

Michigan Office of Administrative Hearings and Rules
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**REGULATORY IMPACT STATEMENT
and COST-BENEFIT ANALYSIS (RIS)**

PART 1: INTRODUCTION

Under the Administrative Procedures Act (APA), 1969 PA 306, the agency that has the statutory authority to promulgate the rules must complete and submit this form electronically to the Michigan Office of Administrative Hearings and Rules (MOAHR) at MOAHR-Rules@michigan.gov no less than 28 days before the public hearing.

1. Agency Information:

Agency name:	Department of Licensing and Regulatory Affairs
Division/Bureau/Office:	Michigan Public Service Commission
Name, title, phone number, and e-mail of person completing this form:	Kelly Barber-Dodge, Admin. Law Specialist (517) 284-8094 barber-dodgek@michigan.gov
Name of Departmental Regulatory Affairs Officer reviewing this form:	Liz Arasim Department of Licensing and Regulatory Affairs

2. Rule Set Information:

MOAHR assigned rule set number:	2019-061 LR
Title of proposed rule set:	Technical Standards for Gas Service

PART 2: KEY SECTIONS OF THE APA

MCL 24.207a “Small business” defined.

Sec. 7a. “Small business” means a business concern incorporated or doing business in this state, including the affiliates of the business concern, which is independently owned and operated, and which employs fewer than 250 full-time employees or which has gross annual sales of less than \$6,000,000.00.

MCL 24.232 (8) Except for an emergency rule promulgated under section 48, and subject to subsection (10), if the federal government has mandated that this state promulgate rules, an agency shall not adopt or promulgate a rule more stringent than the applicable federally mandated standard unless the director of the agency determines that there is a clear and convincing need to exceed the applicable federal standard.

(9) Except for an emergency rule promulgated under section 48, and subject to subsection (10), if the federal government has not mandated that this state promulgate rules, an agency shall not adopt or promulgate a rule more stringent than an applicable federal standard unless specifically authorized by a statute of this state or unless the director of the agency determines that there is a clear and convincing need to exceed the applicable federal standard.

(10) Subsections (8) and (9) do not apply to the amendment of the special education programs and services rules, R 340.1701 to R 340.1862 of the Michigan Administrative Code. However, subsections (8) and (9) do apply to the promulgation of new rules relating to special education with the rescission of R 340.1701 to R 340.1862 of the Michigan Administrative Code.

MCL 24.240 Reducing disproportionate economic impact of rule on small business; applicability of section and MCL 24.245(3).

Sec. 40. (1) When an agency proposes to adopt a rule that will apply to a small business and the rule will have a disproportionate impact on small businesses because of the size of those businesses, the agency shall

consider exempting small businesses and, if not exempted, the agency proposing to adopt the rule shall reduce the economic impact of the rule on small businesses by doing all of the following when it is lawful and feasible in meeting the objectives of the act authorizing the promulgation of the rule:

- (a) Identify and estimate the number of small businesses affected by the proposed rule and its probable effect on small businesses.
 - (b) Establish differing compliance or reporting requirements or timetables for small businesses under the rule after projecting the required reporting, record-keeping, and other administrative costs.
 - (c) Consolidate, simplify, or eliminate the compliance and reporting requirements for small businesses under the rule and identify the skills necessary to comply with the reporting requirements.
 - (d) Establish performance standards to replace design or operational standards required in the proposed rule.
- (2) The factors described in subsection (1)(a) to (d) shall be specifically addressed in the small business impact statement required under section 45.
- (3) In reducing the disproportionate economic impact on small business of a rule as provided in subsection (1), an agency shall use the following classifications of small business:
- (a) 0-9 full-time employees.
 - (b) 10-49 full-time employees.
 - (c) 50-249 full-time employees.
- (4) For purposes of subsection (3), an agency may include a small business with a greater number of full-time employees in a classification that applies to a business with fewer full-time employees.
- (5) This section and section 45(3) do not apply to a rule that is required by federal law and that an agency promulgates without imposing standards more stringent than those required by the federal law.

MCL 24.245 (3) Except for a rule promulgated under sections 33, 44, and 48, the agency shall prepare and include with the notice of transmittal a **regulatory impact statement** which shall contain specific information (information requested on the following pages).

PART 3: AGENCY RESPONSE

Please provide the required information using complete sentences. **Do not answer any question with “N/A” or “none.”**

Comparison of Rule(s) to Federal/State/Association Standards:

1. Compare the proposed rule(s) to parallel federal rules or standards set by a state or national licensing agency or accreditation association, if any exist.

There are no comparable federal rules or standards set by a state or national licensing agency or accreditation association for the provision of gas utility service.

- A. Are these rule(s) required by state law or federal mandate?

The rules are not required by state law or federal mandate.

- B. If these rule(s) exceed a federal standard, identify the federal standard or citation, describe why it is necessary that the proposed rule(s) exceed the federal standard or law, and specify the costs and benefits arising out of the deviation.

The rules do not exceed a federal standard.

2. Compare the proposed rule(s) to standards in similarly situated states, based on geographic location, topography, natural resources, commonalities, or economic similarities.

Arkansas, Alabama, and Vermont have similar rules governing time frames for new service connections. Arkansas, Colorado, Illinois, Ohio, Oregon, South Dakota, and Rhode Island have similar rules governing metering, metering equipment inspections, and tests. New Jersey has a similar rule for cybersecurity incident reporting.

A. If the rule(s) exceed standards in those states, explain why and specify the costs and benefits arising out of the deviation.

The proposed rules do not exceed the standards in those states.

3. Identify any laws, rules, and other legal requirements that may duplicate, overlap, or conflict with the proposed rule(s).

There are no laws, rules, or other legal requirements that duplicate, overlap, or conflict with the rules.

A. Explain how the rule has been coordinated, to the extent practicable, with other federal, state, and local laws applicable to the same activity or subject matter. This section should include a discussion of the efforts undertaken by the agency to avoid or minimize duplication.

There are no federal, state, or local laws applicable to the same activity or subject matter.

4. If MCL 24.232(8) applies and the proposed rule(s) is more stringent than the applicable federally mandated standard, **a statement of specific facts that establish the clear and convincing need to adopt the more stringent rule(s) and an explanation of the exceptional circumstances that necessitate the more stringent standard** is required below:

There is not an applicable federal standard; therefore, the rules are not more stringent than a federal standard.

5. If MCL 24.232(9) applies and the proposed rule(s) is more stringent than the applicable federal standard, **either the statute that specifically authorizes the more stringent rule(s) or a statement of the specific facts that establish the clear and convincing need to adopt the more stringent rule(s) and an explanation of the exceptional circumstances that necessitate the more stringent standard** is required below:

There is not an applicable federal standard; therefore, the rules are not more stringent than a federal standard.

Purpose and Objectives of the Rule(s):

6. Identify the behavior and frequency of behavior that the proposed rule(s) are designed to alter.

Advanced metering infrastructure is an emerging technology that is not addressed in the current rules. The proposed changes to the rules set forth uniform provisions for metering, metering equipment inspections, and testing of meters for all gas utilities in Michigan. The purpose is to get an actual statistical representation of meters tested, as opposed to testing too many meters and overspending on unnecessary testing.

In addition, cybersecurity incidents are an emerging threat to the safety and reliability of gas service. Currently, there are no provisions, rules, or laws that address cybersecurity incidents for gas utilities in Michigan. The proposed rule, R 460.2324, requires gas utilities to provide an annual report to the MPSC detailing the utility's cybersecurity program, a summary of any unauthorized actions that resulted in a loss of service, financial harm, or breach of sensitive business or customer data, and the actions taken to address these cybersecurity incidents.

A. Estimate the change in the frequency of the targeted behavior expected from the proposed rule(s).

The rules do not change the frequency of meter testing; rather, they update the methods by which meters are tested in order to conform to emerging technology. While annual testing will still be required, the proposed changes will reduce the volume of meters to be tested which will be a better statistical representation.

Cybersecurity is not currently addressed in the rules. The proposed cybersecurity rule contains a new requirement directing the gas utilities to provide a report once per year.

B. Describe the difference between current behavior/practice and desired behavior/practice.

Advanced metering infrastructure is an emerging technology that is not addressed in the current rules. The proposed changes to the rules set forth uniform provisions for metering, metering equipment inspections, and testing of meters for all gas utilities in Michigan.

Cybersecurity incidents are an emerging threat to the safety and reliability of the gas system. Currently, there are no provisions, rules, or laws that address cybersecurity incidents for gas utilities in Michigan. The proposed rule, R 460.2324, requires gas utilities to provide an annual report to the MPSC detailing the utility's cybersecurity program, a summary of any unauthorized actions that resulted in a loss of service, financial harm, or breach of sensitive business or customer data, and the actions taken to address these cybersecurity incidents.

C. What is the desired outcome?

The proposed rules will test emerging advanced metering infrastructure and modern metering technology meters in a consistent and uniform manner, while the rules referring to obsolete metering infrastructure and testing should be removed. In addition, the rules should address cybersecurity reporting because it is an emerging threat to the safety and security of the provision of gas service to customers.

7. Identify the harm resulting from the behavior that the proposed rule(s) are designed to alter and the likelihood that the harm will occur in the absence of the rule.

The current rules fail to address provisions for metering, metering equipment inspections, and testing of modern meters. The harm being avoided, is that utilities will not be required to unnecessarily test meters. Gas utilities have requested, and the Commission has granted waivers from the requirements of the rules because the required testing does not represent a true statistical random sample, but instead requires excessive testing. Without the change, the resulting harm is wasting resources to perform excessive testing, whereas those resources could be better used to repair and/or replace underperforming meters.

The proposed cybersecurity reporting rule, R 460.2324, is necessary to address emerging cybersecurity threats to the gas system. A cyberattack was launched against Lansing Board of Water and Light in the spring of 2016. In this incident, an employee unknowingly opened an e-mail containing an infected attachment and the subsequent cyberattack disabled the company's internal communications system. As a result, Lansing Board of Water and Light incurred \$2.4 million in damages to repair the system, including a \$25,000 ransom. That same year, a code linked to a Russian hacking operation was detected in the system of a Vermont public utility, thus exposing a potential vulnerability of many U.S. public utilities.

A. What is the rationale for changing the rule(s) instead of leaving them as currently written?

Without an update to the current rules, there will be no uniform provisions for Michigan utilities for metering, metering equipment inspections, and testing of meters. Moreover, the updated rules require a statistical sampling resulting in a lower volume of testing thereby avoiding unnecessary testing and testing expense. This will assist the gas utilities to utilize resources test, identify, and replace underperforming meters.

Currently, there are no provisions, rules, or laws that address cybersecurity incidents for gas utilities in Michigan. The proposed rule, R 460.2324, requires gas utilities to provide an annual report to the MPSC detailing the utility's cybersecurity program, a summary of any unauthorized actions that resulted in a loss of service, financial harm, or breach of sensitive business or

customer data, and the actions taken to address these cybersecurity incidents. If the proposed rule is not adopted, there is no other provision, rule, or law requiring gas utilities to notify the MPSC that a cybersecurity incident has occurred. As a result, the MPSC may be unaware of cybersecurity attacks against the gas utility and unable to determine whether the public health, safety, and welfare is sufficiently protected.

8. Describe how the proposed rule(s) protect the health, safety, and welfare of Michigan citizens while promoting a regulatory environment in Michigan that is the least burdensome alternative for those required to comply.

Advanced metering infrastructure and modern metering technology provide more accurate and efficient metering of gas usage. In addition, advanced metering infrastructure allows electronic meter reading, which significantly reduces, if not eliminates, the need for a person to be physically present on the customer's property to read the meter. Because the meter reader does not need to be physically present to read the meter, there are fewer injuries to the meter reader resulting from inclement weather, traffic accidents, dog bites, and physical altercations with disgruntled customers.

Gas service affects many aspects of citizen's lives and businesses in Michigan, and as a result, they depend on safe, reliable, and affordable gas service. Cybersecurity incidents threaten the reliability, resiliency, and safety of gas service. If the proposed rule is not adopted, there is no other provision, rule, or law requiring gas utilities to notify the MPSC that a cybersecurity incident has occurred. As a result, the MPSC may be unaware of cybersecurity attacks against the utility and unable to determine whether the public health, safety, and welfare is sufficiently protected.

9. Describe any rules in the affected rule set that are obsolete or unnecessary and can be rescinded.

R 460.2301 (g) and (j)(v); R 460.2342; R 460.2351(e)(vii) and (viii) R 460.2352; R 460.2361; R 460.2363; R 460.2364; R 460.2371(1)(a) and (b); and, R 460.2374 are being deleted.

Fiscal Impact on the Agency:

Fiscal impact is an increase or decrease in expenditures from the current level of expenditures, i.e. hiring additional staff, higher contract costs, programming costs, changes in reimbursement rates, etc. over and above what is currently expended for that function. It does not include more intangible costs or benefits, such as opportunity costs, the value of time saved or lost, etc., unless those issues result in a measurable impact on expenditures.

10. Describe the fiscal impact on the agency (an estimate of the cost of rule imposition or potential savings).

The MPSC spends approximately \$4,000 on publication of notices for rulemaking and holding a public hearing. Otherwise, there is no fiscal impact on the MPSC. The MPSC already provides and enforces these rules as one of its many duties, and the proposed changes and rules do not alter the MPSC's duties.

11. Describe whether or not an agency appropriation has been made or a funding source provided for any expenditures associated with the proposed rule(s).

No additional funds are required for implementation of the proposed rules.

12. Describe how the proposed rule(s) is necessary and suitable to accomplish its purpose, in relationship to the burden(s) it places on individuals. Burdens may include fiscal or administrative burdens, or duplicative acts.

The current technical standards for gas service rules have not been revised in over 20 years and it is important to update the rules to reflect technological advancements in the area of metering, metering equipment inspections, and tests, and emerging security threats. Gas utilities have already replaced many old meters with advanced metering infrastructure, and the current rules do not address this new technology. Concomitantly, references to obsolete equipment need to be removed from the current

rules. Updating the rules to reflect technological advancements that have already been substantially implemented by Michigan gas utilities does not place any burden on individuals.

Cybersecurity incident reporting is necessary because cybersecurity threats have recently emerged and they challenge the reliability, resiliency, and safety of gas service. Michigan citizens and businesses depend on safe, reliable, and affordable gas service. Utility spending to address cybersecurity vulnerabilities can impact the bills that customers pay. The proposed cybersecurity incident reporting rules require the utility to notify the MPSC about specific cybersecurity threats so that the MPSC may work with the utility to address these incidents and reduce the fiscal impact to the utility and customers.

A. Despite the identified burden(s), identify how the requirements in the rule(s) are still needed and reasonable compared to the burdens.

Currently, there are no provisions, rules, or laws that address cybersecurity incidents for gas utilities in Michigan. If the proposed rule is not adopted, there is no other provision, rule, or law requiring gas utilities to notify the MPSC that a cybersecurity incident has occurred. As a result, the MPSC may be unaware of cybersecurity attacks against the gas utility and unable to determine whether the public health, safety, and welfare is sufficiently protected.

Impact on Other State or Local Governmental Units:

13. Estimate any increase or decrease in revenues to other state or local governmental units (i.e. cities, counties, school districts) as a result of the rule. Estimate the cost increases or reductions for such other state or local governmental units as a result of the rule. Include the cost of equipment, supplies, labor, and increased administrative costs in both the initial imposition of the rule and any ongoing monitoring.

There will be no increase or decrease in revenues or costs to other state or local governmental units as a result of the updated rule and proposed cybersecurity rule.

A. Estimate the cost increases or reductions for other state or local governmental units (i.e. cities, counties, school districts) as a result of the rule. Include the cost of equipment, supplies, labor, and increased administrative costs in both the initial imposition of the rule and any ongoing monitoring.

There will be no increase or decrease in costs to other state or local governmental units as a result of the updated rule and proposed cybersecurity rule.

14. Discuss any program, service, duty or responsibility imposed upon any city, county, town, village, or school district by the rule(s).

There will not be any program, service, duty, or responsibility imposed upon any city, county, town, village, or school district by the rules.

A. Describe any actions that governmental units must take to be in compliance with the rule(s). This section should include items such as record keeping and reporting requirements or changing operational practices.

The proposed changes to the rules will not materially affect the actions that the governmental units or the MPSC must take to be in compliance with the rules. The MPSC is obligated to review the annual report detailing the utility's cybersecurity program, a summary of any unauthorized actions that resulted in a loss of service, financial harm, or breach of sensitive business or customer data, and the actions taken to address these cybersecurity incidents. Following the review of the annual report, the MPSC will determine whether it needs to work with the utilities to ensure that the public health, safety, and welfare is sufficiently protected.

15. Describe whether or not an appropriation to state or local governmental units has been made or a funding source provided for any additional expenditures associated with the proposed rule(s).

No appropriation has been made and no funding source has been provided, and neither is necessary.

Rural Impact:

16. In general, what impact will the rule(s) have on rural areas?

Advanced metering infrastructure and modern metering technology allow a utility to electronically read customer meters without the need for a meter reader to be physically present on the customer's property. This will reduce, if not eliminate, the expense associated with sending a person to read a meter, especially in rural areas. As a result, total meter reading costs for utilities may be reduced, which in turn, reduces business and customer costs.

The proposed cybersecurity rule allows the Commission to be aware of cybersecurity attacks, and to work with the utilities to address and prevent these threats in both highly populated and rural areas. Reduced cybersecurity incidents lead to reduced costs for the utilities and customers.

A. Describe the types of public or private interests in rural areas that will be affected by the rule(s).

Both public and private interests are affected by these rules. Advanced metering infrastructure and modern metering technology allow a utility to electronically read customer meters without the need for a meter reader to be physically present on the customer's property. This will reduce, if not eliminate, the expense associated with sending a person to read a meter, especially in rural areas. As a result, total meter reading costs for utilities may be reduced, which in turn, reduces business and customer costs. The reporting requirement of this rule will be applied statewide and will not have a disproportionate impact on rural areas.

Environmental Impact:

17. Do the proposed rule(s) have any impact on the environment? If yes, please explain.

Installation of advanced metering infrastructure results in a reduced need for physical meter reading on the customer's property. Therefore, the utility may use less fuel because it is sending fewer meter reading agents into the field. Moreover, the updated rules require a statistical sampling resulting in a lower volume of testing thereby avoiding unnecessary testing and testing expense. The use of less fuel results in a lower demand for fuel and lower emissions, which benefits the environment. Further, during testing utilities have to blow-down gas and testing fewer meters would reduce this practice, resulting in a positive environmental impact.

Small Business Impact Statement:

18. Describe whether and how the agency considered exempting small businesses from the proposed rule(s).

These rules only apply to gas utilities. Because these rules concern health, safety, and welfare of the public, the MPSC cannot exempt gas utilities that are considered small businesses.

19. If small businesses are not exempt, describe (a) how the agency reduced the economic impact of the proposed rule(s) on small businesses, including a detailed recitation of the efforts of the agency to comply with the mandate to reduce the disproportionate impact of the rule(s) upon small businesses as described below, per MCL 24.240(1)(a)-(d), or (b) the reasons such a reduction was not lawful or feasible.

Because these rules concern health, safety, and welfare of the public, the rules are applied uniformly across all businesses engaged in the provision of gas service, regardless of whether they are considered a small business.

A. Identify and estimate the number of small businesses affected by the proposed rule(s) and the probable effect on small business.

Five Michigan gas utilities, or approximately 38% qualify as small businesses. The proposed changes will have little to no effect on these utilities because they are already complying with the

current Technical Standards for Gas Service rules. The proposed changes do not require these utilities to adopt the newest technology in metering, metering equipment inspections, and tests; rather, if the utility has already installed modern meters, the proposed changes provide uniform standards for metering, metering equipment inspections, and tests of meters. Moreover, the updated rules require a statistical sampling resulting in a lower volume of testing thereby avoiding unnecessary testing and testing expense. This will assist the gas utilities, including those defined as small businesses, to utilize resources test, identify, and replace underperforming meters.

The proposed cybersecurity rule, R 460.2324, will have a negligible effect on these small business utilities because the utilities are only required to provide an annual report detailing the utility's cybersecurity program, a summary of any unauthorized actions that resulted in a loss of service, financial harm, or breach of sensitive business or customer data, and the actions taken to address these cybersecurity incidents.

B. Describe how the agency established differing compliance or reporting requirements or timetables for small businesses under the rule after projecting the required reporting, record-keeping, and other administrative costs.

The rules are applied uniformly across all businesses engaged in the provision of gas service. The proposed changes do not require these utilities to adopt the newest technology in metering, metering equipment inspections, and tests; rather, if the utility has already installed modern meters, the proposed changes provide uniform standards for metering, metering equipment inspections, and tests of meters. Utilities considered to be small businesses will not experience an additional burden due to the proposed update to the rules, but rather have a lower burden based upon the reduction in volume of testing. Therefore, it is not necessary to establish differing compliance or reporting requirements or timetables.

In order to protect the health, safety, and welfare of Michigan citizens and businesses, the cybersecurity rule is also applied uniformly across all businesses engaged in the provision of gas service. The Commission believes that providing a single, annual cybersecurity report will not be burdensome on utilities who qualify as small businesses.

C. Describe how the agency consolidated or simplified the compliance and reporting requirements for small businesses and identify the skills necessary to comply with the reporting requirements.

In order to protect the health, safety, and welfare of Michigan citizens and businesses, the cybersecurity rule is applied uniformly across all businesses engaged in the provision of gas service. The Commission believes that providing an annual cybersecurity report will not be burdensome on utilities who qualify as small businesses.

D. Describe how the agency established performance standards to replace design or operation standards required by the proposed rule(s).

These rules do not contain design or operation standards.

20. Identify any disproportionate impact the proposed rule(s) may have on small businesses because of their size or geographic location.

The update to the rules does not have any disproportionate impact on small businesses because of their size or geographic location.

In order to protect the health, safety, and welfare of Michigan citizens and businesses, the cybersecurity rule is also applied uniformly across all businesses engaged in the provision of gas service. The Commission believes that providing a single, annual cybersecurity report will not be burdensome on utilities who qualify as small businesses.

- 21.** Identify the nature of any report and the estimated cost of its preparation by small businesses required to comply with the proposed rule(s).

Proposed rule R 460.2324 requires that gas utilities provide a cybersecurity annual report detailing the utility's cybersecurity program, a summary of any unauthorized actions that resulted in a loss of service, financial harm, or breach of sensitive business or customer data, and the actions taken to address these cybersecurity incidents. It is impossible to estimate the cost associated with the preparation of this report because the type and quantity of information included in the report may vary significantly from year to year due to the number and size of cybersecurity incidents. However, because most of the utilities already track this information, it should not be costly or burdensome to create a report for the MPSC.

- 22.** Analyze the costs of compliance for all small businesses affected by the proposed rule(s), including costs of equipment, supplies, labor, and increased administrative costs.

It is impossible to estimate the cost associated with the preparation of the report required by rule R 460.2324 because the type and quantity of information included in the report may vary significantly from year to year due to the number and size of cybersecurity incidents. However, because most of the utilities already track this information, it should not be costly or burdensome to provide this information to the MPSC.

- 23.** Identify the nature and estimated cost of any legal, consulting, or accounting services that small businesses would incur in complying with the proposed rule(s).

It is impossible to estimate the cost of any legal, consulting, or accounting services that are associated with the preparation of the report required by rule R 460.2324 because the type and quantity of information included in the report may vary significantly from year to year due to the number and size of cybersecurity incidents.

- 24.** Estimate the ability of small businesses to absorb the costs without suffering economic harm and without adversely affecting competition in the marketplace.

Most gas utilities already track information related to cybersecurity incidents, and therefore, it should not be costly or burdensome to provide the information required by R 460.2324 to the MPSC.

- 25.** Estimate the cost, if any, to the agency of administering or enforcing a rule that exempts or sets lesser standards for compliance by small businesses.

The rules do not exempt or set lesser standards for compliance by small businesses. There will not be any additional cost to the agency to administer or enforce the rules.

- 26.** Identify the impact on the public interest of exempting or setting lesser standards of compliance for small businesses.

The health, safety, and welfare of Michigan citizens and businesses would be negatively affected if small gas utilities were not required to provide safe and adequate service to the public. The proposed rules provide standards for uniform and reasonable practices so that all gas utilities in Michigan may provide safe and adequate gas service to the public. Additionally, in order to protect the health, safety, and welfare of Michigan citizens and businesses, it is important that the MPSC be informed of cybersecurity events and preventative measures taken by both large and small gas utilities.

- 27.** Describe whether and how the agency has involved small businesses in the development of the proposed rule(s).

Consumers Energy Company, DTE Gas Company, Presque Isle Electric & Gas Co-op, and the Michigan Electric and Gas Association (MEGA) were members of the workgroup that developed an update to the proposed rules.

A. If small businesses were involved in the development of the rule(s), please identify the business(es).

MEGA represents investor-owned electric and natural gas utilities in Michigan, including utilities that may be classified as small businesses.

Cost-Benefit Analysis of Rules (independent of statutory impact):

28. Estimate the actual statewide compliance costs of the rule amendments on businesses or groups.

Gas utilities are already complying with the existing Technical Standards for Gas Service rules, and the proposed changes to incorporate modern metering, metering equipment inspections, and testing merely provide an update to the rules for utilities that have already installed or plan to install advanced metering infrastructure. Therefore, there is no corresponding compliance costs with the rule.

It is impossible to estimate the statewide compliance costs associated with the preparation of the cybersecurity report required by rule R 460.2324 because the type and quantity of information included in the report may vary significantly from year to year due to the number and size of cybersecurity incidents. However, because most of the gas utilities already track this information, it should not be costly or burdensome to provide this information to the MPSC.

A. Identify the businesses or groups who will be directly affected by, bear the cost of, or directly benefit from the proposed rule(s).

Aurora Gas Company, Citizens Gas Fuel Company, Consumers Energy Company, DTE Gas Company, Michigan Gas Utilities Corporation, Northern States Power Company-Wisconsin, Presque Isle Electric & Gas Co-op, SEMCO Energy Gas Company, Superior Energy Company and Upper Michigan Energy Resources Corporation.

B. What additional costs will be imposed on businesses and other groups as a result of these proposed rules (i.e. new equipment, supplies, labor, accounting, or recordkeeping)? Identify the types and number of businesses and groups. Be sure to quantify how each entity will be affected.

Gas utilities are already complying with the existing Technical Standards for Gas Service rules, and the proposed changes to incorporate modern metering, metering equipment inspections, and testing merely provide an update to the rules for utilities who have installed or are planning to install advanced metering infrastructure. Therefore, there is are no additional costs associated with the update to the rules.

It is impossible to estimate whether there will be additional costs associated with the preparation of the cybersecurity report required by rule R 460.2324 because the type and quantity of information included in the report may vary significantly from year to year due to the number and size of cybersecurity incidents. However, because most of the gas utilities already track this information, it should not be costly or burdensome to provide this information to the MPSC.

29. Estimate the actual statewide compliance costs of the proposed rule(s) on individuals (regulated individuals or the public). Include the costs of education, training, application fees, examination fees, license fees, new equipment, supplies, labor, accounting, or recordkeeping.

There are no compliance costs for individuals.

A. How many and what category of individuals will be affected by the rules?

No individuals will be affected by the rules.

B. What qualitative and quantitative impact does the proposed change in rule(s) have on these individuals?

No individuals will be affected by the rules.

- 30.** Quantify any cost reductions to businesses, individuals, groups of individuals, or governmental units as a result of the proposed rule(s).

Advanced metering infrastructure and modern metering technology allow a utility to electronically read customer meters without the need for a meter reader to be physically present on the customer's property. This will reduce, if not eliminate, the expense associated with sending a person to read a meter, especially in rural areas. Moreover, the updated rules require a statistical sampling resulting in a lower volume of testing thereby avoiding unnecessary testing and testing expense. As a result, total meter reading costs for utilities may be reduced, which in turn, reduces customer and business costs.

In addition, the cybersecurity incident reporting rule, R 460.2324, is intended to assist the MPSC in working with the gas utilities to address and prevent cybersecurity threats, which in turn may reduce customer costs.

- 31.** Estimate the primary and direct benefits and any secondary or indirect benefits of the proposed rule(s). Provide both quantitative and qualitative information, as well as your assumptions.

Advanced metering infrastructure and modern metering technology allow a gas utility to electronically read a customer's meter without the need of an actual meter reader to be present on the customer's property. Moreover, the updated rules require a statistical sampling resulting in a lower volume of testing thereby avoiding unnecessary testing and testing expense. This may reduce labor expenses for utilities, which in turn, may reduce customer costs.

In addition, the cybersecurity incident reporting rule, R 460.2324, is intended to assist the MPSC in working with the gas utilities to address and prevent cybersecurity threats, which in turn may reduce customer costs.

- 32.** Explain how the proposed rule(s) will impact business growth and job creation (or elimination) in Michigan.

Advanced metering infrastructure and updated metering technology lead to a reduced need for utility meter-readers, which may reduce utility costs. In addition, the cybersecurity incident reporting rule may assist the MPSC in working with the utilities to address and prevent cybersecurity threats, which may reduce costs for customers. With reduced costs for the gas utilities, there may be an opportunity for business growth and job creation.

- 33.** Identify any individuals or businesses who will be disproportionately affected by the rules as a result of their industrial sector, segment of the public, business size, or geographic location.

No individuals or businesses will be disproportionately affected by the rules. The rules are applied uniformly across all businesses engaged in the provision of gas service in order to protect the health, safety, and welfare of Michigan citizens and businesses.

- 34.** Identify the sources the agency relied upon in compiling the regulatory impact statement, including the methodology utilized in determining the existence and extent of the impact of a proposed rule(s) and a cost-benefit analysis of the proposed rule(s).

The MPSC relied upon the technical standards for gas service rules from Alabama, Arkansas, Colorado, Illinois, Ohio, Oregon, Rhode Island, South Dakota, and Vermont to determine whether the rules exceeded standards in those states. In addition, the MPSC referenced rules and reports in Washington and New Jersey regarding cybersecurity incident reporting. The MPSC also relied upon the American Petroleum Institute standards regarding security, which are adopted by reference in the proposed rules.

The proposed changes will have little to no effect on the utilities because they are already complying with the current rules. The proposed changes do not require these utilities to adopt the newest technology in metering, metering equipment inspections, and tests; rather, if the utility has already installed modern meters, the proposed changes provide uniform standards for metering, metering

equipment inspections, and tests of meters. Therefore, a benefit-cost analysis would show no effect on the utilities.

It is impossible to perform a benefit-cost analysis regarding the preparation of the cybersecurity report because the type and quantity of information included in the report may vary significantly from year to year due to the number and size of cybersecurity incidents. However, because most of the utilities already track this information, it should not be costly or burdensome to create a report for the MPSC.

A. How were estimates made, and what were your assumptions? Include internal and external sources, published reports, information provided by associations or organizations, etc., which demonstrate a need for the proposed rule(s).

The MPSC relied upon the technical standards for gas service rules from Alabama, Arkansas, Colorado, Illinois, Ohio, Oregon, Rhode Island, South Dakota, and Vermont to determine whether the rules exceeded standards in those states. In addition, the MPSC referenced rules and reports in Washington and New Jersey regarding cybersecurity incident reporting. The MPSC also relied upon the American Petroleum Institute standards regarding security, which are adopted by reference in the proposed rules.

Alternatives to Regulation:

35. Identify any reasonable alternatives to the proposed rule(s) that would achieve the same or similar goals. Include any statutory amendments that may be necessary to achieve such alternatives.

There are no reasonable alternatives to the proposed rules if Michigan wishes to continue to provide standards for uniform and reasonable practices for all gas utilities in Michigan. Each gas utility could establish its own set of technical standards for gas service and cybersecurity incident reporting rules, however they would be inconsistent and unequal, and would insufficiently protect gas utility customers in Michigan.

A. In enumerating your alternatives, include any statutory amendments that may be necessary to achieve such alternatives.

There are no statutory amendments that would be necessary to achieve the alternatives.

36. Discuss the feasibility of establishing a regulatory program similar to that in the proposed rule(s) that would operate through private market-based mechanisms. Include a discussion of private market-based systems utilized by other states.

If each utility established its own set of technical standards for gas service and cybersecurity incident reporting rules, the standards would be inconsistent and unequal, and would insufficiently protect utility customers in Michigan. The Commission is not aware of a private market-based system in another state.

37. Discuss all significant alternatives the agency considered during rule development and why they were not incorporated into the rule(s). This section should include ideas considered both during internal discussions and discussions with stakeholders, affected parties, or advisory groups.

No alternatives to regulation are available; thus no alternatives were discussed.

Additional Information:

38. As required by MCL 24.245b(1)(c), describe any instructions on complying with the rule(s), if applicable.

There are no instructions regarding the method of complying with the rules.

↓ **To be completed by MOAHR** ↓

PART 4: REVIEW BY MOAHR

Date RIS received:	8-30-2019
Date RIS approved:	9/6/19
Date of RIS disapproval:	
Explanation:	