



January 11, 2019

Sally A. Talberg
Chairman
Michigan Public Service Commission
7109 W. Saginaw Highway
Lansing, MI 48917

RE: U-20162

Dear Chairman Talberg,

In March 2017, a number of companies submitted a letter¹ to the Michigan Public Service Commission (MPSC) that elaborated the impact of transparent, efficient, and fair standby rates on their decisions about whether to install and use combined heat and power (CHP) or waste heat to power (WHP) systems at their facilities. In February 2018, those companies submitted a second letter² expressing their support for the Administrative Law Judge's (ALJ's) Proposal for Decision³, which identified important steps to help reform and improve standby rates in the state, including the recommendation to "continue the work of the Standby Rate Working Group" and to develop "[s]tate-wide standardized standby service tariffs and of developing clear and concise language to describe the terms, conditions, and costs of such service." (U-18255 at 277).

While the MPSC did not embrace the ALJ's recommendation to continue the standby rate working group in their final order, the Commission nonetheless took a positive step to improve standby rights in Michigan. Notably, the MPSC rejected DTE's proposed increase in standby rates, agreed that the utilities have been overcharging standby customers, and found it reasonable to approve a standby tariff that prorates base tariff charges based on the forced outage rates of the best performing generators. We are writing now because we want to ensure that DTE's electricity rates are consistent with the MPSC's April 2018 decision.

We are concerned because we believe that DTE has proposed to disregard CHP system forced outage rates in a way that undermines the Commission's April 2018 decision. Notably, in July 2018 (U-20162), DTE applied to increase its standby rates by increasing power supply capacity charges for standby customers and by ignoring the Commission's direction to incorporate forced outage rates in the calculation of the generation reservation fee. Additionally, DTE proposes to increase its distribution charge rate with no proration for standby customers, and with no study to support its claim that standby customers impose the same costs on the distribution grid as full requirements customers. DTE should be required to follow the direction of the Commission from its Order in U-18255 regarding the calculation of the generation reservation fee. Concerning distribution charges, the Commission should require DTE to complete a study to identify any costs to the components of the distribution grid actually caused by standby customers.

¹ Business letter on standby rates, Mar. 17, 2017 (<https://bit.ly/2Fv2aEp>).

² Business letter, Docket U-18255, Feb. 28, 2018 (<https://bit.ly/2M5BZ8j>).

³ Michigan Public Service Commission, "Proposal for Decision: Case No. U-18255," Jan. 26, 2018 (<https://mi-psc.force.com/sfc/servlet.shepherd/version/download/068t000001f74PAAQ>).

The positive steps forward contained in the Commission's April order would have begun to encourage manufacturers like ourselves and our customers to invest in CHP, allowing us to consider installing systems that can cut energy costs and make our facilities more competitive. These reforms also would have made existing CHP systems more cost-effective.

We will continue to monitor progress in this case and appreciate the Commission's efforts to advance fair and equitable tariffs.

Thank you for your consideration and attention to this matter.

Sincerely,

Michigan Chemistry Council
Michigan Forest Products Council
Timber Products Michigan

For more information, please contact alexandra@dgardiner.com (773-841-0028).

CC: Norman J. Saari, Commissioner, Michigan Public Service Commission
Rachael Eubanks, Commissioner, Michigan Public Service Commission