

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission’s own motion,)	
to open a docket for load serving entities in)	
Michigan to file their capacity demonstrations for)	Case No. U-21393
the 2027/2028 planning year as required by)	
MCL 460.6w.)	
_____)	
)	
In the matter, on the Commission’s own motion,)	
to open a docket for load serving entities in)	
Michigan to file their capacity demonstrations for)	Case No. U-21775
the 2028/2029 planning year as required by)	
MCL 460.6w.)	
_____)	

At the August 22, 2024 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Daniel C. Scripps, Chair
 Hon. Katherine L. Peretick, Commissioner
 Hon. Alessandra R. Carreon, Commissioner

ORDER

Background and Procedural History

Public Act 3 of 1939, as amended by Public Act 341 of 2016 (Act 341), MCL 460.6w(8), requires each electric utility, alternative electric supplier (AES), cooperative electric utility, and municipally owned electric utility to demonstrate to the Commission, in a format determined by the Commission, that each load serving entity (LSE) owns or has contractual rights to sufficient

capacity to meet its capacity obligations as set by the appropriate independent system operator (ISO), or the Commission, as applicable.¹ This is known as a state reliability mechanism (SRM) capacity demonstration.

Regulated electric utilities' capacity demonstration filings are due by December 1 each year; filings by AESs, cooperatives, and municipally owned electric utilities are due by the seventh business day in February each year. MCL 460.6w(8)(a)-(b). However, the Commission may adjust these dates to ensure proper alignment with the ISO's procedures and requirements. MCL 460.6w(10). In the September 15, 2017 order in Case No. U-18197 (September 15 order), the Commission adopted a format for the capacity demonstration filings required by MCL 460.6w(8), including templates for reporting and for affidavits.² Each year, the Commission opens a docket for the purpose of receiving those filings, and sets due dates for the filings and for the Commission Staff's (Staff's) report providing an analysis of the sufficiency of each LSE's capacity demonstration.

In the July 26, 2023 order in Case Nos. U-21225 *et al.* (July 26 order), the Commission opened the docket in Case No. U-21393 for the purpose of receiving the LSEs' capacity

¹ MCL 460.6w(12)(a) defines the appropriate ISO as the Midcontinent Independent System Operator, Inc. (MISO). MCL 460.6w(11) also states that "nothing in this act shall prevent the commission from determining a generation capacity charge under the reliability assurance agreement, rate schedule FERC [Federal Energy Regulatory Commission] No. 44 of the independent system operator known as PJM Interconnection, LLC [PJM]."

² The filing requirements have been slightly modified in the intervening years. *See*, September 13, 2018 order in Case No. U-20154. In the March 17, 2019 order in Case No. U-20154, the Commission also approved a protective order for use with capacity demonstration filings. That protective order may also be used in Case No. U-21775 for the 2028/2029 capacity demonstration.

demonstrations for the 2027/2028 planning year (PY).³ The Commission adjusted the capacity demonstration filing dates as permitted under MCL 460.6w(10) and directed larger investor-owned utilities (IOUs)⁴ to file by February 15, 2024; smaller IOUs to file by March 1, 2024; and AESs, cooperatives, and municipally owned utilities to file by March 15, 2024. The Commission also directed the Staff to file its analysis of the demonstrations no later than May 10, 2024. On January 18, 2024, the Commission issued an order in Case No. U-21393 (January 18 order) in response to a joint petition filed by DTE Electric Company (DTE Electric) and Consumers Energy Company (Consumers) extending the filing deadline for larger IOUs from February 15, 2024, to February 22, 2024. January 18 order, p. 3.

In compliance with MCL 460.6w and the July 26 order, all LSEs required to file capacity demonstrations by the directed deadlines have filed and, on May 10, 2024, the Staff filed its Capacity Demonstration Results: The Planning Year 2027/28 report (Staff Report). This order summarizes the Staff Report, addresses recommendations therein, and opens a new docket, Case No. U-21775, for the receipt of capacity demonstration filings for the 2028/2029 PY.

The Commission Staff Report

To begin, the Staff notes in its Executive Summary that the 2027/2028 PY was the first year that LSEs had to demonstrate capacity for each of the four seasons using the different seasonal obligations set by MISO. The Staff then explains that, as part of its pre-capacity demonstration

³ MCL 460.6w(8)(a) states that if an SRM is to be established, the Commission shall require each electric utility to demonstrate by December 1 of each year that “for the planning year beginning 4 years after the beginning of the current planning year” the utility owns or has contractual rights to sufficient capacity to meet its load obligations. Thus, the statute requires the capacity demonstrations for four years out from the year the capacity demonstrations are required to be filed. As such, the capacity filings in Case No. U-21393 cover the 2027/2028 PY.

⁴ A large IOU is considered to be an electric utility with one million customers or more, and a smaller IOU is considered to be an electric utility with less than one million customers.

process, it consulted with several LSEs to discuss the requirements of the capacity demonstration process.

Turning to the capacity demonstration filings, the Staff states that by February 22, 2024, DTE Electric and Consumers filed capacity demonstrations; by March 1, 2024, Alpena Power Company, Indiana Michigan Power Company (I&M), Northern States Power Company, Upper Michigan Energy Resources Corporation, and Upper Peninsula Power Company filed capacity demonstrations; and by March 15, 2024, Calpine Energy Solutions, LLC., City of Escanaba, City of Stephenson, City of Wakefield, Cloverland Electric Cooperative (Cloverland),⁵ CMS ERM Michigan LLC, Constellation NewEnergy Inc., Croswell Light and Power, Daggett Electric Department, Direct Energy Services LLC, Energy Harbor, LLC, Just Energy Solutions, Inc., the Michigan Public Power Agency, Michigan South Central Power Agency, Newberry Water and Light Board, Thumb Electric Cooperative, Union City Electric Department, UP Power Marketing, Wolverine Power Supply Cooperative, Inc. (Wolverine), and WPPI Energy filed capacity demonstrations. Bayfield Electric Cooperative, Inc. filed its capacity demonstration on March 19, 2024; however, its late filing was accepted. The Staff states that all LSEs were able to procure capacity necessary to demonstrate compliance in all four seasons of the 2027/2028 PY. The Staff notes that several AESs filed letters in the docket indicating that they are currently not serving customers in Michigan and, therefore, did not make a capacity demonstration filing. The Staff Report also details that Energy International Power Marketing, a non-serving AES, did not

⁵ Subsequently, on March 18, 2024, Cloverland filed a letter in the instant docket asking for its capacity filing to be removed to allow the company to file a corrected capacity demonstration under seal. Also, on March 18, 2024, Cloverland filed a public capacity demonstration report. On April 24, 2024, Cloverland then filed a corrected public capacity demonstration report and corrected appendices to the report that were filed under seal.

file such a letter but had previously done so in the Case No. U-21225 capacity demonstration docket.

The Staff explains that it audited each capacity demonstration filing and requested more information when necessary. Per the Staff Report, each filing included the demonstration for the required compliance year (2027/2028 PY), most filings included an update for the 2024/2025 PY, and most filings complied with the Commission's directive in the July 26 order for LSEs to include data for the prompt year (2024/2025 PY) and interim years (2025/2026 PY and 2026/2027 PY) in their capacity demonstrations. In the cases of municipal and cooperative utilities that provided only the compliance year, the Staff states that it was able to estimate the amount of capacity available for the prompt and interim years. The Staff recommends that the Commission continue to require LSEs to include updated prompt and interim year capacity obligation and resource obligation information in future filings as this information aids the Staff in tracking changes to load and resources and in projecting the zonal resources adequacy more accurately. Staff Report, p. 6.

The Staff also gives an overview of zonal adequacy for Michigan, which contains load that spans two regional transmission organizations (RTOs), MISO and PJM, with the majority of the state's load located in MISO's footprint. Beginning with MISO resource adequacy, the Staff explains that Michigan LSEs serve load in MISO local resource zones (LRZs or zones) 1, 2, and 7.⁶ The Staff then explains MISO's resource adequacy construct as follows:

MISO establishes capacity obligations for all LSEs based on peak load forecasts and a planning reserve margin percentage necessary to meet the North American Electric Reliability Corporation's (NERC) Loss of Load Expectation (LOLE) standard of 1 day in 10 years. LSEs within MISO can meet their capacity

⁶ The majority of the Lower Peninsula falls into Zone 7, with the exception of the southwest corner that is located within PJM's territory. The majority of the Upper Peninsula falls within Zone 2, with the exception of a small area in the most western area that falls into Zone 1.

requirements either through a Fixed Resource Adequacy Plan (FRAP) or through the Planning Resource Auction (PRA). The PRA is a residual market for LSEs that choose not to use the FRAP or do not have enough capacity resources, either owned or purchased bilaterally, to satisfy their capacity obligations, and thus need to purchase additional resources.

Within MISOs [sic] resource adequacy construct, the Planning Reserve Margin Requirement [PRMR] and the LCR [local clearing requirement] must be satisfied to meet the LOLE. The PRMR is determined through LOLE modeling based on the coincident MISO peak forecast and resources adjusted as necessary to meet the standard. PRMR resources are not location specific, i.e. they can come from outside an LSE's zone. Individual LSEs are responsible for their own share of the zone's PRMR. The ability to use imports to meet PRMR makes it likely all zones will meet this requirement. Failure to meet PRMR would only occur if there were not enough resources available within all of MISO's footprint.

Staff Report, p. 8.

Explaining the LCR further, the Staff states that the LCR is the minimum required capacity to be located within a zone to meet the LOLE standard, while accounting for the zone's ability to import. The LCR is for the entire zone, not an individual LSE. The Staff notes that, at this time,

there is no LCR requirement under MCL 460.6w applicable to individual LSEs in Michigan.⁷

The Staff explains that typically the zonal import ability (ZIA) is equal to the zone's capacity import limit, but that this year, the ZIA is 10 megawatts (MW) lower for Zone 7 in the summer

⁷ MCL 460.6w(8) requires an LCR as part of the SRM capacity demonstrations. In the September 15 order, the Commission indicated that it would open a contested case to establish the LCR for future capacity demonstrations beginning in 2022 and beyond. September 15 order, pp. 40-42. This order was appealed on two grounds: (1) that the Commission lacked the authority to impose an LCR on individual providers, and (2) that if the Commission has the authority, it must implement the LCR pursuant to a rulemaking under the Administrative Procedures Act of 1969 (APA), MCL 24.201 *et seq.* While the September 15 order was on appeal, the Commission issued an order in Case No. U-18444 establishing a methodology to apply the LCR to individual energy providers. June 28, 2018 order in Case No. U-18444, pp. 122-131. On September 13, 2018, the Commission issued an order granting a motion for stay in Case No. U-18444, putting a hold on the implementation of the LCR pending the outcome of the appeal of the September 15 order. September 13, 2018 order in Case No. U-18444, pp. 9-13. The Michigan Court of Appeals subsequently ruled that the Commission did not have the authority under Act 341 to impose an LCR on individual providers. *In re Reliability Plans of Electric Utilities for 2017-2021*, 325 Mich App 207, 221; 926 NW2d 584 (2018). The Court of Appeals did not address the second point of the appeal, which was that if the Commission did have such authority, the LCR requirement should be implemented through a rulemaking pursuant to the APA. The Michigan Supreme Court reversed the Court of Appeals, finding that the Commission does have the authority pursuant to MCL 460.6w to impose an LCR on individual providers and remanded the case to the Court of Appeals for further review to determine the Commission's compliance with the APA in imposing the LCR. *In re Reliability Plans of Electric Utilities for 2017-2021*, 505 Mich 97, 102; 949 NW2d 73 (2020). On December 3, 2020, the Court of Appeals issued an unpublished per curiam opinion finding that the September 15 order (imposing an LCR on AESs individually in Case No. U-18197) did not equate to administrative rules in violation of the APA and did not exceed the Commission's authority granted by the Legislature.

Energy Michigan, Inc. (Energy Michigan) and the Association of Businesses Advocating Tariff Equity (ABATE) filed a complaint in federal district court challenging the constitutionality of the individual LCR. On February 24, 2023, the United States District Court for the Eastern District of Michigan issued a judgment in favor of the Commission dismissing with prejudice the complaint filed by Energy Michigan and ABATE and finding that the plaintiffs did not meet their burden to show that the individual LCR requirement discriminates against interstate commerce, while the defendants established the necessity and legitimate purpose of the LCR in ensuring grid reliability that cannot be accomplished via reasonable nondiscriminatory alternatives. On March 24, 2023, the plaintiffs filed a joint notice of appeal of the February 24, 2023 final judgment to the United States Court of Appeals for the Sixth Circuit. Given the appeal, litigation regarding the LCR requirements is currently pending at the federal level.

and fall seasons and that the ZIA is subtracted from the LRR to determine the LCR. Staff Report, p. 8. If an LRZ does not have enough resources to meet its LCR or PRMR, the PRA clearing price is then set at the cost of new entry (CONE), which for the 2024/2025 PY is \$127,135 per MW-year or \$348.32 per MW-day in Zone 7. The Staff clarifies that this resource adequacy construct is based on probabilistic determinations and that failure to meet the requirements would not mean that the LRZ will experience a loss of load event. *Id.*

The Staff then provides background regarding MISO's shift to a seasonal resource adequacy requirement for each season and a seasonal accredited capacity methodology as well as its review of these changes with LSEs. In this year's capacity demonstration and in future capacity demonstrations, LSEs will be obligated to demonstrate enough capacity for each season and specifically, the obligation will be the LSE's prompt year PRMR for each season. The Staff adds that MISO recently filed two tariff revisions affecting the resource adequacy construct, namely a reliability-based demand curve (RBDC), which is addressed further below, and revisions to implement a direct loss of load accreditation methodology. Staff Report, p. 9.

For MISO Zone 7, the Staff provides a table showing the annual MISO LOLE report data and another table showing the seasonal MISO PRA results data for Zone 7 for the 2024/2025 PY. The Staff Report then includes a table showing the comparison of Zone 7 aggregated resources demonstrated plus known undemonstrated resources likely to still be available for each season in PY 2027/2028 and MISO's resource adequacy for PY 2024/2025. *Id.*, pp. 10-12. With the caveat that its findings are based on projections that are subject to change, the Staff concludes that Zone 7 has a surplus of resources for PY 2027/2028. Specifically, Zone 7's summer PRMR is 21,565 zonal resources credits (ZRCs) and the LCR is 19,271 ZRCs. The total LRZ 7 resources offered in the PRA for the summer season in the prompt year is 21,914 ZRCs,

which exceeds the anticipated LCR by 2,643 ZRCs and the PRMR by 349 ZRCs. *Id.*, p. 13. For the interim years, the Staff Report contends that again, while subject to change, the capacity margins in the interim years appear tighter across all four seasons than in the prompt and compliance years due to retirements of significant capacity. The Staff highlights that the 2025/2026 summer and fall seasons could be short of capacity for Zone 7's PRMR and may need to rely on imports. *Id.*

As to Zone 2, which encompasses most of Michigan's Upper Peninsula and parts of Wisconsin, the Staff notes that MISO does not define MW capacity import or export limits between states within the same MISO zone and therefore, the data available to the Staff's is not comprehensive enough to project a zonal capacity position for Michigan similar to Zone 7. However, the Staff was able to conclude that: (1) all Michigan LSEs in Zone 2 demonstrated sufficient capacity resources, (2) the 2024 MISO PRA results indicated an installed capacity surplus in PY 2024/2025, and (3) the Organization of MISO States-MISO survey indicated that Zone 2 will have adequate supply of capacity to meet its PRMR requirements in upcoming PYs. *Id.*, pp. 13-14.

Turning to Zone 1, which includes a small fraction of Michigan's Upper Peninsula, the Staff reports that all Zone 1 LSEs demonstrated sufficient capacity obligations for the compliance year, the 2024/2025 MISO PRA shows a capacity surplus for PY 2024/2025, and Zone 1 is projected to have adequate capacity to meet its LCR for each season in 2027/2028, but may need to rely on imports to meet its PRMR, especially in the summer. *Id.*, p. 14.

For Michigan LSEs serving load within PJM, the Staff notes that only a few LSEs in Michigan serve load within the PJM territory but that these LSEs are still subject to the capacity requirements of MCL 460.6w. LSEs in PJM can meet capacity obligations through participation

in PJM's reliability pricing model base residual auction (BRA) or through PJM's fixed resource requirement (FRR) plan. I&M, the largest Michigan-serving LSE in PJM, uses the FRR and indicates in the instant capacity demonstration that it plans to continue to do so. The Staff Report includes a table presenting a summary of PJM's capacity demonstration and the Staff states that all PJM LSEs have sufficient capacity and that it expects all PJM LSEs to continue to meet their capacity obligations with continued monitoring by the Staff.

The Staff also notes that I&M's customer choice cap was reset to 10% on February 1, 2019, pursuant to MCL 460.10a(1)(c) and the July 12, 2017 order in Case No. U-16090 (July 12 order). July 12 order, p. 3. I&M is responsible for providing capacity for its choice program, but if its suppliers opt to self-supply capacity, the company will need to include this in its FRR plan. Per the Staff Report, NERC projects PJM to have sufficient electric supply and categorizes the RTO in the least risky category. However, the Staff indicates that, like other RTOs, PJM is experiencing changes from the energy transition and resource retirements. Lastly, the Staff notes delays in PJM's BRA schedule due to pending decisions from FERC and changes in PJM's resource adequacy construct beginning in PY 2025/2026, which are expected to lead to lower accreditation amounts for demand-side resources and lower load obligations for all entities. Staff Report, pp. 15-16.

In compliance with the Commission's request in the September 15 order, the Staff provides a table in the report identifying the capacity by type for each individual electric provider (without revealing the provider's identity) with a breakdown for each provider included as Appendix A to the Staff Report. The table describes the supplier type and the percentage of their demonstrated capacity that is owned; derived from demand response (DR), a power purchase agreement, or ZRC contract; or acquired at auction. Staff Report, pp. 16-17.

Addressing AES peak load contribution (PLC) in MISO, the Staff explains MISO's methodology for determining an AES's PLC and how the application of the methodology may result in unreasonable PLCs for some customers. The Staff explains this issue as follows:

Prior to capacity demonstration filings this year, Staff met with Wolverine Power Supply Cooperative to discuss their customers' PLCs. Last summer the MISO system peaked on Hour Ending 17, June 21, 2023. During this time, most of the US was experiencing unusually hot weather, but temperatures in Michigan were relatively mild. Due to the mild temperatures in Michigan, DTE [Electric]'s service area load was much lower than it historically is during the MISO system peak. This resulted in a forecast adjustment ratio applicable to AES of approximately 1.45. In other words, DTE [Electric] forecasts its service area load to be about 45% higher at the MISO system summer peak in 2024 than it was in 2023. For reference, last year's forecast adjustment was approximately 0.95 which adjusted PLCs down because the service area load was higher in 2022 at the time of the MISO peak than the forecasted load for 2023. The issue here is not that DTE [Electric]'s forecast is inaccurate or unreasonable but instead how that forecast is applied to AES customers, especially those that have relatively stable load regardless of temperature. The example customer in this case was using basically the same amount of energy during the MISO system peak this summer as compared to previous two summer peaks but is being assigned a PLC that is 45% higher and according to Wolverine, larger than the customer could possibly use.

Staff had multiple meetings with DTE [Electric], Wolverine, and MISO to better understand this issue and to explore potential solutions. It appears to Staff that DTE [Electric] calculated the PLCs as directed in the MISO Tariff and that DTE [Electric]'s service area forecast is reasonable. However, Staff agrees with Wolverine that application of the tariff methodology for determining PLCs could result in unreasonable PLCs for certain customers. Since the capacity demonstration requirement is based on the prompt year PLC, inaccurate PLC's [sic] will impact both the prompt year MISO PRA as well as the 4-[year] forward capacity demonstration requirement. For this year, Wolverine demonstrated enough capacity for PY 2027/28 to cover the higher PLCs and was assigned the higher PLC for the prompt year PRA.

Staff Report, pp. 17-18.

Turning to DR as an optional source of capacity, the Staff describes DR as having a prominent role in LSEs' integrated resource plan (IRP) filings and the Staff's obligation to complete a statewide study of DR potential in Michigan every five years. The Staff also notes the Commission's approval of IRP planning parameters that include provisions for DR. *See,*

October 27, 2022 order in Case No. U-21219, p. 41.⁸ The Staff states that it will continue to monitor Consumers' and DTE Electric's respective IRPs, as they included DR in their respective IRP filings and capacity demonstrations. The Staff will also monitor DR use across Michigan. *Id.*, pp. 18-19.

Noting the Commission's affirmation of an AES' ability to offer DR programs through curtailment service providers or third-party aggregators, the Staff stated that it is aware of 115 ZRCs of DR offered into the 2024 MISO capacity market. The Staff continues to collaborate to ensure that aggregated DR load modification is accounted for when dispatched on MISO's coincident peak and to monitor FERC Order 2222⁹ discussions. *Id.*, p. 19.

As to ZRC contracts, the Staff recommended that forward ZRC contracts be used for capacity demonstration purposes to specify delivery of the ZRCs in the MISO Module E Capacity Tracking (MECT) tool prior to the applicable PRA auction. There was a decrease in ZRC contract usage in this year's demonstration compared to last year. The Staff highlighted the following:

An important thing to note is that ZRCs are defined in MISO's tariff and are created in the prompt year when UCAP [unforced capacity] for supply-side and demand-side resources are converted into ZRCs in the MISO MECT. ZRCs for any year further out than the prompt year are projected and don't become ZRCs until the prompt year. ZRCs are fungible products that can be sold or transferred, and in some cases, sold more than once. The characteristics of ZRCs allow for

⁸ The Commission notes that on November 28, 2023, Governor Gretchen Whitmer signed into law Public Act 231 of 2023, which among other things, includes updates to the IRP planning parameters, plan filing requirements, and considerations the Commission must rely on in evaluating IRPs. The Commission issued an order on February 8, 2024 in Case No. U-21570 to begin the process of updating the IRP parameters.

⁹ *Participation of Distributed Energy Resource Aggregations in Markets Operated by Regional Transmission Organizations and Independent System Operators*, 172 FERC ¶ 61,247 (September 17, 2020). FERC issued subsequent versions of FERC Order 2222, namely FERC Order 2222-A and FERC Order 2222-B. *See*, 174 FERC ¶ 61,197 (March 18, 2021) and 175 FERC ¶ 61,227 (June 17, 2021), respectively.

them to be easily traded and tracked within the MISO MECT. MISO has a view into the source and transfers of those ZRCs that occur prior to the PRA in the prompt year, and those ZRC transfers are audited by Staff as a secondary check on the ZRC contracts utilized in the capacity demonstrations.

Id.

Following a brief explanation of its process for accounting for AES load switching, the Staff Report states that all load switching occurred prior to the filing date and notes that the load switching process has become more complex with the shift to a seasonal capacity construct. *Id.*, p. 20. Lastly, the Staff includes a discussion of capacity retirements and additions, noting that over 1,150 MW of coal capacity is retiring from Zone 7 after the 2024/2025 PY and that a portion of the Palisades Nuclear Power Plant (Palisades) capacity was included as demonstrated capacity beginning in PY 2025/2026. However, the reopening of Palisades is contingent on approval from the federal Nuclear Regulatory Commission. The Staff then states that approximately 76% of new capacity additions for PY 2027/2028 were comprised of 2,744 MW of solar in Zone 7 but that various factors have caused delays in that new capacity coming online. The Staff attests that retirements are outpacing capacity additions nationwide that is resulting in tighter capacity margins, which could be exacerbated by unanticipated load from data centers and continued electrification. *Id.*, p. 20.

In its conclusions and recommendations, the Staff repeats that all LSEs have complied with their capacity demonstration obligations pursuant to MCL 460.6w and expresses its appreciation for the cooperation of all LSEs, especially in light of the change to MISO's new seasonal capacity construct. *Id.*, pp. 20-21.

Discussion

To begin, the Commission appreciates the efforts of the Staff in obtaining and analyzing the capacity information needed for this year's capacity demonstrations and for drafting the Staff

Report. The Commission also appreciates the cooperation of all Michigan LSEs for their capacity demonstration filings and, where relevant, for making the adaptations necessary due to the changes at MISO to the seasonal resource adequacy construct. The Commission accepts the Staff Report's findings regarding resource adequacy in MISO LRZs 1, 2, and 7 and in the PJM market, along with the capacity demonstrations made by the LSEs.

As noted in last year's capacity demonstration report, the Staff stated in this year's report that most LSEs included updates for the 2024/2025 PY through the 2026/2027 PY. For the upcoming capacity demonstration in Case No. U-21775, the Commission agrees with the Staff's recommendation for LSEs to continue providing this additional information and directs LSEs to provide capacity resource data for the prompt year (2025/2026) and interim years (2026/2027 and 2027/2028) in addition to the compliance year (2028/2029) data. The additional data are to be included in the upcoming February 24, March 3, and March 17, 2025 capacity demonstration filings opened by this order in Case No. U-21775. The Staff shall then file its 2028/2029 capacity demonstration report in Case No. U-21775 no later than May 12, 2025.

The Commission also notes a development since the filing of the Staff Report in this case. On June 27, 2024, FERC issued an order accepting MISO's tariff revisions to implement the RBDC in the PRA beginning with the 2025/2026 PY.¹⁰ In consideration of these changes, the Staff proposes minor changes to the Capacity Demonstration Filing Process and Requirements to clarify the resource adequacy obligation required for the MCL 460.6w capacity demonstration process. The first change is to the filing deadline dates for LSEs to accommodate the publication date of the final UCAP/intermediate seasonal accredited capacity ratios from MISO. Thus, LSEs

¹⁰ See, *Order Accepting Tariff Revisions*, 187 FERC ¶ 61,202; Docket Nos. ER23-2977-000, ER23-2977-001, ER23-2977-002 (June 27, 2024).

required to file capacity demonstrations pursuant to MCL 460.6w(8)(a) for the 2028/2029 PY shall make that filing no later than 5:00 p.m. (Eastern time) on February 24 and March 3, 2025, as shown in the revised Capacity Demonstration Filing Process and Requirements document attached to this order as Exhibit B. LSEs required to file capacity demonstrations pursuant to MCL 460.6w(8)(b) for the 2028/2029 PY shall make that filing no later than March 17, 2025.

The second minor revision suggested by the Staff is to change the requirement for demonstrated capacity four years forward from “PRMR” to “initial PRMR” for all entities in MISO. The revised MISO tariff defines Initial PRMR as the PRMR based on the planning reserve margin established in the LOLE study. This is in accordance with MISO tariff changes, and LSEs will be given an initial PRMR through the MECT. For LSEs not using the RBDC Opt Out, the final PRMR to meet MISO obligations will be established as a result of the PRA clearing using RBDCs and will not be available until the auction is over. For LSEs selecting the RBDC Opt Out, final PRMR includes the initial PRMR plus an Opt Out Adder. The Staff indicates that it considered the different aspects of the MISO resource adequacy construct changes and how they affect the state capacity demonstration, including the timeline, the state’s four years forward-looking aspect, as well as the anticipated quantity of additional capacity from initial to final PRMR, and recommends that entities may satisfy their obligations relating to the state capacity demonstration process by meeting the initial PRMR, as given by MISO.

The Commission finds the changes recommended by the Staff to be reasonable given FERC’s approval of the MISO tariff revisions to implement the RBDC and incorporates these changes into the Capacity Demonstration Filing Process and Requirements document. To illustrate these minor revisions, the Commission has attached a redline version of the Capacity

Demonstration Filing Process and Requirements document as Exhibit A to this order as well as a clean copy version as Exhibit B.

THEREFORE, IT IS ORDERED that:

A. The Commission Staff's May 10, 2024 Capacity Demonstration Results Report filed in Case No. U-21393 is accepted.

B. The Commission Staff's revisions to the Capacity Demonstration Filing Process and Requirements document are adopted and the revised Capacity Demonstration Filing Process and Requirements document, attached to this order as Exhibit B, is approved for use in future capacity demonstration proceedings.

C. Electric utilities required to file capacity demonstrations pursuant to MCL 460.6w(8)(a) for the 2028/2029 planning year shall make that filing no later than 5:00 p.m. (Eastern time) on February 24 and March 3, 2025 in Case No. U-21775, as described in this order and in the revised Capacity Demonstration Filing Process and Requirements attached to this order as Exhibit B. Load serving entities required to file capacity demonstrations pursuant to MCL 460.6w(8)(b) for the 2028/2029 planning year shall make that filing no later than 5:00 p.m. (Eastern time) on March 17, 2025, in Case No. U-21775. Electric utilities and load serving entities shall include in their respective filings capacity resource data for the prompt (2025/2026) and interim years (2026/2027 and 2027/2028) as well as the compliance year (2028/2029), as described in this order.

D. The Commission Staff shall file a report analyzing the sufficiency of the capacity demonstrations for the 2028/2029 planning year no later than 5:00 p.m. (Eastern time) on May 12, 2025, in Case No. U-21775.

E. The docket in Case No. U-21393 is closed, and the docket in Case No. U-21775 is opened for the purpose of receiving the capacity demonstration filings for the 2028/2029 planning year.

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 LARA-MPSC-Edockets@michigan.gov and to the Michigan Department of Attorney General - Public Service Division at sheacl@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

Katherine L. Peretick, Commissioner

Alessandra R. Carreon, Commissioner

By its action of August 22, 2024.

Lisa Felice, Executive Secretary

CAPACITY DEMONSTRATION PROCESS AND REQUIREMENTS

The Michigan Public Service Commission (MPSC or Commission) will open a new docket annually for capacity demonstrations filings. The Commission order opening the capacity demonstration docket will provide updated requirements for load serving entities (LSE) to follow in making demonstrations. The capacity demonstration filings shall include four years of load obligations and capacity resources. The capacity demonstration for year four will be used to determine if the LSE has met its capacity obligations, while the data filed for years one through three will be used for informational purposes only. For the demonstration year, each LSE's capacity obligation will be equal to its most recent capacity obligation as specified by the applicable Independent System Operator (ISO).

For LSEs in the Midwest Independent System Operator (MISO), the capacity obligation will be based on the MISO seasonal resource adequacy construct. LSEs will be obligated to demonstrate enough capacity (owned or contracted) to meet the LSE's capacity obligation for each season. The specific capacity obligation for each season will be the LSE's prompt year (upcoming year) **Initial** Planning Reserve Margin Requirement (PRMR) for each respective season. According to the MISO Tariff, the Peak Load Contribution (PLC) for each retail customer in the Electrical Distribution Company's (EDC) area – including the EDC's own LSE – includes the retail customer's demand at the time of MISO's peak demand for each prior season, transmission losses, planning reserve margin %, and an adjustment factor for the prompt year seasonal EDC forecasts. The **Initial** PRMR for each LSE for a season consists of the sum of the PLCs for the retail customers assigned to that LSE¹. MISO LSEs will be obligated to demonstrate enough capacity for the demonstration year to meet its prompt year **Initial** PRMR MISO requirements².

For LSEs in PJM, the capacity obligation will be based on the PJM Reliability Pricing Model (RPM). LSEs in the PJM service territory can meet their Independent System Operator capacity obligations either through participation in PJM's (RPM) Base Residual Auction (BRA) or through PJM's Fixed Resource Requirement (FRR) capacity plan. The timing of PJM LSEs capacity demonstrations to the Commission will remain the same as those expected of MISO LSEs; however, PJM LSEs will be allowed to file an amended capacity demonstration two weeks after the completion of the BRA. The capacity demonstration should include the FRR capacity plan or BRA results. Meeting PJM's capacity obligations, including any applicable Percentage Internal Resources Required for the delivery year will constitute a satisfactory demonstration, and the demonstrating LSE should provide evidence that it has met PJM's capacity obligations.

LSEs shall provide documentation to Staff verifying the applicable capacity obligation from the LSEs ISO.³

¹ The **Initial** PRMR determination for all LSEs, including the EDC's own LSE, shall be made according to the MISO tariff. See MISO tariff Module E-1, Section 69A.1.1.e and Section 69A.1.2.1.b.

² LSEs that develop their load forecasts based on forward year values may use these values instead of prompt year values for capacity demonstration requirements if they are higher than the prompt year requirements. LSEs obligations should not be reduced to an amount less than the prompt year requirements due to declining forecasts for forward years.

³ Documentation could be included in the filing or shared in a meeting (virtual or in person) with Staff, similar to how resource contracts are shared.

Individual Locational Requirement

The individual locational requirement adopted by the MPSC in the June 28, 2018 Order in Case No. U-18444 remains stayed⁴. There is currently no individual locational requirement applicable to capacity demonstration filings.

Resource Demonstrations

As a default, resources shall be accredited as they are in their respective ISO.

For MISO LSEs, resources should be counted at the same seasonal accredited capacity value that they will receive in the prompt year for each season. If prompt year capacity value is not finalized, resources shall be counted at the seasonal accredited capacity level from the most recent information available.

For PJM LSEs, resources shall be based on the credited UCAP capacity value that they are credited within the PJM RPM for the demonstration year.

New resources (in either ISO) shall receive capacity credit they would reasonably receive within the various resource adequacy constructs. LSEs should provide documentation supporting the capacity accreditation of new resources.

Resource accreditation may vary from ISO accreditation if the LSE is able to provide reasonable support that the resource will be valued at a different capacity amount when the demonstration year becomes the delivery year. These variations will be evaluated by Staff on a case-by-case basis.

The minimum acceptable support for all resources submitted as part of a capacity demonstration is based upon the type of resource and is outlined below:

Existing Generation (Owned)

The minimum acceptable support for existing generation that is included in a capacity demonstration include:

- 1) An affidavit from an officer of the company claiming ownership of the unit(s), including a commitment of the unit(s) to LSE load in the applicable demonstration year.,
- 2) A copy of the existing resource qualification of the unit(s) from the applicable ISO, such as a MISO Module E Capacity Tracking Tool (MECT) screenshot in the MISO region, and;
- 3) If there are Michigan retail tariffs or customer contracts associated with the resources, copies shall be provided.

Existing Demand Response or Energy Efficiency Resources (that have not been netted against load)

⁴ Stayed by the September 13, 2018 Order in Case No. U-18444.

The minimum acceptable support for existing demand response resources or energy efficiency resources that have not already been netted against load include:

- 1) An affidavit from an officer of the company outlining the resource(s), including a commitment to maintain at least that same level of resources four years forward,
- 2) A copy of the existing resource qualification of the resource(s) from the applicable ISO, such as a MISO MECT screenshot, and;
- 3) If there are Michigan retail tariffs or customer contracts associated with the resources, copies shall be provided.

New or Upgraded Generation (Owned)

The minimum acceptable support for proposed new generation include:

- 1) An affidavit from an officer of the company outlining the plans for the new generation including resources outlined in the utilities' most recent IRP,⁵ milestones such as planned in-service date, expected regulatory approval date(s), planned date to enter the generator interconnection queue, expected date for generator interconnection agreement, construction timeline, etc.,
- 2) Documentation supporting the expected resource qualification from the ISO for the new unit(s), and;
- 3) If there are Michigan retail tariffs or customer contracts associated with the resources, copies shall be provided.

For new generation submitted as part of a capacity demonstration, the LSE shall update and submit the above information on an annual basis with each subsequent capacity demonstration until the unit(s) are in service.

New Demand Response or Energy Efficiency Resources (that have not been netted against load)

The minimum acceptable support for new demand response resources or energy efficiency resources that have not already been netted against load included in a capacity demonstration include:

- 1) An affidavit from an officer of the company outlining the plans for the resource(s), including a commitment to achieve and/or maintain at least that same level of resources four years forward,
- 2) Evidence that the customer's distribution utility has been notified of specific customers participating in the resource,
- 3) Specific plans to have the resource(s) qualified by the independent system operator, and;
- 4) If there are Michigan retail tariffs or customer contracts associated with the resources, copies shall be provided.

⁵ If including resources included in the utility's most recent approved IRP, the utility shall also file a status update in the next capacity demonstration docket.

For new demand response or energy efficiency resources submitted as part of a capacity demonstration, the LSE shall update and submit the above information on an annual basis with each subsequent capacity demonstration until the resource(s) are in service. Final qualification / approval from the independent system operator should be submitted in a subsequent demonstration.

Capacity Contract

The minimum acceptable support for capacity contracts with existing generation include:

- 1) An affidavit from an officer of the company including a copy of the contract that specifies the unit(s) or pool of generation that is the source of the contract, including the location of the unit(s) or pool. The affidavit shall include a commitment to maintain the contracted amount four years forward regardless of any early out clauses in the contract, and;
- 2) A copy of the existing resource qualification of the unit(s) or pool from the applicable ISO, such as a MISO MECT screenshot.

Forward ZRC contracts

For MISO LSEs that use ZRC contracts to meet capacity obligations. The minimum acceptable support for forward ZRC contracts includes an affidavit from an officer of the company including a copy of the contract that specifies the zonal location of the ZRCs. The affidavit shall include a commitment to maintain the contracted amount four years forward regardless of any early-out clauses in the contract. A forward ZRC contract that does not specify the zonal location of the ZRCs will be deemed insufficient towards meeting any portion of a locational requirement, unless the LSE provides other alternative support for the location of the ZRCs.

Any LSE that utilized a ZRC contract as part of their previous capacity demonstrations must provide prompt-year ZRC transfer documentation (such as a MECT Module E screenshot) or provide Staff with the ability to confidentially review ZRC transfers in person at the Commission office.

If the Commission were to implement an individual locational requirement, ZRC contracts submitted in an LSE capacity demonstration to meet this forward locational requirement must clearly designate that the resources are coming from the applicable zone. LSEs must provide evidence to support this. For resources currently located outside of the LSE's zone that will (by the demonstration year) count towards meeting the Local Clearing Requirement of the LSE's zone should be supported by evidence provided by the demonstration LSE. Existing contracts specifically with resources outside of an LSE's MISO zone will count towards meeting forward locational requirements if they are for a period of at least twenty years and the contracts were entered into prior to MISO's implementation of local resource zones on June 1, 2013.

Aggregated EERs, Aggregated Storage, Aggregated DERs

The minimum acceptable support for aggregated energy efficiency resources (EERs), aggregated storage, and aggregated distributed energy resources (DERs) include:

- 1) An affidavit from an officer of the company outlining the resource(s), including a commitment to achieve and/or maintain at least that same level of resource(s) four years forward,
- 2) Documentation from the ISO showing resource accreditation in the prompt-year for the resource(s), such as a MISO MECT screenshot, and;
- 3) If there are Michigan retail tariffs or customer contracts associated with the resource(s), copies shall be provided.

MISO PRA Purchases

The amount of ZRCs planned to be purchased through the MISO Planning Resource Auction (PRA) process⁶ that will be deemed prudent in an approved capacity demonstration will be limited to 5% of the LSE's total requirement. A capacity demonstration filed by an LSE that includes a plan to purchase ZRCs in the PRA four years in the future in excess of 5% will not constitute a demonstration that the LSE owns or has contracted resources to meet its future capacity obligations, unless those ZRCs are tied to specific identified resources that are committed to be offered in the PRA, by contract, on behalf of the LSE for the applicable planning year.

Interim Years⁷

Once the Commission has determined that the capacity demonstration made by an LSE is sufficient, it shall not be re-litigated or "trued-up" in the interim years. If, subsequent to its initial satisfactory capacity demonstration, an LSE experiences an unforeseen outage at one of its generation assets, or has variation in its total load obligations, these matters will be settled in the capacity auctions of the respective ISO. The LSE's initial capacity demonstration will not be re-examined to reconcile projected interim year load obligations or generating resource capacity ratings with actual values that are experienced in that interim year.

Additional Considerations for Capacity Demonstrations

Other types of documentation submitted as part of a capacity demonstration will be evaluated on a case-by-case basis. Because some of the documentation that is required to be filed in these proceedings is commercially sensitive, competitive information, it shall continue to be treated in a confidential manner, as has been done in the past. The Staff shall file a memo in the docket as directed by the Commission, outlining its findings from the demonstration filings, including a listing of any entities whose demonstration, in Staff's opinion, was insufficient.

In the case where a demonstration filing is deemed insufficient by Staff, Staff would recommend that the Commission open a contested case docket, whereby the LSE in question could attempt to prove that its capacity demonstration should be deemed acceptable. The outcome of that case would be a Commission order potentially authorizing Statewide Reliability Mechanism capacity charges to Retail Open Access customer load as well as a respective increase in capacity obligations assigned to the

⁶ Since 2012, LSEs do not literally purchase ZRCs in the PRA. The current terminology in the MISO tariff of "purchase through the PRA process" means that MISO is charging an LSE more for capacity to satisfy the LSE's PRMR than it is paying the LSE for ZRCs submitted into the PRA.

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incumbent utility as the Provider of Last Resort for capacity service. Any contested demonstration cases will be opened as soon as practicable following the issuance of the Staff memo and be completed within six months.

If an LSE has met the capacity demonstration requirements, no contested case will be opened, and no further action will be taken regarding any capacity demonstration that has been deemed sufficient by Staff and accepted by the Commission.

Filing Timeline

Section 6w of Public Act 341 of 2016 gives specific filing dates for LSEs to make capacity demonstrations but gives the Commission the authority to adjust the dates if needed to properly align with the ISO procedures and requirements. The timeline below better aligns with the MISO PRA, allowing capacity obligations and resource accreditation to better match the values used by MISO in the prompt year.

For Demonstration Year 202 87 /202 98	
Docket Opened by Commission	Summer/Fall 202 43
Larger Investor-Owned Electric Utilities ⁸ Filing Due	February 24 15 th , 202 54
Smaller Investor-Owned Electric Utilities ⁹ Filing Due	March 3 1 , 202 54
All Other LSEs Filing Due	March 17 5 th , 202 54
Staff Report on Capacity Demonstration Findings	May 12 0 th , 202 54
Commission Order	Summer/Fall 202 54

The specific filing dates will be established by the Commission in each subsequent capacity demonstration docket and will generally align with the filing timeline above. LSEs will be allowed to supplement filings after the filing date and prior to Staff's report, if changes at the ISO level, for capacity obligation or resource accreditation, necessitate updated filings¹⁰.

Demonstration Format

In addition to all of the items outlined above, Staff shall provide updated capacity demonstration documents (Reporting Templates and Sample Affidavits)¹¹ to be utilized by each LSE when filing its demonstration.

⁸ A large investor-owned utility is considered to be an electric utility with one million or more customers.

⁹ A smaller investor-owned utility is considered to be an electric utility with less than one million customers.

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Interim Years⁷

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Filing Timeline

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For Demonstration Year 2028/2029	
Docket Opened by Commission	Summer/Fall 2024
Larger Investor-Owned Electric Utilities ⁸ Filing Due	February 24 th , 2025
Smaller Investor-Owned Electric Utilities ⁹ Filing Due	March 3, 2025
All Other LSEs Filing Due	March 17 th , 2025
Staff Report on Capacity Demonstration Findings	May 12 th , 2025
Commission Order	Summer/Fall 2025

The specific filing dates will be established by the Commission in each subsequent capacity demonstration docket and will generally align with the filing timeline above. LSEs will be allowed to supplement filings after the filing date and prior to Staff’s report, if changes at the ISO level, for capacity obligation or resource accreditation, necessitate updated filings¹⁰.

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PROOF OF SERVICE

STATE OF MICHIGAN)

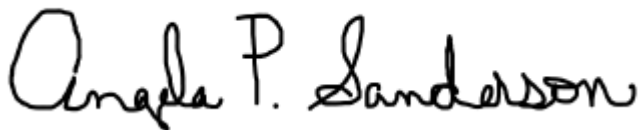
Case No. U-21393 *et al.*

County of Ingham)

Brianna Brown being duly sworn, deposes and says that on August 22, 2024 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 22nd day of August 2024.



Angela P. Sanderson
Notary Public, Shiawassee County, Michigan
As acting in Eaton County
My Commission Expires: May 21, 2030

GEMOTION DISTRIBUTION SERVICE LIST

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jolson@gladstonemi.gov	City of Gladstone
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