

STATE OF MICHIGAN
MICHIGAN OFFICE OF ADMINISTRATIVE HEARINGS AND RULES
FOR THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)	
Consumers Energy Company for approval)	
to implement a power supply cost recovery)	Case No. U-21048
plan for the twelve months ending)	
<u>December 31, 2022</u>)	

NOTICE OF PROPOSAL FOR DECISION

The attached Proposal for Decision is being issued and served on all parties of record in the above matter on October 14, 2022.

Exceptions, if any, must be filed with the Michigan Public Service Commission, 7109 West Saginaw, Lansing, Michigan 48917, and served on all other parties of record on or before October 28, 2022, or within such further period as may be authorized for filing exceptions. If exceptions are filed, replies thereto may be filed on or before November 11, 2022.

At the expiration of the period for filing exceptions, an Order of the Commission will be issued in conformity with the attached Proposal for Decision and will become effective unless exceptions are filed seasonably or unless the Proposal for Decision is reviewed by action of the Commission. To be seasonably filed, exceptions must reach the Commission on or before the date they are due.

MICHIGAN OFFICE OF ADMINISTRATIVE
HEARINGS AND RULES
For the Michigan Public Service Commission

**Sharon L.
Feldman**

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October 14, 2022
Lansing, Michigan

Sharon L. Feldman
Administrative Law Judge

STATE OF MICHIGAN
MICHIGAN OFFICE OF ADMINISTRATIVE HEARINGS AND RULES
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PROPOSAL FOR DECISION

I.

PROCEDURAL HISTORY

Consumers Energy Company filed its application for review of its 2022 power supply cost recovery (PSCR) plan on September 30, 2021. The company's application was accompanied by the testimony and exhibits of nine witnesses. The December 14, 2021 prehearing conference was held by video conference before ALJ Dennis W. Mack. At this prehearing, ALJ Mack granted intervention to all petitioners, including Attorney General Dana Nessel, the Citizens Utility Board of Michigan (CUB), the Association of Businesses Advocating Tariff Equity (ABATE), the Residential Customer Group (RCG), and the Michigan Power Limited partnership, and set a schedule agreed to by all parties.

Consistent with the established schedule, on April 29, 2022, CUB filed the testimony and exhibits of two witnesses and Staff filed the testimony of one witness. Also consistent with the schedule, on June 3, Consumers Energy filed the rebuttal testimony of one of its witnesses. At the hearing held on June 23, 2022, the testimony of

all witnesses was bound into the record without the need for them to appear, and the proffered exhibits were admitted into evidence. Consumers Energy, Staff, and CUB filed briefs on August 5, and Consumers Energy filed a reply brief on September 9, 2022. Subsequently, this matter was transferred to the undersigned ALJ.

In the discussion that follows, a general overview of the record is provided in section II, and the issues in dispute are discussed in section III.

II.

OVERVIEW OF THE RECORD

The record in this case, including the evidence presented and the positions of the parties, is contained in 184 transcript pages in two volumes and 27 exhibits, as well as the briefing noted above.

A. Consumers Energy

Consumers Energy presented the direct testimony of the following nine witnesses, along with Exhibits A-1 through A-24.

Joshua W. Hahn is a Senior Engineer in the Electric Supply Operations and PSCR section of Consumers Energy's Electric Grid Integration Department.¹ Mr. Hahn presented the company's projection of its total PSCR costs for the plan year, as summarized in Exhibit A-7, and for the five-year forecast period, as summarized in Exhibit A-8. Mr. Hahn explained that the plan was developed using the economic dispatch program, PROMOD IV, that it used in its last PSCR plan case. Mr. Hahn described the costs included as well as the division of total costs into capacity-related

¹ Mr. Hahn's testimony, including his rebuttal testimony, is transcribed at 2 Tr 46-75; his qualifications are presented at 2 Tr 47-48.

and non-capacity-related costs. He indicated that he relied on Mr. Breuring for projected system loads and generation requirements, on Mr. Lott for fuel costs, on Mr. Kapala for generating unit availability and other generating unit assumptions. He also discussed changes in the company's generating fleet relative to the 2021 plan case.

Mr. Hahn reviewed the company's power purchase agreements (PPAs), listing the PPAs in effect during the five-year forecast period in Exhibit A-9, and explaining how purchases under the PPAs were projected. He identified changes in the contracts and suppliers since the 2021 plan. Mr. Hahn explained that he also reflected the company's projected net interchange power costs, including projected energy market sales and purchases, in Schedule A-7.

Mr. Hahn also discussed the company's capacity planning reserve margin target and the resources planned to satisfy the requirement, referencing details in Exhibit A-10. He testified that Consumers Energy does not need to acquire additional capacity for the plan year.

Andrew G. Volansky is a Senior Rate Analyst II in the Revenue Requirement and Analysis section of Consumers Energy's Rates and Regulation Department.² Mr. Volansky presented the calculation of the proposed PSCR factor, supported by Exhibit A-23. He explained that the factor calculation is based on the total PSCR cost less the long-term industrial load retention rate payments, which Mr. Hahn presented in Exhibit A-7, and the delivery requirements presented by Mr. Bruering in Exhibit A-2. He also testified that the company's calculation based on the line loss factor the company proposed in its rate case, Case No. U-20963, which was ongoing at the time of the

² Mr. Volansky's testimony is transcribed at 2 Tr 122-126; his qualifications are set forth at 2 Tr 123-124.
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company's filing. Mr. Volansky explained that the company manages its factor within the established ceiling to minimize any over-recovery or under-recovery in the plan year. He also clarified in response to a Commission request in Case No. U-20525 that PSCR revenues collected to cover transportation costs for Consumers Energy gas services are reflected as revenue in Consumers Energy's gas utility rate cases.

Eugène M.J.A. Breuring is a Senior Rate Analyst III in Consumers Energy's Planning, Budgeting and Analysis Department.³ Mr. Breuring presented the company's projected electric deliveries, generation requirements, and peak demand forecasts for the plan year and five-year forecast period. He explained the key variables used in his econometric modeling, which he further described as based on a six-step process, including: historical system, economic, and demographic data gathering; exogenous forecasts of wholesale, electric vehicle, polycrystalline production, and EWR savings; regression analysis; and compilation of the forecast results. He also explained the review he undertakes to ensure that the model results are reasonable, including reliance on statistical measures of fit and adjustments to the modeling. The forecast generation requirements are presented in Exhibit A-3, with forecast deliveries for the plan year and five-year forecast period in Exhibits A-1 and A-2.

Mr. Bruering presented a chart showing weather-normalized electric deliveries by class over the period 2015-2020 at 2 Tr 41. While noting general decreases over that time period, he testified that increased residential consumption in 2020 and decreased commercial and industrial usage were attributable to the pandemic. Citing Exhibit A-4, Mr. Breuring testified that for peak demand, Consumers Energy projects an average

³ Mr. Breuring's testimony is transcribed at 2 Tr 32-45; his qualifications are set forth at 2 Tr 33-34.

decrease of 0.3% per year through the five-year forecast period, which reflects reductions for the company's dynamic peak pricing programs, EWR programs, conservation voltage reduction (CVR) program, and residential summer peak pricing. Exhibit A-5 shows the monthly peak demand forecasts, and Exhibit A-6 calculates the projected system load factor.

Kevin C. Lott is the Fuels Transportation & Planning Director in Consumers Energy's Electric Grid Integration Department.⁴ He testified in support of the company's projected coal, oil, and natural gas fuel costs, as reflected in Exhibits A-17 through A-20. Mr. Lott explained that he relied on Ms. Rissman for the pricing information for the coal contract and spot-market pricing, the PROMOD modeling for a determination of the coal quantities, and transportation costs under two contracts to determine the as-burned coal costs. For the as-burned gas and oil cost projections, he explained that he relied on Mr. Nadeau for the fuel cost projections, and included gas-fired units projected to be acquired as part of the company's recent integrated resources plan case.

Angela K. Rissman is the Manager of Coal Procurement in Consumers Energy's Fossil Fuel Supply group.⁵ She explained Consumers Energy's coal procurement strategy and projected coal purchases for the plan year and five-year forecast period, with coal contract and purchase data contained in Exhibit A-22. Ms. Rissman explained that Consumers Energy layers its coal purchases, with competitively-bid contracts each year for a variety of term lengths, pricing provisions, and volumes, in order to minimize price risk and volatility. She further explained that Consumers Energy enters into

⁴ Mr. Lott's testimony is transcribed at 2 Tr 93-101; his qualifications are presented at 2 Tr 94-95.

⁵ Ms. Rissman's testimony is transcribed at 2 Tr 115-121; her qualifications are presented at 2 Tr 116-117.

contracts to meet 70%-90% of its anticipated coal volumes by the fall preceding the start of each calendar year. The plan case cost projections are based on the pricing terms of current contracts, with the remainder of projected volumes included at projected spot market prices, as shown in a table at 2 Tr 121. She stated that the company has not changed its strategy from previous PSCR plans.

Stephen J. Nadeau is the Manager of Natural Gas Supply for Generation in Consumers Energy's Fossil Fuel Supply group.⁶ He addressed DTE's oil and natural gas commodity price forecasts, which Mr. Lott used to develop as-burned fuel cost projections, and discussed the company's fuel procurement strategy. He testified that the price forecasts are developed by the company's Corporate Risk Management Department. Mr. Nadeau explained that Consumers Energy assumes it will purchase No. 6 fuel oil for Karn units 3 and 4 on the spot market, with natural gas purchased in part on the spot market and in part under a contract with spot-market-based pricing. He explained that the company is in the process of entering into a new contract with a third party to act as agent in procuring gas for Zeeland. He explained that Consumers Energy acquires gas for Jackson through a transportation contract with the company's gas utility, using a third-party agency agreement to manage the gas supply that was being negotiated at the time of filing. He also presented DTE's Jackson Lateral Pipeline Natural Gas Transportation Agreement as Exhibit A-21.

Daniel S. Alfred is a Principal Rate Analyst in Consumers Energy's Energy Markets and Transmission Regulation group.⁷ He testified in support of the

⁶ Mr. Nadeau's testimony is transcribed at 2 Tr 102-114; his qualifications are presented at 2 Tr 103-104.

⁷ Mr. Alfred's testimony is transcribed at 2 Tr 20-31; his qualifications are set forth at 21-23.

reasonableness and prudence of Consumers Energy's projected transmission and energy market expense as shown in Exhibit A-1. He addressed the applicable MISO tariff schedules; he also explained that the Blackstart service the company will provide recovers charges under Schedule 33. Mr. Alfred also discussed the generation-related reactive services Consumers Energy provides and the treatment of revenues received. In support of the reasonableness and prudence of the company's net expense, Mr. Alfred described the company's efforts to minimize its transmission-related expenses through monitoring MISO and transmission provider filings, intervening in FERC proceedings, and participating in stakeholder groups.

Emily M. Walanis is Manager of Contract Strategies in the Contracts and Settlements section of Consumers Energy's Electric Grid Integration Department.⁸ Ms. Walanis's testimony addressed Consumers Energy PPAs, including those PPAs that have not yet been reviewed by the Commission and those that have been modified since the company's last plan case, shown in Exhibit A-24. Ms. Wallanis addressed the transfer price calculation associated with the company's renewable energy portfolio, as well as the treatment of costs under the company's Renewable Resources Program.

Ms. Walanis also addressed the company's treatment of revenues from its Blackstart Resource Agreement with the Michigan Electric Transmission Company, LLC, as well as revenues associated with the capacity, energy, and steam sales obligations the company assumed through its purchase of the Dearborn Industrial Generation (DIG) plant approved in the company's IRP. Ms. Walanis specifically discussed the company's PURPA obligations in light of Federal Energy Regulatory

⁸ Ms. Walanis's testimony is transcribed at 2 Tr 127-140; her qualifications are presented at 2 Tr 128-130.
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Commission approval of its request to limit its obligations to purchase capacity and energy from QFs above 5 MW in size.

Norman J. Kapala is Executive Director of Fossil and Renewable Generation for Consumers Energy.⁹ He presented information regarding the company's planned major outages and projected random outage rates for the plan year and five-year forecast period. He specifically discussed planned outages shown on Exhibit A-11, while Exhibit A-12 contains the projected availability for each generating unit including random outages. Mr. Kapala explained the company's forecast sorbent requirements, including urea, aqueous ammonia, lime, and activated carbon, as shown in Exhibits A-13 through A-16. He also testified that Consumers Energy does not expect to incur additional costs for NO_x or SO₂ emissions allowances in the plan year.

B. Staff

Staff presented the testimony of Jing Shi and Exhibit S-1.¹⁰ Ms. Shi testified to Staff's review of the company's plan, including the discovery responses in Exhibit S-1. Ms. Shi testified that Staff confirmed that the company used the same method as in prior plans to project plan-year PSCR costs. She presented a comparison of the company's current projections for 2022 and its projections as contained in its 2021 plan. She reviewed the differences in projected commodity costs, Nuclear PPA costs, renewable costs, peaker costs, PURPA costs, net interchange power costs, transmission and energy market administration costs, and sorbent costs, concluding that the current projections are reasonable and prudent. Ms. Shi addressed the

⁹ Mr. Kapala's testimony is transcribed at 2 Tr 76-92; his qualifications are presented at 2 Tr 77-78.

¹⁰ Ms. Shi's testimony is transcribed at 2 Tr 164-182; her qualifications are presented at 2 Tr 165-167.

company's forecast credit for the Long-Term Industrial Load-Retention rate, finding the company's projection reasonable. Ms. Shi also explained that Staff accepts the company's projected system requirements and plan factor calculation. Regarding the projected outage rates, she explained that they appear reasonable, but Staff will assess the reasonableness and prudence of the outages again in the reconciliation. She also noted that the outage projections could change following a Commission order in the company's IRP, Case No. U-21090.

C. CUB

CUB presented the testimony of two witnesses and Exhibits CUB-1 and CUB-2.

Matthew Bandyk is a consultant with 5 Lakes Energy LLC.¹¹ He addressed Consumers Energy's strategy for submitting day-ahead demand bids into the MISO market for all energy purchases except those related to the Ludington plant. He explained the bidding and settlement processes. He presented a formula for determining whether the company's over-projection or under-projection of demand in the day-ahead market resulted in a financial gain or loss. He reviewed the results of Consumers Energy's bidding strategy for the 22-month period January 2020 to October 2021. Based on his review, he concluded that Consumers Energy had a net gain on the transactions in each year, and for each of the 22 months except for the first three months of 2021. Mr. Bandyk characterized the company's bidding strategy as "overall successful,"¹² recommending that the Commission continue to scrutinize the results of the company's bidding, paying particular attention to the winter months.

¹¹ Mr. Bandyk's testimony is transcribed at 2 Tr 142-145; his qualifications are presented at 2 Tr 143 and in Exhibit CUB-1.

¹² 2 Tr 145.

Douglas B. Jester is a Partner of 5 Lakes Energy LLC.¹³ Mr. Jester addressed Consumers Energy's bidding strategy regarding the Ludington plant, describing the operation of this pumped storage facility, including the energy losses from pumping water to fill the reservoir compared to the energy generated. He testified that the value to ratepayers from operation of the plant requires the company to buy power to fill the reservoir when energy costs are low and to generate electricity when power costs are relatively higher. Specifically, he testified that the benefit of generating must exceed the cost of pumping plus the efficiency loss, which he characterized as "cost-effective dispatch." While recognizing that the company's operating plan for Ludington is consistent with this analysis, Mr. Jester expressed a concern that actual operating results for 2021 showed a significant difference between those actual results and the company's modeled results for 2022. He recommended that the Commission require the company to submit a more-detailed analysis of its operation of Ludington in either its next plan case or in the reconciliation for this case.

D. Rebuttal

Consumers Energy presented the only rebuttal, with Mr. Hahn testifying in response to the testimony of CUB witnesses. Regarding its bidding for MISO market supply, as addressed by Mr. Bandyk, Mr. Hahn testified that inaccuracy in demand bids is not the only determinant of the total transaction costs, which are also influenced by the total generation offered into the market and transmission constraints. He explained that Consumers Energy uses a load forecasting program to project its load, which is

¹³ Mr. Jester's testimony is transcribed at 2 Tr 146-162; his qualifications are presented at 2 Tr 148-152 and in Exhibit CUB-2. A confidential version of Mr. Jester's testimony is contained in the confidential record at 2 Tr 187-203.

then submitted into the day-ahead market, and stated that Consumers Energy does not seek to hedge the MISO LMP price volatility risk between the day-ahead and real time markets.¹⁴

Regarding Mr. Jester's recommendations, Mr. Hahn objected to a requirement to perform additional analyses. He first distinguished Consumers Energy's bidding from the actual dispatch decisions, which are made by MISO. He testified that MISO cannot both optimize the load cost and the generating price, explaining that Consumers Energy uses a third-party unit commitment program to optimize the Ludington pond level, based on updated load, LMP, and operating constraint forecasts for a seven-day period. He then explained that the net energy value focused on by Mr. Jester does not reflect the full value of Ludington to the company, because it has value as a capacity resource. He also disputed that Mr. Jester's comparison of 2021 actual results to 2022 projected results is valid, given different market conditions projected for 2022 than occurred in 2021. He then explained that PROMOD modeling looks at the differences between on-peak and off-peak LMPs to determine the potential for Ludington utilization.

III.

DISCUSSION

There are no disputes regarding the standards applicable to Consumers Energy's PSCR plan under MCL 460.6j. Among its other provisions, MCL 460.6j provides in subsections (6) and (7):

(6) In its final order in a power supply and cost review, the commission shall evaluate the reasonableness and prudence of the decisions underlying the power supply cost recovery plan filed by an electric utility

¹⁴ 2 Tr 71-72.
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under subsection (3), and shall approve, disapprove, or amend the power supply cost recovery plan accordingly. In evaluating the decisions underlying the power supply cost recovery plan, the commission shall consider the cost and availability of the electrical generation available to the utility; the cost of short-term firm purchases available to the utility; the availability of interruptible service; the ability of the utility to reduce or to eliminate any firm sales to out-of-state customers if the utility is not a multi-state utility whose firm sales are subject to other regulatory authority; whether the utility has taken all appropriate actions to minimize the cost of fuel; and other relevant factors. The commission shall approve, reject, or amend the 12 monthly power supply cost recovery factors requested by the utility in its power supply cost recovery plan. The factors shall not reflect items the commission could reasonably anticipate would be disallowed under subsection (13). The factors ordered shall be described in fixed dollar amounts per unit of electricity, but may include specific amounts contingent on future events.

(7) In its final order in a power supply and cost review, the commission shall evaluate the decisions underlying the 5-year forecast filed by a utility under subsection (4). The commission may also indicate any cost items in the 5-year forecast that, on the basis of present evidence, the commission would be unlikely to permit the utility to recover from its customers in rates, rate schedules, or power supply cost recovery factors established in the future.

Key elements of the company's plan are also not in dispute, as discussed in section A below. The only issue in dispute involves whether the Commission should require Consumers Energy to undertake the specific analyses described by Mr. Jester as part of the reconciliation process. This is discussed in section B.

A. Undisputed Issues

There is no dispute among the parties regarding the company's projected sales and peak demand forecasts, its coal, oil, or gas procurement plans or projected costs, its sorbent usage or cost projections, its PPA portfolio or projected PPA costs, its treatment of RRP or renewable energy portfolio costs, its MISO transmission and market administration expense, or its PSCR factor calculation. No party objected to the company's proposed operation of its generating plants other than Ludington. No party

objected to the company's five-year forecast, or called for a section 7 warning. As discussed below, CUB expressed a concern that Consumers Energy had failed to establish that its operation of the Ludington pumped storage plant would be reasonable and prudent in the plan year, and called for additional future analyses. No other issues were presented for resolution.

B. Ludington Operation

Consumers Energy purchases energy from the MISO market to fill the reservoir at the Ludington plant, and bids the generation into the MISO market. CUB argues that the Commission should require a thorough analysis of its purchase and bidding decisions based on Mr. Jester's testimony. Consumers Energy objects to the requirement, citing in particular Mr. Hahn's rebuttal testimony.

Mr. Jester presented an explanation of what he considered the ideal operation of Ludington, where pumping occurs at the lowest level of LMP prices and generation occurs at the highest level of LMP prices, with the additional caveat that the price differential is sufficient to cover the efficiency loss, which occurs because pumping the water to fill the reservoir consumes more energy than releasing the water can generate. Mr. Jester objected that Consumers Energy is projecting a significantly greater net revenue from Ludington operations in 2022 relative to its 2021 actual operations. He presented a comparison of the 2021 actual and 2022 forecast results in the confidential version of his testimony.¹⁵ He also presented a further comparison using the same calendar day in each year to illustrate his point graphically. For January 5, 2022, his graph shows Consumers Energy's LMP forecasts for the day, with pumping hours and

¹⁵ See confidential 2 Tr 198, lines 8-12 and confidential 2 Tr 200, lines 1-5.

generation hours marked based on the company's PROMOD modeling. For January 5, 2021, his graph shows the actual real-time LMP for the day, with actual pumping and generation hours marked. He explained the differences he observed from this comparison, focusing on the 2021 actual results:

As in Consumers Energy's PROMOD projection for 2022, pumping occurs during low price hours and generation occurs in high-price hours. Unlike in the results from the PROMOD model, the pumping and generating rates per hour are not uniform nor closely aligned to maximum pumping and generation rates of the Ludington Pumped Storage Plant. It is appropriate to note that it is possible under certain circumstances that pumping or generating at less than maximum rates is optimal, but those circumstances are not reflected in Consumers Energy's PROMOD modeling and cannot be discerned from the 2021 actual data available through discovery in this case.¹⁶

Comparing the average LMP prices in 2021 to the projected LMP prices for 2022, he concluded that the difference in observed 2021 results and projected 2022 results "was primarily due to differences between actual operations in 2021 and planned operations in 2022."¹⁷ He further concluded: "Thus, there is a strong indication that either Consumers Energy's dispatch of the Ludington Pumped Storage Plant is not cost-effective or that Consumers Energy's 2022 operational plan for the Ludington Pumped Storage Plant as reflected in PROMOD modeling is flawed."¹⁸

Mr. Jester testified that this record contains insufficient evidence to determine whether the company's operation of Ludington or its modeling of Ludington is flawed. He therefore recommended that the Commission require further analysis from Consumers Energy, including "a detailed presentation and analysis of Consumers Energy's offers to MISO and of MISO's instructions to Consumers Energy regarding

¹⁶ 2 Tr 158.

¹⁷ 2 Tr 159.

¹⁸ 2 Tr 159.

Ludington Pumped Storage Plant operations.”¹⁹ He called for disclosure and justification of the “established mathematical optimization technique” Consumers Energy uses in making its operational decisions, a comparison of its actual decisions to the results produced by this technique or algorithm, and disclosure of the input data for each decision analyzed. He recommended that Consumers Energy present this analysis either in its next plan case or in the reconciliation of this case, and also recommended that the company collaborate with Staff and intervenors on this analysis, along with DTE and MISO.²⁰ Regarding the need for the collaboration, he stressed the importance of Ludington to Consumers Energy’s and DTE’s system.

In his rebuttal, as noted above, Mr. Hahn objected to the proposed analysis. He confirmed that Consumers Energy offers its Ludington generation into the MISO market, stating that Consumers Energy’s strategy is to evaluate all generation units daily and offer the units into MISO’s day-ahead market at cost plus applicable adders. He emphasized that Consumers Energy does not dispatch the Ludington units, and further explained that MISO takes all the generation offers into its commitment program and optimizes the dispatch to serve the demand with the least cost option “accounting for transmission line constraints and energy losses.”²¹ He testified that Consumers Energy follows MISO’s setpoint signals dispatching the unit, unless the company experiences operating constraints that interfere.

Mr. Hahn further explained that because Ludington cannot be both a generation node and a load node, the company relies on a third-party unit commitment program.

¹⁹ 2 Tr 160.

²⁰ 2 Tr 161.

²¹ 2 Tr 72.

He explained that the daily generation output of this program is submitted to MISO “to allow MISO to optimize the Ludington generation as it does with all other generation in the MISO footprint,” while the commitment program’s hourly pumping schedule “is entered into MISO as a virtual transaction,” at MISO’s recommendation, so that Consumers Energy can receive the day-head LMP for the pumping energy.²² He further testified that the unit commitment program allows the company to optimize the reservoir level:

Every morning, the program is run with updated load forecasts, updated LMP forecasts, and updated operating constraints at the generation facilities for the next seven days. This timeframe allows the program to optimize the level of the Ludington pond as necessary to maximize the revenue for customers.²³

After explaining the company’s day-to-day approach for Ludington operations, Mr. Hahn testified that the net revenue through the MISO energy market only reflects a portion of the value Ludington provides, noting that it provides capacity used to meet the company’s capacity obligations and is part of its Clean Energy Plan.²⁴

Turning to Mr. Jester’s analysis, Mr. Hahn objected to his 2021 to 2022 comparison. He testified that market conditions were different in 2021 from the conditions that are projected for 2022, with a greater differential between peak and off-peak prices projected for 2022.²⁵ He testified that the greater projected differential leads to greater projected utilization, and also noted that in 2021, Ludington unit 3 was not working for the entire year and the pond was not operational for 42 days:

²² 2 Tr 73.

²³ 2 Tr 73.

²⁴ 2 Tr 73-74.

²⁵ 2 Tr 74-75.

Given the difference in forecast and actual on and off peak LMP spread, as well as forecast and actual plant maintenance schedules, I would expect to see an increase in utilization of Ludington for the 2022 forecast and no further analysis is necessary.²⁶

CUB addressed Mr. Hahn's rebuttal testimony in its brief, arguing that Consumers Energy's reliance on a third-party unit commitment program "does not mean the Ludington Pumped Storage Plant's operations are actually optimized," and reiterating that the difference in actual 2021 results and 2022 projected results "strongly indicates otherwise."²⁷ CUB contended that Mr. Jester "demonstrated that Consumers did not actually optimize operations of the Ludington Pumped Storage Plant in 2021," and further reasoned that this is sufficient to cast doubt on the accuracy of its 2022 projections. Focusing on the graphs Mr. Jester presented, CUB argued:

Witness Jester's figure illustrating Consumers' 2022 projected operations shows that pumping is maximized in close alignment with LMP valleys while generation is maximized in close alignment with LMP peaks. This is how one would expect an illustration of actual optimization to appear. In contrast, Witness Jester's figure illustrating Consumers' 2021 actual operations shows that pumping was not maximized during LMP valleys and that, while generation did occur during LMP peaks, it also occurred after LMPs fell.²⁸

In its brief, Consumers Energy reviewed Mr. Hahn's rebuttal testimony and argued that no evidence presented in this case calls into question the company's cost-effective operation of Ludington, and thus there is no reason to require the company to undertake the extensive analysis CUB calls for.²⁹ In its reply brief, the company again cited Mr. Hahn's testimony in arguing that the difference between 2021 actual and 2022 projected Ludington utilization does not provide a "strong indication" of any concerns

²⁶ 2 Tr 75.

²⁷ CUB brief, 6.

²⁸ CUB brief, 6-7.

²⁹ Consumers Energy brief, 13-15.

with the actual or projected Ludington operation.³⁰ Consumers Energy also addressed CUB's discussion of the two graphs depicting January 5, 2021 actual and January 5, 2022 projected operations. Consumers Energy first argued that CUB is implicitly validating the company's projected 2022 operation, which are the subject of this 2022 plan case. It then argued that questions regarding 2021 operations are properly raised in the reconciliation of the 2021 plan case, and further:

CUB's attempt to jumble distinct PSCR plan and reconciliation issues together in a single proceeding has resulted in CUB's unfounded conclusion that the difference between 2021 actual costs and 2022 forecast costs means there is likely something wrong - even though CUB is unable to identify what that something is.³¹

This PFD finds that the record does not support CUB's claim that a comparison of 2021 results with 2022 projections demonstrates a potential inefficiency in the company's operation of Ludington. Mr. Hahn explained the company's operation of Ludington at a general level, and CUB did not establish that its general approach is unreasonable or imprudent. While CUB contends that a review of the company's operational results on January 5, 2021, shows that the company did not optimize Ludington operations on that day, this PFD finds that the single-day comparison does not support that contention. CUB did not show that the company could have better forecasted the valleys or peaks shown in the chart, or that it had greater control over its dispatch on that day than reflected in the results. While Ludington is somewhat unique in that the costs to generate, i.e. the costs to pump up the reservoir, are also determined by the MISO market, it seems obvious that every generator offering supply

³⁰ Consumers Energy reply, 2.

³¹ Consumers Energy reply, 4.

into the MISO market would prefer to dispatch its energy supply at peak prices, just as purchasers would prefer to purchase at the lowest prices. There is no evidence to suggest that greater precision than reflected in the January 5, 2021 actual data was possible. While Consumers Energy must always justify its operational decisions in each reconciliation, this PFD does not find a basis on this record to require the analysis called for by CUB, either in the reconciliation or in the company's next plan.

IV.

CONCLUSION

For the reasons discussed above, this PFD finds that the Commission should approve the company's PSCR plan for 2022 and accept its five-year forecast. The company's new and amended PPAs should also be approved, to the extent they have not already been approved in other dockets.

MICHIGAN OFFICE OF ADMINISTRATIVE
HEARINGS AND RULES
For the Michigan Public Service Commission

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October 14, 2022
Lansing, Michigan

Sharon L. Feldman
Administrative Law Judge