

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of 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

**COMMENTS OF THE
CITIZENS UTILITY BOARD OF MICHIGAN**

NOW COMES the Citizens Utility Board of Michigan (“CUB”) to file these comments pursuant to an Order of the Michigan Public Service Commission (“Commission”) inviting interested parties to file comments to its initial report (“Initial Report”) in this docket. The Citizens Utility Board of Michigan thanks the Commission for the opportunity to comment on the Michigan Statewide Energy Assessment, released on July 1, 2019.

CUB was formed in October 2018 to represent the interests of residential energy customers across the state. CUB, as an advocate for ratepayers, shares the Commission’s goal “to ensure safe, reliable energy for Michigan residents and businesses, and to be prepared to mitigate impacts during potential future events.” All Michigan ratepayers need safe and reliable energy in order to thrive in the modern world. But there is a third key characteristic that must accompany safety and reliability: affordability. A safe and reliable energy supply cannot come at such a high cost that it materially worsens the welfare of residents, particularly those in already economically disadvantaged communities.

We applaud the MPSC for its recommendations, such as addressing aging infrastructure, valuing resource diversity and integrating the planning of the significant players in our electricity and natural gas system. But many of these recommendations could be very expensive, at least in the

short term. Those upfront costs may be worthwhile, but before acting the MPSC must consider the size of the economic burden being placed on ratepayers and if there are more equitable ways to allocate that burden. Rate increases tend to harm low-income ratepayers the most since they spend a larger chunk of their limited budgets on energy. We will note here that nowhere in the Statewide Energy Assessment does the term “low-income” or “low income” appear.

CUB’s comments will now point to a few instances where a greater focus on the economic impact on customers could make the MPSC’s recommendations and observations even stronger.

I. Updating Michigan’s Service Quality and Reliability Standards

The report states that “the MPSC’s electric service quality and reliability rules have not been updated recently and could be modified to enhance safety, reliability, and resiliency of the distribution system” and that a workgroup be formed to investigate how to update these rules. Updating Michigan’s Service Quality and Reliability Standards for Electric Distribution Systems is a very prudent idea, but we would point out that if they are going to be revisited, the MPSC should also update the unreasonably low value for the electricity credit given to customers that experience prolonged outages. The standards only entitle customers to a bill credit that is “the greater of \$25.00 or the customer's monthly customer charge.” The bill credit for practical purposes is \$25 since that is significantly higher than the typical customer’s customer charge, currently. That \$25 value is well below the value of a prolonged outage according to any economic estimate.

[Research](#) into the economic costs of outages from the Lawrence Berkeley National Laboratory has estimated that the power being out for 16 hours costs a typical residential customer \$32.40 (less or more depending on the time of day and the time of year). What’s more, these costs compound over time as the customer experiences additional costs as an outage drags on. Considering that under Michigan’s current standards a customer is eligible for a \$25 credit only

starting at 16 hours of outage (and even then, only under “normal conditions”) and the credit is the same whether power is out for 16 hours or 100 and more hours, it is clear that Michigan’s standards do not reflect economic reality.

We ask the Commission to add updating the credit value to its recommendations. If utilities are required to give credits that better reflect the actual economic harm done to their customers by prolonged outages, utilities will face better incentives to prevent outages in the first place, making Michigan’s energy supply more reliable.

The economic harm wrought by outages also is not the same for all customer classes. A moderate or high-income customer may have resources to replace food that spoils or move to a hotel with air conditioning that a lower-income customer may not have during a prolonged outage.

II. Upgrading Infrastructure

CUB agrees with the Commission on the importance of addressing aging electric and natural gas distribution infrastructure. Replacing and improving this infrastructure is critical for Michigan to be able to progress beyond its current low rankings on reliability metrics. Upgrading infrastructure is also a multi-billion-dollar affair. The Commission must ensure that capital spending on infrastructure produces reliability benefits that are greater than the costs passed onto customers.

Through cost-of-service regulation, utilities may have the incentive to spend a greater amount on distribution infrastructure than the value of the underlying reliability gains. But there are precedents for regulation that takes into account how much customers value reliability versus higher electric bills. [For example](#), under Norway’s utility regulatory regime, regulators calculate the costs of outages along with customer willingness to pay for reliability to reflect the declining marginal value of reliability after a certain point (customers are willing to tolerate a level of reliability less than 100% if the costs of achieving that reliability are high enough).

Again, this understanding of the value of reliability must also recognize that willingness to pay for reliability is strongly affected by the amount of monetary resources to which a customer has access. Low-income customers' low willingness to pay should not be necessarily interpreted to mean these customers have little concern for reliability, but simply that they may not have other options. Cost recovery of large distribution upgrade projects should be paired, when possible, with credits to offset the burden on low-income customers.

III. Resource Diversity and Resiliency

CUB supports the high priority the Commission is placing on the value of resource diversity and resiliency. A diverse energy supply reduces the risks of price spikes for customers. CUB would like to add on this point that resources like renewable energy, energy efficiency and demand response have the advantage that they are not closely tied to the price of any commodity. That makes these resources particularly beneficial for customers who have a high sensitivity to price increases, such as elderly residential customers who live on fixed incomes. Energy efficiency and demand response have the additional advantage of having lower capital costs than supply-side power resources. We ask the Commission that any accounting for the value of resource diversity include these benefits so that renewables, efficiency and demand response are judged on an even playing field with power plant investments that carry high fuel costs and capital costs.

IV. Improving Reliability

CUB appreciates that the Commission mentions specific ways that utilities can improve reliability, such as fault location and isolation, and service restoration devices in conjunction with smart meters. We would like to emphasize, however, that the utilities cannot simply have this technology – it also must be used effectively. There should be accountability when the utilities do

not effectively use the tools they are given with which to improve reliability. For example, after the widespread power outages that followed storms in July 2019, [DTE Energy admitted](#) that technical problems caused its communication with customers to be rife with inaccurate estimates of power restoration.

V. Distributed Energy Resources

The Commission rightly points out that distributed energy resources (DER) like renewables, efficiency and energy storage may need to have an increased role to prevent natural gas from becoming dangerously dominant as an energy source. But as DER grow, they will have the lowest penetration rates among low-income customers who arguably need them the most. CUB would like to point the Commission to a [recent paper](#) that reviews the current academic literature on low-income households and energy burden. It finds that despite cost reductions in clean energy technology, low-income energy burden is not declining and that “many policies and programs that promote energy efficiency and renewable energy technologies (e.g. rooftop solar PV and home battery systems) are largely inaccessible to low-income households.” The study offers some recommendations for how to make these programs more effective at helping low-income customers access DER.

VI. Separate Assessment Needed for the Upper Peninsula

Finally, Upper Peninsula concerns have been a special focus for CUB, given the unique challenges ratepayers there have experienced. The Statewide Energy Assessment mentions the transmission and natural gas issues that confront the UP. But we believe the Commission could go further. The electrical energy system of the two Peninsulas are almost entirely separate from each other. To continue to consider them in one statewide look continues to leave behind the substantial issues in the UP, that although small in relation to the entire state, have led to the highest rates in the

lower 48 for the UP. It is appropriate to issue a separate assessment specifically for the UP. That work could be done in conjunction with the U.P. Energy Task Force.

Conclusion

The Citizens Utility Board of Michigan thanks the Commission for this opportunity to provide comments on these important matters facing our great state. We look forward to being engaged in establishing standards that ensure safe, reliable and affordable energy.

Respectfully Submitted,

**Citizens Utility Board of Michigan,
a Michigan nonprofit corporation**

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John R. Liskey (P31580)
Citizens Utility Board of Michigan
921 N. Washington Avenue
Lansing, MI 48906
john@liskeypllc.com
517-913-5105 (voice)
517-507-4357 (fax)