

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter, on the Commission's own motion,)	
establishing the method and avoided cost calculation)	
for ALPENA POWER COMPANY to fully comply)	Case No. U-18089
with the Public Utilities Regulatory Policy Act)	
of 1978, 16 USC 2601 <i>et seq.</i>)	
<hr/>)	

In the matter, on the Commission's own motion,)	
establishing the method and avoided cost calculation)	
for CONSUMERS ENERGY COMPANY to fully)	Case No. U-18090
comply with the Public Utilities Regulatory Policy)	
Act of 1978, 16 USC 2601 <i>et seq.</i>)	
<hr/>)	

In the matter, on the Commission's own motion,)	
establishing the method and avoided cost calculation)	
for DTE ELECTRIC COMPANY to fully)	Case No. U-18091
comply with the Public Utilities Regulatory Policy)	
Act of 1978, 16 USC 2601 <i>et seq.</i>)	
<hr/>)	

In the matter, on the Commission's own motion,)	
establishing the method and avoided cost calculation)	
for INDIANA MICHIGAN POWER COMPANY to)	Case No. U-18092
fully comply with the Public Utilities Regulatory)	
Policy Act of 1978, 16 USC 2601 <i>et seq.</i>)	
<hr/>)	

In the matter, on the Commission's own motion,)	
establishing the method and avoided cost calculation)	
for NORTHERN STATES POWER COMPANY to)	Case No. U-18093
fully comply with the Public Utilities Regulatory)	
Policy Act of 1978, 16 USC 2601 <i>et seq.</i>)	
<hr/>)	

In the matter, on the Commission's own motion,)
establishing the method and avoided cost calculation)
for UPPER PENINSULA POWER COMPANY to fully) Case No. U-18094
comply with the Public Utilities Regulatory Policy)
Act of 1978, 16 USC 2601 *et seq.*)
_____)

In the matter, on the Commission's own motion,)
establishing the method and avoided cost calculation)
for WISCONSIN PUBLIC SERVICE) Case No. U-18095
CORPORATION to fully comply with the Public)
Utilities Regulatory Policy Act of 1978,)
16 USC 2601 *et seq.*)
_____)

In the matter, on the Commission's own motion,)
establishing the method and avoided cost calculation)
for WISCONSIN ELECTRIC POWER COMPANY) Case No. U-18096
to fully comply with the Public Utilities Regulatory)
Policy Act of 1978, 16 USC 2601 *et seq*)
_____)

In the matter, on the Commission's own motion,)
establishing the method and avoided cost calculation)
for THUMB ELECTRIC COOPERATIVE) Case No. U-18097
to fully comply with the Public Utilities Regulatory)
Policy Act of 1978, 16 USC 2601 *et seq*)
_____)

At the May 3, 2016 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman
Hon. Norman J. Saari, Commissioner

ORDER

In an order issued on October 27, 2015, in Case No. U-17973, the Commission opened an investigation into the related subjects of the Public Utility Regulatory Policies Act of 1978, 16 USC 2601 *et seq.* (PURPA) and the avoided cost amounts that a public utility is obligated to

pay to certain Qualifying Facilities (QFs). The Commission noted that it had been over two decades since avoided cost rates were developed and that, in light of the significant changes in the energy landscape and the imminent expiration of many of the original PURPA contracts, it was an opportune time to undertake a comprehensive reexamination of PURPA, with a focus on identifying appropriate methods for establishing avoided costs. To that end, the Commission directed the Electric Reliability Division Staff (Staff) to form a Technical Advisory Committee (TAC) to be composed of the Staff and representatives of electric utilities and electric cooperatives, QFs, small power producers, and distributed generation advocates.

The PURPA TAC held a series of meetings beginning on December 8, 2015, and concluding on March 3, 2016. On March 15, 2016, the Staff issued a draft report to the PURPA TAC. On April 1, 2016, comments from participants were due, and on April 8, 2016, the Staff filed a final report (PURPA Report) in Case No. U-17973. According to the PURPA Report, the goals of the PURPA TAC were to: (1) develop an ongoing administrative process for establishing avoided costs for 20 megawatt and smaller QFs; (2) research and discuss various approaches to setting avoided costs; and (3) present recommendations, including areas where consensus was not reached, in the PURPA Report.

The PURPA Report provides an overview of the Commission's responsibilities under federal and state law, a history of PURPA implementation in Michigan from 1978 to the present, and a summary of utility obligations as set forth in the original act and as it was amended in 2005. In addition, the report contains a discussion of various methods for determining avoided cost and a Staff recommendation that a hybrid proxy plant be used to determine avoided cost.

With respect to the administrative process for updating avoided costs for each provider, the PURPA Report recommends establishing an initial proceeding focusing on the avoided cost

methodology, which requires rate-regulated electric providers to file avoided cost calculations and avoided cost data. Separate case numbers should be assigned to each of the providers, and cases should be consolidated into three groups: (1) in-state utilities without all-requirements purchase obligations; (2) providers with all-requirements purchase obligations; and (3) multi-state utilities. After the conclusion of the contested cases the Commission would issue orders approving new avoided cost methods and calculations for each utility and then direct each utility to file tariff sheets with standard offer rates. QFs may then select the standard offer (if applicable) or negotiate an agreement with the provider. Once executed, the utility will file the contract for Commission approval.

The Commission agrees with the Staff's recommendation concerning the appropriate administrative processes for establishing an avoided cost method and for approving avoided costs and PURPA contracts. Accordingly, the Commission directs Consumers Energy Company (Consumers), DTE Electric Company (DTE Electric), Alpena Power Company (Alpena), Upper Peninsula Power Company (UPPCo) and Thumb Electric Cooperative (Thumb) to file proposed avoided cost methodologies and costs by June 17, 2016, in their respective dockets.¹ In their respective filings, these in-state utilities shall provide avoided cost calculations using: (1) the hybrid proxy plant method proposed in the PURPA report; (2) the transfer price method developed under 2008 PA 295; (3) another method, if any, that the company wishes to propose; and (4) and

¹ The Commission notes that there may not be any in-state, all-requirements utilities. Thus, the Commission finds that the dockets for Consumers and DTE Electric should be consolidated into one proceeding, and the dockets for Thumb, UPPCo, and Alpena should be consolidated into a separate proceeding.

proposed standard rate tariffs, including applicable design capacity.² The remaining utilities shall file their avoided cost methods and calculations by June 30, 2016, in their respective assigned dockets.

Three prehearing conferences, one for Case Nos. U-18090 and U-18091 (Consumers and DTE Electric); another for Case Nos. U-18089, U-18094, and U-18097 (Alpena, UPPCo, and Thumb); and a third for Case Nos. U-18092, U-18093, U-18095, and U-18096 (Indiana Michigan Power Company, Northern States Power Company, Wisconsin Public Service Corporation, and Wisconsin Electric Power Company), shall be held on July 21, 2016, at 9:00 a.m. before Administrative Law Judge Mark E. Cummins.

THEREFORE, IT IS ORDERED that:

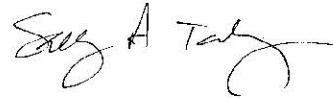
A. Consumers Energy Company, DTE Electric Company, Alpena Power Company, Upper Peninsula Power Company and Thumb Electric Cooperative shall file their respective avoided cost information in their assigned dockets by June 17, 2016, as set forth in the order.

B. Indiana Michigan Power Company, Northern States Power Company, Wisconsin Public Service Corporation, and Wisconsin Electric Power Company shall file their respective avoided cost information in their assigned dockets by June 30, 2016, as set forth in the order.

² Pursuant to 18 CFR 292.304(c)(1) and (2), utilities are required to have standard rates for purchases from QFs with a design capacity of 100 kilowatts (kW) and under, however the standard rate may be applied to facilities that are larger than 100 kW.

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

MICHIGAN PUBLIC SERVICE COMMISSION



Sally A. Talberg, Chairman



Norman J. Saari, Commissioner

By its action of May 3, 2016.

Mary Jo Kunkle, Executive Secretary

PROOF OF SERVICE

STATE OF MICHIGAN)

Case No. U-18089 et al

County of Ingham)

Lisa Felice being duly sworn, deposes and says that on May 3, 2016 A.D. she electronically notified the attached list of this **Commission Order (Commission's Own Motion) via e-mail transmission**, to the persons as shown on the attached service list (Listserv Distribution List).



Lisa Felice

Subscribed and sworn to before me
this 3rd day of May 2016



Steven J. Cook
Notary Public, Ingham County, Michigan
As acting in Eaton County
My Commission Expires: April 30, 2018

Service List U-18089

Alpena Power Company
401 N. Ninth Avenue
PO Box 188
Alpena MI 49707

Service List U-18090

Consumers Energy Company
Vice President & Corporate Secretary
One Energy Plaza
Jackson MI 49201

Service List U-18091

DTE Energy Company
One Energy Plaza, 2459 WCB
Detroit MI 48226

Service List U-18092

Indiana Michigan Power Company
2425 Meadowbrook Road
Benton Harbor MI 49023

Service List U-18093

Northern States Power Company
President & CEO
1414 W. Hamilton Avenue
PO Box 8
Eau Claire WI 54702-0008

Service List U-18094

Upper Peninsula Power Company
1002 Harbor Hills Drive
Marquette MI 49855

Service List U-18095

Wisconsin Public Service Corporation
700 N. Adams Street
PO Box 19001
Green Bay WI 54307-9001

Service List U-18096

Wisconsin Electric Power Company
231 W. Michigan Street, P440
Milwaukee WI 53203

Service List U-18097

Thumb Electric Cooperative
2231 Main Street
PO Box 157
Ubly MI 48475-0157

CBaird-Forristall@MIDAMERICAN.COM	Mid American
david.d.donovan@XCELENERGY.COM	Noble Americas
vobmgr@UP.NET	Village of Baraga
braukerL@MICHIGAN.GOV	Linda Brauker
info@VILLAGEOFCLINTON.ORG	Village of Clinton
jepalinc@CMSENERGY.COM	CMS Energy Resource Mgt Co
Jayne@HOMEWORKS.ORG	Tri-County Electric Co-Op
mkappler@HOMEWORKS.ORG	Tri-County Electric Co-Op
psimmer@HOMEWORKS.ORG	Tri-County Electric Co-Op
aurora@FREEWAY.NET	Aurora Gas Company
frucheyb@DTEENERGY.COM	Citizens Gas Fuel Company
dwjoos@CMSENERGY.COM	Consumers Energy Company
mpscfilings@CMSENERGY.COM	Consumers Energy Company
jim.vansickle@SEMCOENERGY.COM	SEMCO Energy Gas Company
kay8643990@YAHOO.COM	Superior Energy Company
ebrushford@UPPCO.COM	Upper Peninsula Power Company
ronan.patterson@WE-ENERGIES.COM	Wisconsin Electric Power Company
kerriw@TEAMMIDWEST.COM	Midwest Energy Coop
meghant@TEAMMIDWEST.COM	Midwest Energy Coop
tharrell@ALGERDELTA.COM	Alger Delta Cooperative
patti.williams@BAYFIELDELECTRIC.COM	Bayfield Electric Cooperative
tonya@CECELEC.COM	Cherryland Electric Cooperative
sfarnquist@CLOVERLAND.COM	Cloverland Electric Cooperative
sboeckman@GLENERGY.COM	Great Lakes Energy Cooperative
llopez@LIBERTYPOWERCORP.COM	Liberty Power Delaware (Holdings)
kmarklein@STEPHENSON-MI.COM	Stephson Utilities Department
debbie@ONTOREA.COM	Ontonagon Cnty Rural Elec
sharonkr@PIEG.COM	Presque Isle Electric & Gas Cooperative, INC
dbraun@TECMI.COOP	Thumb Electric
rbishop@BISHOPENERGY.COM	Bishop Energy
mkuchera@BLUESTARENERGY.COM	BlueStar Energy
todd.mortimer@CMSENERGY.COM	CMS Energy
igoodman@COMMERCEENERGY.COM	Commerce Energy
david.fein@CONSTELLATION.COM	Constellation Energy
joseph.donovan@CONSTELLATION.COM	Constellation Energy
kate.stanley@CONSTELLATION.COM	Constellation Energy
kate.fleche@CONSTELLATION.COM	Constellation New Energy
mark.harada@CONSTELLATION.COM	Constellation New Energy
hendersond@DTEENERGY.COM	DTE Energy
mpscfilings@DTEENERGY.COM	DTE Energy
Don.Morgan@DUKE-ENERGY.COM	Duke Energy
john.finnigan@DUKE-ENERGY.COM	Duke Energy
bgorman@FIRSTENERGYCORP.COM	First Energy
rillo@LAKESHOREENERGY.COM	Lakeshore Energy
vnguyen@MIDAMERICAN.COM	MidAmerican Energy
rarchiba@FOSTEROIL.COM	My Choice Energy
gbass@NOBLESOLUTIONS.COM	Noble American Energy
rabaey@SES4ENERGY.COM	Santana Energy

cboerr@WPSCI.COM	Spartan Renewable Energy, Inc. (Wolverine Po
john.r.ness@XCELENERGY.COM	Xcel Energy
cityelectric@ESCANABA.ORG	City of Escanaba
crystalfallsmgr@HOTMAIL.COM	City of Crystal Falls
felice@MICHIGAN.GOV	Lisa Felice
mmann@USGANDE.COM	Michigan Gas & Electric
tomwhite@GLADSTONEMI.COM	City of Gladstone
rferguson@INTEGRYSGROUP.COM	Integrys Group
lrgustafson@CMSENERGY.COM	Lisa Gustafson
tahoffman@CMSENERGY.COM	Tim Hoffman
daustin@IGSENERGY.COM	Interstate Gas Supply Inc
krichel@DLIB.INFO	Thomas Krichel
pnewton@BAYCITYMI.ORG	Bay City Electric Light & Power
aallen@GHBLP.ORG	Grand Haven Board of Light & Power
sbn@LBWL.COM	Lansing Board of Water and Light
jreynolds@MBLP.ORG	Marquette Board of Light & Power
bschlansker@PREMIERENERGYONLINE.COM	Premier Energy Marketing LLC
ttarkiewicz@CITYOFMARSHALL.COM	City of Marshall
d.motley@COMCAST.NET	Doug Motley
kunklem@MICHIGAN.GOV	Mary Jo Kunkle - MPSC
nwabuezen1@MICHIGAN.GOV	Nicholas Nwabueze
mpauley@GRANGERNET.COM	Marc Pauley
ElectricDept@PORTLAND-MICHIGAN.ORG	City of Portland
akb@ALPENAPOWER.COM	Alpena Power
dbodine@LIBERTYPOWERCORP.COM	Liberty Power
leew@WVPA.COM	Wabash Valley Power
kmolitor@WPSCI.COM	Wolverine Power
ham557@GMAIL.COM	Lowell S.
AKlaviter@INTEGRYSENERGY.COM	Integrys Energy Service, Inc WPSES
BusinessOffice@REALGY.COM	Realgy Energy Services
landerson@VEENERGY.COM	Volunteer Energy Services
Ldalessandris@FES.COM	First Energy Solutions
rboston@NOBLESOLUTIONS.COM	Noble Energy Solutions
pbeckhusen@MUNI.CBPU.COM	Coldwater Board of Public Utilities
akinney@HILLSDALEBPU.COM	Hillsdale Board of Public Utilities
rjrose@HILLSDALEBPU.COM	Hillsdale Board of Public Utilities
mrzwiers@INTEGRYSGROUP.COM	Mich Gas Utilities/Upper Penn Power/Wisconsi
dityler@MICHIGANGASUTILITIES.COM	Mich Gas Utilities/Qwest
donm@BPW.ZEELAND.MI.US	Zeeland Board of Public Works
KKratt@ghblp.org	Grand Haven Board of Light & Power
Teresa.ringenbach@directenergy.com	Direct Energy
christina.crabble@directenergy.com	Direct Energy
Bonnie.yurga@directenergy.com	Direct Energy
ryan.harwell@directenergy.com	Direct Energy
kadardwa@itctransco.com	ITC Holdings Corp.
johnbistranin@realgy.com	Realgy Corp.
jweeks@mpower.org	Jim Weeks
gaclark2@aep.com	Indiana Michigan Power Company

mvorabouth@ses4energy.com Santana Energy