

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter, on the Commission's own motion,)
to commence a collaborative to consider issues)
related to implementation of effective new)
technologies and business models.)
_____)

Case No. U-20898

At the July 27, 2022 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Daniel C. Scripps, Chair
Hon. Tremaine L. Phillips, Commissioner
Hon. Katherine L. Peretick, Commissioner

ORDER

In the October 17, 2019 order in Case No. U-20645, the Commission established the MI Power Grid initiative, in partnership with Governor Gretchen Whitmer (October 17 order). MI Power Grid is a focused, multi-year stakeholder initiative to maximize the benefits of the transition to clean, distributed energy resources (DERs) for Michigan residents and businesses. MI Power Grid seeks to engage utility customers and other stakeholders to help integrate new clean energy technologies and optimize grid investments for reliable, affordable electricity service, and includes outreach and education as well as changes to utility regulation designed to advance Michigan's clean energy future.

In the October 17 order, addressing the issue of integrating emerging technologies, the Commission indicated that “[e]nsuring timely and fair grid access and appropriate information

exchange to support customer-oriented solutions and reliable system operations” is a focus of the initiative, and that one of the corresponding work areas would be:

New technologies and business models, including preparing for the opportunities and challenges associated with the commercialization of new technologies and business models such as electric vehicles, electric storage, and other technologies still under development, both at customer and utility scale.

October 17 order, p. 7 (emphasis in original).

In the October 29, 2020 order in Case No. U-20898 (October 29 order), the Commission launched the New Technologies and Business Models workgroup as part of Phase II of MI Power Grid, and provided guidance to the Commission Staff (Staff) and stakeholders on the Commission’s objectives and expectations for this effort. The Commission provided the following problem statement:

- There are regulatory and business model barriers to the deployment and full utilization of clean, distributed energy resources in Michigan. Stated differently, there is the need to adapt the regulatory framework to allow for different applications of DER and to define the appropriate roles of utilities and other entities in supporting a more decentralized energy system that is clean, affordable, reliable, and accessible.

October 29 order, p. 6. The Commission directed the workgroup to start with a focus on microgrids, electric vehicles (EVs), energy storage, distributed energy generation, and space and water heating using heat pumps. *Id.*, p. 9. Further, the Commission provided information on a number of questions to be explored, and directed that, no later than September 1, 2021, the Staff should file in this docket a report summarizing efforts to date, providing recommendations for the Commission’s consideration, and identifying potential next steps. *Id.*, p. 12.

The Staff convened stakeholder sessions covering all of the specified topics and more on January 27, February 10, February 24, March 10, March 24, April 7, April 21, May 19, and June 16, 2021, and held a forum for Michigan Tribal Nations on April 28, 2021. Additionally, the

Staff distributed surveys, received written comments, and provided draft reports to stakeholders on technology specific barriers and solutions in six key areas. In the July 27, 2021 order issued in this docket, the Commission extended the deadline for filing the Staff’s initial status report to December 1, 2021.

On December 1, 2021, the Staff filed the MI Power Grid: New Technologies, Business Models, and Staff Recommendations Report (Staff Report).¹ The Staff Report details the Staff’s extensive outreach efforts at pages 4-5 and Appendices A, B, and C. The surveys, results of the surveys, and stakeholder comments are available in Appendices D through N. The Staff Report contains detailed information on the workgroup’s exploration of the following topics: (1) behind the meter and community solar, (2) combined heat and power (CHP), (3) EVs, (4) energy storage, (5) heat pumps for space and water heating, and (6) microgrids. The Staff Report concludes with nine recommendations. This order addresses those recommendations.²

The Commission Staff’s Recommendations

1. “Just” Rates

The Staff begins by expressing concern that, whether considering older or newer technologies, non-energy benefits such as whether the technology has the potential to reduce greenhouse gas emissions or increase resilience and sustainability are not examined as part of the determination of just and reasonable rates. Staff Report, p. 93. The Staff also observes that equity and environmental justice have been recognized by the State of Michigan as important goals through

¹ On January 12, 2022, the Staff filed a revised version of the Staff Report to correct certain errors in Appendices N-5 and N-14.

² The Commission acknowledges and appreciates the exhaustive work of the Staff, utilities, and other stakeholders in participating in this workgroup, and of the Staff in preparing the Staff Report.

the establishment of the Environmental Justice Response Team. *Id.*, p. 96. The Staff notes that historical inequities in the siting of energy projects has resulted in people of color experiencing a higher degree of exposure to pollutants, particularly air pollution. *Id.*, p. 96. The Staff also highlights the issue of intergenerational equity wherein “the rights of future generations are overlooked.” *Id.*, p. 97. The Staff notes that low-income households and households dependent on life-saving therapies are especially vulnerable to power outages, especially those caused by extreme weather; and that these households also carry a heavier energy burden, in terms of the percentage of household income spent on energy relative to other households. The Staff observes that utilities’ investment choices affect these considerations, noting that coal plants are a significant source of pollution yet also contribute to the local tax base and employment. *Id.*, p. 101.

Noting that the Commission is empowered with “full discretionary authority to set just and reasonable rates,” the Staff states that the Commission has not provided clear direction as to what the examination or setting of “just” rates entails. *Id.* (quoting *Detroit Edison Co v Pub Serv Comm*, 127 Mich App 499, 524; 342 NW2d 273 (1983)). The Staff recommends the following:

First, Staff recommends the Commission provide guidance on what “just” rates entail when evaluating new technologies and alternative business and ownership models, especially if Staff should consider the following when evaluating “just” rates:

- Safety,
- Reliability,
- Resiliency,
- Environmental sustainability,
- Equity, including intergenerational equity,
- Environmental justice,
- Disproportionate impacts to vulnerable populations, and
- Economic impacts of utility investments.

Staff Report, pp. vi and 101-102.

The Commission has taken steps towards ensuring that equity considerations are included in rate setting. For example, the Commission has encouraged the exploration of Percentage of Income Pilot Programs for Consumers Energy Company's (Consumers) natural gas service and electric service. *See*, September 10, 2020 order in Case No. U-20650, Exhibit A, pp. 6-7; and February 10, 2022 order in Case No. U-21021. Similarly, the Commission approved DTE Gas Company and DTE Electric Company's proposed payment stability plan pilots which include exploring the use of a payment stability program limiting bills to 6% of a participating customer's gross annual income for single commodity customers and 10% for combination customers. *See*, April 21, 2021 order in Case No. U-20929, p. 1. Consumers has reported that the MI Sunrise Solar Pilot, which provides low-income customers with monthly bill credits, has enrolled its first customers, and these customers were expected to see bill credits in the first quarter of 2022. Case No. U-18351, filing #U-18351-0082, p. 6. Additionally, DTE Electric Company is implementing a low-income solar pilot which provides for monthly bill credits from solar arrays in Highland Park, River Rouge, and Detroit. June 9, 2021 order in Case No. U-20713 (June 9 order), Exhibit A, pp. 11-12. The Commission has also fostered consideration of the use of community solar resources in voluntary green pricing (VGP) programs, including in DTE Electric Company's most recent VGP case in which the Commission approved a settlement agreement calling for community input in site selection. *See*, June 9 order, pp. 45-46; *see also*, September 24, 2020 order in Case No. U-20649, pp. 33-35; and July 9, 2020 order in Case No. U-18232, p. 41.

The Commission has also sought to further integrate existing energy assistance efforts with utility energy waste reduction (EWR) programs to increase customer access to long-term energy savings measures. *See, generally*, February 10, 2022 order in Case No. U-20757; March 5, 2020 order in Case No. U-20429, Exhibit A, Attachment B; and March 17, 2022 order in Case No. U-

20875, Exhibit A. The Commission has sought comment on whether and how the rate case filing requirements could be amended to provide for the collection of data that will allow the Commission to more effectively understand and address environmental justice issues. September 24, 2021 order in Case No. U-18238, p. 14. Additionally, the Commission intends to foster further efforts, wherever presented, towards expanding EV charging in low-income communities.³ *See, e.g.*, December 22, 2021 order in Case No. U-20963, pp. 316-317.

The Commission sees merit in a number of the Staff's recommendations regarding elements to be considered when establishing rates. Evidentiary support provided in specific proceedings will be important in developing the record necessary for the Commission to fully evaluate these issues in individual cases and the Commission encourages parties to provide such support. The Commission encourages the Staff to continue to liaise with the Department of Environment, Great Lakes, and Energy on areas of overlapping interest, including issues connected to both environmental justice and the energy burden goals contained in the MI Healthy Climate Plan. The Commission further encourages the Staff—potentially in partnership with the Low-Income Energy Policy Board and/or through its internal Diversity, Equity and Inclusion initiative—to explore whether and how other states have attempted to integrate these elements into rates, and what lessons from other states may have applicability in Michigan.

2. Benefit Cost Analysis

The Staff states that:

³ Commissioner Phillips serves on the Michigan Council on Future Mobility and Electrification (CFME). The Commission notes that CFME's 2021 Annual Report recommends that programs providing for EV charging have a focus on supporting low-income and disadvantaged communities. CFME 2021 Report, p. 34, available at https://www.michiganbusiness.org/4a9083/globalassets/documents/mobility/cfme_report_2021.pdf (accessed June 21, 2022).

Current models for analyzing the economic impacts of electric generation leave out potential hidden costs or negative externalities, like impacts to public health and the environment, that are disproportionately borne by historically marginalized communities. . . . Calculating these negative externalities is critical to understanding the total costs behind each form of generation. Though quantifying non-energy impacts may seem difficult, quantifiable values can and have been placed on these externalities and used for analysis. Currently the EPA [U.S. Environmental Protection Agency] has designed a “Public Health Benefits per-kWh [kilowatt-hour] Values” tool which can be used together with the “CO-Benefits Risk Assessment Health Impacts Screening Tool (COBRA)” tool to calculate the health benefits of energy efficiency and renewable energy projects compared to fossil fuel generation.

Staff Report, p. 102. The Staff refers to the examples of carbon pricing and air pollution and indicates that quantifying the cost of such externalities will provide a truer estimation of the costs and benefits of proposed programs. The Staff notes that many new technologies have fiscal and environmental benefits that have already been quantified, and this information would be useful to decisionmakers and would serve the goal of increasing transparency and accountability. *Id.*, p. 103. The Staff refers to the benefits that could accrue from a systematic benefit cost analysis (BCA) and indicates that the National Standard Practice Manual (NSPM) provides information on how to perform a BCA for DERs and energy efficiency resources. *Id.*, p. 104. The Staff notes that the Commission declined to adopt a specific BCA in Case No. U-20147, and recommends the following:

Second, Staff recommends the Commission provide guidance on how utilities and Staff should consider non-energy benefits and costs. Specifically, Staff recommends the Commission require:

- Benefit cost analysis, as detailed by the National Standard Practice Manual for Distributed Energy Resources, be required from the utilities when proposing and evaluating future pilots for new technologies and alternative business/ownership model pilots, and
- Costs and benefits related to facets of “just” rates, such as resiliency and environmental sustainability, that the Commission details be included in any benefit cost analysis for pilots of new technologies and business/ownership models. Such facets of “just” should be quantified using developed tools and best guidance, when

available, such as the Environmental Justice screening tool in development at the State of Michigan, especially given the difficulties in quantifying externalities and ancillary benefits.

Staff Report, pp. vii, and 104. The Staff opines that a specific BCA will better ensure consistency and transparency. Regarding pilots, the Staff states that:

utility pilots need not be cost beneficial given their exploratory nature and its suggestion is not suggesting that pilots, regardless of their stage, be required to be cost beneficial. Staff's recommendation recognizes that BCA information detailed for the pilots will be informative to utility and regulatory decision makers, as well as interested stakeholders. For pilot proposals, BCA at early stages will provide insight into the expected benefits and costs from the pilot, while BCA at the conclusion, especially of a pilot moving to a full-scale program, will provide clear understanding of the actual pilot costs and benefits, as well as a measure of future full scale program expectations.

Id., p. 105. The Staff states that the BCA should not impact cost recovery. The Staff recognizes that the Electric Distribution Planning workgroup is also addressing this issue and clarifies that the recommendations herein apply only to pilots for new technologies and business models.

The Commission is interested in working toward the goal of a Michigan-specific BCA framework. In the February 4, 2021 order in Case No. U-20645 (February 4 order), pp. 8-10, the Commission adopted objective criteria for pilot proposals. In particular, item no. 3.c. requires "Anticipated cost-effectiveness and net benefits when deployed at scale described. . . . Quantification of expected benefits of the pilot and the evaluation criteria/methods used."

February 4 order, p. 9. Adding to those criteria, the Commission expects all pilot proposals to present a BCA which includes a utility cost test (UCT) and a proposed societal cost test (SCT). While the stakeholder effort in the distribution planning docket continues, the Commission also directs all investor-owned utilities to file proposed Michigan-specific uniform BCA requirements, including a proposed SCT, that could be used in multiple types of dockets, including pilot proposals, distribution planning, and rate cases, no later than September 1, 2022, in Case No. U-

20898. The proposed BCA should be informed by the provisions of the NSPM but tailored to Michigan’s regulatory structure and requirements. The Commission is interested in the costs and benefits associated with full-scale implementation of the proposed program, and an understanding of the cost difference between the implementation of the pilot and full-scale implementation.

3. Data-Driven Decision Making

The Staff observes that the Commission provided some guidance on data-driven decision making when it adopted a definition and list of objective evaluation criteria for pilots in the February 4 order, pp. 8-10. Staff Report, p. 105. The Staff opines that future pilot development will require further guidance. The Staff explains that the grid edge is the last mile of wire, and that more information will be necessary in order to use the grid edge to “unleash the full potential of clean energy and enable demand response, FERC 2222, dynamic pricing, smart charging, and other opportunities.”⁴ *Id.* The Staff asserts that one way to gain such information is through a management audit, which can provide a broad and high-level view of the utility’s structure and operations, thus going beyond the type of audit that is common in rate cases. Staff Report, p. 106. The Staff also recommends that third-party energy service providers should be part of the effort towards performance quantification and should also be making data-driven decisions. The Staff acknowledges that the Customer Education and Participation workgroup is addressing data accessibility issues, and makes the following recommendation:

Third, Staff recommends the Commission support data-driven decision making by:

- Establishing baselines to support development of future regulatory innovations and the quantification of their impacts,

⁴ “FERC 2222” in the quote refers to *Participation of Distributed Energy Resource Aggregations in Markets Operated by Regional Transmission Organizations and Independent System Operators*, 172 FERC ¶ 61,247 (September 17, 2020).

- Ensuring 3rd party access to utility data in a secure, timely, and ongoing manner,
- Recognizing the necessity of hardware, software, and communications investments necessary to support grid-edge innovations, visibility, and control, and
- Supporting analyses to ensure new technologies are included in integrated resource plans and distribution plans.

Id., pp. vii and 108.

The Commission is supportive of the Staff's findings and finds that the issue of ensuring third party access to utility data is already being addressed in the discussions in the Customer Education and Participation workgroup about third party access to energy data through platforms such as Green Button Connect or via access to aggregated and anonymized data; but the goal of establishing baselines also deserves further exploration with respect to the opportunities for incentives and disincentives and the Commission refers this question to the workgroup that will explore financial incentives and disincentives as part of Phase III of MI Power Grid. The Commission observes that the third and fourth bullets listed above are also the subject of ongoing Commission efforts in rate cases, distribution planning, integrated resource plan cases, and other MI Power Grid workgroups.

4. Expedited Pilots

The Staff emphasizes the importance of ensuring that utilities have the ability to rapidly test new technologies in the current, transformative environment; and further notes that new business models may provide better support for emerging technologies. *Id.*, pp. 108-109. The Staff expresses concern about the lag that accompanies the regulatory process—that is, the significant period of time that may elapse between designing a pilot and receiving approval for implementation and cost recovery. The Staff describes the expedited pilot review processes that

have been approved in Vermont and Hawaii, and proposes a similar process called Expedited Pilot Review for Innovative Pilots at pp. 112-115 of the Staff Report, which is also attached to this order as Exhibit A. The Staff states:

Fourth, Staff proposes an expedited pilot approval process intended to support the rapid transformation of the energy system needed to meet overarching state goals. This proposed pilot process allows eligible pilots to seek a 45-day Commission review of the pilot implementation plan. Commission approval must be received before the pilot starts. Approved pilots may seek a 30-day Commission review of any proposed changes to pilot scope, with automatic approval if the Commission does not respond within the 30-days. A combined total annual cap of \$3 million per year for each utility is proposed for the expedited pilot process. Details on pilot eligibility, notice, reporting, and cost recovery are provided in Staff's proposal (See Section [12].4-4 for more details). Staff recommends the Commission request stakeholder comment be filed on Staff's proposed process for expedited pilot review in Michigan. Ample time should be allowed for stakeholder comments. After comments are reviewed, Staff recommends the Commission modify the proposed expedited pilot process accordingly and adopt the revised process.

Staff Report, p. vii; *see also, id.*, pp. 112-115.

The Commission agrees with the Staff and finds that interested persons should be provided the opportunity to comment on the proposed Expedited Pilot Review for Innovative Pilots, attached hereto as Exhibit A. Any person may submit written comments on any aspect of the proposed pilot approval process. The comments should reference Case No. U-20898 and should be received no later than 5:00 p.m. (Eastern time (ET)) on August 26, 2022. Address mailed comments to: Executive Secretary, Michigan Public Service Commission, P.O. Box 30221, Lansing, MI 48909. Electronic comments may be e-mailed to mpscdockets@michigan.gov. Any person requiring assistance prior to filing may contact the Staff at (517) 284-8090 or by e-mail at mpscdockets@michigan.gov. All information submitted to the Commission in this matter will become public information available on the Commission's website and subject to disclosure; and all comments will be filed in Case No. U-20898.

5. The Development of Alternative Business and Ownership Models

The Staff states:

With alternative business models, the core electrical infrastructure (wires, poles, substations, transformers, etc.) may be the same and continued investment will be required, but the rules for earning money will change. The fully centralized utility business model is unlikely to be the optimum mode in the future. At the same time, the fully decentralized model where parties are energy independent is likely insecure, impractical, and economically infeasible. The role of the utility as a platform orchestrator is likely the path forward.

Staff Report, p. 115 (citation omitted). The Staff asserts that experimentation will be necessary and “[m]arket driven approaches should be supported.” *Id.*, p. 116. The Staff recommends as follows:

Fifth, Staff recommends the Commission support the development of alternative business and ownership models by:

- Establishing a comment proceeding to consider legal and regulatory barriers to utility ownership of behind the meter distributed energy resources,
- Supporting exploration of alternative business and ownership models by requesting utility pilots in this area, and
- Requesting the offering of comparable, parallel third-party pilot or tariff, either separately or within the same pilot or tariff, where feasible, in recognition of frequent third-party innovations that may result in cost savings, system benefits, and alternative business and ownership model learnings. Such third-party pilots or tariffs are envisioned to be facilitated by the utility or a collection of smaller utilities, which selects the third-party through a competitive process, and provides the necessary data and at the needed frequency for the third-party to conduct and evaluate the pilot.

Id., pp. vii-viii; *see also, id.*, pp. 116-117. For the comment proceeding, the Staff suggests that the

Commission seek input on the following five questions:

- o Whether or not third-party community solar fits in the current regulatory framework,
- o The legal and regulatory barriers for a third party to sign customers up, charge a per kWh subscription fee, pay a per kWh subscription credit outside of the utility framework,

- o The current legal and regulatory structure for utilities to own solar generation behind the customer's meter,
- o Legal prohibitions preventing a utility from owning and rate-basing technologies located behind the customer's meter, and
- o The risk or liability associated with putting batteries behind the customer meter.

Id., p. 117.

The Commission adopts this recommendation and seeks comment on these five questions, as well as the following four additional issues:

1. Is there a role for performance-based metrics around the development of alternative business models relating to DERs in terms of interconnection and utilization?
2. What are the pros and cons of both utility and non-utility ownership and development of microgrids connected with alternative business models?
3. Is there a role for pilots that would be comparable to utility pilots or tariffs but would be offered by a third party? Such a pilot could be facilitated by the utility or a collection of smaller utilities and the third party could be selected through a competitive process.
4. Should utilities be able to own solar generation and batteries behind the customer's meter?

In recognition of the fact that this order seeks comment on multiple proposals, comments in response to this recommendation will be due approximately 60 days from the date of this order.

The Commission intends to provide further guidance on this topic after review of the comments.

Any person may submit written comments in response to the listed questions. The comments

should reference Case No. U-20898 and should be received no later than 5:00 p.m. (ET) on

September 26, 2022. Address mailed comments to: Executive Secretary, Michigan Public Service

Commission, P.O. Box 30221, Lansing, MI 48909. Electronic comments may be e-mailed to

mpscedockets@michigan.gov. Any person requiring assistance prior to filing may contact the

Staff at (517) 284-8090 or by e-mail at mpscedockets@michigan.gov. All information submitted

to the Commission in this matter will become public information available on the Commission's website and subject to disclosure; and all comments will be filed in Case No. U-20898.

6. Technology and Fuel Agnostic Incentives and Rates

The Staff notes that technology-specific or fuel-specific policies can have the effect of excluding certain new technologies from incentives or programs. For example, “[l]imitations on fuel switching in EWR incentives impacts heat pumps for space and water heating and CHP.” Staff Report, p. 117. The Staff points to the tremendous variety among emerging energy solutions and asserts that it is important for utilities to be technology agnostic. *Id.*, p. 118. While noting that statutory requirements and Commission precedent largely focus on cost of service as the basis for rate setting, the Staff states that “regulators may elect to provide transitional relief from cost-of-service principles through the provision of short-term subsidies for specific use cases.” *Id.*, p. 119. The Staff recommends the following:

Sixth, Staff recommends technology and fuel agnostic incentives and rates be developed and that:

- Regulatory rates and incentives should be agnostic to technology or technology fuel types as implementation of new technologies advance,
- Outside of transitional relief for pilots, regulatory rates and incentives:
 - o Should reflect cost-of-service,
 - o Should incentivize efficient use of the grid and grid resources, and
 - o May reflect social or policy goals.
- Though rates should be technology agnostic, studies may be required for new technologies or programs using alternative business or ownership models to determine the overall costs and benefits. This information may be needed to be updated to determine the cost-of-service, and
- The Commission consider technology-neutral rates and tariffs as the implementation of new technologies advances.

Id., p. viii; *see also, id.*, p. 119.

The Commission is in agreement with the principles laid out by the Staff and supports moving in the recommended direction. The Commission will evaluate future proposals with these principles in mind. That said, when offering new rate structures, the Commission encourages utilities to delineate as specifically as possible the behavior that the proposed rate structure is intended to encourage and the associated benefits to the grid and/or customers, while being as neutral as possible regarding the technology requirements.

7. Financing Methods

The Staff notes that the high up-front costs associated with several new grid edge energy solutions prevent many customers from being able to use them, such as thermostats, EVs, home rooftop solar, home energy efficiency measures, and CHP. *Id.*, p. 120. The Staff urges the Commission to produce guidance on financing products that can make these innovations affordable. The Staff states as follows:

Seventh, Staff recommends the Commission support:

- Pilots of tariffed on-bill investment programs for implementation of energy efficiency and other energy upgrades in both residential and commercial buildings as well as transportation to ensure Michigan utilities gain experience with varied applications,
- Exploration of financial incentives that support beneficial uptake of distributed energy resources, especially ones that help overcome barriers experienced by low- and moderate income customers, and
- Further exploration of financial incentives and disincentives and their impact on new technologies and business models by including these topics in the upcoming MI Power Grid Financial Incentives and Disincentives workgroup.

Id., p. viii; *see also, id.*, pp. 121-122.

In the January 20, 2022 orders in Case Nos. U-20881 and U-20876, the Commission approved settlement agreements that require DTE Electric Company and DTE Gas Company to provide information as follows:

On-Bill Repayment. Not later than Q4 2022, DTE Gas will provide to the parties a report presenting and supporting estimated IT [information technology]/billing costs for DTE Gas to implement on-bill repayment programs for both gas and electric customers. Cost estimates will be based on at least two options, one of which shall be based on DTE Gas working with third-party loan servicing with DTE Gas only responsible for bill presentation, payment receipt, and disbursement of received payments to the third party. DTE Gas will afford the parties an opportunity to comment on the scope and assumptions to be used in developing these cost estimates.

January 20, 2022 order in Case No. U-20881, Exhibit A, p. 11; *see also*, January 20, 2022 order in Case No. U-20876, Exhibit A, p. 11 (same requirement for DTE Electric Company). The settlement agreements also called for the utilities to “[e]xplore whether there are strategies (e.g., marketing) that may lead to more underserved properties participating in the program, which may include receiving health and safety upgrades.” *Id.*, Exhibit A, p. 10 (both orders). As the Commission stated in 2017 (discussing the changes wrought by Public Act 342 of 2016 (Act 342)):

In [the December 4, 2008 order in Case No. U-15800], the Commission encouraged providers to work with Michigan Saves to provide on-bill financing. Part 7 of Act 342, MCL 460.1201 *et seq.*, provides a statutory procedure by which providers may offer a residential energy project financing program. The Commission again urges providers to avail themselves of the opportunity to offer this type of program to customers.

March 28, 2017 order in Case No. U-18321, pp. 12-13; *see*, MCL 460.1203. Yet, the Commission finds that investor-owned utilities have failed to take advantage of this aspect of Act 342, whether the program is tariffed or not. With the exception of municipal utilities and these two EWR settlements, the Commission has seen little interest in offering on-bill financing programs. The Commission acknowledges that utilities may prefer the tariffed route because, as the Staff observes, tariffed on-bill investment programs likely offer more familiar territory for entities that are not accustomed to acting like banks.

The Commission encourages the utilities and other stakeholders to consider innovative ways to reach residential renters. The Commission intends to provide further guidance in the future, including after reviewing the required filings in Case Nos. U-20881 and U-20876.

8. Education

The Staff states that during the workgroup discussions “the issue of knowledge was mentioned again and again as a barrier.” Staff Report, p. 122. For example, a housing unit did not consider heat pumps until it learned about them through outreach from its serving utility, highlighting the importance of both customer education and utility outreach. *Id.* The Staff recommends as follows:

Eighth, Staff recommends the Commission recognize the importance of education in the uptake of new technologies and business/ownership models by:

- Requiring all such pilots that interact or recruit customers provide customer education that provides, at a minimum:
 - o Information on the technology and business/ownership model,
 - o Possible benefits and costs,
 - o Applicable rates or tariffs, and
 - o Financing options.
- Requiring all such pilots that implement new technologies in Michigan to also include contractor education and training,
- Supporting efforts within the State of Michigan or elsewhere to promote and provide trainings to first responders on how to safely interact with new energy technologies during accidents, and
- Supporting efforts to provide clear regulatory and utility information needed by third parties to educate potential customers on energy products and services.

Id., pp. viii-ix, and 123. The Staff also notes that the Customer Education and Participation workgroup will likely have more detailed recommendations, particularly with respect to third-party data access guidelines.

The Commission appreciates that the Staff has identified a potential gap in the responsibility for contractor and first responder training and directs the Staff to follow up to clearly identify the Commission’s obligations as well as the jurisdiction of sister agencies.

The Commission supports the Staff’s conclusions regarding the importance of education. Often, the success of a pilot depends almost exclusively on the ability to educate customers about the potential benefits of the program. On the other hand, the Commission is wary of programs that adopt the “education” moniker but amount to little more than public relations; such programs are not eligible for ratepayer funding. The Commission considers the Staff’s recommendations to illustrate best practices in this area and the Commission will continue to scrutinize the costs of customer education programs for reasonableness and prudence with these best practices in mind. The Commission observes that pilots should include contractor training to the extent practicable. The Commission intends to address this issue again in its next Strategic Plan and encourages stakeholders to utilize the Michigan Pilot Directory as an educational resource.⁵

9. Need for Rapid and Holistic Action

The Staff notes that community and customer interest are part of what is driving the current wave of new technologies and states that “[h]olistic policies and frameworks that recognize and account for cross-sector interactions are needed, especially as some interactions are synergistic while others are competitive.” Staff Report, p. 124. Additionally, the Staff states that rapid and decisive action is required to prevent further global temperature increases. The Staff recommends as follows:

Lastly, Staff recommends the Commission chart a clear path supporting rapid new technology and business/ownership model learnings in Michigan by:

⁵ The directory is located at: <https://www.michigan.gov/mpsc/regulatory/reports/other/michigan-pilot-directory> (accessed July 11, 2022).

- Taking action on items outlined by Staff recommendations throughout the MI Power Grid process,
- Avoiding near-term solutions that prevent or complicate longer-term transformative change, and
- Supporting uptake and safe integration of beneficial energy innovations and business models into the established practices of Michigan utilities and regulatory processes.

Id., p. ix; *see also, id.*, p. 125.

The Commission wholeheartedly agrees with the Staff’s central recommendation that the Commission continue to take action on items and recommendations resulting from the MI Power Grid workstreams. The Commission reiterates that, while the Staff’s stakeholder efforts have been extensive, the Commission’s focus is on action, as is shown in the September 30, 2021 MI Power Grid Status Report. *See*, Case No. U-20645, filing #U-20645-0017. Since its inception in October of 2019, recommendations from MI Power Grid workgroups have resulted in orders, directives, rulemakings, and updates to processes and procedures. *See*, February 18, 2021 and January 20, 2022 orders in Case No. U-20959 (guidance to the Customer Education and Participation workgroup); March 17, 2022 and May 26, 2022 orders in Case No. U-20890 (distributed generation rulemaking); September 9, 2021 order in Case No. U-20852 and March 3, 2022 order in Case No. U-20633 (competitive procurement guidance); October 29, 2020 order in Case Nos. U-20628 *et al.* (demand response guidance); February 4, 2021 order in Case No. U-20645 (guidance on pilots and inception of the Michigan Pilot Directory); all orders in Case No. U-20629 (update to the Service Quality and Reliability Standards for Electric Distribution Systems rules); all orders in Case No. U-20630 (update to the Technical Standards for Electric Service rules); and March 3, 2022 order in Case Nos. U-21122 *et al.* (electric distribution planning guidance). The Commission observes that two important workgroups (Financial

Incentives/Disincentives and Innovative Rate Offerings) are expected to commence soon, while a third (Distribution System Data Access) was commenced by the Commission on July 7, 2022, in Case No. U-21251. The Commission continues to be engaged with numerous partners in both state government and the private sector, including participating in and contributing to the MI Healthy Climate Plan and the CFME, among others. The Commission recognizes that this continues to be a rapidly evolving area and reinforces its commitment to keeping pace with the changes taking place in order to fully realize the goal of MI Power Grid to ensure that the energy transition, including the deployment and integration of new technologies and business models, ultimately benefits Michigan residents and businesses.

THEREFORE, IT IS ORDERED that:

A. Consumers Energy Company, DTE Electric Company, Indiana Michigan Power Company, Upper Peninsula Power Company, Alpena Power Company, Northern States Power Company, and Upper Michigan Energy Resources Corporation shall file proposed Michigan-specific uniform benefit cost analysis requirements, including a proposed societal cost test, that could be used in multiple types of dockets including pilot proposals, distribution planning, and rate cases, no later than September 1, 2022, in Case No. U-20898. The proposed benefit cost analysis should be informed by the provisions of the National Standard Practice Manual, tailored to Michigan's regulatory structure and requirements.

B. Any person may submit comments on the proposed Expedited Pilot Review for Innovative Pilots, attached hereto as Exhibit A. The comments should reference Case No. U-20898 and should be received no later than 5:00 p.m. (Eastern time) on August 26, 2022.

C. Any person may submit comments on the eight questions listed herein addressing the development of alternative business models. The comments should reference Case No. U-20898 and should be received no later than 5:00 p.m. (Eastern time) on September 26, 2022.

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, pursuant to 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

Daniel C. Scripps, Chair

Tremaine L. Phillips, Commissioner

Katherine L. Peretick, Commissioner

By its action of July 27, 2022.

Lisa Felice, Executive Secretary

Expedited Pilot Review for Innovative Pilots

Eligibility: Governor Whitmer's [Executive Directive 2020-10](#) lays out a path for economy-wide carbon neutrality for Michigan by 2050 and maintenance of net negative greenhouse gas emissions thereafter. For utilities to help meet these goals, rapid learning about technologies, business models, and ownership models supporting significant reductions in carbon dioxide and greenhouse gas emissions is needed. As such, eligible pilots are those seeking cost recovery that pilot products and services that help Michigan "achieve economy-wide carbon neutrality no later than 2050 and help maintain net negative greenhouse gas emissions thereafter" ("Executive Directive 2020-10," 2020). In addition, pilots must:

- Involve products or services beyond the sale of basic electric service, where basic electric service is the distribution and sale of electricity to customers within a defined service territory at rates established in tariffs for any purpose as traditionally provided by regulated electric utility companies.
- Seek to leverage funding from alternative sources to minimize customer impact,
- Incorporate requirement for pilots involving non-local vendors and larger sole-sourced vendors to participate in cost-sharing for the pilot (e.g., in-kind contributions),
- Provide estimates of net present value with considerations like new revenue sources, cost savings, reduction in GHG, contributions to State policy and regulatory goals, etc.,
- Provide information on pertinent areas of interest noted by the adopted Objective Criteria for Pilot Review, including equity and environmental justice,
- Provide Commission, consumer advocate, and key stakeholders with reasonable data access,
- Incorporate participant customer surveys or measurement and verification evaluation to measure pilot progress against success criteria and metrics, and
- Offer a comparable, parallel third-party pilot, either separately or within the same pilot, where feasible, in recognition of frequent third-party innovations that may result in cost savings, system benefits, and alternative business and ownership model learnings.
 - o For larger utilities, such third-party pilots or tariffs are envisioned to be facilitated by the utility, which develops the solicitation, selects the third-party through a competitive process, and enters into an agreement with the third party. The utility will provide the necessary data and at the needed frequency for the third-party to conduct and evaluate the pilot.
 - o For smaller utilities, such third-party pilots or tariffs may be facilitated and managed by a third-party, like an association, to allow multiple utilities to participate and benefit from the pilot learnings while reducing overall costs to each utility.

Eligible pilots at each utility have a combined total annual cap of \$3 million and requests in excess require Commission approval. Pilots conducted across multiple utility service territories will be considered, especially if cost savings and broader learnings can be obtained.

Pilot Workplan: Utilities must work with the Commission and interested stakeholders in developing a pilot workplan detailing 5-10 pilot areas to be explored within a near-term period (like within the next one or two years). Sufficient time should be allotted to the stakeholder process

to allow meaningful and substantive engagement and feedback. The pilot workplan must be submitted to Commission for review and feedback prior to implementation phase, where the utilities provide pilot notice to the Commission.

Pilot Notice: Notice will be provided to the Commission 45 days prior to the commencement of any eligible pilots. This notice shall include:

- Narrative of pilot project and expected pilot outcomes
- How it meets eligibility criteria,
- Funding leveraged from alternative sources and any cost-sharing,
- Number of customers served and selection process,
- Estimated net present value with considerations like new revenue sources, cost savings, reduction in GHG, contributions to State policy and regulatory goals, etc.,
- Information on pertinent areas of interest noted by the adopted Objective Criteria for Pilot Review,
- Any areas of potential overlap with other existing project(s)/program(s) and how overlap will be addressed by pilot, and
- Comparable, parallel third-party pilot, either separately or within the same pilot, where feasible.

Expedited Review: Expedited pilot review will involve:

- 45-day Commission review of pilot implementation plan for pilot approval. If pilot notice is rejected by the Commission, formal notice will be provided to the utility.
- 30-day Commission review of any proposed changes to the pilot scope, such as pricing, terms, or conditions. Affected participating customers must also be informed of any such changes.

Commission approval must be received before the pilot may commence. However, in the case of proposed pilot changes, should the utility not hear back from the Commission by the end of the 30-day period to review of any proposed pilot changes, it may assume such changes are automatically approved.

Pilot Reporting: The utilities shall provide semi-annual pilot reporting on all ongoing pilots approved through the expedited pilot process as well as any final reporting for completed projects. For ongoing pilots, the report should provide information such as:

- implementation schedules,
- pilot progress relative to objectives and key performance metrics,
- impacts on underserved communities,
- costs and revenues,
- qualitative description of pilot and customer benefits,
- customer satisfaction, and
- any proposed changes.

Cost Recovery: Commission approval of the Pilot Notice approves cost recovery of pilot costs in future rate cases. Costs from approved expedited process pilots will be reviewed in future rate cases and undergo the same review process currently existing within the contested rate cases. As

EXHIBIT A

such, Companies will submit costs and revenues (if applicable) in its rate case filings for cost recovery review of reasonableness and prudence. In addition, Companies are expected to include summarized pilot costs and revenues (if applicable) with the semi-annual comprehensive pilot report. Cost recovery is allowed for the duration of the pilot according to the schedule approved by the Commission and given rate case review of reasonableness and prudence. However, should the pilot change in any way or should it move to a full-scale program, the Commission will re-visit the pilot cost recovery nature and details.

PROOF OF SERVICE

STATE OF MICHIGAN)

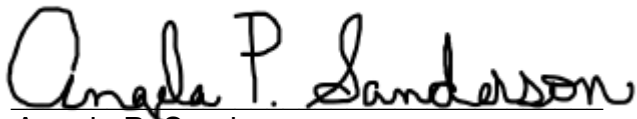
Case No. U-20898

County of Ingham)

Brianna Brown being duly sworn, deposes and says that on July 27, 2022 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 27th day of July 2022.



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

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