

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter, on the Commission's own motion, to)
issue a report on the state's supply, engineering, and)
deliverability of natural gas, electricity, and propane,)
and contingency planning, as requested by the)
Governor.)
_____)

Case No. U-20464

At the September 11, 2019 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman
Hon. Daniel C. Scripps, Commissioner
Hon. Tremaine L. Phillips, Commissioner

ORDER

On February 7, 2019, the Commission issued an order in this docket (February 7 order) in response to a request from Governor Gretchen Whitmer for the Commission to review the state's energy supply and preparedness for emergency situations, following a string of energy events that resulted because of the cold weather emergency that occurred just days prior to the issuance of the order.

In the February 7 order, the Commission directed the Executive Secretary to electronically serve a copy of the order on specified entities and also directed the Commission Staff (Staff) to conduct, in accordance with the Governor's request, a review of the state's supply, engineering, and deliverability of natural gas, electricity, and propane and to assist the Commission in

developing an initial report to be filed in this docket by 5:00 p.m. (Eastern time (ET)) on July 1, 2019, with a final report to follow by 5:00 p.m. (ET) on September 13, 2019.

To further facilitate this directive from the Governor, the Commission also indicated that it would be reaching out to affected industries and other stakeholders to obtain essential information and thus solicited comments from interested persons on a draft outline setting forth the proposed scope for this energy assessment,¹ with comments due no later than 5:00 p.m. (ET) on February 19, 2019. February 7 order, p. 3. The Commission further stated that, following feedback, the final outline that was to be used as the scope for the energy assessment would be filed in this docket by March 5, 2019, and concluded with next steps and whereabouts for interested persons to stay apprised of future developments. *Id.*, p. 4.

Following feedback from numerous interested persons on the draft outline, and conforming with the February 7 order, the Commission filed the final outline in this docket on March 5, 2019, along with an explanatory memorandum containing additional steps moving forward.

On July 2, 2019, the Commission issued a subsequent order in this docket (July 2 order). In the July 2 order, the Commission stated that it timely provided its initial report² to the Governor,³

¹ The draft outline was filed in the docket on February 12, 2019, with a copy of the same, along with an explanatory memorandum attached, on February 14, 2019.

² Titled Michigan Statewide Energy Assessment (SEA). *See*, Case No. U-20464, filing #U-20464-0031.

³ The initial report encompassed 247 pages, with appendices, and included 36 key (jurisdictional) recommendations and 14 key (non-jurisdictional) observations related to electricity, natural gas, propane, cyber and physical security, and emergency management.

with a copy filed in the docket, on July 1, 2019, and invited interested persons to comment on the initial SEA report, with comments due by 5:00 p.m. (ET) on August 9, 2019.⁴

From July 30, 2019, to August 20, 2019,⁵ comments to the initial SEA report were filed by Ben Larson; EcoWorks; Michigan Electric Cooperative Association; the Michigan Municipal Electric Association; Great Lakes Renewable Energy Association Inc.; Jay R. Taylor; Tony Muhich; International Transmission Company, d/b/a *ITCTransmission* and Michigan Electric Transmission Company, LLC; Enbridge Energy LP; the Citizens Utility Board of Michigan; the Michigan Utility Consumer Participation Board; American Transmission Company; DTE Energy Company (DTE); Indiana Michigan Power Company; PJM Interconnection, L.L.C.; Consumers Energy Company (Consumers); Michigan Oil & Gas Association; the Attorney General; the Association of Businesses Advocating Tariff Equity; Michigan Biomass; the Michigan Electric and Gas Association (MEGA); American Council for an Energy-Efficient Economy; Lambda Energy Resources LLC; Michigan Conservative Energy Forum; and Dan Lauwers, Michigan State Senator (25th District) and Chair of the Senate's Energy and Technology Committee.

Today, the Commission provided its final SEA report to the Governor, a copy of which is also available in this docket. *See*, Case No. U-20464, filing #U-20464-0063. Details of this final SEA

⁴ In the July 2 order, the Commission stated that it “will make a good faith effort to consider any comments received after this deadline.” July 2 order, p. 2, n. 2.

⁵ The docket also reflects a letter filed by the Michigan Department of the Attorney General (Attorney General) on July 25, 2019, which the Commission responded to on July 29, 2019. *See*, Case No. U-20464, filings #U-20464-0034 and #U-20464-0035.

report are discussed below. While all comments were taken into consideration,⁶ this order provides further details about those comments that resulted in a substantive change from the initial SEA report.

Discussion

Although Michigan utilities averted a crisis earlier this year and were able to keep the lights on and the gas flowing, events forced those directly involved to take a step back to see what worked well during the energy emergency and what needs improvement. This energy emergency event, the Governor's consequential request, and the tremendous amount of work and effort by the Staff and stakeholders thus culminated in the final SEA report. The Commission acknowledges and appreciates the Staff's hard work and dedication to prepare this report and to oversee a transparent, collaborative process in developing recommendations.

In the final SEA report, aside from some minor updates, corrections, and adjustments, the following substantive changes from the initial SEA report are mentioned:

- Additional information on the resilience of distributed energy resources in Chapter 2;
- The addition of background on older distribution infrastructure in Chapter 3;
- Additional background on capacity imports in the Lower Peninsula in Chapter 3;
- Broadening the focus from diversity to resilience and contingency plans in Chapter 4;
- Additional information on cyber security in Michigan, as well as insider threats in Chapter 6;
- An additional recommendation for protection of critical energy infrastructure information in Chapter 7; and

⁶ The Commission finds that some of the comments received were beyond what the Governor called upon the Commission to review and thus outside the scope of the final SEA report. While the Commission will keep those additional items in mind for future, applicable matters, for those in relation to Line 5, for example, the Commission refers those stakeholders to look to the UP Energy Task Force for further guidance. See, <https://www.michigan.gov/egle/0,9429,7-135-3306_88771_93973---,00.html> (accessed September 11, 2019).

- Additional information related to the value of resilience improvements in Chapter 8.

Final SEA report, Executive Summary, p. iv. Here, the Commission also notes the opening of several dockets on the date of this order “directing the utilities to take appropriate actions to ensure the continued safety, adequacy and resilience of Michigan’s energy infrastructure, delivery systems and emergency management protocols” *Id.*; September 11, 2019 orders in Case Nos. U-20628, U-20629, U-20630, U-20631, and U-20632. *See also*, September 11, 2019 orders in Case Nos. U-20147 and U-20539 *et al.*⁷ Throughout the implementation phase of these recommendations, including those that will be addressed in the future to prioritize workload given the significant time and resources that each will require, the Commission asks and encourages stakeholders to continue to be engaged. The Commission appreciates the breadth, depth, and variety of issues raised by stakeholders in comments and hopes this robust discussion continues as we work towards improving the regulatory framework to ensure reliable and resilient energy systems for Michigan customers.

As before, Chapters 1-8 of the final SEA report provide an introduction and discuss current and future challenges to Michigan’s energy system, followed by breakdown discussions per chapter on electricity, natural gas, propane, cyber and physical security, energy emergency management, and gaps in existing planning, operational, and emergency response processes. And, also like before, Chapter 9 sets forth the Commission’s conclusions and recommendations.

⁷ The Commission acknowledges that some of the recommendations made within the final SEA report, such as the work to improve distribution interconnection rules, is already underway or that much work has already been accomplished, and the Commission’s related recommendations signal the Commission’s commitment to continue that important work.

Addressing comments from outside stakeholders that resulted in substantive changes, based on comments from DTE,⁸ Figure 4-4 (Number of Storage Fields for Michigan's Natural Gas Utilities) was updated to reflect a total of 28 storage fields, with four of those being owned and operated by DTE Gas Company (DTE Gas). *See*, initial SEA report, p. 82; final SEA report, p. 88. Also on the topic of storage facility operations, and based on comments from DTE and Consumers,⁹ discussion on page 85 of the initial SEA report was modified to read as follows:

During a peak flow day in January, Consumers Energy Company relies on their storage fields for approximately 77% of their GCR [gas cost recovery], gas customer choice, end-use transportation, and large power generation customer demand. Consumers Energy Company's Ray facility is responsible for providing 39% of the natural gas that will be used and delivered on its system during a peak flow day. For a January design day, DTE Gas relies on its owned storage fields for approximately 77% and external storage fields for 7% of the natural gas that will be delivered to all DTE Gas customers, both on and off-system. DTE's plan for a January design day has no more than 32% supply dependence from any one storage facility on a peak day.

Final SEA report, p. 91 (footnotes omitted). A further DTE-suggested revision also resulted in the following added language to the beginning of Section 4.2.1.2 (Storage) on page 87 of the initial SEA report:¹⁰

The SIMP [storage integrity management program] applies to integrity and risk management of underground natural gas storage reservoirs and wells. The goal of the SIMP is to describe, in an inclusive and unambiguous manner, the processes and work tasks that are effective in maintaining functional integrity of storage reservoirs and wells. The SIMP incorporates requirements, programs, plans and procedures in API [American Petroleum Institute] Recommended Practice 1170 Design and Operation of Solution-mined Salt Caverns Used for Natural Gas Storage and API Recommended Practice 1171 Functional Integrity of Natural Gas Storage in Depleted Hydrocarbon and Aquifer Reservoirs.

⁸ *See*, Case No. U-20464, filing #U-20464-0049, p. 5.

⁹ *See*, Case No. U-20464, filings #U-20464-0049, p. 5, and #U-20464-0052, pp. 17-19.

¹⁰ *See*, Case No. U-20464, filing #U-20464-0049, p. 5.

Final SEA report, p. 93. Comments from Consumers also resulted in the following wording changes under Section 4.2.3 (Review of Supply Arrangements to Meet Customer Demand and Redundancy in Gas Cost Recovery Proceedings) on pages 93-94 of the initial SEA report and Section 4.3.1.4 (Worst Case Scenarios on Peak Summer or Winter Days) on page 96 of the initial SEA report:¹¹

A resilient peak day portfolio ensures that if something were to happen to a major supply source on a peak day, the impact to customers would be minimized to the best extent possible. . . . In future GCR plan cases, the Commission clarifies that: 1) the utilities must consider contingencies related to resiliency at key facilities and 2) the Commission Staff must consider more resilient peak day plans and make recommendations that give a higher priority to this issue.

* * *

The utilities should strive for resiliency at key assets and should consider options including, but not limited to, diversity in supplies, redundancies in key assets, and limited dependency on any one facility. In future rate and GCR plan and reconciliation cases the Commission clarifies that: 1) the utilities should consider contingency options for resiliency at key facilities and 2) the Commission Staff should consider these issues and make recommendations to further the safety and reliability of the state's natural gas system, including, but not limited to, consideration of more diversified peak day plans.

Final SEA report, pp. 99-100 (footnote omitted), 102.¹²

With regard to cyber and physical security and based on comments from DTE and MEGA,¹³ wording within the following recommendation under Section 6.5.1¹⁴ (Commission's Cyber and Physical Security Recommendations) on page 152 of the initial SEA report has also been revised

¹¹ See, Case No. U-20464, filing #U-20464-0052, pp. 12-16.

¹² Albeit discussed in detail elsewhere in the final SEA report, the Commission notes that mutual assistance/aid is an inexpensive option to bolster resilience. See also, Case No. U-20631.

¹³ See, Case No. U-20464, filings #U-20464-0049, p. 17, and #U-20464-0057, p. 12.

¹⁴ Given the addition of a new section in the final SEA report (i.e., Section 6.4 (MPSC Response)), Section 6.5.1 from the initial SEA report is now Section 6.6.1 in the final SEA report.

to state, “The Commission recommends electric and natural gas utilities pursue the close coordination of OT [operational technology], IT [information technology], and physical security operations, and centralize security functions under the auspices of a high-ranking security leader.” Final SEA report, p. 160 (emphasis omitted). *See also*, final SEA report, p. 203 (emphasis omitted).

In concluding this matter, the Commission finds that its final SEA report should be formally accepted and adopted in this docket. In so doing, the Commission draws attention to its conclusions and recommendations, specifically highlighting language changes under Section 9.3 (Compiled Recommendations and Observations for Mitigating Risks), given revisions within Chapters 2-8, and also noting the additional observation for the Legislature to consider regarding the needed protection of critical energy infrastructure information.¹⁵

Here, the Commission also points out the following resulting change to its prior natural gas demand response (DR) recommendation,¹⁶ based on internal deliberations: “The Commission recommends the utilities work with Staff and stakeholders to review the potential for natural gas DR programs and develop recommendations to encourage the development or expansion of natural gas DR programs.” Final SEA report, pp. 120, 200 (emphasis omitted). In light of this change, and the importance of DR particularly during energy emergencies, the Commission finds it appropriate to address this recommendation in this docket, as opposed to a separate docket like those for workgroups and collaboratives stemming from this order, and thus directs the Staff to

¹⁵ The Commission’s final SEA report thus results in 37 key (jurisdictional) recommendations and 15 key (non-jurisdictional) observations. The Commission notes that the increase in the number of recommendations (from 36 in the initial SEA report to 37 in the final SEA report) is due to a prior recommendation (regarding valuing electric diversity and valuing electric resilience) being split into two recommendations, not because of the addition of any new recommendation.

¹⁶ *See*, initial SEA report, pp. 112, 114, 189.

work with utilities to propose gas DR tariffs in the utilities' next round of gas rate cases filed after the date of this order.

Lastly, in acknowledging some of the comments pointing out that several of the recommendations could be expensive to implement, the Commission stresses that none of the recommendations made in the final SEA report should be construed as mandating any particular investments. Rather, the Commission intends to continue to scrutinize all proposals for future investments for reasonableness and prudence in the appropriate contested case proceedings. The Commission observes that its recommendations related to planning, evaluation tools for diversity and resilience, and expectations for utilities in fuel cost recovery and rate cases will improve the regulatory review processes to ensure ratepayers are getting the value from investments and more safe, secure, and affordable service.

THEREFORE, IT IS ORDERED that:

A. The Commission's Michigan Statewide Energy Assessment, Final Report, dated September 11, 2019, is accepted and adopted.

B. The Commission Staff shall work with utilities to propose natural gas demand response tariffs in the utilities' next round of natural gas rate cases filed after the date of this order.

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

MICHIGAN PUBLIC SERVICE COMMISSION

Sally A. Talberg, Chairman

Daniel C. Scripps, Commissioner

Tremaine L. Phillips, Commissioner

By its action of September 11, 2019.

Lisa Felice, Executive Secretary


PROOF OF SERVICE

STATE OF MICHIGAN)

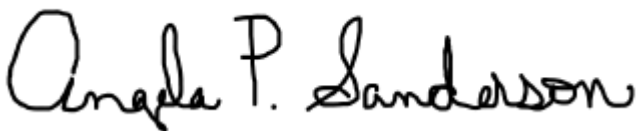
Case No. U-20464

County of Ingham)

Brianna Brown being duly sworn, deposes and says that on September 11, 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 11th day of September 2019.



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

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Volunteer Energy Services

Hillsdale Board of Public Utilities

Michigan Gas Utilities/Upper Penn Power/Wisconsin

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Direct Energy

Direct Energy

Direct Energy

Realgy Corp.

Katie Abraham, MMEA

Indiana Michigan Power Company

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Xcel Energy

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