

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter, on the Commission's own motion,)
to open a docket for load serving entities in)
Michigan to file their capacity demonstrations as) Case No. U-20590
required by MCL 460.6w.)
_____)

In the matter, on the Commission's own motion,)
to open a docket for load serving entities in)
Michigan to file their capacity demonstrations as) Case No. U-20886
required by MCL 460.6w.)
_____)

At the August 20, 2020 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

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

ORDER

MCL 460.6w(8) requires each electric utility, alternative electric supplier (AES), cooperative electric utility, and municipally-owned electric utility to demonstrate to the Commission, in a format determined by the Commission, that each load serving entity (LSE) owns or has contractual rights to sufficient capacity to meet its capacity obligations as set by the

appropriate independent system operator (ISO), or the Commission, as applicable.¹ This is known as a state reliability mechanism (SRM) capacity demonstration. Regulated electric utilities' capacity demonstration filings are due on or around December 1 each year; AESs', cooperatives', and municipally-owned electric utilities' filings are due on or around the seventh business day of February each year. MCL 460.6w(8)(a), (b). In the September 15, 2017 order in Case No. U-18197 (September 15 order), the Commission adopted a format for the capacity demonstration filings required by MCL 460.6w(8), including templates for reporting and for affidavits.² Each year, the Commission opens a docket for the purpose of receiving those filings, and sets due dates for the filings and for the Commission Staff's (Staff's) report providing an analysis of the sufficiency of each LSE's capacity demonstration. In the August 8, 2019 order in Case Nos. U-20154 *et al.*, the Commission opened the docket in Case No. U-20590 for the purpose of receiving LSEs' capacity demonstrations for the 2023/2024 planning year (PY)³, and directed the Staff to file its analysis no later than March 27, 2020.

¹ MCL 460.6w(12)(a) defines the appropriate ISO as the Midcontinent Independent System Operator, Inc. (MISO). MCL 460.6w(11) also states that, "nothing in this act shall prevent the commission from determining a generation capacity charge under the reliability assurance agreement, rate schedule FERC [Federal Energy Regulatory Commission] No. 44 of the independent system operator known as PJM Interconnection, LLC [PJM]."

² The filing requirements have been slightly modified in the intervening years. *See*, the September 13, 2018 order in Case No. U-20154. In the March 17, 2019 order in Case No. U-20154, the Commission also approved a protective order for use with capacity demonstration filings. That protective order may also be used in Case No. U-20590 and Case No. U-20886.

³ MCL 460.6w(8)(a) states that, if an SRM is to be established, the Commission shall require each electric utility to demonstrate by December 1 of each year that, "for the planning year beginning 4 years after the beginning of the current planning year" the utility owns or has contractual rights to sufficient capacity to meet its load obligations. Thus, the statute requires the capacity demonstrations four years out from the year the capacity demonstrations are required, i.e., PY 2023/2024 for a demonstration filed in 2019.

On March 27, 2020, the Staff filed the Capacity Demonstration Results Report in Case No. U-20590 (Staff Report), addressing the capacity demonstrations for PY 2023/2024. The Staff states that it held pre-filing consultations with a significant number of LSEs as part of its pre-demonstration process and that all LSEs made timely capacity demonstration filings. The Staff explains that it conducted an audit of each capacity demonstration filed. Several AESs filed letters indicating that they are not currently serving customers in Michigan.

In the report, the Staff provides an overview of zonal adequacy, explaining that Michigan is served by two regional transmission operators (RTOs), MISO and PJM, and that each RTO has different resource adequacy constructs and capacity obligations. The Staff also describes the applicable RTO requirements. Staff Report, pp. 2-3. The Staff makes special note of the local clearing requirement (LCR) for MISO, which is the minimum amount of capacity for a local resource zone (LRZ) required to be located within the LRZ to meet a specified loss of load standard. The Staff also explains that the Commission has not yet applied an LCR, or forward

locational requirement, to individual Michigan LSEs pursuant to MCL 460.6w.⁴ The report expounds that the MISO zonal LCR can have economic impact for certain LSEs (i.e., those without enough resources located within the zone to cover the planning reserve margin requirements (PRMR)) if the zone as a whole does not have sufficient local resources to meet its LCR, as the planning reserve auction (PRA)⁵ clearing price for that zone would be set at the cost

⁴ MCL 460.6w(8) requires an LCR as part of the SRM capacity demonstrations. In the September 15 order, the Commission indicated that it would open a contested case to establish the LCR for future capacity demonstrations beginning in 2022 and beyond. September 15 order, pp. 40-42. This order was appealed on two grounds: (1) that the Commission lacked the authority to impose an LCR on individual providers, and (2) that if the Commission has the authority, it must implement the LCR pursuant to a rulemaking under the Administrative Procedures Act of 1969 (APA), MCL 24.201 *et seq.* While the September 15 order was on appeal, the Commission issued an order in Case No. U-18444 establishing a methodology to apply the LCR to individual energy providers. June 28, 2018 order in Case No. U-18444, pp. 122-131. On September 13, 2018, the Commission issued an order granting a motion for stay in Case No. U-18444, putting a hold on the implementation of the LCR pending the outcome of the appeal of the September 15 order. September 13, 2018 order in Case No. U-18444, pp. 9-13. The Michigan Court of Appeals subsequently ruled that the Commission did not have the authority under 2016 PA 341 to impose an LCR on individual providers. *In re Reliability Plans of Electric Utilities for 2017-2021*, 325 Mich App 207, 221; 926 NW2d 584 (2018). The Court of Appeals did not address the second point of the appeal, which was that if the Commission did have such authority, the LCR requirement should be implemented through a rulemaking pursuant to the APA. The Michigan Supreme Court reversed the Court of Appeals, finding that the Commission does have the authority pursuant to MCL 460.6w to impose an LCR on individual providers and remanded the case to the Court of Appeals for further review to determine the Commission's compliance with the APA in imposing the LCR. *In re Reliability Plans of Electric Utilities for 2017-2021*, __ Mich __; __ NW2d __ (2020). As of the date of this order, the stay in Case No. U-18444 remains in effect.

⁵ The PRA is a residual capacity market for LSEs.

of new entry (CONE) for that year. Setting the PRA clearing price at CONE acts as a price signal to LSEs responsible for resource adequacy in the zone.⁶ *Id.*, pp. 3-4.

The Staff also notes in the report that some LSEs provided, on a voluntary basis, capacity resource data for the interim years in addition to PY 2023/2024, which is the compliance year for this round of capacity demonstrations. This additional data allows the Staff to update zonal resource adequacy projections for the prompt (upcoming) year, the interim years, and the compliance year (2023/2024).

Turning to the resource adequacy in each of Michigan's LRZs, the Staff concludes in its March report that LRZ 7, consisting of the Lower Peninsula of Michigan (with the exception of Indiana Michigan Power Company's (I&M's) service territory which is part of PJM) will have sufficient resources to meet its LCR for the 2020/2021 prompt year as well as the 2023/2024 compliance year. However, the Staff states that the LCR margins for LRZ 7 are projected to be slim and small deviations in resources and/or requirements could leave LRZ 7 short of its LCR. *Id.*, pp. 4-11. In the prompt year (2020/2021), the preliminary data showed a shortfall of 273 zonal resource credits (ZRCs), but the Staff explains that it is aware of additional resources that were not filed with the capacity demonstration that will exist in LRZ 7 and were expected to participate in the PRA. *Id.*, p. 6. A similar scenario occurs with respect to the PRMR where a

⁶ As discussed in a Commission issue brief, "MISO's LCR for Zone 7 requires over 99% of the generating resources needed to serve customers to be sourced locally from within this zone. While energy providers can purchase supplies from other zones through bilateral contracts or the auction, if there are not enough supplies locally to meet the LCR, the auction price goes to CONE." *MPSC Issue Brief—2020 MISO Planning Resource Auction Results* (April 16, 2020), p. 2, available at https://www.michigan.gov/documents/mpsc/PRA_Issue_Brief_687463_7.pdf; see also *MPSC Issue Brief—Local Clearing Requirement 2020 Michigan Supreme Court Decision* (April 16, 2020), available at https://www.michigan.gov/documents/mpsc/LCR_SC_Ruling_Issue_Brief_687462_7.pdf.

shortfall occurs but is projected to be eliminated by undemonstrated resources verified by the Staff. *Id.* With these slim margins, the Staff states that any changes to forecasts or resources occurring after the demonstration filing but prior to the MISO PRA could result in an LCR shortfall and in turn, the PRA clearing price being set at CONE.

For the compliance year, 2023/2024, the Staff finds a surplus of 180 megawatts (MW) for LRZ 7 based on the capacity demonstration filings as well as the Staff's estimate of additional LRZ 7 resources not included in the filings. For the interim years 2021/2022 and 2022/2023, the Staff projects a shortfall of 152 ZRCs in 2021/2022, and a shortfall of 30 ZRCs in 2022/2023 with respect to the LRZ 7 LCR. The Staff notes that these figures are subject to change based on new load forecasts, unknown resource additions or subtractions, changes in generator performance, increased or decreased zonal import ability, or changes in MISO requirements. *Id.*, p. 7.

The Staff also includes some noteworthy comments about LRZ 7 regarding its capacity requirements, historical requirements, and capacity resource changes. Providing detail on the local reliability requirement (LRR), the capacity import limit/zonal import limit, and the LCR, the Staff explains that the LCR level for LRZ 7 has not changed significantly since last year's report, which reported compliance for PY 2022/2023; however, significant changes to the reliability requirements for meeting the LCR have occurred since the initial capacity demonstrations were filed in the 2017/2018 timeframe for PY 2018 through PY 2021. Lastly, the Staff lists resource changes that have impacted this year's capacity demonstration, including upgrades to the Ludington Pumped Storage facility, increased utility demand response (DR)

programs, DR aggregation, and potential MISO load modifying resource (LMR)⁷ tariff changes. *Id.*, pp. 7-11.

LRZ 2 is comprised of nearly the entire Upper Peninsula (UP) as well as northern and eastern Wisconsin. The interstate nature of this zone impacts the Staff's ability to determine a capacity position for two reasons: (1) MISO does not define MW capacity imports or export limits between state boundaries; and (2) LRZ 2 includes Wisconsin LSEs that are not subject to MCL 460.6w reporting requirements. However, the Staff states that all Michigan LSEs within LRZ 2 have sufficient resources to meet their capacity requirements. *Id.*, p. 12.

Similar to LRZ 7, the Staff makes some noteworthy comments regarding LRZ 2. These comments include descriptions of generation facility retirements and replacement additions as well as a transmission issue that occurred in 2018 when two transmission circuits that connect the UP to the Lower Peninsula tripped offline. While these circuits were being restored, the transmission company, American Transmission Company, LLC, was able to maintain system reliability according to the Staff Report. Lastly, the Staff notes that the Organization of MISO States-MISO Survey projected adequate capacity supply with respect to the PRMR for the PYs 2019/2020/2021. *Id.*, p. 12.

A small area of Michigan's UP falls into LRZ 1, which the Staff reports is projected to have an adequate supply of capacity to meet its PRMR requirements for PY 2020/2021 and the next several PYs. The Staff also notes that there is some uncertainty regarding PJM, which has a mandatory three-year forward capacity market, and its capacity market proceedings that are awaiting a decision by FERC. As a result, PJM has suspended its base residual auction. As an

⁷ MISO categorizes DR programs, aggregated DR, and behind the meter generators as LMRs. Staff Report, p. 11.

LSE in the PJM territory, I&M was impacted by FERC litigation last year and was unable to file a capacity demonstration, but after working with the Staff, was able to do so this year. While there is still some uncertainty regarding I&M's capacity position, its filing shows an adequate capacity position and that it also anticipates meeting PJM's requirements for PY 2023/2024. The Staff indicates that it will continue to monitor resource adequacy in the PJM region and the Michigan LSEs in PJM's territory. *Id.*, pp. 13-14.

Pursuant to the September 15 order, the Staff Report includes a table that identifies the capacity type (owned, DR, power purchase agreement, ZRC contracts, and auction) for each individual electric provider without revealing the identity of any specific electric provider. The Staff Report also examines DR programs' impacts on capacity, ZRC contracts and ZRC transfers, and AES load switching. *Id.*, pp. 16-17. Lastly, the Staff makes note that the LSE, FirstEnergy Solutions Corp. initiated bankruptcy proceedings pursuant to Chapter 11 of Title 11 of the United States Code, 11 USC Title 11, but continues to serve customers in Michigan, has filed a sufficient capacity demonstration, and is now operating under a new name, Energy Harbor LLC. *Id.*, p. 18.

Turning to the Staff's recommendations, the Staff asks that the Commission support the establishment of procedures to facilitate communication between aggregators of retail customers (ARCs), AESs, incumbent utilities, and the Staff when aggregated DR is dispatched on MISO's coincident peak. The Staff explains that this is necessary to accurately account for the change in peak load contribution if DR resources are dispatched on MISO's coincident peak. While MISO's tariff language may help mitigate this issue, it is unknown when MISO will receive FERC approval and the Staff would like to develop this process prior to MISO's coincident peak. *Id.*, p.18.

The Commission accepts the Staff Report and adopts the recommendations contained therein, including the Staff's request for Commission support for establishing procedures to facilitate communication with ARCs, AESs, incumbent utilities, and the Staff. The Commission also acknowledges the recent filing by MISO with FERC clarifying ARC registration requirements, information sharing, and processes improvements. *See, Midcontinent Independent System Operator, Inc. Filing to Clarify Registration and Processes Related to Aggregator of Retail Customers Participating in MISO Markets*, ER20-2591 (July 31, 2020).

As the Staff indicated, there is the possibility that its projections for meeting future PRMRs and LCRs for the upcoming or future PYs will vary from actual experience in the MISO PRA each spring due to changes in MISO requirements, load levels, and/or resource availability over time. While the Staff projected in March 2020 a slim margin of surplus with respect to the LCR for LRZ 7 based on the most recent data available, this year's PRA results for LRZ 7, published in June, revealed a shortfall of 123 MW. *MISO Update for Michigan Public Service Commission*, p. 8 (June 10, 2020), available at

https://www.michigan.gov/documents/mpsc/MISO_MPSC_Presentation_June_10_2020_693355_7.pdf .⁸ There are several reasons for this variation, including changes to the LCR

calculation methodology by MISO, as well as changes to available supplies and forecasted customer demand.

The Commission also notes that MCL 460.6w does not apply to the prompt year, 2020/2021, and, therefore, even with meeting the capacity needs for the compliance year,

⁸ As discussed above, LSEs that do not have sufficient resources physically located within LRZ 7—even if they purchased capacity or own resources outside the zone to meet their obligations under MCL 460.6w—would be charged CONE for one year. Currently, CONE is equivalent to the cost of capacity from a new natural gas peaking plant.

2023/2024, changes in resources could result in shortfalls for the zone by the time the compliance year occurs. These changes are evident in the Staff Report in that sufficient capacity demonstrations were made in 2018, in Case No. U-18441 for PY 2020/2021, and the LCR for LRZ 7 was 20,717 ZRCs, but changes in resources and resource requirements occurred since 2018, and the actual LCR for PY 2020/2021 is 21,851 ZRCs, an increase of 1,134 ZRCs.⁹

Turning to the issue of the LCR, the Commission notes that as of the date of this order, the Michigan Court of Appeals has not issued a ruling on the remanded issue in *In re Reliability Plans of Electric Utilities for 2017-2021*. The stay issued in Case No. U-18444 is still in effect and, therefore, no LCR requirement under MCL 460.6w has been imposed on individual energy providers at this time. The Commission is awaiting a decision by the Court of Appeals but acknowledges that a decision may not be issued for quite some time and the need for an LCR to ensure reliability in Michigan's LRZs is a matter of significant importance. Therefore, the Commission may revisit the stay in Case No. U-18444 if necessary.

In its report, the Staff notes that some LSEs provided capacity resource data beyond PY 2023/2024 on a voluntary basis and that this additional information was helpful in the Staff's projections for the prompt and interim years. Since March 10, 2020, Michigan has been operating under a state of emergency and state of disaster as declared by Governor Gretchen Whitmer¹⁰ to respond to and limit the spread of COVID-19. The pandemic has caused

⁹ See, *MPSC Issue Brief - 2020 MISO Planning Reserve Auction Results* (April 16, 2020), available at <https://www.michigan.gov/documents/mpsc/PRA_Issue_Brief_687463_7.pdf> (discussing further the relationship between the annual MISO auction and the Commission's requirements under MCL 460.6w).

¹⁰ On August 7, 2020, the Governor issued Executive Order 2020-165 extending the state of emergency and state of disaster until September 4, 2020.

significant economic and financial hardship for Michigan residents and businesses, posed challenges to the operations of energy providers, and impacted normal energy consumption patterns. These impacts necessitate pronounced efforts to ensure reliability within the state and additional data for the years between compliance PYs would be helpful in ensuring reliability. Therefore, the Commission directs LSEs to provide capacity resource data for the prompt and interim years in addition to the compliance year 2024/2025 data for next year's capacity demonstration filing. The additional data is to be included with the upcoming December 1, 2020 filing in the docket to be opened by this order, Case No. U-20886. The Commission also approves a revised reporting template with clerical updates, attached to this order as Attachment A, to be used for the December 1, 2020 filing.

The Commission finds that no show cause proceedings are necessary for the 2020/2021 through 2023/2024 PYs, and that, based on the filings in Case No. U-20590, no AES customers will be levied an SRM capacity charge during that period. The Commission commends the Staff, MISO, and the LSEs for their efforts, which have produced a more streamlined process this year. The Commission looks forward to the continued robust review of capacity resources for future planning years.

THEREFORE, IT IS ORDERED that:

A. The March 27, 2020 Capacity Demonstration Results Report filed in Case No. U-20590 is accepted.

B. Electric utilities required to file capacity demonstrations pursuant to MCL 460.6w(8)(a) for the 2024/2025 planning year shall make that filing no later than 5:00 p.m., Eastern time, on December 1, 2020, in Case No. U-20886, and load serving entities required to file capacity demonstrations pursuant to MCL 460.6w(8)(b) for the 2024/2025 planning year shall make that

filing no later than 5:00 p.m., Eastern time, on February 9, 2021, in Case No. U-20886, and shall include in their filings capacity resource data for the prompt and interim years as well as the compliance year 2024/2025 as described in this order.

C. The reporting template revised for clerical updates, attached hereto as Attachment A, is approved and adopted for immediate use.

D. The Commission Staff shall file a report analyzing the sufficiency of the capacity demonstrations for the 2024/2025 planning year no later than March 26, 2021, in Case No. U-20886. Any recommended changes to the Capacity Demonstration Process and Requirements shall be attached to the Commission Staff Report filed in Case No. U-20886.

E. The docket in Case No. U-20590 is closed, and the docket in Case No. U-20886 is opened.

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 of this order, under 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

Daniel C. Scripps, Chair

Sally A. Talberg, Commissioner

Tremaine L. Phillips, Commissioner

By its action of August 20, 2020.

Lisa Felice, Executive Secretary

ATTACHMENT A

CAPACITY DEMONSTRATION PROCESS AND REQUIREMENTS FOR PLANNING YEAR 2024/25

Capacity Demonstration Process

Commission issued final order on Michigan Forward Locational Requirements for 2022/23 & 2023/24 (Case No. U-18444)	Commission issues orders in cases to assign AES capacity obligations to utilities and impose SRM charges from U-18441 demonstrations; Commission also opens docket (U-20154) for 2022/23 demonstration	Commission Staff issues memo in 2022/23 capacity demonstration docket with updated capacity obligations based upon latest MISO LOLE report	Utilities file capacity demonstrations in same docket	AESs, Cooperatives, Municipalities file capacity demonstrations in same docket	Commission Staff issues memo regarding sufficiency of capacity demonstrations in docket
June 28, 2018#	September 1, 2018*	November 1, 2018*	December 3, 2018*	February 11, 2019*	March 28, 2019*
Commission Order on capacity demonstration, possibly opening new contested case(s) to impose SRM charges	Commission issues orders in cases to assign AES capacity obligations to utilities and impose SRM charges from 2022/23 demonstrations; Commission also opens docket for 2023/24 demonstration	Commission opens docket for contested case to set the Michigan Forward Locational Requirements for 2024/25 & 2025/26	Commission Staff issues memo in 2023/24 capacity demonstration docket with updated capacity obligations based upon latest MISO LOLE report	Utilities file capacity demonstrations in same docket	AESs, Cooperatives, Municipalities file capacity demonstrations in same docket
April, 2019*	September 1, 2019*	October, 2019#	November 1, 2019*	December 1, 2019*	February 11, 2020*
Commission Staff issues memo regarding sufficiency of capacity demonstrations in docket	Commission Order on capacity demonstration, possibly opening new contested case(s) to impose SRM charges	Commission issues final order on Michigan Forward Locational Requirements for 2024/25 & 2025/26			
March, 2020*	April, 2020*	July, 2020#			

*Capacity demonstration process (repeats annually)
 #Determine incremental capacity need (repeats every two years)

The Michigan Public Service Commission (MPSC or Commission) will open a docket in 2020 for planning year 2024/25 capacity demonstrations. The Commission order opening the capacity demonstration docket will provide requirements for load serving entities (LSE) to follow in making demonstrations and include the capacity obligations to be applicable for the demonstration year.

The capacity demonstration obligations will be determined in a consistent and transparent manner, based upon the most recently published Loss of Load Expectation (LOLE) study by the Midcontinent Independent System Operator (MISO).

The capacity demonstrations filed in this docket shall include four years of load obligations and owned or contracted resources, similar to the requests that the Commission has made in previous years. The

capacity demonstration for year four will be used to determine if the LSE has met its capacity obligations, while the data filed for years one through three will be used for informational purposes only. Each LSE's applicable capacity obligation will be based upon its most recent Planning Reserve Margin Requirement (PRMR), as specified by MISO, and adopted by the Commission.

For the purposes of the capacity demonstrations for the Michigan State Reliability Mechanism (SRM), MCL 460.6w(8), the total capacity obligation to meet for a given LSE shall be the LSEs' PRMR. The PRMR includes a LSE's MISO Coincident Peak Demand adjusted for internal demand response programs netted against load, plus transmission losses and planning reserve margin (PRM) UCAP (unforced capacity) percentage. For LSEs provided a peak load contribution (PLC) value from their Energy Distribution Company (EDC), their capacity obligation to meet shall be their PLC, if it already includes transmission losses, and PRM UCAP percent adjustments.

The applicable MISO PRM UCAP percentages reported in the MISO 2020-2021 LOLE Study are as follows:

Planning Year	2023/24
PRM UCAP	8.8%

The PRM UCAP percentages will be updated annually, or as released by MISO in future LOLE Studies. The PRM UCAP percentages applicable for each demonstration year will be included in the order that opens the capacity demonstration docket and will be updated by MPSC Staff memo to the docket if applicable PRMR updates are published by MISO subsequent to the Commission Order.

The PLC determination for Retail Open Access (ROA) customers should be made through a cooperative process which is consistent with current MISO rules for dispute resolution. These PLC determinations will ultimately drive the total amount of capacity obligation that an Alternative Electric Supplier (AES) will be required to meet in its annual demonstration before the Commission.

Forward Locational Requirement Methodology¹

The process used to determine the forward locational requirements is as follows:

1. Use the methodology from Staff's August 1, 2017 report and MISO's comments in Case No. U-18197 to project the Local Resource Zone's (LRZ) Locational Clearing Requirement (LCR) six years forward using the data provided in the 2018-2019 MISO LOLE Study Report.²
 - a. Extrapolate/Interpolate the Peak Demand and Local Reliability Requirement (LRR) UCAP per-unit of LRZ Peak Demand to find values for the needed year (not necessary in this iteration because 2023/24 values were included in the MISO LOLE Study Report).
 - b. Determine the LRZ's LRR by multiplying the zone's peak demand by the LRR UCAP per-unit of LRZ Peak Demand percentage.
 - c. Calculate the forward LCR by subtracting the Capacity Import Limit (held constant from the prompt year) from the LRR.

¹ The September 13, 2018 Order in Case No. U-18444 granted a stay to the effect of the June 28, 2018 order in the same case establishing an individual forward locational requirement.

² <https://www.misoenergy.org/api/documents/getbymediaid/80578>.

2. Analyze previously filed confidential and public LSE resource data to project any changes to the amount of existing resources in the zone six years forward.
3. Subtract the projected existing resources in the zone from the zone’s LCR to determine the forward locational incremental need.
4. Divided the forward locational incremental need by the zone’s Peak Demand. This percent is the forward locational requirement for each LSE for the two year period.
5. Split this percentage evenly to determine the annual percentage applicable to each of the two planning years; 2022/23 and 2023/24.
6. The forward locational requirement applicable to each LSE is the annual percentage multiplied by its respective prompt year peak demand applicable for the demonstration.

Zonal Locational Requirements for Planning Years 2022/23 and 2023/24:³

MISO Zone 2					
Planning Year	Peak Demand (MW) {A}	LRR UCAP per-unit of LRZ Peak Demand {B}	LRR (MW) {C}={A}*{B}	Capacity Import Limit (MW) {D}	LCR (MW) {E}={C}-{D}
2023/24	13,054	118.7%	15,495	2,317	13,178

MISO Zone 7					
Planning Year	Peak Demand (MW) {A}	LRR UCAP per-unit of LRZ Peak Demand {B}	LRR (MW) {C}={A}*{B}	Capacity Import Limit (MW) {D}	LCR (MW) {E}={C}-{D}
2023/24	21,384	115.3%	24,656	3,785	20,871

The zonal locational requirements for future planning years 2024/25 and beyond will be addressed in a future filing as determined by the Commission.

Zone 7 Incremental Need and Forward Locational Requirement

The total projected resources in Zone 7 in 2023/24 is based on the capacity demonstration filings in Case No. U-18197 which covered planning years 2017/18 through 2021/22. Adjustments were made to remove behind the meter generation (btmg) not in the MISO Resource Adequacy Construct, reported retirements, zonal resource credit (ZRC) purchases, resources located outside of the zone, and any double counted units. The resulting total projected resources in Zone 7 for 2023/24 is 19,734 MW or 1,137 MW less than the projected MISO LCR in 2023/24⁴. This forward incremental need represents 5.3% of the projected Zone 7 peak demand. Splitting this need evenly between the 2022/23 and 2023/24 planning years results in a forward locational requirement for each LSE in Zone 7 of 2.7% of its

³ The source for the data in columns {A} through {E} is the MISO 2018 – 2019 LOLE Study Report, <https://www.misoenergy.org/api/documents/getbymediaid/80578>.

⁴ The total projected resources has been updated to include the publicly announced retirements of Karn 1 & 2 as directed by the Commission in its June 28, 2018 order in Case No. U-18444, <https://mi-psc.force.com/sfc/servlet.shepherd/version/download/068t00000023GMHAA2>.

prompt year PLC to be met with Zone 7 resources in 2022/23, and 5.3% in 2023/24. The percentage requirements were rounded to the nearest tenth of a percent.

Planning Year	Applicable PLC	Forward Locational Requirement
2022/23	Determined January, 2019	2.7%
2023/24	Determined January, 2020	5.3%

The forward locational requirements for Zone 7 for planning years 2024/25 and beyond will be re-evaluated going forward based upon future directives set by Commission Order.

Zone 2 Forward Locational Requirement

Unlike Zone 7, which is entirely located in the Lower Peninsula of Michigan, Zone 2 includes the Upper Peninsula of Michigan and a large portion of eastern Wisconsin. The MPSC does not have the same level of detail regarding the generation sited in Wisconsin as it does for generation sited in Michigan. Without making any assumptions regarding the future retirement of Zone 2 resources, the 2017-2018 MISO Planning Resource Auction Results show the Total Offers Submitted in Zone 2 of 15,149 ZRCs, which exceeds the projected Zone 2 LCR (13,178 MW) in 2023/24 by 15%. Utilizing the same method as applied to Zone 7 results in an incremental need of zero for Zone 2. Based upon the current surplus of existing resources in Zone 2, the forward locational requirement for LSEs in Zone 2 is zero for planning years 2022/23 and 2023/24. Although the current forward locational requirement is zero for LSEs in Zone 2, the adequacy of resources in Zone 2 will continue to be monitored. The PRMR capacity obligations still apply to LSEs in Zone 2 on a four-year forward basis as required by MCL 460.6w. The forward locational requirements for Zone 2 are not subject to biennial reevaluation unless the Commission directs otherwise in a future order.

Zone 1 Forward Locational Requirement

The individual forward locational requirement for LRZ 1 is zero and is not subject to biennial reevaluation unless the Commission directs otherwise in a future order. The PRMR capacity obligations still apply to LSEs in Zone 1 on a four-year forward basis as required by MCL 460.6w.

Resource Demonstrations

The minimum acceptable support for all resources submitted as part of a capacity demonstration include:

- 1) Documentation supporting the MISO zonal location of the resource, and;
- 2) The minimum acceptable support based upon the type of resource that is outlined in the sections below.

Existing generation (owned)

The minimum acceptable support for existing generation that is included in a capacity demonstration include:

- 1) An affidavit from an officer of the company claiming ownership of the unit(s), including a commitment of the unit(s) to LSE load in the applicable Michigan zone four years forward,
- 2) A copy of the existing ZRC qualification of the unit(s) from the MISO Module E Capacity Tracking Tool, and;
- 3) If there are retail tariffs or customer contracts associated with the resources, copies should be provided.

Existing demand response or energy efficiency resources (that have not been netted against load)

The minimum acceptable support for existing demand response resources or energy efficiency resources that have not already been netted against load include:

- 1) An affidavit from an officer of the company outlining the resource(s), including a commitment to maintain at least that same level of resources four years forward,
- 2) A copy of the existing ZRC qualification of the resource(s) from the MISO Module E Capacity Tracking Tool, and;
- 3) If there are retail tariffs or customer contracts associated with the resources, copies should be provided.

New or upgraded generation (owned)

The minimum acceptable support for proposed new generation include:

- 1) An affidavit from an officer of the company outlining the detailed plans for the new generation including milestones such as planned in-service date, expected regulatory approval date(s), planned date to enter the MISO generator interconnection queue, expected date for MISO generator interconnection agreement, construction timeline, etc.,
- 2) Documentation supporting the expected ZRC qualification from MISO for the new unit(s), and;
- 3) If there are retail tariffs or customer contracts associated with the resources, copies should be provided.

For new generation submitted as part of a capacity demonstration, the Commission finds that all of the above data be updated and submitted on an annual basis with each subsequent capacity demonstration until the unit(s) are in service.

New demand response or energy efficiency resources (that have not been netted against load)

The minimum acceptable support for new demand response resources or energy efficiency resources that have not already been netted against load included in a capacity demonstration include:

- 1) An affidavit from an officer of the company outlining the plans for the resource(s), including a commitment to achieve and/or maintain at least that same level of resources four years forward,
- 2) Evidence that the customer's distribution utility has been notified of specific customers participating in the resource,
- 3) Specific plans to have the resource(s) qualified by the independent system operator, and;
- 4) If there are retail tariffs or customer contracts associated with the resources, copies should be provided.

For new demand response or energy efficiency resources submitted as part of a capacity demonstration, the Commission finds that all of the above data be updated and submitted on an annual basis with each subsequent capacity demonstration until the resource(s) are in service. Final qualification / approval from the independent system operator should be submitted in a subsequent demonstration.

Existing generation (capacity contract)

The minimum acceptable support for capacity contracts with existing generation include:

- 1) An affidavit from an officer of the company including a copy of the contract that specifies the unit(s) or pool of generation that is the source of the contract, including the location of the unit(s) or pool. The affidavit should include a commitment to maintain the contracted amount four years forward regardless of any early out clauses in the contract, and;
- 2) A copy of the existing ZRC qualification of the unit(s) or pool from the MISO Module E Capacity Tracking Tool that the LSE obtains from the asset owner and includes with the demonstration filing.

Forward ZRC contracts

The minimum acceptable support for forward ZRC contracts include an affidavit from an officer of the company including a copy of the contract that specifies the zonal location of the ZRCs. The affidavit should include a commitment to maintain the contracted amount four years forward regardless of any early-out clauses in the contract. A forward ZRC contract that does not specify the zonal location of the ZRCs will be deemed insufficient towards meeting any portion of a locational requirement, unless the LSE provides other alternative support for the location of the ZRCs.

Any LSE that utilized a ZRC contract as part of their previous capacity demonstrations must provide prompt-year ZRC transfer documentation (MECT Module E screenshot) or provide Staff with the ability to confidentially review ZRC transfers in person at the Commission office.

Resources submitted in an LSE capacity demonstration to meet forward locational requirements must be located within the same LRZ as the LSE. Evidence demonstrating that a resource located outside of the LSE's zone would count towards meeting the LCR of the LSE's zone should be provided by the demonstrating LSE if applicable. Existing contracts with resources outside of an LSE's zone will count towards meeting forward locational requirements if they are for a period of at least twenty years and the contracts were entered into prior to MISO's implementation of local resource zones on June 1, 2013.

Aggregated EERs, Aggregated Storage, Aggregated DERs

The minimum acceptable support for aggregated energy efficiency resources (EERs), aggregated storage, and aggregated distributed energy resources (DERs) include:

- 1) An affidavit from an officer of the company outlining the resource(s), including a commitment to achieve and/or maintain at least that same level of resource(s) four years forward,
- 2) Documentation from MISO showing ZRC credit in the prompt-year for the resource(s), such as a MISO MECT screenshot, and;
- 3) If there are retail tariffs or customer contracts associated with the resource(s), copies should be provided.

PRA Purchases

The amount of ZRCs planned to be purchased in the MISO Planning Resource Auction (PRA) that will be deemed prudent in an approved capacity demonstration will be limited to the following percentage of the LSE’s total PRMR requirement.

Planning Year	2022/23	2023/24	2024/25
PRA Purchases (%)	5%	5%	5%

Utilization of the MISO PRA in interim years

A capacity demonstration filed by an LSE that includes a plan to purchase ZRCs in the PRA four years in the future in excess of the allowable amounts outlined above, will not constitute a demonstration that the LSE owns or has contracted resources to meet its future capacity obligations, unless those ZRCs are tied to specific identified resources that are committed to be offered in the PRA, by contract, on behalf of the LSE for the applicable planning year.

Once the Commission has determined that the capacity demonstration made by an LSE is deemed to be sufficient, it shall not be re-litigated or “trued-up” in the interim years. If, subsequent to its initial satisfactory capacity demonstration, an LSE experiences an unforeseen significant outage at one of its generation assets, or has an unforeseen variation in its total load obligations, these matters will be settled in the PRA. The LSE’s initial capacity demonstration will not be re-examined to reconcile projected interim year load obligations or generating resource capacity ratings with actual values that are experienced in that interim year.

Additional Considerations for Capacity Demonstrations

Other types of documentation submitted as part of a capacity demonstration will be evaluated on a case by case basis. Because some of the documentation that is required to be filed in these proceedings is commercially sensitive, competitive information, it shall continue to be treated in a confidential manner, as has been done in the past. The Staff shall file a memo in the docket as directed by the Commission,

outlining its findings from the demonstration filings, including a listing of any entities whose demonstration, in Staff's opinion, did not completely pass muster.

In the case where a demonstration filing does not pass Staff's muster, Staff would recommend that the Commission open a contested case docket, whereby the LSE in question could attempt to prove that its capacity demonstration should be deemed acceptable. The outcome of that case would be a Commission order potentially authorizing SRM capacity charges to ROA customer load as well as a respective increase in capacity obligations assigned to the incumbent utility as the Provider of Last Resort for capacity service. Any contested demonstration cases will be opened as soon as practicable following the issuance of the Staff memo and be completed within six months.

If an LSE has met the capacity demonstration requirements, no contested case will be opened, and no further action will be taken regarding any capacity demonstration that has been deemed sufficient by Staff and accepted by the Commission.

Capacity Demonstrations for LSEs in PJM service territory

PJM Interconnection LLC (PJM) has a mandatory forward capacity market for LSEs in its service territory. LSEs in the PJM service territory meet their Independent System Operator capacity obligations either through participation in PJM's Reliability Pricing Model (RPM) Base Residual Auction (BRA) or through PJM's Fixed Resource Requirement (FRR) capacity plan. The PJM capacity market is a three year forward market with the calendar aligned slightly differently than what exists with the MISO capacity market. PJM's tariff requires FRR entities (those that self-supply capacity as Indiana Michigan Power has done since the inception of the RPM construct in 2007) to prove capacity for the 2022/23 delivery year (June 2022 through May 2023) in April 2019. The BRA will be completed in May 2019 for the 2022/23 delivery year, and in May 2020 for the 2023/24 delivery year.

The timing of PJM LSEs capacity demonstrations to the Commission will remain the same as those expected of MISO LSEs, however, PJM LSEs will be allowed to file an amended capacity demonstration two weeks after the completion of the PJM RPM BRA if the LSE participates in the BRA. The capacity demonstration should include the FRR capacity plan and/or BRA results. Meeting PJM's capacity obligations, including any applicable Percentage Internal Resources Required for the delivery year will constitute a satisfactory demonstration, and the demonstrating LSE should provide evidence that it has met PJM's capacity obligations.

Demonstration Format

In addition to all of the items outlined above, the following forms shall also be utilized by the LSE in filing its demonstration.

PROOF OF SERVICE

STATE OF MICHIGAN)

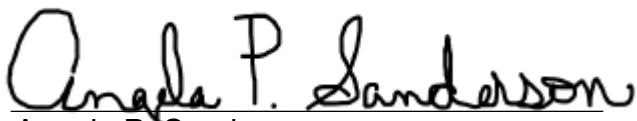
Case No. U-20590 *et al.*

County of Ingham)

Brianna Brown being duly sworn, deposes and says that on August 20, 2020 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 20th day of August 2020.



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

Service List for Case: U-20590

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Email Address

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DTE Energy

Xcel Energy

Great Lakes Energy

Michigan Public Power Agency

Michigan Gas Utilities Corporation

American Transmission Company

American Transmission Company

UMERC, MERC and MGU

Phil Forner