

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter, on the Commission’s own motion, to)
 seek comments from rate-regulated electric, steam,)
 and natural gas utilities regarding potential utility)
 infrastructure improvements in the state of Michigan)
 from the federal funding available under the)
 Infrastructure Investment and Jobs Act of 2021:)
ALPENA POWER COMPANY, CONSUMERS)
ENERGY COMPANY, DETROIT THERMAL, LLC,)
DTE ELECTRIC COMPANY, DTE GAS COMPANY,)
INDIANA MICHIGAN POWER COMPANY,)
NORTHERN STATES POWER COMPANY, UPPER)
PENINSULA POWER COMPANY, UPPER)
MICHIGAN ENERGY RESOURCES)
CORPORATION, MICHIGAN GAS UTILITIES)
CORPORATION, and SEMCO ENERGY GAS)
COMPANY.)
 _____)

Case No. U-21227

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

On November 15, 2021, President Joseph Biden signed into law the federal Infrastructure Investment and Jobs Act of 2021 (IIJA), PL 117–58, 135 Stat 429. Among other things, the IIJA provides approximately \$550 billion in federal funding for infrastructure improvements including public utility infrastructure such as generation, clean energy transmission and deployment, electric vehicle (EV) infrastructure, grid reliability and resilience, energy efficiency, and cyber security.

The following represents a non-exhaustive list of grants, loan programs, federal funding, and assistance available under the IIA:

1. A grant program for the strategic deployment of accessible EV infrastructure, hydrogen fueling infrastructure, propane fueling infrastructure, and natural gas fueling infrastructure (IIA, Section 11401).
2. A grant program made available for efforts to enhance electric grid resiliency and decrease outages (IIA, Section 40101).
3. Funds made available to facilitate the construction of electric power transmission lines and related facilities (IIA, Section 40106).
4. Appropriation of additional funds to carry out the Smart Grid Investment Matching Grant Program to deploy Smart Grid technologies for the enhancement of grid flexibility (IIA, Section 40107).
5. Assistance to state regulatory authorities, industry stakeholders, and electric utilities with cyber security efforts, as well as providing incentives for cyber security technology investments (IIA, Sections 40121-40127).
6. Financial incentives to be made available to qualifying hydroelectric facilities pursuant to the Energy Policy Act of 2005, 42 USC 15881 *et seq.*, and pumped storage hydropower (IIA, Sections 40331-40334).
7. Appropriation of funds for qualifying energy storage demonstration projects, nuclear reactor demonstration projects, hydropower and marine energy projects, and renewable energy projects (IIA, Sections 41001, 41002, 41006, and 41007).

On March 1, 2022, the Commission received a request from Michigan Attorney General Dana Nessel and the Citizens Utility Board of Michigan (CUB) requesting that the Commission issue an order asking utilities and interested persons to file comments on available federal programs as they pertain to Michigan's regulated utilities. In its review of the IIA, the Commission agreed with Attorney General Nessel and CUB that there are numerous opportunities available under the new legislation for Michigan energy providers to take advantage of in their efforts to improve utility infrastructure that will in turn benefit ratepayers and the public interest as a whole.

On May 12, 2022, the Commission issued an order in the instant docket (May 12 order) expressing its interest in ensuring that the opportunities provided in the IIJA are realized and the benefits of this federal funding are maximized for utility customers in Michigan. As such, the Commission requested comments from the above-captioned rate-regulated utilities describing how they were considering and taking advantage of the various grants, loan programs, funds, and assistance available under the IIJA. The Commission invited other interested persons to file comments on opportunities available under the IIJA as well.

Comments were filed in response to the May 12 order and were summarized by the Commission in its August 23, 2022 order in the present case (August 23 order). In the August 23 order, the Commission directed each rate-regulated utility to provide an update on its efforts to obtain funding assistance under the IIJA in the docket for this case on a biannual basis. The Commission instructed that the first update should be filed no later than December 31, 2022; the second update should be filed no later than June 30, 2023; and biannual updates should be filed by December 31 and June 30 of every year thereafter until all applicable funding opportunities under the IIJA are closed to applications. *See*, August 23 order, pp. 17-18, 23-24. This order summarizes the December 31, 2022 biannual reports and provides guidance and direction as to the Commission's next steps and expectations for rate-regulated utilities regarding funding and assistance opportunities under the IIJA.

Reports

The Commission received biannual reports from Consumers Energy Company (Consumers); Northern States Power Company, a Wisconsin Corporation (NSP-W); SEMCO Energy Gas Company (SEMCO); DTE Electric Company (DTE Electric); Upper Peninsula Power Company

(UPPCo); Alpena Power Company (Alpena); Indiana Michigan Power Company (I&M); Detroit Thermal, LLC (Detroit Thermal); DTE Gas Company (DTE Gas); and Upper Michigan Energy Resources Corporation and Michigan Gas Utilities Corporation, jointly (UMERC and MGUC). All reports are available for public viewing in this docket and are therefore, only briefly summarized in this order.

1. Consumers Energy Company

Consumers states that it has developed a list of funding areas based on grant opportunities and viable projects. The company explains that it prioritized funding in the areas of hydroelectric improvements, system reliability and resiliency, and EVs. Consumers notes that it issued a request for proposals (RFP) in May 2022 for external consultant support to prioritize IJJA opportunities. In August 2022, Consumers selected consultants to identify a short-list of projects and develop business cases that articulate the costs and benefits for each project. Consumers states that the consultants will also prepare and submit grant applications on behalf of the company for selected projects. From August to September 2022, Consumers completed Phase 1 of its approach to IJJA work, “establishing an IJJA approach that aligned with the Company’s strategy, evaluating preliminary internal prioritization, identifying gaps in the shortlist, and sequencing a five-year strategic roadmap.” Consumers’ Biannual Report, p. 3. Between September and November 2022, Consumers completed Phase 2 of its approach: “defining investment details such as scope, cost, and resources; developing a benefits framework; and developing a regulatory and stakeholder engagement strategy.” *Id.* The company states that Phases 3 and 4 will be applying for grants and developing compliance and grant management, respectively, which will be updated in future reports. *Id.*

Consumers notes that it organized its investment opportunities into four main categories: Grid Reliability and Resilience, Clean Transportation, Energy Efficiency, and Renewables and Zero Carbon Generation. Consumers states that it submitted comments in response to requests for information (RFIs) from the United States Department of Energy (DOE) related to the Grid Resilience and Innovation Partnerships (GRIP) program and the Energy Improvements in Rural and Remote Areas (ERA) program. *Id.*, p. 4. Consumers contends that it also filed an answer to an RFI related to Renewables and Zero Carbon Generation. The company states that funding opportunities in the Grid Reliability and Resilience category and the Energy Efficiency category will be submitted in 2023, Clean Transportation applications will be submitted between 2023 and 2026, and Renewable Energy and Zero Carbon Generation opportunity applications will be submitted in 2023 and 2024. *Id.*, p. 5. Consumers avers that it is currently working to complete letters of intent associated with opportunities for Renewables and Zero Carbon Generation. *Id.*

Consumers states that it has begun to identify opportunities for federal grant programs related to hydroelectric projects and provided comments in response to an RFI from the DOE related to hydroelectric incentives programs. Consumers notes that it has identified 80 hydroelectric projects for evaluation. The company anticipates further guidance on hydroelectric opportunities in January to March of 2023. *Id.*, pp. 5-6.

Consumers states that some of the federal funding opportunities are limited to state or local government entities. As such, the company is looking to partner with the State of Michigan to reap the benefits of the IIJA. Consumers gives the example of Program 40103(b) of the IIJA. *Id.*, p. 6. The company states that Section 40103, under Title 1: Grid Infrastructure and Resiliency of the IIJA, covers electric grid reliability and resilience research, development, and demonstration. The company provides that this program is titled the Energy Infrastructure Federal Financial

Assistance Program and has potential benefits between \$50-\$250 million. *Id.*, p. 7. Consumers notes that utilities are not eligible for this program, but a state agency can apply for this grant. Consumers states that the Michigan Department of Environment, Great Lakes, and Energy (EGLE) has agreed to submit a concept paper for this opportunity. *Id.*

Consumers reiterates its concerns from its June 2, 2022 comments in this docket on regulatory accounting requests and approvals. Consumers states that it anticipates funding requests occurring outside of the regular ratemaking process. Consumers requests a more definitive pathway to regulatory accounting requests and approvals associated with funding from the IJA than that provided in the August 23 order. *See*, Consumers' Biannual Report, pp. 7-8.

2. Northern States Power Company

NSP-W states that its parent company, Xcel Energy Inc. (Xcel Energy), has been focused on identifying potential projects that may be a good fit for DOE programs, the technologies NSP-W is interested in that fit program descriptions, and partnerships that may be beneficial. NSP-W's Biannual Report, p. 2. NSP-W provides that Xcel Energy has submitted three concept papers to the DOE to indicate intent to pursue a full application including: (1) a description of a Midwest hydrogen hub pursuant to the Hydrogen Hub Program; (2) enhanced grid resiliency and hardening for extreme weather pursuant to the GRIP Program Topic 1, grid resilience utility and industry grants; and (3) smart grid technology deployment pursuant to the GRIP Program Topic 2, smart grid grants. *Id.* The company states that it has also provided letters of interest to DOE for the long duration energy storage program. NSP-W provides that it had not, however, submitted a full funding application pursuant to any of these programs of interest at the time of its report as the DOE application deadlines were forthcoming. *Id.*, p. 3.

NSP-W states that its general philosophy in pursuing DOE funding is to accomplish one of the following four objectives: (1) accelerate a project that the company is pursuing, (2) expand the scope of a project or program, (3) add new technology or a technology upgrade to a project, or (4) enable projects that the company might not otherwise pursue due to cost, lesser-known technology, uncertain or lower benefit/cost ratio, or other reasons. *Id.* The company provided a list of opportunities that it has pursued or will pursue. NSP-W states that it intends to continue coordinated efforts and engagement with technology vendors, host communities, state energy offices, state transportation and rail offices, regional transmission organizations, state regulatory commissions, workforce entities, and other public and private entities. *Id.*, p. 4.

3. SEMCO Energy Gas Company

SEMCO states that as of the time of its report it had not applied for any federal funding through the IIJA and no federal funding had been approved or awarded to SEMCO. The company states that it reviewed current, pending, and forecasted capital projects to determine whether or not funding should be pursued, and the company confirmed that these projects do not correspond with any IIJA grant opportunities. SEMCO notes that it conducted internal discussions to identify potential projects that would be eligible for IIJA grant opportunities including opportunities available to utilities and community partners. SEMCO asserts that it met with a grant writer regarding both the State of Michigan Low-Carbon Infrastructure grants and IIJA grants. *See*, SEMCO's Biannual Report, pp. 1-2.

4. DTE Electric Company

DTE Electric states that it has organized both an executive steering committee and a cross-functional program management office (PMO). DTE Electric's Biannual Report, p. 2. The company explains that the executive steering committee will evaluate business cases, provide

support, and oversee the process of applying for opportunities related to the IJA. According to DTE Electric, the PMO includes business unit subject matter experts, corporate support team members, and two external consultants. DTE Electric asserts that the PMO is responsible for evaluating IJA grants, exploring viable projects which align with IJA grants and company priorities, developing business cases for projects, and presenting proposals to the steering committee for approval. *Id.*, pp. 2-3.

DTE Electric provided an activity summary of its actions related to the IJA including its identified IJA opportunities, whether DTE Electric can apply for the grant directly or in partnership with an eligible applicant, and the status of these identified grant opportunities as of the time of the report. *See, id.*, p. 3. These actions are summarized below.

DTE Electric filed a letter of intent under Energy Storage Demonstration & Pilot Projects (Section 41001(a)) to build a five-megawatt flow battery at a coal plant to assess the option of replacing existing peaker units. The company is preparing an application to be filed by the March 3, 2023 deadline. DTE Electric's Biannual Report, p. 4.

DTE Electric notes that it submitted RFI responses to the DOE GRIP program under Smart Grid Grants (Section 40107) and Grid Resilience Grants (Section 40101(c)). The company's responses primarily requested clarification and provided recommendations to the draft funding opportunity announcements. DTE Electric states that it filed two concept papers—one to “add two adaptive networked microgrids to increase flexibility, efficiency, reliability, and resilience of the electric power system” and the other to expand a substation to full 13.2 kilovolts with full circuit conversion that will add capacity, will enable the adoption of distributed energy resources and EVs, and will increase accessibility to fast charging for light duty and commercial fleet EVs. DTE Electric's Biannual Report, p. 4. At the time of its report, the company notes that it was awaiting

DOE feedback and preparing its application to be filed by March 17, 2023, for the Smart Grid Grant and April 6, 2023, for the Grid Resilience Grant. DTE Electric's Biannual Report, p. 4.

DTE Electric states that it continues to partner with EGLE and the Michigan Office of Future Mobility and Electrification to support the National Electric Vehicle Infrastructure (NEVI) fund disbursement plan, which was federally approved on September 14, 2022. DTE Electric contends that it can apply for NEVI funds in 2023. *Id.*

DTE Electric notes that it provided advisory services to local transit authorities to support their applications under Section 30018 of the IJJA, Buses and Bus Facilities. According to the company, three transportation departments were awarded \$23 million for electric bus and facility upgrades in 2022. DTE Electric states that it will continue to support these agencies in the next round of applications in 2023. DTE Electric's Biannual Report, p. 4.

DTE Electric states that it conducted an outreach and education campaign for the United States Environmental Protection Agency's (EPA's) grant under the agency's Clean School Bus Program (Section 71101) that resulted in applications from 33 school districts in DTE Electric's service territory for a total of 207 electric buses. The company asserts that eight school districts in Consumers' service territory were awarded \$26 million to electrify 66 buses, with the remainder of the applications being waitlisted. DTE Electric states that it will continue its outreach for the second round of funds which are expected to be announced in fall 2023. DTE Electric's Biannual Report, p. 5.

DTE Electric contends that it partnered with multiple transportation departments to apply for projects that reduce carbon dioxide emissions from on-road vehicle sources under the Carbon Reduction Program (Section 11403). DTE Electric states that, in 2022, seven transport agencies were awarded \$6.6 million for projects including \$3.2 million for Suburban Mobility Authority for

Regional Transportation to deploy three electric buses and chargers at their Macomb County facility. DTE Electric states that it will continue to support transportation departments.

Applications for the next funding round were due February 10, 2023. DTE Electric's Biannual Report, p. 5.

DTE Electric asserts that it supported an engineering firm's Carbon Storage (Section 40305) grant application to drill a test well in southeast Michigan to assess the geology for carbon storing. DTE Electric states that the team is currently awaiting the award announcement. DTE Electric's Biannual Report, p. 5.

According to DTE Electric, it met with EGLE in July 2022 to discuss the Resilience for States and Tribes (Section 40101(d)) section, under Preventing Outages and Enhancing Resilience of the Electric Grid in the IJJA. DTE Electric states that the State of Michigan is the primary applicant for this grant opportunity and the State of Michigan is working on its application due in March 2023. DTE Electric's Biannual Report, p. 5.

DTE Electric notes that it participated in exploratory sessions for statewide innovative partnerships with the Commission Staff (Staff) and EGLE for the Grid Innovation Program (Section 40103(b)). At the time of its report, DTE Electric was working with the Staff and EGLE to file a concept paper by the January 13, 2023 deadline. DTE Electric's Biannual Report, p. 5.

DTE Electric states that it met with the Bureau of Community Action and Economic Opportunity to discuss the State of Michigan's Weatherization Assistance Program and to collaborate on additional organizations who might participate under the Weatherization Section (Section 40551) of the IJJA. The company hosted an educational seminar for community action

agencies and non-profit organizations to share an IJJA overview and discuss potential ways to combine IJJA grants with existing DTE Electric programs. DTE Electric's Biannual Report, p. 5.

DTE Electric asserts that it analyzed Carbon Capture Demo Projects (Section 41004) and decided not to pursue this opportunity at this time as the company posits there is no clear regulatory path to recover costs. DTE Electric's Biannual Report, p. 5. DTE Electric also notes that it analyzed Enabling Middle Mile Broadband opportunities (Section 60401) and decided not to pursue them at this time to prioritize opportunities more closely aligned with the company's normal business operations. DTE Electric's Biannual Report, p. 6.

DTE Electric states that some grants have a cost-sharing or cost-matching requirement. The company contends that, if awarded a grant, the prime recipient of the grant is legally responsible for paying the entire cost share and would be required to provide written assurance of its proposed cost-share contributions in its application. DTE Electric asserts that based on grant requirements, the cost of these projects may be considered in existing rates, may be an acceleration of a project, or may be above what is considered in existing rates. The company states that additional projects may require DTE Electric to submit an *ex parte* filing to receive the Commission's determination on the cost to support the grant, with the complete cost recovery to be determined in a future contested case proceeding. *Id.*

5. Upper Peninsula Power Company

UPPCo states that the company has not yet applied for federal funding through the IJJA, and no federal funding has been approved or awarded to UPPCo. The company notes that it reviewed capital project plans to determine whether or not funding should be pursued. UPPCo asserts that it conducted internal discussions to identify potential projects that would be eligible for IJJA grant opportunities including opportunities available to utilities and eligible joint recipients. UPPCo

also notes that it participated in discussions with the Michigan Electric and Gas Association pertaining to IIJA funding opportunities. UPPCo asserts that it met with local community action organizations to discuss IIJA grant opportunities. According to UPPCo, it is primarily interested in pursuing and further evaluating assistance opportunities related to energy efficiency and weatherization. *See*, UPPCo’s Biannual Report, pp. 1-2.

6. Alpena Power Company

Alpena states that the company has not yet applied for federal funding through the IIJA and no federal funding has been approved or awarded to Alpena. The company asserts that it reviewed capital project plans to determine project eligibility and whether funding opportunities should be pursued. Alpena notes that it conducted internal discussions to identify potential projects that would be eligible for IIJA grant opportunities. Alpena states that the company is interested in further evaluating assistance opportunities related to enhanced grid security, preventing outages and enhancing grid resilience, energy efficiency, and EV charging infrastructure. *See*, Alpena’s Biannual Report, pp. 2-3.

7. Indiana Michigan Power Company

I&M organized its report into two sections: (1) “formulaic” funding that is available to eligible entities, such as federal and state agencies, cities, and communities, which is based on need or population size; and (2) “competitive” funding that is award and application based. Competitive funding opportunities are available to both private and public entities. I&M’s Biannual Report, p. 2.

Under formulaic funding, I&M states that it is an eligible sub-grantee for funding from Grid Resilience Formula Grants to States and Tribes (Section 40101(d)) under the IIJA. I&M provides that the deadline for States and Tribes to submit applications to the DOE for this grant was

extended to March 31, 2023. I&M's Biannual Report, pp. 2-3. I&M outlines the three grant program areas under the Energy Efficiency and Conservation Block Grant Program (EECBG): (1) Weatherization Assistance, (2) Energy Efficiency and Conservation Block Grant, and (3) Energy Efficiency and Renewable Energy Improvements at Public School Facilities. *Id.*, pp. 3-4. I&M states that it is developing plans in collaboration with Southwest Michigan Community Action Agency to determine how EECBG funds would benefit Michigan customers. *Id.*

Regarding competitive funding, I&M has taken action on the funding opportunities outlined below. I&M states that it is eligible to be a direct recipient of Grid Resilience Grants (Section 40101(c)) and Smart Grid Grants (Section 40107) through the GRIP program. I&M's Biannual Report, p. 6. I&M states that its parent company, American Electric Power Company, Inc. (AEP), submitted concept papers on behalf of the company on December 16, 2022, as a first step in the application process. *Id.* I&M notes that its nine concept papers for Topics 1 and 2 of the GRIP program include:

Distribution Automation Circuit Reconfiguration, Non-Wires Alternatives, Advanced Distribution Management System, Distributed Energy Resource Management System, Underground Distribution Initiative, Fiber Distribution, Advanced Vegetation Management, Transmission Line Asset Renewal, and Distribution Replacements. These projects [sic] areas include specific projects that target disadvantaged communities (including Justice40 areas) and rural areas located within I&M's Michigan service territory.

Id. I&M elaborates that the Non-Wires Alternatives project contemplates utility battery installations in both rural and disadvantaged communities that can improve grid reliability and resiliency. I&M states that the DOE is expected to respond to the company's concept papers in February 2023 and, as stated above, applications for Topic 1 (Grid Resilience Grants) are due April 6, 2023, and applications for Topic 2 (Smart Grid Grants) are due March 17, 2023. *Id.*

I&M states that AEP submitted two non-binding, non-evaluative letters of intent before the December 22, 2022 deadline for Long Duration Energy Storage Projects. Full applications for these projects are due March 3, 2023. *Id.*, p. 7.

In addition to the competitive projects outlined above, for which I&M has completed actions, the company is interested in several upcoming program opportunities. I&M notes that it submitted a response, in partnership with other parties and utilities, to the DOE's RFI on Energy Improvements in Rural or Remote Areas (Section 40103(c)) of the IIJA. I&M expects that the DOE will announce a funding opportunity to solicit project proposals in 2023. I&M's Biannual Report, pp. 7-8.

I&M plans to serve as an advisor to the Midwestern Hydrogen Coalition to collaborate on and develop regional clean hydrogen hubs with six other states. I&M states that the application deadline for the grant and cooperative agreement is April 7, 2023. *Id.*, p. 8.

I&M plans to apply to the Grid Deployment Office of the DOE for Hydropower Initiatives (Sections 40331-40333 of the IIJA and Section 247 of the Federal Energy Policy Act of 2005) for a Section 247 incentive payment for dam safety-related capital projects completed at I&M's Mottville hydroelectric plant in 2022. I&M notes that Section 247 incentives will be administered over fiscal years 2022 and 2023. I&M's Biannual Report, p. 8.

I&M encourages the Commission to consider establishing an expedited approval process for IIJA-related projects. I&M explains that IIJA funds are matching funds, with half of an approved project's costs paid by grant funds and the balance paid for by utility funds. For the GRIP program, I&M states that the IIJA has cost-sharing provisions, and recipients are expected to contribute up to 50% of project costs. I&M further provides that if a grant is awarded, the grantee has 60 days from the award to accept the award. To meet this timeline, I&M recommends that the

Commission expedite approval of IJJA projects to provide reasonable assurance to utilities that significant investment commitments will be supported and recoverable. I&M's Biannual Report, pp. 8-9.

8. Detroit Thermal, LLC

Detroit Thermal states that the company has not yet applied for federal funding through the IJJA and no federal funding has been approved or awarded to Detroit Thermal. The company states that it reviewed current, pending, and forecasted capital projects to determine whether funding should be pursued. Detroit Thermal notes that it conducted internal discussions to identify potential projects that would be eligible for IJJA grant opportunities. Detroit Thermal asserts that it discussed IJJA funding opportunities with representatives of the State of Michigan's executive branch and agencies. Detroit Thermal's Biannual Report, p. 1.

9. DTE Gas Company

DTE Gas states that the company has not yet applied for federal funding through the IJJA and no federal funding has been approved or awarded to DTE Gas. DTE Gas contends that through its assessment of IJJA grant opportunities, it has concluded that all opportunities the company would pursue apply to DTE Electric. However, DTE Gas is pursuing funding through the State of Michigan's Low Carbon Energy Infrastructure Enhancement and Development Grant. DTE Gas submitted five projects to expand natural gas service across Michigan. The company notes that the total grant funding requested was \$26.2 million. DTE Gas's Biannual Report, p. 2.

10. Upper Michigan Energy Resources Corporation and Michigan Gas Utilities Corporation

UMERC and MGUC filed their biannual update jointly as subsidiaries of WEC Energy Group Inc. (WEC). The companies state that WEC assembled a team and hired two consultants to examine potential opportunities under the IJJA for its operating utilities and service territories.

UMERC's and MGUC's Biannual Report, p. 2.¹ UMER and MGUC state that they continue to monitor ongoing efforts of the Commission and EGLE to pursue grants under Section 40103(b) of the IJA for the benefit of the companies' Michigan customers. UMER's and MGUC's Biannual Report, p. 3.

UMERC and MGUC are evaluating four concepts. First, the companies are evaluating electrification and clean energy with a residential focus. Specifically, the UMER and MGUC are assessing whether to upgrade low-income household panels from 60 ampere (amp) to 200 amp service with energy waste reduction measures, whether to strategically underground overhead lines in areas of high outages, and whether to offer a utility rebate program to install distributed energy generators and storage. Second, UMER and MGUC are considering installing charging hubs by installing distributed energy generators and storage to existing charging stations and planning public EV charging stations. Third, the companies are evaluating statewide light detection and ranging, or Lidar, for vegetation management. Finally, UMER and MGUC are considering community resilient hubs including demand-side energy resources, generators, storage, and microgrids. UMER and MGUC state that they have maintained active engagement to identify potential funding for programs related to: energy efficiency; electric distribution grid infrastructure, resilience, and reliability; EV charging infrastructure; utility solar generation; utility battery storage; physical and cyber security; renewable natural gas/hydrogen projects; and natural gas expansion. *Id.*, pp. 3-4.

UMERC and MGUC reiterate their request from their June 2, 2022 comments in this docket that the Commission be mindful that IJA grants are not likely to cover the full cost of the

¹ As UMER's and MGUC's report is unpaginated, all citations reference the pages in natural order.

programs Michigan utilities seek to pursue. The companies state that it is likely that utilities will need to seek cost recovery for a portion of the capital and associated maintenance costs for projects. UMERC and MGUC recommend that the Commission be constructive in evaluating utility requests for approval of capital investments, programs, and other proposals made in response to the IJA. UMERC's and MGUC's Biannual Report, p. 4.

Discussion

The Commission thanks the rate-regulated utilities for providing insight into actions taken in response to the new IJA legislation. The Commission recognizes the time and efforts of the companies in conducting their own review and analyses of the IJA and the numerous funding and assistance opportunities available thereunder. The Commission also appreciates the participation of the numerous state agencies; host communities; state, regional, and local transportation offices; transmission organizations; and other public and private entities that collaborated in actions taken to provide communities and ratepayers the full range of benefits provided under the IJA.

The Commission shall continue its coordination with utilities, stakeholders, other state, federal and tribal agencies, and private industry to ensure that opportunities under the IJA are realized. The Commission continues to partner with EGLE on the formula grant program opportunity in Section 40101(d) of the IJA for Preventing Outages and Enhancing the Electric Reliance of the Electric Grid as well as the competitive grant opportunity under Section 40103(b), Grid Resilience Innovation Partnerships. Michigan is expected to be awarded up to \$7,448,757² for fiscal year

² See, DOE's Allocation of Funds Under the IJA Section 40101(d) – Formula Grants to States and Indian Tribes for Preventing Outages and Enhancing the Resilience of the Electric Grid, <https://netl.doe.gov/sites/default/files/2023-01/40101d%20Formula%20Grant%20Allocations%20-%20ALRD%20Amendment%200004.pdf> (accessed February 10, 2023).

2023 for projects that improve the reliability and resilience of the electric grid through its formula funding allocation. In collaboration with other state agencies, the Commission will continue to share funding information with eligible entities, facilitate collaborative partnerships as applicable, and focus on implementation efforts to leverage these and other related funds.

With these ongoing efforts in mind and acknowledging that the programs contained within the IJJA are widespread and evolving, the Commission requests that the upcoming June 30, 2023 biannual reports cite which individual programs are being applied for and what stage of the granting process that application is in (i.e. funding opportunity announcements, RFIs, concept paper, awards, etc.). Additionally, given the breadth of programs under the IJJA, the Commission requests that transmission organizations, including American Transmission Company LLC; American Electric Power Company; Wolverine Power Supply Cooperative, Inc.; Xcel Energy; and the two subsidiaries of ITC Holdings Corp., Michigan Electric Transmission Company, LLC, and International Transmission Company, file similar biannual reports on a voluntary basis on the schedule established for rate-regulated utilities. Finally, the Commission recognizes that gas and steam utilities have not had an opportunity to pursue funding in the six months since the August 23 order. The Commission appreciates the participation of these utilities and recognizes that opportunities for steam and electric utilities to seek funding under the IJJA will likely be forthcoming.

On August 16, 2022, subsequent to the Commission's May 12 order, President Biden signed into law the federal Inflation Reduction Act of 2022 (IRA), PL 117-169, 136 Stat 1818. Among other things, the IRA includes: new and extended clean energy investment and production tax credits, extended biofuel incentives, clean vehicle tax credits, carbon capture and sequestration tax credits, extended residential clean energy tax credits, new and extended tax credits for energy

efficiency home improvements, tax credits for solar and wind in low-income communities, assistance programs for the adoption of clean energy and improved resiliency in rural electric systems, grants for the siting of interstate electricity transmission lines, and increased authority for DOE loan programs. The Commission understands that funding opportunities under the IRA are ongoing and that, as more details from federal agencies are released in funding-opportunity announcements, utilities will better understand the requirements and processes for obtaining funding and assistance. With that said, the Commission finds that updates regarding any further action taken by utilities and stakeholders to apply for funding under the IRA would be informative should a utility seek cost recovery for any project deployed pursuant to the IRA. The Commission encourages rate-regulated utilities to explore these funding opportunities as applicable and directs each rate-regulated utility to provide an update of its efforts to obtain funding assistance under the IRA in this docket on a biannual basis as part of its biannual IJA report.

The next update shall be filed no later than June 30, 2023, with the second update filed no later than December 31, 2023.³ Biannual updates shall be filed on June 30 and December 31 of every year thereafter until further order by the Commission or until all applicable funding opportunities under the IJA and IRA are closed to applications. These reports shall include a narrative summary of which opportunities were applied for, which were approved and awarded funding, and others which may be in process. Understanding that there may be certain commercially sensitive or proprietary information contained with certain applications, utilities may redact or file such information under seal as necessary. The Commission encourages utilities to file as much

³ December 31, 2023, is a Sunday and, therefore, the updates may be filed no later than the following business day (i.e., January 2, 2024, since January 1, 2024, is a state legal holiday). *See*, MCL 8.6.

information as possible to allow the Commission to be constructive in evaluating utility programs and other proposals made in response to the IJJA and IRA.

Several reports emphasized the need for the Commission to consider cost recovery of potential cost sharing expenses incurred for IJJA projects. As the Commission has stated, cost recovery is understandably a prominent consideration for utilities in deciding which IJJA projects to pursue. It bears repeating that the Commission is aware that some cost-sharing on the utility's part may be necessary to receive grants or funding. As stated in the August 23 order, the Commission will consider requests for recovery of expenses that are incurred with respect to IJJA and IRA funding. The Commission encourages utilities to pursue all available opportunities. Through this docket, Commission is tracking the efforts of the utilities to obtain federal funding through IJJA and IRA opportunities. The leveraging of federal funding will inevitably improve the reasonableness of an investment by reducing the impact of the investment on Michigan ratepayers. However, the Commission emphasizes that all cost recovery determinations are subject to a review for reasonableness and prudence that will be reserved for a contested proceeding such as a future general rate case. The availability of federal funding does not obviate the Commission's responsibility to provide the opportunity for notice and hearing prior to the amendment of any rate that will result in an increase of cost of service to customers. *See*, MCL 460.6a(3). The Commission remains amenable to considering cost recovery for reasonably and prudently incurred expenses that deliver tangible benefits to utility customers as determined on a case-by-case basis.

As stated in the August 23 order, the Commission will use best efforts to make determinations on regulatory accounting requests and approvals for pilot programs outside of the normal ratemaking proceeding on an expedited basis. As is currently permitted under the Commission's regulatory framework, rate-regulated utilities may file requests for regulatory accounting

treatment, including *ex parte* requests for regulatory assets and deferral authorization, as well as pilot program approvals of IIJA-related projects and IRA-related funding in newly opened individual dockets. The Commission emphasizes that it will use best efforts to make a determination on such requests within 90 days from the date of filing, or within a timeframe required by a grant process if shorter than 90 days. Approval of any regulatory accounting treatment request or pilot program, however, does not bind the Commission to a particular course of action in a future proceeding, and cost recovery determinations subject to a review for reasonableness and prudence will be reserved for a contested proceeding such as a future general rate case.

THEREFORE, IT IS ORDERED that:

A. The instant docket, Case No. U-21227, shall remain open as a repository to allow for filings from the above-captioned rate-regulated utilities and other interested stakeholders to update the Commission on actions taken relevant to obtaining funding or assistance opportunities pursuant to the federal Infrastructure Investment and Jobs Act of 2021 and the federal Inflation Reduction Act of 2022. Each rate-regulated utility shall file in this docket on a biannual basis an update of its efforts relating to actions taken to obtain funding or assistance opportunities pursuant to the federal Infrastructure Investment and Jobs Act of 2021 and the federal Inflation Reduction Act of 2022. The next biannual update shall be filed no later than June 30, 2023. Biannual update reports filed by rate-regulated utilities shall include a narrative summary of which opportunities were applied for including citations to individual programs for which the utility applied and what stage of the granting process that application is in, which were approved and awarded funding, and others which may be in process. Biannual updates shall be filed on December 31 and June 30 of

every year thereafter until further order by the Commission or until all applicable funding opportunities under the federal Infrastructure Investment and Jobs Act of 2021 and the federal Inflation Reduction Act of 2022 are closed to applications.

B. The Commission encourages each of the named transmission companies within this order to file in this docket on a biannual basis an update of its efforts relating to actions taken to obtain funding or assistance opportunities pursuant to the federal Infrastructure Investment and Jobs Act of 2021 and the federal Inflation Reduction Act of 2022.

C. Rate-regulated utilities may file requests for approval of pilot programs, accounting treatment, or other similar requests related to funding and assistance opportunities pursuant to the federal Infrastructure Investment and Jobs Act of 2021 and the federal Inflation Reduction Act of 2022. The Commission will utilize best efforts to make a determination on any such request within 90 days from the date of filing.

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

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, under MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel. Electronic notifications should be sent to the Executive Secretary at mpscedockets@michigan.gov and to the Michigan Department of 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 February 23, 2023.

Lisa Felice, Executive Secretary

PROOF OF SERVICE

STATE OF MICHIGAN)

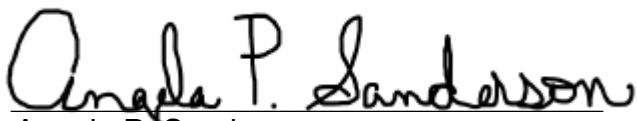
Case No. U-21227

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 23rd 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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Realgy Energy Services

Santana Energy

Santana Energy

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Stephenson Utilities Department

Superior Energy Company

Texas Retail Energy, LLC

Thumb Electric Cooperative

Upper Michigan Energy Resources Corporation

Upper Peninsula Power Company

Upper Peninsula Power Company

Village of Baraga

Village of Clinton

Volunteer Energy Services

Wabash Valley Power

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Wood, Amanda

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Xcel Energy