

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	)	Case No. U-20898
technologies and business models.	)	
_____	)	

At the February 23, 2023 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. 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 found that one of the corresponding work areas would be new technologies and business models. October 17 order, p. 7. In the October 29, 2020 order in Case No. U-20898, 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. Thereafter, the Staff convened numerous stakeholder sessions, distributed surveys, received written comments, and provided draft reports. On December 1, 2021, the Staff filed the MI Power Grid: New Technologies, Business Models, and Staff Recommendations Report (Staff Report). The Staff Report concluded with nine recommendations.

On July 27, 2022, the Commission issued an order (July 27 order) addressing the nine recommendations. In the July 27 order, pp. 10-11, and 20, the Commission addressed the issue of expedited pilots and solicited comments on the Staff's proposed Expedited Pilot Review for Innovative Pilots, which was attached to the July 27 order as Exhibit A. On August 26, 2022, the Commission received comments from Indiana Michigan Power Company (I&M); the Michigan Energy Innovation Business Council and Advanced Energy Economy<sup>1</sup> (EIBC/United); Consumers Energy Company (Consumers); DTE Electric Company (DTE Electric); the Staff; and the Environmental Law & Policy Center, Ecology Center, Vote Solar, and the Union of Concerned Scientists (together the Clean Energy Organizations or CEOs).

This order summarizes the comments and approves an expedited pilot review process which is described in Exhibit A attached to this order.

### The Comments

#### The Commission Staff

The Staff states that its original proposal lacked certain details which are provided in these comments. Staff's comments, p. 1. Beginning with the eligibility criteria, the Staff continues to

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<sup>1</sup> The Commission notes that, subsequent to the filing of its comments in this docket, Advanced Energy Economy changed its name to Advanced Energy United (United). As such, the Commission refers to comments submitted by EIBC and United as "EIBC/United".



believe that the expedited approval process should be available only to pilots that support Executive Directive 2020-10 and help the state to achieve carbon neutrality. However, the Staff states that, in light of the varying sizes of investor-owned utilities (IOUs) in Michigan, the cost caps should vary as well. The Staff proposes a \$3 million annual cap for utilities with more than one million customers and, for utilities with less than one million customers, “the percentage of its customers within Michigan out of one million be used to determine the allowed maximum amount[,],” resulting in maximum proposed amounts ranging from \$30,000 to \$160,000 for the five IOUs in this category. Staff’s comments, pp. 1-2 (applying natural pagination). The Staff notes that small utilities could conduct a pilot together which could be managed by a third party.

The Staff proposes additional detail for the pilot workplan. The Staff suggests that deadlines be established by the Commission, similar to the process used for distribution planning, and that there be only five areas of focus rather than ten. *Id.*, p. 2. The Staff states that the utility should provide specific metrics and data regarding the problem area, provide metrics for the desired results, and provide details supporting the desired results. The Staff further states that:

ample time should be allotted for utilities to work with the Commission and stakeholders to develop the pilot workplan in a robust stakeholder process before filing final workplans in the [instant] docket or another docket established by the Commission explicitly for the expedited pilot process. Utilities should solicit stakeholder feedback on pilot workplans prior to filing on the docket, and should include that feedback in final workplans, identifying how it was considered and incorporated.

*Id.*, p. 3. The Staff also proposes a revised notice process in order to build in a stakeholder comment period prior to the filing of a formal notice. The Staff suggests that utilities file an intent-to-file notice and stakeholders be allowed a reasonable time to provide comment on the draft pilot. The comments could be available on the Commission’s website and could allow changes to be incorporated prior to the filing of the formal application. The Staff opines that



notice should be provided to the Commission 45 days before the commencement of an eligible pilot and that the application could be filed *ex parte*, but the Commission could also elect to solicit comments again thereafter. *Id.*

As to timing, the Staff “recommends that the Commission maintain a 45-day formal review time if the intent-to-file pilot notice stage is adopted” and that this period should be extended if the intent-to-file notice is not adopted. *Id.*, p. 4. The Staff states that, if the pilot is approved by the Commission, the order should “establish the maximum the Commission will consider for cost recovery for the specific pilot, given a reasonableness and prudence review in the utility’s next rate case.” *Id.* This amount will be subtracted from the remaining annual pilot funds.

Regarding expedited review of changes to the original pilot, the Staff again recommends another stage prior to the filing of the formal notice, allowing the utility to file notice that it intends to alter the pilot and allowing a comment period on the changes. The formal application could be filed *ex parte*, and the Staff recommends that “a Commission response be provided by close of business on the day with the first Commission meeting held after 30 days past formal notice of proposed pilot changes. Pilot changes will still be automatically approved if the Commission does not respond within the maximum time.” *Id.* The Staff suggests that customers would be notified after “formal notice by the Commission or after the maximum period, should the Commission not respond.” *Id.*, p. 5.

The Staff proposes that the semi-annual reporting be posted to an online expedited pilot website and to the Michigan Online Pilot Directory. *Id.*

Regarding cost recovery, the Staff clarifies that costs will be reviewed in future rate cases, and notes that the *ex parte* process cannot be used if costs are impacted. However, the Staff opines, the Commission’s approval of the pilot in an *ex parte* case ensures that all reasonable and prudent



costs associated with the pilot, up to the relevant maximum, would be included in rates through a future rate case; and the proposal would, hopefully, have the support of intervenors at that stage.

*Id.*

#### Indiana Michigan Power Company

I&M urges the Commission to require a minimal level of detail for the expedited process and “leave the detailed evaluation for later when the utility seeks to implement the pilot on a full-scale basis.” I&M’s comments, p. 1. I&M makes the following specific recommendations: (1) increase the cap to \$5 million; (2) loosen the eligibility provisions to make them considerations rather than requirements; (3) delete requirements that apply specifically to third-party pilots so that they do not differ from in-house pilots; (4) clarify requirements regarding cost, oversight, and responsibility for parallel third-party pilots; (5) delete the requirement that utilities seek funding from alternative sources; (6) delete requirements addressing non-local vendors and vendor participation in cost sharing; (7) do not reject the pilot on grounds that utility cost tests are not satisfied; and (8) allow for waivers of any of the pilot rules. *Id.*, p. 2. I&M also suggests that the Commission should provide its rationale for any pilot rejection (so that the utility may revise and resubmit the request) and should support requests for deferred costs.

#### Michigan Energy Innovation Business Council/Advanced Energy United

EIBC/United suggest that third parties should not be treated simply as vendors but also as collaborators. EIBC/United’s comments, p. 2. They express concern that stakeholder participation is currently limited, and urge the Commission to clarify how stakeholders will be “engaged in the development of the workplan, in the development of each pilot, and in the review process at the Commission.” *Id.* EIBC/United provide Hawaii as an example of a state with a pilot review process that allows for meaningful stakeholder input in the workplan. They urge the



Commission to set deadlines for review and revision of the workplan, and state that the workplan “should determine sufficiently detailed, agreed upon, areas for pilot collaboration and key questions to be answered by pilots under those areas. Stakeholders should be engaged in this process and the workplan should represent a broadly agreed upon plan with general support from engaged parties.” *Id.*, p. 3.

EIBC/United state that stakeholders should also be involved in the development of pilots prior to their proposal by the utilities, and that evidence of stakeholder involvement could include letters of support from relevant stakeholders, a memorandum of understanding, or a list of stakeholders who have expressed their support in writing. They further urge that the utility be required to be transparent about modeling and other assumptions which underlie the pilot proposal; that the Commission formally consider comments; and that the 45-day review period be extended, where necessary. *Id.*

EIBC/United propose that third parties not be relegated to vendor status but rather be used to help explore how unregulated businesses can work with regulated utilities. They suggest that third-party pilots be structured as partnerships and that third parties be allowed to propose pilots. *Id.*, p. 4. They support the \$3 million cap and propose that there be an annual limit on the number of expedited pilots. They also suggest that the semi-annual reporting should include information on how the utility is building upon lessons it has learned.

#### Consumers Energy Company

Consumers suggests that the expedited approval process should be in addition to existing avenues and that the existing approval pathways should remain unaffected, and in particular that energy waste reduction (EWR) pilots should be considered to be out of the scope of the expedited process. Consumers, like I&M, suggests that the eligibility requirements should act as guidelines



rather than requirements, thereby enhancing flexibility. Consumers' comments, p. 2. Consumers proposes a \$10 million annual cap for large utilities, which, it argues, is still lower on a per-customer basis than the caps applied in Vermont's and Hawaii's expedited approval processes. Consumers suggests that there be a standing semi-annual stakeholder discussion for pilots hosted by the Staff, and that the workplan update should occur every 2-3 years. *Id.*, p. 3. To prevent delay, Consumers suggests that there be no stakeholder review during the 45-day review period. Consumers supports the 30-day review of changes, but also proposes that modest changes "such as modifications to the quantity or location of participating customers, participating vendors, or deployment strategy, not be subject to the 30-day review requirement." *Id.*, p. 4.

Consumers states that it regularly uses third parties to conduct pilots, and:

recommends that (a) third-party pilots should be defined as those in which the third party's involvement helps achieve or enhance the study of potential cost savings, system benefits, and alternative business and ownership model learnings for utility service to customers; and (b) "comparable and parallel" third-party pilots not be a requirement for utility pilots. The language in Staff's Exhibit A presents a process that has the potential to become redundant or overly burdensome.

*Id.* Consumers notes that, if the utility pilot already utilizes a third party, then a third-party pilot could be redundant. Consumers recommends that the pilot approval process include authorization for the creation of a regulatory asset for costs minus estimated revenues with a carrying cost at the weighted average cost of capital, which could be reconciled in the next rate case. *Id.*, p. 5.

Consumers suggests that the pilot process be reviewed every 2-3 years.

#### DTE Electric Company

DTE Electric states that the Staff's proposal does not adequately address the issues of timing and cost recovery. The company argues that the proposal does not "leverage the existing requirements" adopted by the Commission in the October 29, 2020 and February 4, 2021 orders in



Case No. U-20645 (October 29 order and February 4 order, respectively), by failing to recognize that not all objective criteria should be applied to all pilots. DTE Electric states that:

the Staff Proposal requires that utilities must seek funding from alternative sources, incorporate cost-sharing requirements with certain vendors, incorporate customer surveys or measurement and verification evaluations, and provide the Commission, consumer advocates, and key stakeholders with data access. While each of these considerations may individually be relevant to the evaluation of a pilot in its own context, disqualifying a pilot for consideration based on noncompliance with any or all of these items will greatly narrow the scope of ideas that can be explored via this process.

DTE Electric's comments, p. 8. DTE Electric states that the expedited process adds requirements to those originally implemented by the Commission, and argues that requiring the utility to provide estimates of net present value (NPV) and reductions to greenhouse gases (GHGs) is contrary to the purpose of performing a pilot. The company argues that it will not be possible for the utility to know these things beforehand. DTE Electric states that the Commission has already approved a flexible approach and contends that the expedited process should adopt the objective criteria already approved in Case No. U-20645 which would allow for a standardized process.

DTE Electric makes the same argument with respect to reporting and stakeholder involvement and states that the proposed semi-annual reporting does not add informational value. Turning to the workplan, the company states that:

[t]aken in full, in order to obtain pilot approval and cost recovery under the Staff Proposal, a utility must (1) file a pilot workplan with the Commission for review and feedback, (2) file a 45- day pilot notice with the Commission for approval or rejection, and (3) file for cost recovery within a rate case. Compared to the current state of requesting cost recovery in a rate case, the Staff Proposal results in a three-fold increase in the number of Commission decisions required for a utility to obtain pilot approval and cost recovery.

DTE Electric's comments, p. 11. DTE Electric states that it is currently unable to make a recommendation as to how to streamline the expedited process because the state of cost recovery is unclear. The company argues that the risk of lag is already being considered and that "the



existing range of options for pilot approval supports the Staff’s objectives of providing for flexibility in pilot review and approval.” *Id.*, p. 13.

The Environmental Law & Policy Center, Ecology Center, Vote Solar, and the Union of Concerned Scientists (the Clean Energy Organizations)

The CEOs express concern that the Staff’s proposal is overly focused on speed and fails to incorporate the necessary procedural safeguards. Beginning with the eligibility criteria, the CEOs state that additional detail is required regarding how the ability to leverage funding from alternative sources will be considered in the approval process, as well as how participation in cost-sharing will be determined and whether there will be a minimum. They recommend that the Commission require additional detail on how the pilot will help achieve carbon neutrality by 2050 as required by the MI Healthy Climate Plan and how the pilot will contribute to the equitable deployment of clean energy. The CEOs advocate for the full range of objective criteria as adopted in the February 4 order, and for the expansion of data access and “inclusive data sharing protocols[.]” *Id.*, p. 3. They also recommend that the Commission require both surveys and measurement/verification evaluations, rather than one or the other. The CEOs recommend that the Commission require that “both utility and third-party pilots include a focus on equitable access to technologies and services and include a carve out for low- and moderate-income customers.” *Id.*, p. 4.

The CEOs recommend a \$5 million cap with an adder for collaborative pilots, and that the total annual cap should include the external sources of funding. *Id.*, p. 5.

The CEOs recommend that the workplan development process include stakeholder outreach, and the participation of affected stakeholders be made a requirement. They suggest that third parties be treated as stakeholders and “potential proponents of pilots” either alone or with utilities, and they cite Connecticut’s program as an example. *Id.*, pp. 6-7. The CEOs state that “workplans



need to be developed extensively in stakeholder forums with a structured approach for inputs and review by the utility and Commission.” *Id.*, p. 7. The CEOs suggest that this process should result in a public record and should include comment in both the workplan development phase and the final workplan review phase. The CEOs “see the workplan as akin to a local energy system innovation roadmap for each utility service territory. . . . [S]uch a roadmap will ultimately identify the winning pilot areas, and stakeholder engagement is important for pilot areas to be aligned across affected stakeholders.” *Id.* The CEOs cite Connecticut and Hawaii as examples of state programs with appropriate guiding principles and urge the Commission to adopt the following as guiding principles: collaboration, leveraging available technology, and ending energy inequality. *Id.*, pp. 8-9.

The CEOs recommend that the full range of objective criteria approved in the February 4 order be retained for the pilot notice, and that the notice require additional information regarding long-term goals, large-scale implementation, and business transformation outcomes. The CEOs also suggest that there should be stakeholder involvement in the 45-day expedited review period. *Id.*, p. 11.

The CEOs again urge that affected stakeholders be included in the process and that the Commission explain how affected stakeholders may participate in multiple pilot workplans and notice processes occurring in parallel. The CEOs recommend the adoption of a schedule to manage the workflow. The CEOs recommend that the Commission issue a call for pilot workplans and make sure that the approval process is spread out enough to avoid overlaps and to allow for joint workplans. They also advocate a quarterly call for pilot notices and a cap on the number of applications that may be considered in a quarter. The CEOs suggest that the Commission devise an evaluation process to determine whether the expedited program is



advancing decarbonization and electrification once a year, with stakeholder involvement. *Id.*, p. 12.

### Discussion

The Commission finds that an expedited pilot review process (90-day turnaround) should be adopted, and a description of the process is attached to this order as Exhibit A. The Commission believes that such a process can offer utilities not only speed but also encourage strong utility and stakeholder support for applicable pilots, which, in turn, should decrease the degree of contention and complexity (and delay in implementation) that can result from proposing pilots in rate cases. Use of the expedited process is voluntary. The Commission will retain its standard *ex parte* pilot approval process for utilities that do not wish to pursue the expedited approval process, and proposals in rate cases also remain an option. After gaining experience with the expedited process, the Commission will review this process on its own motion at an appropriate time and modify as it finds appropriate to ensure that the process is meeting the needs and expectations of utilities, stakeholders, and the Staff. The Commission also retains the authority to approve, deny, or request clarifications or modifications to the pilot workplan and each pilot proposal under the expedited process, as well as the authority to suspend the 90-day timeline for cases where additional time is required for an appropriate analysis of the pilot proposal.

### Eligibility Criteria and Cost Cap

The Commission agrees with several of the commenters that the objective criteria adopted in the February 4 order will continue to apply to all proposed pilots. Thus, the following criteria apply to the Commission's evaluation of pilot proposals seeking expedited treatment:

#### ***1. Pilot need and goals detailed.***

- a. Need for the pilot is expressed. Results of past similar pilots and findings are shared to justify the need for the proposed pilot.



- b. Pilot goals and desired learnings detailed.
- c. Reference any pending applicable regulatory dockets, legislation, or other consideration relevant to the pilot project.

**2. *Pilot design and evaluation plan designed and presented together.***

- a. Pilot program design and evaluation plans are designed together so examined metrics and collected data support evaluation of the pilot in meeting goals and desired learnings.
- b. If applicable, define target customer population, selection rationale (including those for location-driven programs), recruitment plans, and evaluation plans for customer adoption and satisfaction.
- c. If statistical analysis will be conducted on pilot results, a statistically significant sample size must be selected, supported, and detailed. If a statistically significant sample size is not selected, justification must be provided.
- d. If statistical analysis will not be conducted, justification must be provided as well as an approach for evaluating pilot goals.
- e. If changes are required during implementation, pilot design, and evaluation impacts are shared.

**3. *Pilot project costs detailed.***

- a. Project costs are detailed by source and amount for applicable periods.
- b. Availability of non-utility funding and whether any was pursued (such as state or federal funding opportunities) described.
- c. Anticipated cost-effectiveness and net benefits when deployed at scale described.
  - i. Quantification of expected benefits of the pilot and the evaluation criteria/methods used.
- d. Proposed rate recovery approach detailed.

**4. *Project timeline detailed.***

- a. Proposed timeline for the pilot project and any related reports or evaluations delineated.

**5. *Stakeholder engagement plan detailed.***

- a. Stakeholder engagement plan before, during, and after pilot takes place detailed.
- b. Interim and final stakeholder reporting described.
- c. Expected publicly available data from pilot shared under proper protections and privacy.

**6. *Public interest detailed.***

- a. Public interest justification, including supporting the transition to clean, distributed energy resources; enhancing reliability, safety, affordability, or equity; or other related goals, and the pilot's expected impacts described.



- b. Any added benefits to ratepayers or the energy delivery system, either due to proposed site selection or through other pilot variables, especially if any system weaknesses or forecasted needs are addressed, shared.
- c. Expected impacts of the piloted measure on reliability, resilience, safety, and ratepayer bills detailed.
  - i. Pilot reduction goals for metrics like customer bill, outage minutes/frequency, and OSHA [Occupational Safety and Health Administration] reportable, as well as the translation to full deployment expectations.
- d. Expected local or Michigan-based employment and business opportunities created by pilot described.
- e. Any potential impacts or added benefits of the pilot on low-income customers, seniors or other vulnerable populations described.
- f. Any other public benefits detailed.

February 4 order, pp. 8-10; *see also*, February 8, 2021 erratum in Case No. U-20645, Exhibit A.

These criteria should be tailored to the expedited process; so, for example, the discussion of stakeholder engagement will reflect evidence of stakeholder support for the proposal in the workplan phase.

The Commission finds that the additional criteria proposed by the Staff, including the potential for decarbonization and increased electrification, should be considerations in the pilot approval process rather than requirements. The Commission notes that IOUs were expected to file proposed Michigan-specific uniform benefit cost analysis (BCA) requirements for use in assessing pilot programs on February 1, 2023. August 23, 2022 order in Case No. U-20898, p. 3.<sup>2</sup> While the filings made in response to that directive have not yet been evaluated by the Commission, the Commission continues to require utilities to provide a BCA as part of the pilot application as described in criterion 3.c. above. The Commission finds that the BCA is not required to show a positive result for the pilot phase of implementation in order for the pilot to be approved; however, with the exception of pilots aimed at improving safety, low-income access to affordable energy, or

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<sup>2</sup> Consumers and DTE Electric filed proposed uniform BCA requirements for pilots on February 1, 2023. Other IOUs filed responses.



other similar public benefits, the utility does need to demonstrate an estimated BCA that is positive for full project implementation at scale.

The Commission finds that the annual cost cap should be increased to \$10 million for the two largest IOUs, with a sliding scale relative to that cap (the number of customers as a percent of one million) for the smaller IOUs. This results in an annual cost cap of: \$1.3 million for I&M; \$530,000 for Upper Peninsula Power Company; \$370,00 for Upper Michigan Energy Resources Corporation; \$180,000 for Alpena Power Company; and \$90,000 for Northern States Power Company – Wisconsin. Leveraging funding from other sources is encouraged but not required for approval. Funding from other sources will not count against the cap.

Each utility choosing to make use of the expedited process shall open a new docket for approval of its pilot workplan, and all expedited pilot applications may thereafter be housed in that single docket for that utility. Utilities are also encouraged to establish a webpage providing information on the expedited pilot process. The webpage could perform several functions including the posting of the meeting notices and stakeholder participation documents, and could also provide a location for third parties to suggest pilots to the utility for consideration.

#### Pilot Workplan

The Commission finds that the workplan should attempt to address up to five areas of exploration rather than ten, and robust stakeholder engagement should be encouraged in the workplan development process. In general, the utilities and other stakeholders should determine what the workplan will look like, with some guidance from the Staff. To be eligible for the expedited process, pilots must be consistent with the categories contained in the workplan. Information regarding the proposed workplan and how stakeholders may become involved must be made publicly available to interested stakeholders, via the utility's webpage or in another



accessible manner. The workplan should be submitted for approval in a new docket (as described above) once the utility has determined that it has sufficient evidence of stakeholder participation. The workplan must include metrics that provide a measurement of the current state within each identified workplan area.

### Pilot Application

The Commission finds that the intent-to-file notice proposed by the Staff is not necessary. The application must be filed with the Commission at least 90 days before the planned implementation of the pilot. There is no firm limit on the number of applications that may be filed for expedited treatment each year other than the applicable cost cap. The proposed pilot must fall into one or more areas of exploration identified in the utility's approved expedited pilot workplan. Thus, stakeholder engagement should have happened prior to the filing of the pilot application and the application should be accompanied by evidence of a robust stakeholder process applicable to the proposed pilot. Applications should comply with the objective criteria in the February 4 order and should describe any potential for decarbonization, the results of the BCA, and actionable outcomes that may be expected. Pilot proposals should provide evidence of stakeholder consultation in their development.

### Timeline for Expedited Review of the Pilot Application

The 90-day Commission review period begins on the day that the utility files the pilot application. Though the process will be *ex parte*, stakeholders will have the opportunity to file comments during the 15-day period immediately after the filing of the pilot application. It is important to note that the Commission retains authority to convert an *ex parte* application into a contested matter as provided in Mich Admin Code, R 792.10415(1), and to extend the timeline where the Commission determines that the expedited timeline will not give the Commission



sufficient time to conduct the necessary analysis of the issues presented in the proposal. The Commission does not find it advisable to allow for automatic approvals at any point.

#### Expedited Review of Changes to the Pilot

The Commission approves an expedited 30-day review period for reviewing proposed changes to pilot aspects such as pricing or terms and conditions. Again, the Commission retains the discretion to extend this timeline where necessary and there is no automatic approval provision.

#### Reporting

Utilities shall provide an annual report on ongoing expedited pilots as described in Exhibit A. The annual expedited pilot report should be posted on the MI Pilot Directory website and filed in the utility's dedicated docket. Utilities shall also host one annual meeting with stakeholders and the Staff to provide a progress update approximately six months before filing the annual report.

#### Cost Recovery

As with the current pilot approval process, cost recovery of a specific amount will not be guaranteed as part of the expedited process. However, pilot approval will mean that pilot costs that are shown to be reasonable and prudent in a rate case will be recovered. As it does currently, the Commission will approve or deny requests for regulatory asset treatment based on the evidence provided with the application. The Commission does not find it necessary at this time to select a particular carrying cost as part of this process.

#### Review of this Process

The Commission finds that review of this process should occur on an as-needed basis and will be commenced on the Commission's own motion.



THEREFORE, IT IS ORDERED that the expedited pilot approval process described in Exhibit A attached hereto is approved.

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](mailto:mpscedockets@michigan.gov) and to the Michigan Department of Attorney General - Public Service Division at [pungpl@michigan.gov](mailto: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

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Daniel C. Scripps, Chair

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Tremaine L. Phillips, Commissioner

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Katherine L. Peretick, Commissioner

By its action of February 23, 2023.

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Lisa Felice, Executive Secretary



### Expedited Pilot Review for Innovative Pilots Process

There is a need to support rapid learning about energy innovation, new technologies, business models, and ownership models to ensure Michigan is well positioned in its energy future. This details a voluntary expedited pilot review process for pilots with strong utility and stakeholder support that meet process eligibility criteria. Each utility participating in the expedited pilot process will have a unique docket number for its expedited pilot filings.

Annual maximum cost cap for total pilots participating within this process varies by utility, based on total customers. See Table 1.

**Table 1. Allowed Maximum Costs per Utility for the Expedited Pilot Review Process**

<b>Investor Owned Utility</b>	<b>Max Allowed Annual Amount</b>
Alpena Power Company	\$180,000
Consumers Energy Company	\$10,000,000
DTE Electric Company	\$10,000,000
Indiana Michigan Power Company	\$1,300,000
Northern States Power Company - Wisconsin	\$90,000
Upper Michigan Energy Resources Corporation	\$370,000
Upper Peninsula Power Company	\$530,000

Utilities may leverage outside funding, which will be additive to the utility cap. Any utility proposing expedited pilots that, in total, are in excess of its annual cap must receive Commission approval.

### Eligibility for Expedited Pilot Review

The following eligibility criteria must be met for pilots to be eligible for expedited review:

1. Utility must manage meaningful stakeholder outreach and input for the expedited pilot process. There must be an ability for third parties to propose pilot ideas to the utility for consideration when developing expedited pilots.
2. Utility must have a workplan, developed with strong stakeholder engagement and support, that is approved by the Commission.
3. The proposed pilot must adhere to the Commission's adopted definition of a pilot in the February 2, 2021, order in Case U-20645, where:
  - a. *A pilot is a limited duration experiment or program to determine the impact of a measure, integrated solution, or new business relationship on one or more outcomes of interest.*
4. The proposed pilot must fit within one or more of the utility's approved workplan areas.
5. The proposed pilot must be developed with stakeholders and evidence of stakeholder consultation must be included in the pilot application.
6. The pilot application is required to provide data on all items of the Objective Criteria for Utility Pilots, adopted by the Commission in the February 2, 2021, order in Case U-20645.



To manage meaningful stakeholder outreach and input, participating utilities are encouraged to establish a webpage providing information regarding the expedited pilot process, including, but not limited to, meeting notices and stakeholder participation information for expedited pilot workplan and individual pilot development. The webpage could also include avenues for stakeholders to propose pilot ideas to the utility, such as through a form.

### **Pilot Workplan**

Utilities must work with interested stakeholders, including Commission staff, in developing a pilot workplan detailing up to five areas to be explored in the near term to ensure proposed pilots are pertinent to current needs and focus. This workplan will not delve into pilot specifics, but will serve to provide a roadmap for the areas expedited pilots will explore in the near term.

The work plan must be developed with robust documented stakeholder engagement and consultation. Each participating utility will lead the workplan development process and stakeholder engagement for its service territory. Information regarding the workplan stakeholder meetings is encouraged to be distributed to stakeholders by the utility in advance to support participation, e.g., provided on the utility expedited pilot website, distributed via listserv, etc.

Each workplan must:

1. Detail up to five areas of focus and the desired goals, improvements, or learnings for each area,
2. Provide metrics measuring the current state in each identified workplan area, and
3. Be developed with robust documented stakeholder engagement and consultation. Information regarding the stakeholders included in the workplan development, the stakeholder process, and stakeholder consultation for the submitted workplan must be included in the workplan submission.

The participating utility will submit the workplan for Commission approval when it determines it has sufficient documented stakeholder engagement and consultation. The Commission, upon receiving a work plan, will review it. The Commission reserves the right to request clarifications or revisions to the workplan and subsequent versions before its approval of a utility workplan.

### **Pilot Application**

Prior to filing pilot applications, utilities are encouraged to engage stakeholders in the development of the pilot for broad stakeholder consultation. Meetings on pilot development should be distributed to stakeholders in advance, such as through a utility website posting or listserv. Documentation of stakeholder process and consultation must be provided in the pilot application.

Pilot application will be provided to the Commission at least 90 days prior to commencement of the eligible pilots. Pilot applications must adhere to the following.

1. The proposed pilot must adhere to the Commission's adopted definition of a pilot in the February 2, 2021, order in Case U-20645, where:



- *A pilot is a limited duration experiment or program to determine the impact of a measure, integrated solution, or new business relationship on one or more outcomes of interest.*
- 2. The proposed pilot must fit within one or more of the utility's approved workplan areas.
- 3. The proposed pilot must be developed with stakeholders and evidence of stakeholder consultation must be included in the pilot application.
- 4. The pilot application is required to provide data on all items of the Objective Criteria for Utility Pilots, adopted by the Commission in the February 2, 2021, order in Case U-20645.

Transparency in data, calculations, and assumptions used in the Pilot Application will support greater Commission and stakeholder understanding of the proposed pilot.

### **Expedited 90 Day Commission Review**

The Commission will conduct an expedited 90 day review of the pilot application, which will begin once the utility files its pilot application.

The Commission decision on a pilot application may include the following:

1. Approval,
2. Denial, including recommendation for other approval processes,
3. Request for clarification or modification, and
4. Suspend pilot application for action until further Commission notice.

Commission approval must be received before the pilot may commence.

### **Pilot Application Comment Period**

Stakeholders will be allowed 15 days after utility pilot application filing to provide formal comment on the submitted pilot application for Commission consideration.

### **Expedited 30 Day Commission Review of Pilot Changes**

If a utility proposes changes to a pilot after a pilot is approved in this process, it must file a notice informing the Commission regarding proposed changes and their justifications.

The Commission decision on pilot changes may include the following:

1. Approval,
2. Denial,
3. Request for clarification or modification, and
4. Extend the review of pilot changes, should the Commission need additional time.



### **Pilot Reporting**

Participating utilities shall provide a written annual pilot report 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,
- qualitative description of pilot and customer benefits,
- pilot progress relative to objectives and key performance metrics,
- impacts on underserved communities,
- costs and revenues,
- customer satisfaction, and
- any proposed changes.

In addition, utilities are required to hold an annual meeting with stakeholders and Commission staff that provides progress updates on ongoing expedited pilots about six months before the written annual report is filed.

### **Cost Recovery**

Cost recovery of a specific amount will not be guaranteed as part of the expedited process. Pilot approval will mean that pilot costs shown to be reasonable and prudent in a rate case will be recovered. The Commission will approve or deny requests for regulatory asset treatment based on the evidence provided with the application.

### **Future Review of Expedited Pilot Review Process**

The Commission commits to a review of the expedited pilot process so that future improvements can be made to support continuous learning and innovation. However, as this process is voluntary, not all utilities may elect to use it. The Commission will review this process at a future date once enough experience with the process has been gained to warrant a review.




# PROOF OF SERVICE

STATE OF MICHIGAN )

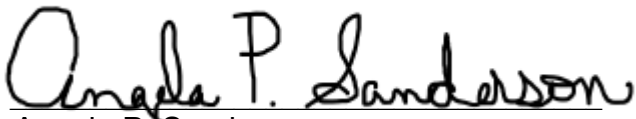
Case No. U-20898

County of Ingham )

Brianna Brown being duly sworn, deposes and says that on February 23, 2023 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 23<sup>rd</sup> day of February 2023.



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



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