STATE OF MICHIGAN

MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of CONSUMERS ENERGY COMPANY for authority to increase its rates for the generation and distribution of electricity and for other relief.	Case No. U-18322

DIRECT TESTIMONY OF

JAMIE SCRIPPS

ON BEHALF OF

MIDWEST COGENERATION ASSOCIATION

Exhibits relabeled September 25, 2017

Q. State your name, business name and address.

A. My name is Jamie Scripps and I am a partner with 5 Lakes Energy LLC located at 115 West Allegan, Suite 710, Lansing, Michigan 48933.

Q. On whose behalf are you appearing in this case?

A. I am appearing here as an expert witness on behalf of the Midwest Cogeneration Association.

Q. Summarize your educational background.

A. I have a law degree from the University of Michigan Law School, conferred in May 2005. I also have a Master's in Leadership Studies from North Central College in Naperville, Illinois, conferred in June 2002, and a Bachelor's in Education from the University of Michigan, conferred in May 1999.

Q. Summarize your experience in the field of electric utility regulation.

A. I have worked at 5 Lakes Energy since July 2012 as a consultant in energy policy and utility regulation. I have been a partner at 5 Lakes Energy since November 2014. From 2009-2010, I worked at the Michigan Department of Energy, Labor and Economic Growth (DELEG) as the Assistant Deputy Director for energy programs, where I provided research and support for the application of scientific, engineering, and economic principles to the formation and adoption of energy policies for the State of Michigan. From 2008-2009, I worked as an associate attorney at Sondee, Racine & Doren LLP in Traverse City, where I assisted in providing legal representation to the local municipal utility. From 2007-2008, I served as Deputy Policy Director for the Michigan Environmental Council, where I provided research and advocacy on issues related to

energy policy and utility regulation. From 2005-2007, I worked as an associate attorney at Venable LLP in Washington, D.C., where I assisted in the legal representation of a large investor-owned utility serving the Mid-Atlantic region. My work experience is set forth in detail in my résumé, attached as Exhibit MCA-1 (JWS-1).

Q. Summarize your professional development coursework in the field of electric utility regulation.

A. In July 2017, I completed the EUCI course titled "Introduction to Cost-of-Service Concepts and Techniques for Electric Utilities." In August 2016, I completed the EUCI course titled "Integrated Resource Plan Design Fundamentals."

Q. Summarize your past speaking engagements in the field of electric utility regulation.

A. In January 2015, I was invited to present on the topic of cogeneration at the Institute of Public Utilities' 2015 Michigan Forum on Economic Regulatory Policy in East Lansing, Michigan. In October 2016 and February 2017, I was invited to present on standby rates to the Michigan Public Service Commission Staff Standby Rate Working Group. In December of 2016, I was invited to present on standby rates to the Minnesota Department of Commerce Workshop on Standby Rates and Cogeneration. Additionally, I have served as the project manager for the Michigan Energy Office CHP Roadmap Grant Project since February 2016, served on the leadership team for the 2015, 2016 and 2017 Michigan CHP Conferences, and I co-presented on the CHP Roadmap Grant Project at the 2017 Michigan CHP Conference in June 2017.

Q. Have you testified before this commission or as an expert in any other proceeding?

A. No.

Q. Are you sponsoring any exhibits?

A. Yes, I am sponsoring the following exhibits:

1. Exhibit MCA-1 (JWS-1): Résumé of Jamie Scripps
2. Exhibit MCA-2 (JWS-2): Narrative Compilation of 5 Lakes Energy "Apples to Apples" Standby Rate Analyses
3. Exhibit MCA-3 (JWS-3): Overview of Results from 5 Lakes Energy "Apples to Apples" Standby Rate Analyses
4. Exhibit MCA-4 (JWS-4): 5 Lakes Energy "Apples to Apples" Standby Rate Analysis as to Consumers Energy's Proposed Revisions to Rate GSG-2 in Case No. U-18322
5. Exhibit MCA-5 (JWS-5): Energy and Environmental Analysis, Inc. Final Report: Distributed Generation Operational Reliability and Availability Database, submitted to Oakridge National Laboratory, January 2004.
6. Exhibit MCA-6 (JWS-6): Regulatory Assistance Project (RAP), Standby Rates for Combined Heat and Power Systems: Economic Analysis and Recommendations for Five States, February 2014.
7. Exhibit MCA-7 (JWS-7): E-mails and spreadsheet attachment received from Josnelly Aponte of Consumers Energy on 1/26/2017 and 2/6/2017 pursuant to discussions in MPSC Staff Standby Rate Working Group.
8. Exhibit MCA-8 (JWS-8): Energy Resources Center, Analysis of Standby Rates and Net Metering Policy Effects on Combined Heat and Power (CHP) Opportunities in Minnesota, prepared for the Minnesota Department of Commerce Division of Energy Resources, April 2014.

9. Exhibit MCA-9 (JWS-9): Otter Tail Power Electric Rate Schedule, Standby Service.

Q. Have you provided analysis in support of testimony or comments in any other utility regulatory proceeding?

A. Yes. In 2016, I completed an "apples to apples" standby rate analysis that was utilized by Fresh Energy and Midwest Cogeneration Association in Minnesota PUC Docket. No. E-999/CI-15-115. The analysis took a hypothetical 2 MW CHP system through various outage scenarios under a particular utility's standby tariff. The customer's estimated standby bills were totaled and then compared across utilities to see how the same size CHP system would fare cost-wise in different utility service territories. In December 2016, I was invited by the Minnesota Department of Commerce to present the results of my Minnesota-focused "apples to apples" analysis at their Workshop on Standby Rates and Cogeneration. Based on the same methodology, I completed a Michigan-focused "apples to apples" standby rate analysis that was utilized by Midwest Cogeneration Association in comments to the Michigan Public Service Commission Staff Standby Rate Working Group in 2016 and 2017. To date, I have examined 14 utility standby tariffs using this "apples to apples" methodology, including those of Minnesota Power; Xcel Energy (MN); Otter Tail Power; Dakota Electric; Consumers Energy, DTE; UPPCO; UMERC; PECO Energy (PA); PPL Electric (PA); Duke Energy (OH); First Energy (OH); AEP (OH); and Dayton Power & Light.

Q. Based on your recent experience engaging with standby workshops and proceedings across a number of states, is there increasing interest in cogeneration?

A. Yes, there seems to be increasing interest in cogeneration. The Minnesota Department of Commerce Workshop and the Minnesota Public Utility Commission standby proceeding are evidence of strong interest by Minnesota policymakers and regulators in pursuing a thoughtful approach to standby rates in light of the potential benefits of increased deployment of cogeneration. Over the past few years, Minnesota policymakers and regulators have engaged in an extensive stakeholder process around standby rates, and required utilities to file revised standby tariffs to better reflect best practices, including transparency, flexibility, the ability to promote economically efficient consumption and accurately account for all relevant value streams including both costs and benefits.[1]

Similarly, the Michigan Public Service Commission Staff Standby Rate Working Group seized an "opportune time to determine whether the current standby service tariffs reflect the cost of serving self-generation customers with CHP or solar and address concerns of the self-generation community."[2] As further evidence of the interest and complexity in getting standby rates right for customers with cogeneration, once the initial time period allocated to the workgroup had passed, the staff allotted extra time to explore CHP-specific issues related to standby rates.[3] After the August 2016 report was issued, staff held five additional workgroup meetings focused on standby rates for cogeneration, and a supplemental report was issued in June 2017, featuring recommendations ranging from

[1] *See* MN PUC Docket No. E-999/CI-15-115, *In the Matter of a Commission Inquiry into Standby Service Tariffs*.
[2] MPSC Staff Standby Rate Working Group Report, August 19, 2016, p. 2.
[3] Ibid at p. 29: "Some participants in the SRWG have asked for additional time to do a more in-depth analysis of the cost to provide standby service to customers with CHP and other generators with baseload operating characteristics. Staff agrees that more work is needed in this area."

ways in which the utilities can improve the transparency of their standby tariffs to ways to better incent efficient use of system resources.[4]

Initial conversations with regulatory staff in Pennsylvania and Ohio have indicated an interest in gaining a better of understanding of how standby rates affect potential owners of cogeneration systems. In Ohio, AEP and Dayton Power & Light both have CHP incentive programs, so there is particular interest in understanding the range of incentives and barriers facing customers interested in installing CHP systems.

I am also aware of a collaborative effort ongoing in Missouri, in which the Department of Economic Development is taking a close look at better aligning standby rates with the unique characteristics of standby customers as a class. There is also a Public Sector Combined Heat and Power (CHP) Pilot Program active in Illinois, providing cash incentives for CHP projects that increase energy efficiency of local governments, municipal corporations, public school districts, community college districts, public universities, and state/federal facilities located in certain Illinois utility service territories.

Overall, as interest in CHP grows, and states explore ways to remove barriers and/or encourage its deployment, there is a recognition that any serious effort to promote CHP must be done in the context of a fair, cost-based approach to standby rate design.

Q. What customer characteristics do you assume in the "apples to apples" analysis?

A. I assume a General Service customer served at the Primary Distribution Level.

Q. Describe the outage scenarios used in the "apples to apples" analysis.

[4] *See* MPSC Staff Standby Rate Working Group Supplemental Report, June 2017 (CHP Focus), available at http://www.michigan.gov/mpsc/0,4639,7-159-16377_47107-376753--,00.html.

A. I use the following outage scenarios, assuming a complete outage of the CHP system for all scenarios except "no outage":

1. No Outage
2. Scheduled Outage 16 hours off-peak (spread over fewest number of outage days possible)
3. Scheduled Outage 16 hours on-peak (spread over fewest number of outage days possible)
4. Scheduled Outage 8 hours on-peak, 8 hours off-peak (spread over fewest number of outage days possible)
5. Scheduled Outage 32 hours on-peak (spread over fewest number of outage days possible)
6. Unscheduled Outage 8 hours on-peak, 8 hours off-peak (continuous outage)

Q. What process do you follow in completing the "apples to apples" analysis for each utility?

A. The first step is a "cold read" of the utility's standby service tariff or rider. By initially approaching the standby tariff with only the language of the published tariff to go by, I am able to evaluate its transparency, clarity and straightforwardness. In my experience, some published tariffs are relatively easy to navigate without interaction with a utility representative; others are more difficult to decipher, or include references to data that only the utility has access to. In those cases, I do my best to sketch out a reasonable interpretation of how to correctly apply a utility's tariff to the hypothetical 2 MW CHP system outage scenarios. I then reach out to the appropriate contacts at the utility to verify and correct any errors in my draft interpretation.

Q. You testified to having completed the "apples to apples" analysis for 14 utilities to date. Have all 14 of these analyses been verified by utility representatives?

A. No, not all 14 have been verified as of yet. I am in the process of working with the Ohio utilities to verify those analyses; so far, only AEP (OH) is verified from that state. However, the analyses from Michigan, Minnesota and Pennsylvania have all been verified, including the Consumers Energy analysis based on Rate GSG-2 currently in effect. An overview of results from this verified compilation of analyses is attached as Exhibit MCA-3 (JWS-3). A narrative document describing the underlying calculations related to each separate utility analysis is attached as Exhibit MCA-2 (JWS-2).

Q. What is the purpose of the "apples to apples" standby rate analysis?

A. The exercise of completing the "apples to apples" standby rate analysis has three main benefits. First, it helps to evaluate the transparency, clarity and straightforwardness of a utility's published standby tariff, and provides a real-world view of a utility's level of openness and cooperation in working with a stakeholder in verifying the correct interpretation of the company's tariff. This is important because an indecipherable standby tariff and/or a resistant or hostile utility can pose a significant barrier to the deployment of otherwise cost-effective CHP. Second, the exercise teases out how a utility treats scheduled vs. unscheduled outages, and on-peak vs. off-peak outages, and calculates through the "no outage" scenario the estimated minimum standby bill a potential owner of a CHP system might face. Third, where one is able to compare estimated standby bills across various outage scenarios, and across a number of different utilities, outliers jump out, sometimes dramatically, and suggest areas for further discussion and investigation regarding fairness and cost justification.

Q. Utility standby tariffs can be expected to vary based on each utility's revenue requirement, cost of service methodology and approach to rate design. Are these differences necessarily a reason for concern?

A. No, not necessarily, but in my experience the comparative analysis does a good job of flagging extremes, which may be ripe for further discussion. In addition, the breakdown of charges, across different outage scenarios, helps to identify the elements of the rate design that may be leading to high charges. It also shows you how the utility's rate design works, and how it might encourage or discourage certain behavior on the part of the customer, including whether it encourages efficiency. Through a number of discussions with utilities and regulators, I've found that even if a utility has a reasonable cost of service-based justification for imposing high standby bills on customers, it is still important for the utility, policymakers, regulators and other stakeholders to understand how the rate design impacts potential CHP projects.

Q. During the MPSC Staff Standby Rate Working Group, as to the comparative analysis, the utilities raised the concern that other states may have policies and goals in place that differ from the policies and goals in place in Michigan. Much of the "apples to apples" analysis focuses on a comparison with Minnesota utilities. Does it make sense to compare Minnesota with Michigan in this way?

A. Yes. Minnesota is similar to Michigan in a number of important ways, including in its focus on cost-justification. In Minnesota's current standby tariff docket, in which

Minnesota's four major utilities proposed revised standby tariffs based on recommended best practices, the Minnesota Department of Commerce laid out the following key goals[5]:

1. Standby rates should be transparent, flexible, and promote economically efficient consumption;
2. Standby rates should accurately account for all relevant value streams including both costs and benefits;
3. Standby rates should simplify input data sets & methodology, where possible and warranted;
4. Standby rates should provide neither an incentive nor a disincentive for distributed generation.

Because Michigan and Minnesota share the same goals with regard to improving standby rates, and in light of the fact that Minnesota specifically states that it does not wish to provide an incentive or disincentive for distributed generation, we believe it is clear that the "apples to apples" comparison with Minnesota utilities is valid.

Q. In your analysis of standby tariffs from other states, are the same kinds of costs reflected by Consumers Energy's Delivery Capacity Charge included in other states' utility standby rates?

A. Yes. Consumers Energy's Delivery Capacity Charge is one of the primary demand charges imposed on its standby customers. The Delivery Capacity Charge is a large portion of the high total standby charges that would be experienced by its Rate GSG-2 customers, and reflects costs to the utility related to distribution capacity. These charges are assessed based on standby contract capacity and are not pro-rated based on a standby

[5] *See* MN PUC Docket No. E-999/CI-15-115, In the Matter of a Commission Inquiry into Standby Service Tariffs.

customer's partial use of the system. In other states, costs related to distribution capacity are reflected in the distribution component of reservation fees and demand charges. In Minnesota, these fees are pro-rated to reflect partial use of the system by standby customers. Pro-rating demand charges, including those reflecting distribution capacity costs, is in line with best practices for standby rate design. According to the Regulatory Assistance Project, "Pro-rated, daily, as-used demand charges for backup power and shared transmission and distribution facilities should be used to provide an incentive for generator reliability."[6]

Q. Have you completed the "apples to apples" analysis for the version of Rate GSG-2 <u>proposed by</u> Consumers Energy in this proceeding?

A. Yes, I have completed an initial analysis based on appropriate adaptations to my verified interpretation of how to correctly apply the version of Rate GSG-2 that is currently in effect. This analysis is included in the attached Exhibit MCA-2 (JWS-2) (the "apples to apples" narrative compilation) and also attached separately as Exhibit MCA-4 (JWS-4).

Q. Where did you obtain the energy charge data used in completing the "apples to apples" analysis for the version of Rate GSG-2 <u>proposed by</u> Consumers Energy in this proceeding?

A. Energy charges are based on 2015 MISO Real-Time Locational Market Price (LMP) for the Company's load node designated as "CONS.CETR." The specific energy charge data used in the "apples to apples" analysis was obtained from Josnelly Aponte of Consumers Energy in an e-mail dated 2/6/2017 (attached as Exhibit MCA-7 (JWS-7)).

[6] Regulatory Assistance Project (RAP), *Standby Rates for Combined Heat and Power Systems: Economic Analysis and Recommendations for Five States*, February 2014, p. 5, attached as Exhibit MCA-6 (JWS-6).

Q. Where did you obtain the transmission loss data used in completing the "apples to apples" analysis for the version of Rate GSG-2 proposed by Consumers Energy in this proceeding?

A. Voltage 3 transmission losses are assumed to be 0.05448 for purposes of calculating Power Supply Capacity and Energy Charges. Transmission loss data used in the "apples to apples" analysis was obtained from Josnelly Aponte of Consumers Energy in an e-mail dated 2/6/2017 (attached as Exhibit MCA-7 (JWS-7)).

Q. Based on your "apples to apples" analysis of Consumers Energy's proposed revisions to Rate GSG-2, what are your observations as to the total estimated standby bill for a Consumers Energy customer?

A. Total estimated standby bills are reflected in Table 1 of Exhibit MCA-3 (JWS-3). When Consumers Energy's standby bills are compared across the various utilities in the "apples to apples" analysis, it is clear that its customers pay relatively high standby charges. For example, under the proposed revisions to Rate GSG-2, Consumers Energy imposes the second highest standby charges in a "no outage" month, with an estimated total bill of $9100.

These relatively high standby charges in a "no outage" month are driven by high Delivery Capacity Charges, which are calculated based on contract capacity and imposed on customers regardless of whether standby service is used during the month. Delivery Capacity Charges are not pro-rated based on partial use, nor are they adjusted by a system's forced outage rate (FOR) to take into account a system's reliability. Although they are particularly noticeable in the "no outage" scenario, these charges contribute to

the relatively high level of total standby charges experienced by customers under every outage scenario analyzed.

Beyond the Delivery Capacity Charge, the company's proposed increase in the Rate GSG-2 Power Supply Capacity Charge Rate is significant. As shown in Table 4 of Exhibit MCA-3 (JWS-3), the Power Supply Capacity Charges associated with the Scheduled 16-hour on-peak outage scenario increase from $2232 to $5111, more than doubling Power Supply Capacity Charges due to the company's proposed changes to Rate GSG-2.

Q. Based on your "apples to apples" analysis of Consumers Energy's <u>proposed revisions</u> to Rate GSG-2, what are your observations as to the estimated standby bill for a Consumers Energy customer experiencing the "no outage" scenario?

A. Monthly estimated standby bills in a "no outage" month are reflected in Table 2 of Exhibit MCA-3 (JWS-3). Consumers Energy's relatively high standby charges in a "no outage" month are driven by high Delivery Capacity Charges, which are calculated based on contract capacity and imposed on customers regardless of whether standby service is used during the month. Delivery Capacity Charges are not pro-rated based on partial use, nor are they adjusted by a system's forced outage rate (FOR) to take into account a system's reliability.

As it is a fixed monthly fee based on contract capacity, the Delivery Capacity Charge acts as a kind of Reservation Fee for Consumers Energy customers. Ideally, a Reservation Fee would incorporate the forced outage rate (FOR) of a system. According to the Energy Resources Center, "The Forced Outage Rate should be used in the calculation of a customer's reservation charge. The inclusion of a customer's forced outage rate directly

incentivizes standby customers to limit their use of backup service. This further links the use of standby to the price paid to reserve such service creating a strong price signal for customers to run most efficiently."[7] In Minnesota, for example, Minnesota Power takes into account the FOR of a system, which we assume to be 5%[8] in the "apples to apples" analysis. The Minnesota Power "no outage" total is $1007 compared to Consumers Energy's "no outage" total of $9100. Because there is no consideration of FOR under either the current or proposed Rate GSG-2, and in light of this stark difference in "no outage" charges imposed on customers, this would seem to be an area that is ripe for further discussion and potential revision.

Q. **Based on your "apples to apples" analysis of Consumers Energy's <u>proposed revisions</u> to Rate GSG-2, what are your observations as to the estimated standby bill for a Consumers Energy customer experiencing the Scheduled Outage 16-hours Off-Peak scenario?**

A. Estimated standby bills for a month with a Scheduled 16-hour Off-Peak Outage are reflected in Table 3 of Exhibit MCA-3 (JWS-3). The average bill for this scenario is $7559, with Consumers Energy coming in higher than average at $10,046. Consumers Energy does not impose Power Supply Capacity Charges when an outage takes place entirely during off-peak times. Therefore, these charges are again primarily driven by high Delivery Capacity Charges. Under the current and proposed Rate GSG-2, Delivery

[7] Energy Resources Center, <u>Analysis of Standby Rates and Net Metering Policy Effects on Combined Heat and Power (CHP) Opportunities in Minnesota</u>, prepared for the Minnesota Department of Commerce Division of Energy Resources, April 2014, p. 11, attached as Exhibit MCA-8 (JWS-8).

[8] Energy and Environmental Analysis, Inc. Final Report: <u>Distributed Generation Operational Reliability and Availability Database</u>, submitted to Oakridge National Laboratory, January 2004, attached as Exhibit MCA-5 (JWS-5).

Capacity Charges are not-prorated and do not differentiate between on-peak and off-peak standby use.

Q. **Based on your "apples to apples" analysis of Consumers Energy's <u>proposed revisions</u> to Rate GSG-2, what are your observations as to the estimated standby bill for a Consumers Energy customer experiencing the Scheduled Outage 16-hours On-Peak scenario?**

A. Estimated standby bills for a month with a Scheduled 16-hour On-Peak Outage are reflected in Table 4 of Exhibit MCA-3 (JWS-3). The average bill for this scenario is $9500, with Consumers Energy coming in higher than average at $15,324. Here, Consumers Energy's Power Supply Capacity Charges kick in, pro-rated based on the number of on-peak days of an outage.

As discussed in company witnesses Collins and Aponte's testimony,[9] and further addressed in MCA witness Jester's testimony, Rate GSG-2 customers are already paying higher than their total allocated embedded cost of service under the current version of Rate GSG-2. Through proposed revisions to Rate GSG-2 in this proceeding, the company proposes to further increase costs on GSG-2 customers by increasing the Power Supply Capacity Charge. As shown in Table 4 of Exhibit MCA-3 (JWS-3), the Power Supply Capacity Charges associated with this outage scenario increase from $2232 to $5111, more than doubling Power Supply Capacity Charges due to the company's proposed changes to Rate GSG-2.

[9] The results of the Rate GSG-2 cost of service study are described by company witness Laura Collins, with reference to Exhibit A-85, and by the direct testimony of company witness Josnelly Aponte, with reference to Exhibit A-83. On page 10 of her testimony, witness Collins explains that "the Company completed a study that compares the GSG-2 revenue as it is collected under current rates, to the costs as determined in the Company's COSS. The results, shown in Exhibit A-85 (LMC-6) GSG-2 power supply revenue, show that the GSG-2 customers are paying higher than their total allocated embedded cost of service."

Q. **Based on your "apples to apples" analysis of Consumers Energy's <u>proposed revisions</u> to Rate GSG-2, what are your observations as to the estimated standby bill for a Consumers Energy customer experiencing the Scheduled Outage 8 Hours On-Peak/8 Hours Off-Peak scenario?**

A. Estimated standby bills for a month with a Scheduled Outage 8 Hours On-Peak/8 Hours Off-Peak are reflected in Table 5 of Exhibit MCA-3 (JWS-3). The average bill for this scenario is $8501, with Consumers Energy coming in higher than average at $13,430. The company differentiates between on-peak and off-peak outages both in terms of Power Supply Capacity and Energy Charges.

Q. **Based on your "apples to apples" analysis of Consumers Energy's <u>proposed revisions</u> to Rate GSG-2, what are your observations as to the estimated standby bill for a Consumers Energy customer experiencing the Scheduled Outage 32-hours On-Peak scenario?**

A. Estimated standby bills for a month with a Scheduled Outage 32-hours On-Peak are reflected in Table 6 of Exhibit MCA-3 (JWS-3). The average bill for this scenario is $13,549, with Consumers Energy coming in higher than average at $21,392. A key driver of this total cost is the proposed revised Power Supply Capacity Charge rate, which takes the associated Power Supply Capacity Charges up from $4463 under the current version of Rate GSG-2 to $10,222 under the company's proposal in this proceeding.

As company witnesses Collins and Aponte testified, the Power Supply Capacity Charges under the current version of Rate GSG-2 are already out of alignment with the company's cost of service study, with standby customers overpaying based on their embedded cost

of service. This increase from $4463 to $10,222 is illustrative of how the company's proposed revisions to Rate GSG-2 exacerbate this problem.

Q. **Based on your "apples to apples" analysis of Consumers Energy's <u>proposed revisions</u> to Rate GSG-2, what are your observations as to the estimated standby bill for a Consumers Energy customer experiencing the Unscheduled Outage 8 Hours On-Peak/8 Hours Off-Peak scenario?**

A. Estimated standby bills for a month with an Unscheduled Outage 8 Hours On-Peak/8 Hours Off-Peak are reflected in Table 7 of Exhibit MCA-3 (JWS-3). The average bill for this scenario is $21,392 with Consumers Energy coming in lower than average at $13,549. The company's relatively lower charges for the unscheduled outage scenario are due to the fact that the company does not differentiate between scheduled and unscheduled outages, which raises the question whether customers who pre-schedule outages are actually subsidizing customers who experience unscheduled outages under this rate design. Scheduled and unscheduled outages should be treated differently in standby rates to promote efficient use and proactive maintenance of the cogeneration system.

Q. **In the MPSC Staff Standby Rate Working Group Supplemental Report issued in June 2017, the staff recommended "that the Commission develop a cost-of-service-based, standardized framework for standby service tariffs where possible. Staff recognizes there may be reason to deviate from the standard. Any differences should be justified and supported by the company." Do you agree with this recommendation?**

A. Yes. While I recognize there may be reasons to deviate from a standard, I agree that a standardized framework for tariffs would be helpful in encouraging efficiency, ensuring fairness in standby rates, and making these tariffs more understandable from the perspective of the customer. Any standardized framework adopted should reflect best practices, including an emphasis on transparency to provide customers with clear signals on the cost of electric service and help customers operate in a cost-effective manner that lessens their burden to the utility; flexible rates, to allow the customer to avoid charges when not using service; and rates that promote economically efficient consumption, to discourage the wasteful use of utility services while promoting all that is economically justified in terms of private and social costs incurred and benefits received.[10] The framework should emphasize the pro-ration of charges to reflect standby customers' partial use of the system in order to fairly reflect these customers' contribution to utility costs.

Q. In the MPSC Staff Standby Rate Working Group Supplemental Report issued in June 2017, the staff recommended "To assist with standby service tariff transparency, a clear and concise description of the tariff structure and each term used should be included with the tariff." Do Consumers Energy's <u>proposed revisions</u> to Rate GSG-2 address this recommendation?

A. No, it does not appear that Consumers Energy made any effort to clarify or make its GSG-2 more transparent. Rate GSG-2 is complicated and lacks transparency, and the proposed revisions offer no meaningful improvement. For example, in order to calculate

[10] *See* Energy Resources Center, Analysis of Standby Rates and Net Metering Policy Effects on Combined Heat and Power (CHP) Opportunities in Minnesota, prepared for the Minnesota Department of Commerce Division of Energy Resources, April 2014, p. 10-11, attached as Exhibit MCA-8 (JWS-8).

its Power Supply Energy Charges, a potential customer would need access to appropriate energy charge rates and transmission loss figures to use in the formula described in the published tariff. Without the assistance of a representative from the company, it is nearly impossible to estimate standby bills for a potential CHP project.

Q. **Does the company provide any supplemental educational materials to customers to explain how to properly apply the published Rate GSG-2 tariff to a potential CHP project?**

A. No. In response to discovery question 18322-MCA-CE-238, the company explained that depending on the type of customer, the call center, business center, or a customer account manager would field questions from prospective standby service customers. In response to discovery request 18322-ELPC-CE-224, the company made clear that it does not market standby service nor provide any materials relating to it, aside from the fact that the tariff is posted on the company website.

In response to discovery question 18322-MCA-CE-238, the company stated that it has an Excel based model that its staff use to perform standby estimates when the installation exceeds 550 kW. While the company does not currently make this spreadsheet publicly available via its website, this is an area where the company could easily assist potential customers interested in CHP to perform their own calculations using an adapted version of the already-existing spreadsheet.

For example, AEP Ohio helpfully provides bill calculation spreadsheets on its website: https://www.aepohio.com/account/bills/rates/AEPOhioRatesTariffsOH.aspx.

Q. Based on your experience performing the "apples to apples" analysis as to other utilities and across other states beyond Michigan, are there examples of best practices as to transparency, clarity and straightforwardness that you would point to as a recommendation in this proceeding?

A. Yes. In addition to AEP Ohio providing bill calculation spreadsheets on its website, Otter Tail Power provides a clear, concise overview of charge rates and the proper method for calculating total charges (see Exhibit MCA-9 (JWS-9)). Both AEP Ohio and Otter Tail Power have taken steps to provide customers with enough clear instruction to allow them to independently calculate reasonably accurate estimates of standby charges. Efforts to increase transparency and make tariffs more easily understandable are in line with best practices for standby rate design. According to the Energy Resources Center, "Standby rates should be transparent, concise and easily understandable. Potential CHP customers should be able to accurately predict future standby charges in order to assess their financial impacts on CHP feasibility."[11]

Q. Does this conclude your testimony?

A. Yes.

[11] Energy Resources Center, Analysis of Standby Rates and Net Metering Policy Effects on Combined Heat and Power (CHP) Opportunities in Minnesota, prepared for the Minnesota Department of Commerce Division of Energy Resources, April 2014, p. 11, attached as Exhibit MCA-8 (JWS-8).