

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter, on the Commission’s own motion,	)	
regarding the regulatory reviews, revisions,	)	
determinations and/or approvals necessary for	)	Case No. U-18351
<b>CONSUMERS ENERGY COMPANY</b> to comply	)	
with Section 61 of 2016 PA 342.	)	
_____	)	

At the October 5, 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**

History of Proceedings

On December 21, 2016, Governor Rick Snyder signed Public Act 342 of 2016 (Act 342) into law, which became effective on April 20, 2017. Among other things, Act 342 amends 2008 PA 295, MCL 460.1001 *et seq.* (Act 295), by adding Section 61, MCL 460.1061, which requires electric providers to offer voluntary green pricing (VGP) programs to their customers. Section 61 states:

An electric provider shall offer to its customers the opportunity to participate in a voluntary green pricing program under which the customer may specify, from the options made available by the electric provider, the amount of electricity attributable to the customer that will be renewable energy. If the electric provider’s rates are regulated by the commission, the program, including the rates paid for renewable energy, must be approved by the commission. The customer is responsible for any additional costs incurred and shall accrue any additional savings realized by the electric provider as a result of the customer’s participation in the program. If an electric provider has not yet fully recovered the incremental costs of compliance, both of the following apply:

(a) A customer that receives at least 50% of the customer's average monthly electricity consumption through the program is exempt from paying surcharges for incremental costs of compliance.

(b) Before entering into an agreement to participate in a commission-approved voluntary green pricing program with a customer that will not receive at least 50% of the customer's average monthly electricity consumption through the program, the electric provider shall notify the customer that the customer will be responsible for the full applicable charges for the incremental costs of compliance and for participation in the voluntary renewable energy program as provided under this section.

### Procedural History

On March 28, 2017, the Commission issued an order in Case Nos. U-18349 *et al.* (March 28 order) directing electric providers and other interested parties to provide input to the Commission on what the VGP programs should contain, as well as several other implementation details.

March 28 order, p. 2. Comments were due by April 28, 2017, and reply comments were due by May 30, 2017. Comments on the minimum requirements were filed by eight electric providers, and several interested parties provided a range of feedback and suggestions as to how the VGP programs should be structured and evaluated by the Commission.

The Commission issued a subsequent order in these matters on July 12, 2017 (July 12 order), providing guidance to the utilities as to what to include in their Section 61 proposals and the criteria by which the Commission would evaluate the merits of the proposed programs.

Following the Commission's July 12 order, the Commission Staff (Staff) filed a motion for clarification requesting that the Commission answer the following questions raised by the order:

1. Did the Commission intend for electric providers to refile all of their existing green pricing programs regardless of when they were approved—before or after Act 342 took effect?

2. Do existing programs need to be changed if an electric provider does not intend to open the program to new customers, or can these existing programs be exempted from (grandfathered into) the new requirements?
3. If existing programs are allowed to be grandfathered in, should providers be required to eliminate the programs from their tariffs by a certain date?

Staff's motion, p. 4.

On October 18, 2017, Consumers Energy Company (Consumers) filed its initial VGP program application with supporting testimony and exhibits in this docket. Subsequently, Energy Michigan, the Environmental Law and Policy Center (ELPC), and the Michigan Environmental Council (MEC) filed petitions to intervene. On December 20, 2017, the Commission issued an order in these matters (December 20 order) responding to the Staff's motion for clarification; directing Consumers to file its Green Generation program, which it had omitted from its initial application; and opening a contested case in this docket. The Commission also stated in the December 20 order that it would read the record in this matter. On January 16, 2018, Consumers filed supplemental testimony and exhibits in response to the Commission's order. On January 23, 2018, the Michigan Energy Innovation Business Council (MEIBC), the Institute for Energy Innovation (IEI), and the Advanced Energy Economy (AEE) filed a joint petition to intervene.

A prehearing conference was held on January 30, 2018, before Administrative Law Judge Martin D. Snider (ALJ), at which the ALJ granted the four petitions to intervene in this case. On April 25, 2018, MEIBC and ELPC filed direct testimony and supporting exhibits.<sup>1</sup> Consumers

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<sup>1</sup> ELPC made separate filings of its direct testimony and exhibits. The first filing included testimony and supporting exhibits from witness Rebecca Stanfield on behalf of ELPC, and the second filing included testimony and supporting exhibits from witness Douglas Jester on behalf of ELPC, MEIBC, IEI, and AEE.

filed its rebuttal testimony on May 21, 2018, and official exhibits on June 4, 2018. A hearing was held on June 4, 2018, at which the parties waived cross-examination and agreed to bind all testimony into the record. 2 Tr 16. On June 5, 2018, and June 12, 2018, ELPC and MEIBC filed exhibits, respectively. Initial briefs were filed on June 29, 2018, and reply briefs were filed on July 20, 2018. The record in this matter consists of 178 pages of transcript and 41 exhibits.

### Proposed Voluntary Green Pricing Programs

Pursuant to Section 61 of Act 342 and the Commission's July 12 order, Consumers proposed three VGP programs for Commission approval. Two of the proposed programs, Solar Gardens and the Large Customer-Renewable Energy Program (LC-REP) Option A and Option B, were proposed as being compliant with Section 61. Consumers' initial brief, p. 2. The company's third proposed program, Green Generation, was not proposed as being compliant with Section 61; however, Consumers expressed that it would like to continue the program. Consumers' initial brief, p. 9.

Consumers describes the Solar Gardens program as a voluntary program sourced from four megawatts (MWs) of community solar located at Grand Valley State University and Western Michigan University that is open to all residential and commercial full-service customers in the company's service territory. 2 Tr 28-29. Enrolled customers pay either an up-front subscription fee or a fee spread out over a three-year, seven-year, or 25-year term, which is applied to the cost of developing, constructing, operating, and maintaining the solar facilities. 2 Tr 29-30. Enrolled customers also receive a credit of \$0.075 per kilowatt hour (kWh) until June 2020, when the credit will then be the market value produced from the solar facilities based on solar production

times, the hourly Midcontinent Independent System Operator, Inc. (MISO) locational marginal price (LMP), and capacity value. 2 Tr 31.

The LC-REP contains two discrete options intended for large utility customers. Option A, which was approved by the Commission as a pilot program in the August 23, 2017 order in Case No. U-18393 (August 23 order), allows enrolled customers to pay a subscription fee in addition to their full-service tariff and to choose a subscription level between 20% and 100%, in 5% increments, of their electrical usage to be matched with renewable energy (RE). 2 Tr 33; *see*, August 23 order, p. 7. The program has 155,000 megawatt-hours (MWh) dedicated to it, which is an increase from the 115,000 MWh that was previously conditionally approved by the Commission. *See*, August 23 order, p. 6. Customers will pay \$0.045 per kWh as the subscription fee and will be credited at a rate based on the MISO LMP and annual planning reserve auction clearing price for that planning year. 2 Tr 34. The program credits are calculated on a monthly basis, and, on an annual basis, Consumers will review and reconcile any overrecovery or underrecovery of the wind energy and capacity credits. 2 Tr 33-34. Customers may elect to enroll in the program for terms of three years or 20 years. 2 Tr 39. The company further explained that:

[A]t the end of each program year, the Company will also review and reconcile the amount of energy subscribed with the amount of energy generated by the renewable energy facility. In the event there is a shortfall between the energy generated and amount of energy subscribed, the active participants may request the Company provide them with Renewable Energy Credits (“RECs”) to cover the shortfall, with the customer paying the cost of obtaining the RECs.

*Id.* Customers also retain the RECs associated with the renewable generation from Option A.

Option A also allows customers who match at least 85% of their energy to choose the Market Index Provision,<sup>2</sup> which will replace the average variable energy component of their standard rate with the Real Time LMP at the CONS.CETR (node that represents Consumers' load). 2 Tr 36. The subscription fees from the program will be treated as revenue, offsetting the costs in the company's renewable energy plan (REP). 2 Tr 37. The power supply cost recovery (PSCR) transfer price will not apply to subscribed portions of the program, and any energy and capacity that is unsubscribed will be transferred to the PSCR through the REP. *Id.*

The second option Consumers provided under the LC-REP is Option B, which is available to full-service customers with new or expanding load of at least three MW not previously served by Consumers who would like the company to administer the sale of the customer's renewable energy into the MISO market and/or would like to utilize the market index provision. 2 Tr 37. Option B was also proposed in Case No. U-18393 as a pilot, but the Commission deferred consideration to this docket. Consumers summarized Option B as follows:

Like Option A, customers remain full-service electric customers of the Company and are required to continue paying all applicable power supply, delivery, transmission, and surcharges for their entire load—unsubscribed and subscribed portions—in the LC-REP program. Similarly, customers taking service under the Company's GPD Rate Schedule can elect to exchange the variable energy component of the On-Peak and Off-Peak Energy Charge of their rate with the hourly Real Time LMP at the CONS.CETR commercial pricing node.

2 Tr 38. If the customer elects to have Consumers act as the administrator for the sale of the customer's RE into the MISO market, Consumers will be compensated through a negotiated service contract. 2 Tr 42-43.

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<sup>2</sup> The Commission notes that in the Option A Market Index Provision approved in the August 23 order, to be eligible for the program, Consumers required that customers must match 100% of their energy. August 23 order, Attachment A. Consumers has modified the LC-REP Option A Market Index Provision in this docket to require a match of a minimum of 85% of their energy.

The Green Generation program is the final VGP program proposed by Consumers; however, the program is not proposed as being Section 61 compliant. The Green Generation program was previously approved by the Commission in the May 18, 2004 order in Case No. U-13843 and is sourced from seven power purchase agreements (PPAs) that were approved in Case No. U-14626. 2 Tr 47-48. Consumers explains that Green Generation is open to full-service customers who have not received a shut-off notice in the preceding nine months or after enrollment. Enrolled customers have four participation options.

The first option allows customers to match 100% of their monthly energy usage with a renewable energy resource . . . Participants pay either \$0.01 per kWh, \$0.085 per kWh, or \$0.007 per kWh depending on the level of their monthly usage. The second option allows customers to purchase Green Generation certificates (“certificate”) in the amount of \$1.50 per certificate per month. Each certificate represents 150 kWh of renewable energy procured by the Company . . . The third option provides a reduced certificate price of \$1.275 per certificate per month for customers who purchase at least 100 certificates per month. The final payment option provides a reduced certificate price of \$1.05 per certificate per month for customers who purchase more than 8,000 certificates per month.

2 Tr 48.

Consumers clarifies that the Green Generation program does not comply with Section 61 because it does not credit customers with any additional savings realized by the company as required under the statute, which, according to Consumers, is because the company uses funding from a PPA with Midland Cogeneration Venture (MCV) and the PSCR process. 2 Tr 51. However, the company requests that it be permitted to continue the program, citing the program’s popularity (with approximately 20,000 participants) as a low-cost renewable energy option. *Id.*

#### Positions of the Parties

Consumers, the Staff, ELPC, IEI, AEE, Energy Michigan, and MEIBC provided testimony in this matter.

The Staff's testimony centered on its proposed amendments and overall recommendations for Consumers' Solar Gardens, LC-REP Option A and Option B, and Green Generation VGP programs. 2 Tr 85-89. The Staff recommended that the Commission approve Solar Gardens, LC-REP Option A, and LC-REP Option B because these programs meet the minimum requirements set out by Section 61 and the Commission's orders. 2 Tr 87-89. However, the Staff also recommended that, by the 2019 biennial filing or sooner, the company file plans to expand its Section 61 VGP options. 2 Tr 88.

ELPC provided testimony through two witnesses. Its first witness' testimony focused on the Solar Gardens program. 2 Tr 94-95. ELPC described the requirements of Section 61 and the Commission's guidance before explaining that Solar Gardens is insufficient and not Section 61 compliant for the following reasons: (1) it does not meet the additionality requirement; (2) the bill credit under-compensates customers; (3) the program's size is inadequate to serve customer demand for RE; (4) the program does not have enough options to meet varying customer needs and objectives, particularly low-income customers; (5) the subscription fee does not transparently reflect the additional costs attributable to the program; and (6) the program costs are not representative of the most cost-effective solar resources in the competitive market. 2 Tr 95-110. ELPC recommended that the Commission withhold approval until Consumers modifies Solar Gardens to address the issues set out by ELPC. 2 Tr 110-111. ELPC then briefly addressed Consumers' Green Generation program stating that it is not Section 61 compliant and should be discontinued. 2 Tr 111-112.

ELPC joined the testimony of its second witness with MEIBC, IEI, and AEE. ELPC's portion of the testimony focused on the charges and credits for Consumers' VGP programs. 2 Tr 114. ELPC described the statutory requirements, the Commission's guidance, Consumers'



proposed VGP programs, and Consumers' process in developing these programs before pointing out the programs' deficiencies and recommending modifications. 2 Tr 119-124. Among those deficiencies, ELPC stated that the company's cost and credit methodology was unreasonable because its costs are unfair and its credits undervalue RE generation. 2 Tr 124-128. As to Solar Gardens' costs, ELPC recommended that Consumers treat up-front payments as contributions in aid of construction to avoid the improper profit it alleges the company would receive under the proposed structure. 2 Tr 127.

ELPC then discussed the Green Generation program, which ELPC described as being based on unbundled RECs, and its recommendations for how the company should establish charges and credits for this program. 2 Tr 128-131. ELPC asserted that it would be most appropriate to utilize Public Utility Regulatory Policies Act of 1978, 16 USC 2601 *et seq.* (PURPA) avoided costs as the basis for the credit to participating customers in the VGP programs. 2 Tr 132-136. Additionally, ELPC took issue with the administrative and marketing fees embedded in Consumers' proposed VGP programs stating that the fees were "not supported by any budgetary detail or any testimonial justification." 2 Tr 138-139.

Turning to the generation supplying Consumers' VGP programs, ELPC testified that the 155,000 MWh cap for LC-REP and the 10 MW cap for Solar Gardens are inappropriate given the Commission's July 12 order. 2 Tr 139-143. ELPC argued that Consumers should use systematic forecasting and market analysis to anticipate and meet customer demand for RE. 2 Tr 144-147. Overall, ELPC recommended approval of Consumers' VGP programs as pilot programs which would prompt the company to file, in the next biennial review, proposals to revise the programs in accordance with ELPC's recommendations. 2 Tr 147-148.

Energy Michigan's testimony centered on Consumers' LC-REP Option B proposed program and what Energy Michigan characterized as an undue restriction in Option B that requires participating customers to have a new or expanding load of at least three MW. 2 Tr 151-152. Energy Michigan expressed concern that the three MW threshold "effectively bars nearly all of the existing customers of Consumers who otherwise might be interested in such a program" and suggested that the threshold be lowered to one MW. 2 Tr 152-153.

MEIBC began its testimony by discussing customer demands for RE and preferences for RE programs. 2 Tr 159-163. MEIBC then evaluated Consumers' proposed LC-REP Option A and Option B programs and the Solar Gardens program. 2 Tr 163-175. MEIBC pointed out some positive attributes and the following shortcomings it perceived in the LC-REP Option A program: (1) a lack of competitive solicitation, (2) subscription term options are limited to three or 20 years, (3) a lack of clarity as to whether customers with multiple locations can aggregate load to qualify for the program, and (4) the program is nearly fully subscribed and lacks a clear process for expansion. 2 Tr 164-171. MEIBC then turned to LC-REP Option B, similarly listing perceived positive attributes as well as "one significant" shortcoming, the three MW threshold limitation. 2 Tr 172-173. As to Solar Gardens, MEIBC claimed that the program had several attractive elements, but also some problems including: limited flexibility regarding subscription term lengths with no medium-term subscription options (i.e., between seven and 25 years), no competitive solicitation process, and the limited opportunity for customers to participate due to the program being 81% subscribed. 2 Tr 173-174. MEIBC recommended that the Commission grant approval of LC-REP Option A and Option B and Solar Gardens conditioned on Consumers revising the programs to remedy the deficiencies pointed out by MEIBC. 2 Tr 175.

Consumers provided testimony through three witnesses. The company began testimony by explaining the statutory requirements for VGP programs and describing the company's proposed programs, Solar Gardens and the LC-REP Option A and Option B programs. 2 Tr 26-44. In its supplemental testimony, Consumers also provided a description of its Green Generation program. 2 Tr 46-52. Consumers went on to rebut the concerns regarding the proposed VGP programs raised by the Staff and other intervenors in this matter. First, Consumers addressed Energy Michigan's testimony regarding the three MW threshold requirement for the LC-REP Option B, stating that it intentionally restricted the option to "very large customers" to allow the company to refine its operational procedures for billing and program administration and "better understand the attractiveness of renewable energy as a driver of economic development in the state." 2 Tr 55, 60. In response to MEIBC, IEI, AEE, and ELPC's collective testimony requesting changes to the Solar Gardens subscription payment, Consumers defended its proposed subscription payment and explained that the payments "reflect the recovery of and on Company investments in building and managing the solar power facilities used to support" Solar Gardens. 2 Tr 56. Consumers further disagreed that the program's marketing and administrative fees were not duly supported and that the program's size is insufficient. 2 Tr 57, 61-62. Consumers disagreed that detailed market analyses were necessary but conceded that ongoing customer research is important to understand customer demand. 2 Tr 58. The Company also disputed the contention that it has not supplied LC-REP Option A with competitively bid renewable sources and the necessity of adding additional program term lengths to Option A and Solar Gardens. 2 Tr 59-60. Consumers further disputed ELPC's claims that the company must include third-party owned generation and that the Green Generation program should be discontinued. 2 Tr 63-64.

Part of Consumers' testimony centered on the credits provided to Solar Gardens and LC-REP customers with the company advocating that its proposed credits are reasonable and that using avoided costs, as suggested by ELPC, would be inappropriate because PURPA avoided costs are inapplicable to Section 61 programs. 2 Tr 70-74. Consumers also rejected ELPC's claim that the credit does not fairly compensate customers, stating that, "the energy and capacity value provided to the participants as a credit accurately reflects the actual and forecast value, respectively" and additional value such as line loss is also included in the credit. 2 Tr 75-76. Lastly, the company contended that the programs achieve additionality, contrary to ELPC's claims, because there is a potential to expand the program and additional participation could lead to new solar facilities. 2 Tr 77.

### Discussion

Consumers, the Staff, Energy Michigan, ELPC, MEIBC, IEI, and AEE filed testimony, initial briefs, and reply briefs in this case.<sup>3</sup> In general, Consumers and the Staff recommend approval of Consumers' proposed Section 61 VGP programs and approval of the Green Generation program as proposed. ELPC, MEIBC, and Energy Michigan raise issues with the proposed programs and recommend changes to the Commission. The issues raised by the parties are discussed below.

#### A. Program Costs, Subscription Payments, and Transparency

ELPC raises concerns that Consumers' Solar Gardens and LC-REP programs contain unfair costs and subscription payments for customers. ELPC's initial brief, pp. 5-8. With respect to

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<sup>3</sup> ELPC filed testimony on its own behalf through witness Rebecca Stanfield, as well as testimony through witness Douglas Jester on behalf of ELPC, MEIBC, IEI, and AEE. MEIBC filed its initial brief and reply brief jointly with IEI and AEE, thus they hereinafter will be referred to jointly as MEIBC.

Solar Gardens, ELPC argues that the up-front subscription fees charged to customers are excessive and result in a profit to the company:

Consumers calculated the price for up-front payments as the net present value of the Company's required revenue for the solar facilities utilized for the program. This value is based on Consumers receiving the pre-tax weighted average cost of capital for the net book value of the solar projects. On the other hand, Consumers treats the money that it receives in up-front payments as part of its regulatory liability in its Renewable Energy Program, which means those funds are credited at Consumers' short-term debt rate. Because Consumers calculated the up-front payment amount based on the pre-tax weighted average cost of capital, but credits customers for the money at its short-term debt rate, Consumers essentially makes an extra profit on the up-front payments.

ELPC's initial brief, pp. 5-6 (internal citations omitted); *see also* 2 Tr 126-127. ELPC further argues that the Solar Gardens' pricing lacks transparency because the customer cannot discern the net cost of participation in the program, and further argues that the price for the same 0.5 kilowatt (kW) block of energy varies depending on the payment option the customer chooses without sufficient explanation from the company. *Id.*, pp. 8-9; *see also* 2 Tr 109-110.

MEIBC notes that while the overall pricing of the LC-REP program is "transparent and relies on market-based pricing mechanisms," the company has not demonstrated that the program is the most cost-effective because an open and competitive selection process was not used to procure the resources supplying the program. MEIBC's initial brief, p. 10; *see also* 2 Tr 109-110.

Consumers disagrees with ELPC's proposed method for treatment of the subscription fees for Solar Gardens and argues that the company's method is appropriate given that it was previously approved by the Commission in Case No. U-17752. In addition, Consumers states that the program is funded through the REP, so the company credits payments to the REP's incremental cost of compliance (ICC). Consumers further argues that MCL 460.1047(3) requires that, under the REP, the company must record interest on regulatory liabilities at the short-term

borrowing rate and that, because the subscription payments increase the regulatory liability, there is a corresponding increase in interest credited to customers. The company also notes that the duration of the subscription payment has no impact on the company's cost recovery or treatment of the payments as a credit to the REP's ICC. Consumers' reply brief, p. 3.

The Commission finds that the company's proposed subscription payment and treatment through the REP accounting mechanism is appropriate and aligned with the requirements of Section 61 and the Commission's previously issued guidance. Consumers has supported its accounting method, which the Commission previously approved in the May 14, 2015 order in Case No. U-17752 (May 14 order). 2 Tr 56-57; May 14 order, pp. 19-22. The Commission rejected ELPC's proposed treatment in that case, and ELPC has presented no new evidence in the record to convince the Commission that the company's accounting treatment of the Solar Gardens subscription payments is unreasonable. However, the Commission notes that the statutory requirement of Section 61 that customers be "responsible for any additional costs incurred" for a VGP program necessitates ongoing evaluation by the company to assess the costs of the program. Therefore, the Commission expects a full assessment of program costs in the company's next biennial filing in October 2019. Further, the Commission finds the company's breakdown of the costs and subscription fees as presented to its customers to be adequately transparent.

#### B. Value of Customer Credit

ELPC asserts that Consumers has undervalued the credits customers receive under the proposed Section 61 programs and instead should base credits on the actual costs avoided by the company by not having to supply electricity from its traditional generation sources. ELPC's initial brief, p. 6; 2 Tr 126. ELPC supports its argument by explaining that the Commission

approved Consumers' credits for the Solar Gardens program as a pilot program prior to the effective date of Section 61, and at the time, the Commission noted that the credit reflecting the value of solar (VoS) would likely need refinement as more data became available. ELPC's initial brief, pp. 6-7. ELPC argues that the credit approved for a pilot program is no longer appropriate and that PURPA avoided costs should now be used for crediting Section 61 program customers. *Id.*, p. 7; *see also* 2 Tr 132. According to ELPC, Consumers' proposal to credit customers at 75% of the cost of new entry (CONE) starting in June 2020 does not satisfy Section 61's requirement to pass through "any additional savings" the utility incurs, but instead only passes along 75% of those savings. ELPC's initial brief, p. 8. As an alternative to using avoided costs for customer credits, ELPC proposes using the REP transfer price. 2 Tr 147.

Consumers disagrees with ELPC's assessment of Solar Gardens' customer credit and maintains that its proposed crediting mechanism is appropriate, compliant with Section 61, and should be approved. Consumers' initial brief, p. 16. Consumers rejects ELPC's proposal to credit customers at PURPA avoided costs because PURPA is not applicable to VGP programs under Act 342. *Id.* Consumers defends the Solar Gardens and LC-REP credits as follows:

Solar Gardens reduces the Company's energy purchases from MISO, and the value of those reduced purchases is the MISO market represented by the day-ahead LMP. 2 Tr 76. Consumers Energy also calculates a capacity credit that the solar facilities provide using a capacity price forecast of 75% of the [CONE], which is the forecast the Company uses in its PSCR cases when evaluating the cost and value of capacity from future generation assets. 2 Tr 76. Similarly, the value that the LC-REP provides is the market value of energy and capacity.

Consumers' initial brief, pp. 16-17, citing 2 Tr 71, 76. Consumers also disagrees with ELPC's proposed alternative crediting mechanism, arguing that the transfer price does not represent an actual value, but instead is an REP expense maximum value that can be recovered in the PSCR. 2 Tr 74.

Similar to the subscription method, the Commission approved the crediting mechanism for the Solar Gardens program in Case No U-17752. Although that approval was prior to the effective date of Act 342's Section 61, the Commission finds the company's proposal to be reasonable and compliant with Section 61. As the company duly supported, its crediting method avoids subsidies from non-participating customers, while passing on the savings the company incurs by not having to purchase the subscribed energy from the MISO market. 2 Tr 70-77. The Commission also notes that, as Solar Gardens and other approved VGP programs evolve and the company gathers additional data regarding the VoS and other renewable sources and their contribution during peak hours, the credits to customers should be adjusted to reflect any change in the savings realized by the company.

#### C. Plans for Program Expansion

ELPC contests the sufficiency of the Solar Gardens program to meet the needs of Consumers' residential customers, pointing out that as of December 2017, the program was approximately 90% subscribed. 2 Tr 104. ELPC continues, "[t]hus, the current program is only sufficient to satisfy the renewable energy needs of slightly more than 0.34 percent of Consumers' 6.6 million residential customers." 2 Tr 105. ELPC requests that Consumers procure or develop substantial new renewable resources with a one- to two-year expansion plan and a plan to meet at least 1% of its total residential load with voluntary RE. *Id.* MEIBC also made note of the insufficiency of the resources available for the programs and points out that, "the scale of corporate demand for renewable energy[,] since 2013, over 11 [giga-watts] GW of offsite renewable energy projects have been signed by corporate offtakes, with an average size of 96 MW." MEIBC's initial brief, pp. 6-7, citing 2 Tr 160.



Consumers disagrees with ELPC's assessment and recommendation regarding expansion of its proposed VGP programs. The company defends the current capacity of its programs stating that the Solar Gardens program has the ability to more than double its capacity, but that the company has not been able to justify adding additional solar resources given the current level of participation. 2 Tr 62. Additionally, Consumers argues that ELPC's demand that the company meet 1% of its residential load with voluntary RE is unreasonable because it would require the company to increase the RE generated by its VGP programs by 6,387% (excluding Green Generation) or 119% (including Green Generation). 2 Tr 62-63.

The Commission agrees with Consumers regarding the 1% demand made by ELPC. Such a substantial increase in voluntary RE in a short period of time would be unreasonable absent greater evidence of market demand and customer participation, and such a requirement is not contemplated by Section 61. However, the Commission does share the concerns voiced by ELPC that the proposed programs, Solar Gardens and LC-REP Option A, do not currently have enough resources to match customer need beyond the short-term. As provided in testimony, the Solar Gardens program is approximately 90% subscribed, which is significant given the relatively short life of the program and potential for changing customer preferences in support of RE. As for LC-REP Option A, Consumers has dedicated 155,000 MWh of RE to its use; however, 115,000 MWh of this program's allocated energy has already been subscribed since enrollment began in September 2017. MEIBC's initial brief, p. 6, note 4; *see also* Consumers' LC-REP Pilot Report in Case No. U-18393 filed on August 15, 2018. The Commission is not convinced by Consumers' assurances that it will develop additional resources when customer interest necessitates it. Section 61 requires electric providers to provide customers with an opportunity to participate in a VGP program, which implies that enough RE will be available to

meet customer need. The Commission is concerned that without defined plans to dedicate additional resources to these programs, there will be a lag between customer demand and available resources, which would effectively violate Section 61.

Therefore, while the Commission finds that the current resources achieve compliance, Consumers must set forth, in an additional filing, a plan to dedicate additional RE resources to both the Solar Gardens and LC-REP Option A programs within 60 days from the date of this order. As discussed further herein, Consumers should also be prepared in the upcoming biennial VGP filing in 2019 to provide market assessment data on customer demand potential so that demand and supply can be accurately evaluated.

#### D. Additionality

ELPC argues that the Solar Gardens program failed to meet the requirements of Section 61 addressing additionality because the assets for the program were approved as part of Consumers' REP, prior to approval of the VGP programs. 2 Tr 102-103. In other words, according to ELPC, the program does not result in new solar or renewable capacity and misleads customers about their contributions to new RE and the associated environmental benefits. 2 Tr 101-103. Consumers disagrees, pointing out that while the program is currently supplied with four MW of solar capacity based on customer interest, the company can add up to six MW of additional solar capacity. 2 Tr 77. Thus, the company reasons, "additional participation may lead to the development of new solar facilities," and "[t]he marketing materials criticized by [ELPC] are accurate." *Id.*

In its July 12 order in this case, the Commission addressed the need for VGP programs to be additional:

Although Section 61 is not explicit on this point, the language in this section referring to a customer's option to obtain more than 50% of total energy

requirements from renewable sources through the program, and thus exempting the customer from surcharges for incremental costs of compliance, makes clear the intent that Section 61 renewable energy is in addition to the 15% renewable mandate under Section 28.

July 12 order, p. 7. Thus, the Commission's intent was to ensure that the RE dedicated to VGP programs was not also counted for renewable portfolio standard (RPS) compliance. As indicated in its application, Consumers stated that the RE dedicated to its proposed VGP programs would not be used for RPS compliance, but that unsubscribed portions of the program would.

Consumers' application, p. 12. The Commission has stated that unsubscribed portions of the VGP programs could be counted towards RPS compliance as long as the RECs associated with the programs are properly tracked and not double counted. July 12 order, pp. 7-8. Therefore, the Commission finds that Consumers has satisfied the additionality requirement.

#### E. Competitive Bidding for Program Sources

Related to its concerns about the costs of Consumers' proposed programs, MEIBC expresses concern that the company failed to utilize a competitive bidding process to procure resources for the programs, which, according to MEIBC, would have been more cost effective than using only company-owned generation. MEIBC's initial brief, p. 10. The company explained that the subscription fee range of \$0.046 to \$0.06 per kWh is due to an increase in the cost of locating additional wind resources. In response, MEIBC claims that this increase is contrary to a report issued by the Commission in 2016 that showed "the weighted average price for utility-owned renewable energy projects dropped by 52% from 2010 to 2015, while third-party owned projects dropped 54% during the same time period (and were consistently lower in cost)." 2 Tr 171. MEIBC also disputes Consumers' decision to limit LC-REP Option A and Option B to wind resources placed into operation after December 2017 only, arguing such a decision "unnecessarily limit[s] customers' options." MEIBC's initial brief, pp. 8-9.

Consumers asserts that it utilizes a competitive process when selecting renewable proposals and explains the company's procurement for the LC-REP as follows:

The Company issued an RFP [request for proposal] seeking wind and solar proposals to supply the LC-REP as part of its RE Plan. The proposals received were reviewed for adherence with the Company's technical specifications and economic analyses were performed for each of the proposals. Based on these reviews, the Company concluded that the second phase of Cross Winds was the best source of supply available for the LC-REP.

2 Tr 78. The Company also indicated that it typically uses competitive solicitations for renewable energy procurement and intends to do so in the future.

While the Commission finds MEIBC's arguments that competitive solicitation and third-party owned generation can contribute to the cost-effectiveness of the RE supplying VGP programs, the Commission does not find Consumers' method of procuring renewable resources to be so problematic as to warrant denial of the program. The statute does not contain a requirement pertaining to the ownership of the renewable resources supplying the VGP programs, nor does it speak to the procurement process a utility must use. Additionally, the Commission notes that the REP approval process under MCL 460.1022 provides an avenue for the Commission to assess the reasonableness and prudence of costs associated with the REP, which currently includes the renewable generation dedicated to the VGP programs.

Recognizing the validity of MEIBC's points that RE prices are in a downward trend and the competitive solicitations and third-party owned generation have the potential to lower VGP program costs, the Commission also takes this opportunity to stress the importance of ensuring cost competitiveness in securing RE as Consumers' VGP programs evolve. 2 Tr 154, 210-231. Moreover, as the VGP programs continue to be refined and utilities expand supply to meet growing demand, the Commission expects opportunities for utilities to partner directly with communities and third-party suppliers on projects that meet customer preferences for RE. These

potential new projects could be competitively priced and supported by local communities because of their economic development potential and success in meeting environmental goals and standards. Accordingly, the Commission directs the Staff to engage with stakeholders in examining potential opportunities and barriers to third-party community RE projects that could be integrated into utility planning and procurement processes.

#### F. Programs Must Meet Customer Needs

In its initial brief, MEIBC argues that the VGP options proposed by Consumers fail to meet the Commission's directive that the VGP programs must accommodate a variety of customer needs, including large commercial and industrial customers. MEIBC's initial brief, p. 4, citing the July 12 order, p. 12. MEIBC testifies that, in addition to cost-competitive resources, market-based pricing, and additionality, customers are looking for "long- and variable-term contracts" as well as "flexibility and variety." *Id.*, p. 5. Specifically, MEIBC takes issue with the contract term options, the three-year option or the 20-year option, claiming that the proposal "leaves a significant gap between a relatively short contract and a very long-term contract, with no medium-term or long-term options in-between." *Id.*, p. 7. MEIBC supported its position in testimony noting that a large customer, Walmart, has stated publicly that it does not enter into long-term contracts over 15 years, thus the LC-REP Option A has limited appeal to large customers. 2 Tr 169.

ELPC argues that Consumers' proposed VGP programs fail to accommodate varying customer needs, noting that only one program, Solar Gardens, is available to residential customers. Because Consumers is one of Michigan's largest electric utilities, ELPC asserts that the company cannot credibly claim that it is not capable of offering a wider selection of VGP options. ELPC's initial brief, pp. 10-11. ELPC also claims that the absence of a VGP program

accessible to low-income customers is problematic and suggests that Consumers craft programs that facilitate community-developed solar projects. *Id.*; *see also* 2 Tr 106-108.

Consumers rebuts the claims by MEIBC and ELPC that the proposed VGP programs do not accommodate varying customer needs or low-income customers. Consumers states that additional contract terms are not necessary because the LC-REP Option A program allows customers to renew the subscription length every three years. 2 Tr 60. Consumers responded as follows to ELPC's suggestion for additional community solar projects:

While Consumers Energy agrees that these are ideas worth examining, additional research and consideration is required before pursuing such offerings. It would be cost prohibitive and administratively burdensome to require Consumers Energy to design and make available unique VGP programs and projects to all communities. 2 Tr 63. Consumers Energy is interested in exploring how it might make cost-effective renewable products available to low-income customers, but it has not at this time developed such a program. 2 Tr 63. The Company's current VGP programs should not be required to incorporate these recommendations at this time.

Consumers' initial brief, p. 14, citing 2 Tr 63.

The Commission shares the opinion expressed by ELPC and MEIBC that the VGP programs proposed by the company, while a good start, can be improved upon to better serve more of Consumers' customers, particularly residential and low-income customers. However, as the Commission noted in its July 12 order:

In light of the fact that Section 61 VGP programs are new initiatives, and considering that customer preferences and objectives, especially for C&I [commercial and industrial] customers, may vary considerably from utility to utility, it is most practical to allow providers some leeway in designing and refining these programs.

July 12 order, p. 4. The Commission finds that Consumers should be given an opportunity to gather additional information and customer data for the Solar Gardens and LC-REP Option A programs to refine and improve upon the accessibility of these programs. As such, the

Commission expects the company to follow up on its indication that it is interested in “exploring how it might provide [low-income customers] with cost-effective renewable energy products.”

2 Tr 63. The company shall include in its semi-annual VGP report, discussed further *infra*, a record of the efforts it has made to gauge the interest of low-income customers in RE products and VGP program participation, plans to accommodate low-income customers, and plans for potential partnerships with third-party organizations focused on serving large commercial and industrial customers.

With respect to the contract length options offered for LC-REP Option A, the Commission notes that it has some concerns over such a short-term contract and the possibility that the cost of the RE asset supplying an Option A contract could move in and out of the VGP program, shifting the responsibility of paying for the asset back and forth between participating and non-participating customers. The Commission’s concerns are eased, however, by Consumers’ commitment to increase levels of RE elsewhere in its REP, filed in Case No. U-18231, such that if a subscribed VGP asset is dropped, it can be recovered in the REP. Therefore, the Commission finds Consumers’ proposed option for a three-year or 20-year contract in the infancy of the LC-REP Option A program to be reasonable.<sup>4</sup> However, the Commission expects a thorough review of the performance of the contract term lengths in Consumers’ upcoming VGP report and whether additional terms are needed.

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<sup>4</sup> Although the Commission finds that Consumers has adequately explained LC-REP Option A’s contract-term-length options of three years or 20 years, the Commission notes, for clarity purposes, that a customer may choose a three-year contract length or a 20-year contract length; not a length of time between three and 20 years.

## G. Program Eligibility Requirements for LC-REP Option A and Option B

MEIBC and Energy Michigan both raise issues with the program eligibility requirements that Consumers imposed for LC-REP Option A and Option B. Regarding LC-REP Option A, MEIBC requested that the Commission clarify whether customers are able to “aggregate load from multiple locations to reach the 1,000-kW maximum annual demand eligibility threshold.” MEIBC’s initial brief, p. 9. Consumers responded that the LC-REP program permits customers to aggregate load across multiple locations to qualify for Option A, thus changes to Option A are not necessary. Consumers’ reply brief, pp. 12-13, citing Exhibit A-1.

In its criticism of the eligibility requirement for LC-REP Option B, Energy Michigan argues that the three MW new load minimum requirement is too restrictive and effectively bars all of Consumers’ current large commercial and industrial customers, who would otherwise be interested in participating. 2 Tr 152-153. Energy Michigan requests that the company lower the minimum threshold from three MW to one MW. 2 Tr 153. Consumers rejects Energy Michigan’s suggestion and explains that the three MW restriction allows the company to:

- (i) refine its operation procedures for billing and administering complex renewable energy products in a manageable environment with a limited number of relatively sophisticated participants and (ii) better understand the attractiveness of renewable energy as a driver of economic development in the state.

2 Tr 55.

The Commission finds that Consumers’ response regarding the interpretation of the language in the LC-REP Option A tariff adequately addresses MEIBC’s concerns about a customer’s ability to aggregate load to meet the 1,000-kW threshold for LC-REP Option A participation. LC-REP Option B is addressed further below, but the Commission finds that Consumers has adequately supported its reasoning for imposing the three MW threshold requirement at this



time. Similar to the contract term lengths available for Option A, the Commission expects further analysis of the three MW threshold in the upcoming VGP report.

#### H. LC-REP Option A and Option B

While Energy Michigan raises an issue with the three MW new load minimum threshold requirement for participation in the program, it does not recommend rejection of the program. Consumers and the Staff recommend approval of LC-REP Option B. The intervenors' arguments for changes to LC-REP Option A are discussed above. However, the Commission has concerns with LC-REP Option A and Option B as proposed.

Section 61 requires that the participating customer pay the additional costs associated with the program and accrue any savings realized by the company as a result of participation.

MCL 460.1061. The Commission is concerned with the Market Index Provision in Option A and Option B that allows customers who:

elect to match 85% of their total annual energy use with renewable energy under this Program, will also have the option to substitute the Real Time Locational Marginal Price (RT-LMP) at Consumers Energy's Zonal Load Node, plus a Market Settlement Fee of \$0.002 per kWh, for the Standard Rate power supply energy charges. Customers selecting the Market Index Provision shall be responsible for all embedded capacity and transmission charges included in the standard Full Service GPD Rate.

Exhibit No. A-1. As the Commission understands it, this provision allows a customer whose separate RE procurement within MISO is at least 85% of their annual usage purchased from Consumers to receive a discounted rate (the RT-LMP) on their power supply energy charges.

The tariff language contains ambiguities that the Commission finds to be unworkable. First, the Market Index Provision states that customers who "elect to match 85%..." are eligible for the RT-LMP rate. A common sense reading of the provision would suggest that the 85% match is a

minimum, and that a customer would not have to match precisely 85% of their annual energy use to qualify for the RT-LMP rate, but the tariff does not state that the 85% is a minimum.

Second, the tariff states that “[c]ustomers selecting the Market Index Provision shall be responsible for all *embedded* capacity and transmission charges included in the Standard Full Service GPD Rate.” Exhibit No. A-1 (emphasis added). It is unclear what the company means by embedded as opposed to any or all capacity and transmission charges included in the standard rate. The Commission notes this as a point in need of clarification because of the importance of ensuring that capacity and transmission charges are not shifted to non-participating customers. The last concern is that the tariff does not specify the defined time period of “total annual energy usage” in the Market Index Provision and whether that constitutes the previous 12-month period, a calendar year, or otherwise.

Third, the company clarifies that customers may aggregate load across multiple locations to achieve eligibility for LC-REP Option A, but does not provide any such clarification for Option B. *See*, Consumers’ reply brief, pp. 12-13, citing Exhibit A-1. As Consumers is aware, large customers who would be eligible for Option B may likely have multiple meters at a single building or single site. Additionally, a single customer, such as a corporate entity, may have multiple buildings and sites in geographically distinct areas within Consumers’ territory. It is unclear to the Commission, given Consumers’ argument to limit eligibility to three MW of new load to minimize the administrative burden, if the company intends to allow aggregation across multiple locations as it does for Option A, or a narrower definition of aggregation. The Commission notes that it supports a narrow interpretation of aggregation for Option B (i.e., a customer with more than one meter at a single site may aggregate load).

Because of the ambiguities within the LC-REP Option A and Option B tariffs and the uncertainty as to how the company will allow large customers to aggregate load to be eligible for Option B, the Commission approves the LC-REP Option A and Option B programs conditioned on Consumers filing, within 30 days from the date of this order, conforming tariffs addressing the ambiguous terms identified by the Commission and an additional filing explaining how the company will interpret aggregation under Option B.

#### I. Green Generation Approval

ELPC objects to the approval of Consumers' Green Generation program explaining that it does not qualify as a Section 61 program because participants are not responsible for the full cost of the program and do not receive credit for savings realized by the company as a result of the customer's participation. 2 Tr 111-112. According to ELPC, Green Generation does not "result in benefits to customers, to the environment, or to the local economic base." 2 Tr 112.

Consumers concedes that the Green Generation program does not comply with Section 61 because it does not provide a credit to customers since the program is funded from a PPA with MCV, through the PSCR process, from the sale of excess RECs, and from customer subscriptions. 2 Tr 50-51. The company explains that the additional sources of funding reduce the price paid by customers. *Id.* Nonetheless, the company requests continuation of the program, citing its popularity and the role the program has in meeting customers' RE needs. *Id.* Consumers also notes that the form and structure of the program may "evolve based on the findings from the customer research being performed by the Company to better understand which renewable energy products and programs meet our customers' expectations." 2 Tr 51-52. In response to ELPC's recommendation to discontinue the program because it does not

accommodate low-income customers, Consumers argues that the Green Generation program provides “an affordable, convenient entry point” to the company’s VGP programs. 2 Tr 64.

In the December 20 order, the Commission addressed the issue of grandfathering an existing voluntary RE program under the new law stating:

the Commission will consider allowing certain existing VGP programs that do not meet the minimum requirements of the guidance set forth in the Commission’s July 12 order, but are popular among the utility’s customers, to be grandfathered under the law. On a case-by-case basis, the Commission will determine: (1) whether an existing program should be grandfathered under the new law; (2) whether the existing program should be closed to new customers, and the deadline by which new enrollment must cease; and (3) whether the utility must transition customers in existing programs to the Section 61 approved programs and the transition date as it is applicable.

December 20 order, p. 7. Considering the issues raised by ELPC and acknowledged by the Commission regarding the size of the Solar Gardens program (the only other VGP program available to residential customers) the Commission finds it appropriate to allow Consumers to continue operation of the Green Generation program. As discussed *supra*, the Solar Gardens program is approximately 90% subscribed and Consumers has yet to file plans to expand the program. Thus, the Commission is concerned that shutting down the Green Generation program would leave 20,000 customers with an interest in supporting RE without a program to accommodate them.

Turning to ELPC’s concerns about the availability of VGP options for low-income customers, the Green Generation program provides a relatively affordable option. Although the program does not incorporate a credit, the multiple sources of funding (e.g., the PPA between Consumers and MCV, and the PSCR) act as a subsidy to reduce the costs for participating customers. The Commission is conscious of the fact that this is an older program and that the RE market has changed since the PPAs for this program were executed. However, the

Commission finds that a balancing of interests is pertinent in this instance to ensure the availability of VGP options to as many customers as possible while Consumers works to expand and improve upon its other Section 61 compliant programs.

Therefore, the Commission approves the Green Generation program for continued operation until the currently existing contract that supplies the program, Michigan Wind 1, expires on December 17, 2028. However, the Commission directs Consumers to close Green Generation to new customer enrollment six months from the date of this order. The Commission intends that the six-month period after the date of this order will allow Consumers to accommodate all customers who wish to participate in a VGP program while the company works to expand its Section 61 programs.

As discussed above, the Commission finds that the only Section 61 compliant program available to residential customers, Solar Gardens, is nearing capacity at approximately 90% enrollment, and Consumers is directed to file plans to expand the program within 60 days from the date of this order. Consumers may not use the continuation of the Green Generation program to undercut efforts to refine and expand its Section 61 compliant programs that will evolve to offer customers pricing and credits that reflect the value of RE. The company will continue to gather data and information on the Green Generation program to make improvements and adjustments to match customer preferences. The Commission further directs Consumers to file a semi-annual report in this docket on the Green Generation program in accordance with the Commission's reporting directive set out below.

#### J. Program Reporting and Forecasting

In testimony, MEIBC requested that Consumers be required to submit an annual report to the Commission that includes enrollment figures for the previous year to enable the Commission and

stakeholders to review program performance and identify areas for improvement. 2 Tr 174. The company agreed to provide annual VGP program updates but requested that it be permitted to consolidate its RE programs into a single report:

The Company currently files 90-day Solar Gardens Program reports in Case No. U-17752 and 90-day LC-REP Program reports in Case No. U-18393. Consumers Energy proposes combining these reports into a single annual report that will address the investments, enrollments, and subscribed energy of the Solar Gardens and LC-REP programs, and filing the single report in this docket by the end of March each year. 2 Tr 61.

Consumers' initial brief, p. 18.

ELPC expresses concern that Consumers' Solar Gardens program size is deficient and that the company's lack of forecasting for program participation is problematic. ELPC proposes that Consumers be required to include forecasts of demand for VGP programs in each of its rate cases, integrated resource planning (IRP) cases, and VGP required filings. ELPC recommends that:

Consumers Energy should segment the market by its traditional customer classes and should then perform market surveys within each class. Consumers Energy should also give particular attention to those customers who have made public commitments to either renewable energy sourcing or significant greenhouse gas reductions. After Consumers Energy filed its application in this case, I compiled a list of corporations . . . that have made such public commitments to using renewable energy in their operations or made strong commitments to greenhouse gas reduction that will require them to voluntarily use renewably-generated electricity. Through discovery request MEICE-48, I asked Consumers Energy several questions about this compiled list, responses to which are in Exhibit ELP-12 (DBJ-5). In these responses, Consumers Energy affirms that approximately 37 of the listed companies and 21 of the public institutions on this list are customers of Consumers Energy. In these responses, Consumers Energy also indicates that organizations on this list purchased 3,872 [giga-watt hour] GWH of electricity from Consumers Energy in 2017, of which 77 GWH were to customers who participate in the Company's voluntary renewable energy programs. It is apparent that there is a very large market potential for Consumers Energy's Voluntary Green Pricing programs. While Consumers Energy has made a reasonable start with its pilot projects, it must systematically quantify this market and plan to meet the demand or will risk either limiting the supply of renewable energy to its

customers or stranding costs.

2 Tr 145-146, 148.

Consumers acknowledges that customer research is important to VGP program development, but states that the “detailed market segmentation analysis and forecasts of participation is premature.” 2 Tr 58.

In its July 12 order, the Commission directed electric providers to file, in their assigned docket, quarterly VGP program reports. July 12 order, p. 14. However, the Commission later revised the quarterly reporting requirement to a semi-annual requirement in its April 18, 2018 order in Case Nos. U-18349, U-18350, U-18353, U-18354, U-18355, U-18356, and U-18357 (April 18 order) approving the VGP programs of Alpena Power Company, Indiana Michigan Power Company, Northern States Power Company-Wisconsin, Upper Peninsula Power Company, Upper Michigan Energy Resources Corporation, and Wisconsin Electric Power Company. April 18 order, p. 6. The Commission instructed that the reports should include information on the number of enrollments and enrollment size in each of the programs; cost of RE for each program (incremental and total); cost of marketing and administration (incremental and total); marketing methods; and the quantity, source, and costs of any RE or RECs purchased for the program. *Id.*

The Commission finds it reasonable to modify the quarterly reporting requirement to a semi-annual reporting requirement for Consumers as well. Because this order shall issue after the deadline for submitting the first report (October 1, 2018, per the April 18 order), Consumers shall file its first VGP report in this docket on April 1, 2019, and the second report on October 1, 2019. The semi-annual reports will then be due on October 1 and April 1 of every year

thereafter. These reports will assist the Commission in its biennial review of the VGP programs, the first of which will begin in October 2019.

As to Consumers' request to consolidate its VGP reporting into one report, the Commission finds this reasonable; however, the company shall submit the report on a semi-annual basis as described above. Regarding ELPC's recommendation for the company to include forecasting, the Commission also finds this reasonable. As the Commission discussed in previous orders, Section 61 implementation is a novel endeavor that will require continuing information and data gathering by electric providers to ensure that VGP programs keep pace with customer demand, accommodate customers' wants and needs for RE, and align with the Commission's guidance for VGP programs. To match these programs to customer demand and preferences, the company must utilize sufficient forecasting and market studies that gauge customer interest and preferences. This can be accomplished through surveys, studies, or other means developed by the utility. Proper forecasting for customer participation and market studies go hand in hand with the marketing costs included in the program and the goal to refine and improve VGP programs. Therefore, Consumers shall include in its semi-annual reports customer participation forecasts as well as market studies.

**THEREFORE, IT IS ORDERED that:**

A. Consumers Energy Company's proposed Solar Gardens program is approved as a voluntary green pricing program that complies with Section 61 of 2016 PA 342, Section 61, MCL 460.1061. Consumers Energy Company's proposed Large Customer Renewable Energy Program Option A and Option B is approved as a Section 61 voluntary green pricing program conditioned on the filing of a conforming tariff addressing the Commission's concerns discussed



in this order and an additional filing explaining how the company will interpret aggregation under Option B, to be filed within 30 days from the date of this order.

B. Consumers Energy Company's Green Generation program is approved to continue until December 17, 2028, but enrollment shall be closed to new customers six months from the date of this order.

C. Consumers Energy Company shall file in this docket a semi-annual report on its voluntary green pricing programs and the Green Generation program including the details discussed in this order. The first report shall be filed on April 1, 2019, and the second report shall be filed on October 1, 2019. Consumers Energy Company shall file the semi-annual voluntary green pricing program report in this docket on April 1 and October 1 every year thereafter. The Commission shall review these programs in its biennial review beginning in October 2019.

D. Consumers Energy Company shall file a plan to dedicate additional renewable energy resources to both the Solar Gardens and Large Customer Renewable Energy Program Option A programs within 60 days from the date of this order. The plan shall include a discussion of the use of power purchase agreements with third-party developers for program expansion and whether solar resources should be included to supply the Large Customer Renewable Energy Program options.

E. The Commission Staff shall engage with stakeholders in examining potential opportunities and barriers to third-party community energy projects that could be integrated into utility planning and procurement processes.

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 and notice of this order, pursuant to 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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Sally A. Talberg, Chairman

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Norman J. Saari, Commissioner

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Rachael A. Eubanks, Commissioner

By its action of October 5, 2018.

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Kavita Kale, Executive Secretary

# PROOF OF SERVICE

STATE OF MICHIGAN )

Case No. U-18351

County of Ingham )

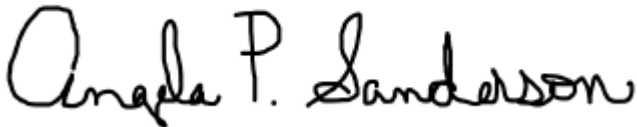
Lisa Felice being duly sworn, deposes and says that on October 5, 2018 A.D. she electronically notified the attached list of this **Commission Order via e-mail transmission**, to the persons as shown on the attached service list (Listserv Distribution List).



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Lisa Felice

Subscribed and sworn to before me  
this 5th day of October 2018



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

**Service List for Case: U-18351**

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