settlement term. Mr. Jester provides that “Consumers agreed in paragraph 13 of the settlement [agreement] to donate funds to its low-income bill assistance programs.” 10 Tr 4336. Mr. Jester notes that these funds will not be recovered in rates. Specifically, “Consumers will donate \$5 million in 2022 and \$2 million per year for the rest of the term of the regulatory asset for the Campbell plant.” 10 Tr 4336. Mr. Jester asserts that “[t]he need for additional low-income customer bill assistance has been demonstrated both in recent Consumers electric rate cases and in recent Consumers EWR cases, and recognized by the Commission in a variety of orders.” 10 Tr 4336 (footnote omitted).

Mr. Jester provides that “[p]aragraph 9 of the settlement [agreement] requires Consumers to use commercially reasonable efforts to maintain the 50/50 split between owned resources and

PPAs for new solar procurements” that was first approved in the settlement agreement in Case No. U-20165. 10 Tr 4336. Mr. Jester also notes that paragraph 9 “creates an absolute cap of 60% on capacity that Consumers acquires for ownership in any annual solicitation, while setting no cap on the amount of new solar the Company may acquire via PPA” and “maintains the bar on Consumers affiliates participating in the PPA portion of the solicitations.” 10 Tr 4337. Mr. Jester opines that “[t]he Commission found this allocation reasonable and in the public interest” in Consumers last IRP and that “this term maintains the essential components of that agreement.” 10 Tr 4337. Mr. Jester posits that making a commercially reasonable efforts to maintain the 50/50 split “promotes competition among third-party developers which reduces customer costs” and “helps support the solar industry in Michigan.” 10 Tr 4337. Mr. Jester notes that this provision of the settlement agreement is consistent with the ALJ’s recommendations on the issue. 10 Tr 4337.

Mr. Jester testifies that paragraph 10 of the settlement agreement provides for an extension of the FCM approved in Case No. U-21065, Consumers’ 2018 IRP. 10 Tr 4337. Mr. Jester opines that “[a]n FCM is a reasonable incentive for the Commission to authorize” given that “Consumers has substantially changed its business model by agreeing to shift its resource portfolio away from coal generation and toward solar generation, and by agreeing to procure the solar generation via competitive solicitations under which half of that capacity will be in the form of PPAs.” 10 Tr 4338.

Mr. Jester provides that paragraph 16 of the settlement agreement “states that the parties agree in Consumers’ next IRP to consider how transmission investments can improve reliability and access to economic sources of power from areas outside Zone 7.” 10 Tr 4338. Mr. Jester supports the transmission provision as a reasonable and beneficial settlement term and notes that the ALJ’s

decision “found that Consumers’ transmission analysis in this case was deficient and did not meet the terms of the settlement agreement in [Case No.] U-21065.” 10 Tr 4338-4339.

Mr. Jester supports the proposed battery storage investments outlined in the settlement agreement. Mr. Jester provides that the “parties agree to approval of a battery deployment program in paragraph 3 of the settlement agreement” as proposed in the principal rebuttal testimony in this case. 10 Tr 4339. Mr. Jester outlines that “Consumers proposed . . . to advance investment in 75 MW [megawatts] of battery storage resources. The settlement [agreement] reserves approval of the costs of the program to future electric rate cases.” 10 Tr 4339. Mr. Jester posits that Consumers made the battery proposal in response to testimony from the Staff, MNS, and other parties that “called for acceleration of battery storage investments as part of Consumers’ resource portfolio for this IRP.” 10 Tr 4339. Mr. Jester notes that “battery deployment will provide another clean energy resource to bolster Consumers’ maintenance of its PRMR and support resource adequacy in Zone 7.” 10 Tr 4339.

Mr. Jester provides that in paragraph 14 of the settlement agreement, Consumers agrees “to collect further data on marginal line losses and to include marginal line losses and avoided transmission and distribution (T&D) costs in the evaluation of all distributed resources, including residential demand response, for its next IRP.” 10 Tr 4340. Mr. Jester defers to testimony of CUB witness David Gard and MNS witness Chris Neme in explaining “the importance of these issues to the evaluation of EWR potential and DR potential for future IRPs.” 10 Tr 4340.

Mr. Jester notes that paragraphs 17 and 18 of the settlement agreement contain provisions regarding an environmental justice analysis and community outreach for Consumers’ next IRP. Mr. Jester supports these settlement terms and posits that “[t]he environmental justice analysis will provide vital information regarding the people and communities who bear disproportionate

impacts of electric generation activities—information that has been lacking in Michigan IRP cases up until now.” 10 Tr 4341.

Finally, Mr. Jester provides that “[p]aragraph 7 of the settlement agreement requires Consumers to publicly file its community transition plans for the Campbell and Karn sites.” 10 Tr 4341. Mr. Jester defers to testimony of MNS witness Tyler Comings regarding the need for public filing of transition plans. 10 Tr 4341.

Mr. Jester concludes that “[t]he settlement agreement in this case continues and significantly extends the progress of the settlement [agreement] in [Case No.] U-20165.” 10 Tr 4341.

Mr. Jester posits that the settlement agreement is “supported by the great weight of evidence in the record of this case and consistent with many of the findings and recommendations in the PFD.”

10 Tr 4342. Thus, Mr. Jester recommends the Commission approve the proposed settlement agreement.

2. Environmental Law and Policy Center of the Midwest, Ecology Center, Inc., Union of Concerned Scientists, Inc., and Vote Solar

The CEOs presented the direct testimony of James Gignac, Senior Midwest Energy Analyst employed by the Union of Concerned Scientists. Mr. Gignac posits that the proposed settlement supports the public interest. Mr. Gignac posits that the settlement agreement “supports the public interest in three main ways: (1) it aligns with important climate action goals intended to protect Michiganders; (2) it improves economic and public health outcomes; and (3) it includes beneficial modeling and community engagement commitments for the Company’s next IRP.” 10 Tr 4375.

Mr. Gignac avers that “Consumers approach of retiring all its coal-fired power plants by 2025 aligns with Governor Whitmer’s MI Healthy Climate Plan’s goal to phase out Michigan’s remaining coal plants by 2030” and “the Company’s plans to add 8,000 megawatts of solar by

2040 is an important step toward the MI Healthy Climate Plan’s target for renewable energy to be providing 60 percent of Michigan’s electricity generation by 2030.” 10 Tr 4375.

Mr. Gignac posits that “the proposed settlement [agreement] helps reduce financial and public health costs related to Consumers’ resource plan” because “the Company has agreed to a lower rate of return for its retiring coal plants and will commit tens of millions of dollars of shareholder funds to support bill assistance for lower-income customers.” 10 Tr 4376. Mr. Gignac opines that expert testimony in this case “demonstrated the benefits of earlier coal plant retirements in the form of avoided negative health outcomes.” 10 Tr 4376.

Finally, Mr. Gignac argues that commitments made by Consumers for its future IRPs “will ensure that additional information and perspectives are available to inform both the Company’s assessment of its future resource options as well as Commission and stakeholder review of its proposals.” 10 Tr 4376-4377. Mr. Gignac includes the agreement to model distributed generation as a resource, to conduct public health and environmental justice analyses, and to expand opportunities and forums for community input among the beneficial modeling and community engagement commitments made by Consumers. 10 Tr 4376-4377.

For the reasons outlined above, Mr. Gignac concludes that the Commission should approve the settlement agreement as it “represents a reasonable resolution of the issues . . . .” 10 Tr 4377.

### 3. Energy Michigan

Energy Michigan presented the direct testimony of Alexander J. Zakem. Mr. Zakem testifies that in the contested settlement agreement, Consumers fails to address the impacts the PCA will have on resource adequacy and the competitive market. Mr. Zakem explains that the settlement agreement does not require that the 500 ZRC capacity need that Consumers is seeking to fill through the one-time solicitation agreed to under subsection 6.b.i of the settlement agreement “be



additional to what is already being counted toward MISO Zone 7's resource adequacy requirements." 10 Tr 4297. Mr. Zakem opines that because the settlement agreement does not require that the capacity being added by Consumers be additional to that already available in Zone 7, the settlement agreement is subject to concerns about "insufficient resources in the zone for a competitive pricing market." 10 Tr 4298. Mr. Zakem therefore recommends the Commission "examine the [s]ettlement [agreement] carefully and review its effects on resource adequacy and competitive pricing in Zone 7" and if the Commission finds that the settlement agreement "fails to adequately address resource adequacy or anti-competitive concerns, then the Commission should reject the [s]ettlement [agreement]." 10 Tr 4298.

#### 4. The Commission Staff

In the Staff's direct testimony, Paul Proudfoot, the Director of the Energy Resources Division, asserts that Consumers' PCA, as modified by the settlement agreement, meets the statutory requirements of Section 6t(8) of Act 341, MCL 460.6t(8). 10 Tr 4400. For this reason, Mr. Proudfoot recommends the Commission approve the contested settlement agreement in its entirety without recommending changes under Section 6t(7). 10 Tr 4400. Mr. Proudfoot also states that the contested settlement agreement meets the requirements of Rule 431. 10 Tr 4400.

#### 5. Biomass Merchant Plants

The BMPs presented the direct testimony of Richard A. Polich, a Managing Director with GDS Associates, Inc. Mr. Polich testifies that the continued operation of the biomass plants can offset some deficiencies he posits are present in the proposed contested settlement agreement.

Mr. Polich opines that the settlement inconsistently results in Consumers having excess generation capacity in some years and capacity shortages in other years, which he argues is contrary to IRP best practices. Mr. Polich explains:

The settlement [agreement] includes procurement of the Covert Generation Facility (Covert) in 2023 which results in Consumers' having 20.1% excess capacity. It then adds 700 MW (ZRC) of generation resources in 2025 that is procured through a competitive solicitation that is deeply flawed. Although Consumers retires 1,344 MW (ZRC) of generation in 2025, the [s]ettlement [agreement] would result in 16.2% excess generation in 2025 and an average of 18.7% excess generation over the next six years, assuming solar generation continues to be accredited at 50% of real capacity by MISO.

10 Tr 4277. Further, Mr. Polich adds that “[t]he addition of Covert in 2023 means Consumers’ rate payers will be paying 2 years of unnecessary costs for Covert capacity that is unnecessary.”

10 Tr 4277. Mr. Polich likens the biomass plants to solar generation as they are net zero carbon generation and to natural gas plants as they are baseload generation. Mr. Polich concludes that:

If it is reasonable and prudent for Consumers to acquire both fossil and renewable capacity from 2023 through 2030 that results in excess capacity for the period of 2023-2030, the prudent course of action is for Consumers to continue to purchase capacity and energy from the Biomass Plants after the expiration of their current contracts through at least 2035 when Consumers is likely to be capacity deficient.

10 Tr 4278.

Mr. Polich argues that the one-time solicitation outlined in section 6 of the settlement agreement is “deeply flawed.” 10 Tr 4278. Mr. Polich posits that the timing of the competitive solicitation is flawed as “Consumers is proposing to start the procurement process so the capacity of both tranches will provide capacity in 2025.” 10 Tr 4278. Mr. Polich opines that:

The timing of the procurement process will not result in new capacity being added to the Michigan market and will likely favor existing generation facilities such as the Kalamazoo Plant, Livingston Plant and Dearborn Industrial Generation because it will be impossible for new generation to obtain a MISO Interconnection Services Agreement, complete project engineering, obtain financing and construct the plant by 2025.

10 Tr 4279. Mr. Polich concludes that, given the timeline to obtain a MISO interconnection agreement, complete project engineering, and obtain financing, “it is very unlikely that there will be sufficient time to complete a power generation project for operation in 2025.” 10 Tr 4279.

Mr. Polich also argues that “MISO Zone 7 is projected to be short 397.4 MW (ZRC) in 2023.” 10 Tr 4279. Mr. Polich notes that “MISO’s recent [sic] completed 2022/2023 Planning Resource Auction (PRA) resulted in capacity shortages in all northern MISO regions due to planned retirements of fossil generation resources . . . . The PRA resulted in capacity costs of \$236.66/MW-day in MISO Zone 7, which is equal to the cost of new entry [CONE] or cost of adding new gas fired generation.” 10 Tr 4279. Mr. Polich posits that this “shows the volatility of the MISO planning process to which Consumers and its customers will be subject.” 10 Tr 4279.

Mr. Polich posits that the one-time solicitation outlined in the settlement agreement “results in a preference for non-intermittent fossil generation . . .” 10 Tr 4280. As outlined in the settlement agreement, the one-time solicitation seeks projects that will provide the company with capacity in MISO Zone 7 starting in the 2025 planning year. The settlement agreement also states that the first 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.” Settlement Agreement, p. 6. Mr. Polich argues that these requirements preclude the participation of the BMPs as they will still be under contract in 2025 and can be dispatched on 24 hours-notice, as opposed to hourly. 10 Tr 4280. Mr. Polich further asserts that “only generation resources which are currently operating, not under contract with Consumers, have obtained MISO interconnection approval, and completed primary engineering are likely to be able to bid into the One-Time Solicitation.” 10 Tr 4280.

Mr. Polich takes issue with the language in the settlement agreement describing the second tranche of the one-time solicitation that states, “[t]his tranche will seek intermittent resources and dispatchable, nonintermittent clean capacity resources.” 10 Tr 4280 (quoting Settlement

Agreement, p. 6). Mr. Polich posits that “[t]he term ‘clean capacity resources’ is an undefined term and can mean any generation resource that is cleaner than [sic] Consumers existing generation resources. Thus, natural gas plants could offer proposals into the second tranche because the language is very ambiguous.” 10 Tr 4280.

Mr. Polich opines that “the One-Time Solicitation will likely result in Consumers acquiring [a] substantial amount of natural gas capacity in addition to the Covert capacity.” 10 Tr 4281. Mr. Polich argues that an increase in the average price of natural gas over the last two years “clearly demonstrates the volatility of natural gas pricing and highlights the risk of becoming totally dependent on such a single, volatile fuel source.” 10 Tr 4281.

Mr. Polich also posits that the one-time solicitation in the second tranche of the settlement agreement “will likely result in the acquisition of only intermittent generation because solar generation with battery storage will likely be too expensive to compete with solar generation without battery storage and due to shortages of materials[,]” specifically lithium carbonate. 10 Tr 4281.

Mr. Polich opines that if MISO changes the solar ZRC accreditation from its current 50% accreditation to a 30% accreditation, Consumers will face a capacity shortfall in 2031 due to closing of Karn Units 3 and 4 and the expiration of Consumers contract with Midland Cogeneration Venture. 10 Tr 4282.

Mr. Polich avers that the settlement agreement does not meet the stated goals of paragraph 16 “to be Carbon Neutral by 2040[,]” as the Covert plant and 200 MW of generation from PPAs originating under the one-time solicitation “are fossil fuel generation resources and are not carbon neutral.” 10 Tr 4283.

In conclusion, Mr. Polich requests, on behalf of the BMPs that “the Commission approve the Settlement Agreement only if it is amended to include a provision whereby Consumers Energy continues to purchase capacity and energy from the Biomass Plants” through amended PPAs. 10 Tr 4286.

6. Wolverine Power Supply Cooperative

WPSC presented the direct testimony of Thomas King, Jr. Mr. King argues that “Consumers Energy’s and Michigan’s reliability and resource adequacy situation is no better (and arguably, worse) under the proposed Settlement Agreement than in the originally filed IRP.” 10 Tr 4301. Mr. King posits that “the changes reflected in the proposed Settlement Agreement continue to assume capacity replacements that add no incremental capacity to MISO Zone 7.” 10 Tr 4302. Mr. King provides MISO’s 2022 PRA results as exhibit WPSC-6. Mr. King argues that this exhibit demonstrates why MISO’s North and Central Zones cleared at CONE in 2022. Mr. King quotes MISO as stating “that previous projections of surplus were ‘eroded by an increased load forecast, less capacity entering the auction as result of retirements, and the decreased accredited capacity of new resources.’” 10 Tr 4303 (quoting Exhibit WPSC-6, slide 2)(emphasis omitted). Mr. King posits that “[w]hen load growth is under-forecasted, dispatchable resources are retired too quickly, and intermittent resources are over-accredited, reliability is at risk.” 10 Tr 4303. Mr. King further quotes the MISO 2022 PRA results as stating that “[u]nless more capacity is built that can supply reliable generation, shortfalls such as those highlighted in this year’s auction will continue.” 10 Tr 4303 (quoting Exhibit WPSC-6, slide 9).

Mr. King further avers that under the settlement agreement, Consumers’ plan is “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 result in the purchase from the affiliated plants because they will be the only dispatchable resources in Zone 7 . . . .” 10 Tr 4302-4303.

Finally, Mr. King argues that “when Consumers’ PCA and proposed Settlement Agreement assumptions are updated to reflect more current data from Consumers’ own capacity demonstration filing in Case No. U-21099 and more reasonable assumptions, Consumers will likely be capacity negative in 2025[,]” meaning it will be “unlikely to serve its own load with its own resources in 2025.” 10 Tr 4303-4304. Mr. King posits that the assumptions Consumers used in its capacity demonstration are unreasonable. Specifically, Mr. King states that it is unreasonable for Consumers to assume a declining PRMR in its PCA and capacity demonstration as “it conflicts with MISO’s statements of increasing load forecasts (see Exhibit WPSC-6), Wolverine’s own growth, and publicly disclosed growth in Michigan.” 10 Tr 4305. Similar to the BMPs, Mr. King avers that “MISO is considering changes to solar capacity accreditation to move from a static solar accreditation value to an Effective Load Carrying Capability (ELCC) approach, similar to what is used for wind.” 10 Tr 4306-4307. Mr. King also outlines similar concerns regarding supply chain challenges causing disruptions to solar project developments. Specifically, Mr. King opines that “disruptions in the solar industry due to the United States Department of Commerce [DOC] investigation into Chinese solar tariff avoidance, are likely to result in project development delays.” 10 Tr 4307.

Mr. King concludes that the Commission “should reject this settlement [agreement]” and “adjust the timeline for retirement of Campbell 3 in a way that reasonably ensures replacement is possible—not only for the joint owners of Campbell 3, but for all LSEs [load serving entities] who rely on the grid to ensure their own reliability . . . .” 10 Tr 4309.

## B. Rebuttal Testimony

### 1. Michigan Environmental Council, Natural Resources Defense Council, Inc., Sierra Club, and Citizens Utility Board of Michigan

Mr. Jester, on behalf of MNS and CUB, responds to the direct settlement testimony of WPSC, Energy Michigan, and the BMPs. Mr. Jester focused his rebuttal testimony on “the objecting parties’ claims regarding resource adequacy, the procurement of new clean energy resources by 2025, and MISO capacity credit for solar resources.” 10 Tr 4346.

Mr. Jester responds to claims by WPSC and Energy Michigan that the settlement agreement would worsen the resource adequacy measures in Zone 7 by arguing that “[u]nder the settlement, more than 2,000 ZRCs of capacity will be added to Zone 7 over the next several years.”

10 Tr 4349. Mr. Jester posits that “[t]hese resource additions will not only provide replacement capacity for the retiring Campbell coal plant in 2025, they will result in a significant net increase of capacity when compared to the status quo.” 10 Tr 4349. Specifically, Mr. Jester provides that “the settlement [agreement] will add 1,114 ZRCs to MISO Zone 7 through the acquisition of the Covert combined-cycle gas plant in 2023.” 10 Tr 4349 (footnote omitted). Mr. Jester adds that “the settlement [agreement] provides that Consumers will deploy a new, utility-scale battery storage program in the years 2024-27, which will add approximately 71 ZRCs of new capacity.” 10 Tr 4349-4350 (footnote omitted). Mr. Jester posits that “because the settlement agreement preserves the solar ramp-up proposed as part of the original PCA, the settlement [agreement] would add 250 ZRCs of new solar generation by the 2025/2026 planning year, increasing to 852 ZRCs by 2028/2029 with further increases throughout the 2030s.” 10 Tr 4350 (footnote omitted). Finally, Mr. Jester argues that “by preserving the EWR and DR provisions from Consumers’ original PCA, the settlement [agreement] will provide 94 ZRCs of demand-side resources by 2025/26, increasing to 231 ZRCs by 2028/29, with further increases in later years.”

10 Tr 4350 (footnote omitted). Mr. Jester concludes that these resource additions will support resource adequacy by providing replacement capacity for the retiring Campbell Units in May 2025. Specifically, Mr. Jester avers that “[i]n the 2025/2026 planning year . . . the settlement [agreement] will result in a projected net increase of at least 127 ZRCs. By 2028/29, the projected increase will be at least 923 ZRCs.” 10 Tr 4350. Mr. Jester notes that these calculations are conservative as they only account for the first tranche of the one-time solicitation seeking up 500 ZRCs of energy and capacity for up to 10 years from dispatchable generation and do not include the resources from the second tranche seeking up to 200 ZRCs of energy and capacity for up to 25 years from clean capacity resources. Mr. Jester posits that the calculations also assume that all of the dispatchable ZRCs come from existing generation sources. Mr. Jester concludes that “the settlement [agreement] will bolster Zone 7’s resource adequacy” and as such, the Commission should disregard resource adequacy concerns raised by WPSC and Energy Michigan. 10 Tr 4352.

Mr. Jester responds to claims by WPSC and posits that “the settlement agreement will improve Consumers’ capacity position relative to the original IRP.” 10 Tr 4352. Mr. Jester opines that WPSC’s claim that the proposed settlement agreement continues to assume capacity replacements that add no incremental capacity to Zone 7 is “plainly incorrect” as “the settlement provides for more than 2,000 ZRCs of new Zone 7 capacity over the next six years, including the addition of the Covert plant (1,114 ZRC) in 2023. 10 Tr 4353. Mr. Jester posits that, as explained above, the one-time solicitation will result in a net increase of ZRCs in both the 2025/26 and 2028/29 planning years. 10 Tr 4353.

Mr. Jester responds to WPSC’s arguments that solicited resources cannot be built in time to provide energy and capacity in the 2025/26 planning year. Mr. Jester posits that “no party has claimed that the dispatchable generation tranche will be supplied with new resources” and thus,



“the evidence does not support Mr. King’s speculative claims about the difficulty of developing new clean energy resources by 2025/26.” 10 Tr 4353. Further, Mr. Jester avers that “Consumers would have enough capacity resources to meet customer needs in 2025/26 even if the one-time solicitation failed entirely.” 10 Tr 4353.

Finally, regarding Consumers’ capacity position, Mr. Jester rebuts WPSC’s claim that Consumers will be capacity negative in 2025. Mr. Jester posits that the testimony provided by Mr. King “does not explain some of the assumptions reflected in [Exhibit WPSC-7]” and “does not present independent sources to support his claims about increased load and the PRMR margin.” 10 Tr 4355 (footnote omitted). Mr. Jester also avers that Mr. King’s projected capacity position assumes that Karn Units 3 and 4 were operating in planning year 2025/2026 when Consumers capacity demonstration filing assumed Karn Units 3 and 4 would have retired in 2023, and the CMS plants would be acquired in 2025, in line with the implementation of the original PCA. Mr. Jester notes that in Case No. U-21099, the Staff concluded that “all Michigan LSEs have satisfied the capacity demonstration requirements and have procured appropriate levels of resources for planning year 2025/26.” 10 Tr 4356 (quoting Case No. U-21099, filing #U-21099-0060, p. iii).

Mr. Jester addresses the arguments of the BMPs and WPSC about recent PRA results. As Mr. Jester summarizes, “Mr. Polich asserts that MISO Zone 7 is projected to be short in 2023, and Mr. King cites the PRA results in warning more broadly about reliability risks.” 10 Tr 4358 (footnote omitted). Mr. Jester opines that “[a]lthough . . . MISO should carefully scrutinize the PRA results and pursue solutions to improve resource adequacy for MISO North/Central, the auction results do not undercut the settlement agreement in this case.” 10 Tr 4358. Mr. Jester reiterates that “the settlement agreement will *improve* Zone 7’s resource adequacy.” 10 Tr 4358-

4359 (emphasis in original). Further, Mr. Jester posits that “[b]ecause the settlement improves the capacity position of MISO Zone 7, it therefore also improves the capacity position of MISO’s North/Central region.” 10 Tr 4360.

Mr. Jester responds to the BMPs’ and WPSC’s concerns that there is not enough time to develop new resources capable of bidding into the one-time solicitation for clean energy resources and the possible decline of the ELCC of solar. Mr. Jester posits that concerns about developing clean energy resources by the 2025/2026 planning year are based on the assumption that the development process would not start until 2023. 10 Tr 4361. Mr. Jester first reiterates his position that “no one has suggested that the dispatchable generation tranche (500 ZRCs) of the one-time solicitation will be filled with new resources. . . .” 10 Tr 4362. Mr. Jester then opines that while the witnesses for the BMPs and WPSC assume that projects will not begin development until 2023, “[i]n reality, there are numerous clean energy projects already in the MISO generator interconnection queue. Because these projects are already in development, many of them will likely be capable of bidding into the solicitations for planning year 2025/26.” 10 Tr 4362-4363. Mr. Jester posits that there are currently “more than 13,011 MW of solar, battery, and solar/battery hybrid projects located in the MISO Zone 7 that have an application in-service date by or before June 1, 2025” including “9,842 MW of solar, 1,249 MW of solar/battery hybrid, and 1,920 MW of battery storage.” 10 Tr 4363-4364 (footnotes omitted). Mr. Jester notes that a number of the projects have completed phase 2 or phase 3 of interconnection studies and are therefore highly likely to proceed. 10 Tr 4364. Mr. Jester thus concludes that the concerns raised by the BMPs and WPSC are misplaced.

Regarding the concerns of the BMPs and WPSC about the potential decline of solar ELCC from 50%, Mr. Jester posits that “[a]lthough MISO has had discussions about adjusting solar’s

ELCC as part of its future shift to a seasonal capacity market, no such proposal has been finalized nor submitted for FERC [Federal Energy Regulatory Commission] approval.” 10 Tr 4365.

Mr. Jester notes that a MISO stakeholder process subcommittee has been using modeling assumptions including an “ELCC of 50% through 2026, and with the ELCC linearly declining in subsequent years until it hits 20% in 2041.” 10 Tr 4365-4366 (footnote omitted). In his footnote, Mr. Jester elaborates that “[f]or the previous year’s analysis, the subcommittee modeled a decline to 30%, which may be where Mr. Polich got his figure.” 10 Tr 4366, n. 51. However, Mr. Jester opines that “[t]his modeling document does not undercut the reasonableness of the settlement agreement[,]” providing that “this document is simply describing a modeling analysis; it does not reflect a policy change.” 10 Tr 4366. Mr. Jester also provides that “accreditation for each solar facility begins at 50% until operational records from that facility become available, after which it is based on average production during the hours of 2pm to 5pm ET in the months of June, July, and August.” 10 Tr 4366 (footnote omitted). Mr. Jester argues that this distinction is important as “there is on-the-ground evidence in Michigan that the ELCC for solar facilities may be much higher.” 10 Tr 4367. Specifically, “Consumers currently has three solar facilities whose MISO capacity credit ranges between 56.67% and 67%.” 10 Tr 4367 (footnote omitted). Finally, Mr. Jester notes that “although the ELCC of new solar may decline if solar achieves high levels of penetration in Michigan, that effect can be mitigated, and this dynamic will not affect the capacity provided by solar deployed in the earlier years of Consumers’ resource plan.” 10 Tr 4367.

2. Environmental Law and Policy Center of the Midwest, Ecology Center, Inc., Union of Concerned Scientists, Inc., and Vote Solar

Kevin Lucas, Senior Director of Utility Regulation and Policy at the Solar Energy Industries Association (SEIA), responds to the direct settlement testimony of WPSC on behalf of the CEOs. Mr. Lucas responds to the assertion by WPSC’s witness, Mr. King, that the solar capacity sought

by Consumers “will not be available by 2025 due to the current United States Department of Commerce . . . investigation regarding avoidance of tariffs from Chinese-made solar cells.”

10 Tr 4382. Mr. Lucas provides that “the DOC is investigating whether solar imports from Cambodia, Malaysia, Thailand, and Vietnam are circumventing antidumping and countervailing duties on Chinese-made crystalline silicon cells” and further, “[i]f imposed, tariffs would increase the cost of solar products from these countries 50-250% . . . .” 10 Tr 4382. Mr. Lucas avers that “[b]ecause of the uncertainty surrounding pricing of solar panels due to the retroactive nature of potential tariffs, panel shipments to the US have largely frozen since DOC initiated its investigation. This in turn impacts projects that are under construction and planned to come online in the near future as they are unable to secure a supply of solar panels.” 10 Tr 4383. However, Mr. Lucas posits that “SEIA believes the current supply chain issue is largely short-term and that it will be mitigated when a decision is reached and as domestic manufacturing capacity comes online.” 10 Tr 4384. Thus, Mr. Lucas concludes that Mr. King’s arguments are not supported by analysis and “[w]hile there may be some projects in Michigan that experience schedule impacts from the DOC investigation, these impacts are concentrated in the relatively near-term period.” 10 Tr 4384.

### 3. The Commission Staff

Mr. Proudfoot, on behalf of the Staff, responds to the direct settlement testimony of Energy Michigan and WPSC. Mr. Proudfoot limits his rebuttal testimony to the issues of the resource acquisition methodology of the one-time solicitation, resource adequacy, and the application of the settlement agreement factors outlined in Rule 431(5) parts (b) and (c). Addressing Mr. Zakem’s concerns that the settlement agreement does not require that the 500 ZRCs acquired through the one-time solicitation be additional resources to those present in Zone 7, Mr. Proudfoot posits that

“Mr. Zakem fails to recognize that Subsection 6.b.1. does not require the 500 ZRCs to be pre-existing (already counted towards MISO Zone 7 resource adequacy).” 10 Tr 4404. Mr. Proudfoot notes that under the terms of the settlement agreement, these resources will be competitively bid, thus “respondents to the solicitation could be from some of the projects currently in the MISO Queue (ITC Transmission, Michigan only) that makes up nearly 1,800 MW of projects that are currently in Study Phase 2 or 3.” 10 Tr 4404 (footnote omitted).

Mr. Proudfoot states that, in contrast to the RFP conducted by the company in its IRP filing which was limited to pre-existing gas resources within Zone 7, “the Company is now requesting dispatchable, non-intermittent resources (not specifically gas) with no requirement to be pre-existing.” 10 Tr 4404. Mr. Proudfoot argues that “between existing projects and the intermittent and dispatchable projects in the MISO Queue, there is opportunity to add new capacity within MISO Zone 7.” 10 Tr 4404. Mr. Proudfoot also notes that in the second tranche of the one-time solicitation provided for in subsection 6.b.1.ii of the settlement agreement, “the Company will request 200 ZRCs from unaffiliated third parties via Power Purchase Agreements (PPAs) for intermittent and dispatchable resources.” 10 Tr 4405. Thus, Mr. Proudfoot concludes that “[b]etween the two tranches, the Settlement Agreement provides the opportunity for a wide variety of new resources to bid in and ultimately be built within MISO Zone 7 . . . .” 10 Tr 4405.

Mr. Proudfoot responds to resource adequacy concerns made by Energy Michigan and WPSC. Mr. Proudfoot asserts that the settlement agreement is “a resource adequacy improvement over the Company’s original PCA.” 10 Tr 4405. Mr. Proudfoot cites the key difference between the resource adequacy of the company’s original PCA and the settlement agreement to be the delayed retirement of Karn Units 3 and 4. Mr. Proudfoot explains that the original PCA called for the retirement of Karn Units 3 and 4 by May 31, 2023, while the settlement agreement delays the

retirement until May 31, 2031. Mr. Proudfoot posits that Consumers “was originally proposing to retire approximately 2800 MW (nameplate) generation from MISO Zone 7” while the settlement agreement “only retires a portion of that amount, approximately 1500 MW . . . .” 10 Tr 4405.

Further, Mr. Proudfoot notes that along with the commitment to retire the entire Campbell plant, Consumers “is proposing to add approximately 1176 MW to Zone 7 through the acquisition of the Covert Power Plant.” 10 Tr 4405. Further, Mr. Proudfoot provides that Consumers “continues its solar build out and is expected to add 300 MW of solar resources in 2023, 500 MW of solar resources in 2024, and 500 MW of solar resources in 2025[.]” noting that under the current MISO ELCC construct, “that is approximately 400 ZRC’s [sic] of new resources within MISO Zone 7.” 10 Tr 4406 (footnote omitted). Mr. Proudfoot adds that the one-time solicitation for 700 MW set forth in the settlement agreement is additional to the resources outlined above. 10 Tr 4406.

Mr. Proudfoot concludes that the “Staff does not believe the [settlement agreement] is likely to result in the Company being short on capacity in 2025.” 10 Tr 4406. Mr. Proudfoot opines that the 7.4% reserve margin used by Consumers in its Capacity Demonstration in Case No. U-21099 is reasonable as it “comes directly from the 2022-2023 MISO Loss of Load Expectation (LOLE) Study Report.” 10 Tr 4406 (footnote omitted).

Regarding Rule 431(5)(a), Mr. Proudfoot testifies that all parties have been given an opportunity to present arguments in opposition to the settlement agreement through direct and rebuttal testimony. 10 Tr 4407. In regard to Rule 431(5)(b) and (c), Mr. Proudfoot asserts that the “Staff believes that Consumers has adequately met its requirements under [Public Act] 341 of 2016 . . . and provided a reasonable revised PCA.” 10 Tr 4407. Mr. Proudfoot posits that not only did Consumers and the Staff sign the settlement agreement, but so did other parties who represent residential customers (the Attorney General, CUB, and Urban Core Collective); commercial and

industrial customers (HSC, MCV, and MPPA); businesses in Michigan’s advanced energy sector (EIBC/IEI/CGA); environmental groups (MNS and the CEOs); a transmission company (METC); and third-party developers (GLREA). 10 Tr 4407-4408. Mr. Proudfoot opines that the signatories to the settlement agreement “represent most, if not all, of Michigan’s sectors concerned with the future of energy related issues.” 10 Tr 4408. Mr. Proudfoot concludes that “it is Staff’s opinion that this [settlement agreement] meets the requirements of Rule 431.” 10 Tr 4408.

#### 4. Biomass Merchant Plants

Mr. Polich, on behalf of the BMPs, filed rebuttal testimony to reassert his position that the continued operation of the biomass plants fosters resource adequacy and contributes to Consumers goal of being carbon neutral by 2040. 10 Tr 4289. Mr. Polich takes the position that “it is in the Public Interest for the continued utilization of the Biomass Plants to be incorporated into the [s]ettlement [agreement] by extending their contracts through at least 2035” as it will “help alleviate Consumers’ capacity deficiency that occurs in several years of 2025 through 2038 . . . .” 10 Tr 4289. Mr. Polich poses that there are “significant risks associated with adding 7,800 MW of solar capacity as proposed[,]” including the magnitude of the capacity; the possible lowering of MISO’s current 50% solar accreditation; and MISO interconnection, development, financing, and construction risks. 10 Tr 4290-4291. Mr. Polich also notes the settlement agreement’s “reliance on natural gas generation as the only form of non-intermittent generation to supplement the renewable generation.” 10 Tr 4291.

Mr. Polich responds to MNS’ position that the settlement agreement improves upon Consumers’ initially filed PCA by eliminating the purchase of certain gas plants from Consumers’ affiliate CMS Enterprises. Mr. Polich asserts that “[s]ince the only bidders in the One-Time Solicitation first tranche will likely be existing generation, the bidders will be the same entities that

bid into Consumers' solicitation that resulted in three CMS plants being successful bidders."

10 Tr 4292. Mr. Polich also responds to Mr. Jester's testimony that the second tranche of the one-time solicitation is beneficial to the public interest. Mr. Polich argues that "the timing of the solicitation and 2025 in-service date will limit bidders to those with MISO interconnection agreements, preliminary engineering, major equipment under contract, and rights to construction sites already procured" adding that "it is highly unlikely any generation project can be constructed by the summer of 2025 in-service date." 10 Tr 4293.

#### 5. Wolverine Power Supply Cooperative

Mr. King, on behalf of WPSC, responds to the direct testimony of MNS and the BMPs. Mr. King focuses his testimony on Mr. Jester's claims regarding "the clear reliability deficiencies resulting from the proposed: (1) one-time solicitation; (2) retirement dates for Campbell Unit 3 and Karn Units 3 and 4; and (3) transmission considerations." 10 Tr 4311. Additionally, Mr. King focuses on Mr. Polich's "statements identifying Zone 7 and Consumers as import dependent." 10 Tr 4311.

Mr. King disagrees with Mr. Jester's position that "the one-time solicitation of 700 ZRCs contemplated in the disputed [settlement] agreement is a reasonable and beneficial settlement [agreement] term sufficient to replace the retirement of Campbell Unit 3." 10 Tr 4311. Mr. King reasserts that "500 of the 700 ZRC[s] are unlikely to result in any new capacity to Zone 7 due to the solicitation requirements being 'dispatchable, non-intermittent generation capable of dispatching up or down in every hour of the year...[in] Zone 7.'" 10 Tr 4312 (quoting Settlement Agreement, p. 6). Mr. King further provides that "only the CMS plants, or a portion thereof, are available today in Zone 7. And nothing new exists in MISO's interconnection queue."

10 Tr 4312. Mr. King posits that, "the second tranche of 200 ZRCs are likely to be procured from



intermittent resources . . . because much like Tranche 1, there are unlikely any nonintermittent resources available today or in the MISO interconnection queue.” 10 Tr 4312. Mr. King asserts that there are reliability implications if the CMS plants are the only resources available to participate in the one-time solicitation. Specifically, “[r]eplacing Campbell Unit 3 with existing Zone 7 capacity produces a net negative capacity position in the Zone.” 10 Tr 4312.

Mr. King opines that by supporting the retirement of Campbell Unit 3, Mr. Jester, “fails to analyze, or even consider, the public health and safety impacts resulting from lower reliability.” 10 Tr 4313.

Mr. King addresses Mr. Jester’s position that delaying the retirement of Karn Units 3 and 4 from 2023 to 2031 is a reasonable and beneficial settlement term. Mr. King argues that “[w]hile the continued operation of existing resources is prudent in order to maintain reliability, extending the retirement date for Karn Units 3 and 4 does not appear to be a reasonable or prudent path as the units are, [sic] less reliable and provide insufficient additional capacity.” 10 Tr 4314.

Specifically, Mr. King provides that the settlement agreement proposes to extend the operation Karn Units 3 and 4 which have an installed capacity of 1,120 MW and accredited capacity of 790 MW (70.5% accredited) while continuing to expedite the retirement of the Campbell Units which have an installed capacity of 1,393 MW and an accredited capacity of 1,346 MW (96.6% accredited). 10 Tr 4314.

Mr. King refutes Mr. Jester’s testimony supporting the settlement terms that require Consumers to consider the reliability and economic value of transmission in its next IRP to access resources outside Zone 7. Mr. King posits that this consideration must happen sooner than Consumers’ next IRP as “Zone 7 is already import reliant in the upcoming 2022/23 Planning Year (and has been for seven of the last nine capacity auctions) to meet its PRMR . . . .” 10 Tr 4314.

Mr. King avers that “[w]hen Consumers and Zone 7 are import reliant . . . [i]f one of a few existing ties fails or export capability (elsewhere) is reduced (e.g., retirements or forced outage), proportional load shed is the next step.” 10 Tr 4315.

Finally, Mr. King encourages improving access to external resources. 10 Tr 4315. Mr. King posits that “Michigan should demand greater, more resilient, and more diverse ties to the greater market/grid.” 10 Tr 4315.

6. Michigan Energy Innovation Business Council, Institute for Energy Innovation, and Clean Grid Alliance

EIBC/IEI/CGA presented the rebuttal testimony of Edward Burgess, the Senior Director at Strategen Consulting. Mr. Burgess responds to the direct testimony of Mr. Polich on behalf of the BMPs on “timing delays and other risks associated with solar development[,]” specifically, that the settlement “simply ignores risks associated with intermittent solar generation.”

10 Tr 4388-4389 (footnote omitted). Mr. Burgess opines that the settlement addresses some of these potential risks by turning them into opportunities, such as better utilization of Michigan manufactured components and low-carbon manufacturing. 10 Tr 4389. Mr. Burgess rebuts Mr. Polich’s position that the one-time solicitation outlined in the settlement agreement is flawed. Mr. Burgess posits that Mr. Polich’s assumptions that “the second tranche procurement Settlement Paragraph 6.b.ii ‘will likely result in the acquisition of only intermittent generation because solar generation with battery storage will likely be too expensive to compete with solar generation without battery storage and due to shortages of material’” is an improper reading of the settlement [agreement]. 10 Tr 4389-4390 (quoting 10 Tr 4281) (footnote omitted). Mr. Burgess asserts that “[t]he fact that the ‘duration of the contract length’ will be taken into account for all new supply side resources, including solar and battery storage capacity options, will enable especially battery storage capacity options to be evaluated on par with intermittent resources in terms of the full price

of the contract.” 10 Tr 4390 (quoting Settlement Agreement, p. 6). Further, Mr. Burgess adds that “the fact that the solicitation is tailored towards ZRCs that meet the Local Clearing Requirements of MISO Zone 7 means that it already inherently accounts for any intermittency concerns through the MISO capacity accreditation process.” 10 Tr 4390.

Finally, Mr. Burgess posits that the technology neutral language of the one-time solicitation in section 6.b.ii of the settlement agreement rectifies concerns that Consumers’ initial PCA “did not adequately model nor otherwise address the potential inclusion of battery storage resources.” 10 Tr 4391.

## 7. Consumers

Consumers presented the rebuttal testimony and exhibits of Richard T. Blumenstock, Thomas P. Clark, and Michael A. Torrey. Each witness’ testimony will be addressed here in turn.

Mr. Blumenstock, Executive Director of Electric Supply at Consumers, focuses his rebuttal testimony on responding to assertions raised by Energy Michigan, WPSC, and the BMPs.

Mr. Blumenstock provides an overview of how the settlement agreement aligns with subsection 6t(8)(a)(i-vii) of Act 341, MCL 460.6t(8)(a)(i-vii), on pages 7-15 of his rebuttal testimony.

Mr. Blumenstock responds to the testimony of Energy Michigan’s witness Zakem by claiming:

Energy Michigan is continuing to rely on its direct testimony as previously submitted in this case before the Settlement Agreement was reached . . . . 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 . . . 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.

10 Tr 4128-4129. Thus, Mr. Blumenstock posits that Mr. Zakem’s assessment “no longer accurately describes the elements of the PCA, as modified by the Settlement Agreement.”

10 Tr 4129. Mr. Blumenstock also claims that Mr. Zakem’s position that the one-time solicitation provided for in the settlement agreement may result in resources that are already being counted toward resource adequacy requirements in MISO Zone 7 is speculative. 10 Tr 4129.

Mr. Blumenstock responds to WPSC’s arguments on purported reliability issues that Mr. King claims are at risk in the settlement agreement. Addressing Mr. King’s argument that Consumers will likely be capacity negative in 2025, Mr. Blumenstock argues that the 28 ZRC capacity shortfall Mr. King calculated is insignificant as “a small magnitude surplus *or* shortfall can shift over a relatively short period of time. This is why the Company implements a strategy of maintaining approximately 200 ZRCs of capacity surplus.” 10 Tr 4131 (emphasis in original). Mr. Blumenstock posits that Mr. King’s capacity position calculation is also flawed as it “relies on the exclusion of capacity acquired through the one-time solicitation . . .” 10 Tr 4131 (emphasis in original). Mr. Blumenstock further provides that Mr. King’s “claim that the Company could be capacity negative in 2025 would assume the Company is wholly unsuccessful in its one-time solicitation—that 0 ZRC of capacity are acquired through a Request for Proposals soliciting up to 700 ZRCs.” 10 Tr 4131. Mr. Blumenstock avers that Mr. King’s testimony fails to explain how the equalization adjustment factor used in his capacity position is calculated or appropriately used. 10 Tr 4133.

Mr. Blumenstock responds to the BMPs’ testimony by Mr. Polich that “the Company did not appropriately consider biomass plants in this IRP . . .” 10 Tr 4135. Mr. Blumenstock opines that “the Company is not under any obligation to enter new PPAs with the BMPs or extend the BMPs’ existing contracts.” 10 Tr 4135. Mr. Blumenstock asserts that “the Company did consider biomass plants in the development of the IRP. The Company considered biomass plants as it began its modeling process, but due to the fact that those resources were not viable options on an

economic or cost basis, biomass plants did not pass the Company's resource screen process.

10 Tr 4136. Mr. Blumenstock notes that "the plants which make up the BMPs are included in the PCA through the end of their current PPA terms." 10 Tr 4136. Mr. Blumenstock opines that "the flaw in the BMPs' position is that the Company did not have adequate information to determine the cost of new PPAs or PPA extensions with the BMPs in the development of this IRP" and "throughout this proceeding, the BMPs have failed to produce any evidence in the record establishing the costs that the BMPs could agree to in new PPAs or PPA extension[s]."

10 Tr 4136.

Mr. Blumenstock addresses Mr. Polich's testimony making recommendations to the proposed settlement agreement, arguing that "Paragraph 22 of the Settlement Agreement provides that if the Commission rejects or modifies the Settlement Agreement or any provision of the Settlement Agreement, the Settlement Agreement shall be deemed to be withdrawn." 10 Tr 4137.

Mr. Blumenstock also asserts that the BMPs' requested modifications to the settlement agreement are "beyond the scope of this contested settlement." 10 Tr 4138.

Mr. Blumenstock responds to Mr. Polich's claims that the settlement agreement will result in Consumers having "excess capacity between 2023 and 2030 and capacity shortages between 2031 and 2038." 10 Tr 4139. Mr. Blumenstock elaborates that "the Purchase Sale Agreement ('PSA') for [the Covert] plant provides for the purchase in 2023" and "Mr. Polich has also not established that the Company has any ability to move the start date of the Covert Plant purchase." 10 Tr 4140. Further, Mr. Blumenstock posits that "even if the Covert Plant does provide surplus energy and capacity for a short period, the Company can monetize the energy and capacity of the Covert Plant by selling it into the MISO markets and using the resulting revenue to lower power supply costs to

the benefit of customers.” 10 Tr 4141. Responding to Mr. Polich’s assertion that the one-time solicitation is not needed until 2030, Mr. Blumenstock opines that:

the one-time solicitation included in the proposed Settlement Agreement also supports the retirement of Campbell Units 1, 2, and 3. It is expected that the 500 ZRCs of dispatchable generation and the 200 ZRCs of intermittent and non-intermittent clean resources will provide sufficiency of supply to support retirement of the Campbell Units. However, until such resources are acquired and operational on behalf of customers, the Settlement Agreement provides for continued operation of Karn Units 3 and 4, which provide low-cost capacity for the benefit of customers. The continued operation of Karn Units 3 and 4 further addresses reliability concerns for customers.

10 Tr 4141. Mr. Blumenstock concludes that “[b]ecause the one-time solicitation will support the retirement of Campbell Units 1, 2, and 3, and the need for continued operations of Karn 3 and 4 can be assessed in the future, the BMPs have not established that the one-time solicitation is unnecessary or to the detriment of customers.” 10 Tr 4141-4142,

Mr. Blumenstock rebuts Mr. Polich’s claim that the settlement agreement will result in a capacity shortfall position in the years 2031 through 2038. Mr. Blumenstock explains that “Mr. Polich suggests that *if* a change to solar accreditation is made at MISO, the PCA would result in capacity shortfalls eight years into the future.” 10 Tr 4142 (emphasis in original).

Mr. Blumenstock posits that “the PCA was developed using current MISO solar capacity accreditation practices.” 10 Tr 4142. Mr. Blumenstock opines that “[w]hile discussions in MISO have raised the possibility of changes to solar capacity accreditation, it would be premature to adopt such changes ahead of MISO itself issuing the rule change.” 10 Tr 4142. Further, Mr. Blumenstock provides that “at the Company’s existing solar facilities, capacity accreditation, based on actual performance, has been as high as 65%” and “[w]hile the possibility of lowering the accreditation is under consideration, actual performance will ultimately dictate the levels of capacity customers receive from these resources.” 10 Tr 4142. Additionally, Mr. Blumenstock

notes that Mr. Polich’s projected capacity shortfall is to occur eight years in the future.

Mr. Blumenstock avers that Consumers “will file at least one, if not multiple IRPs between now and that time. If changes to solar accreditation occur at MISO, the Company has ample time to respond and adjust the PCA.” 10 Tr 4143-4144.

Mr. Blumenstock responds to Mr. Polich’s arguments that the one-time solicitation proposed in the settlement agreement is “deeply flawed.” 10 Tr 4144; 10 Tr 4289. In response to Mr. Polich’s claims that “the one-time solicitation will favor existing generation facilities[,]” specifically due to “engineering, financing, and construction time limitations, as well as delays in the MISO interconnection process[,]” Mr. Blumenstock “disagrees that this is a flaw in the design of the solicitation.” 10 Tr 4144. Mr. Blumenstock posits that “the resources acquired in the one-time solicitation will help replace the capacity and energy lost by Campbell Units 1, 2, and 3 in 2025” and “[f]urthermore, beyond speculating what plants can participate, Mr. Polich fails to establish anything unreasonable about the solicitation.” 10 Tr 4144. Mr. Blumenstock avers that the resources sought in the one-time solicitation are consistent with the modeling presented by the company in its principal case.

In response to Mr. Polich’s argument that Consumers chose to exclude the BMPs from its IRP, Mr. Blumenstock avers that the settlement provides that the first tranche of the solicitation requires “dispatchable, nonintermittent generation *capable* of dispatching up or down in every hour of the year in response to wholesale energy market signals.” 10 Tr 4146 (emphasis in original) (quoting Settlement Agreement, p. 6); *see also*, 10 Tr 4272. Mr. Blumenstock argues that Mr. Polich has asserted throughout these proceedings “that the BMPs’ ‘generation facilities can provide *around the clock*, renewable, *dispatchable* and reliable power generation.’” 10 Tr 4146 (emphasis in original) (quoting 7 Tr 2684). Mr. Blumenstock concludes that Mr. Polich’s testimony with regard

to the fact that the BMPs are dispatchable has been inconsistent. 10 Tr 4146. Additionally, Mr. Blumenstock provides that “certain BMPs are offered into the MISO Day-Ahead Market as units which can dispatch on an hourly basis. Since the MISO Day-Ahead Market clears the day prior to operation, the plants are provided dispatch notice prior to actual operation.” 10 Tr 4147.

Mr. Blumenstock rebuts Mr. Polich’s claim that the term “clean capacity resources,” is not defined in the settlement agreement. Mr. Blumenstock asserts that “[t]he Company’s generation portfolio includes fossil fuel and clean capacity resources such as solar and hydro generation.” 10 Tr 4147. Mr. Blumenstock provides that “[t]he Settlement Agreement specifically provides that ‘[t]his tranche will seek intermittent resources and dispatchable, nonintermittent clean capacity resources *(including battery storage resources)* providing capacity which meets the Local Clearing Requirement of MISO Zone 7.’” 10 Tr 4148 (emphasis in original) (quoting Settlement Agreement, p. 6). Mr. Blumenstock argues that “[s]ince the Settlement Agreement provides ‘battery storage resources’ as an example of the ‘dispatchable, nonintermittent clean capacity resources’ that can participate in the second tranche, the Settlement Agreement is not ‘very ambiguous,’ as Mr. Polich claims.” 10 Tr 4148 (citing 10 Tr 4280).

Mr. Blumenstock addresses Mr. Polich’s arguments that the one-time solicitation “‘will likely result in Consumers acquiring [a] substantial amount of natural gas capacity in addition to the Covert capacity’” and “‘volatility of natural gas pricing.’” 10 Tr 4148 (quoting 10 Tr 4281). Mr. Blumenstock dismisses Mr. Polich’s arguments as speculation and asserts that Consumers witness Brian D. Gallaway addressed gas prices in the initial record of this case and “‘established that gas price volatility is not expected to continue into the future.’” 10 Tr 4148. Further, Mr. Blumenstock asserts that “the Company will have an incredibly diverse resources portfolio that includes: pumped storage and hydro generation, gas generation, wind generation, solar



generation, energy efficiency, DR, and emerging technologies such as grid modernization and battery storage to meet the future demand of its customers.” 10 Tr 4148-4149. Mr. Blumenstock also posits that “[t]he Company maintains PPAs with numerous technology types.” 10 Tr 4149.

Mr. Blumenstock addresses Mr. Polich’s final concern with the one-time solicitation, that the one-time solicitation will result in “‘only intermittent generation because solar generation with battery storage will likely be too expensive to compete with solar generation without battery storage and due to shortages of materials.’” 10 Tr 4149 (quoting 10 Tr 4281). Mr. Blumenstock again dismisses this argument as speculation and opines that “[t]he one-time solicitation is a competitive bidding process which will consider the value of the resources which are bid. If certain resources are ‘too expensive,’ as Mr. Polich claims, that issue will naturally be resolved through the ranking of eligible bids.” 10 Tr 4149.

Addressing Mr. Polich’s testimony that the settlement agreement does not meet the intent of being carbon neutral by 2040 as stated in the settlement agreement, Mr. Blumenstock replies that “[p]aragraph 16 of the Settlement Agreement merely reiterates that the Company’s filed IRP ‘set forth a proposal to be Carbon Neutral by 2040 and retire all coal generation by 2025.’” 10 Tr 4149 (quoting Settlement Agreement, p. 13). However, Mr. Blumenstock posits that “there is nothing in the Settlement Agreement that will necessarily impede the Company’s ability to meet its goal.” 10 Tr 4149. Further, Mr. Blumenstock provides that “the 20-year capacity plan provided by the Company in this IRP assumed cessation of the Covert Plant by May 31, 2040. The final solution in 2040 will vary dependent upon the evolution of cleaner technologies, the possibility of carbon sequestration technologies, and potential for carbon offsets.” 10 Tr 4150.

Turning to Mr. Polich’s assertion that Karn Units 3 and 4 could be designated as a system support resource (SSR) by MISO, Mr. Blumenstock posits that “[a]n SSR designation would not

be due to a capacity or energy shortfall. An SSR designation would result from an electric transmission system deficiency that must be mitigated before Karn Units 3 and 4 could be retired.” 10 Tr 4152. Mr. Blumenstock avers that “Karn Units 3 and 4 will continue to operate to ensure near-term reliability for the benefit of Consumers Energy customers. These units may be operated through May 31, 2031, depending on the Company’s capacity needs and the outcome of the Company’s resource procurement efforts.” 10 Tr 4152. Mr. Blumenstock also provides that the cost burden associated with designating Karn Units 3 and 4 as SSR units would shift to the entirety of Zone 7 and would thus not pose an increased risk to customers. 10 Tr 4152.

Mr. Blumenstock concludes that Energy Michigan, WPSC, and the BMPs have not established any basis for the Commission to reject the settlement agreement. 10 Tr 4154.

In his rebuttal testimony, Mr. Clark responds to claims raised by Energy Michigan, WPSC, and the BMPs. Specifically, Mr. Clark focuses his rebuttal testimony on: (1) reliability concerns raised by these witnesses in connection with Consumers’ retirement of Campbell Unit 3; (2) the potential volatility of MISO’s capacity planning process and its impact on the company’s customers; (3) claims that the settlement agreement fails to address the forthcoming MISO seasonal capacity construct; (4) claims that the settlement agreement will impact reliability for residents in the lower peninsula and result in a capacity shortfall between 2031 and 2038; and (5) claims regarding competitive pricing in Michigan resulting from the settlement agreement. 10 Tr 4223.

Mr. Clark responds to Mr. King’s positions on behalf of WPSC with regard to the company’s projected solar capacity additions and their accreditations. Mr. Clark posits that the company is confident that its solar capacity expansion will be successful despite issues with supply chain and local zoning and “to the extent that the Company experiences minor delays beyond the 2025-2026

planning year, it continues to have sufficient capacity to reliably serve its load as a result of the continuing operation of Karn Units 3 and 4 and the one-time solicitation proposed in the Settlement Agreement.” 10 Tr 4227. With respect to a potential reduction in solar capacity accreditation, Mr. Clark opines that “the current ELCC is 50% of a solar generator’s installed capacity, and there is no certainty of timeline for a reduction from the current MISO practice.” 10 Tr 4227.

Mr. Clark rebuts Mr. King’s testimony “that a continued reduction to the Company’s PRMR is not reasonable,” stating that “[w]hile the Company’s forecasted load may be increasing, the Company’s internal waste reduction and demand response programs are also increasing, thereby offsetting a large portion of the growth.” 10 Tr 4227. Mr. Clark adds that “the planning reserve margin (‘PRM’) provided by MISO is decreasing, thereby allowing the Company’s PRMR to decrease rather than increase.” 10 Tr 4227-4228 (footnote omitted). Mr. Clark provides that “[t]he Company’s most recent capacity demonstration filing reflects that the PRM provided by MISO dropped from 8.70% for planning year 2022-2023 to 7.40% for planning year 2025-2026.” 10 Tr 4228 (footnote omitted). Mr. Clark notes that “[t]he 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.” 10 Tr 4228.

Addressing Mr. King’s argument that Consumers’ IRP is “based almost entirely on a 700 MW speculative solicitation of both dispatchable and intermittent resources[.]” Mr. Clark posits that “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.” 10 Tr 4228 (quoting 10 Tr 4302-4303). Mr. Clark opines that “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[,]” which would be reviewed subsequently in later IRP filings. 10 Tr 4229.

Mr. Clark responds to Energy Michigan's testimony from Mr. Zakem that “the Settlement Agreement will impact resource adequacy and the competitive market because the 500 ZRCs of dispatchable capacity that the company is seeking via solicitation will not necessarily be in addition to what is already being counted toward LRZ 7's resource adequacy requirements.” 10 Tr 4229. Mr. Clark argues that “Consumers Energy, like all other LSEs, is responsible for ensuring that it has adequate supply to meet its customers' needs.” 10 Tr 4229. Mr. Clark posits that “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 LRZ 7 has adequate capacity for all LSEs to meet their customers' supply needs.” 10 Tr 4229.

Addressing Mr. Zakem's concerns that the settlement agreement is anti-competitive, Mr. Clark adds that:

Other LSE's, [sic] like Energy Michigan's AES [alternative electric supplier] members maintain the obligation to serve their own load and to ensure equitable contribution to reliability requirements. Consumers Energy is not responsible to provide a reliability backstop for the benefit of AESs unless the requirement to provide backup capacity is triggered by an AES's failure to meet its own four-year forward capacity obligations as required under Public Act 341 of 2016.

10 Tr 4230. Mr. Clark avers that “[o]ther LSEs have been aware of the Company's PCA since June of 2021[,] which has provided ample time to secure resources they may need to satisfy their own capacity obligations.” 10 Tr 4231. Further, Mr. Clark argues that “the Company has not issued the one-time solicitation yet and therefore, other LSEs continue to have the opportunity and ability to secure resources they may need to satisfy their own capacity obligations prior to the issuance of the one-time solicitation.” *Id.* Mr. Clark posits that “[b]ased on Staff's March 25,

2022 Capacity Demonstration Results report<sup>2</sup> filed in Case No. U-21099, all LSEs met their filing requirement detailing how the necessary capacity resources will be met for the Planning Year 2025-2026 (with one exception).” *Id.* (footnote omitted). Mr. Clark opines that “since all LSEs provided capacity projections through Planning Year 2025-2026, the 500 ZRCs of capacity that the Company will solicit for starting in 2025 should have no impact on an LSE who should have already committed capacity for the Planning Year 2025-2026.” 10 Tr 4231.

Mr. Clark then turns to the assertion of Mr. King on behalf of WPSC and Mr. Zakem on behalf of Energy Michigan on the impact the settlement agreement will have on resource adequacy. Mr. Clark avers that neither party provided specific information showing reliability risks to WPSC or Energy Michigan’s members. 10 Tr 4233.

### C. Initial Briefs

#### 1. Energy Michigan

Energy Michigan contends that the Commission is required to determine that an electric utility’s IRP “represents the most reasonable and prudent means of meeting the electric utility’s energy and capacity needs.” Energy Michigan’s initial brief, pp. 1-2 (quoting MCL 460.6t(8)(a)) (emphasis in original). Energy Michigan further posits that Rule 431 requires that for approval of a proposed contested settlement agreement, the Commission must find that “the settlement is in the public interest, represents a fair and reasonable resolution to the proceeding, and, if the settlement is contested, is supported by substantial evidence on the record as a whole.” Energy Michigan’s initial brief, p. 2 (quoting Rule 431(5)(c)). Energy Michigan avers that “[t]he Commission’s administrative rules may not overrule the underlying statute.” Energy Michigan’s

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<sup>2</sup> Consumers testimony references the Capacity Demonstration Results which can be accessed on the Commission’s website at: <https://mi-psc.force.com/sfc/servlet.shepherd/version/download/0688y000002Qy56AAC> (accessed June 6, 2022).

initial brief, p. 2. Energy Michigan argues that “when a statute and an administrative rule conflict, the statute necessarily controls. While administrative agencies have what have been described as ‘quasi-legislative’ powers, such as rulemaking authority, these agencies cannot exercise legislative power by creating law or changing the laws enacted by the Legislature.” *Id.* (quoting *Imagine Entertainment, Inc v Dep’t of Treasury*, 334 Mich App 658, 664; 965 NW2d 720 (2020)). Energy Michigan posits that under this precedent, the Commission must consider whether the IRP appropriately balances the factors enumerated under Section 6t(8)(a) of Act 341, including: (1) resource adequacy and capacity to serve anticipated peak electric load, applicable planning reserve margin, and local clearing requirement; (2) reliability; and (3) competitive pricing. Energy Michigan’s initial brief, pp. 2-3 (citing MCL 460.6t(8)(a)(i)(iii-iv)). Energy Michigan argues that “[b]ecause Consumers’ proposed settlement [agreement] would have a detrimental effect on resource adequacy, reliability and competitive pricing in Michigan, the Commission should reject Consumers’ proposed Settlement Agreement.” Energy Michigan’s initial brief, p. 3.

Energy Michigan asserts that the proposed settlement agreement fails to meet the standards set forth in Section 6t(8) of Act 341 and is not in the public interest. *Id.* Energy Michigan cites to the record to demonstrate that “the Company is proposing to solicit capacity from wholesale generators that may exist in LRZ 7.” *Id.* (quoting 10 Tr 4229). Energy Michigan argues that changing ownership of resources that already exist in Zone 7 to meet Consumers’ capacity needs “has adverse effects on resource adequacy, reliability, and competitive pricing.” Energy Michigan’s initial brief, p. 3. Energy Michigan argues that while Consumers “does not believe that it has any responsibility for the rest of Michigan (*i.e.*, LRZ 7)[,]” the Commission “has a statutory responsibility to consider resource adequacy and reliability under the requirements of Section 6t.” *Id.*, pp. 3, 4.

Energy Michigan opines that if the one-time solicitation proposed in the settlement agreement is necessary, “the acquisition of 500 MW of existing in-zone capacity would not actually contribute to resource adequacy . . . .” *Id.*, p. 4. Additionally, Energy Michigan posits that if Consumers does not need the capacity represented by the one-time solicitation, “that solicitation is not the most reasonable and prudent means of meeting the utility’s capacity needs, as it would lead to an oversupply” and thus “has the potential to cause a market power issue.” *Id.*

Finally, Energy Michigan “disputes the characterization of this settlement process as involving all parties or as being open to negotiation on the concerns that Energy Michigan expressed in its testimony and briefs.” *Id.*, p. 5. Energy Michigan claims that it “was never invited to a settlement meeting, and Energy Michigan’s comments on the draft settlement agreement were neither welcomed nor considered, as [it was] explicitly told that no changes to the draft [it was] sent would be considered.” *Id.*

Thus, Energy Michigan requests that the Commission reject the proposed settlement agreement as it would negatively affect resource adequacy, reliability, and competitive pricing in Michigan. *Id.*

2. Michigan Environmental Council, Natural Resources Defense Council, Inc., Sierra Club, and Citizens Utility Board of Michigan

MNS contends that the settlement agreement meets all of the requirements of Rule 431 and should be approved.

MNS asserts that the settlement agreement is in the public interest because it results in the closure of the Campbell plant and Consumers’ exit from coal generation by 2025, and this step is critical to addressing the climate crisis and complying with the MI Healthy Climate Plan as shown in Mr. Jester and Mr. Gignac’s testimony. MNS’ initial brief, p. 4 (citing 10 Tr 4330, 4375).

MNS asserts that the settlement agreement benefits the public health in other ways as well,

through the increase to solar resources, the avoidance of the construction of new gas plants, and the removal of numerous other air pollutants (in addition to carbon dioxide) which contribute to numerous premature deaths each year. MNS' initial brief, p. 5 (citing 7 Tr 2426).

MNS notes that the retirement of the Campbell plant provides cost benefits to ratepayers as well. MNS contends that the undisputed evidence in the case showed that Campbell Units 1 and 2 are uneconomic. With respect to Campbell Unit 3, responding to WPSC's argument that this closure should be delayed, MNS notes that the settlement agreement is not severable, making it impossible for the Commission to simply adjust that timeline but approve the settlement agreement. MNS argues that such a delay would be harmful to ratepayers because the retirement of Campbell in 2025 will save customers more than \$150 million. MNS' initial brief, p. 8 (citing 10 Tr 4327).

MNS asserts that the settlement agreement is also in the public interest and a fair and reasonable resolution of the case because "it formalizes two important components of a cleaner grid: Consumers' solar ramp-up from its previous IRP; and faster deployment of battery storage investments . . . ." MNS' initial brief, pp. 8-9. MNS posits that Section 3 of the settlement agreement accelerates the transition to cleaner energy while reserving cost approval for later rate cases. MNS further indicates that the settlement agreement is in the public interest because it provides for stakeholder engagement prior to Consumers' first competitive solicitation for batteries (Section 3) and provides that the second tranche of the one-time ZRC solicitation will include battery storage resources (Section 6.b.ii.). Citing the testimony of Mr. Jester and Mr. Blumenstock, MNS contends that:

Consumers' battery proposal is a fair and reasonable settlement term for three reasons: (1) it will 'bolster Consumers' maintenance of its PRMR'; (2) it will 'support resource adequacy in Zone 7'; and (3) it may 'lead to the development of new battery storage resources within Zone 7.' The addition of battery storage



resources also addresses commodity price risks by providing ‘flexibility to adjust to changes in fuel costs, technology cost, electric demand, or the business environment’ and contributing to the diversification of Consumers’ generation supply. Finally, because Consumers proposed to advance its battery storage investment in response to testimony from Commission Staff, MNS, and other parties, this settlement term reflects the input of parties who represent the public interest.

MNS’ initial brief, p. 10 (quoting 10 Tr 4124, 4339).

MNS posits that the settlement agreement also benefits customers by removing the possibility of the CMS acquisitions which had affiliate transaction issues, significant costs, and significant operational risks. MNS points out that the settlement agreement also benefits ratepayers financially by providing for a 9% ROE to calculate the WACC for the Campbell regulatory asset (Section 5), which is more favorable than the 9.9% ROE approved in Case No. U-20963. MNS notes that Section 13 of the settlement agreement provides for the donations to low-income programs for the remaining term of the Campbell regulatory asset, and further provides that these funds will not be recovered from ratepayers. MNS’ initial brief, pp. 12-15 (quoting 10 Tr 4336). Thus, MNS points out, the settlement agreement facilitates the retirement of aging coal units while providing for lower costs for ratepayers and the funding of low-income bill assistance programs. MNS’ initial brief, p. 15.

MNS argues that the settlement agreement avoids the problematic aspects of Consumers’ original PCA while retaining the benefits, noting that the settlement continues the ramp up of solar PPA procurement, retains the 50/50 ownership-to-PPA ratio, and retains the existing FCM calculation. MNS also points to provisions that benefit the communities that will be affected by the Campbell retirement including community engagement and transition plans (Section 7.b.). *Id.*, pp. 16-19.

Responding to WPSC's arguments, MNS asserts that the settlement agreement will actually help improve resource adequacy. MNS notes that:

the Settlement will add thousands of zonal resource credits (ZRCs) to Zone 7, including:

- 1,114 ZRCs through the acquisition of the Covert combined-cycle gas plant;
- a new battery storage program in the 2024-27, which will add 71 ZRCs of new capacity;
- 250 ZRCs of new solar generation by the 2025/2026 planning year, increasing to 852 ZRCs by 2028/2029, with further increases throughout the 2030s; and
- 94 ZRCs of demand-side resources (EWR and DR) by 2025/26, increasing to 231 ZRCs by 2028/29, with further increases in later years.

MNS' initial brief, p. 20 (citing 10 Tr 4347-4350; Settlement Agreement, paragraphs 1-3; Exhibit A-14, p. 9; and Exhibit MEC-79, p. 1). MNS highlights Mr. Jester's testimony that for the 2025/2026 planning year the settlement agreement will result in an estimated net increase of 127 ZRCs, and for the 2028/2029 planning year a net increase of 923 ZRCs. MNS' initial brief, p. 20 (citing 10 Tr 4349-4350). Added to this is Consumers' obligation to seek PPAs for up to 200 additional ZRCs (Section 6.b.ii.). MNS observes that the Staff agrees that resource adequacy will be strengthened, noting Mr. Proudfoot's testimony that Zone 7 resources will increase, under the terms of the settlement agreement, by approximately 400 ZRCs by 2025. MNS' initial brief, p. 22 (citing 10 Tr 4405-4406). MNS contends that the settlement agreement thereby complies with the statutory requirement that the IRP ensure resource adequacy and capacity. MCL 460.6t(8)(a)(i). MNS also argues that Mr. Jester and Mr. Blumenstock refuted Mr. King's calculations and arguments. MNS' initial brief, p. 23 (citing 10 Tr 4354-4356, 4130-4134).

Finally, MNS points to the diversity of the parties that are signatories to the settlement agreement as evidence that the agreement is in the public interest and argues that, by comparison, the objecting parties' interests are relatively narrow. MNS asserts that Energy Michigan is a trade group with narrow business interests; WPSC is a power supply cooperative with a contractual

interest in opposing the Campbell retirement; the BMPs seek only to extend their PPAs with Consumers; and Mackinac submitted no evidence and evinces only an ideological opposition to closing coal plants. MNS' initial brief, pp. 25-27. MNS argues that the settlement agreement satisfies the Rule 431 criteria and should be approved. *Id.*, pp. 27-28.

### 3. Mackinac Center for Public Policy

Mackinac argues that the Commission should reject the settlement agreement because it does not represent "the most reasonable and prudent means of meeting the electric utility's energy and capacity needs" as required in the language of MCL 460.6t(8)(a). Mackinac's initial brief, p. 3 (quoting MCL 460.6t(8)(a)). Mackinac also contends that the settlement agreement does not meet the requirements of Rule 431(5) because it is not in the public interest and is not supported by substantial evidence on the record. Mackinac's initial brief, pp. 4-5.

Mackinac asserts that the settlement agreement is not in the public interest because it presents a risk of "systemwide instability and rapid price swings." *Id.*, p. 5. Mackinac states that this is partially due to the overreliance in the settlement agreement on acquiring additional power from the MISO market. Mackinac quotes from its exceptions to argue that MISO does not have sufficient capacity to serve the relevant demand. Mackinac asserts that the settlement agreement could cause reliability problems in MISO Zone 7 if early plant closures are "allowed to move forward without sufficient replacement capacity." Mackinac's initial brief, p. 7 (quoting Mackinac's exceptions, p. 7). Mackinac "acknowledge[s] that the proposed Settlement Agreement addresses this somewhat by acknowledging that Karn Units 3 and 4 may be required to stay in operation," but argues that the settlement agreement does not do enough to alleviate the concern about "systemwide instability and rapid price swings." Mackinac's initial brief, p. 8. Mackinac

argues that the recent results of the MISO Planning Resource Auction for Zone 7 show the potential for a shortfall.<sup>3</sup>

Mackinac further states that the settlement agreement fails to consider the recent volatility of natural gas prices. Mackinac argues that natural gas plays a “heavy role” in the settlement and thus natural gas pricing should be central to the Commission’s decision. *Id.*, p. 10. Mackinac again quotes extensively from its exceptions and argues that the settlement agreement fails to address the concerns that were laid out in the exceptions. Mackinac asserts that Henry Hub prices are at “near-historic levels” and that the price of coal compares favorably to natural gas. *Id.*, pp. 14-15. Mackinac asserts that “a reasonable and prudent path would be to rework the Company’s modelling scenarios with more realistic natural gas prices.” *Id.*, p. 15.

Mackinac further expresses concern that:

[p]er the Proposed Settlement Agreement, the Company will spend over \$30 million ratepayer dollars establishing programs specifically designed to limit customer access to electricity services during periods of higher demand (cold or hot weather): \$23,751,000 for demand response programs, and \$9,736,315 for conservation voltage reduction. These expenditures are deemed necessary because the Company is working from its wholly voluntary plan to reach net-zero CO2 emissions by designing a system that will be unable to meet customer demand, especially during periods of extreme weather.

*Id.*, p. 16 (citing Settlement Agreement, p. 4). Mackinac continues, arguing that the settlement agreement fails to address the issues of restricted supply chains and significant price increases for certain minerals such as lithium, cobalt, and nickel. Mackinac posits that Consumers’ planned expansion of the use of batteries will still be insufficient to provide the necessary backup power

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<sup>3</sup> Mackinac’s initial brief contains numerous links to publicly available documents sourced from governmental entities or the media. None of the referenced documents are part of the record in this case. Mackinac did not present evidence in either the primary phase or the contested settlement phase of the case.

during extended periods of inclement weather, and that, in any case, developing a sufficient level of backup battery power would be prohibitively expensive. Mackinac asserts that the settlement agreement also fails to consider the significant environmental costs associated with Consumers' goal of becoming carbon neutral by 2040, which, Mackinac insists, will add to the growing level of "industry-wide instability, insolvencies, supply chain issues, and stalled development projects in the solar and wind industries." Mackinac's initial brief, p. 19.

Mackinac states that, under Section 5 of the settlement agreement, Consumers will be transferring stranded costs associated with Campbell Units 1, 2, and 3 to ratepayers as well as decommissioning costs (after a reasonableness and prudence review). Mackinac opines that an increasing level of instability is being designed into Consumers' system through the loss of large, dispatchable generation sources which are replaced by what it refers to as "weather-dependent and non-dispatchable renewable sources." *Id.*, pp. 9, 19-20.

Mackinac argues that Consumers' proposed donations to low-income programs are "a band-aid solution to the problems caused by its own decision to impose on ratepayers the cost of its wholly voluntary goal of net-zero emission by 2040 goals, as well as the systemwide costs associated with weather-dependent and variable renewable energy sources." *Id.*, pp. 20-21 (footnote omitted). Mackinac concludes that:

The Company is developing and constructing a system that precludes the use of coal and nuclear and relies solely on wind, solar, storage, and (over the upcoming two decades) slowly decreasing levels of natural gas for actual generation of electricity services for customers. Other programs such as EWR, CVR, and demand response target reduced supply and use by customers of electricity services, not the actual provision of electric service to customers. Mackinac Center objects to these measures.

*Id.*, p. 21.

4. Michigan Energy Innovation Business Council, Institute for Energy Innovation, and Clean Grid Alliance

EIBC/IEI/CGA support the settlement agreement, noting that Rule 431 encourages parties to enter into settlement agreements when possible. EIBC/IEI/CGA contend that the settlement agreement meets all of the criteria for an approvable settlement under Rule 431(5) because the objecting parties were given a reasonable opportunity to present evidence and argument in opposition; the public interest is represented by the parties who entered into the agreement; and the settlement agreement is a fair and reasonable resolution of the proceeding that is supported by substantial evidence on the record. EIBC/IEI/CGA note that discovery continued during the contested settlement phase of the case and cross-examination took place. EIBC/IEI/CGA's initial brief, pp. 5-6. They also note the testimony from the Staff regarding the cross-section of signatories to the agreement, including parties who represent residential customers, commercial and industrial customers, advanced energy sector businesses, environmental groups, a transmission company, and third-party developers. *Id.*, p. 7 (citing 10 Tr 4407-4408). EIBC/IEI/CGA note that, under Section 6.b.ii. of the settlement agreement, Consumers is making a commitment to acquiring new clean energy resources of up to 200 ZRCs through PPAs or other third-party agreements. EIBC/IEI/CGA's initial brief, p. 7.

Responding to the objection that the settlement agreement will result in serious supply chain issues, EIBC/IEI/CGA opine that the settlement agreement turns these risks into opportunities by calling for better utilization of "Michigan manufactured components and low-carbon manufacturing" in the competitive bidding process. EIBC/IEI/CGA's initial brief, p. 8 (quoting Settlement Agreement, p. 9). EIBC/IEI/CGA aver that the concerns about pricing that have been expressed by the objectors are addressed by Consumers' commitment to continue the 50/50 company-ownership to third-party ownership construct that was approved in Case No. U-20165.

EIBC/IEI/CGA's initial brief, pp. 9-10. EIBC/IEI/CGA conclude that the settlement agreement meets the requirements of Rule 431(5) and should be approved. *Id.*, pp. 10-11.

5. Michigan Department of Attorney General

The Attorney General states that her primary concerns with Consumers' IRP are affordability, reliability, and the use of sustainable sources of energy. She contends that the settlement agreement addresses all three of these concerns. The Attorney General notes that the settlement agreement provides for the closure of Consumers' remaining coal plants and argues that this benefits public health and is consistent with Governor Whitmer's MI Healthy Climate Plan. Attorney General's initial brief, p. 8 (citing 10 Tr 4375, 4327-4330, and 4122).

Beginning with affordability, the Attorney General notes that evidence shows that the early retirement of the Campbell plant will save ratepayers \$150 million in avoidable capital expenditures. Attorney General's initial brief, p. 9 (citing 10 Tr 4327). She argues that the settlement agreement also saves money for ratepayers by eliminating Consumers' proposal to acquire the affiliated CMS plants, which avoids the potential \$515 million in immediate costs as well as future retirement costs and the unrecovered book value of Karn Units 3 and 4. Attorney General's initial brief, pp. 9-10 (citing 10 Tr 4334-4335). The Attorney General further notes that, with respect to the regulatory asset, the settlement provides for a WACC of 9.0% rather than the current ROE of 9.9%, also benefiting ratepayers. And finally, the settlement agreement provides for assistance to low-income ratepayers with direct funding of \$5 million this year and another potential \$2 million annually over the next 14 years. Attorney General's initial brief, p. 10.

Addressing reliability, she contends that the settlement agreement provides for adequate existing and new resources to meet capacity needs. Attorney General's initial brief, p. 11 (citing 10 Tr 4330-4335, 4406, 4224-4229, 4139, and 4142-4144). The Attorney General points to the

continued availability of Karn Units 3 and 4, as well as the solicitation for PPAs that will provide up to 700 ZRCs of energy and capacity beginning in 2025. She also cites to the provision that Consumers seeks 2 additional GW of new solar energy and undertake a battery storage program. Attorney General's initial brief, p. 11 (citing 10 Tr 4339). The Attorney General further states that:

the Settlement Agreement requires the Company to conduct certain evaluations and take other actions prior to the next IRP that can lead to benefits for ratepayers including, but not limited to, developing a distributed generation resource model; gathering input from the public before filing its next IRP; gauging interest in combined heat and power resources and model for the next IRP proceeding; providing total emissions for certain pollutants in the next IRP case; presenting PM2.5-related health impacts from power plant emissions in the next IRP case; conducting environmental justice screenings near power plants; and reporting on low-income customers['] participation in energy reduction and load reduction activities and rooftop solar adoption.

Attorney General's initial brief, pp. 11-12 (citing Settlement Agreement, pp. 12-16). The Attorney General urges the Commission to approve the settlement agreement.

6. Environmental Law and Policy Center of the Midwest, Ecology Center, Inc., Union of Concerned Scientists, Inc., and Vote Solar

The CEOs take the position that the contested settlement agreement is in the public interest and supported by record evidence. The CEOs contend that the settlement supports the public interest because: “(1) it aligns with important climate action goals intended to protect Michiganders; (2) it improves economic and public health outcomes; and (3) it includes beneficial modeling and community engagement commitments for the Company's next IRP.” CEOs' initial brief, p. 6 (quoting 10 TR 4375). The CEOs posit that “the Settlement Agreement is consistent with Governor Whitmer's MI Healthy Climate Plan, and is responsive to the urgency of addressing climate change.” *Id.* The CEOs opine that the settlement agreement balances the cost to Consumers associated with retirement of its coal plants with the impacts on low-income



customers. CEOs' initial brief, p. 6 (citing 10 TR 4376). The CEOs state that expert testimony in the record demonstrates avoided negative health outcomes as a benefit of the early coal plant retirements and that significant public health and environmental concerns associated with acquiring the DIG facility are avoided under the settlement agreement. CEOs' initial brief, pp. 6-7. Finally, the CEOs aver that the settlement agreement has important implications for future IRPs including the commitments to model distributed generation as a resource, conduct public health and environmental justice analyses, and provide expanded opportunities for community input and public participation. *Id.*, p. 7 (citing 10 Tr 4376). The CEOs argue the Commission should find the settlement agreement to be in the public interest.

7. Hemlock Semiconductor Operations, LLC

HSC supports the settlement and recommends that the Commission approve it. HSC's initial brief, p. 2. HSC opines that "parties were given a reasonable opportunity to present evidence and arguments in opposition to the record." *Id.*, p. 4. HSC posits that the public interest was adequately represented by parties entering into the settlement agreement as "the signatories to the Settlement Agreement represent a broad cross-section of interests . . . ." *Id.*, p. 5. HSC also notes that "the Michigan Court of Appeals has affirmed a Commission determination that the public interest was adequately represented by the Staff when the Staff was a party to a contested settlement agreement." *Id.* (citing *Attorney General v Mich Pub Serv Comm*, 237 Mich App 82, 93094; 602 NW2d 225 (1999) (*Attorney General*)). HSC opines that "all the parties who filed testimony in opposition to the settlement represent competitors of Consumers. In each case, the objecting party is seeking to advance its own particular interest, and not the public interest." HSC's initial brief, p. 6 (footnote omitted). HSC submits that the settlement agreement is a fair and reasonable resolution of the proceeding as "Consumers and others presented testimony and

arguments that the Settlement Agreement reflects significant compromise by all involved” which is “evident when comparing the details of Consumers’ initial PCA with the terms of the proposed Settlement Agreement.” *Id.* Finally, HSC posits that the settlement agreement is supported by 315 pages of transcript and 23 exhibits while the principal record in this case consisted of 4,094 pages of transcript across 9 volumes and over 500 exhibits. *Id.*, p. 7. HSC concludes that the settlement agreement “is supported by substantial evidence on the record and should be approved.” *Id.*

#### 8. The Commission Staff

In response to the concerns raised regarding resource adequacy, the Staff responds “that this settlement agreement appropriately balances the resource adequacy concerns of Zone 7, Consumers’ need to serve the load and demand of its customers, and the benefits of Consumers’ decision to work towards becoming carbon neutral by 2040.” Staff’s initial brief, p. 4 (citing Settlement Agreement, p. 13). The Staff notes that its testimony highlights the addition of the Covert plant and the investments in renewable generation. *Id.* The Staff notes its concerns regarding resource adequacy of Zone 7, but states that:

it also understands that Consumers Energy is not tasked with providing resource adequacy for the entirety of Zone 7 at the sole expense of Consumers’ ratepayers. Staff expects all load serving entities within MISO Zone 7 to contribute the necessary capacity to meet capacity obligations at MISO and through Michigan’s State Reliability Mechanism (MCL 460.6w) and that these load serving entities will make the necessary investments to ensure that all customer needs within the zone are fully planned for. Therefore, Staff recommends that the Commission find that this settlement agreement appropriately balances the reliability needs of Zone 7 and the needs of Consumers’ ratepayers.

Staff’s initial brief, p. 5. The Staff reiterates that while the CMS plants “can bid into one tranche of the solicitation, the CMS [plants] are only able to bid in for the capacity they have available that is not currently contracted for” which “constitutes less than 500 ZRCs in 2025.” *Id.*, p. 6 (citing

Settlement Agreement, pp. 6-7; 3 Tr 138, 366). The Staff also states other resources, such as distributed energy resources, may be available by 2025, and are not currently counted within Zone 7. Further, the Staff reiterates testimony indicating “that the second tranche of the solicitation will likely result in additional new resources.” Staff’s initial brief, p. 6.

In response to the BMPs, the Staff states that, while the biomass plants are reliable resources, the Commission cannot modify the proposed settlement agreement to extend the PPA’s to 2035, because the settlement agreement is not severable, and any modification or rejection of a provision deems the settlement agreement to be withdrawn. Further, the Staff indicates that the biomass plants are able to participate in the one-time solicitation as set forth in the settlement agreement. *See, id.*, p. 7.

#### 9. Consumers Energy Company

Consumers contends that the settlement agreement satisfies the requirements of Rule 431. Consumers’ initial brief, p. 10. Consumers argues that the signatories of the settlement agreement adequately represent the public interest and reiterates testimony from its witness, Mr. Torrey, “on the nature, scope, and diversity of parties’ interests . . . .” in this case. *Id.*, p. 11. Consumers also quotes testimony from the Staff’s witness, Mr. Proudfoot, that “the 18 parties that signed ‘represent most, if not all, of Michigan’s sectors concerned with the future of energy related issues,’ thus satisfying the requirement that the parties represent the public interest.” *Id.*, p. 11 (quoting 10 Tr 4408). Consumers posits that Mr. Torrey’s and Mr. Proudfoot’s testimony demonstrates that “the signing parties ‘represent a broad, diverse group of parties advocating for the economic and environmental interests of Consumers Energy’s electric customers and the state of Michigan,’ who are also focused on ensuring the Company’s customers are provided with reliable electricity.” Consumers’ initial brief, p. 11 (quoting 10 Tr 4257).

Consumers contends that “[t]he Commission should consider the four parties that signed statements of non-objection to the Settlement Agreement in reaching a finding that the Settlement Agreement adequately represents the public interest because those parties, having had an opportunity to contest the Settlement Agreement, elected not to do so.” Consumers’ initial brief, p. 12. Similar to HSC, Consumers posits that “[t]he Michigan Court of Appeals has upheld the Commission’s finding that a utility’s and Staff’s involvement in a settlement agreement can be sufficient to ensure that the public interest is adequately represented and also found that that ‘participation of fewer than all interested parties in the negotiation does not mandate a conclusion that the signatories to the settlement did not represent the public interest.’” *Id.* (quoting *Attorney General*, p. 94). Consumers concludes that “[t]he factual circumstances presented in this proceeding meet and exceed the Commission’s requirement for ensuring that the settling parties adequately represent the public interest.” Consumers’ initial brief, p. 12.

Consumers notes that of the four parties opposing the settlement agreement—Energy Michigan, Mackinac, WPSC, and the BMPs—only three filed testimony in the present case. *Id.*, p. 13. Further, Consumers argues that “[u]nlike the broad and diverse group of parties who signed the Settlement Agreement, the three parties who submitted testimony opposing the Settlement Agreement are all business competitors of Consumers Energy.” *Id.* (citing 10 Tr 4262).

Consumers reiterates its testimony that:

Energy Michigan and Wolverine would benefit financially from the opportunity created in this proceeding to procure surplus capacity to meet their own customers’ needs at a lower cost than building their own. The BMPs would also benefit financially if they received contract extensions at the expense of other resources which make up the PCA. That kind of motivation represents the opposite of the public interest.

Consumers’ initial brief, p. 13 (quoting 10 Tr 4263). Consumers concludes that “the broad-based coalition of parties who signed the Settlement Agreement and the parties who signed statements of

non-objection are a far better representation of the public interest in this proceeding than the parties who oppose it.” Consumers’ initial brief, p. 13 (citing 10 Tr 4263).

Consumers argues that the settlement agreement represents a fair and reasonable resolution to the proceedings as it “represents a significant compromise that was negotiated in good faith and proposes to resolve this matter based on the positions of the parties in the record.” Consumers’ initial brief, p. 14. Consumers avers that the settlement agreement meets the requirements for approval set out under Section 6t of Act 341. Specifically, Consumers posits that “all 18 signing parties agree that the PCA, as provided in the Settlement Agreement, represents the most reasonable and prudent plan to meet the Company’s energy and capacity needs over the 5-year, 10-year, and 15-year time horizons” as required by Section 6t(8)(a) of Act 341. *Id.* Consumers reiterates testimony by company witness Blumenstock on the settlement agreement’s compliance with Section 6t(8) of Act 341, including how the settlement agreement: (1) ensures resource adequacy and capacity that is sufficient in quantity to serve anticipated peak electric load plus applicable PRMR and LCR; (2) ensures compliance with applicable state and federal environmental regulations; (3) ensures competitive pricing; (4) ensures reliability; (5) addresses commodity price risk and ensures diversity of generation supply; and (5) proposes reasonable and cost effective levels of peak load reduction (DR, CVR, EWR). *See*, Consumers’ initial brief, pp. 14-19. Consumers cites to testimony by the Staff that the company’s IRP PCA as revised by the settlement agreement meets the requirements of Act 341 as additional support. Consumers’ initial brief, pp. 19-20.

As noted above, Consumers argues that the settlement agreement “was supported in the extensive record created in the proceedings leading up to the filing of the Settlement Agreement, which consisted of over 4,000 pages of testimony and over 500 exhibits” as well as the additional

evidence provided on the contested settlement. *Id.*, p. 20. Consumers notes the position of company witness, Mr. Blumenstock, MNS, and the Staff that the settlement agreement is supported by substantial evidence in the record as a whole. Consumers quotes the Staff's testimony that:

As stated above, the record in this case is substantial. All issues addressed in the [Settlement Agreement] have been addressed in testimony, rebuttal, brief, exceptions, and robust discovery. The [Settlement Agreement] was filed after a full record has been developed in this case. Therefore, based on all of the above, it is Staff's opinion that this [Settlement Agreement] meets the requirements of Rule 431.

*Id.*, p. 21 (quoting 10 Tr 4408). Further, Consumers posits that "certain objecting parties have also attempted to interject issues into this contested settlement proceeding which are not based on the initial record at all." Consumers' initial brief, pp. 21-22. Specifically, Consumers references WPSC's reliance on the company's December 1, 2021 capacity demonstration in Case No. U-21099 and the BMPs' proposal that the settlement agreement be modified to require Consumers to extend their PPAs with the represented plants. *Id.*, p. 22. Consumers concludes that the settlement agreement "is in the public interest, represents a fair and reasonable resolution of the proceedings, and is supported by substantial evidence on the record as a whole" and thus "it should be approved by the Commission in its entirety without and modifications or conditions." *Id.*

Turning to the arguments of the individual objecting parties, Consumers argues that these objections fail to provide grounds to reject or modify the settlement agreement. *Id.*, p. 23. Consumers opines that these "arguments demonstrate a self-interested concern that the Settlement Agreement will challenge their ability to profit off Consumers Energy and its customers and Michigan's hybrid deregulation construct." *Id.* Addressing WPSC's position that the settlement agreement will negatively impact reliability, Consumers avers that the settlement agreement "will

bring at least 2,084 ZRCs into MISO LRZ 7 and retire only approximately 1,400 ZRCs of capacity, with a net addition for LRZ of nearly 700 ZRCs (at least).” *Id.*, p. 24. Consumers posits that “[t]his increase will enable the Company to manage any challenges or delays associated with bringing new resources online, changes in MISO’s planning requirements that may impact the Company’s PRMR, the migration to a seasonal capacity construct, and any degradation that might be applied to solar capacity accreditation.” *Id.* Consumers then addresses claims regarding reliability and resource adequacy of WPSC, Energy Michigan, the BMPs, and Mackinac individually. *See*, Consumers’ initial brief, pp. 24-56. As these positions are thoroughly outlined above, they will not be repeated here.

Consumers concludes that “the intent and focus of the Company’s original PCA were maintained” by the settlement agreement “ensuring the Company’s clean energy transition, as initially set forth in the Company’s 2018 IRP.” Consumers’ initial brief, p. 56. Consumers argues that the PCA, as modified by the settlement agreement will “help lead a faster clean energy transformation by accelerating the Company’s exit from coal-fired generation in 2025 while increasing reliability and providing resource adequacy for customers.” *Id.* The company provides that “the Settlement Agreement will continue the Company’s competitive procurement of clean energy resources by procuring approximately 8,000 MWs of solar resources by 2040 and will also accelerate the deployment of battery storage.” *Id.*, pp. 56-57. Finally, “like the Company’s initially filed plan, the PCA, as modified in the Settlement Agreement, continues to save customers money—providing for customer savings of nearly \$600 million.” *Id.*, p. 57.

Consumers asserts that the settlement agreement “meets the requirements of the Commission’s rule for approving contested settlement agreements, Rule 431, and the requirements for approving an IRP under Section 6t.” *Id.*

## 10. The Biomass Merchant Plants

The BMPs first summarize the contested settlement agreement before turning to the issue of the scope of the proceeding. The BMPs aver that their position is not beyond the scope of this IRP proceeding as their “objections in this proceeding are that the modified IRP fails specific statutory requirements of MCL 460.6t(8)” and that the “most reasonable and prudent means” under the statute requires the review of alternative plans which is what the BMPs offered in this case. BMPs’ initial brief, p. 6, 8 (emphasis omitted). The BMPs reiterate their objections, which were overruled by the ALJ to the company’s testimony, again claiming they did not have an opportunity to respond. *See, id.*, pp. 9-10.<sup>4</sup>

The BMPs argue that the settlement agreement fails the resource adequacy and reliability requirements under the statute as there is a shortfall in ZRCs. Thus, the BMPs state that the settlement agreement should be modified because “[c]ontinuing to purchase capacity and energy from the BMPs through 2035 would, in fact, correct both that statutory defect and the Company’s strategic goal.” *Id.*, p. 11. The BMPs further argue that the settlement agreement also fails to recognize the likelihood of the reduction of solar accreditation “down as low as 30% in the next

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<sup>4</sup> The Commission notes that the BMPs made several references to appealing evidentiary rulings throughout its initial brief. *See*, BMPs’ initial brief, pp. 9, 10, 36, 42-43. The Commission’s rules set forth the standard for appealing rulings of presiding officers. *See*, Mich Admin Code, R 792.10433 (Rule 433). In part, Rule 433(3) states that “[a]n offer of proof shall be made in connection with an appeal of a ruling excluding evidence” and that “[i]f the ruling excluded written evidence or evidence that refers to documents or records, the offer of proof shall consist of a copy of the evidence, documents, or records.” In addition, Rule 433(4) states that an application for appealing a ruling of a presiding officer “shall be supported by a clear and concise brief, pursuant to the provisions of R 792.10434, stating the basis for the appeal and showing that it complies with the provisions of this rule. The brief shall be supported by specific factual allegations as appropriate.” The Commission finds that the BMPs have not met these minimum standards set forth under Rule 433. Therefore, the Commission denies any appeal of rulings made by the presiding officer in this proceeding as set forth in the BMPs’ initial brief.



several years.” *Id.*, p. 12 (footnote omitted). The BMPs reiterate the testimony to aver that resource adequacy concerns are compounded by issues surrounding solar and battery storage and that the settlement agreement fails to address “the question of what energy is being stored, solar or fossil fuel generated energy. Solar energy can only be stored if that solar production exceeds load. If the load exceeds the solar generation, the energy being stored is from fossil fuel generation.” *Id.*, p. 15.

The BMPs reiterate their concern regarding Consumers’ “use of an incorrect solar capacity factor” which it avers “is 20.6% greater than the average capacity factor of all solar generation facilities currently operating in Consumers’ service territory.” *Id.*, pp. 4, 17. The BMPs state “[i]n contrast to the proposed solar capacity, the generation from the Biomass Plants is well known and MISO is not considering revisions to their ZRC accreditations.” *Id.*, p. 22.

Citing MCL 460.6t(8)(b), ED 2020-10, and the IRP filing requirements, the BMPs argue that “despite the fact that the Biomass Plants are located within Consumers’ service territory,” the settlement agreement disregards “the economic impact of the potential closure of those plants on the communities in which they are located.” BMPs’ initial brief, pp. 22-23. Therefore, the BMPs aver that the settlement agreement violates the statutory mandate because it “chooses to import energy into Michigan from other states” and “supports out-of-state construction and production rather than in-state construction, construction upgrades, construction maintenance and in-states generation.” *Id.*, p. 24.

The BMPs contend that the settlement agreement also does not meet the requirements in MCL 460.6t(8)(a)(v) because it fails to address potential future lack of capacity and that any early retiring plant could be designated as a system support resource (SSR), requiring it to remain in operation and that the “designation costs can run into significant millions of dollars.” BMPs’

initial brief, pp. 25-26. Similarly, under MCL 460.6t(8)(a)(vi), the BMPs aver that the settlement does not “appropriately balance the diversity of generation resources” which “impacts that commodity price risk” under MCL 460.6t(a)(v). BMPs’ initial brief, p. 26. The BMPs reiterate the record testimony to support this contention arguing that “the first tranche of the One Time Solicitation will almost certainly result in Consumers acquiring natural gas capacity” which will likely include the CMS plants, “all of which are natural gas fired generation” and that this “concentrated amount of natural gas fired generation has commodity price risk . . . .” *Id.*, pp. 27-28.

The BMPs restate the position that Consumers has inappropriately excluded generation from the biomass plants from the settlement agreement and that the company improperly relied on “the cost of new Biomass construction even though the Biomass Plants are existing construction, not new construction.” *Id.*, p. 30 (emphasis omitted). Reiterating record testimony, the BMPs aver that the settlement agreement violates the “statutory obligation under MCL 460.6t(1)(f)(iii) to include ‘any supply-side and demand-side resources that reasonably could address any need for additional generation capacity . . . .’” BMPs’ initial brief, p. 33. The BMPs further claim that the biomass plants are excluded from the one-time solicitation based upon the criteria set forth in the settlement agreement. *See, id.*, pp. 35-38.

The BMPs contend that the settlement agreement violates ED 2020-10 and Michigan’s Healthy Climate Plan. *Id.*, p. 38. In support of this position, the BMPs state:

The Settlement Agreement simply fails to consider the environmental benefits of the Biomass Plants as compared to the non-intermittent fossil fuel generation that will be acquired under the IRP as modified by the Settlement Agreement. It also fails to consider the unequaled ability of the Biomass Plants to help Consumers reach the goals of both Executive Directive 2020-10 and Michigan Healthy Climate Plan. The Biomass Plants’ fuel composition is described in detail in Mr. Polich’s testimony. The Biomass Plants are not only net-zero carbon generation, they have

the further benefit of preventing the release of Methane from decomposing forest wood waste into the atmosphere.

BMPs' initial brief, p. 40 (footnote omitted). The BMPs further argue that the environmental benefits of biomass fueled generation include a much smaller land use than solar and that "[c]ontinuing to purchase 188 MW of energy from the existing Biomass Plants means that between 1,128 to 1,504 acres of land can be left undisturbed by an equivalent amount of solar projects." *Id.*, p. 42.

The BMPs restate that the ALJ erred in numerous evidentiary rulings including sustaining objections and limiting the time for cross-examination. *See, id.*, p. 43. In conclusion, the BMPs "object to the Settlement Agreement as presented and request that it be amended to include a provision pursuant to which Consumers will continue to purchase capacity and energy from the Biomass Plants after the end dates of their current contracts until 2035." *Id.*, p. 44.

#### 11. Citizens Utility Board of Michigan

CUB argues that the settlement agreement improves upon Consumers' original PCA and is in compliance with Rule 431. CUB states that the settlement agreement improves the PCA as it improves the future analyses of marginal line losses and avoided transmission and distribution costs and that:

[w]hile the Settlement Agreement does not require Consumers to reevaluate residential DR potential in this IRP . . . its commitment to collecting and reporting valuable marginal line loss data and including marginal line losses and avoided T&D costs in its evaluation of all distributed resources in future IRPs is a fair and reasonable compromise.

CUB's initial brief, p. 3. CUB also notes that the settlement agreement removes the 20% FIM Consumers was seeking in this proceeding. *Id.*

CUB notes that the parties signing the settlement agreement "represent a broad spectrum of the public interest, including the interests of residential ratepayers, commercial and industrial

ratepayers, businesses, and environmental groups” demonstrating the public interest is adequately represented. *Id.*, p. 4 (citing 10 Tr 4407-4408). CUB reemphasizes its testimony and avers that the substantial record demonstrates that the settlement agreement “and provides a fair and reasonable resolution of their respective concerns in this proceeding.” *Id.*, p. 5. Finally, CUB states that “the objecting parties have been given a reasonable opportunity to present evidence and arguments in opposition” to the contested settlement agreement, therefore satisfying all requirements of Rule 431. CUB’s initial brief, p. 6.

#### 12. Wolverine Power Supply Cooperative

WPSC argues that the settlement agreement fails to meet the requirements of Rule 431. WPSC avers that the settlement agreement is not in the public interest as it will allow the retirement of Campbell 3 in 2025 which “will further stress Michigan’s already-strained grid system” and that this “fails to represent a fair and reasonable resolution to the proceeding.” WPSC’s initial brief, pp. 2-3. Pointing to the record and the PFD, WPSC states that a 2025 retirement of Campbell 3 is not well-supported. WPSC argues that approval of the settlement agreement “requires a set of parallel, perfect, and, therefore, unlikely outcomes” and lists those outcomes as follows:

(1) despite MISO’s projections, Zone 7 realizes sufficient resources to serve Michigan, (2) Consumers realizes declining load growth, despite economic projections and announced load growth; (3) Consumers’ one-time solicitation is fully successful in acquiring 700 incremental Zonal Resource Credits (“ZRC”) that are installed and delivered in less than three years, and (4) Consumers realizes the outcome of its modeling—a complete disconnection from the rest of Michigan’s grid.

*Id.*, p. 3 (footnote omitted).

WPSC states that:

[w]hen reviewing more current data from Consumers’ own capacity demonstration filing in Case No. U-21099, which shows a 271 ZRC deficit in 2022 or 425 ZRC

lower than the PCA even with the same supply mix, . . . unless it acquires a material portion of the solicitation, Consumers will be capacity negative in 2025, even with the Covert purchase and keeping Karn Unit 3 and 4 online through 2030. (Testimony of Thomas King, 10 Tr 4303; Rebuttal Testimony of Thomas King, 10 Tr 4311-4312.)

*Id.*, p. 4 (emphasis in original). WPSC further argues that the settlement agreement's effort of allowing a one-time solicitation of 700 ZRCs to combat reliability concerns from the early retirement "does not ensure Consumers customers are shielded from resource adequacy shortfalls in Zone 7 – the projects must actually be built and the 700 ZRCs of dispatchable and intermittent resources likely cannot be built in time." *Id.*, p. 4. Continuing, WPSC points out that "the proposed solicitation will not create any incremental (i.e., new) Zone 7 capacity" and is merely another path to utilize the CMS plants as originally proposed in the PCA. *Id.* Reiterating its testimony, if Campbell 3 is replaced with existing Zone 7 capacity there will be a net negative capacity position in the zone which, WPSC avers "places Michigan on a path toward load shed (e.g., blackouts) that is likely to harm Michigan residents." *Id.*, p. 6 (citing 10 Tr 4312).

WPSC reiterates its testimony that, despite Consumers' assumption, the market reality is that there is a declining PRMR between 2022 and 2025, and that it "it conflicts with MISO's statements of increasing load forecasts." *Id.*, p. 7 (citing 10 Tr 4305 and Exhibit WPSC-6). WPSC further points to developmental projects which will result in incremental load increases and argues that Consumers' estimates of increases in DR are not supported by any evidence indicating that such is possible. WPSC further states that the company's assurances that there is time to address the shortfall in the future is insufficient and that "it is unreasonable for Consumers to utilize an unsupported, lower reserve margin for the future." *Id.*, p. 8.

WPSC further argues that, while the first 500 ZRCs for the proposed solicitation are likely to come from existing Zone 7 resources, "the second tranche of 200 ZRCs are likely to be procured

from intermittent resources” and that “[t]he record is devoid of evidence regarding where the needed resources would come from.” *Id.*, p. 9 (citing 10 Tr 4312). WPSC states that the denial that the solicitation is speculative “demonstrates a fundamental misunderstanding of the current renewables landscape” and even as “more solar resources are added to the grid, less benefit is realized and the solar capacity accreditation declines to match performance.” *Id.* (citing Exhibit WPSC-8). WPSC reiterates its position that the 500 MW is unreasonable noting that:

[e]ven if the proposed 500 MW of projects were able to procure materials and Consumers is capable of acquiring and utilizing the nearly 3,500 necessary open acres of Michigan land, the projects would also need to achieve the local government approvals, complete MISO’s byzantine generation queue process, and complete transmission improvements necessary to facilitate construction and interconnection—all within the limited time available.

*Id.*, p. 10.

In addition, WPSC avers that the settlement agreement inappropriately requires Consumers to be treated as an island rather than an integrated and interconnected participant in the Michigan electric grid. WPSC argues that “[g]iven the likely capacity shortfall in Zone 7, the [settlement agreement’s] failure to address transmission deficiencies will exacerbate the problems created by hastily retiring generation resources. If one of the few existing ties fail or export capability from other areas is reduced, the only other option will be load shed.” *Id.*, p. 11 (footnote omitted).

WPSC concludes that, under Rule 431, the Commission must deny the settlement agreement as it “is not supported by *any* evidence within the record, and certainly is not supported by *substantial* evidence on the record” but rather that the record demonstrates additional modeling and analysis is needed to support an early retirement of Campbell Unit 3. *Id.*, p. 12 (emphasis in original). WPSC further states that “[r]ushing the retirement of Campbell Unit 3 may allow the Commission to continue forward with its admirable goal of reducing Michigan’s carbon emissions, but it will come at the risk of electric reliability and related health and safety of

Michiganders.” *Id.* WPSC avers that the settlement agreement does not reflect the most reasonable and prudent path and that the Commission should “require Consumers to keep Campbell Unit 3 in operation, at least until Consumers can present hard data that verifies that Campbell Unit 3 can be retired without jeopardizing reliability and, as the PFD notes, Consumers has not modeled or analyzed these issues sufficiently.” *Id.*, p. 13.

### 13. Urban Core Collective

UCC filed a statement in support of the settlement agreement in lieu of an initial brief to reaffirm its initial support as a signatory to the settlement agreement. *See*, Case No. U-21090, filing #U-21090-0857.

#### D. Reply Briefs

##### 1. Michigan Environmental Council, Natural Resources Defense Council, Inc., Sierra Club, and Citizens Utility Board of Michigan

In reply to Energy Michigan, MNS argues that Energy Michigan errs in positing that the considerations under MCL 460.6t(8) somehow trump the Rule 431 criteria. MNS’ reply brief, pp. 2-3. MNS notes that the Michigan Administrative Procedures Act (APA) also addresses settlements and provides that contested cases may end in settlement when agreed to by the parties in MCL 24.278(2). *Id.*, p. 3. MNS contends that Rule 431 implements this statutory requirement. While agreeing with Energy Michigan that it is important to harmonize the IRP statute and Rule 431, MNS contends that Energy Michigan’s reading of MCL 460.6t(8) would make applying the requirements of Rule 431 an “empty exercise.” *Id.*, p. 4. MNS further contends that Energy Michigan’s argument conflicts with the Commission’s approval of the contested settlement in Case No. U-20165. *Id.* (citing June 7, 2019 order in Case No. U-20165, p. 76 (June 7 order); *see also*, June 7 order, p. 91).

MNS states that it addressed Energy Michigan's resource adequacy and pricing arguments in its initial brief, and notes that Energy Michigan was included in all settlement discussions, asserting that Energy Michigan was included in multiple emails regarding the settlement conference which took place in February 2022. MNS' reply brief, p. 5.

In reply to WPSC, MNS again argues (as it did in its initial brief) that, contrary to WPSC's assertions, the settlement agreement will actually improve resource adequacy in Zone 7. MNS again points to the 1,114 ZRCs from the Covert gas plant, 71 ZRCs of new battery storage, 250 ZRCs of new solar generation, and 94 ZRCs of new demand side resources, and states that "[e]ven with the retirement of the Campbell coal units, these resource additions will result in an overall net increase in Zone 7 resources." *Id.*, p. 7 (citing 9 Tr 5-6, 10 Tr 4350, and Settlement Agreement, Sections 1-3); *see also*, 10 Tr 4405-4406. MNS further argues that WPSC's repeated citations to the PFD for support are inapposite since the PFD evaluated the original PCA, which presented actual resource adequacy concerns. MNS' reply brief, pp. 8-9.

MNS contends that the Commission should not consider the websites and news stories cited by WPSC regarding the PRMR because they are not part of the record, and, in any case, Mr. Jester, Mr. Proudfoot, and Mr. Clark rebutted these concerns. MNS' reply brief, p. 10 (quoting 10 Tr 4406-4407) (citing 10 Tr 4358-4359 and 4227-4228). MNS notes that Mr. Proudfoot testified that:

The reserve margin used by the Company in its capacity demonstration for 2025 comes directly from the 2022-2023 MISO Loss of Load Expectation (LOLE) Study Report. It is also worth noting that assuming a constant reserve margin of 8.7% instead of 7.4% would represent about 100 MW of additional obligation to the Company. The differences between Karn Units 3 & 4 and the CMS capacity is still likely enough to cover this difference, even without counting any additional capacity from the one-time solicitation.



MNS' reply brief, p. 10 (quoting 10 Tr 4406-4407). MNS asserts that WPSC's claims about Consumers being capacity negative are simply untrue as shown by the list of ZRCs described above, and states that "Consumers would still have a surplus even if both tranches of the one-time solicitation fail entirely: in that extremely unlikely scenario, Consumers would still have a 514 ZRC surplus in 2025/26." MNS' reply brief, p. 11 (citing 10 Tr 4354). Finally, on this issue, MNS avers that Mr. Jester showed that Mr. King's calculations were incorrect because Mr. King assumed that Karn Units 3 and 4 would be operating in the 2025/2026 planning year. MNS' reply brief, p. 12 (citing 10 Tr 4355). MNS notes that WPSC fails to cite to any record evidence showing that the retirement of Campbell Unit 3 in 2025 is unsupported. MNS' reply brief, p. 12.

In reply to the BMPs, MNS argues that their claims regarding a lower ELCC are exaggerated and inaccurate, and states that the BMPs mischaracterized Mr. Clark's testimony where he indicated that the ELCC "could" drop. MNS' reply brief, p. 15 (citing 5 Tr 1123) (emphasis omitted). Additionally, MNS notes that several witnesses refuted this argument, including Mr. Clark himself when he testified that the ELCC has been stable for six years and no changes are pending. MNS' reply brief, pp. 15-16 (citing 10 Tr 4226-4227, 4236). MNS observes that Mr. Blumenstock testified that even applying the BMPs' 30% ELCC figure, there would be no shortfall for eight years. MNS' reply brief, p. 16 (citing 10 Tr 4142-4143). Additionally, MNS notes, Mr. Jester showed that the BMPs' figure comes from an exploratory modeling exercise. MNS' reply brief, p. 16 (citing 10 Tr 4365-4366).

Finally, MNS objects to the BMPs' appeal of certain evidentiary rulings made by the ALJ, noting that the BMPs fail to cite to any legal authority in support of their appeal. MNS argues that a party may not "simply announce a position on appeal and leave it to the reviewing body to search for authority to support the party's position." MNS' reply brief, p. 18 (citing *Wilson v*

*Taylor*, 457 Mich 232, 243; 577 NW2d 100 (1998)). MNS contends that the BMPs' counsel misrepresented how long his cross-examination of Mr. Blumenstock would last, and then offered questions on irrelevant subjects. MNS' reply brief, p. 18 (citing 10 Tr 4193, 4211). MNS contends that, under MCL 24.280(1)(d), the presiding officer is empowered to regulate the course of the proceedings. MNS avers that the ALJ's rulings were reasonable and well within her authority and should be affirmed. MNS' reply brief, pp. 18-19.

In reply to Mackinac, MNS urges the Commission to give no weight to Mackinac's brief. As an initial matter, MNS alleges that Mackinac did not comply with the requirements of Rule 431(3) when it filed its objection, because it failed to state its objections with particularity or specify how it would be adversely affected by the settlement agreement. Additionally, MNS argues, Mackinac's initial brief is mostly cut-and-pasted from its exceptions, and the exceptions were focused on the PFD and the original PCA – a different factual scenario. MNS notes that Mackinac's initial brief is filled with unsupported assertions and relies heavily on news stories and website links that are not part of the record, contrary to the requirements of the APA. MNS' reply brief, pp. 20-21 (citing MCL 24.276 and 24.285). Moreover, MNS posits, DR and CVR programs are not designed to cut off customers from electricity. MNS describes Mackinac as "ill-informed." MNS' reply brief, pp. 21-22.

## 2. The Commission Staff

In reply, the Staff states that MCL 460.6t(8) provides seven factors for the Commission to balance when determining if the statutory requirements are satisfied. The Staff states that the settlement agreement is a compromise made by parties with a wide variety of interests and is reasonable and prudent. The Staff also contends that "the settlement agreement also balances the

reliability needs of MISO Zone 7 with Consumers’ ability to provide energy and capacity to its customers.” Staff’s reply brief, p. 2 (citing Staff’s initial brief, pp. 3-5).

Regarding resource adequacy concerns, the Staff replies that the PCA, as modified by the settlement agreement, is reasonable and prudent and balances the reliability needs of Zone 7. *See*, Staff’s reply brief, p. 3. Continuing, the Staff avers that “[g]iven the capacity from Karn Units 3 and 4, additional solar resources, and the up to 700 MW one-time solicitation set forth in the settlement agreement, Staff . . . does not believe Consumers is likely to be short on capacity in 2025” and that “this capacity is more than sufficient to make up the capacity assumed for the CMS [plants] contemplated in Consumers’ original IRP and may even be sufficient to meet Consumers’ previous planning reserve margin of 8.7% that [WPSC] referenced in direct testimony.” *Id.*, pp. 3-4 (citing 10 Tr 4306, 4406-4407).

In response to the BMPs’ testimony regarding a deficiency in 2035, the Staff replies:

that the IRP statute requires 5-, 10-, and 15-year projections of the utility’s load obligation and plan, but Commission cost approval for investments or resources used to meet energy and capacity need is only presumed reasonable and prudent for those actions commenced within three years of Commission approval of the IRP. MCL 460.6t(3), (11).

Staff’s reply brief, p. 4. Therefore, the Staff avers that there is a likelihood that changes will occur between the approval of the IRP and the long-term projections as further reinforced by the requirement in MCL 460.6t(20) for regulated utilities make an IRP filing at least every 5 years. *Id.*

Finally, the Staff avers that Mackinac’s “initial brief contains many footnotes citing to material that was not offered into evidence or addressed in testimony” and that Mackinac “did not file testimony in either phase of this proceeding and filed a one-page objection to the settlement agreement.” *Id.*, p. 6. Therefore, the Staff requests that the Commission disregard the portions of

Mackinac's briefing supporting its objections to the settlement agreement not supported on the record.

3. Environmental Law and Policy Center of the Midwest, Ecology Center, Inc., Union of Concerned Scientists, Inc., and Vote Solar

In reply to the BMPs, the CEOs point out that the BMPs' request to modify the settlement agreement is a form of relief that is unavailable because the settlement agreement is not severable, thus modification would result in rejection of the entire agreement. CEOs' reply brief, p. 1, n. 1. The CEOs further aver that the BMPs' contracts should not be extended in any case due to the non-carbon pollution associated with their operations as well as the documented environmental justice concerns. CEOs' reply brief, p. 2. The CEOs note that one of the directives issued by Governor Whitmer pursuant to ED 2020-10 requires the Michigan Department of Environment, Great Lakes, and Energy to include considerations of environmental justice and public health when issuing advisory opinions in IRP proceedings. *Id.*, pp. 2-3. The CEOs submit that they provided extensive evidence on the record showing the non-carbon air pollution emissions and environmental justice concerns associated with the BMPs, stating that:

[s]ome of these plants co-fire tire-derived fuels, and most of them have higher emission rates of PM<sub>2.5</sub> and NO<sub>x</sub> than even Consumers' coal plants. (Krieger, 7 TR 2383). Moreover, eight of nine plants are located in areas considered more low-income than the state median. (Krieger, 7 TR 2383). The 38,000 people living near the Genesee plant rank in the 89th percentile for low-income populations, 86th percentile for populations of color, and 83rd percentile on the EJ [Environmental Justice] Index. (Krieger, 7 TR 2384). "[B]iomass power plants are likely to have higher air pollutant emissions rates per unit energy produced."

CEOs' reply brief, p. 3 (quoting 7 Tr 2397) (emphasis omitted). The CEOs note that Dr. Bilsback concluded that the emissions rates of biomass plants are comparable to fossil-fuel fired plants.

CEOs' reply brief, p. 4 (citing 7 Tr 2418). The CEOs contend that simply because a fuel source

may be renewable does not mean that it will not have health impacts; and they note that the BMPs did not rebut this testimony. CEOs' reply brief, p. 4.

The CEOs also regard the BMPs' argument that the settlement agreement is a ploy to allow for the construction of a natural gas plant as far-fetched. The CEOs point out that the settlement agreement (Section 6.b.ii.) limits the second tranche to "intermittent resources and dispatchable, nonintermittent clean capacity resources (including battery storage resources)," which could not be reasonably interpreted to include natural gas. *Id.* (quoting Settlement Agreement, p. 6). The CEOs further note that they would not be signatories to a settlement agreement that contemplates the construction of a new gas plant. CEOs' reply brief, p. 5 (citing 7 Tr 2354 and 10 Tr 4347). The CEOs contend that the land use concerns raised by the BMPs do not appear to relate to ED 2020-10. CEOs' reply brief, pp. 5-6.

The CEOs further argue that WPSC and the BMPs attempt to use scare tactics based on market information. The CEOs assert that Consumers used an appropriate capacity factor in its modeling, stating that, in reference to the BMPs' evidence, "[a]s Company witness Battaglia explained on rebuttal, the information shown in BMP-6 is presented in DC, rather than AC, and therefore does not present a comparable capacity factor to that used by the Company in modeling. (Battaglia Direct, 5 TR 1217:4-12)." CEOs' reply brief, p. 7. The CEOs also note that the BMPs focused on the wrong witness with respect to their ELCC arguments, as the solar capacity factor was covered by Mr. Kapala and not Mr. Battaglia (and this mistake was noted by the ALJ as well). *Id.*, p. 8 (citing 6 Tr 1296-1297; 7 Tr 1822). The CEOs further assert that WPSC's theory that Consumers will be unable to acquire 250 ZRCs of solar by 2025 was refuted by Mr. Lucas. CEOs' reply brief, p. 9 (citing 10 Tr 4382-4384). They also cite to the testimony of Mr. Clark and Mr. Jester refuting the notion that the ELCC poses an unreasonable risk to the settlement

agreement. CEOs' reply brief, p. 9 (citing 10 Tr 4236, 4367-4368). Finally, the CEOs point to Mr. Blumenstock's testimony that Karn Units 3 and 4 are unlikely to become system support resources. CEOs' reply brief, p. 10 (citing 10 Tr 4152).

The CEOs assert that Mackinac's arguments are improper and redundant. CEOs' reply brief, p. 10.

#### 4. Consumers Energy Company

Consumers initially provides an overview of the arguments of the signatories to the settlement agreement reiterating its position that the settlement agreement is in the public interest, was the result of good-faith negotiation, and that the outcome is the most reasonable and prudent means of meeting the company's energy and capacity needs. Consumers' reply brief, pp. 3-5.

Consumers argues that issues raised by WPSC with regard to reliability and resource adequacy concerns have been addressed by the company's initial brief. Specifically, Consumers states that "[WPSC]'s claim . . . that the one-time solicitation will likely not create new [MISO LRZ] 7 capacity, is of no consequence" for the reasons set forth in its initial brief. *Id.*, p. 6. Consumers argues that "[t]he purpose of the one-time solicitation is to help replace the capacity and energy lost when Consumers Energy retires [Campbell] Units 1, 2, and 3 in 2025." *Id.* Consumers repeats that "[t]he Company is not required to provide capacity for [WPSC] or any other [LSEs] in LRZ 7." *Id.* Consumers states that WPSC's arguments that the settlement agreement will reduce reliability in LRZ 7 are "without merit" as outlined in its initial brief and WPSC has "failed to provide information showing any purported negative impact on [WPSC] . . . ." *Id.*, p. 7. Consumers reiterates that the settlement agreement will "bring at least 2,084 ZRCs into MISO's LRZ 7 and retire only approximately 1,400 ZRCs of capacity, with a net addition for LRZ 7 of nearly 700 ZRCs." *Id.* (footnote omitted). In response to WPSC's claims that the company's

PRMR will increase rather than decrease, Consumers argues that it has “fully supported its projected PRMR decrease” in its initial brief. *Id.* Consumers argues that WPSC’s claims that the one-time solicitation is “speculative and not supported by the record” are “meritless” and “Consumers Energy projects sufficient capacity for planning year 2025-2026, even without the additional 700 ZRCs of capacity proposed to be acquired via the solicitation, and many possible sources could fill the 700 ZRCs once the bidding commences.” *Id.*, p. 8 (quoting WPSC’s initial brief, p. 9).

Consumers addresses WPSC’s claim that the settlement agreement would “treat Consumers Energy as an ‘island,’ and that a capacity shortfall would affect [WPSC] and other LSEs in the state.” Consumers reply brief, p. 8 (quoting WPSC’s initial brief, p. 10). Consumers asserts that:

Michigan law contemplates that each electric provider plan to serve its own projected loads; it does not require electric providers to serve other electric providers’ loads, unless a utility is required to provide backup capacity under the state reliability mechanism in situations in which alternative electric suppliers fail to demonstrate compliance with their own four-year forward capacity obligations.

Consumers reply brief, p. 8 (citing MCL 460.6w). Consumers discredits WPSC’s claims that the record does not support the settlement agreement. *See*, Consumers’ reply brief, p. 9.

Turning to Energy Michigan’s arguments, Consumers first agrees with Energy Michigan’s contention that “the Commission Rule 431 standards for approving a contested settlement must harmonize with Section 6t(8) [of Act 341], and cannot overrule it or provide a ‘different and weaker approval standard.’” Consumers reply brief, p. 9 (quoting Energy Michigan’s initial brief, p. 2). Consumers posits that the settlement agreement “meets all criteria for approval contained in MCL 460.6t(8) and Commission Rule 431.” Consumers reply brief, p. 9.

Consumers addresses Energy Michigan’s assertion that company testimony stating “that ‘Consumers Energy is not responsible to ensure the reliability of Zone 7 beyond its own capacity

obligations’ indicates that the Company has changed its position, given that Mr. Clark described the IRP as the best plan ‘for Michigan.’” *Id.*, p. 10 (quoting Energy Michigan’s initial brief, p. 3).

Consumers asserts that it has not changed its position. Specifically, Consumers states that:

The IRP, as set forth in the Settlement Agreement, remains the best plan for Michigan, as it will meet its customers’ energy needs, will satisfy the Company’s PRMR obligations within LRZ 7, and further the Company’s goal to be carbon neutral by 2040 and retire all coal generation by 2025. Having the best plan for Michigan does not mean that Consumers Energy must single-handedly supply sufficient capacity for every other utility’s expected load in Michigan. It means having a plan that meets all of Consumers Energy’s customers’ capacity needs in a manner that avoids unnecessary environmental impacts that affect the whole state and benefits the state’s economy positively. An IRP that accomplishes these objectives is best for Michigan.

Consumers’ reply brief, p. 10.

Consumers replies to Energy Michigan’s claim that the one-time solicitation might ultimately lead to PPAs with CMS Enterprises. *Id.* Consumers responds that “[t]he Company has not yet issued the solicitation, thus Energy Michigan is merely speculating which resources will win.” *Id.* Consumers avers that “even in the scenario that Energy Michigan envisions, no adverse impact on resource reliability or adequacy would result.” *Id.*

Consumers refutes Energy Michigan’s claim “that it was never invited to a settlement meeting, that its comments on the draft settlement agreement were neither welcomed nor considered,” and that Energy Michigan was explicitly told that no changes it sent the company would be considered. *Id.*, p. 11. Consumers posits that “[a] settlement meeting was held with all parties on February 16, 2022, and Energy Michigan’s counsel participated in that meeting. Energy Michigan did not engage in settlement discussions after that meeting, even though such engagement was encouraged by the Company.” *Id.* Further, Consumers states that “[b]eyond the February 16, 2022 settlement meeting, Energy Michigan was also engaged by the Company



regarding settlement on numerous occasions including March 28, 2022, April 15, 2022, and April 19, 2022.” *Id.*, pp. 11-12.

Consumers avers that “Energy Michigan’s assertions regarding the settlement process is irrelevant and beyond the scope of this case” as “other potential settlement outcomes are not within the scope of issues to be decided by the Commission in a contested settlement proceeding . . . .” *Id.*, p. 12 (citing June 7, 2019 order in Case No. U-20165). Consumers also posits that the “[Commission]’s Rules of Practice and Procedure make clear that reaching a total consensus is not required for settlement.” Consumers’ reply brief, p. 12. Consumers adds that “Rule 431 makes clear that a settlement may be ‘proposed by some of the parties.’” *Id.* (quoting Mich Admin Code, R 792.10431(3)). Further, Consumers quotes Rule 431 as stating that “‘provisions of these rules shall not be construed in any way to prohibit settlements.’” Consumers’ reply brief, pp. 12-13 (quoting Mich Admin Code, R 792.10431(3)).

Turning to the claims of the BMPs, Consumers argues that “even though the BMPs are claiming that the Settlement Agreement is flawed, they are at the same time conceding that all of those purported flaws melt away if the BMPs just get what they want—to amend the Settlement Agreement to force Consumers Energy to extend PPAs with its member plants.” Consumers’ reply brief, p. 14. Consumers posits that “[t]he BMPs’ position illuminates the fact that there are not really flaws in the Settlement Agreement, as the BMPs’ [sic] claim, and that the BMPs’ position merely seeks to promote their own economic interests.” *Id.* Further, Consumers avers that the BMPs have not established that their member plants are an economic and reasonable option for Consumers’ customers following the expiration of the current PPAs for those plants. *Id.* Consumers further reiterates its positions from brief that the company does not have an obligation to enter into new contracts with the BMPs, that the BMPs were considered in the development of

the IRP, and that the BMPs have not produced evidence that they represent a viable economic option. *Id.* Consumers asserts that the BMPs’ alternative proposal under Section 6t(6) of Act 341 is not supported because “the BMPs have failed to address and meet the filing requirements for an alternative proposal, as provided in the Certificate of Necessity and Integrated Resource Plan Alternative Filing Requirements.” Consumers’ reply brief, p. 15 (citing December 20, 2017 order in Case No. U-18461, Exhibit B). Consumers opines that the BMPs requested relief should be rejected because “[t]he BMPs have not established that their member plants will be an economic and reasonable resource option for customers and therefore, there is no basis to support the BMPs’ request to force the Company to extend PPAs with those plants.” Consumers’ reply brief, p. 16.

In response to the BMPs’ claims that the settlement agreement fails to meet the resource adequacy and reliability requirements of Sections 6t(8)(a)(i) and (iv) of Act 341, Consumers asserts that “[t]he Settlement Agreement ensures resource adequacy and capacity that is sufficient in quantity to serve anticipated peak electric load plus applicable PRMR and Local Clearing Requirement . . . .” Consumers’ reply brief, p. 17. Consumers argues that the settlement agreement has “maintained a balance of resource additions and retirements—backfilling capacity lost to accelerated retirement with the addition of new baseload resources, expansion of demand-response resources, expansion of renewable resources, and deployment of battery storage resources.” *Id.* (citing 10 Tr 4121). Consumers also reiterated that the settlement agreement provides mechanisms to procure additional capacity if needed. Consumers’ reply brief, p. 17. Consumers posits that the settlement agreement provides for “electric reliability assurance” and that the “flexibility of phased-in modular resources provided for in the Settlement Agreement PCA also provides the Company adequate time to mitigate cost, assess reliability within the reconfigured portfolio, and to modify as necessary.” *Id.*, p. 18.

Consumers contests the BMPs' claim that the company used an incorrect capacity accreditation for its solar resources. Consumers restates that the company's PCA "uses the current MISO solar capacity accreditation practices which provide solar with a 50% capacity accreditation." *Id.* (citing 10 Tr 4142). Consumers reiterates its arguments that "that MISO solar capacity accreditation value is also only relevant to newly installed solar and not solar that is in actual operation. Capacity accreditation at the Company's existing solar facilities has been as high as 65%, based on actual performance." Consumers' reply brief, p. 19 (citing 10 Tr 4142). Consumers argues that the company has supported its modeled capacity factor for solar with projections from third-party resources. Consumers' reply brief, p. 19. Thus, Consumers opines that the BMPs' resource adequacy and reliability arguments should be rejected. *Id.*

Responding to the BMPs' claims that the settlement agreement fails to meet the requirements of Section 6t(8)(b) of Act 341 and Governor Gretchen Whitmer's MI Healthy Climate Plan pursuant to ED 2020-10, Consumers argues that "the record establishes that the Settlement Agreement is aligned with that plan, and will help promote its success." Consumers' reply brief, p. 20. Consumers adds that to the extent the BMPs are arguing that additional imports from the market violate ED 2020-10, the PCA, as modified by the settlement agreement, "reduced the need for market purchases" and "continues to maintain that reduced market dependence through the purchase of the Covert Plant and one-time solicitation . . . ." *Id.*

Addressing the BMPs' assertion that Karn Units 3 and 4 could be designated as an SSR, Consumers reiterates that "an SSR designation would result from an electric transmission system deficiency that must be mitigated and not due to a capacity or energy shortfall." *Id.*, p. 21. Reiterating its earlier testimony, Consumers argues that the risk of an SSR designation is unsupported. *Id.*, pp. 20-21.

In response to the BMPs' assertion that the settlement agreement fails to appropriately balance the diversity of generation resources with the impacts on commodity price risk, Consumers asserts that the settlement agreement provides for a diverse portfolio of resources as outlined in its testimony. *Id.*, p. 21. Consumers posits that "[t]his resource mix 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." *Id.* Further, Consumers asserts that this approach will "provide further opportunities for the utilization of diverse supply resources and protects against high customer rates." *Id.*

Consumers reiterates its arguments, outlined above, regarding the scope of the contested settlement agreement in response to the BMPs. *See, id.*, pp. 23-26. Consumers reasserts that the BMPs attempt to propose another version of the settlement agreement is "improper and not supported." Consumers' reply brief, p. 25. On pages 26 through 33 of its reply brief, Consumers addresses the BMPs' appeal of the ALJ's rulings.

Consumers asserts that Mackinac's objections to the settlement failed to comport with the Commission's procedural rules and should thus be disregarded. *Id.*, pp. 32-33.

Consumers requests the Commission approve the settlement agreement in its entirety without any modifications or conditions. *Id.*, p. 33.

#### 5. Wolverine Power Supply Cooperative

WPSC argues that the settlement agreement "has neither the facts nor the law on its side and the Commission must reject it." WPSC's reply brief, p. 1. WPSC contends that the Staff has reversed its stance on the importance of resource adequacy as the Staff now contends that the settlement agreement "should be approved because Zonal resource adequacy is not Consumers'

problem to solve.” WPSC’s reply brief, p. 3 (citing Staff’s initial brief, p. 5). WPSC avers that while it is not the sole responsibility of Consumers to “ensure resource adequacy for the Zone, a significant component of the IRP framework is to ensure that a utility retiring resources does not do so in a manner that adversely impacts the Zone, which Consumers does here” and that “although Consumers may not be required to address a shortfall caused by others, it certainly must be required to address a shortfall it is creating.” *Id.* (emphasis omitted).

WPSC again avers that the settlement agreement is not supported by substantial evidence and that the company has not disputed the negative ZRC values for 2022-2023 and 2025-2026. *See, id.*, p. 4. WPSC reiterates concerns regarding the ELCC for solar assets, arguing that the 50% is not an accurate benchmark as “[i]t simply does not reflect reality, even if some are willing to pretend that it does.” *Id.* WPSC further states that it has “identified actual impediments to Consumers’ contemplated solar development and Consumers offered no explanation as to how it will overcome these hurdles, except to say there is time to address in future IRPs. [WPSC] identified the issues; Consumers identified no solutions.” *Id.*, p. 5.

Finally, WPSC argues that the Staff’s briefing lacks confidence “[m]uch like Consumers’ failure to explain its solution to the hurdles related to solar development, Staff appears to be counting on speculative ‘other resources’ that are not identified in brief or the record.” *Id.* Therefore, WPSC avers that the settlement agreement is speculative and should be denied under Rule 431(5).

#### 6. The Biomass Merchant Plants

In reply to Consumers, the BMPs reference their initial brief to respond to the claim that the BMPs’ “requested relief is beyond the scope of these proceedings” averring that “[i]t is not.” BMPs’ reply brief, p. 2. The BMPs reiterate that while “PURPA may no longer require

Consumers to purchase generation from the Biomass Plants [that] does not mean that such purchases are not reasonable and prudent as a matter of state law” and that Consumers has done everything possible “to exclude the Biomass Plants from the IRP, regardless of whether or not including them would be reasonable and prudent.” *Id.* (citing to BMPs’ initial brief, p. 29-38). Reiterating the testimony and briefing, the BMPs state that the company never requested cost information from the BMPs and failed to explain why the cost of new construction was utilized for biomass generation. *See*, BMPs’ reply brief, pp. 2-4.

Responding to Consumers’ contention that the BMPs would be eligible to bid into the first tranche of the one-time solicitation, the BMPs aver that:

[w]hile the Biomass Plants can be dispatched within their operational limits, they cannot be dispatched within one hour if they are not running. That fact, in addition to the fact that all of the Biomass Plants’ current contracts extend into the 2025 to 2030 time period will exclude them from bidding in that solicitation.

*Id.*, p. 4 (referencing Consumers’ initial brief, p. 45). The BMPs again reference objections and excluded evidence which they aver were inappropriately ruled upon by the ALJ. The BMPs aver that Consumers failed to discuss “whether [Consumers] is likely to sign power purchase agreements with [the CMS plants] as a result of the first tranche of the One Time Solicitation, which is probable.” *Id.*, pp. 5-6. Further, the BMPs restate record testimony to aver that Consumers has still failed to rebut the BMPs’ testimony regarding the overstated solar capacity factor the company has utilized, and the risk associated with proposed solar additions. *See, id.*, pp. 6-10. The BMPs argue that Consumers’ dismissal of the risks relating to the solar additions, and “its refusal to add the 188 MW of baseload, net zero carbon, renewable generation from the Biomass Plants to its IRP” are invalid and raise “serious questions as to whether the Biomass Plants are being excluded from the IRP for some other undisclosed commercial reason.” *Id.*, pp. 10-11.

## V. Discussion

The Commission finds that the contested settlement agreement at issue in this case should be approved.

As stated above, Commission approval of a contested settlement agreement is appropriate where the Commission determines the following requirements have been met: (1) that the objecting parties have been given a reasonable opportunity to present evidence and arguments in opposition to the settlement agreement, (2) the public interest is adequately represented by the parties who entered into the settlement agreement, (3) the settlement agreement is in the public interest, (4) the settlement agreement represents a fair and reasonable resolution of the proceeding, and (5) the settlement agreement is supported by substantial evidence on the record as a whole.

Mich Admin Code, R 792.10431.

The Commission finds that all the requirements of Rule 431 have been met. The Commission has provided a reasonable opportunity to those parties that objected to the settlement agreement to present evidence and argument in opposition to the settlement agreement. The parties were given the opportunity to submit direct and rebuttal testimony, file initial and reply briefs, and appear at an evidentiary hearing regarding the contested settlement agreement before a presiding officer. As the parties to this case observed, the principal record in this case consists of 4,094 pages of transcript and over 500 exhibits admitted into evidence. The record on the contested settlement alone consists of 315 additional pages of transcript and 22 additional exhibits admitted into evidence.

With respect to the second criterion, the record shows that the signatories to the settlement agreement represent a broad cross-section of interests, including residential customers, commercial and industrial customers, businesses in Michigan's advanced energy sector, environmental groups,

a transmission company, and third-party developers. *See*, 10 Tr 4407-4408. The Commission also notes that the Court of Appeals has affirmed the Commission's determination that the public interest is adequately represented by the Staff when the Staff is party to a contested settlement agreement. *Attorney General v Mich Pub Serv Comm*, 237 Mich App 82, 93-94; 602 NW2d 225 (1999). Accordingly, the Commission finds that the public interest is adequately represented by the parties who entered into the settlement agreement.

Rule 431(5)(c) requires the Commission to make a three-part finding that: (1) the settlement agreement is in the public interest, (2) represents a fair and reasonable resolution of the proceeding, and (3) is supported by substantial evidence on the record as a whole.

The Commission finds that the settlement agreement is in the public interest. The Commission finds persuasive the testimony by Consumers and others that the settlement agreement was the result of good-faith negotiation that resulted in significant compromises for all involved. The negotiation of the parties is evident when comparing the details of Consumers' initial IRP filing with the terms of the proposed settlement agreement. Signatory parties to this case highlighted the following provisions as compromises reached by settlement that are in the public interest, represent a fair and reasonable resolution of the proceeding, and are supported by substantial evidence on the record as a whole:

- The agreement that Consumers retire Campbell Units 1, 2, and 3 in 2025, which will result in savings to ratepayers, reduce the production of environmental pollutants, such as SO<sub>2</sub>, NO<sub>x</sub>, and particulate matter, and advance Michigan's clean energy goals as outlined in the MI Healthy Climate Plan as well as provide additional public health benefits;



- The agreement that Consumers will purchase the Covert plant in 2023, which will add 1,114 ZRCs to MISO Zone 7 to support reliability for Consumers as well as overall resource adequacy of the Zone;
- The agreement to conduct a one-time solicitation for 200 ZRCs of capacity and associated energy and RECs, which will provide additional clean capacity resources for Consumers' portfolio;
- The agreement that Consumers will deploy the battery program outlined in the rebuttal testimony in the principal case which will formalize an important component of a cleaner energy grid while enhancing reliability and resource adequacy;
- The agreement to seek recovery of the unrecovered book value and decommissioning costs of retiring coal units through regulatory asset treatment, rather than continued recovery through traditional ratemaking, which provides the potential for customer savings;
- The agreement that Consumers will donate \$5 million dollars in shareholder funds to support bill assistance for lower-income customers along with continued annual donations;
- The agreement that Consumers will provide beneficial modeling in its next IRP, including total emissions, annual particulate matter health impacts, an environmental justice screening tool, projected low-income energy efficiency participation levels, publicly available rooftop solar adoption rates, and transmission import analysis; and
- The agreement that Consumers will take steps to engage and gather input from the public prior to the filing of its next IRP with the Commission, which will ensure that additional information and perspectives are available to inform both the company's assessment of its future resource options as well as Commission and stakeholder review of its proposals.

Energy Michigan, WPSC, the BMPs, and Mackinac disagree with the conclusion that the settlement is in the public interest and represents a reasonable resolution to the proceeding. The objecting parties' concerns involve the resource adequacy, reliability, and competitive pricing in MISO Zone 7. Specifically, the objecting parties argue that: (1) the settlement agreement does not meet the resource adequacy needs of MISO Zone 7 and (2) the one-time competitive solicitation will not adequately replace the capacity from retiring coal-fired generation. Each of these concerns are addressed in turn.

A. The Resource Adequacy of Zone 7

The parties objecting to the settlement agreement claim that the settlement agreement does not address the need for incremental capacity replacements in MISO Zone 7 following the retirement of Campbell Units 1, 2, and 3 to meet the resource adequacy requirements of the zone. As such, the objecting parties conclude that Consumers' PCA fails to meet the resource adequacy requirements of Section 6t(8)(a)(i) and (iv) that the Commission must balance "[r]esource adequacy and capacity to serve anticipated peak electric load, applicable planning reserve margin, and local clearing requirement" and "reliability" to determine that the integrated resource plan is the most reasonable and prudent means of meeting energy and capacity needs. The Commission disagrees.

The Commission finds the testimony of the Staff, MNS, and Consumers compelling. As Consumers testifies, the settlement agreement continues the annual solicitation process adopted by the company in its 2018 IRP. 10 Tr 4121. By preserving the solar ramp-up proposed in the original PCA, the settlement agreement adds 250 ZRCs of new solar generation by the 2025/2026 PY, increasing to 852 ZRCs by the 2028/2029 PY. 10 Tr 4350. The settlement agreement provides that Consumers will deploy a new utility-scale battery storage program which will add

approximately 71 ZRCs of new capacity to the zone. 10 Tr 4350. Finally, preserving the EWR and DR provisions from Consumers' original PCA, the settlement provides 94 ZRCs of demand-side resources by the 2025/2026 PY, increasing to 2031 ZRCs by the 2028/2029 PY. The settlement also provides for increases in both the demand-side resources and solar resources in later years. 10 Tr 4350.

In addition to these new resources, the settlement agreement provides for the acquisition of the Covert plant, which will transfer approximately 1,114 ZRCs from PJM into MISO Zone 7. 10 Tr 4123, 4225, 4230, 4331. The settlement agreement has the effect of adding approximately 770 ZRCs through the continued operation of Karn Units 3 and 4 until May 31, 2031, consistent with the design lives of those units. 10 Tr 4225, 4334.

MNS provides that "the settlement [agreement] will result in a projected net increase of at least 127 ZRCs. By 2028/29, the projected net increase will be at least 923 ZRCs." 10 Tr 4350. The Staff further contends that, "[t]he Company was originally proposing to retire approximately 2800 MW (nameplate) generation from MISO Zone 7 . . . ," meanwhile the settlement agreement "only retires a portion of that amount, approximately 1500 MW . . . ." 10 Tr 4405. The projections by both MNS and the Staff are in addition to any resources that may be acquired through the one-time solicitation, discussed below. 10 Tr 4351-4352, 4406. As Consumers observes, the settlement agreement provides for more capacity in Zone 7 than was included in the company's originally filed PCA. 10 Tr 4230. The Commission thus finds that the settlement agreement provides a reasonable and prudent plan for meeting resource adequacy requirements.

The Commission acknowledges the larger resource adequacy concerns of the objecting parties as valid and timely. The broader resource adequacy of Zone 7 and the MISO region has an impact on both Consumers' customers and the state as a whole. The Commission observes that the

2022/2023 MISO PRA results indicate a capacity shortfall for the MISO North and Central Regions.<sup>5</sup> These auction results indicate that many LSEs in MISO will experience a greater risk of implementing involuntary conservation measures even though many of them would appear to be resource adequate when viewed as a stand-alone entity. While the market construct within MISO allows for the pooling of resources to lower the total cost to customers, this market construct means that the planned retirements and resource decisions of one utility impact the customers of other utilities within the Zone and the greater regional transmission organization (RTO).

While the Commission agrees with Consumers' assertion that the company is not responsible for the reliability of the entirety of MISO Zone 7, it is also clear that a deficiency in any part of Zone 7 would increase the likelihood of grid outages for all customers in Zone 7, including those served by Consumers.

As noted above, however, the approval of the settlement agreement enhances zonal resource adequacy in the short, medium, and long term(s). In the short term, the acquisition of the Covert plant will transfer approximately 1,114 ZRCs from PJM into MISO, providing much needed additional capacity to LRZ 7 for the next MISO PY. In the long term, as noted by Mr. Jester, "[c]ontinuing to operate Karn 3-4 supports Consumers' attainment of planning reserve margin requirements by maintaining more than 780 ZRCs in the Company's portfolio." 10 Tr 4334. And as the Staff noted, the settlement agreement represents "a resource adequacy improvement over the Company's original PCA[,]" and provides for approximately 400 ZRCs of new resources within

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<sup>5</sup> The resources in the MISO region operate as a shared pool of resources to meet the PRMR. As demonstrated in the MISO 2022/2023 PRA results, capacity shortfalls in four MISO Zones resulted in the entirety of the MISO North/Central Regions having a slightly increased risk of needing to implement temporary controlled load sheds. The 2022/2023 PRA results are available at: <https://cdn.misoenergy.org/2022%20PRA%20Results624053.pdf> (accessed, June 17, 2022).

MISO Zone 7 by 2025, in addition to the one-time solicitation for 700 MW set forth in the settlement agreement. 10 Tr 4405, 4406. Finally, while acknowledging the challenges to resource adequacy that were highlighted in MISO’s recent PRA results, the Commission notes Consumers’ testimony that it “will file at least one, if not multiple, IRPs” between now and when any projected shortfalls are likely to occur, and that it will have “ample time to respond and adjust the PCA” if necessary. 10 Tr 4143-4144. As such, the Commission is satisfied that the approval of the settlement agreement will enhance resource adequacy in Zone 7 in both the near-term and long-term.

In order to ensure future IRPs appropriately consider zonal resource adequacy in addition to the resource requirements of a particular utility, the Commission directs the Staff to include a requirement for each utility to consider the impacts of its PCA on the resource adequacy of its own customers, the LRZ in MISO or its equivalent in PJM, and also assess the potential impacts, if any, of its decisions on customers in neighboring Zones, regions, or RTOs in the upcoming IRP filing requirements update in Case No. U-18461 in order to better enable the Commission to determine whether future PCAs meet resource adequacy needs of the LRZ.

#### B. The One-Time Solicitation

The parties objecting to the settlement agreement also express concerns regarding the one-time solicitation as it is outlined in the settlement agreement. Among the concerns, Energy Michigan asserts that the 500 ZRC capacity need that Consumers is seeking to fill through the first tranche of the one-time solicitation will result in capacity that is not additional to what is already being counted toward MISO Zone 7’s resource adequacy requirements. 10 Tr 4297. The BMPs and WPSC express concerns that the timing and framing of the one-time solicitation will not result in new resources being added to the market. Specifically, these two parties assert that it will not

be possible for new generation to obtain a MISO Interconnection Services Agreement, complete project engineering, obtain financing, and construct a new plant by 2025, as the settlement agreement requires the generation to provide Consumers with a capacity credit in MISO Zone 7 by 2025. The Commission finds that this reasoning for denying the settlement agreement is speculative. As several parties contended, the terms of the settlement agreement require that the resources acquired be competitively sourced. The Commission finds persuasive testimony that “respondents to the solicitation could be from some of the projects currently in the MISO queue . . . that makes up nearly 1,800 MW of projects that are currently in Study Phase 2 or 3.” 10 Tr 4404 (footnote omitted). And further that “there are more than 13,011 MWs of solar, battery, and solar/battery hybrid projects located in MISO Zone 7 that have an application in-service date by or before June 1, 2025 . . . . Of these projects, 5,365 MW of solar, 499 MW of solar/battery hybrid, and 370 MW of battery have completed Phase 2 or Phase 3 interconnection studies and are therefore highly likely to proceed if the developer has an offtake or build-transfer agreement.” 10 Tr 4363-4364 (footnotes omitted). The Commission finds that the one-time solicitation is in the public interest as it is likely to contribute to—or at a minimum not be detrimental to—the overall resource adequacy of MISO Zone 7.

However, to clarify, the Commission does not interpret the language of the settlement agreement to mean that it is pre-judging any approval requests it may receive from Consumers as a result of this one-time solicitation or any other approval requests that Consumers may file following the implementation of its PCA. The language of the settlement reads:

[T]he actual selected bid(s) will be submitted in Case No. U-21090 for Commission approval subsequent to the completion of the One-Time Solicitation;

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.

Settlement Agreement, pp. 6-7. As such, the Commission will examine the results of the one-time solicitation carefully and will scrutinize any effects it may have on resource adequacy and competitive pricing in Zone 7.

Having addressed each of the arguments as to whether the settlement agreement is in the public interest and represents a fair and reasonable resolution of the proceeding, the Commission finds that, for all the reasons set forth, the settlement agreement is in the public interest. The Commission also finds that the proposed settlement agreement is a fair and reasonable resolution of this proceeding. In addition, having read the record, the Commission likewise finds the settlement agreement to be supported by substantial evidence on the record as a whole. Moreover, as agreed to by the parties in paragraph 1 of the settlement agreement and supported by the record, the Commission finds that Consumers' PCA as amended by the settlement agreement is the most reasonable and prudent means of meeting Consumers' energy and capacity needs and otherwise meets the requirements of MCL 460.6t(8).

THEREFORE, IT IS ORDERED that:

- A. The settlement agreement, attached as Exhibit A, is approved.
- B. Unless otherwise provided in the settlement agreement, the terms of the approved settlement agreement shall take effect immediately upon issuance of this order.
- C. The Commission Staff shall include a requirement for each affected utility to consider the impacts of its proposed course of action on the resource adequacy of its own customers, the Midcontinent Independent System Operator, Inc. Local Resource Zone or respective PJM

Interconnection, L.L.C. Zone, and neighboring Zones, regions, or regional transmission organizations in the updated integrated resource plan filing requirements to be filed on June 30, 2022, in Case No. U-18461, as outlined in this order.

D. In accordance with paragraph 11(g) of the settlement agreement, Consumers Energy Company shall file, within 30 days of this order, revised Standard Offer tariff sheets and a revised Standard Offer contract, to reflect the Standard Offer construct and rates approved as part of the approved settlement agreement. Also pursuant to paragraph 11(g), parties shall have 14 calendar days subsequent to these filings to provide comments to the Commission in this docket.

The Commission reserves jurisdiction and may issue further orders as necessary.



Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, under MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel. Electronic notifications should be sent to the Executive Secretary at [mpscedockets@michigan.gov](mailto:mpscedockets@michigan.gov) and to the Michigan Department of the Attorney General – Public Service Division at [pungpl@michigan.gov](mailto:pungpl@michigan.gov). In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General – Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

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Daniel C. Scripps, Chair

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Tremaine L. Phillips, Commissioner

By its action of June 23, 2022.

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Lisa Felice, Executive Secretary

## STATE OF MICHIGAN

## BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of	)	
<b>CONSUMERS ENERGY COMPANY</b>	)	
for Approval of an Integrated Resource Plan	)	Case No. U-21090
under MCL 460.6t, certain accounting	)	
approvals, and for other relief.	)	
_____	)	

**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")<sup>1</sup>; Michigan Environmental Council, Natural Resources Defense Council, and Sierra Club ("MNS"); Great Lakes Renewable Energy

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<sup>1</sup> 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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Amit T. Singh, Esq.  
Nicholas Q. Taylor, Esq.  
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CONSUMERS ENERGY COMPANY

By:  Digitally signed by  
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Date: April 19, 2022

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Bret A. Totoraitis (P72654)  
Robert W. Beach (P73112)  
Anne M. Uitvlugt (P71641)  
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ATTORNEY GENERAL, DANA NESSEL

By: **Celeste R. Gill** Digitally signed by  
Celeste R. Gill  
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Date: \_\_\_\_\_


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GREAT LAKES RENEWABLE ENERGY ASSOCIATION

By: *Don L. Keskey*  
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Date: April 19, 2022

MICHIGAN ENVIRONMENTAL COUNCIL

By:  Digitally signed by  
Christopher M. Bzdok  
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Date: April 19, 2022



NATURAL RESOURCES DEFENSE COUNCIL



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Date: April 19, 2022

SIERRA CLUB

*Michael C. Soules*  
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CITIZENS UTILITY BOARD OF MICHIGAN

By:  Digitally signed  
by Holly L., Hillyer  
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Date: April 19, 2022

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

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MICHIGAN ELECTRIC TRANSMISSION COMPANY, LLC

By: **Richard**  
**Aaron**  
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ENVIRONMENTAL LAW & POLICY CENTER, VOTE SOLAR, ECOLOGY CENTER, AND  
UNION OF CONCERNED SCIENTISTS

By:   
Margrethe Kearney, Esq.  
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Date: April 19, 2022

HEMLOCK SEMICONDUCTOR OPERATIONS LLC

By: **Jennifer  
Utter  
Heston**  Digitally signed by  
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Date: April 19, 2022

URBAN CORE COLLECTIVE



By:

\_\_\_\_\_  
Nicholas Leonard, Esq.  
Andrew Bashi, Esq.  
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19-April-2022

Date:

\_\_\_\_\_

Mark N. Templeton, Esq.  
Robert A. Weinstock, Esq.  
University of Chicago Law School –  
Abrams Environmental Law Clinic  
6020 South University Avenue  
Chicago, IL 60637



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'

Date: April 19, 2022

Nolan J. Moody, Esq.  
Peter H. Ellsworth, Esq.  
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MIDLAND COGENERATION VENTURE LIMITED PARTNERSHIP

By: **John**  
**Janiszewski**  
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US O = Dykema Gossett, PLLC  
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Date: April 20, 2022

# ATTACHMENT A

## ATTACHMENT A

<b>Contract Year</b>	<b>Total Rate (\$/MWh)</b>
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


# PROOF OF SERVICE

STATE OF MICHIGAN )

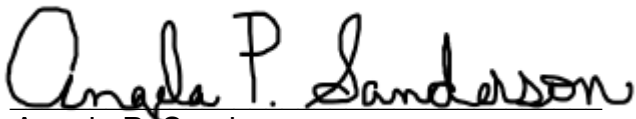
Case No. U-21090

County of Ingham )

Brianna Brown being duly sworn, deposes and says that on June 23, 2022 A.D. she electronically notified the attached list of this **Commission Order via e-mail transmission**, to the persons as shown on the attached service list (Listserv Distribution List).

  
Brianna Brown

Subscribed and sworn to before me  
this 23<sup>rd</sup> day of June 2022.



Angela P. Sanderson  
Notary Public, Shiawassee County, Michigan  
As acting in Eaton County  
My Commission Expires: May 21, 2024

**Service List for Case: U-21090**

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