



Roadmap to Implementing
Michigan's New Energy Policy

Stakeholder Group Meeting

August 3, 2015

For the next couple of hours you will:

- ❖ Get an overview of the project
- ❖ Learn about stakeholder group responsibilities, operating procedures, discussion guidelines, recommendation finalization process, and meeting schedule
- ❖ Learn the results of the stakeholder survey on key regulatory issues, risks, and solutions
- ❖ Get an overview of Michigan's energy policy landscape and regulatory framework
- ❖ Learn about the current business model for investor-owned utilities, factors driving changes to this sector, and the impacts of these changes on the status quo
- ❖ Discuss what comes next



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Overview



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Stakeholder Involvement Process



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Stakeholder Group Survey Results

Purpose of Survey

- ❖ Obtain stakeholder input on key regulatory issues, risks, and solutions and assess priorities
- ❖ Learn more about who is participating in the group (priorities and knowledge level)
- ❖ Shape this and future meeting agendas

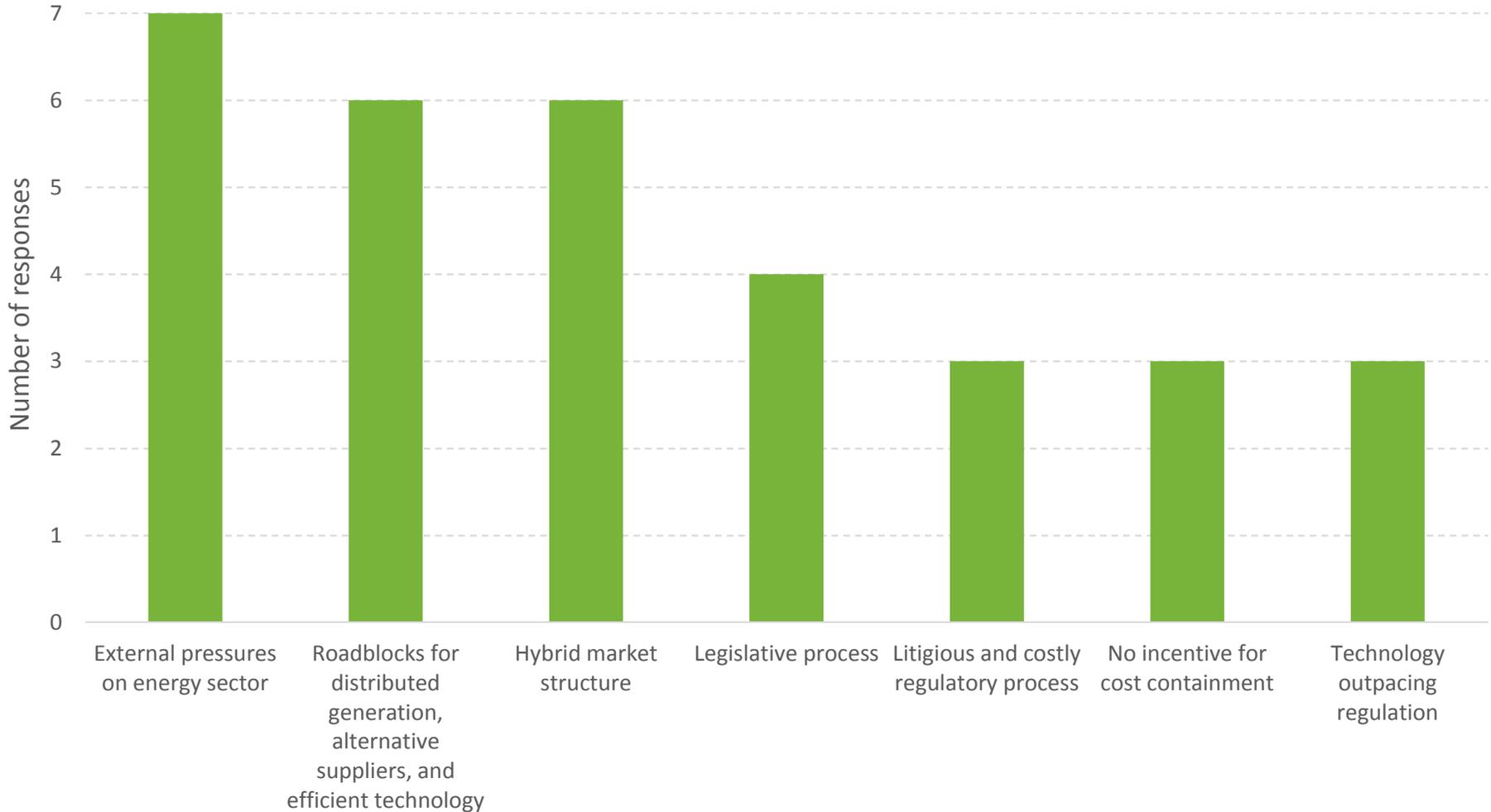
Survey Response

- ❖ Survey sent to 19 people
- ❖ 15 responses submitted (79% response rate)
- ❖ Respondent distribution:

Utility	5
Business	3
Clean energy technology supplier/accelerator	2
State and local government	2
Agriculture	1
Environment	1
Research	1

Question 1

What are the current challenges that you see with the existing regulatory and rate design structure?



* Six categories had two or fewer responses.

Question 1

Top Responses

- ❖ Pressures on energy sector, resulting in reliability and affordability concerns
 - ❖ Flat or declining load
 - ❖ Aging infrastructure
 - ❖ Environmental regulations

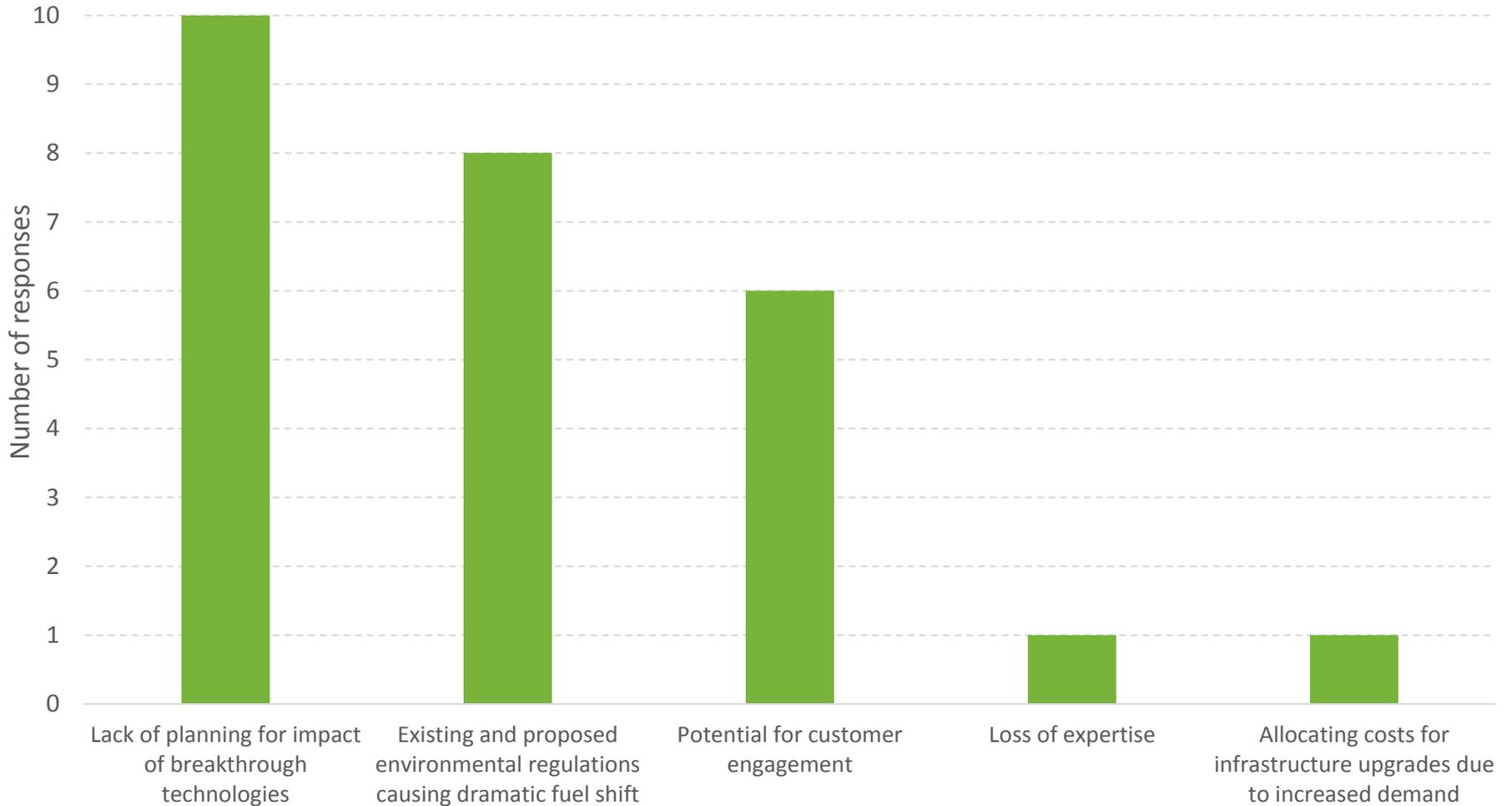
- ❖ Roadblocks for distributed generation, alternative suppliers, and efficient technology
 - ❖ Rate structure incentivizes utilities to build and own resources
 - ❖ Cost and pricing structures for distributed resources deter customer investment
 - ❖ No standardized PPA pricing/provisions for renewables
 - ❖ LED lighting rates

- ❖ Challenges with hybrid market structure
 - ❖ Difficult to insure resource adequacy and reliability/choice loophole (UP)
 - ❖ Unfair distribution of generation costs
 - ❖ Lack of competition to temper costs

- ❖ Challenges with the legislative process
 - ❖ Decisions about rate design and regulatory structures are being decided by legislature, resulting in politically-driven, uninformed decisions and limiting the commission's authority.

Question 2

What do you see on the horizon that may pose new challenges to our current regulatory and rate design structure?



Question 2

Top Responses

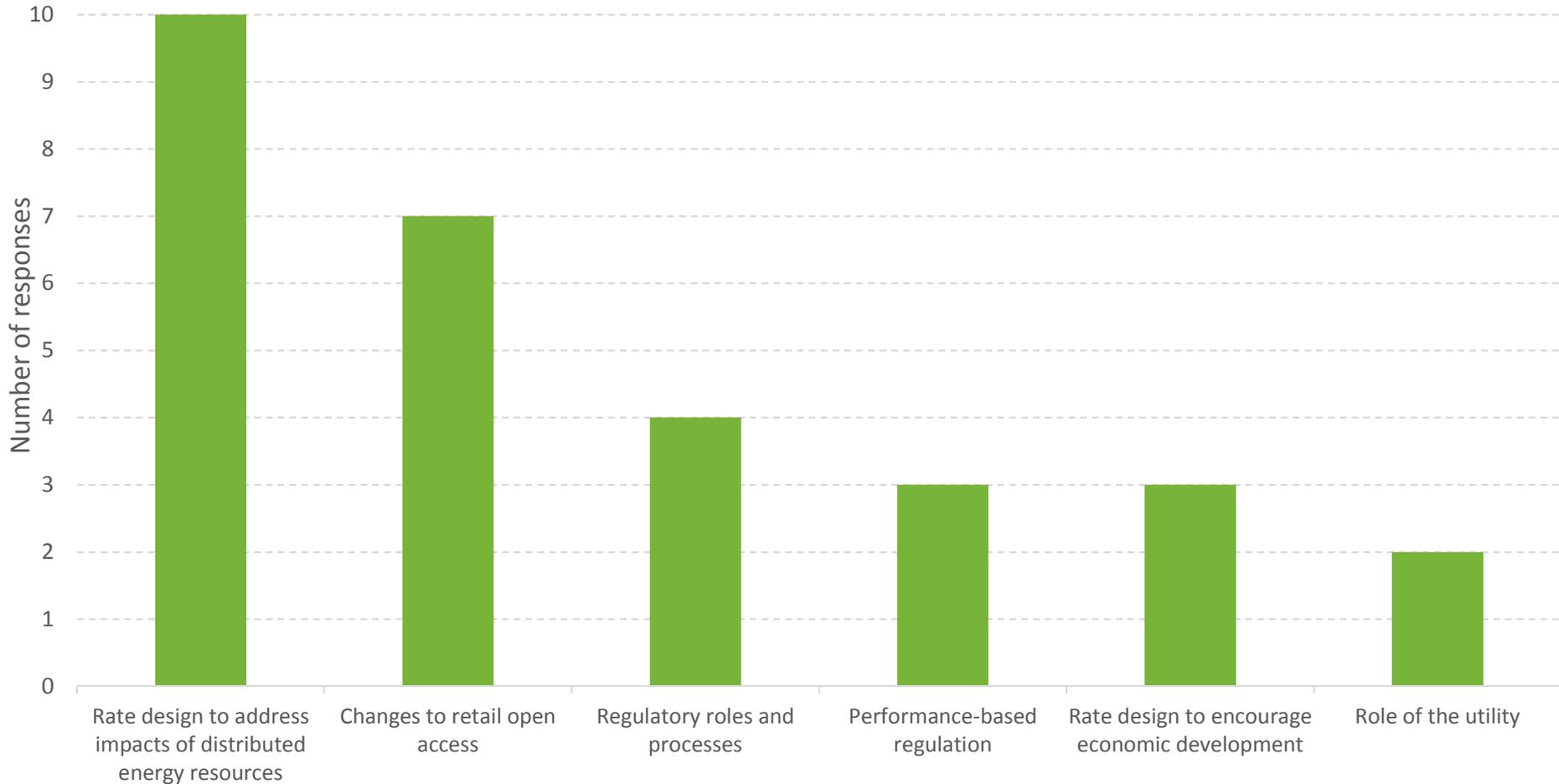
- ❖ Lack of planning for impact of breakthrough technologies
 - ❖ As DG and storage becomes more affordable and widespread, who will pay the cost of the grid?
 - ❖ No strategy for upgrading infrastructure/grid integration
 - ❖ Electric code of conduct is a barrier to innovation

- ❖ Existing and proposed environmental regulations causing dramatic fuel shift
 - ❖ Federal existing and proposed environmental regulations
 - ❖ Baseload plant closures

- ❖ Potential for customer engagement
 - ❖ Technology providing new options for customers
 - ❖ Improvements needed to net metering
 - ❖ Need for more demand response programs

Question 3

What regulatory and rate design structures could address the current and future challenges you identified in the previous questions?



* Five categories had only one response.

Question 3

Top Responses

- ❖ Rate design to address impacts of distributed energy resources
 - ❖ New earnings recovery model
 - ❖ Send better price signals to customers to encourage conservation and peak shaving
 - ❖ Implement revenue adjustment mechanisms (e.g., decoupling)
 - ❖ Improve net metering program

- ❖ Changes to retail open access
 - ❖ Eliminate hybrid market structure
 - ❖ Complete industry restructuring
 - ❖ Separate generation and distribution assets
 - ❖ Define who pays for new generation

- ❖ Regulatory Roles and Processes
 - ❖ Eliminate required preapproval for capacity contracts longer than six months
 - ❖ Alternative dispute resolution and settlement options
 - ❖ Expand the commission's role in pushing innovation
 - ❖ As an economic regulator, the commission should not have a role in promoting certain technologies

Question 3

Top Responses (cont.)

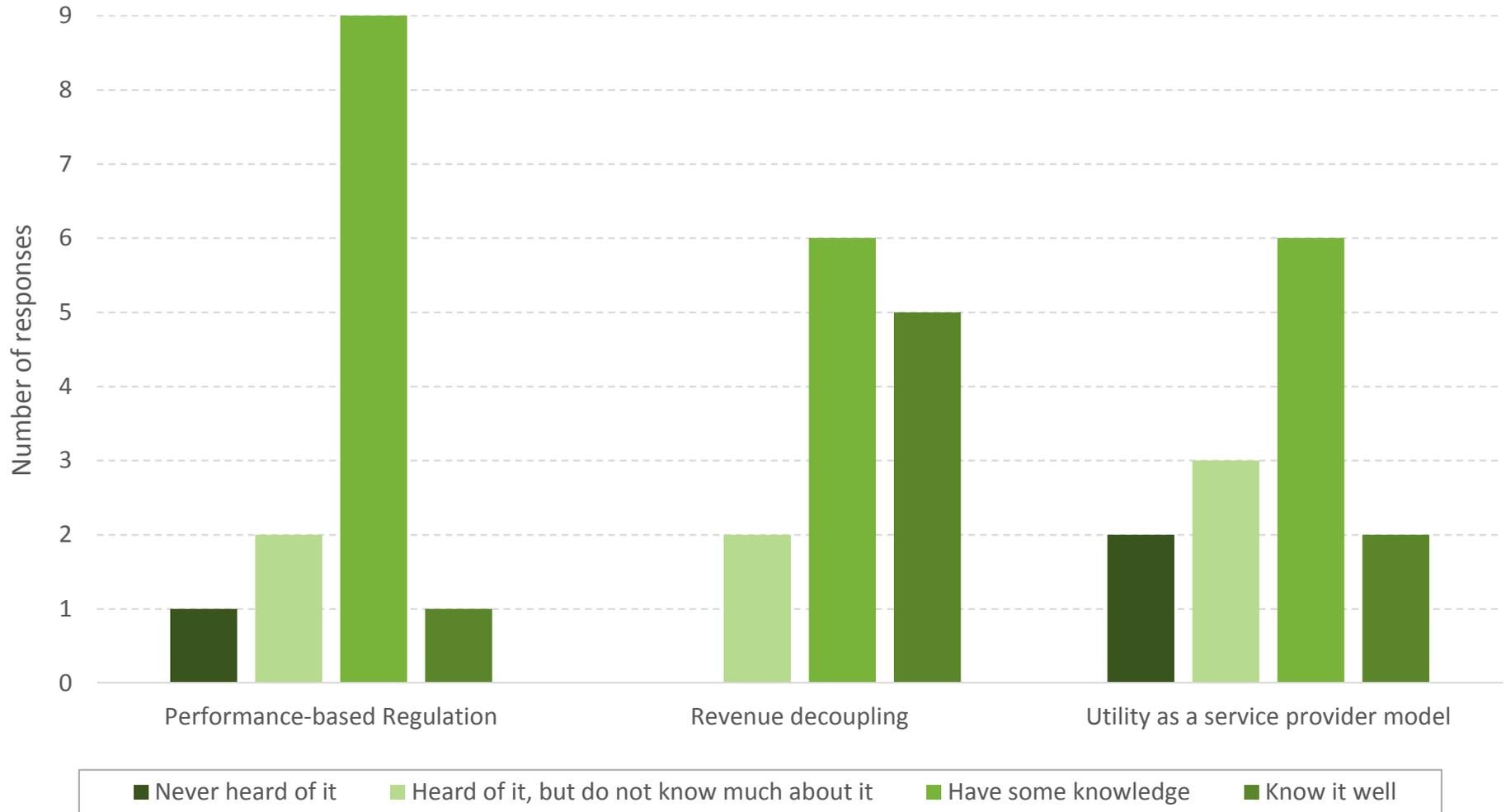
- ❖ Performance-based regulation
 - ❖ Establish incentive and penalty structure based on utility performance

- ❖ Rate design to encourage economic development
 - ❖ Allow seasonal inactivity, reduce non-use monthly charges
 - ❖ Allow economic development rates
 - ❖ Establish rates for agriculture

- ❖ Role of the Utility
 - ❖ Utility as a service provider model
 - ❖ Divest utilities of generation assets

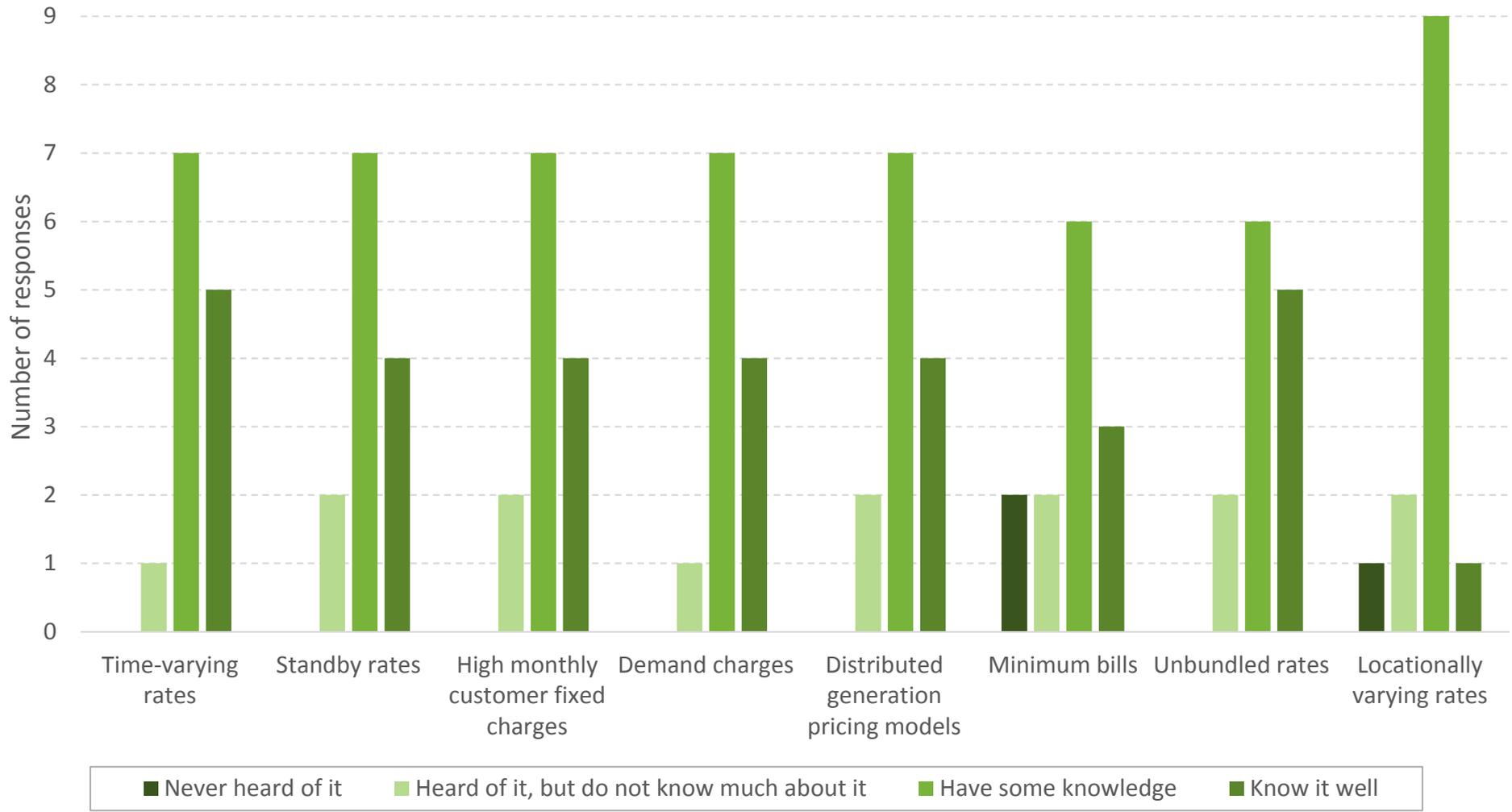
Question 4

Which best describes your level of knowledge of the following concepts?



Question 5

Which best describes your level of knowledge of the following rate designs?



Question 6

Which best describes your level of knowledge of the following scopes of utility planning?

