

Enel X Insights

April 2020 Midwest Monthly Market Commentary

Pending Rate Cases and Resource Plans could raise costs

Many utilities throughout the nation have seen distribution rates increase or have rated cases on the books to increase rates to invest in grid reliability and renewable supply. Utilities within MISO's footprint and the Midwest in general are experiencing the same demands from policy makers, and in turn are requesting rate changes to meet these requirements and maintain their regulated rates of return.

DTE recently submitted a revised Integrated Resource Plan (IRP) to the Michigan Public Service Commission (MPSC) after the commission recommended changes in late February.¹ The MPSC has requested a more comprehensive efficiency program to increase energy savings from 1.65% to 1.75% in 2020 and 1.75% to 2% in 2021. The IRP also includes increased commitments to wind and solar generation. The MPSC requested that DTE require RFPs for procuring wind and solar generation to increase competition and allow better evaluation of the projects. While this request helps ensure the purchase of the lowest cost renewable generation, the cost of renewables will likely increase overall costs in the short-term which will come through in rate cases that manifest themselves in higher base rates or rate riders.

Similarly, Consumers Energy submitted a rate case on February 27 for rate relief to meet its reasonable return on common equity, citing ongoing investments in electric utility generation and distribution assets to provide safe and reliable service and ongoing investments in assets to comply with environmental and legal requirements.²

Lower energy costs may hide increasing distribution tariff rates within deregulated areas. Within regulated areas lower energy costs may not be realized at all by customers, because the tariff rates are too slow to react to market movements. The rise of renewables within utility portfolio's will likely increase tariff rates, but may offer opportunities to procure renewables directly to avoid utility pricing. Each tariff is different and as new riders and rates are developed customers should consult with an Enel X advisor to review utility tariffs for opportunities to avoid additional costs and meet their own internal renewable goals.

¹ "MPSC recommends changes to DTE Electric Co.'s integrated resource plan," February 20, 2020. Accessed at https://www.michigan.gov/mpsc/0,9535,7-395-93253_93280-519955--,00.html

² "Re: Case No. U-20697," February 27, 2020. Accessed at <https://mi-psc.force.com/sfc/ser/vet.shepherd/version/download/068t000000AEOnNAAX>