

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of **DTE ELECTRIC**)
COMPANY for approval of its Large Customer,)
Voluntary Green Pricing Program, and)
determination it complies with Section 61 of)
2016 PA 342.)
_____)

Case No. U-20343

At the January 18, 2019 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman
Hon. Norman J. Saari, 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 (Section 61), 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) that, among other things, directed electric providers and other interested parties to provide input to the Commission on what the VGP programs should contain. 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 a number of other interested parties provided 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, 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. On October 18, 2017, in its assigned docket, Case No. U-18352, DTE Electric Company (DTE Electric) filed its initial VGP application followed by a revised application on January 16, 2018. Following a contested proceeding, the Commission issued an order on October 5, 2018 in Case No. U-18352 (October 5 order). In the October 5 order, the Commission directed the company to file a VGP program tailored to large customers. October 5 order, p. 21.

On November 1, 2018, DTE Electric filed an application in the above-captioned docket with supporting testimony requesting approval of its Large Customer Voluntary Green Pricing Program (LC-VGP) and the accompanying Standard Contract Rider No. 19 in compliance with Section 61. The Commission is issuing an order in this matter *ex parte*. Section 61 VGP programs do not result in an increase in the cost of service for ratepayers and are voluntary, meaning that only customers who wish to pay an additional fee for additional renewable energy will see an increase on their monthly utility bill. Thus, a contested proceeding is not required. *See*, MCL 460.6a(3); Mich Admin Code, R 792.10415(1).

Large Customer Voluntary Green Pricing Program

In its application, DTE Electric described its LC-VGP program:

Enrollment in the Program is voluntary and allows full service customers of the Company to increase the portion of their electric usage attributable to renewable resources in 5% increments at a level beyond the renewable energy all customers receive from the Company's generation fleet, up to 100%, allowing customers to choose a participation level that aligns with their specific preferences and objectives. The Company will provide at least 15% renewable energy under current PA 342 legislation by 2021 to all of its customers; therefore, the minimum participation match is 20% of monthly energy use, up to 100%.

Customers will cover the cost of the Program assets approved for the phase of the program in which they sign up. Participating customers will pay a per kWh [kilowatt hour] subscription fee priced at the levelized cost of energy of the assets associated with the contracts approved for the Program. For example, if Program assets are approved at \$45/MWh [megawatt hour], the customer will be billed a per kWh rate matching that approved price. The pricing for the initial contracts is expected to be below \$45/MWh. Subscribers will be locked in at the subscription fee for the approved contracts when they initially subscribe for the term of their specific contract. Customers can choose 5, 10, or 20 year contract terms. If lower cost renewable energy assets are added to the Program in future phases, the rate for the newer, lower-costs assets will be included in the total program subscription fee on a weighted average basis and existing subscribers' fees will be adjusted downward to this weighted average. If future assets are higher cost, the rate of the new assets will only apply to new subscribers. Customers will also receive a credit for energy and capacity.

The energy credit will be based on Midcontinent Independent System Operator's (MISO) real time hourly locational marginal price (LMP) at the generation nodes of the associated Program assets. For each kilowatt hour (kWh) subscribed, customers will receive the forecasted average of the generation weighted LMP at the nodes noted above, and will be reconciled against the actual weighted average LMP of the generation nodes by March 31 each year. The capacity credit will be equal to the Auction Clearing Price in the annual Planning Resource Auction for Zone 7 within MISO or equivalent successor, specifically using the generation node(s) capacity. The capacity credit will be updated annually. Witness Schroeder provides further detail regarding the calculation of the capacity portion of the credit in her direct testimony.

Customers may subscribe for 5, 10, or 20 year contracts. If the customer elects to re-enroll in the Program after their agreement term ends, that customer will enroll at the subscription rate available at the time of renewal. The customer may elect to terminate their subscription after the initial year, subject to an early termination fee.

Renewable energy credits (RECs) subscribed through the Program are retired on behalf of the subscriber and will not count toward the Company's mandated renewable portfolio standard compliance.

The Program's subscription fees and credits are designed such that the customers choosing to enroll are paying the costs for and receiving the benefits of the portion of the renewable energy that they are subscribing to, thus there is no rate increase or amendment to a rate or rate schedule.

In accordance with MCL 460.1061(a), a customer that receives at least 50% of their average monthly electricity consumption through the Program is exempt from paying surcharges for incremental costs of compliance.

DTE Electric's application, pp. 2-4.

Discussion

The Commission has reviewed the LC-VGP program submitted by DTE Electric and finds that the program should be approved as a pilot program until the Commission reviews the LC-VGP program in the next biennial review of the company's VGP programs.

In testimony, the company explained that it modeled its LC-VGP program from Consumers Energy Company's (Consumers') large customer program Option A that was approved by the

Commission on October 5, 2018 in Case No. U-18351.¹ DTE Electric explained that when looking at possible renewable energy assets to support the program, it would rely on a competitive bidding process and determined that the “lowest cost resources” would be available in 2020 because of “a combination of technology/cost improvements and qualification for 100% production tax credits.” DTE Electric’s testimony, pp. 7, 9. As such, the company stated that the program would commence once the renewable energy assets are in commercial operation, which is estimated to be in the fourth quarter of 2020. *Id.*, p. 8. In order to initially support the program, the company proposed to add 300 megawatts of renewable energy assets to its renewable energy plan (REP) in Case No. U-18232. *Id.*, p. 12.

After evaluating the company’s application and the accompanying Standard Contract Rider No. 19, the Commission finds that approving the LC-VGP as a pilot program is appropriate at this time. While DTE Electric has established the framework of the program, the program will not be fully operational for some time. The renewable energy assets that will be dedicated to the program are nearly two years from commercial operation; thus, the company can only provide the Commission with an estimate as to what the subscription fee for program participants will be. Because the renewable energy assets intended for the program are still being addressed in the company’s REP case, Case No. U-18232, the Commission reserves a final determination of the program’s compliance with Section 61 until the company’s next biennial review. The company’s LC-VGP program shall be permitted to enroll customers and operate in the interim as a pilot program.

¹ The Commission approved Consumers’ large customer program Option A on the condition that the company file a revised tariff addressing the concerns raised by the Commission. Consumers filed a conforming tariff on November 2, 2018, and therefore, the program is approved. October 5, 2018 order in Case No. U-18351, pp. 27, 32-33.

As to the biennial review of DTE Electric's VGP programs, in the October 5 order in Case No. U-18352, the Commission anticipated that the review would take place in October 2019. Given the Commission's directive for the company to file a revised MIGreenPower program (or an alternative VGP program) in Case No. U-18352 and the Commission's anticipation of that filing in early February 2019, the Commission finds an October 2019 biennial review would now be too soon. The Commission finds that a biennial review in April 2020 will be more appropriate. The Commission expects that at that time, the company will also be closer to the LC-VGP program's launch date and in a better position to provide the Commission with a final subscription fee. The Commission will provide further direction to the company regarding the biennial review when the Commission addresses DTE Electric's revised MIGreenPower program or alternative VGP program.

THEREFORE, IT IS ORDERED that DTE Electric Company's Large Customer Voluntary Green Pricing Program and the accompanying Standard Contract Rider No. 19 are approved as a pilot program until the Commission makes a final determination as to the program's compliance with Section 61 of 2016 PA 342 in its next biennial review of the company's voluntary green pricing programs. DTE Electric Company shall revise the Standard Contract Rider No. 19 to reflect that the Large Customer Voluntary Green Pricing Program is a pilot program and shall file the revised tariff with the Commission within 10 days from the date of this order.

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 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

By its action of January 18, 2019.

Kavita Kale, Executive Secretary

PROOF OF SERVICE

STATE OF MICHIGAN)

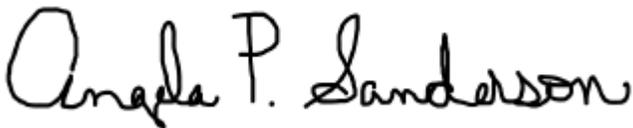
Case No. U-20343

County of Ingham)

Brianna Brown being duly sworn, deposes and says that on January 18, 2019 A.D. she electronically notified the attached list of this **Commission Order via e-mail transmission**, to the persons as shown on the attached service list (Listserv Distribution List).


Brianna Brown

Subscribed and sworn to before me
this 18th day of January 2019.



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

Service List for Case: U-20343

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