

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter, on the Commission's own motion,)	
of implementation of the portion of the 21 st Century)	Case No. U-15277
Electric Energy Plan dealing with demand response.)	
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At the June 12, 2007 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. J. Peter Lark, Chairman
Hon. Monica Martinez, Commissioner

ORDER COMMENCING PROCEEDING

On April 6, 2006, Governor Jennifer M. Granholm issued Executive Directive 2006-2, calling for the development of a comprehensive plan for meeting the state's electric power needs. In response, the Commission Staff (Staff) convened four workgroups to study energy efficiency, explore alternative technologies, examine renewable energy, and revisit the 2005 Capacity Needs Forum.¹ The initial gathering attracted more than 160 industry stakeholders, and approximately 200 additional participants were involved during the course of the study.

On January 31, 2007, Chairman J. Peter Lark presented the 21st Century Electric Energy Plan to Governor Granholm. The plan included several policy recommendations involving renewable energy, energy efficiency, conventional utility generating plant construction, and emerging energy management technology. Several of the plan's policy recommendations fall under legislative powers, such as creation of renewable portfolio standard requirements, creation of a solar energy

¹Case No. U-14231.

pilot program, certification of need for new electric generating plants, a statewide energy efficiency program, and tax incentives to grow a Michigan industry in clean energy. Other plan recommendations fall within the Commission's purview, including initiating a demand response program, creating a collaborative process to monitor smart power grid infrastructure, and ordering the Staff to investigate the costs of extending the Commission's underground line policy. In orders issued on April 24, 2007 in Case No. U-15278 and May 31, 2007 in Case No. U-15279, the Commission commenced proceedings regarding the smart grid collaborative and the study of possible extension of the underground line policy, respectively.

With regard to the remaining issue, the 21st Century Electric Energy Plan describes demand response as customer-driven efforts to reduce consumption in response to price signals, incentives, or directions from electric grid operators. Demand response is intended to cause customers to reduce demand during periods of high wholesale prices, providing a customer driven system resource alternative to new generation capacity. Demand response programs help address short-term reliability concerns and provide customers with an opportunity to manage their electric energy costs. Although utilities in Michigan provide demand response programs, participation among consumers is low. However, research and modeling done for the plan demonstrated the potential value of electric capacity reductions, if participation can be increased and the programs perform as they are intended. A demand response pilot program should be created, based on recommendations for a statewide collaborative managed by the Staff. The Commission will require regulated electric utilities to participate and will allow participation from other interested parties. The collaborative should include pilot programs at more than one utility and should emphasize the use of "smart" metering, advanced technology, and time-based or real time rate structures, in particular assessing the impact of time-based rates on customer demand for

electricity. Therefore, the Commission orders the Staff to convene a statewide collaborative on demand response based on the goals described here and in the 21st Century Electric Energy Plan. The Staff is further directed to file a report at the end of one year describing the status of the collaborative and a final report when the collaborative is complete with recommendations on whether to expand the program.

The Commission recognizes that some residential customers may not have the computer equipment necessary to submit documents electronically. Therefore, residential customers may submit documents in the traditional paper format and mail them to the: Executive Secretary, Michigan Public Service Commission, 6545 Mercantile Way, P.O. Box 30221, Lansing, Michigan 48909. Such documents will be scanned and placed into the appropriate electronic dockets for these proceedings, which means that all of the content of the comments will be publicly available on the Commission's website.

Otherwise, all documents filed in this case shall be submitted electronically through the MPSC Electronic Case Filings Web site at: <https://efile.mpsc.cis.state.mi.us/cgi-bin/efile/login.pl>. Requirements and instructions for filing electronic documents can be found in the Electronic Case Filings Users Manual at: <http://efile.mpsc.cis.state.mi.us/efile/pdfs/usersmanual.pdf>. An application for account and letter of assurance, required of all first-time users, are located at: <http://efile.mpsc.cis.state.mi.us/efile/pdfs/assurance.pdf>. If you require assistance prior to e-filing, contact Commission staff at 517-241-6170 or by e-mail at: mpscfilecases@michigan.gov.

The Commission FINDS that:

a. Jurisdiction is pursuant to 1909 PA 106, as amended, MCL 460.551 *et seq.*; 1919 PA 419, as amended, MCL 460.51 *et seq.*; 1939 PA 3, as amended, MCL 460.1 *et seq.*; and the Commission's Rules of Practice and Procedure, as amended, 1999 AC, R 460.1701 *et seq.*

b. The Staff shall commence and manage a collaborative for a demand response pilot program.

THEREFORE IT IS ORDERED that:

A. Alpena Power Company, Consumers Energy Company, The Detroit Edison Company, Edison Sault Electric Company, Indiana Michigan Power Company, Northern States Power Company, d/b/a Xcel Energy, Upper Peninsula Power Company, Wisconsin Electric Power Company, d/b/a We Energies, Wisconsin Public Service Corporation, Alger Delta Cooperative Electric Association, Cherryland Electric Cooperative, Cloverland Electric Cooperative, Great Lakes Energy Cooperative, Tri-County Electric Cooperative, Midwest Energy Cooperative, The Ontonagon County Rural Electrification Association, Presque Isle Electric & Gas Co-op, and Thumb Electric Cooperative of Michigan shall each participate in the collaborative on demand response.

B. Interested persons, including transmission providers, customers and customer groups, and other electric industry stakeholders, may participate in the collaborative commenced by this order.

The Commission reserves jurisdiction and may issue further orders as necessary.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ J. Peter Lark

Chairman

(S E A L)

/s/ Monica Martinez

Commissioner

By its action of June 12, 2007.

/s/ Mary Jo Kunkle

Its Executive Secretary

The Commission reserves jurisdiction and may issue further orders as necessary.

MICHIGAN PUBLIC SERVICE COMMISSION

Chairman

Commissioner

By its action of June 12, 2007.

Its Executive Secretary

PROOF OF SERVICE

STATE OF MICHIGAN)

Case No. U-15277

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County of Ingham)

E. David Lechler being duly sworn, deposes and says that on June 12th, 2007, A.D. he served a copy of the attached Commission order by first class mail, postage prepaid, or by inter-departmental mail, to the persons as shown on the attached service list.

E. David Lechler

Subscribed and sworn to before me
this 12th day of June 2007

Sharron A. Allen
Notary Public, Ingham County, MI
My Commission Expires August 16, 2011

**SUBSCRIPTION LIST
ALL ELECTRIC ORDERS**

MR. LARRY LEWIS
GENERAL SERVICES ADMINISTRATION
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COLUMBUS OH 43230

MR. MICHAEL BYRNE
SENATE DEMOCRATIC STAFF
ROMNEY BUILDING
LANSING MI **ID MAIL**

MR. JOHN PESTLE
VARNUM, RIDDERING, SCHMIDT & HOWLETT
BRIDGEWATER PLACE
P.O. BOX 352
GRAND RAPIDS MI 49501 0352

P R O O F O F S E R V I C E

STATE OF MICHIGAN)

Case No. U-15277

County of Ingham)

April M. Arman being duly sworn, deposes and says that on June 12, 2007 A.D. she served a copy of the attached Commission orders via E-Mail, to the persons as shown on the attached service list.

April M. Arman

Subscribed and sworn to before me
this 12th day of June 2007

Sharron A. Allen
Notary Public, Ingham County, MI
My Commission Expires August 16, 2011

ELECTRIC

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Xcel Energy
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Lisa Felice
Universal Gas & Electric Corporation
UMG Utility Marketing Group
City of South Haven
Interstate Gas Supply Inc
Constellation NewEnergy Inc.
Dillon Energy Services Inc.
MxEnergy Inc.
Bay City Electric Light & Power
Grand Haven Board of Light & Power
Lansing Board of Water and Light
Marquette Board of Light & Power
CMS ERM Michigan LLC
Metro Energy LLC
Premier Energy Marketing LLC
Quest Energy LLC/ WPS Energy Services
Strategic Energy LLC
City of Saint Louis
American PowerNet Management, L.P.
City of Marshall
Nordic Marketing of Michigan.com
Accent Energy Midwest
Mary Jo Kunkle - MPSC
SUEZ Energy Resources NA, Inc.
Constellation NewEnergy-Gas
Alpena Power
Lowell Light and Power
City of Eaton Rapids
Integrys Energy Service, Inc
BlueStar Energy Services
Direct Energy Services
Lakeshore Energy Services
Volunteer Energy Services
Wyandotte Municipal Services
Wyandotte Municipal Services
First Energy Solutions
Sempra Energy Solutions
Charlevoix Energy Trading
Mirant Energy Trading, LLC
Coldwater Board of Public Utilities
Hillsdale Board of Public Utilities
Michigan Gas Utilities
Holland Board of Public Works
Zeeland Board of Public Works

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* Total number of users subscribed to the list: 95

* Total number of local host users on the list: 0

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