

**STATE OF MICHIGAN
MICHIGAN PUBLIC SERVICE COMMISSION**

In the matter, on the Commission's own)
motion, to investigate opportunities for)
improving the process by which it reviews)
applications filed under MCL 460.6a.)

Case No. U-21637

**JOINT COMMENTS OF THE ECOLOGY CENTER, THE ENVIRONMENTAL
LAW & POLICY CENTER, THE UNION OF CONCERNED
SCIENTISTS, AND VOTE SOLAR**

September 27, 2024

I. INTRODUCTION

The Ecology Center, the Environmental Law & Policy Center, the Union of Concerned Scientists, and Vote Solar, collectively the Clean Energy Organizations (“CEO”), appreciate the opportunity to provide comments in the Commission’s docket on potential improvements to the rate process. The CEO’s comments cover the following issues: (1) the need for deliberate sequencing of planning dockets and rate case proposals, culminating in multi-year rate plans; (2) better disclosure to customers of details of proposed rate increases and bill impacts; and (3) the need for standardized disclosures at the outset of each rate case.

II. MICHIGAN SHOULD CONSIDER IMPLEMENTING MULTI-YEAR RATE PLANS THAT ARE SYNCHRONIZED WITH THE STATE’S RESOURCE AND DISTRIBUTION PLANNING PROCESSES.

Michigan’s current rate case process features near-continuous rate case litigation that is not well aligned with the utilities’ integrated resource plans and distribution grid plans. For example, DTE filed its current electric rate case (U-21534) before the parties had even finished commenting on its latest distribution grid plan (U-20147). As a result, DTE’s proposals in the rate case did not reflect stakeholder or Commission feedback on its DGP. When utilities file rate cases while their resource plans and distribution plans remain pending, the contents of the planning documents can become stale or outdated overnight, before they are implemented. This results in a less efficient and meaningful rate case process.

This problem is exacerbated by the quick turnaround between utility rate cases. Michigan utilities file rate cases nearly every year, often just a few months after the Commission’s order in the prior case. The short window between rate cases means that MPSC Staff and intervenors are almost always engaged in rate case litigation, which squeezes out time for proactive policy development and discussion outside of the contested case process. The short window between rate

cases also means that the utilities begin work on the next rate case while the current case is still in process, which leaves little time to respond to Commission Orders and implement them.¹

Michigan can look to the example of other states that implement multi-year rate cases that (a) are better synchronized with resource and distribution planning processes; (b) allow for more time between rate cases to implement the policies reflected in those plans; and (c) allow the commission to consider the utility's achievement of performance measures and incentives in setting utility rates.

In Illinois, for example, utilities file multi-year rate plans every four years. The four-year rate plans must include a four-year investment plan that is (a) "consistent with" the utility's most recent grid plan, and (b) aligned with a set of performance metrics set by the Commission.² The alignment between the company's multi-year rate plan and its multi-year grid plan is intentional and especially important. The General Assembly's multi-year ratemaking statute states that:

. . . ensuring alignment of regulated utility operations, expenditures, and investments with public benefit goals, including safety, reliability, resiliency, affordability, equity, emissions reductions, and expansion of clean distributed energy resources, is critical to maximizing the benefits of the interconnected utility grid and cost-effective utility expenditures on the grid.³

The multi-year grid plans, therefore, must be designed to "ensure coordination of the State's renewable energy goals, climate and environmental goals with the utility's distribution system investments, and programs and policies over a five-year planning horizon to maximize the benefits of each while ensuring utility expenditures are cost-effective."⁴

¹ For example, in Case No. U-20836, on November, 18, 2022, the Commission ordered DTE Electric to include equity as a factor in its Global Prioritization Model. Because the Company's next rate case filing came less than three months later, it did not have time to implement the Commission's directive on equity, leaving this important topic unaddressed until the *next* rate case in March 2024.

² See generally 220 ILCS 5/16-108.18 ("Performance-based ratemaking").

³ 220 ILCS 5/16-105.17(a) (Multi-Year Integrated Grid Plan).

⁴ 220 ILCS 5/16-105.17(d)(1).

Minnesota has implemented a similar process that allows utilities to propose a multiyear rate plan covering a period of up to five years.⁵ (Xcel’s most recent multi-year rate plan covers a period of three years.) This longer time horizon enables more cohesive long-term planning by eliminating costly and repetitious rounds of rate-making proceedings. Like Illinois, the Minnesota statute moves in the direction of performance-based ratemaking by allowing the Commission “to determine a set of performance measures that can be used to assess a utility operating under a multiyear rate plan.”⁶

The CEO believe a more coordinated process will lead to better results. The Commission should strive for consistency between planning dockets and rate cases. The utilities should be required to explain any deviations from plans in each individual rate case. By centering medium and long term strategic planning in the IRP and distribution grid planning dockets, the Commission can alleviate some of the pressure in rate cases.

Multi-year rate plans raise a number of important regulatory questions that must be handled carefully in order to protect the public interest. However, Michigan’s existing ratemaking process of near-continuous rate case litigation is exhausting for intervenors and likely does not lead to optimal decisions by the Commission. The CEO recommend that the Commission work with the utilities and other stakeholders to examine the pros and cons of multi-year, performance-based ratemaking to replace the current ratemaking process in Michigan.

III. THE COMMISSION SHOULD REQUIRE UTILITIES TO NOTIFY CUSTOMERS OF A RATE INCREASE WITH THEIR BILLS AND PROVIDE A LINK WHERE CUSTOMERS CAN FILE COMMENTS.

As the CEO will also discuss in our comments in Case No. U-21638 on public engagement in the rate case process, Michigan utilities can improve how they engage with the public, which

⁵ See MN. Stat. 216B.16, subd. 19.

⁶ *Id.* at subd. 19(h).

will in turn improve the rate case process. The CEO recommend that the Commission order utilities to provide notice to customers on their utility bills about proposed rate increases, the bill impact of that increase, and also provide links to more information on the rate case, and a link where customers can provide comments in the docket. For customers who receive their bills via postal mail, this information should be prominently featured at the very top of customer's bills. For customers enrolled in automatic billing, this information should be prominently provided in the body of the email containing the monthly bill, along with a notification in the subject of the email. Oftentimes, customers are not aware of where, when, and how the decisions that will impact their rates are being made. Utilities can begin to close this gap by providing more information with customer billing.

IV. UTILITIES SHOULD BE REQUIRED TO PROVIDE AN "INITIAL DATA SET" WHICH WOULD REDUCE THE NEED FOR DISCOVERY

In Illinois, the Illinois Commerce Commission requires utilities to file a standardized set of disclosures with each rate case application. Similarly, in Arizona, utilities filing rate cases are required to file along with their case a standard set of data which Intervenors use to run analyses. This initial disclosure includes many of the financial and technical details that will be needed in the rate case analysis, such as test-year customer counts and class usage, fully-functioning cost of service and rate design models, FERC Form 1 and SEC 10-K filings, detailed income statements and balance sheets, load forecasts, credit rating agency and investor meeting reports, and other relevant data that would typically be requested through intervenor discovery. If Michigan adopted such a standard "initial data set," it would reduce discovery requests and allow Staff and Intervenors to begin working on the case immediately.

The Commission should also create a requirement that all documents filed or provided in response to discovery must be filed or served to parties in their native format (e.g., Excel or Word)

in full working condition. Often, a utility will provide intervenors an Excel file that is filled with hardcoded numbers where all formulas have been removed, requiring the intervenors to re-request the document with the formulas intact.

When PDF filings are appropriate, the Commission should require all PDFs to have been directly converted from the source file type (e.g., Microsoft Word) to a PDF document, not printed and rescanned. The PDFs should be fully searchable for all parties without needing any additional processing.

V. CONCLUSION

The CEO recommend that the Commission investigate and implement each of the above recommendations to improve the rate case process.