



STATE OF MICHIGAN  
OFFICE OF THE GOVERNOR  
LANSING

GRETCHEN WHITMER  
GOVERNOR

GARLIN GILCHRIST II  
LT. GOVERNOR

September 11, 2019

Mr. John Bear  
Chief Executive Officer  
Midcontinent Independent System Operator  
720 City Center Drive  
Carmel, IN 46032-3826

Mr. Bear,

As you know, Michigan and other portions of the Upper Midwest experienced historically extreme cold weather from January 29, 2019 to February 1, 2019 due to a polar vortex. During this time, Consumers Energy asked natural gas customers to reduce usage and lower thermostats after a fire at its largest natural gas storage facility. In addition, both Consumers Energy and DTE Electric were called upon by the Midcontinent Independent System Operator (MISO) to ask their electric customers participating in voluntary demand response programs to curtail electricity usage to respond to regional constraints in electricity production across the Midwest. This was in response to MISO's declaration of an energy emergency due to power plant outages across the region during the extreme cold. We appreciate MISO's operational expertise in handling this situation to maintain reliability of the electric system, as well as your team's post-event analyses to identify improvements going forward.

These events prompted the Governor to send a letter requesting the Michigan Public Service Commission to undertake a statewide review of the supply, engineering, and deliverability of natural gas, electricity, and propane systems, as well as contingency planning related to those systems.

The final assessment was completed this week and highlighted many short- and long-term opportunities to improve reliability and resilience while considering the related costs and benefits to Michigan ratepayers. Within this report, the Commission included the following recommendations for the MISO that we want to highlight for your consideration:

- For several reasons, demand response did not meet performance expectations during the polar vortex. We call on MISO to work with Michigan to improve the testing, design, and operation of demand response resources. We would like to collaborate in identifying potential changes to both MISO and Michigan tariffs and operating protocols to ensure demand response achieves its full potential as a cost-effective, reliable resource at the wholesale and retail levels.
- Despite considerable efforts to improve the MISO generator interconnection queue process, it continues to be cumbersome and is a barrier to bringing on new energy supplies in a timely manner. Addressing these issues is important given the acceleration of power plant retirements in many states due to economic and environmental considerations. We recommend MISO work with FERC and stakeholders to revise the process and identify innovative solutions to facilitate timely progression of new generation. We are also working on revising Michigan's process for connecting at the distribution level.



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- A robust transmission system is essential to ensure cost-effective, reliable delivery of power and the flexibility to accommodate changing energy resources. We recommend that MISO institute a larger focus on long-term regional transmission planning in coordination with the states and stakeholders. This process should more proactively plan for new energy resources and could help alleviate inefficiencies with existing the generator interconnection process. And to ensure ratepayer protection and optimize system upgrades, MISO should carefully consider alternatives to transmission line projects, including energy efficiency, distribution enhancements, and new generation.
- Given the growth in deployment of distributed energy resources (DERs), integrating these DERs into RTO forecasting models is needed to ensure the continued reliability of the bulk electric system. We support building on the existing survey of electric distribution utilities conducted by MISO and the Organization of MISO States (OMS) regarding their integration of DERs to ensure greater transparency of utility electric distribution systems to enhance RTO planning and forecasting.
- Michigan's two peninsulas – as well as its position bordering the neighboring regional transmission organization, PJM— creates unique challenges with importing capacity under MISO rules. We recommend MISO work with Commission staff and stakeholders on solutions to increase Michigan's import capability in the near term and develop an appropriate cost recovery approach for these types of projects.
- Electricity constraints in MISO over the past few years have increasingly been occurring, not in the summer peak, but in the winter (such as the polar vortex 2019), fall, and spring. We support MISO's efforts to alter the resource adequacy requirements to better account for seasonality to ensure we have reliable power supplies year-round. It could also more accurately account for the reliability contributions of specific resources such as solar, wind, and demand response.
- The increased reliance on natural gas generation for electricity and the fire at the Ray gas storage facility occurring at the same time as MISO's declared emergency all highlight the need for improved coordination between electricity and natural gas systems during emergencies. We recommend MISO and other RTOs continue to coordinate with the natural gas industry to improve coordination and emergency preparedness, including preparing for worst-case scenarios. In addition, we invite MISO to participate in an emergency exercise hosted by the State of Michigan to help identify priorities for decision makers in sustaining natural gas and electricity service during emergencies.

The State of Michigan would greatly appreciate your consideration of these recommendations to improve electric reliability and resiliency. We recognize that MISO has ongoing stakeholder discussions related to several of these recommendations and ask that these efforts be prioritized to mitigate risks associated with extreme weather and the rapidly evolving energy system. In particular, we want to emphasize the urgency of regional transmission planning given the interest among states and the long-lead time to plan and construct new infrastructure.

Thank you for your ongoing work to ensure that the region's energy is delivered in an innovative, reliable and cost-effective manner.

Sincerely,

Gretchen Whitmer  
Governor of Michigan

Sally Talberg  
Chairman of the Michigan Public Service Commission



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CC: Dana Nessel, Attorney General  
Orlene Hawks, Director of the Department of Licensing and Regulatory Affairs  
Liesl Clark, Director of the Department of Environment, Great Lakes, and Energy  
Neil Chatterjee, Chairman, Federal Energy Regulatory Commission  
Phyllis Currie, Chair, MISO Board of Directors

ATTACHED: State Energy Assessment Request Letter from Governor Whitmer  
Final State Energy Assessment Report