

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own motion,)	
to open a docket for load serving entities in)	
Michigan to file their capacity demonstrations as)	Case No. U-18441
required by MCL 460.6w.)	
_____)	

In the matter, on the Commission's own motion,)	
to open a docket for load serving entities in)	
Michigan to file their capacity demonstrations as)	Case No. U-20154
required by MCL 460.6w.)	
_____)	

At the May 17, 2018 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

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

ORDER

On December 21, 2016, Governor Rick Snyder signed Public Act 341 (Act 341) into law, which amended 1939 PA 3; MCL 460.1 *et seq.*, and became effective on April 20, 2017. Among other things, Act 341 mandates that the Commission must establish a state reliability mechanism (SRM) pursuant to MCL 460.6w(8). Under the SRM construct, the Commission has responsibility for overseeing the sufficiency of all electric providers' long-term arrangements for electric capacity. In the September 15, 2017 order in Case No. U-18197, the Commission adopted a format for the SRM capacity demonstration filings required by MCL 460.6w(8) (September 15

order); and, on the same date, the Commission opened this docket for the purpose of receiving those filings.

MCL 460.6w(8) requires each electric utility, alternative electric supplier (AES), cooperative electric utility, and municipally-owned electric utility (collectively referred to as electric providers) to demonstrate to the Commission, in a format determined by the Commission, that each electric provider owns or has contractual rights to sufficient capacity to meet its capacity obligations as set by the Midcontinent Independent System Operator, Inc. (MISO) or by PJM Interconnection, LLC (PJM), or the Commission, as applicable. This is known as a capacity demonstration. In MCL 460.6w(8)(a) and (b), the Legislature established the dates by which all electric providers must file their capacity demonstrations with the Commission. Regulated electric utilities' filings were due no later than December 1, 2017. AESs', cooperatives', and municipally-owned electric utilities' filings were due no later than February 9, 2018. The September 15 order directed the Commission Staff (Staff) to: (1) issue a memo with updated capacity obligations based upon the latest MISO Loss of Load Expectation Study Report in November 2017; (2) file a memo in Case No. U-18441 with an analysis of all of the capacity demonstration filings and provide a table identifying the capacity by type for each electric provider no later than March 6, 2018; and (3) work with MISO (as is required by MCL 460.6w) to determine whether the specific resources listed by a provider meet federal reliability requirements. September 15 order, pp. 44, 48-49, and Attachment A (Capacity Demonstration Process and Requirements), p. 1.

The Staff filed the memo with updated capacity obligations on October 27, 2017.

The Staff filed its Report and Recommendations addressing the capacity demonstrations on March 6, 2018 (Staff Report), and a Supplemental Report and Recommendations on March 14,

2018 (Supplemental Report).¹ The Staff describes the numerous audits, meetings, and contract reviews that took place during the Staff’s analysis of the filed demonstrations, and its extensive work with MISO. In determining the capacity requirements for MISO local resource zones² (LRZ) 7, 2, and 1, the Staff explains that the definition of “capacity surplus (shortfall)” that it used was “The expected total load forecast plus the planning reserve margin requirements versus the total number of available planning resources located within a particular LRZ.” Staff Report, p. 10. With respect to LRZ 7, the Staff finds that the zone is likely to exceed its local clearing requirement by 408 zonal resource credits (ZRCs) in 2018, taking into account only demonstrated resources. Staff Report, p. 13. With respect to the planning reserve margin requirements (PRMRs), the Staff states that it expects about 984 ZRCs to be imported into LRZ 7 for the 2018/2019 planning year, which is well below LRZ 7’s capacity import limit of 3,785 ZRCs. Staff Report, p. 14. Further, the Staff finds that LRZ 2 and LRZ 1 are reported to have capacity surpluses for the 2018/2019 planning year and will meet their respective PRMRs. *Id.*, pp. 19-20. The Staff finds that Indiana Michigan Power Company demonstrated its ability to meet its capacity obligations within the PJM footprint.

The Staff takes note of significant changes occurring in 2018, all of which create a more positive outlook for LRZ 7, including: (1) the continued operation of the Palisades Nuclear Power

¹ Section 6w contains firm deadlines that are (especially in this first year of implementation) tight. Almost all electric providers made filings in compliance with the deadlines set by the Legislature. However, the Supplemental Report was necessitated by the lateness of some providers’ capacity demonstration filings. Given that the analysis of the capacity picture goes beyond any individual electric provider, late filings make a timely analysis more difficult. Now that all providers have made their first demonstration filing, the Commission anticipates that all utilities will make timely filings in 2019.

² LRZ 7 encompasses most of the Lower Peninsula; LRZ 2 encompasses most of the Upper Peninsula; and LRZ 1 encompasses a small part of the western tip of the Upper Peninsula. These are zones within MISO. The southwest corner of the Lower Peninsula is within the PJM footprint.

Plant; (2) the return of certain generating units within LRZ 7 to their historical average forced outage rates; (3) the expansion of a power purchase agreement; (4) the expansion of demand response and dynamic peak pricing programs; (5) a decrease in the PRMR and load forecast for LRZ 7; and (6) an increase in the capacity import limit.

The Staff finds that all electric providers demonstrated their ability to meet their capacity obligations for planning years 2018/2019 through 2021/2022, and that no show cause proceedings will be required.³ The Staff recommends that the deadline for future Staff reports on the sufficiency of the demonstrations be extended to late March. The Commission agrees and, for the next planning year review, directs the Staff to file its report no later than March 28, 2019. The Commission recognizes that review of all of the capacity filings is a difficult undertaking, involving work with MISO, and often involving the machinations associated with the review of confidential documents. However, by extending the deadline for the Staff's report, the Commission is not extending the deadlines built into Section 6w(8) of Act 341 for the demonstration filings.⁴

The Staff also recommends that the Commission direct that a Capacity Demonstration Technical Conference take place during the summer of 2018, and the Commission agrees. The Commission adopts the Staff's recommendation to use this conference, among other things, to agree on changes to the reporting template for different types of electric providers, and to agree on the language of both the general affidavit and an AES load switching affidavit. The Staff

³ The Staff describes outstanding issues for a few providers, but does not recommend further action at this time, and, based on the Staff's description, the Commission agrees. Staff Report, pp. 25-27; Supplemental Report, p. 4.

⁴ Electric utilities' filings are due by December 1 of each year. December 1 falls on a Saturday in 2018, and thus the deadline is extended to December 3, 2018. MCL 8.6.

recommends that, with respect to the future review of contracts, electric providers should rely only on ZRC contracts that can be audited by the Staff and discontinue reliance on contracts that specify that the ZRCs will be offered into the applicable MISO auction and thus do not allow for auditing of the delivery of the ZRCs prior to the auction. The Commission finds that the Staff makes an important point with respect to verification, and directs the Staff to include this issue among the issues to be discussed at the collaborative. The Staff is further directed to file a brief report on the results of the collaborative within 30 days of the date of the collaborative, in Case No. U-20154. The report should include copies of any new documents agreed upon by the participants, and should address the verification issue. The report should describe any recommended changes to the Capacity Demonstration Process and Requirements.

The Commission accepts the Staff's Report and Supplemental Report, and adopts the recommendations contained therein with respect to the collaborative and the deadline for the 2019 report. The Commission finds that no show cause proceedings are necessary for the 2018/2019 through 2021/2022 planning years, and that no AES customers will be levied an SRM capacity charge during that period. The Commission commends the Staff, MISO, and the electric providers for their efforts, which have resulted in a relatively smooth transition to this new framework for assessing resource adequacy. The Commission looks forward to the continued robust review of capacity resources for future planning years, as well as the annual review of the capacity charge.

THEREFORE, IT IS ORDERED that:

A. The March 6 and March 14, 2018 Staff Reports and Recommendations filed in Case No. U-18441 are accepted.

B. The Commission Staff is directed to convene a Capacity Demonstration Technical Conference during the summer of 2018. Within 30 days of the date of the conference, the

Commission Staff shall file a report on the results of the conference in Case No. U-20154, as described herein.

C. Electric utilities required to file capacity demonstrations pursuant to MCL 460.6w(8)(a) for the 2022/2023 planning year shall make that filing no later than 5:00 p.m. on December 3, 2018, in Case No. U-20154, and load serving entities required to file capacity demonstrations pursuant to MCL 460.6w(8)(b) for the 2022/2023 planning year shall make that filing no later than 5:00 p.m. on February 11, 2019, in Case No. U-20154.

D. The Commission Staff shall file a memo analyzing the sufficiency of the capacity demonstrations for the 2022/2023 planning year no later than March 28, 2019, in Case No. U-20154.

E. The docket in Case No. U-18441 is closed, and the docket in Case No. U-20154 is opened.

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

Any party desiring to appeal this order must do so by the filing of a claim of appeal in the appropriate court within 30 days of the issuance 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 and to the Michigan Department of the Attorney General - Public Service Division at pungp1@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

Sally A. Talberg, Chairman

Norman J. Saari, Commissioner

Rachael A. Eubanks, Commissioner

By its action of May 17, 2018.

Kavita Kale, Executive Secretary

PROOF OF SERVICE

STATE OF MICHIGAN)

Case No. U-18441 et al

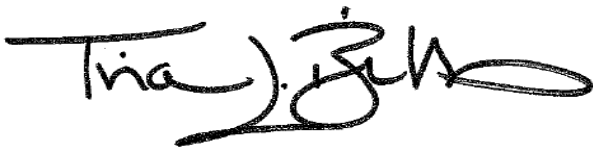
County of Ingham)

Lisa Felice being duly sworn, deposes and says that on May 17, 2018 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).



Lisa Felice

Subscribed and sworn to before me
This 17th day of May 2018



Tina L. Bibbs
Notary Public, Clinton County, Michigan
As acting in Eaton County
My Commission Expires: November 13, 2021

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