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FOR IMMEDIATE RELEASE Oct. 5, 2018

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MPSC clears way for Consumers' new rates for buying power from independent producers

LANSING, Mich. – The Michigan Public Service Commission (MPSC) today ruled that avoided costs that Consumers Energy Co.'s pays to independent power producers under the Public Utility Regulatory Policies Act of 1978 (PURPA) can go into effect.

The updated amounts were on hold since last December to resolve questions raised by Consumers and other stakeholders. The case itself was first filed in May 2016.

The Commission today lifted the suspension of implementation of Consumers' avoided capacity cost of \$117,203 per megawatt year or \$140,505 per zonal resource credit year ([Case No. U-18090](#)). The order also clarifies terms of the utility's standard offer tariff.

Avoided costs under PURPA have not been recalculated in almost 30 years for utilities that negotiated long-term contracts with qualifying facilities. The PURPA law requires the Commission to establish how much a utility is obligated to pay the owner of a small electric production or cogeneration facility – such as landfill gas, hydroelectric, solar, biomass or wind -- for the power it produces. The avoided cost is how much a utility would have to pay to produce the energy itself and it is the sum of capacity and energy costs.

In a second case, the Commission answered outstanding PURPA questions it had posed to stakeholders in a February order. Among the issues addressed in [Case No. U-20095](#):

- A utility's integrated resource plan (IRP) will be used to determine yearly capacity needs.
- Capacity prices won't be reset without a review by the Commission of changes to a utility's 10-year capacity forecast and can be considered in an IRP or stand-alone case.
- The Electric Interconnection Standards will be revised to address the interconnection process and to define a legally enforceable obligation under PURPA.
- Past experiences with competitive bidding in Michigan and other states under PURPA provide insights on whether and how bidding can be used. Guidance on competitive bidding will be reserved for Commission decisions in Consumers' IRP case.
- Whether to use blended costs (e.g., energy efficiency, demand response, fossil generation, renewables, market purchases) to determine avoided energy and capacity payments will be determined in a future avoided cost proceeding.

In a related case, the Commission granted the appeals of the Department of the Attorney General, Association of Businesses Advocating Tariff Equity, and Consumers of a September ruling that struck testimony from Consumers' IRP filing ([Case No. U-20165](#)).

The three parties argued that the IRP docket was the proper venue to argue the issues, such as Consumers' requests for approval of a new avoided cost methodology under PURPA, to change the size of QFs eligible for the PURPA Standard Offer Tariff from two megawatts (MW) to 150 kilowatts (kW), the length of the Standard Offer Tariff from 20 years to five years, and the length of the PURPA-related capacity planning horizon from 10 years to three years.

Consumers filed its IRP in June and the Commission has 300 days to review the plan.

Finally, Consumers' request for the Commission to approve of the company's contention that it has no capacity need for the next 10 years was dismissed ([Case No. U-18491](#)). The Commission ruled that Consumers' capacity needs will be determined in its IRP.

For an Issue Brief about PURPA, [click here](#).

To look up cases from today's meeting, access the eDockets filing system [here](#).

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