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Michigan PSC Staff: No Capacity Shortfall for Lower Michigan in 2016

Lower Michigan is not expected to face a capacity shortfall next year, according to a new Public Service Commission staff report that may allow state regulators who launched a formal investigation into capacity levels to breathe a bit easier.

“In their opinion, there’s not likely to be a shortfall” in lower Michigan during the Midcontinent Independent System Operator’s 2016-17 planning year, PSC spokeswoman Judy Palnau said Monday about the commission staff’s analysis.

At one point last year, MISO was projecting a potential 3,000- MW capacity gap in Zone 7, which includes lower Michigan, for 2016. Concerns over that forecast prompted the PSC last December to open an expanded inquiry into the ability of electric utilities and other load-serving entities to serve customer loads from 2015 through 2019.

The commission’s biggest worry regarding resource adequacy in Michigan was driven by the impending retirement of many of the state’s older coal-fired generating units, largely because of stricter pollution control standards imposed by the US Environmental Protection Agency. DTE Electric, a DTE Energy subsidiary and the state’s largest electric utility, and Consumers Energy, a CMS Energy subsidiary and the second-largest utility, together are expected to retire nearly 2,000 MW of baseload coal generation over the next couple of years.

Staff’s evaluation of capacity self-assessments subsequently supplied by the utilities and LSEs was filed Friday with the PSC. In essence, the report found only a 45-MW variance with MISO’s latest Zone 7 capacity forecast for 2016-17.

Staff noted in the report that the term “capacity shortfall” is sometimes misrepresented. For its review, it defined a capacity shortfall as “the expected total load forecast plus the

planning reserve margin requirements versus the total number of available planning resources within a particular local resource zone.”

Previous report left out proposed gas plant

A June resource adequacy survey by MISO, a Carmel, Indiana based regional grid operator, indicated lower Michigan would experience a capacity shortfall of approximately 1,200 MW in the 2016-2017 planning year. But that estimate failed to include Wolverine Power Cooperative’s proposed Alpine natural gas-fired plant scheduled for commercial operation next year.

Alpine should provide about 385 “zonal resource credits” of capacity in Zone 7 in 2016, according to the staff report. A ZRC represents the amount of capacity for a specific planning year that is available to be used in a MISO resource planning zone to supply 1 MW of coincident peak demand after discounting the capacity for the historical equivalent forced outage rate on demand.

A utility or LSE in lower Michigan, staff said, also can import additional capacity to offset any potential shortfall from other parts of MISO or even neighboring PJM Interconnection, a regional grid operator that mostly serves states south and east of Michigan.

“Zone 7 is not likely to fall short of requirements for the foreseeable future,” Palnau noted, “and it’s due to resources outside of Zone 7 and imports from MISO and possibly PJM.”

In Michigan’s transmission-challenged Upper Peninsula, staff cited MISO’s latest survey that indicated a capacity surplus of approximately 1,000 MW in 2016-17.

We Energies has agreed to continue running the 431-MW Presque Isle baseload coal plant near Marquette in the UP through the end of the decade, with Cliffs Natural Resources’ iron ore mines the largest customers. Then, in 2020, Presque Isle is expected to be replaced by a new natural gas plant.