



C: Agenda
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May 24, 2013

Mr. Brian Kischnick
City Manager
City of Troy
500 West Big Beaver Road
Troy, MI 48084-5285

Dear Mr. Kischnick:

On or about 7/23/2012, the City of Troy passed a Resolution regarding DTE Electric Company's f/k/a The Detroit Edison Company's ("DTE Electric") Advanced Metering Program and requested that an opt-out program be considered. DTE Electric subsequently filed its proposal for an opt-out program with the Michigan Public Service Commission ("MPSC"), which was approved by the MPSC on May 15, 2013.

DTE Electric fully believes that the advanced meters it utilizes are safe, reliable and protect a customer's privacy. On June 29, 2012, the MPSC Staff issued its report which specifically addressed the safety of smart meter deployment. After careful review, the Staff determined that *"the health risk from the installation and operation of metering systems using radio transmitters is insignificant...The appropriate federal health and safety regulations provide assurance that smart meters represent a safe technology."* (See MPSC Report to the Commission in Case No U-17000). Ultimately the MPSC approved a program whereby customers can have a non-transmitting meter installed at their residence pursuant to the MPSC approved tariff and the applicable charges.

Customers who participate in the Opt-Out Program will not receive the benefits that the advanced metering technology has to offer, such as:

- Automatic power outage detection
- Remote reading of your electric meter
- Fewer estimated bills
- Access to your daily energy usage information

Customers who have an advanced meter installed and are interested in the Opt-Out Program are asked to call 1-855-225-6470 for more information.

Thank you for your attention, and please do not hesitate to contact me at (248) 427-2240 regarding any questions or concerns.

Sincerely,

Michael Palchesko
DTE Regional Relations

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own motion,)
to review issues bearing on the deployment of smart)
meters by regulated electric utilities in Michigan.)
_____)

Case No. U-17000

At the September 11, 2012 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. John D. Quackenbush, Chairman
Hon. Orjiakor N. Isiogu, Commissioner
Hon. Greg R. White, Commissioner

ORDER

On January 12, 2012, the Commission issued an order opening this docket for the purpose of addressing concerns raised by some individuals and local governments regarding the deployment of Advanced Metering Infrastructure (AMI) by electric utilities operating in Michigan.

In its January 12, 2012 order, the Commission directed all regulated electric utilities to submit information in this docket regarding AMI deployment plans, costs, and sources of funding; estimates of monetary savings and other benefits expected to be achieved by the deployment of AMI; scientific information concerning the safety of smart meters; an explanation of the type of information that will be gathered through the use of AMI; the steps that the electric utility intends to take to safeguard the privacy of the customer information; and whether the electric utility intends to allow customers to "opt out" of having a smart meter and if so, how the electric utility intends to recover the cost of an opt-out program.

After the submission of the information by the regulated electric utilities, the Commission provided interested persons with an opportunity to comment until April 16, 2012. Following the deadline for the submission of comments, the Commission Staff (Staff) was directed to prepare a report for the Commission's consideration, to be filed in this docket on or before June 29, 2012. Specifically, the Staff was requested to summarize the filings from the utilities and interested persons, independently review the literature regarding AMI, and identify any developments in other jurisdictions pertinent to this investigation. At the end of its report, the Staff was directed to make its recommendations concerning further deployment of AMI.

By March 16, 2012, Alpena Power Company (Alpena), Consumers Energy Company (Consumers), The Detroit Edison Company (Detroit Edison), Indiana Michigan Power Company (I&M), Northern States Power Company-Wisconsin (NSP-W), Upper Peninsula Power Company (UPPCo), Wisconsin Electric Power Company (WEPCo), and Wisconsin Public Service Corporation (WPS Corp) filed responses to the directives set forth in the January 12, 2012 order. A joint response was filed by Alger Delta Cooperative Electric Association, Cherryland Electric Cooperative, Cloverland Electric Cooperative, Great Lakes Energy Cooperative, Homeworks Tri-County Electric Cooperative, Midwest Energy Cooperative, Ontonagon County Rural Electrification Association, Presque Isle Electric & Gas Co-op, and Thumb Electric Cooperative.

Also in response to the Commission's request, over 400 comments were received from interested persons, filed both before and after utility information was provided. On June 29, 2012, the Staff submitted a detailed report addressing the information filed by the utilities and comments from the public. The report also contained recommendations regarding customer data privacy, cyber security, the need for a smart grid "vision," AMI opt-out, and customer education.

The Staff's Report on Advanced Metering Infrastructure and Smart Grid

As an initial matter, the Commission expresses its appreciation to the electric providers, the members of the public and various professional organizations that took the time and effort to provide comments, and to the Staff for presenting a comprehensive review of the issues surrounding the widespread deployment of AMI in Michigan.

In its report, the Staff summarized the information on AMI provided by the utilities and noted that the public comments filed could generally be classified as: (1) involving issues of possible adverse health effects of AMI; (2) customer privacy concerns; (3) data protection and cyber security issues; and (4) cost implications of AMI implementation.

The Staff concluded that AMI is rapidly becoming the primary replacement meter to existing electromechanical meters because the new meters are more accurate, they provide enhanced outage response, and AMI offers opportunities for customer energy management. Furthermore, the electromechanical meter is obsolete and no longer in production. Nevertheless, the Staff recognized that investments in AMI and other smart grid components should be subject to ongoing review in contested rate case proceedings. The Staff added that some customers will continue to have concerns about AMI and therefore recommended that the utilities make available a cost-based, opt-out option for these customers.

The Staff also reported that “after careful review of the available literature and studies, the Staff has determined that the health risk from the installation and operation of metering systems using radio transmitters is insignificant. In addition, the appropriate federal health and safety regulations provide assurance that smart meters represent a safe technology.” Staff Report, p. 2.

The Staff stated that customer data privacy and cyber security are, and will continue to be, priorities for customers, providers, and the Commission. The Staff observed that data protection

practices and procedures are constantly evolving and are being updated at the national and state levels regularly. The Staff recommended that customer data privacy be addressed through utility tariffs or rulemaking and made preliminary suggestions concerning how cyber security should be addressed by the utilities.

Finally, the Staff developed a smart grid vision for Michigan that took a comprehensive view of electrical grid improvement that goes beyond the mere updating of outmoded electrical meters.

As the Staff summarized:

A Michigan smart grid vision should provide direction to implement technology that will enhance the functionality of the electric grid. . . .Therefore, it is important to identify electric grid “objectives” that outline a more reliable grid, improve power quality and incorporate cleaner power sources for electricity generation. All components of electric grid improvements, including AMI installation, distribution infrastructure replacement, and electric generation should reflect the larger objectives of a smart grid vision.

Staff Report, p. 23.

Discussion

The Commission finds the Staff’s report to be thoughtful and comprehensive; and the report should be accepted as a practical point of departure for further discussion and Commission action.

The Staff’s specific recommendations are discussed *seriatim*.

1. On-going Assessment of Advanced Metering Infrastructure and Smart Grid

The Commission agrees with the Staff that AMI and smart grid investments should be reviewed in the context of general rate case proceedings. The Commission expects the utilities, the Staff, and other interested parties to continue to refine the scope of, and quantify and assess the costs and benefits of AMI and smart grid during the implementation of these new technologies on a case-by-case basis.

2. Opt-out Options

As the Staff pointed out, a small minority of customers has significant concerns about AMI, and for those customers, the Staff recommends that an opt-out option be provided by the electric utilities. The Commission agrees that the investor-owned electric utilities (i.e., Alpena, Consumers, Detroit Edison, I&M, NSP-W, UPPCo, WEPCo, and WPSC) shall make available an opt-out option, based on cost-of-service principles, for their customers if or when the provider elects to implement AMI.¹ The Commission observes that only Consumers and Detroit Edison are currently installing AMI thus, at this point in time, only these providers are affected by this directive. Detroit Edison has already filed a proposed opt-out tariff. *See*, Case No. U-17053. In the case of Consumers, within 60 days of the date of this order, or in Consumers' next general rate case filing, whichever occurs first, the Commission directs the company to include a proposed opt-out tariff.

3. Customer Data Privacy and Cyber Security

The Staff summarized the concerns with cyber security, in connection with AMI, as follows:

As Michigan transitions to a more technologically advanced power grid, it is important that the proper actions are taken by utilities to address cyber security threats. Cyber security planning is defined as preventing damage to, unauthorized use of, or exploitation of electronic information and communications systems and the information contained therein to ensure confidentiality, integrity, and availability. The attention cyber security has received at the national and state levels for many years indicates that utilities, regulators and consumers all share common concerns. Improving the electrical grid involves gathering more data and utilizing more technology. With every added piece of technology, the risk of vulnerabilities inherently increases. The U.S. DOE has stated that the smart grid of the future should be secure and resilient against all forms of attacks. A smarter grid includes more devices and connections that may become avenues for intrusions, error-caused disruptions, malicious attacks, destruction, and other threats.

¹Because electrical cooperatives are member-governed, the Commission finds that any determinations regarding AMI opt-out should be at the members' discretion and not mandated by the Commission.

Staff Report, p. 14 (footnotes omitted).

Similarly, with respect to data privacy, the Staff explained:

AMI necessitates a higher volume of data collected by utilities, therefore it is imperative that customer information be properly protected through appropriate regulations. Federal legislation protecting consumer data privacy is forthcoming; however, it is important to identify ways to protect Michigan's ratepayers in the interim.

Staff Report, p. 13 (footnote omitted).

The Commission finds that these issues concerning customer data collection, privacy, and cyber security are complex, and sufficiently important to merit the creation of a future docket limited to these issues. The Commission will solicit company-specific information on cyber security planning, standards, and policies for the utilities currently implementing AMI or planning to implement these systems.

In the same future docket the Commission will request utility input on customer data collection and privacy standards, required rulemaking or rule amendments, and interim measures to be undertaken while the potential rulemaking process proceeds.

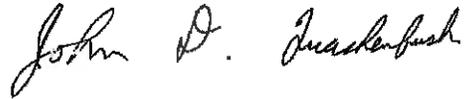
THEREFORE, IT IS ORDERED that:

- A. The Commission Staff's report on Advanced Metering Infrastructure and Smart Grid is accepted.
- B. Within 60 days of the date of this order or in the company's next general rate case proceeding, whichever occurs first, Consumers Energy Company shall propose a customer opt-out tariff based on cost-of-service.
- C. If or when Alpena Power Company, Indiana Michigan Power Company, Northern States Power Company-Wisconsin, Upper Peninsula Power Company, Wisconsin Electric Power Company, or Wisconsin Public Service Corporation, decide to implement advanced metering

infrastructure, the company shall provide an opt-out option or an explanation for why an opt-out is unnecessary or cost-prohibitive.

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

MICHIGAN PUBLIC SERVICE COMMISSION



John D. Quackenbush, Chairman



Orjiakor N. Isiogu, Commissioner



Greg R. White, Commissioner

By its action of September 11, 2012.



Mary Jo Kunkle, Executive Secretary

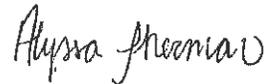
PROOF OF SERVICE

STATE OF MICHIGAN)

Case No. U-17000

County of Ingham)

Alyssa Sherman being duly sworn, deposes and says that on September 11, 2012 A.D. she 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.



Alyssa Sherman

Subscribed and sworn to before me
This 11th day of September 2012



Gloria Pearl Jones
Notary Public, Ingham County, MI
My Commission Expires June 5, 2016
Acting in Eaton County

PROOF OF SERVICE

STATE OF MICHIGAN)

Case No. U-17000

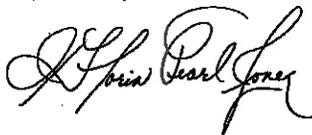
County of Ingham)

Lisa Felice being duly sworn, deposes and says that on September 11, 2012 A.D. she served a copy of the attached **Commission Order (Commission's Own Motion)** via **e-mail transmission**, to the persons as shown on the attached service list (Listserv Distribution List).



Lisa Felice

Subscribed and sworn to before me
this 11th day of September 2012



Gloria Pearl Jones
Notary Public, Ingham County, MI
As acting in Eaton County
My Commission Expires June 5, 2016

Service List U-17000

Charter Township of Brighton
Clerk's Office
4363 Buno Road
Brighton, MI 48114

Charter Township of Shelby
Administrative Offices - Township Clerk
52700 Van Dyke Avenue
Shelby Township MI 48316-3572

City of Oak Park
Administrative Offices, City Clerk
13600 Oak Park Blvd.
Oak Park MI 48237

City of Rochester
Administrative Offices - City Clerk
400 Sixth Street
Rochester MI 48307

City of Rochester Hills
Administrative Offices - City Clerk
1000 Rochester Hills Drive
Rochester Hills MI 48309

City of Southfield
Administrative Offices, City Clerk
26000 Evergreen Road
P.O. Box 2055
Southfield MI 48037-2055

City of Sterling Heights
Office of the City Manager
40555 Utica Road
Sterling Heights MI 48313

City of Warren
City Clerk
One City Square, Suite 205
Warren MI 48093-2393

Village of Grosse Pointe Shores
Office of the City Clerk
795 Lake Shore Road
Grosse Pointe Shores MI 48236