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October 30, 2019

Ms. Lisa Felice
Executive Secretary
Michigan Public Service Commission
P.O. Box 30221
Lansing, MI 48909

Via - E-Filing

Re: Alpena Power Company – 2019 Voluntary Green Pricing Program
Case No.: U-18350

Dear Ms. Felice:

Alpena Power Company's Application for its 2019 Voluntary Green Pricing Program, together with written direct testimony of the company's witness, Mr. Gary D. Graham, is being electronically filed with the Michigan Public Service Commission. No paper filing is being made.

Alpena Power Company is not requesting a hearing as no hearing was conducted on its initial filing.

Please contact me if you have any questions or need anything else. Thank you for your cooperation.

Sincerely,

GILLARD, BAUER, MAZRUM, FLORIP, SMIGELSKI & GULDEN

James D. Florip
Attorney for Alpena Power Company

JDF/tsm
Enclosures

cc: **Via Email:**
April Stow (w/encs.)
Mr. Gary D. Graham (w/encs.)
Ms. Vicki Goodburne (w/encs.)

In the Matter, on the Commission’s motion,)
for **ALPENA POWER COMPANY** to establish)
a Voluntary Green Pricing program to fully) Case No. U-18350
comply with the provisions of Section 61, MCL)
460.1061 of Public Act 342 of 2016.)

Alpena Power Company, hereinafter referred to as “Applicant” or as “Alpena,” hereby files its application to establish a 2019 Voluntary Green Pricing program (“VGP”) in accordance with Section 61 of 2016 PA 342, (“Section 61” and “PA 342”), as hereinafter set forth, and respectfully represents to the Commission as follows:

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2. Jurisdiction is pursuant to Sections 1, 2, 6, 7 and 8 of 1909 PA 106, as amended, MCLA 460.551 et seq.; 1909 PA 300, as amended, MCLA 462.2 et seq.; Sections 3 and 4 of 1919 PA 419, as amended, MCLA 460.51 et seq.; Sections 4, 6 and 6a of 1939 PA3, as amended, MCLA 460.1 et seq.; 1982 PA 304, as amended, MCLA 460.6a, 460.6b, 460.6j, 460.6k, 460.6l and 460.6m; 1969 PA 306, as amended, MCLA 24.201 et seq.; and the Commission's Rules of Practice and Procedure, 1979 Administrative Code, R 460.17101 et seq.

3. In 2018/2019, other than power or REC's related to the establishment of a VGP, Applicant purchases approximately 99% of its electric power requirements from Consumers Energy Company under wholesale rates subject to the jurisdiction of the Federal Energy Regulatory Commission and as approved by the Commission in Case Nos. U-10705 and U-11029, and when available, from certain large industrial customers under rates established by special contracts.

4. Alpena presently serves its electric customers under rates and charges as ordered by the Commission in its Opinion and Order in Case No. U-18324 dated November 21, 2017, Alpena's 2019 PSCR Plan as approved by the Commission's April 10, 2019 order in Case No. U-20217, Alpena's 2017 Energy Waste Reconciliation Plan and Forecast as approved by the Commission's August 28, 2018 order in Case U-20027 and Alpena's 2018 Renewable Energy Plan Review as approved by the Commission's April 18, 2018 order in case U-20170.

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5. This Application is filed to submit Alpena's Voluntary Green Pricing program for the twelve month period ending December 31, 2020, and for the twelve month period ending December 31, 2021, in accordance with MCL 460.1061 and the Guidance provided by the Michigan Public Service Commission's (MPSC's) Order of April 18, 2019. Accordingly, Applicant herewith submits its testimony of President Gary Graham, as attached hereto, providing the following:

- (a) A description of the Voluntary Green Pricing program that Alpena is proposing for the calendar years ending December 31, 2020, and December 31, 2021;
- (b) A request for no changes to the current VGP tariff sheets relating to the cost of VGP power for each of the twelve billing months ending December 31, 2020; and for each of the twelve billing months ending December 31, 2021; containing terms and conditions for participation in the program, together with a tariff containing a supplemental cost for participation in the program;
- (c) The continuation of the contract with Wolverine Power Supply Cooperative, Inc. ("WPSC") for the purchase of Renewable Energy Credits

("REC's") certifying that power produced generating those REC's is a result of renewable energy production; and

- (d) An evaluation of Alpena's VGP program and its reasonableness in accordance with the requirements of MCL 460.61 and the guidance as provided by the Commission in its Order of April 18, 2019.

WHEREFORE, Applicant respectfully requests that this Commission:

1. Accept for filing this Application for approval of a 2019 Voluntary Green Pricing program.
2. Promptly make such investigation as it may deem necessary or advisable in the circumstances.
3. Approve the 2019 Voluntary Green Pricing program for the twelve billing months ending December 31, 2020, and for the twelve billing months ending December 31, 2021, as described in the Testimony of Gary Graham, attached hereto.
4. Approve the 2019 Voluntary Green Pricing program tariff containing terms and conditions for participation in the VGP program and a supplemental cost for participation of \$0.0078/kWh.
5. No formal hearing is requested

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6. Grant Applicant such other and additional relief as it may deem appropriate.

Dated: October 30, 2019

Respectfully submitted,

ALPENA POWER COMPANY

By: _____
Attorney for Alpena Power Company
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TESTIMONY OF GARY D. GRAHAM
ON BEHALF OF
ALPENA POWER COMPANY

1 Q. State your name and business address.

2 A. Gary D. Graham, Alpena Power Company, 401 N. Ninth Avenue, Alpena,
3 Michigan 49707.

4 Q. What is your educational background?

5 A. I graduated in May 1977 from Michigan Technological University with a Bachelor
6 of Science Degree in Civil Engineering. In 1995 I received a MBA degree from
7 Lake Superior State University.

8 Q. What is your past work experience?

9 A. From June 1977 to March 1984 I was employed by McNamee, Porter and
10 Seeley, Consulting Engineers as a staff engineer. From March 1984 to June
11 1990 I was employed by the City of Alpena as City Engineer. I began
12 employment with Alpena Power Company ("Alpena") in June 1990 as their
13 Engineering Director.

14 On February 16, 1982, while employed by McNamee, Porter and Seeley, I
15 became a Licensed Professional Engineer within the State of Michigan. I was

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1 involved in engineering design, construction layout and supervision of various
2 water systems, sewer systems and street/highway design work for private and
3 municipal clients. I participated in project cost estimating, water and sewer
4 system studies, site plan reviews, preparation of construction specifications and
5 bidding documents and the preparation of operations manuals for wastewater
6 and water treatment plants.

7 As City Engineer for the City of Alpena, I was responsible for project cost
8 estimating, design and construction inspection of various sewer/water system
9 improvement projects, water and wastewater plant improvements, streets, parks
10 and municipal building improvements. I supervised the City's Building
11 Department, was responsible for the administration of the City's Dial-A-Ride
12 contract, their Small Boat Harbor Operations contract and their Solid Waste
13 Transfer Station's Operation contract. I also prepared and administered
14 numerous Federal, State and Local grant projects on behalf of the City.

15 Q. Please state your current position with Alpena, including your present duties and
16 responsibilities and your future responsibilities beginning on June 10, 2017.

17 A. In June 1990, I was hired to be Alpena's Engineering Director, I was responsible
18 for overseeing the daily operations of the Engineering Department. My
19 department's responsibilities included preparation of daily work orders,
20 preparation of major maintenance and capital construction plans, specifications
21 and bidding documents, documenting all daily outage occurrences on our
22 transmission and distribution systems and the daily marking of Alpena's

1 underground facilities through the Miss Dig System. I was responsible for cost
2 estimating, preparation of our short term (4 year) and long term (20 year) annual
3 budget forecasts, and our long-term system planning activities involving
4 substations, distribution and transmission lines (underground and overhead),
5 equipment and facilities.

6 In August 2011, I was promoted to the position of Vice President of Alpena and
7 was designated an Officer of Alpena while continuing to supervise the company's
8 Engineering Department. At the same time, I also became Alpena's Information
9 Technology Department's supervisor. Alpena's IT Department is responsible for
10 all computer system purchases, upgrades and maintenance for all of its
11 computer hardware and software systems encompassing all aspects of its data
12 management functions. In April 2017, I was elected to Alpena's Board of
13 Directors and, effective June 10, 2017, promoted to be Alpena's President and
14 COO.

15 Q. Have you previously testified in any proceeding before this Commission?

16 A. Yes. I have testified on behalf of Alpena in three previous cases, including:
17 Case No. U-15935, a general rate case, Case U-18324, a general rate case, and
18 Case No.U-18089 concerning establishing the methodology for determining the
19 avoided cost calculations for Alpena to fully comply with the Public Utilities
20 Regulatory Policy Act of 1978, 16 USC 2601 *et seq.*

21 Q. What is the purpose of your testimony in this proceeding?

1 A. The Commission, under its order for Case No. U-18349 issued on April 18, 2018,
2 directed all utilities to file a Voluntary Green Program (VGP) in order to comply
3 with the provisions of Section 61, MCL 460.1061 of Public Act 342 of 2016.
4 Alpena was assigned Case No. U-18350 for that process. Alpena does not own
5 any type of renewable generation assets at this time. Alpena currently purchases
6 100% of the energy that it resells to its customers from three separate sources
7 with over 99% of it coming from an all requirements purchase power agreement
8 (PPA) with Consumers Energy (CE) under wholesale rates subject to the
9 jurisdiction of the FERC and approved by the Commission in Case Nos U-10705
10 and U-11029 with the remainder coming from two of its large industrial customers
11 under rates established under special contracts.

12 Q. How did Alpena implement its original Voluntary Green Energy Program in 2018?

13 A. The first issue that Alpena had to address was where the green energy needed
14 for the program would come from with Alpena not owning any type of renewable
15 generation assets. Also, with no existing green energy program in place at the
16 time of the Commission's order, Alpena had no past factual data showing how
17 many kilowatt-hours of green energy it may initially need for the program, so
18 there was no way to accurately predict how much green energy supply to
19 consider building or procuring to satisfy an unknown demand for it when Alpena
20 implemented its new program. It did not seem cost effective, for new customers
21 that choose to participate in Alpena's program or for Alpena's other customers
22 that are not to be subsidizing any costs for this type of program, to make an initial

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1 guess as to the renewable capacity that might be needed, build it and then find
2 out that it's new renewable generation facilities were over or undersized for what
3 the program might develop into.

4 Q. What did Alpena propose to do for its initial VGP program?

5 A. Alpena proposed that its initial green energy program be introduced as a "pilot"
6 program, which would allow Alpena to total up all of the actual monthly green
7 energy usage by the customers that did opt into the pilot program during each of
8 those calendar years and then, under a contract with Wolverine Power Supply
9 Cooperative, Inc. (WPSC), have them transfer REC's to MIRECS for Alpena to
10 purchase on an annual basis to satisfy the requirements of the program. Those
11 REC's were purchased specifically for that program and were in addition to the
12 REC's Alpena purchases from CE to satisfy its mandated 10% renewable energy
13 supply based on its annual total sales of energy.

14 The initial pilot program has allowed Alpena to monitor the progress of the
15 program for the past fifteen months enabling it to gather factual usage data that
16 will be helpful in estimating the green energy that will be used for the program in
17 the longer term to make decisions as to building new renewable generation or
18 contracting for it on the open market. Without having some kind of reasonable
19 idea of the proposed energy demands for the initial program, it would have been
20 difficult to put together a Request for Proposals to go out on the open market to
21 try to competitively purchase new renewable energy for the program or to

1 determine that new renewable generation should be built for Alpena's program
2 because once again, Alpena would have no idea how much energy to try to
3 contract for or to build. That could result in higher costs for the program due to
4 having to reserve more (paying for more than what's needed) energy on a
5 monthly basis than what would actually be needed for the program or building
6 more green energy capacity than might be needed for the program (leading to
7 higher green energy prices since Alpena's other customers can't help pay for or
8 subsidize any costs for the program).

9 Another reason that Alpena was hesitant to try to guess how much renewable
10 energy it may need initially for this new program is its past experience with its Net
11 Metering Program that followed passage of the last energy legislation (PA 295 of
12 2008) prior to Act 342's passage. In the two-year period following PA 295's
13 passage, Alpena saw an initial influx into their Net Metering Program of nineteen
14 (19) customers, almost all of which installed new, small wind turbines (18
15 customers with 1.8 kW wind turbines, one with a 10-kW wind turbine). Since the
16 end of 2010 however, only three additional Alpena customers have signed up for
17 the Net Metering Program (two wind, one solar) but Alpena has also had three of
18 those initial customers leave the program and remove their wind turbines
19 resulting in a net change in participation in the program of zero since January 1,
20 2011. So, there hadn't been a robust or even growing demand from Alpena's
21 customers to pay for and install their own renewable energy facilities at a
22 premium cost for the energy they would generate on their own.

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1 In addition, to date, Alpena still has not received any phone or email requests or
2 any inquiries from any of its commercial or industrial customers as to the possible
3 availability of green energy for purchase.

4 Q. How much interest has there been in Alpena's VGP program during the first
5 fifteen months of the pilot program?

6 A. Alpena's VGP program was implemented in June, 2018. Over the first six
7 months of the program in 2018 (June-December), Alpena had 24 customers that
8 signed up for the program and their total energy usage for that period was 68,579
9 kilowatt-hours or approximately 476 kilowatt-hours of energy per customer per
10 month. Over the next nine months of the program in 2019 (Jan.-Sept.), the
11 number of customers participating in the program has fallen to 22 customers and
12 the total energy usage for customers in the program was 137,123 kilowatt-hours
13 or approximately 692 kilowatt-hours of energy per customer per month.

14 A review of the financial elements of the existing VGP program has shown that
15 over the fifteen months of the program's existence, it has incurred expenses of
16 approximately \$ 900 while revenues collected from the green energy surcharges
17 have totaled just under \$ 1,300 (these figures are detailed in Alpena's 3rd semi-
18 annual report filed with the Commission on October 1, 2019). So, the program is
19 covering its own costs and is not being subsidized by Alpena other customers
20 that are not a part of the program

1 Q. Based on Alpena's VGP program energy usage history and customer
2 participation rates over the past fifteen months of the program's existence, is
3 Alpena proposing any changes to its' program over the next two-year period
4 before it would be evaluated again by the Commission?

5 A. Alpena's low customer participation rate (22 customers), low monthly energy
6 usage and the fact that there are actually fewer customers participating in the
7 program now when compared to the number of customers participating in it at the
8 end of 2018 (24), suggests that it would not be prudent or necessary in the short
9 term for Alpena to consider constructing its own green energy/renewable
10 generation facilities. Alpena's customer participation rate in the VGP program is
11 very similar to what it has seen from its customers participation in its Net
12 Metering Program since it was implemented in 2009 following PA 295's passage
13 in 2008. Alpena had about twenty customers sign up for that program in the first
14 eighteen months of its existence and over the past ten years since then, has had
15 no net change in the total number of customers participating in that program.
16 This indicates to Alpena that there is not a high level of interest in
17 renewable/green energy programs of those types in its service territory in the
18 short term.

19 Consequently, Alpena would propose to continue its program in the same
20 manner that it has been administering it over the past "pilot" program period.
21 Alpena would track actual customer usage throughout each year, total each
22 customers' annual usage to arrive at a total annual program usage figure.

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1 Alpena would then purchase that amount of REC's from WPSC in January of
2 each following year to cover the program's previous year's annual usage.

3 Alpena would also propose to keep the surcharge for the green energy
4 purchased under the program at the same rate that was established under its'
5 initial pilot program because that surcharge is allowing Alpena to cover it's costs
6 to administer the program and will allow it to spend some additional program
7 funds to advertise the program more than it has done in the initial pilot program.

8 Q. Does this complete your testimony?

9 A. Yes.

10 GARY D. GRAHAM
11
12

13
14 Date: October 30, 2019

By: _____

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