

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own motion, to)	
clarify Sections 101 and 103 of)	
Public Act 235 of 2023 and to conduct a study of)	Case No. U-21571
long-duration energy storage systems and multi-day)	
energy storage systems.)	
_____)	

At the January 23, 2025 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 November 28, 2023, Public Act 235 of 2023 (Act 235), an amendment to Public Act 295 of 2008 (Act 295), was signed into law and became effective on February 27, 2024. Among other changes, Act 235 added Sections 101 and 103, MCL 460.1101(1)-(9), which establishes a statewide energy storage target of 2,500 megawatts (MW), and MCL 460.1103, which requires rate-regulated electric providers to file an annual report with the Commission documenting the utility-scale and distributed electric storage systems in their service territory. On February 8, 2024, in Case No. U-21571 (February 8 order), the Commission issued an order clarifying and directing the Commission Staff (Staff) to work to implement Sections 101(1)-(9) and 103 of Act 235. To implement Section 101(1), the February 8 order directed the Staff to develop a standard methodology for calculating a utility or alternative electric supplier's (AES's) proportional share

of the minimum statewide energy storage target, and that this methodology be properly vetted prior to being executed. February 8 order, pp. 3-4. Specifically, the Staff was directed to develop a straw proposal for the implementation of Section 101(1), including a proposed methodology for a utility or AES to determine its proportional share of the statewide minimum storage target and to present this proposal to interested persons. The Staff was given a deadline of May 31, 2024, to file its straw proposal in this docket, and was permitted to host one or more public engagement sessions with interested persons. Interested persons were also provided the opportunity to file comments on the straw proposal in this docket by August 1, 2024, for the Commission's review. *Id.*

The Staff filed its straw proposal in this docket on May 29, 2024. Once posted, the Staff sent a notification to interested persons informing them that its proposal had been posted, and that a public outreach session was scheduled for June 12, 2024. During the June 12, 2024 outreach session, the Staff reviewed the proposal and answered questions from participants. Immediately following the outreach session, the Staff posted the recording of the session to the Commission's website. This order reviews the public comments and finalizes the Staff's straw proposal by incorporating certain modifications proposed in these comments, as discussed further in subsequent sections. The final methodology is attached to this order as Exhibit A.

After the submission of the Staff's straw proposal methodology on this docket on May 29, 2024, comments were filed by seven parties prior to the August 1, 2024 deadline. Comments were filed by Indiana Michigan Power Company (I&M); Consumers Energy Company (Consumers); Energy Michigan, Inc. (Energy Michigan); the Association of Businesses Advocating Tariff Equity (ABATE); Wolverine Power Supply Cooperative, Inc. (Wolverine); the Michigan Energy Innovation Business Council (MEIBC); and DTE Electric Company (DTE Electric).

Comments

Indiana Michigan Power Company

I&M comments in reply to an open question in the Staff's straw proposal related to the confidentiality of the peak load data, sharing that it does not consider this data to be confidential "to the extent that this information is not released prior to when financial reporting for the applicable time period becomes publicly available." I&M's comments, p. 2 (numbered in natural order). I&M therefore does not have any confidentiality concerns about the averaging of five-years of peak load data.

I&M next comments on the need to clarify any locational restrictions for eligible storage facilities, stating that it appears that the statute allows for eligible storage resources to be located outside of the state of Michigan. I&M notes that its locational deliverability area is the American Electrical Power (AEP) zone within PJM or deliverable within PJM to the AEP zone and comments that it is important to permit it and other utilities to have "the best opportunity to access the most competitive storage resources." *Id.*, p. 2.

I&M recommends that the Staff source the peak load data from each utility directly, and that this calculation should then be filed in an applicable capacity demonstration docket. *Id.*, p. 3.

Finally, I&M provides general comments that focus on the potential for changes in utility load to impact statewide storage targets. Specifically, I&M seeks guidance on how utilities would manage differences between the proportional share of the statewide target and nominal resource sizes as it may be difficult to precisely align the size of storage resources with a load serving entity's (LSE's) specific target. *Id.*

Consumers Energy Company

Consumers' comments include support for the public disclosure of utility peak load data as being beneficial to all LSEs to ensure transparency in the calculation of the average state peak load contribution. Consumers "has no concerns with confidentiality of this data." Consumers' comments, p. 2.

Consumers also expresses its support for eligible storage facilities being located in-state as well as out-of-state but only in the Midcontinent Independent System Operator, Inc. (MISO) region. *Id.* Consumers compares this to the renewable portfolio standard, stating that "[s]ince the renewable energy credit portfolio standard provides for qualifying renewable resources outside of the state, providers should similarly benefit from the installation of energy storage near such resources, or other surplus renewable generation supply outside of the state." *Id.* (footnote omitted).

Consumers supports the "Staff filing its annual calculation in docket [Case] No. U-21571," but also recommends that "LSEs include their compliance with the target in each LSE's individual capacity demonstration filings." *Id.*, p. 3.

Finally, Consumers identifies that it does not use the term Peak Load Contribution (PLC) in its capacity demonstration filing. While MISO does define this term, Consumers states there may be value in providing a clear definition of PLCs in the context of the statewide energy storage target calculation. *Id.*

Energy Michigan, Inc.

Energy Michigan's comments focus on perceived issues with the accuracy and equitable assignment of compliance obligations under Section 101. Energy Michigan begins its comments by level-setting the statewide target, in terms of an electric provider's share of the state's total

peak load and the relative cost of an electric provider’s investment in energy storage. Energy Michigan argues that, based on the significant portion of the state’s electric resources that this total storage target represents, the Staff’s proposed methodology is inaccurate. Energy Michigan’s revised comments, pp. 2-3.

Energy Michigan critiques the proposal’s use of the LSEs’ annual capacity demonstration filings to establish the state’s peak and each LSE’s proportional share of the target. Energy Michigan avers that “[t]here is significant imprecision in this method, and there is information readily available from MISO that is much more accurate.” *Id.*, p. 3.

Specifically, Energy Michigan identifies three issues with sourcing this data from the annual capacity demonstration filings:

Actual Historical vs. Forecast Peak Calculation: [t]he statute requires the use of actual historical “contribution to in-state peak load for the 5-year period immediately preceding the filing of the electric provider's plan.” However, the capacity demonstration filings use calculated forecast peaks for the upcoming (“prompt”) year not actual historical numbers.

Michigan Peak vs. PRMR: [t]he statute specifies allocation based on contribution to “in-state peak load,” but the proposal uses the sum of electric providers' forecast “Planning Reserve Margin Requirement” (PRMR) per the MISO tariff, instead of the actual in-state peak load.

Time of Peak: [t]he PRMRs in the capacity demo are forecast at the time of the RTO [regional transmission organization] (MISO/PJM) peak, not at the time of the Michigan peak.

Id., p. 3 (emphasis in original).

Energy Michigan argues that, due to these discrepancies, “[t]he sum of the forecast PRMR loads differs from actual state peak in the range of 4 percent,” which, given the level of investment needed to meet the statewide target, “is too large to be an equitable solution.” *Id.*

Energy Michigan’s comments also highlight its concerns about the potential inequitable treatment of AESs, as their capacity demonstration forecasted numbers are created by local

utilities under specific procedures in the MISO tariff. Energy Michigan cites anecdotes from several LSEs and AESs identifying the potential lack of transparency or assurance that this calculation is properly performed due to AESs being direct competitors to the local utilities. Additionally, while the statute requires LSEs to enter into contracts with AESs to provide their necessary share of the statewide energy target, Energy Michigan cites concerns with certain aspects of this term disadvantaging AESs:

1. The contract is merely a contract to construct - still a physical solution – where the utility merely becomes the developer.
2. The utility is allowed to offer a contract, not required to offer a contract. Therefore, the issue of exercising market power by withholding a contract to an AES competitor arises immediately.
3. The statute specifies the utility must sell at cost plus applicable rate of return. What is “cost” when a facility requires an investment but also brings in revenue over time? Is there a net cost over 20 years? Over 3 years? Market power can be exercised by physical withholding by not offering a contract or by economic withholding by pricing the “cost” excessively high.

Id., pp. 10-11 (emphasis omitted).

Another concern that Energy Michigan has is the difference in distribution losses between investor-owned utilities (IOUs) and AESs, due to differences in the makeup of their customer base. Energy Michigan asserts that, since Electric Choice customers are mostly at primary and higher voltages, AES losses are much less than utility bundled losses. *Id.*, p. 5. Energy Michigan argues that this difference in distribution losses between IOUs and AESs needs to be factored into their compliance calculation. Energy Michigan also recommends changing the term PLC to “contribution to the peak” or “CTP” as this better represents the load of the LSE at the time of the Michigan peak. *Id.*, p. 4.

To resolve these issues, Energy Michigan recommends that “exact actual hourly load data” be used to identify the time of the Michigan peak, as well as each LSE’s contribution to this peak

load. *Id.* (emphasis in original). Energy Michigan claims this data is readily available from MISO, which appears to recommend that the Staff would acquire the necessary information from MISO for each year to make this calculation. *Id.*, pp. 5-6.

Accordingly, based on the recommendations provided in its comments, Energy Michigan recommends the statewide storage target calculation methodology be changed from:

$$\text{Storage Target}_{\text{util}} = \text{Storage Target}_{\text{state}} * (\text{PLC Avg}_{\text{util}} / \text{PLC Avg}_{\text{state}})$$

to:

$$\text{Storage Responsibility}_{\text{LSE}} = 2,500 \text{ MW} * (\text{Avg CTP}_{\text{LSE}} / \text{Avg Peak}_{\text{state}})$$

Id., p. 6 (emphasis omitted).

In addition to its direct critiques of the Staff's straw proposal, Energy Michigan provides additional comments for consideration by the Commission when implementing Act 235. Energy Michigan asks a series of questions on how the energy storage facilities used for compliance will be operated. Energy Michigan provides the example of a small municipal utility with a compliance responsibility of 0.5 MW of storage, and questions whether 24-hour operating capability is a reasonable expectation to have for such an LSE. *Id.*, p. 7.

Energy Michigan also considers the potential need for a market to allow for the trading of energy storage resources to be used for compliance between different LSEs. Energy Michigan says this proposal recognizes that while the 2,500 MW storage target is fixed, each LSE's proportional share is not fixed, and the establishment of a market for trading the energy storage obligations would allow for financial obligations to be traded without the need for utilities to build or sell excess capacity as their obligations change over time. *Id.*, p. 10.

Energy Michigan identifies that, of the 29 LSEs included in the Staff's example storage target calculation, six of these LSEs have a respective share of the statewide storage target of less than 1 MW, with the six LSEs combined having an obligation of 1.22 MW, or less than 0.05% of the total minimum statewide target of 2,500 MW. Therefore, Energy Michigan proposes that LSEs whose share of the statewide target is less than 1 MW be excused from submitting and implementing a storage plan, due to the marginal impact to achieving the target this would cause compared to the feasibility of such small LSEs to comply with Section 101. *Id.*, p. 8.

Finally, Energy Michigan proposes that the Commission consider a threshold of change in an LSE's compliance target, and perform this review over multiple years, before determining that an LSE should submit and comply with a new plan. Using actual historical peak load information as reported in electric rate cases by utilities, Energy Michigan concludes that:

[Y]ear-to-year variability of the 5-year average CTP % includes an element of self-correction. Some years increase, some years decrease, and not only are the year-to-year increases fairly small, but they tend to balance out over multiple years.

Id., p. 9. Energy Michigan recommends that the Commission recognize this self-correcting mechanism over time, and not require an LSE's plan to change if the year-to-year variability is relatively small and stays relatively small over several years. *Id.*

Association of Businesses Advocating Tariff Equity

ABATE provides comments that focus on metrics necessary for an eligible storage system, and the appropriate classification of the costs to comply with Act 235.

Citing to specific subsections of Act 235, ABATE argues that:

the intent of the statute is that the capacity, to be constructed or acquired by each electric provider and AES, and be provided by eligible energy storage systems, is for the purpose of providing capacity to contribute to meeting the peak demand of the state pursuant to the resource adequacy requirements of the appropriate independent system operator [ISO] or regional transmission organization. In particular, the current resource adequacy requirements of both MISO and PJM (the

appropriate independent system operators and regional transmission organizations) impose capacity requirements on electric providers, including AESs, based on the contribution of those electric providers to peak demand registered as capacity resources with the appropriate independent system operator or regional transmission organization.

ABATE's comments, p. 4. ABATE recommends that the language of the straw proposal methodology be updated to explicitly require eligible storage facilities be registered as capacity resources at the relevant ISO or RTO. *Id.*

ABATE also expresses concern that there exists the potential for discrimination against AESs and Retail Open Access customers by rate-regulated utilities. Specifically, ABATE is concerned with the potential for rate-regulated electric providers to classify their Act 235 compliance costs as delivery service costs rather than power supply costs. ABATE argues that if the costs to comply with Act 235 are classified as delivery service costs, Retail Open Access customers would pay twice for their compliance costs: once through the charges of their AES, and then a second time through delivery service rates from the electric provider who provides delivery services to them. ABATE argues that to avoid this undue discrimination, the Commission should clarify that costs to comply with Act 235 are classified as a power supply cost not delivery service cost. *Id.*, pp. 4-5.

Wolverine Power Supply Cooperative, Inc.

Wolverine's comments are limited to requesting clarification of specific language used in the Staff's straw proposal. The AES section of the Straw Proposal addresses enforcement of compliance with Act 235 and includes the following language:

Once an AES has submitted an energy storage procurement plan, it is assumed that the AES will be procuring those resources in accordance with its plan. Therefore, an AES shall submit eligible energy storage contracts for *approval*, in the amounts and timing in alignment with its plan.

Straw Proposal, p. 4 (emphasis added.)

Wolverine seeks confirmation that, because the Commission does not have authority to approve AES contracts, the review of storage contracts under Act 235 will remain a review-only process. Wolverine's comments, p. 2. Wolverine likens this to the current process of the Staff's review of capacity contracts within the capacity demonstration process. *Id.*

Michigan Energy Innovation Business Council

MEIBC's comments raise the concern that, due to the long lead times for integrated resource plan [IRP] development, there may be discrepancies between the compliance requirement that a utility calculates in the initial development of its IRP and that utility's updated actual share of the statewide target at the time the IRP is filed. To remedy this, MEIBC recommends "that the Commission determine that a utility should use the most recent calculation available when it begins its IRP modeling effort and should not be required to modify its modeling to align with a new annual calculation if such a calculation is available before the utility's IRP is filed." MEIBC's comments, p. 3.

On the matter of locational requirements for eligible energy storage facilities under Act 235, MEIBC argues that, since this is a statewide target and each provider's share is based on its contribution to in-state retail electric peak load, the intent of the legislation is "to encourage deployment of energy storage systems in the state of Michigan." *Id.*, p. 4. MEIBC recommends that the Commission find that, based on the language of Section 101, energy storage facilities used to meet the statewide target must be physically located in Michigan. *Id.*

MEIBC identifies that, while only rate-regulated utilities and AESs must comply with the minimum statewide target, each LSE in the state has a portion of the minimum statewide target of 2,500 MW allocated to them. Therefore, this creates a gap of approximately 278 MW of the total statewide energy storage target of 2,500 MW that is allocated to municipal and cooperative

utilities that aren't subject to the requirements of Section 101. MEIBC argues that it is essential that the Commission reallocate the portion of the statewide target allocated to municipal and cooperative utilities proportionally to the IOUs and AESs for the state to meet the minimum statewide target. *Id.*

While not addressed in the Staff's straw proposal, MEIBC also provides comments addressing the Commission's study on long-duration and multi-day energy storage systems which were discussed in the February 8 order and at the June 12, 2024 public engagement meeting. MEIBC encourages the Commission, as part of this report, to include initial estimates for long-duration and multi-day energy storage capacity that the Commission expects to be necessary in the future. MEIBC argues that without any direction on the procurement of long-duration and multi-day energy storage by the Commission, Michigan's customers would be at risk for the procurement of energy storage targets based on MWs of installed capacity alone, without consideration of operational benefits of different durations of energy storage. To the extent that a new analysis is not feasible, MEIBC encourages the Commission to consider establishing a target that could be justified based on other publicly available data. For example, a recent study by the U.S. Department of Energy forecasts the portion of total energy storage build that needs to be met with long-duration and multi-day energy storage. MEIBC expands upon the potential benefits to the Commission that establishment of these targets for long-duration and multi-day energy storage in its initial report may have, such as sending positive signals to LSEs and the industry, thus encouraging further development in the state and resulting in improvements to cost, reliability, and decarbonization. *Id.*, pp. 5-7.

DTE Electric Company

DTE Electric's comments generally support the Staff's straw proposal calculation methodology, while also identifying important considerations that may impact this calculation. DTE Electric advocates that eligible storage facilities being used for target compliance should be required to be located within the same zone as the customers the LSE serves. DTE Electric's comments, p. 2 (numbered in natural order). Doing so ensures that the resource will be able to meet the Local Clearing Requirement (LCR). It also removes the risk of having to procure additional capacity if located in a different zone. DTE Electric also argues that eligible storage facilities should be required to register in order to provide capacity service within the RTO or ISO footprint in which they are located. *Id.*

DTE Electric asserts that the statute is silent on the issue and seeks clarification on the timing of the peak load data proposed to be used in this calculation, commenting that:

since a LSE's actual capacity requirements are based on the RTO's peak load, the in-state retail electric Peak Load Contribution (PLC) should align to meet MISO/PJM capacity requirements. The capacity requirements are set by MISO/PJM each year and LSEs need to procure capacity to meet each LSE's contribution determined by their PLC.

Id., pp. 2-3. DTE Electric states that because every LSE must actually procure resources to meet its capacity requirement based on the PLC, an LSE's proportional share of the statewide storage target should similarly be defined in terms of PLC. *Id.*, p. 3.

Finally, DTE Electric comments in support of the public release of LSE peak load data because it does not believe that peak load data needs to be confidential. DTE also files comments in support of the annual calculation being filed in the capacity demonstration dockets under MCL 460.6w. *Id.*

Discussion

The Commission would first like to thank and acknowledge the hard work of the Staff, the utilities, and all other interested parties and persons that participated in the Statewide Energy Storage Target workgroup that provided input into the development of a calculation methodology for the minimum statewide energy storage target. It is vital to ensure the proper development of the statewide energy storage target calculation methodology to ensure that Act 235 is met in an equitable manner that appropriately distributes the costs and benefits to Michigan ratepayers. To that end, the Commission has carefully reviewed the comments provided by interested persons, will address the content of each comment, and has incorporated these comments into the Staff's straw proposal where necessary.

Clarification of Peak Load Capacity as a Capacity Obligation

Comments were filed seeking clarification of the term "PLC" which is used in the Staff's straw proposal. In its comments, as outlined above, Energy Michigan suggests adopting a more specific terminology, as PLC is a term with a specific definition in MISO that does not mean actual contributions to Michigan peak. After consideration of this comment, the Commission finds it necessary to provide clearer terminology to avoid confusion. The Commission supports using an LSE's summer peak capacity obligation as filed in its demonstration filings under MCL 460.6w, which is currently synonymous with "summer PLCs" for LSEs in MISO's service territory. However, considering that PJM does not use the same terminology, the Commission elects to change the term to identify an individual LSE's contribution to in-state retail electric peak load, as defined in Section 101(1), as its capacity obligation (CO). This will not change the data source of the CO, as an LSE's "summer capacity" obligation is identified in its demonstration filings. The purpose of the redefinition is to provide a consistent terminology that can be

universally identified in demonstration filings that is not specific to any subset of LSEs and is inclusive of LSEs in both the MISO and PJM territories.

The Commission finds that Energy Michigan’s arguments related to the value of defining a new term for “Contribution to Peak Load” in place of PLC to be moot in light of the Commission’s decision to use the term “capacity obligation.”

Regarding the change at MISO and PJM to seasonal capacity constructs, the Commission adopts the Staff’s proposal to base the peak load data on the summer capacity obligations. As evidenced by MISO’s most recent Loss of Load Expectation (LOLE) Study Report, the peak demand for local resource zone (LRZ) 7 and LRZ 2 in the summer still greatly exceeds demand in other seasons. If in the future, the relative seasonal peak demand in LRZ 7 and LRZ 2 change while the Staff is still performing these calculations, the Commission will evaluate this shift and may make updates to this calculation methodology to accommodate these changes.

To account for this change in terminology, the Commission updates the following terms in the Staff’s initial proposal, and notes that any other reference to “peak load contribution” or “PLC” be changed to “capacity obligation” or “CO:”

Peak Avg_{LSE} is the average of the utility’s previous 5-years of annual in-state peak capacity obligation, based on the utility’s summer peak load, as filed in its demonstration filings under MCL 460.6w.

And:

Peak Avg_{state} is the 5-year average of the sum of all utilities’ summer capacity obligations filed in capacity demonstrations under MCL 460.6w.

Annual vs. Seasonal Calculation

The Staff's straw proposal calculation methodology calls for this calculation to be performed annually, with the summer capacity obligation being used as the basis to establish an annual capacity obligation. The use of summer capacity obligation was chosen as it is representative of an LSE's largest annual capacity obligation with the current trend of the peak load day for LSEs in Michigan occurring in summer expected to continue. The Commission agrees with the Staff that the summer capacity obligation is reasonable to use when determining the annual storage targets for each LSE and is representative of the appropriate storage target amount based upon the needs of the system at the highest peak times.

Frequency of Calculation

The Staff proposed to perform the calculation in each year for the most recent five-year period so this data would be available for use by IOUs and AESs in each year following issuance of this order until the final compliance deadline of December 31, 2029. The Staff would then file its updated calculation within 30 days of the filing date for the last LSE's capacity demonstration on the E-dockets page for Case No. U-21571. Consumers, MEIBC, and I&M filed comments in support of the Staff performing this calculation annually, with no comments filed in opposition. Meanwhile, both Consumers and I&M's comments included recommendations that this calculation be filed in the instant docket and in the annual capacity demonstration docket.

The Commission finds there is no reason why the calculation should be filed in two dockets, and notes that LSEs are more familiar with and active on the capacity demonstration docket. Therefore, the Commission formalizes this calculation to be performed annually, at the frequency and timing stated in the Staff's proposal, and filed in the most recent open capacity demonstration filing docket.

Determining the Final Storage Target

As established in previous sections, to facilitate the different timings of the filings for approval of eligible energy storage contracts in IRPs and procurement plans in demonstration filings, the Staff will annually perform the calculation, using data from the preceding five years, beginning after the issuance of this order and continuing until the final compliance deadline in 2029.

While the calculation will be performed annually to account for the varied timings of LSEs' compliance filings, the Commission clarifies that subsequent annual calculations may have an impact on an LSE's compliance obligations. Once an LSE has submitted a storage procurement plan to the Commission or sought approval of contracts for its proportional share of eligible energy storage capacity and its plan has been approved, its compliance target is established based on the LSE's preceding 5-years of average annual capacity obligation. Once an LSE's compliance target is established in a filing before the Commission, it is not subject to future fluctuations in this target that may occur in future calculations, with a few exceptions to be discussed further. This provides for the consistency in the target that is necessary for long-term planning and multi-year resource procurement processes.

Depending on the timing of an LSE's filings and/or variations to its annual summer capacity obligation, there are three situations that the Commission envisions may necessitate a modification to a storage procurement plan that is either in development or already filed, as addressed below.

1. If a utility has an active IRP filing under review at the time the Commission issues this order approving the energy storage target calculation methodology, the Commission may either require changes to the proposed plan and/or to order a plan review prior to the December 31, 2029, compliance deadline to ensure the utility's share of the storage target is accounted for in its plan.
2. If an LSE is identified as having a "significant load change" after the publishing of the statewide storage target by Staff, but *prior* to the filing of the LSE's procurement plan or all necessary eligible energy storage contracts, the LSE

should work with Staff to determine its new compliance target, accounting for this change in load.

3. If an LSE operating under an approved storage procurement plan is identified as having a “significant load change” in a future annual calculation, the Commission may require that LSE file an updated plan for approval within 60 days after the publication of the annual calculation.

For the purposes of this calculation, a “significant load change” shall be defined as a change in an LSE’s five-year averaged summer peak capacity obligation of more than 10% from the previous five-year averaged peak capacity obligation used in the most recent annual storage target calculation.

Confidentiality of Load Data

No comments were filed citing concerns over the confidentiality of peak load data, a potential issue flagged by the Staff given the confidential nature of some LSE’s capacity demonstration filings. Consumers, DTE Electric, and I&M support the public disclosure of annual peak demand data, as each does not believe this information to be confidential, with Consumers arguing the public release of this data ensures transparency in the calculation of the average state peak load contribution. Consumers’ comments, p. 2.

The Commission agrees, finding that the Staff’s calculation does not require the protection of certain data, particularly given the averaging of five years of LSEs’ peak demand to inform the calculation. The additional transparency that the public disclosure of this information provides could be particularly useful to an LSE that anticipates a significant load change, providing the ability to recalculate the targets based on the change in load with some degree of accuracy.

Determination of Eligible Storage Systems

On the matter of the locational requirements for an eligible energy storage system, commenters’ positions varied. Consumers, DTE Electric, and I&M support requiring eligible

energy storage facilities be located in the same zone as the customers they serve. Meanwhile, MEIBC advocates for a more restrictive definition that would only allow for eligible energy storage facilities to be physically located in the state of Michigan, arguing that it is a statewide goal.

The Commission agrees with the positions of Consumers, DTE Electric, and I&M, in that eligible energy storage facilities should be located in the same local resource zone (LRZ) or locational deliverability area as the customers they serve, which aligns most closely with the definition of an eligible energy storage system defined in Section 101(9)(b).

DTE Electric and ABATE also provide comments advocating that eligible energy storage systems be required to register as a capacity resource, arguing that a registration requirement meets the intent of the law to ensure that eligible energy storage systems can provide capacity services and contribute to meeting the statewide peak demand.

The Commission finds that it will rely on the definition of an “eligible energy storage system” provided for by Act 235, Section 101(9)(b) to determine whether an energy storage system can be used for compliance:

“Eligible energy storage system” means an energy storage system that is located within the local resource zone or the locational deliverability area, as defined by the appropriate independent system operator or regional transmission organization, in which the electric provider is subject to capacity demonstration obligations pursuant to section 6w(8)(b) of 1939 PA 3, MCL 460.6w.

The Commission finds it helpful to update the language of the term *Storage Target_{state}* in the calculation to emphasize this definition. This term in the general equation for the calculation is now:

Storage Target_{state} is the statewide minimum energy storage target of 2500 MW_{AC} in nameplate capacity, that meets the definition of an eligible energy storage system as provided in Section 101(9)(b) of PA 235 of 2023.

Straw Proposal, p. 2.

Additionally, as part of their annual filed report required pursuant to Section 103 of Act 235, MCL 460.1103, the Commission directs each LSE with an approved storage procurement plan to detail how the resources in its storage procurement plan meet the requirements of Section 101 of the Act, including Subsection 101(9)(b).

Alignment of Peaks

Comments were divided regarding how to best ensure the alignment of the state peak demand with the RTO's peak load. DTE Electric argues that by using LSE's PLCs to calculate the statewide peak demand, this alignment with the RTO peak inherently happens: "since a LSE's actual capacity requirements are based on the RTO's peak load, the in-state retail electric Peak Load Contribution (PLC) should align to meet MISO/PJM capacity requirements." DTE Electric's comments, p. 3.

As part of its broader critiques of the Staff's proposal to source LSE peak demand from the PLCs or the COs identified in the demonstration filings, Energy Michigan expresses concern with what it characterized as a misalignment of the peak resulting from utility PLCs, which is based off of the RTO peak and the actual Michigan peak. Energy Michigan's comments, pp. 4-5.

The Commission addresses the entirety of Energy Michigan's arguments regarding the Staff's sourcing of PLC data in the section "Accuracy of Calculation," and also addresses updating the terminology for the contribution to in-state peak demand to be referred to as a "Capacity Obligation" in the section "Clarification of Peak Load Capacity as a Capacity Obligation." However, it is important to stress that the Commission views the statewide energy storage target as a capacity-based requirement. Since COs included in demonstration filings represent the capacity requirements set by the RTO each year which LSE's need to meet, use of COs to source this

information is the most reasonable option. The “peak” of concern to this calculation is the RTO’s annual peak, as this is what is used to determine an LSE’s CO, and therefore should be used to determine an LSE’s share of the statewide target.

Year-to-Year Variability

Several comments touch on the potential for year-to-year variability in a utility’s peak load, thereby changing their proportional share of the statewide target. While the Commission acknowledges that some variability in each LSE’s proportional share of the minimum statewide target could be expected, the Commission is not persuaded by arguments that such variability needs to be considered and the calculation methodology adapted to do so. In addition, year-to-year variability should be mitigated by the methodology’s five-year average approach. While I&M raises concerns that any year-to-year variability in an LSE’s peak load would make it difficult to align actual resources being built with these changes in its compliance obligation, the Commission does not share these concerns. Once an LSE has submitted its compliance plan under Act 235, Section 101(3), or submitted contracts for approval under Section 101(2), the LSE has a defined plan to meet its proportional share of the statewide energy storage target and would not be subject to any variations in its calculated proportional share in any future calculations, outside of specific exceptions identified previously.

An LSE should make every reasonable effort to incorporate the most recent statewide energy storage target calculation into its resource planning. However, the Commission acknowledges that IRP planning is a lengthy process with models developed and inputs needed months to years in advance of filing. Therefore, the Commission has determined to add the following instruction under the “Implementation” section of the calculation:

IOUs should make every reasonable effort to incorporate the most recent statewide energy storage target calculation into its IRP. If an updated statewide energy storage target calculation is published prior to the filing of the IRP but after modeling has begun, the utility must acknowledge the updated calculation, identify any changes to its proportional share of the statewide target, and any steps the utility has taken to incorporate these changes into its resource plan.

Classification of Storage Compliance Costs

ABATE expresses concerns with the classification of the costs of compliance with the statewide energy storage target and the potential harmful effects this could have on AESs through their payment of a delivery service charge to the distribution company through which they receive service. While determination of the classification of these charges is relevant to the implementation of Section 101, the Commission defers judgement on this matter to a contested case proceeding, to allow for a more complete record to determine the proper classification of the costs of compliance. The Commission notes that, because both IOUs and AESs are required to acquire their proportional share of the statewide target, the cost allocation method should not unfairly result in AES customers paying a portion of the IOUs' compliance costs.

Clarification of Alternative Electric Supplier Contract Review

Wolverine's comments seek clarification of a specific term used in the following section of the Staff's straw proposal:

Once an AES has submitted an energy storage procurement plan, it is assumed that the AES will be procuring those resources in accordance with its plan. Therefore, an AES shall submit eligible energy storage contracts for *approval*, in the amounts and timing in alignment with its plan. [emphasis added.]

Straw Proposal, p. 4.

Noting that the established process in the capacity demonstration filings under MCL 460.6w includes a review of an AESs capacity contracts, and not a formal approval of these contracts, as alluded to in the Staff's initial proposal, the Commission agrees with the intent behind

Wolverine’s clarifying question, and changes the language of this section of the calculation methodology to read:

Once an AES has submitted an energy storage procurement plan, it is assumed that the AES will be procuring those resources in accordance with its plan. Therefore, an AES shall submit eligible energy storage contracts for review, in the amounts and timing in alignment with its plan.

Accuracy of Calculation

Energy Michigan extensively comments on its perceived flaws in the proposed calculation methodology that it believes result in inaccurate calculations of LSE peak demand and inaccurate proportional shares of the minimum statewide energy storage target. Energy Michigan’s issues with the Staff’s straw proposal are primarily driven by the proposed use of PLCs or COs, forecasted in capacity demonstration filings to determine the LSE contributions to the statewide peak demand.

Energy Michigan comments that PLCs or COs are not actual historical loads and MISO “has hourly load data for every [LRZ] in its region, for every Local Balancing Authority [LBA] within each zone, and for every LSE within each LBA.” *Id.*

The Commission has addressed Energy Michigan’s concerns with the use of COs impacting the time of peak demand by concluding that the concerns of a misalignment of Michigan’s annual peak with the wider RTO’s peak is immaterial to this calculation, as it is a capacity-based obligation, and therefore should reflect an LSE’s capacity obligation as calculated by the RTO, which is based on the annual CO values reported in capacity demonstration filings under MCL 460.6w. Responding to the concern that the Staff’s proposal violates the language of the statute, the Commission does not agree. The Staff’s proposal includes the use of the most recent five years of COs, as sourced from the LSEs’ capacity demonstration filings. These values are each based on historical load from the previous year at the time of the MISO peak, adjusted to

include transmission losses and planning reserve margin percentage, and then adjusted by the ratio of the LBAs' forecasted peak load coincident to MISO's peak for the upcoming year, compared to the actual load of the LBAs' at the time of MISO's peak during the previous year. COs are based on LSEs' historical loads and are not a purely forecasted value, and therefore do not violate the statute.

While Energy Michigan advocates that MISO's hourly load data is a more accurate source of peak load information for use in calculations, it has not demonstrated that this information could be readily available for use by the Staff. The fact that MISO has the necessary information does not mean that the Staff is able to obtain that information for use in this calculation. In fact, based on current Staff outreach to MISO, this does not appear to be the case. Because Michigan's state borders do not align with the borders of LRZs or one RTO market, obtaining this data in a timely and accurate manner, and then publishing it in a format that allows for transparency into the storage allocation methodology is not an achievable task. Lacking adequate means to reliably obtain this data, the Commission declines to recommend a modification to this methodology. LSEs' respective COs are required to be filed annually under MCL 460.6w, with consistent and reliable timing, with no confidentiality concerns. Therefore, the Commission rejects Energy Michigan's proposal.

Distribution Losses

Energy Michigan argues that due to serving mostly primary customers, AESs have much lower distribution losses than IOUs, which should be factored into AESs' proportional share of the statewide energy storage target. The Commission does not agree. While there may be differences between distribution losses for individual LSEs, it is not clear how these differences would be accounted for or quantified in this calculation. While Energy Michigan provides approximate

differences between losses for an AES and IOU, the determination of actual differences would require obtaining actual load information from LSEs. When this information is reported to the respective RTO for resource adequacy planning, aggregate load forecasts are developed by the EDC for its entire service territory, with losses from distribution and transmission calculated and applied uniformly for all LSEs in this territory. The Commission is not aware of, and Energy Michigan did not provide, a readily available source for this information. Without this data, it is not clear how these differences, to the extent they exist, would impact the minimum statewide energy storage target. Considering that the COs used in capacity demonstrations are based on a previously vetted and approved process under an established tariff, the Commission still finds it the most appropriate source of peak load information. Thus, when an RTO incorporates tariff revisions that change the calculation of COs, the use of COs would mean this calculation is inherently updated to reflect these changes.

Inequitable Treatment of Alternative Electric Suppliers

Energy Michigan's comments indicate concern that the provisions of Section 101 will lead to inequitable treatment of AESs. Energy Michigan asserts that, given the practice under the current MISO tariff of rate-regulated utilities providing the forecasted peak demand for AESs in their service territory, there is potential disincentive for these forecasts to be properly performed due to the competitive relationship between these entities. However, outside of vague anecdotal references to unnamed LSEs, Energy Michigan provides no evidence of these abuses taking place or of the MISO tariff procedures not being followed. Considering these forecasts are developed under an established MISO tariff, the Commission does not share Energy Michigan's concerns about the validity of peak demand forecasts.

Similarly, Energy Michigan's concerns regarding an AES that enters into a contract with a rate regulated utility to procure the necessary energy storage contracts for compliance under the terms of Section 101(3) are not shared by the Commission. While it is true that the language under Section 101(3) includes the term "may," this is also not the only method for an AES to achieve compliance. An AES could develop and operate its own eligible energy storage system, or it could contract with a third party or independent power producer to procure the necessary storage capacity.

As well, Energy Michigan's concerns that the costs specified in the statute are not properly defined are not shared by the Commission. Establishing the cost to develop a generating resource, like an energy storage system, is common utility practice, as is determining the appropriate rate of return. Considering the compliance target is on a capacity basis, an LSE simply needs to procure the capacity from an eligible storage system, and therefore it should be up to each individual LSE to determine whether to include the purchase of energy from the eligible energy storage system, and whether the corresponding operating costs should be included in contract negotiations.

Energy Storage Compliance Market

Energy Michigan appears to envision a future where an LSE's share of the statewide target changes, resulting in discrepancies between the eligible energy storage capacity needed for compliance and the eligible energy storage capacity procured by the LSE. Thus, Energy Michigan recommends the establishment of a market for the trading of eligible energy storage capacity. The Commission does not share this viewpoint.

Determining the Final Storage Target

To facilitate the different timings of the filings for approval of eligible energy storage contracts in IRPs and procurement plans in demonstration filings, the Staff will annually perform the calculation, using data from the preceding five years, beginning after the issuance of this order and continuing until the final compliance deadline in 2029.

While the calculation will be performed annually to account for the varied timings of LSEs' compliance filings, the Commission clarifies that subsequent annual calculations may have an impact on an LSE's compliance obligations. Once an LSE has submitted a storage procurement plan to the Commission or sought approval of contracts for its proportional share of eligible energy storage capacity and its plan has been approved, its compliance target is established based on the LSE's preceding 5-years of average annual capacity obligation. Once an LSE's compliance target is established in a filing before the Commission, it is not subject to future fluctuations that may occur in future calculations, with a few exceptions to be discussed further. This provides for the consistency in the target that is necessary for long-term planning and multi-year resource procurement processes.

Depending on the timing of an LSE's filings and/or variations to its annual summer capacity obligation, there are three situations that the Commission envisions may necessitate a modification to a storage procurement plan that is either in development or already filed, as addressed below.

1. If a utility has an active IRP filing under review at the time the Commission issues this order approving the energy storage target calculation methodology, the Commission may either require changes to the proposed plan and/or to order a plan review prior to the December 31, 2029, compliance deadline to ensure the utility's share of the storage target is accounted for in its plan.
2. If an LSE is identified as having a "significant load change" after the publishing of the statewide storage target by Staff, but *prior* to the filing of the LSE's procurement plan or all necessary eligible energy storage contracts, the LSE

should work with Staff to determine its new compliance target, accounting for this change in load.

3. If an LSE operating under an approved storage procurement plan is identified as having a “significant load change” in a future annual calculation, the Commission may require that LSE file an updated plan for approval within 60 days after the publication of the annual calculation.

For the purposes of this calculation, a “significant load change” shall be defined as a change in an LSE’s five-year averaged summer peak capacity obligation of more than 10% from the previous five-year averaged peak capacity obligation used in the most recent annual storage target calculation.

It is not clear why the establishment of a market specifically for eligible energy storage capacity is necessary considering that LSEs regularly contract with other entities for capacity, and then use this capacity to meet their capacity obligations. There is no reason why the same could not be done when an LSE has excess eligible energy storage capacity without the need for a separate and distinct market construct to facilitate this.

Exemptions for Small Load Serving Entities

The Commission disagrees with Energy Michigan’s proposal to exempt small LSEs’ share of the statewide target. There is no support in Act 235 for such an exemption, and any threshold set by the Commission would therefore be arbitrary. Additionally, by allowing AESs to contract with rate-regulated utilities for the storage capacity needed to comply with the law, Section 101(3) provides for a measure of flexibility for smaller AESs, making their relative size less of a barrier to meeting their respective compliance obligations. Given this statutory framework, the Commission declines to determine a compliance threshold for potential exemption at this time.

Reallocation of Target

Using the Staff's energy storage target calculation example that is included in its straw proposal as the basis, MEIBC identifies approximately 278 MW of the 2,500 MW statewide target allocated to municipal and cooperative LSEs that are not subject to compliance with Section 101. MEIBC advocates that the Commission should reallocate this portion of the statewide target to LSEs that are required to comply with Section 101, arguing that if this is not done the state will not achieve its target. While the Commission understands MEIBC's concerns, it does not believe that following MEIBC's proposal would better align with the statute. The statute identifies the 2,500 MW minimum statewide energy storage target as a statewide target, and provides specific instructions for calculating an electric provider's share of the target:

An electric provider's share of the statewide energy storage target shall be apportioned based on the electric provider's annual average contribution to in-state retail electric peak load for the 5-year period immediately preceding the filing of the electric provider's plan under this subsection.

MCL 460.1101(1).

Section 101(1) is clear that an electric provider's share of the statewide target must be calculated; however, this does not provide for reallocation based upon an LSE's compliance requirements with this statute. The Commission declines to adopt this proposed reallocation of municipal and cooperative utilities' share of the statewide energy storage target.

Recommendations for Long Duration and Multi-day Energy Storage Report

MEIBC includes comments not directly related to the straw proposal in development, but to a separate study the Commission is conducting on long-duration and multi-day energy storage systems. While the Commission will not address each of these recommendations because they are outside of the scope of this order, it appreciates MEIBC's and others' interest in the field of energy storage, and would encourage any interested persons to look for this report on long duration and

multi-day energy storage to be presented to the Michigan Legislature no later than February 27, 2025.

Conclusion

Act 235 establishes a minimum statewide energy storage target of 2,500 MW and provides a framework for utilities whose rates are regulated by the Commission, and AESs, to comply with this statute. The Commission carefully considered the comments filed by interested persons, and incorporated those which would improve or simplify this process. The straw proposal methodology proposed by the Staff, with the modifications detailed in the discussion section of this order, is adopted by the Commission to serve as the guide for LSEs to comply with Section 101 of Act 235. The revised version of the Staff's straw proposal is attached to this order as Exhibit A.

THEREFORE, IT IS ORDERED that:

A. The Commission adopts the calculation methodology included in the Commission Staff's straw proposal, as revised by this order.

B. The Commission directs the Commission Staff to perform the first annual calculation 30 days after the completion of the capacity demonstration filings in 2025 and file the calculation in the capacity demonstration docket.

C. All Michigan electric utilities whose rates are regulated by the Commission shall demonstrate compliance with their plan as part of its Integrated Resource Plan filed under Public Act 3 of 1939, as amended. Alternative Electric Suppliers shall demonstrate compliance with their plans in the capacity demonstration filings required under Public Act 3 of 1939, as amended.

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 January 23, 2025.

Lisa Felice, Executive Secretary



Statewide Energy Storage Target Calculation

Dan Scripps, Chair
Alessandra Carreon, Commissioner
Katherine Peretick, Commissioner

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Introduction

On November 28, 2023, Governor Gretchen Whitmer signed Public Act 235 of 2023 (Act 235) into law, with an effective date of February 27, 2024. In addition to other changes, Act 235 added Sections 101 and 103, which focus on energy storage. Specifically, these sections establish several energy storage related activities and deadlines. Sections 101(1) and (2) establish a statewide energy storage target, which will be the focus of this straw proposal.

Section 101(1) and (2) provide for the following:

- (1) By December 31, 2029, each electric provider whose rates are regulated by the commission shall petition the commission for any necessary approvals, and each alternative electric supplier shall submit a plan to the commission, to construct or acquire eligible energy storage systems or enter into eligible energy storage contracts to meet its share of a statewide energy storage target of a combined capacity of at least 2,500 megawatts. An electric provider's share of the statewide energy storage target shall be apportioned based on the electric provider's annual average contribution to in-state retail electric peak load for the 5-year period immediately preceding the filing of the electric provider's plan under this subsection.
- (2) An electric provider whose rates are regulated by the commission shall demonstrate compliance with its plan under subsection (1) as part of the electric provider's integrated resource plan filed under section 6t of 1939 PA 3, MCL 460.6t. An alternative electric supplier shall demonstrate compliance with its plan under subsection (1) in the demonstration required under section 6w(8)(b) of 1939 PA 3, MCL 460.6w.

In its February 8, 2024, Order in Case No. U-21571, the Commission directed the Staff's activities to implement relevant sections of Act 235. Concerning Section 101(1), the Commission found that a standard methodology for calculating each utility or AES's proportional share of the statewide energy storage target was necessary and directed Staff to develop a straw proposal to implement Section 101(1) which includes a proposed methodology for this calculation.

Staff filed its straw proposal in the docket for Case No. U-21571 on May 29, 2024. On June 12, 2024, Staff held a public engagement session to review the straw proposal, solicit informal feedback and remind the public of the process to submit formal comments. A deadline of 5:00 p.m. (Eastern time) on August 1, 2024, was established for interested persons to submit formal comments to the docket for Case No. U-21571. Formal comments were received by seven organizations and, to the extent the Commission determined necessary, adopted into this calculation.

Calculation Methodology

The following methodology is to be employed by both utilities and AESs to calculate their proportional share of the minimum statewide energy storage target, as directed by Section 101(1).

This calculation is based on the following formula, which produces a simple calculation that requires knowing only the statewide capacity obligation, defined as the sum of all Michigan LSE's summer capacity obligations, and the individual LSE's summer capacity obligation. All data are sourced from utility capacity demonstration filings as required by MCL 460.6w:

$$\text{Storage Target}_{LSE} = \text{Storage Target}_{state} * \left(\frac{\text{Peak Avg}_{LSE}}{\text{Peak Avg}_{state}} \right)$$

Where:

*Storage Target*_{LSE} is the LSE's proportional share of the statewide minimum energy storage target;

*Storage Target*_{state} is the statewide minimum energy storage target of 2500 MW_{AC} in nameplate capacity, that meets the definition of an eligible energy storage system as provided in Section 101(9)(b) of PA 235 of 2023;

*Peak Avg*_{LSE} is the average of the LSE's previous 5-years of annual in-state peak capacity obligation, based on the LSE's summer peak load, as filed in its demonstration filings under MCL 460.6w; and

*Peak Avg*_{state} is the 5-year average of the sum of all LSEs summer capacity obligations filed in demonstrations under MCL 460.6w.

** This proposal would allow for LSEs to seek a waiver of storage duration requirements for certain storage projects on a case-by-case basis, if the LSE demonstrates why shorter duration storage is the better option for each specific project and use case**

Calculation Parameters

Frequency:

Given its access to the demonstration filings made by LSEs to satisfy the requirements of MCL 460.6w, Staff has all annual and seasonal capacity obligation information necessary to make this calculation for each 5-year period between the filing of this straw proposal and the deadline to show compliance at the end of calendar year 2029. Therefore, Staff will perform this calculation each year, for the most recent 5-year period, from 2025 through 2029 for use by utilities filing IRPs or AESs that wish to file their storage procurement plan earlier than 2029. The target is available in each respective year to demonstrate compliance with Section 101(1). Staff will file its updated calculation within 30 days of the filing date for the last LSE's capacity demonstration, on the e-dockets page for the most recent open capacity

demonstration filing and the page on the Commission’s website for the Statewide Energy Storage Target.¹

AESs are more likely to change their name and load served more frequently than other LSEs. If such a change does occur, and complete data are not available for that AES, Staff will work to understand the load contracted to that AES, identify whether it is existing or new load in Michigan, and formulate a reasonable proxy to base the AES’s proportional share of the minimum statewide energy storage target. To the extent that the load is simply shifting from one LSE to another, the transparent nature of this calculation should provide detail such that all LSEs can calculate any change to their target storage amount. Furthermore, the transparency of this calculation should also allow LSEs that are expecting to serve new load a reasonable idea of how their storage target would be affected.

Qualifying Storage Facilities:

Section 101 provides a definition of a qualifying storage facility, or a storage facility whose capacity could be used to satisfy a utility’s storage obligation under that section:

“Eligible energy storage system” means an energy storage system that is located within the local resource zone or the locational deliverability area, as defined by the appropriate independent system operator or regional transmission organization, in which the electric provider is subject to capacity demonstration obligations pursuant to section 6w(8)(b) of 1939 PA 3, MCL 460.6w

MCL 460.1101(9)(b)

Accordingly, an energy storage facility must be in the same local resource zone or locational deliverability area as the utility or AES which is relying on the associated capacity to meet its requirements under Section 101.

As part of its annual report required pursuant to Section 103 of PA 235 of 2023, each LSE with an approved storage procurement plan must detail how the resources in its plan meet the requirements of Section 101, including subsection 101(9)(b).

Implementation

When filing a storage procurement plan for approval by the Commission, an LSE is expected to use its compliance target as calculated in the most recent annual calculation. Once the LSE’s storage procurement plan is approved, that target number does not change unless there is a significant load change. Staff proposes a “significant load change” be defined as a change in an LSE’s summer peak load of more than 10% from the load used in the most recent annual storage target calculation. To the extent that an LSE’s summer peak load changes more than 10% since the last storage calculation was published, but prior to the filing of the LSE’s plan, the LSE should work with staff to determine the LSE’s target based upon the

¹ [Statewide Energy Storage Target](#).

load change if it is not reflected in the most recent calculation. If the significant load change is identified after a plan is approved, the Staff recommends that an LSE be required to refile an updated plan for approval 60 days following the next annual calculation.

Investor-Owned Utilities

Investor-Owned Utilities will demonstrate compliance with Section 101(1) through their integrated resource plans (IRP) filed under section 6t of 1939 PA 3, MCL 460.6t. Detailed filing instructions will be included in the next round of updates to the IRP Filing Requirements, which are currently in progress.

Staff was required to file updated draft IRP Filing Requirements incorporating new sections of Public Acts 231 and 235, including instructions for compliance with the statewide energy storage target, on the Commission's website by no later than September 30, 2024. Based on the timing of the last round of IRP Filing Requirement updates, Staff expects the Commission to issue an order approving updated IRP Filing Requirements well in advance of the next round if IRP filings in 2026, with enough time prior to the deadline for approvals to be filed by December 31, 2029. To the extent that a utility is filing an IRP in 2025, if the Order adopting this methodology is issued prior to the Commission issuing an order on the utility's IRP filing, the Commission may recommend changes to the filed plan or may order a plan review sometime prior to 2029 compliance deadline to ensure that the utility's plan satisfies its storage target.

IOUs should make every reasonable effort to incorporate the most recent statewide energy storage target calculation into its IRP. If an updated statewide energy storage target calculation is published prior to the filing of the IRP but after modeling has begun, the utility must acknowledge the updated calculation, identify any changes to its proportional share of the statewide target, and any steps the utility has taken to incorporate these changes into its resource plan.

Alternative Electric Suppliers

Alternative Electric Suppliers (AESs) will demonstrate compliance by filing their plans with the Commission as part of the demonstrations under section 6w(8)(b) of 1939 PA 3, MCL 460.6w. The 2029 capacity demonstration filing (demonstrating capacity for planning year 2032/2033) is the latest opportunity for AESs to submit their energy storage procurement plans to the Commission.

Enforcement

Section 101 does not specify the avenue for the Commission to verify the utility or AES is procuring the energy storage facilities identified in its plan as necessary to meet its share of the statewide energy storage target. Therefore, the following procedures are established for ongoing compliance verification:

Investor-Owned Utilities

IOUs will be filing for approval of energy storage facilities necessary to meet their share of the statewide energy storage target through the IRP process. Under Section 103 of Act 235, utilities will also be filing annual reports which update the Commission on the status of energy storage facilities located in the utility's service territory.

Once a utility has a storage procurement plan approved through the IRP process: 1) the utility's storage target does not change unless a significant load change is identified; 2) the annual reports provide the status of the utility's ongoing energy storage procurement plan, including the amount of energy storage capacity needed to satisfy the utility's share of the statewide target, the amount of capacity procured in that year, and the estimated capacity of energy storage resources the utility expects to procure in the next year. Staff proposes that the utility would then file for approval of any contracts to procure these storage facilities through ex parte filings in the docket on the Commission's website for the IRP case which includes the utility's approved energy storage procurement plan.

Alternative Electric Suppliers

AESs will demonstrate compliance with Section 101 by filing an energy storage procurement plan with the Commission through the demonstration filings under MCL 460.6w. Unless these energy storage resources are being used to satisfy the AES's demonstration requirements under MCL 460.6w, eligible energy storage contracts do not need to be presented for approval at the time the energy storage procurement plan is filed.

Once an AES has submitted an energy storage procurement plan, it is assumed that the AES will be procuring those resources in accordance with its plan. Therefore, an AES shall submit eligible energy storage contracts for review, in the amounts and timing in alignment with its plan. This filing should accompany the filing and review of contracts for capacity resources under the demonstration required under section 6w(8)(b) of 1939 PA 3, MCL 460.6w.

An AES who does not submit eligible energy storage contracts in the amounts identified in the demonstration year in its plan must submit a modified energy storage procurement plan which shows how it will still meet its share of the minimum statewide energy storage target within 60 days of its initial demonstration filing.

Sample Calculation

The following example provides a sample of this calculation methodology for the planning years 2020-2024:

$$Storage\ Target_{LSE} = Storage\ Target_{state} * \left(\frac{Peak\ Avg_{LSE}}{Peak\ Avg_{state}} \right)$$

Utility	5-year avg CO, PY 2020- 2024 (ZRC)	Storage Target (MW)
<u>Alpena</u>	<u>53.53</u>	<u>5.74</u>
<u>Bayfield Electric Cooperative</u>	<u>0.05</u>	<u>0.01</u>
<u>Calpine</u>	<u>172.4</u>	<u>18.49</u>
<u>Cloverland</u>	<u>105.74</u>	<u>11.34</u>
<u>Constellation</u>	<u>759.6</u>	<u>81.45</u>
<u>Consumers Energy</u>	<u>7568.4</u>	<u>811.54</u>
<u>Croswell</u>	<u>5.14</u>	<u>0.55</u>
<u>CMS ERM</u>	<u>22.58</u>	<u>2.42</u>
<u>Daggett</u>	<u>0.26</u>	<u>0.03</u>
<u>Direct Energy</u>	<u>175.06</u>	<u>18.77</u>
<u>DTE Electric</u>	<u>10564</u>	<u>1132.75</u>
<u>Escanaba</u>	<u>24.46</u>	<u>2.63</u>
<u>Energy Harbor</u>	<u>93.25</u>	<u>10.00</u>
<u>Indiana Michigan</u>	<u>729.1</u>	<u>78.18</u>
<u>Just Energy Solutions</u>	<u>1.6</u>	<u>0.17</u>
<u>MPPA</u>	<u>1382.02</u>	<u>148.19</u>
<u>MSCPA</u>	<u>138.25</u>	<u>14.83</u>
<u>Newberry</u>	<u>2.7</u>	<u>0.29</u>
<u>NSP</u>	<u>30.56</u>	<u>3.28</u>
<u>Stephenson</u>	<u>1.22</u>	<u>0.13</u>
<u>Thumb Electric Cooperative</u>	<u>37.72</u>	<u>4.05</u>
<u>UMERC</u>	<u>284</u>	<u>30.45</u>
<u>Union City</u>	<u>2.5</u>	<u>0.27</u>
<u>UPPCO</u>	<u>118.68</u>	<u>12.73</u>
<u>Wakefield</u>	<u>2.40</u>	<u>0.26</u>
<u>Wolverine Power Supply Cooperative</u>	<u>751.26</u>	<u>80.56</u>
<u>WPMC</u>	<u>213.81</u>	<u>22.93</u>
<u>Spartan</u>	<u>31.19</u>	<u>3.35</u>
<u>WPPI Energy</u>	<u>43</u>	<u>4.61</u>
TOTAL	23315.07	2500.00

PROOF OF SERVICE

STATE OF MICHIGAN)

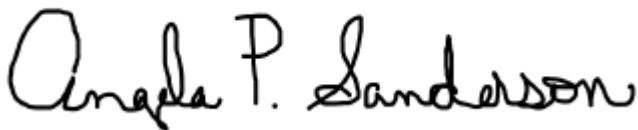
Case No. U-21571

County of Ingham)

Brianna Brown being duly sworn, deposes and says that on January 23, 2025 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 January 2025.



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

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Stephenson Utilities Department
Superior Energy Company
Symmetry Energy Solutions, LLC
Texas Retail Energy, LLC
Tital Gas, LLC d/b/a CleanSkyEnergy
Thumb Electric Cooperative
Tomorrow Energy Corporation
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