

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)	
ALPENA POWER COMPANY)	
for approval of its integrated resource plan)	Case No. U-20300
pursuant to MCL 460.6t and other relief.)	
_____)	

At the March 24, 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

On February 15, 2023, Alpena Power Company (Alpena) filed an application in this case requesting *ex parte* approval of a master power purchase and sale agreement, a renewable energy certificates annex to the Edison Electric Institute master power purchase and sale agreement, a capacity confirmation agreement, and a market participant services agreement (collectively referred to as the agreements and all being agreements between Alpena and CMS Energy Resource Management Company (CMS ERM)). Alpena filed redacted versions of the agreements as exhibits to the application,¹ along with an affidavit in support.

On July 18, 2019, the Commission issued an order in this case (July 18 order), which approved a settlement agreement resolving all issues in Alpena’s first integrated resource plan

¹ On March 14, 2023, the Commission Staff met with Alpena and reviewed the unredacted versions of the agreements.

(IRP) proceeding pursuant to MCL 460.6t. As referenced in the instant application, the settlement agreement outlined Alpena's proposed course of action (PCA) to continue its all-requirements wholesale energy contract with Consumers Energy Company (Consumers) until the contract's termination on December 31, 2024, and described Alpena's intent to enter into another long-term all-requirements contract through a competitive bidding process to address all new capacity and energy needs after that time. Application, p. 3 (based on natural sorting order) (citing July 18 order, Exhibit A, p. 4). The settlement agreement further provided for Alpena to file its next IRP, or an amendment to its current IRP, on or before January 31, 2024. Application, p. 3 (citing July 18 order, Exhibit A, p. 4).

On May 12, 2022, the Commission issued an order in this case (May 12 order) approving an agreement for Alpena to extend its purchase of capacity from Wolverine Power Supply Cooperative, Inc. (Wolverine), as a temporary solution to address market volatility and to satisfy Alpena's anticipated capacity requirements and meet the Commission's forward regulatory reporting requirements pursuant to MCL 460.6w(8), as further described below. The May 12 order further found an amendment to Alpena's current IRP to be unnecessary at that time.

As continued in the instant application, Alpena purchases 100% of its energy and capacity requirements, with approximately 88% of its energy needs and 75% of its capacity needs purchased from Consumers. Alpena's remaining energy requirements are purchased through contracts with Thunder Bay Power Company, LLC (Thunder Bay Power) and, when available, from certain large industrial customers via special contract, and Alpena's remaining capacity needs are purchased through contracts with Wolverine and Thunder Bay Power. Application, p. 2.

In accordance with its PCA, Alpena issued a request for proposals (RFP) on July 17, 2020, with its consultant GDS Associates, Inc. (GDS) for a long-term all-requirements supply contract.

Due to market volatility arising in the summer of 2021, however, Alpena experienced difficulties procuring an agreement during the competitive bidding process. Alpena continued to work with GDS to find an acceptable supplier that could also meet the Commission's reporting requirements through the 2023 deadlines (filling capacity requirements through May 2027), but due to capacity constraints in Zone 7 of the Midcontinent Independent System Operator, Inc. footprint, only Wolverine was able to offer sufficient capacity amounts that also met the Commission's forward regulatory reporting requirements for zonal resource credits (ZRCs). Alpena thus negotiated and reached a capacity supply agreement with Wolverine that extended their existing capacity agreement, which was approved by the Commission in the May 12 order. Application, pp. 3-5.

In accordance with its prior declarations, Alpena thereafter resumed its competitive bidding process and began discussions with an RFP short-list respondent; however, during this time, CMS ERM, also an RFP short-list respondent, reached out to Alpena directly and provided a competing long-term capacity plus energy pass-through and hedging proposal. Per the application, while both proposals from the RFP short-list respondents were able to offer competitive solutions for a long-term all-requirements contract for energy, capacity, and REC requirements, negotiations ultimately prevailed with CMS ERM. *Id.*, p. 5.

As detailed in the application, the CMS ERM proposal is a long-term full-requirements offer to provide energy, capacity, RECs, and associated administrative professional services that, according to Alpena, provides an economic arrangement and a strong value proposition to its ratepayers by way of certainty and maximizing flexibility through the energy proposal combined with the near-term ability for energy hedging. *Id.*, pp. 6-7. The application continues by stating that the proposal includes energy passed through at-cost for a 15-year period from January 2025 to May 2040 for all of Alpena's needs, that the capacity portion of this offer from CMS ERM

includes a long-term agreement for shaped capacity for a 13-year period from June 2027 to May 2040, and that the proposal stipulates that CMS ERM will cover the Zone 7 ZRC obligations for Alpena's core customers, with flexibility built in to maintain this obligation at a reasonable cost in the face of changing and uncertain peak load contribution requirements. The application further provides that the proposal from CMS ERM includes Michigan RECs for a 15-year period at a pass-through cost, along with market participant and scheduling services for a 15-year period at a fixed and reasonable fee. *Id.*, p. 7.

Consistent with the July 18 order and the May 12 order, Alpena states that it does not presently seek to amend its IRP at this time but does anticipate filing either its next IRP or an amendment to its IRP following approval of the agreements in this application. Alpena further avers that the approvals requested in this application are consistent with its existing IRP and are lawful and appropriate for the Commission to grant without notice or hearing. Application, p. 8.

The Commission has reviewed Alpena's application, the exhibits attached thereto, the language in MCL 460.6t, and Alpena's current IRP and finds that Alpena's agreements with CMS ERM should be approved. The Commission finds that the agreements will cover Alpena's long-term energy and capacity needs, in accordance with the company's PCA in its current IRP. The Commission further finds that there is sufficient flexibility included in the energy portion of the agreements to allow Alpena to take advantage of shorter-term energy hedging at advantageous times in the future while ensuring that its energy needs are always met. The capacity portion of the agreements also includes flexibility should Alpena's load exceed or fall below the contracted amounts. Approval of these agreements will allow Alpena to provide its customers with competitive energy and capacity at stable and reasonable rates. The Commission further finds *ex parte* review and approval to be appropriate, as approval of the agreements will not affect rates

or rate schedules resulting in an increase in the cost of service to Alpena's customers. *See*, MCL 460.6a(3).

THEREFORE, IT IS ORDERED that the master power purchase and sale agreement, renewable energy certificates annex to the Edison Electric Institute master power purchase and sale agreement, capacity confirmation agreement, and market participant services agreement, all between Alpena Power Company and CMS Energy Resource Management Company, are approved as consistent with the company's current integrated resource plan and in compliance with MCL 460.6t.

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 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 March 24, 2023.

Lisa Felice, Executive Secretary


PROOF OF SERVICE

STATE OF MICHIGAN)

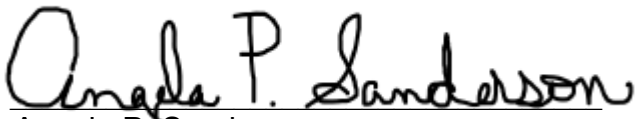
Case No. U-20300

County of Ingham)

Brianna Brown being duly sworn, deposes and says that on March 24, 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 24th day of March 2023.



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

Service List for Case: U-20300

Name	On Behalf of	Email Address
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