

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter, on the Commission's own motion,)	
regarding the regulatory reviews, revisions,)	Case No. U-15805
determinations, and/or approvals necessary for)	
CONSUMERS ENERGY COMPANY to fully)	
comply with Public Acts 286 and 295 of 2008.)	
_____)	

At the September 26, 2019 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

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

ORDER

On September 6, 2019, Consumers Energy Company (Consumers) filed an application, with supporting exhibits, pursuant to 2008 PA 295 (Act 295), as amended by 2016 PA 342 (Act 342), MCL 460.1028(4), requesting *ex parte* review and approval of the Renewable Energy Purchase Agreement (REPA) between Consumers and River Fork Solar, LLC (River Fork Solar), attached to Consumers' application as Attachment 1. According to Consumers, the REPA is consistent with its renewable energy plan (REP) approved by the Commission in Case No. U-18231 and its integrated resource plan (IRP) approved by the Commission in Case No. U-20165. Application, p. 1.

Consumers states that, in June 2018, it issued a request for proposal (RFP) for solar projects to support its REP and, following review and evaluations of the 77 proposals received,¹ consistent with previous competitive bids for renewable energy projects and the guidelines approved by the Commission in its December 4, 2008 order in Case No. U-15800 (December 4 order), along with back and forth correspondence and subsequent meetings with respondents, it notified River Fork Solar, on May 20, 2019, that River Fork Solar's project was selected from the 2018 RFP and bid evaluation process. Application, ¶¶ 6-8. Consumers states that it and River Fork Solar then commenced final contract negotiations over the next several months and that the attached REPA was fully executed on August 19, 2019. *Id.*, ¶ 9, Attachment 1. According to Consumers, under the 20-year REPA, expected to begin on June 1, 2021, and end on May 31, 2041, the utility will purchase 100 megawatts (MW) of energy, capacity, and renewable energy credits (RECs) from River Fork Solar's solar facility located in Albion, Michigan, and all zonal resource credits and RECs associated with the 100 MW will be transferred to the utility. Application, ¶ 9; Attachment 2. Consumers further states that the REPA includes a product purchase price that escalates at a rate of approximately 2% annually and that it estimates the total cost of the REPA to be approximately 60% of the value it forecasts to receive. *Id.* As demonstrated by Attachment 3 to its application, Consumers avers that the REPA is expected to be economic over the entire contract term, resulting in cost savings to customers, with an overall projected levelized contract cost of \$44.16/megawatt-hour. *Id.* Consumers further states that, while the REPA with River Fork Solar is for 100 MW, the parties to the contract developed an option for the utility to expand the total project size up to 149 MW—an option that needs to be exercised by September 30, 2019,

¹ The 77 proposals consisted of 22 proposals for company-owned assets and 55 proposals for renewable energy purchase agreements, with participation from 17 solar respondents (i.e., potential suppliers).

and, if exercised, will reduce the product purchase price for the entire output of the new contract capacity. Application, ¶ 10.

With this application, however, Consumers requests that the Commission provide assurance that the costs associated with the REPA will be recoverable through one of the means stated in its application or as specifically proposed, through use of the 2017 transfer price schedule approved by the Commission in its February 7, 2019 order in Case No. U-20171 for the term of the REPA in this case. Application, ¶ 11, Attachment 4. According to Consumers, such approval will minimize future uncertainty concerning the way the cost of the REPA will be recovered. Application, ¶ 11.

Consistent with the December 4 order, Consumers also requests that the Commission review and approve the REPA on an expedited basis. Application, ¶ 12. In this regard, Consumers represents that the approvals requested in its application will not result in an alteration or amendment in rates or rates schedules and will not increase the cost of service to its customers and thus may be authorized and approved without notice or hearing. *Id.*, ¶ 13.

Discussion

MCL 460.1028 states, in pertinent part:

(3) Subject to subsection (5), each electric provider shall meet the renewable energy credit standards with renewable energy credits obtained by 1 or more of the following means:

(a) Generating electricity from renewable energy systems for sale to retail customers.

(b) Purchasing or otherwise acquiring renewable energy credits with or without the associated renewable energy.

(4) For an electric provider whose rates are regulated by the commission, the electric provider shall submit a contract entered into for the purposes of subsection (3) to the commission for review and approval. If the commission approves the

contract, it shall be considered consistent with the electric provider's renewable energy plan. The commission shall not approve a contract based on an unsolicited proposal unless the commission determines that the unsolicited proposal provides opportunities that may not otherwise be available or commercially practical through a competitive bid process.

Further, MCL 460.1047(6) provides:

After achieving compliance with the renewable energy standard for 2015, the actual costs reasonably and prudently incurred to continue to comply with this subpart both during and after the conclusion of the 20-year period beginning when the electric provider's plan is approved by the commission shall be considered costs of service. The commission shall determine a mechanism for an electric provider whose rates are regulated by the commission to recover these costs in its retail electric rates, subject to the retail rate impact limits in section 45. Remaining and future regulatory assets shall be recovered consistent with subsections (3) and (4) and section 49.

The Commission has reviewed the REPA submitted by Consumers pursuant to Act 295, as amended by Act 342, and finds that it should be approved, in its current executed state at 100 MW.² The Commission finds that the REPA is consistent with Consumers' approved REP in Case No. U-18231 and approved IRP in Case No. U-20165 and was the result of a competitive bid process. The Commission agrees to provide assurance that the full costs of the REPA will be recoverable through the application of the transfer price schedule attached to this order as Exhibit A³ but notes, however, that it will review Consumers' actions and costs associated with this REPA in a contested case proceeding pursuant to MCL 460.1047 during the utility's corresponding REP reconciliation process. The Commission also finds that *ex parte* review and

² Any expansion of this contract beyond 100 MW, if exercised, will need to be separately applied for by the company and approved by the Commission.

³ Under the REP cost recovery provisions implemented by the Commission, the transfer price is used to determine the maximum amount recoverable through the power supply cost recovery (PSCR) mechanism. However, for both power purchase agreements and utility self-build projects, only the actual costs are recovered through the PSCR, not the higher transfer price amount. *See*, June 19, 2014 order in Case No. U-17301, p. 5.

approval is appropriate because the REPA will not result in an increase in the cost of service to customers. *See*, MCL 460.6a(3).

THEREFORE, IT IS ORDERED that:

A. The Renewable Energy Purchase Agreement between Consumers Energy Company and River Fork Solar, LLC, for the 100 megawatts of energy, capacity, and renewable energy credits, is approved as in compliance with 2008 PA 295, as amended by 2016 PA 342, and consistent with Consumers Energy Company's approved renewable energy plan and integrated resource plan in Case Nos. U-18231 and U-20165, respectively.

B. The Commission provides assurance that the full costs of the Renewable Energy Purchase Agreement, in its current executed state at 100 megawatts, will be recoverable through the application of the transfer price schedule attached to this order as Exhibit A, subject to the renewable energy plan reconciliation process.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice 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 pungpl@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

Sally A. Talberg, Chairman

Daniel C. Scripps, Commissioner

Tremaine L. Phillips, Commissioner

By its action of September 26, 2019.

Lisa Felice, Executive Secretary

Case No. U-20171
 Exhibit S-2 (JJH-1)
 Date: November 2018

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Levelized Cost Calculation of a Combined Cycle Natural Gas Plant

	NGCC	notes
Capacity MW	400	MW
Loading Factor	71.00%	% of time the unit would be dispatched if available
Equivalent Avail.	87.00%	% of time the unit would be available for dispatch. (Loading Factor)(Equivalent
Capacity Factor	61.77%	Availability) BTU/kWh
Heat Rate	6719	\$ per Million
Btu/kWh Fuel	\$5.25	BTU MM
Cost \$/MMBtu	\$497.98	MM
Total Cost MM no	9	MM
AFUDC AFUDC	\$68.09	% used to calculate fixed cost recovery component
Total Cost MM	\$566.08	\$/kW
Fixed Charge	2	MM
Rate Fixed O&M	11.59%	MM
\$/kW	\$14.62	\$/kWh
Annual Lev. Fixed Cost MM	\$65.61	\$/kWh
Total Annual Lev. Fixed Cost MM	\$71.46	\$/kWh
Fixed Cost \$/kWh	0.0330	\$/kWh
Fuel Cost \$/kWh	0.0353	\$/kWh
Var. O&M	0.0031	\$/kWh
\$/kWh Total Var. Cost	0.0384	\$/kWh
Total Cost \$/kWh	0.07142	

Overnight Cost (MM) 470.12364

AFUDC		Total Overnight Cost (MM) in 2018 \$	Inflation Rate	Cumulative	Finance Rate
Year	GCC	\$470.124	2%		6.56%
1	5%	24	23.98	23.98	1.57
2	30%	141	146.73	170.71	11.20
3	35%	165	174.61	345.33	22.65
4	30%	141	152.66	497.99	32.67
	1	470	497.989		68.09

Fixed price cost escalation: Fixed portion of levelized cost with 2022 as base year (2022=1)

Variable cost price escalation: Variable portion of levelized cost is multiplied by Nat Gas price forecast index, with 2022 as a base year (i.e. 2022=1).

FIXED		VARIABLE							2017 Transfer Price Schedule	2018 Transfer Price Schedule
Producer Price Index--Intermediate Materials	Producer Price Index--Industrial Commodities	Producer Price Index--Machinery & Equipment	Producer Price Index--Metals & Metal Products	Average	Producer Price Index--Utility Natural Gas	Employment Cost Index--Total Private Compensation	Weighted Average (Utility Nat Gas 70% ; Employment Cost 30%)			
2018	-	-	-	\$31.36	-	-	\$33.70	2018	\$74.18	\$65.06
2019	-	-	-	\$31.81	-	-	\$34.35	2019	\$73.97	\$66.16
2020	-	-	-	\$32.22	-	-	\$35.15	2020	\$76.04	\$67.37
2021	-	-	-	\$32.57	-	-	\$36.62	2021	\$77.15	\$69.19
2022	-	-	-	\$33.01	-	-	\$38.40	2022	\$79.58	\$71.42
2023	-	-	-	\$33.51	-	-	\$40.04	2023	\$82.61	\$73.54
2024	-	-	-	\$34.03	-	-	\$42.30	2024	\$85.22	\$76.33
2025	-	-	-	\$34.45	-	-	\$43.55	2025	\$87.02	\$78.00
2026	-	-	-	\$34.81	-	-	\$44.34	2026	\$88.46	\$79.14
2027	-	-	-	\$35.17	-	-	\$45.52	2027	\$90.72	\$80.69
2028	-	-	-	\$35.52	-	-	\$47.00	2028	\$92.77	\$82.52
2029	-	-	-	\$35.90	-	-	\$48.59	2029	\$94.88	\$84.49

Energy Information Administration Natural Gas Price Projection

Source: EIA Annual Energy Outlook 2018

<https://www.eia.gov/outlooks/aeo/data/browser/#/?id=1->

Period (Used for Levelized Calculation)		Henry Hub Using 2018 Annual Energy Outlook (Nominal)
2018		\$3.13
2019		\$3.55
2020		\$3.96
2021		\$4.02
2022	1	\$4.16
2023	2	\$4.42
2024	3	\$4.66
2025	4	\$4.93
2026	5	\$5.10
2027	6	\$5.28
2028	7	\$5.42
2029	8	\$5.62
2030	9	\$5.75
2031	10	\$5.88
2032	11	\$6.02
2033	12	\$6.15
2034	13	\$6.29
2035	14	\$6.41
2036	15	\$6.70
Discount Rate		8.98%
Net Present Value Fuel		\$42.39
Levelized Fuel Price		\$5.25


PROOF OF SERVICE

STATE OF MICHIGAN)

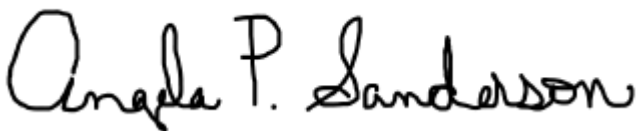
Case No. U-15805

County of Ingham)

Brianna Brown being duly sworn, deposes and says that on September 26, 2019 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 26th day of September 2019.



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

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