

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)	
CONSUMERS ENERGY COMPANY for approval of)	
its integrated resource plan under MCL 460.6t,)	Case No. U-21090
certain account approvals, and for other relief.)	
_____)	

At the November 21, 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

On September 27, 2024, Consumers Energy Company (Consumers) filed an application (September 27 application), with supporting testimony, affidavit, and exhibits, requesting *ex parte* approval of a power purchase agreement (PPA) between Consumers and Voyager Energy Storage LLC (Voyager) for the capacity, energy, renewable energy credits, and environmental attributes produced by the Voyager I project, a battery energy storage system. September 27 application, p. 2; Exhibit A-1, pp. 3, 10. On June 30, 2021, the company filed its integrated resource plan (IRP) under MCL 460.6t in Case No. U-21090. Subsequently, Consumers entered into a settlement agreement with a number of parties that was approved by the Commission in the June 23, 2022 order (June 23 order) that resolved all issues in the case.

In the September 27 application, Consumers explains that, in accordance with the settlement agreement approved in the June 23 order, the company implemented a competitive solicitation in

2022 utilizing an independent administrator, Charles Rivers Associates, Inc. (CRA). CRA issued a request for proposals (RFP) on September 29, 2022, for additional aggregate nameplate capacity of up to 700 zonal resource credits (ZRCs) with commercial operation dates (CODs) on or before June 1, 2025, in two tranches. Tranche 1 sought dispatchable, non-intermittent generators capable of providing Midcontinent Independent System Operator, Inc. (MISO) Zone 7 capacity, while Tranche 2 sought clean generators capable of providing MISO Zone 7 capacity. September 27 application, p. 2.

On March 14, 2023, Consumers states that CRA delivered a recommendation for the final award for Tranche 2 to Consumers. The company then notified respondents, conducted due diligence reviews, and initiated PPA negotiations with the provisionally selected bidders. This ultimately resulted in the selection of the Voyager PPA. On August 30, 2024,¹ the company executed a PPA between the company and Voyager. *Id.*, pp. 2-3. The Voyager I project is a 100-megawatt (MW), four-hour duration battery energy storage facility (estimated to discharge around 134,000 megawatt-hours (MWh) annually) located in Washtenaw County, Michigan, with a target COD of May 31, 2027. September 27 application, Exhibits A-1 and A-2. The total lifetime cost of the PPA is approximately \$404 million and the fixed energy payment is \$14.54 per MWh. September 27 application, pp. 3-4. Consumers projects an energy and capacity market value of \$346 million and an ancillary service market value of \$43 million, for a total of \$388 million, as well as the following benefits to customers:

¹ The Commission notes that the direct testimony of Beth A. Skowronski states that the PPA was executed on August 30, 2024, while the application and the PPA coversheet attached as Exhibit A-1 to the September 27 application state the date of execution and the date of the PPA as August 19, 2024. September 27 application, p. 3; Direct Testimony of Beth A. Skowronski, p. 9; Exhibit A-1, p. 2. However, the signature pages show the date that the PPA was signed by Consumers and Voyager as August 30, 2024. Exhibit A-1, pp. 5-6. For clarity, the Commission recognizes August 30, 2024, as the date the contract was executed.

(i) the PPA supports desired additional capacity needed in accordance with the Company's IRP; (ii) the PPA was competitively bid ensuring low cost, economic pricing in accordance with the Settlement Agreement; (iii) the PPA price is fixed; and (iv) the Company is entitled to the storage incentive renewable energy credits produced by the facilities to support its Clean Energy Plan, as applicable.

Id., p. 4.

Consumers contends that the Voyager PPA is cost competitive and that the company assessed the economic costs and benefits under the following metrics: (1) cost to value ratio (CVR), (2) levelized net cost of capacity (LNCC), (3) levelized cost of energy (LCOE), and (4) levelized cost of capacity (LCOC). Direct testimony of Beth A. Skowronski, p. 10. The company explains that the economic cost and value of the Voyager PPA was modeled against the 2021 IRP proxy in Case No. U-21090. Specifically:

The resource costs for a 37 MW battery proxy with an asset life of 20 years, capacity credit of 95%, and a 2027 COD, incorporated into the Company's approved Proposed Course of Action in the 2021 IRP, the battery proxy, had an LNCC of \$150,845.67/ZRC-year, an LCOC of \$205,893/ZRC-year, and an LCOE of \$147.99/MWh, as shown in Exhibit A-3 (BAS-3). The battery storage costs for the Voyager PPA, a 100 MW battery storage facility with an asset life of 20 years, capacity credit of 95% and a 2027 COD, has an LNCC of \$141,245/ZRC-year, as shown in Exhibit A-2 (BAS-2) demonstrating with the most applicable storage metric (LNCC), that the Voyager PPA is more economic than the 2021 IRP battery proxy. As previously discussed, it is important to consider both the cost and projected value of new resources. The LNCC considers total cost and energy revenues. The Company also utilizes the CVR metric that includes consideration for capacity value. The forecast revenue requirements of the battery proxy of \$150.6 million divided by the forecast value of \$129 million results in a cost-to-value ratio of 1.156 or 115.6%. In summary, the cost-to-value ratio of the Voyager PPA (104.2%) is lower than the cost-to-value ratio of the 2021 IRP storage resource, demonstrating that the Voyager PPA is more economic than the 2021 IRP battery proxy included in the Company's approved IRP using this alternative metric. The Voyager PPA has an LCOC of \$208,851/ZRC[-year] and an LCOE of \$147.63/MWh, demonstrating that it is a lower cost on a capacity and energy basis than the 2021 IRP battery proxy included in the Company's approved IRP.

Direct testimony of Beth A. Skowronski, pp. 14-15.

The Commission has reviewed Consumers' September 27 application, the supporting testimony and exhibits, and the language in Section 6j of Public Act 304 and finds that the Voyager PPA should be approved. The Commission further finds that *ex parte* review and approval are appropriate because approval of the PPA will not result in an increase in costs to customers. *See*, MCL 460.6a(3). Commission approval of the instant application does not grant approval or pre-approval to increase any rates or charges, or for cost recovery in connection with the PPA. Further, this order does not make a determination regarding the reasonableness or prudence of the costs associated with the Voyager PPA beyond its consistency with the approved plan in the June 23 order.

THEREFORE, IT IS ORDERED that the power purchase agreement between Consumers Energy Company and Voyager Energy Storage LLC is approved.

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 sheac1@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 November 21, 2024.

Lisa Felice, Executive Secretary


PROOF OF SERVICE

STATE OF MICHIGAN)

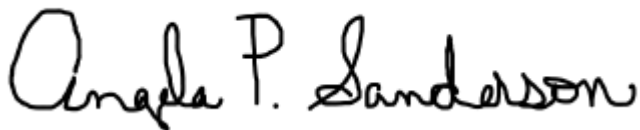
Case No. U-21090

County of Ingham)

Brianna Brown being duly sworn, deposes and says that on November 21, 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 21st day of November 2024.



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

Service List for Case: U-21090

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