

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)	
DAGGETT ELECTRIC DEPARTMENT)	
for approval of a renewable energy plan and)	Case No. U-15856
energy optimization plan to comply with)	
the requirements of Public Act 295 of 2008.)	
_____)	

At the October 13, 2009 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. Orjiakor N. Isiogu, Chairman
Hon. Monica Martinez, Commissioner
Hon. Steven A. Transeth, Commissioner

ORDER

On October 21, 2008, the Commission opened a docket in this case addressing the regulatory issues created by the passage of Public Act 286 of 2008, an amendment to the “Customer Choice and Electricity Reliability Act,” 2000 PA 141, MCL 460.10 *et seq.*, and Public Act 295 of 2008, the “Clean, Renewable and Efficient Energy Act,” MCL 460.1001 *et seq.* (Act 295). In the order, the Commission required Daggett Electrical Department (Daggett), a municipally-owned electric utility, to file with the Commission a plan for establishing a renewable energy program (REP) and energy optimization program (EOP). The plans were to be filed within 120 days after the Commission issued a temporary order pursuant to Section 191 of Act 295. The Commission issued a temporary order in Case No. U-15800 on December 4, 2008.

On June 10, 2009, Daggett filed with the Commission an application for verification of plan compliance and request for waiver of EOP standards. On June 30, 2009, Daggett filed supplemental information in support of the application.

On July 1, 2009, the Commission found that a final determination regarding Daggett's compliance with the Commission's temporary order in Case No. U-15800 and Act 295 could not be made at that time. Section 25(7) of Act 295 states that "[i]f the commission determines that a proposed plan or amendment under this section does not comply with this act, the commission shall explain in writing the reasons for its determination."

With regard to the municipally-owned electric utility's REP, the Commission found that Daggett must specify whether the number of megawatt-hours (MWh) of electricity used in the calculation of the renewable energy credit portfolio will be weather-normalized or based on the average number of megawatt-hours of electricity sold by the electric provider annually during the previous three years to retail customers in this state. MCL 460.1025(5)(b).

Neither the REP nor the EOP may be approved until after an opportunity for public comment has been provided. Within 10 days from the July 1, 2009 order, the Commission Staff (Staff) was to confirm with Daggett that a public hearing would be scheduled. If Daggett failed to respond, the Staff was to provide the notice for opportunity for public comment. On July 13, 2009, Daggett filed a notice stating that it intended to provide its own opportunity for public comment. On August 14, 2009, Daggett filed a notice for opportunity for public comment.

Daggett filed notice on July 13, 2009 stating that the number of megawatt-hours of electricity used in the calculation of Daggett's renewable energy capacity portfolio will be based on the average of the previous three years of electricity sold to customers.

RENEWABLE ENERGY PLAN

Section 25(2) of Act 295 provides that a municipally-owned electric utility's proposed renewable energy plan must fulfill the following requirements: (1) the plan must describe how the municipally-owned electric utility will meet the renewable energy standards, (2) the plan must specify whether the number of MWh used in the calculation of the renewable energy portfolio will be weather-normalized or based on the average number of MWh sold to Michigan retail customers annually during the previous three years, (3) the plan must include the expected incremental cost of compliance with the renewable energy standards, and (4) the plan must describe the manner in which the provider will allocate costs.

In its application, Daggett states that it purchases all of its electricity from Wisconsin Public Service Corporation (WPS Corp.) through a slice-of-system formula rate. Daggett proposes to purchase renewable energy credits (RECs) from WPS Corp. between 2012 and 2029. Daggett proposes to calculate the REC requirement using the average of the previous three years of electricity sold to its customers. Daggett will meet the renewable energy standard with no additional costs to customers. Therefore, the expected incremental cost of compliance and REP surcharge is zero.

ENERGY OPTIMIZATION PLAN

Section 91(1) of Act 295 states,

Except for section 89(6), sections 71 to 89 do not apply to a provider that pays the following percentage of total utility sales revenues, including electricity or natural gas commodity costs, each year to an independent energy optimization program administrator selected by the commission:

(a) In 2009, 0.75% of total retail sales revenues for 2007.

(b) In 2010, 1.0% of total retail sales revenues for 2008.

(c) In 2011, 1.5% of total retail sales revenues for 2009.

(d) In 2012 and each year thereafter, 2.0% of total retail sales revenues for the 2 years preceding.

Daggett proposes to pay the state selected energy optimization administrator \$870.00, an amount equal to 0.75% of its total yearly utility retail sales revenue for 2007. For the years 2010-2012, Daggett will pay to the administrator the amounts required pursuant to Section 91(1)(b-d) of Act 295. These amounts will be recovered from customers via energy optimization surcharges on customer bills. Daggett shall notify the Commission of the surcharges within 30 days of issuance of this order.

Section 25 of Act 295 requires the Commission to provide an opportunity for public comment on Daggett's REP unless the governing body of the provider has already provided an opportunity for public comment. Daggett held a public hearing on August 17, 2009 and provided an opportunity for comment on the REP and EOP. No comments were received.

Section 73(1) of Act 295 states that a provider's EOP shall be filed, reviewed, and approved or rejected by the Commission and enforced subject to the same procedures that apply to a REP.

The Commission Staff reviewed Daggett's application and recommends the Commission find that Daggett's REP and EOP comply with the requirements of Act 295.

THEREFORE, IT IS ORDERED that:

A. The renewable energy plan and energy optimization plan of Daggett Electrical Department are approved as in compliance with Public Act 295 of 2008.

B. Daggett Electric Department shall notify the Commission of the energy optimization surcharges within 30 days.

C. Daggett Electric Department shall file an annual report with the Commission describing the status of compliance with the requirements of Public Act 295 of 2008 by February 1, 2010, and annually thereafter until further order of the Commission.

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, under MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

Orjiakor N. Isiogu, Chairman

Monica Martinez, Commissioner

Steven A. Transeth, Commissioner

By its action of October 13, 2009.

Mary Jo Kunkle, Executive Secretary