

Tools for Regulating Natural Gas Utilities in Michigan

Energy Regulatory Partnership Program

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Outline of the Presentation

- How to apply for, evaluate, and modify a certificate of convenience and necessity
- Dispute resolutions
- Current regulated energy division local distribution companies' (LDCs) cases
- New fiscal incentive for LDCs
- Rules and procedures for conducting a request for proposal (RFP)
- Recap of the Presentation
- Citations
- Questions

Certificate of Convenience and Necessity: Applying

A public utility needs to obtain from the Commission a certificate of public convenience and necessity for construction, operation, service, or expansion

- Procedure:
 - The applicant files a petition with the Commission
 - The Commission sets a day for the hearing; notifies the applicant
 - Copy of application, notice of time and place of hearing will be served to each utility and territory proposed serve by the applicant

Certificate of Convenience and Necessity: Evaluation

- Staff reviews the application
- Staff and intervener(s) would present their case in testimony in support or against granting the applicant a certificate of convenience and necessity
- The Commission issues an Order either granting or denying the applicant a certificate of convenience and necessity

Certificate of Convenience and Necessity: Modify

- The company can file supplemental testimony on any issue before cross examination begin
- If an individual chooses to challenge a Commission's Order, they would petition the Court of Appeals to contest the issue

Dispute Resolutions

- Informal Process:
- Formal Process:
- 9 month process from when the applicant files a petition with the Commission to when the Commission issues an order

Case Schedule

- File application with the Commission
- Prehearing (4 weeks)
- Staff and Intervener testimony filing date (6 weeks)
- Rebuttal testimony (3 weeks)
- Motions to strike (3 weeks)
- Responses to Motions (1 week)
- Cross examination (1 week)
- Initial Briefs (4 weeks)
- Reply Briefs (2 weeks)
- Proposal For Decision (PFD) (4 weeks)
- Exceptions to the PFD (2 weeks)
- Reply to the Exceptions (2 weeks)
- Commission Order (4 weeks)

Current Regulated Energy Division Local Distribution Company's (LDCs) Cases

- Rate Cases
 - Natural gas: 3
 - Electric: 5
- Electric:
 - Plan Cases: 0
 - Reconciliation Cases: 16
- Public Act 3 of 1939
 - Natural gas:
 - Plan Cases: 4
 - Reconciliation Cases: 8

New Fiscal Incentive for LDCs

- Public Act 295 of 2008
- Possible methods of incentive program implementation:
 - Degree of compensation is determined by the Commission according to level of savings in the program

Calculation:

$\text{Savings} = \text{Historical Usage} - \text{Current Usage}$

- Savings are put into a data base for type of industry and customer type
- Matrixes are developed to compute the incremental increase in the LDC's rate of equity (ROE) in their next rate case
- Set up an incentive mechanism
 - Defined by percentage of performance tied directly to the dollar incentive

Rules and Procedures for Conducting a Request For Proposal (RFP)

When a RFP is released, it can contain the following:

- A statement and scope of work
- Specifications
- Schedules or timelines
- Contract type
- Data requirements
- A description of goods or services to be procured
- General criteria used in the evaluation procedure
- Technical goals
- Instructions for preparation of technical, management, and cost proposals

Rules and Procedures for Conducting a RFP

(2)

- RFPs are publicly advertised
 - Electronically (website or email)
 - Local newspaper
 - Local television
 - Local radio
 - Mass mailing
- The applicants would respond back to the Commission with a detailed proposal with a sealed bid
- The contract that is rewarded, may not go to the lowest bidder

Recap of the Presentation

- How to apply for, evaluate, and modify a certificate of convenience and necessity
- Dispute resolutions
- Current regulated energy division cases
- New fiscal incentive for LDCs
- Rules and procedures for conducting a RFP

Citations

Rate Case

http://en.wikipedia.org/wiki/Rate_case

Request For Proposal

<http://www.businessdictionary.com/definition/request-for-proposals-RFP.html>

MPSC Case Number U-15800

<http://efile.mpsc.state.mi.us/efile/viewcase.php?casenum=15800>

Public Act 3 of 1939

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Pubic Act 69 of 1929

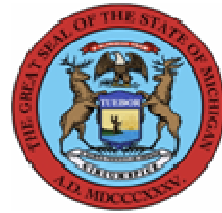
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Questions?