



Roadmap for Implementing
Michigan's New Energy Policy

Stakeholder Group Meeting Summary

Monday, February 22, 2016
8:30 AM–12:00 PM

Michigan Public Service Commission
Lake Huron Conference Room, First Floor
7109 West Saginaw, Lansing, Michigan

Stakeholder Group Members Present

Michael Moody (co-chair and nonvoting ex officio), Michigan Department of the Attorney General (AG); Brandon Hofmeister, Consumers Energy; Liesl Clark, Michigan Energy Innovation Business Council; James Clift, Michigan Environmental Council; Kwafo Adarkwa, ITC Holdings Corp.; Laura Chappelle, Energy Michigan; Don Stanczak, DTE Energy; Andrew Vermeesch, Michigan Farm Bureau; Jim Weeks, Michigan Municipal Electric Association; Jim Ault, Michigan Electric and Gas Association; Greg Clark, Indiana Michigan Power Co.; Jill Steiner, Cadmus Group ; Steve Stubleski, Consumers Energy; Jean Redfield, NextEnergy; Mathias Bell, Opower; Greg Poulos, EnerNOC; George Andraos, Ford Motor Company

Steering Committee Members Present

Robert Jackson, Michigan Agency for Energy (MAE); Mary Maupin, Michigan Department of Environmental Quality

Internal Support Staff Present

Dave Isakson, Michigan Public Service Commission

External Support Staff Present

Julie Metty Bennett, Public Sector Consultants (PSC); Eric Pardini, PSC; Terri Novak, MAE

Informal Meet and Greet

Prior to the start of the stakeholder meeting, participants were given the opportunity to speak with their fellow stakeholders during an informal meet and greet.

Welcome from the Co-chairs, Introductions, Review Agenda

Stakeholder group co-chair Michael Moody welcomed participants and thanked them for their attendance. As with previous meetings, Mr. Moody asked that stakeholders take a moment to provide a brief introduction.

Following introductions, Mr. Moody went over the details of the day's agenda. He explained that the overall goal for this meeting was to finalize stakeholders' recommendations for demand response (DR). To this end, stakeholders would first be given a presentation detailing common practices in DR programs from a variety of utilities across the county. After this presentation, stakeholders would break up into two small groups to discuss elements of DR program design that should be incorporated into potential, future DR programs in Michigan. Following small group discussion, stakeholders would discuss their recommendations as a group and work to finalize their efforts in DR.

Before moving onto other aspects of the meeting agenda, project manager Julie Metty Bennett asked if members had any suggestions or revisions to the proposed summary before it would be posted on the project website. There were no comments or suggestions, and the summary was accepted as final.

Roadmap Future Direction

At stakeholders' previous meeting in December 2015, the group agreed that they would like to suspend the Roadmap process until there was additional clarity regarding pending energy legislation and state policy priorities. To accommodate this break, steering committee chair Robert Jackson requested an extension from the Department of Energy (DOE) so that the group would not be at risk of running out of time to continue their Roadmap project. According to Mr. Jackson, the DOE has been pleased with the progress the stakeholder group has made thus far and is willing to allow an extension. Mr. Jackson noted that while the Roadmap stakeholder group would be suspending its current efforts, the Michigan Energy Office has other, new grants that this group could engage in. Mr. Jackson explained that he would be having further discussions with the Roadmap steering committee about potentially involving stakeholders in other projects while the roadmap process is on hold. Stakeholders will be updated on next steps following discussions with the steering committee.

Review Final Recommendations and Next Steps/Implementation

Stakeholders were unable to finalize their vision and recommendations for DR at their December 2015 meeting, and were given additional time to submit comments regarding the draft recommendations. Stakeholders were asked to submit their comments to the project management team by January 6, 2016. The comments received were substantive in nature and the project management team determined that these changes needed to be shared with the entire steering committee before being incorporated into the group's final recommendations.

Stakeholders were provided with an updated draft containing revisions prior to the meeting. Ms. Bennett asked stakeholders to review the suggested revisions and discuss whether they should be included or not. Stakeholders' discussion focused on the following suggestions:

- ❖ Stakeholders expressed that it should be made clear that any decision regarding DR should be consistent with the MPSC's legislative authority. There was agreement on this point and clarifying language was added to stakeholders' vision.
- ❖ Stakeholders also expressed their concern that the vision should not include specific supply-side options that DR could potentially substitute for. They believed that including certain supply-side alternatives may inadvertently signal a preference for one resource over others. This language was updated to reflect stakeholders' consensus opinion.
- ❖ Stakeholders also suggested that the recommendations regarding utility compensation be revised to improve clarity. Clarifying language was submitted to the project management team and incorporated into stakeholders' recommendations.

There were no additional changes to stakeholders' vision or recommendations for DR.

Common Practices and Rate Designs for Demand Response Programs

There was one remaining element of the steering committee's charge to stakeholders regarding DR that the group had yet to address. The steering committee's unanswered question asked, "How should residential customers be compensated for participation in DR programs, and what should the penalties or other approaches to ensure adequate performance be?" In an effort to help stakeholders tackle this important question, the steering committee tasked the MPSC staff Demand Response Team to prepare a report to describe current and best practices for demand response rate design. Building on staff's initial research, Public Sector Consultants expanded the scope of this report to include a national overview of residential DR programs and incorporated additional references to recent studies of DR program effectiveness. Stakeholders were provided with this report, titled, "Common Demand Response Practices and Program Designs," in advance of their February 22 meeting.

The steering committee asked Dave Isakson—a member of the MPSC staff DR Team—to present the findings from the report to stakeholders. Mr. Isakson explained that the report describes common practices for two of the most widely adopted types of residential demand response programs—direct load control (DLC) programs and time-varying rates. Based on staff's review of DR programs, they prepared a sample tariff for both DLC and time-varying rates to serve as a starting point for stakeholders' discussion of recommendations for DR rate design.

Recommendations for Demand Response Rate Design: Small and Full Group

Following Mr. Isakson's presentation, Ms. Bennett instructed stakeholders to divide into two groups to develop recommendations for elements of DR rates. She explained to stakeholders that the small group discussion would be based on the homework assignment that they received prior to the meeting. The small groups were each led by a facilitator from the project management team. Stakeholders were asked to come up with recommendations for specific elements of both time-varying rates and DLC programs. Their recommendations were based on the following parameters: pricing/interruption period, opt-in/opt-out provisions, notification method and timing, on-/off-peak price ratio, incentive offered, contract term, and price vs. rebate.

Once the small group discussion was complete, stakeholders rejoined in a single group to refine their recommendations. Based on the groups' discussion, the recommendations for time-varying rates were separated into specific recommendations for both time-of-use rates (TOU) and critical-peak pricing/rebate rates. Stakeholders' discussion was captured by the project management team and shared with the group for additional feedback following their meeting. Any additional revisions to stakeholders' recommendations for DR rate design will be shared with stakeholders for approval prior to being finalized.

Wrap-up and Next Steps

Ms. Bennett thanked stakeholders for their attendance and explained that the project management team would be in contact to finalize their work on DR following discussion with the steering committee. Ms. Bennett noted that she would share new information regarding the direction and timing of future stakeholder group activities as they become available.