

Staff's July 28rd request for comments.

(Comments due August 26, 2008)

-----Original Message-----

From: Baldwin, Julie K (DLEG)

[<mailto:baldwinj2@MICHIGAN.GOV>]

Sent: Monday, July 28, 2008 4:31 PM

To: MPSC-PLANNINGCONSORTIUM@LISTSERV.MICHIGAN.GOV

Subject: Request for Comments

Thank you very much for taking the time to meet with us regarding the Michigan Planning Consortium. To build upon the July 23rd kickoff meeting, we need your input for this Consortium to work. Thank you in advance for your input to the following questions, which are based upon the attached MPSC Staff strawman proposal and the July 23rd Consortium kick-off meeting. Please send your written responses (short is fine) to Sally Talberg (TalbergSl@michigan.gov) and Cathy Cole (colecl@michigan.gov) by Friday August 15th.

Organization

- a. Do you support the proposed Consortium structure outlined in the attached straw man?
- b. How should steering committee members be selected?

Areas of Focus

- a. MPSC straw man outlines three Areas of Focus: sub-regional planning process, infrastructure expansion for renewable energy, and the 765 kV loop.
 - 1) Do you agree with the proposed scope of each Area of Focus? If not, why not?
 - 2) Are there specific issues within each of these areas that the Consortium should address? If so, why?
 - a) Is another forum already addressing these issues? If so, how would the work of the Consortium improve that effort?
- b. Should the Consortium address any additional Areas of Focus? If so, why?
 - 1) Is another forum already addressing this area? If so, how would the work of the Consortium improve that effort?
 - 2) Do you have any initial thoughts regarding a plan of attack to address the additional Area(s) of Focus?
 - 3) What deliverable(s) or result(s) would be expected from the Consortium?
- c. Should the Consortium add PA 30 implementation issues as an Area of Focus? Why or why not?

At our next Consortium meeting, scheduled for Tuesday, August 26th at 1:30 p.m., we will present the input that we have received, and work toward consensus regarding the pertinent issues that the Consortium will address, and how we will go about addressing those issues.

A preliminary agenda for August 26th is still under development, but tentatively includes the following:

1. Summary of Input to Consortium Focus and Structure
2. Update from MPSC staff/ATC/ITC on the 2008 Michigan Wind Energy Transmission Study
3. Infrastructure Planning in Michigan's Upper Peninsula

If you have not already done so, please take a couple of minutes to sign up for the email listserv so that you'll continue to receive future communications regarding the Consortium. You can sign up for the email listserv by clicking on the "Join the Consortium" link on the right side of our webpage:

http://www.michigan.gov/mpsc/0,1607,7-159-16377_47107_51195---,00.html. (If you attended the July 23rd kickoff meeting in person, and gave us your information on the sign-in sheet, then we have already added you to the listserv.)

Thanks again for your participation, and we'll look forward to seeing you on August 26th.

Cathy Cole
Electric Operations Section
Operations & Wholesale Markets Division
Michigan Public Service Commission
(517) 241-6065 colec1@michigan.gov

Sally Talberg
Energy Markets Section
Operations & Wholesale Markets Division
Michigan Public Service Commission
(517) 241-2376 talbergs1@michigan.gov

Attachment to Staff's July 28 request for comments.

(Strawman for the July 23, 2008 kick-off meeting
of the Michigan Planning Consortium.)

MPSC Staff Proposal on Michigan Planning Consortium Structure and Future Activities

For Discussion Purposes Only

Consortium Purpose:

In July 2008, the Michigan Public Service Commission (MPSC) issued an order establishing the Michigan Planning Consortium. The purpose of the Consortium is to improve the planning process for electricity infrastructure projects and identify possible ways to reduce costs to ratepayers. As directed by the MPSC, the initial goals of the Consortium include the following:

- Ensuring adequate sharing of information throughout the planning process on a local and detailed level.
- Evaluating energy infrastructure alternatives, including proposed transmission projects.
- Examining the cost effects of various alternatives on Michigan customers.
- Recommending the most effective ways for Michigan stakeholders to participate in regional planning processes, and related state and Federal Energy Regulatory Commission (FERC) proceedings, including MPSC Act 30 certification proceedings.

Consortium Structure and Meetings:

Staff would convene Consortium meetings on a monthly basis as recommended by the MPSC. These meetings would be both informational and policy-oriented. The full Consortium would provide guidance to workgroups and Staff and make decisions on deliverables, which may include proposed recommendations to the MPSC or other entities. Three workgroups would be formed to address the three Areas of Focus outlined below. The workgroups would be responsible for conducting necessary research, developing recommendations, providing deliverables, and presenting their work to the Consortium.

A small steering committee, consisting of a volunteer from load serving entities, regional transmission organizations, and transmission owners, would advise Staff on Consortium activities. The steering committee would communicate as necessary via email, conference calls, or in-person meetings.

Areas of Focus / Workgroups:

At the July 23, 2008 kick-off meeting, Staff proposed forming separate workgroups to handle the following three topics or Areas of Focus:

- 1) Subregional planning - would address Michigan-specific issues such as information sharing, planning criteria and assumptions, and dispute resolution related to transmission planning performed at the regional transmission organization level;
- 2) Infrastructure expansion for renewable energy - would study and make recommendations regarding infrastructure expansion to facilitate renewable energy development in Michigan; and
- 3) 765 kV loop - would focus on the proposed 765 kV loop through Michigan, and the extra-high voltage grid proposals being studied under the Midwest Transmission Expansion Plan 2009 and the Joint Coordinated System Plan.

Staff's proposal for the Consortium's role with respect to these three topics is outlined below. These are preliminary ideas for discussion purposes.

Areas of Focus 1: Subregional Planning Process

This group would work within the framework of the existing Michigan Sub Regional Technical Study Task Force that was established by the Midwest ISO following the issuance of FERC Order 890. This task force was formed to address Michigan-specific planning issues, particularly near-term reliability planning in the Lower Peninsula. Participants currently include representation by MPSC Staff, the Midwest ISO, load serving entities, industrial customers, and transmission owners in the Lower Peninsula.

At least initially, Staff envisions that it would coordinate with the Midwest ISO to take the lead in facilitating portions of future task force meetings or schedule special meetings to accomplish the following:

- 1) Provide **informal dispute resolution** regarding planning assumptions or projects on an as-needed basis.
- 2) Improve **information sharing** among Michigan entities associated with the MTEP review process. This could be done by reviewing existing practices and written protocols to work toward increased transparency and inclusiveness in the planning process.
- 3) Review and discuss applicable **planning standards, criteria and assumptions**; if necessary, develop proposed revisions based on the group's input to improve specificity or make other changes.
- 4) Develop written guidelines on how **alternatives** to proposed transmission projects, which may include distribution upgrades, demand response/energy efficiency, local generation, or different transmission solutions, can be presented to the Midwest ISO and transmission owners to review as part of the annual MTEP process. This work could clarify what information is needed and when to develop and review alternatives.

It could also result in a proposed methodology for analyzing different types of alternatives in terms of performance, cost impacts, etc.

Policy issues, work products, and recommendations that may emerge from these activities would be presented to the full Consortium for guidance and determination of appropriate next steps.

Staff believes the activities outlined above would collectively address the initial goals outlined in the MPSC's July 1 Order: sharing information, evaluating infrastructure proposals and alternatives including costs, and effectively participating in regional processes. Resolution of differences among key players on specific issues that emerge through the planning process is required for the Midwest ISO to perform necessary regional modeling and planning that includes Michigan. In the long term, these activities may reduce or avoid disputes in the broader Midwest ISO stakeholder processes and Michigan Public Act 30 certification proceedings.

Area of Focus 2: Infrastructure Expansion for Renewable Energy

Michigan needs a transmission system that supports efficient, cost-effective development of renewable energy in the state. There is considerable interest in constructing wind generation, and our transmission companies have federally approved cost allocation policies that make it attractive to locate new developments in Michigan. Moreover, state and federal legislation and other policies, if enacted, would likely further boost renewable energy infrastructure development in the state. Upgrades to the transmission system will be needed to support any substantial build out of renewable energy.

This workgroup would focus on transmission planning related to wind energy. As an initial task, this workgroup would guide further development of the Michigan Wind Energy Transmission Study (MI-WETS),¹ which is examining the transmission needs to accommodate different levels of wind energy in the Upper and Lower Peninsulas. The workgroup would review the transmission companies' modeling results for MI WETS, review and assist in drafting reports, and recommend needed next steps to the Consortium.

Area of Focus 3: 765 kV Loop

ITC and AEP have proposed a 765 kV loop through lower Michigan, and similar extra-high voltage projects in the region have also been studied in various forums in the past.

¹ The Michigan Wind Working Group of the MPSC's Michigan Renewable Energy Program provided input on the assumptions for the MI-WETS. Results of this study are not yet available. For more information on MI-WETS, see http://www.michigan.gov/mpsc/0,1607,7-159-16377_47107_48701---,00.html.

For this focus area, Staff envisions that the workgroup review existing studies regarding high voltage transmission expansion in lower Michigan, and possibly the Midwest ISO region, including the ITC / AEP proposed 765 kV loop through lower Michigan. The group would then identify the qualitative and quantitative advantages or implications of the projects, as well as roadblocks to project implementation. Staff envisions that there may also be brainstorming and collaboration to develop proposals that would eliminate potential roadblocks or, if appropriate, pursue alternative approaches.

The proposed deliverable from this area of focus could be recommendations for further study or policy recommendations to the MPSC, Midwest ISO, and/or the FERC. The group could work in multiple forums to eliminate potential roadblocks so that advantageous projects could be implemented.

Responses Received

ABATE – responses to Staff comments,
August 2008

TO: Sally Talberg, MPSC, Operations & Wholesale Markets Division
Cathy Cole, MPSC, Operations & Wholesale Markets Division

FROM: Haran C. Rashes

DATE: August 15, 2008

SUBJECT: Michigan Public Service Commission Energy Planning Consortium
Request for Comments

On behalf of the Association of Businesses Advocating Tariff Equity (“ABATE”), I am pleased to respond to the questions you submitted to the Michigan Planning Consortium

I. Organization

a. Do you support the proposed Consortium structure outlined in the attached straw man?

The straw man proposal states that “a small steering committee, consisting of a volunteer from load serving entities, regional transmission organizations, and transmission owners, would advise Staff on Consortium activities.” Such a structure does not seem to have a place for end-use customers. Representation of both industrial and residential end-users is essential if the Commission would like the Michigan Planning Consortium to be representative of the State of Michigan. End-users, as rate payers, have a vested stake in any recommendations made by the Michigan Planning Consortium. While we would be happy to support the Michigan Planning Consortium with participation we must note that the Michigan Public Service Commission has virtually no legal or statutory authority regarding planning, so the information developed will need to be passed on to those entities that have such legal authority.

b. How should steering committee members be selected?

Steering committee members should be selected by their constituency representatives on the Michigan Planning Consortium. For example all of the representatives of the local distribution companies should choose the steering committee member representing the load serving entities, etc.

II. AREAS OF FOCUS

a. MPSC straw man outlines three Areas of Focus: sub-regional planning process, infrastructure expansion for renewable energy and the 765 kV loop.

1) Do you agree with the proposed scope of each Area of Focus? If not, why not?

ABATE does not agree that a proposed 765 kV loop in Michigan should be an area of focus for the Michigan Planning Consortium. The recent, July 21, 2008, *ITC 765kV Targeted Study Preliminary Technical Report (DRAFT)*, concluded that “based on the economic benefit analysis preliminary results, the proposed project does not meet the 3:1 benefit/cost ratio for long term transmission expansions.” ABATE believes that it would be a waste of scarce resources for the Michigan Planning Consortium to reexamine an issue that was so recently deemed economically unsound in a Midwest Independent Transmission System Operator, Inc. (“MISO”) report.

2) Are there specific issues within each of these areas that the Consortium should address? If so, why?

a) Is another forum already addressing these issues? If so, how would the work of the Consortium improve that effort?

b) Should the Consortium address any additional Areas of focus? If so, why?

ABATE does not have a response for this question at this time.

b. Should the Consortium address any additional Areas of Focus? If so, why?

The Michigan Planning Consortium should also discuss what will be done with the information collected and recommendations made. Will these recommendations be passed on to other entities, beside the Commission, such as MISO and NERC?

1) Is another forum already addressing this area? If so, how would the work of the Consortium improve that effort?

2) Do you have any initial thoughts regarding a plan of attack to address the additional Area(s) of Focus?

3) What deliverable(s) or result(s) would be expected from the Consortium?

ABATE believes that the Michigan Planning Consortium should prepare a formal report to the Commission.

c. Should the Consortium add PA 30 implementation issues as an Area of Focus? Why or why not?

ABATE believes that if the Michigan Planning Consortium is to make recommendations to improve the planning process for electricity infrastructure projects and identify possible ways to reduce costs to ratepayers, then a comprehensive examination of the way Michigan's electricity infrastructure projects are implemented is required. Any such comprehensive examination may need to include implementation issues arising under the Electric Transmission line Certification Act, PA 30.

Thank you for considering ABATE's responses to these questions. We look forward to working with you on the Michigan Planning Consortium

HCR:pat

Cc: Robert A.W. Strong
Rick Coy

AEP – responses to Staff comments,
August 2008

-----Original Message-----

From: erwilcox@aep.com [mailto:erwilcox@aep.com]

Sent: Friday, August 15, 2008 3:01 PM

To: Talberg, Sally A (DLEG); Cole, Cathy E (DLEG)

Cc: snip

Subject: Re: Request for Comments - AEP

Thank you for the opportunity to comment. AEP supports the Consortium, and agrees with the outline and scope. Some general comments for consideration:

- Bringing individuals involved in regional planning efforts (e.g. MISO) into the working groups will facilitate information sharing. Groups should also try to balance technical and policy expertise.
- Request that the Consortium be considerate of the paradigm under which electricity is planned today. Transmission planners cannot mandate generation or, in most cases, demand management (Distribution) as solutions to transmission problems. Also, different FERC rules apply to each area. However, we believe this is an important issue and through the Consortium volunteer our help to address how Michigan can successfully work through today's industry.
- In regards to renewable (i.e. wind) expansion, the Consortium should also consider the increased benefits of variable output resources such as wind and renewables resulting from strong interconnection with the regional transmission grid. Maintaining reliable and safe operation of the system while maximizing renewable integration is an important topic.
- The Consortium should evaluate the 765 kV loop both in terms of potential economic impact (energy production costs, congestion, etc.) as well as reliability and operational impacts. It is likely that Michigan would have been spared from the blackout of 5 years ago with such a system in place. In addition, it should be reviewed with the expectation that 765 kV transmission costs would be shared with other RTO(s) members, not only Michigan companies.
- AEP respectfully requests participation on the steering committee. As a company with generation, transmission, and distribution customers within Michigan, we have considerable interest in making the Consortium a successful effort.

ATC – responses to Staff comments,
August 2008

-----Original Message-----

From: Levesque, Gregory [mailto:givesque@atcllc.com]
Sent: Thursday, August 14, 2008 2:38 PM
To: Baldwin, Julie K (DLEG)
Subject: Request for Comments

Hello Julie.

Attached please find American Transmission Company's answers to your July 28th request for comments. ATC looks forward to being an active participant in the Planning Consortium.

Please do not hesitate to contact me with any questions.

Thank you.

Gregory M. Levesque
Manager-Regional Relations & Policy
American Transmission Company
Office: 608-877-3649
Cell: 608-444-4072

Organization

- a. Do you support the proposed Consortium structure outlined in the attached straw man?

ATC supports the Consortium structure proposed by the MPSC. ATC does offer the observation that strong facilitation will be needed to keep the workgroups focused and driven towards the results and recommendations envisioned as part of the scope of this effort.

- b. How should steering committee members be selected?

ATC believes that steering committee members should be selected through voluntary participation of various entities involved in this effort including at a minimum (but not necessarily limited to) load serving entities, transmission owners, and MISO. ATC also believes that each entity should be limited to one representative on the steering committee.

Areas of Focus

- a. MPSC straw man outlines three Areas of Focus: sub-regional planning process, infrastructure expansion for renewable energy, and the 765 kV loop.

- 1) Do you agree with the proposed scope of each Area of Focus? If not, why not?

ATC generally agrees with the proposed scope of each Area of Focus. One area in which ATC would like clarification is in Area of Focus 1, Section 4, in which the MPSC staff states its desire to "develop written guidelines on how alternatives to proposed transmission projects, which may include distribution upgrades, demand response/energy efficiency, local generation, or different transmission solutions, can be presented to the Midwest ISO and transmission owners to review as part of the MTEP process." While ATC is supportive

of examining ways to evaluate alternatives, it is concerned with the implication that various alternatives would be presented to the Midwest ISO as part of the MTEP process since the Midwest ISO possesses neither the authority nor the expertise to perform integrated planning. This role resides within the individual states and ATC supports this notion.

- 2) Are there specific issues within each of these areas that the Consortium should address? If so, why?

ATC currently has no specific suggestions in this area.

- a) Is another forum already addressing these issues? If so, how would the work of the Consortium improve that effort?

The MPSC staff has done a good job of identifying other forums that are addressing portions of these issues and ATC is confident that these forums and related work will be able to be assimilated into the Consortium process.

- c. Should the Consortium address any additional Areas of Focus? If so, why?

ATC currently has no specific suggestions in this area.

- 1) Is another forum already addressing this area? If so, how would the work of the Consortium improve that effort?

N/A

- 2) Do you have any initial thoughts regarding a plan of attack to address the additional Area(s) of Focus?

N/A

- 3) What deliverable(s) or result(s) would be expected from the Consortium?

N/A

- d. Should the Consortium add PA 30 implementation issues as an Area of Focus? Why or why not?

ATC believes that PA 30 implementation issues are better suited being addressed within the existing legislative framework.

Chuck Hookham, HDR Engineering -
responses to Staff comments,
August 2008

-----Original Message-----

From: Hookham, Chuck [mailto:Chuck.Hookham@hdrinc.com]

Sent: Tuesday, July 29, 2008 8:23 AM

To: Talberg, Sally A (DLEG); Cole, Cathy E (DLEG)

Subject: RE: Request for Comments

Sally, Cathy

Per Julie Baldwin's request, please find below a few comments to the subject planning consortium:

Organization:

1. I strongly encourage that the steering committee include other third-party participants who do not have a vested interest in either the generation, distribution, or transmission of electricity in Michigan, and that who may be less biased to potential outcomes other than by being a rate payer. As an example, our firm provides technical and economic consulting services to facility owners, rate payers, and generators (conventional, renewable) and distributors of electricity in many other states so that our knowledge base is high, and we are less connected to either political or economic drivers than other potential participants. Certainly, there needs to be participants by RTO's and transmission owners but external contributions should definitely be considered.
2. Leadership and means of steering committee communications need to be confirmed, including the commitment from MISO, other RTO's, and transmission owners to readily provide data that may be viewed as "confidential". As a result, and given that costs will be an integral part of decision-making, the Consortium's business plan must include internal workings that are confidential and not part of public record and periodic disclosures to the general public that provide assurance that Consortium efforts are meritorious to and representative of the Michigan citizenship.

Areas of Focus:

1. I agree with the present three-area focus, but also believe there to be a need for this Consortium to tackle other interfacing issues such as internal wind generation expansion, 21st Century plan roll-out, renewable portfolio standard (should such ever truly be published), feed-in tariffs, production tax credit influences, PA 30, MISO queue constraints, environmental issues, and system reliability as they affect the primary focal topics.
2. I assume this Consortium will also take over the management of the Michigan Wind Transmission Study, provide further direction to the state Wind Working Group, and interface with the Great Lakes Wind Collaborative efforts. I believe centralizing some of these parallel efforts is needed to maximize the ultimate benefits derived.
3. The 765 kV Loop focus area will be difficult to tackle unless AEP and other "sponsors" are able to share more information than is currently available to the general public.
4. The Consortium will need to establish a cost/benefit approach that will produce reasonable and unbiased results in the face of Michigan's overall economy and interest in a balanced, reliable, low-cost electric system.

Please advise if you have any questions or concerns regarding my inputs above.

Thanks.

Chuck Hookham, PE

Vice President

HDR Engineering (Cummins & Barnard)

5405 Data Court

Ann Arbor, MI 48108

Office: (734) 332-6496

Constellation - responses to Staff comments,
August 2008

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own motion,)
to establish a planning consortium to address)
Michigan's energy infrastructure opportunities) Case No. U-15590
and challenges.)
_____)

RESPONSES TO STAFF'S JULY 28 QUESTIONS

Organization

- a. *Do you support the proposed Consortium structure outlined in the attached straw man?* Staff's proposed structure calls for convening monthly meetings that are both informational and policy-oriented at which guidance would be provided to workgroups and Staff and decisions on deliverables would be made. Three workgroups dealing with separate areas of focus would be created to conduct research, develop recommendations, and provide deliverables would be created. Constellation supports this approach.
- b. *How should steering committee members be selected?* Staff proposes a "small steering committee" consisting of "a volunteer" from "load serving entities", RTOs, and transmission owners to advise it. It is unclear whether Staff intends three members of the steering committee or a larger number. Constellation recommends that Staff include a representative of Choice providers on the steering committee in order to ensure input from someone dedicated to pro-competition policy is involved. The output is to be a consensus report to the Commission, and Staff should avoid the appearance of tilting the process.

Areas of Focus

- a. MPSC straw man outlines three Areas of Focus: sub-regional planning process, infrastructure expansion for renewable energy, and the 765 kV loop.
1. *Do you agree with the proposed scope of each Area of Focus? If not, why not?* With the exception of the second focus area, Constellation agrees with the proposed scope. See response to #2, next.
2. *Are there specific issues within each of these areas that the Consortium should address? If so, why?* With regard to the second focus area, "Infrastructure Expansion for Renewable Energy", Constellation believes the scope is too

narrow. Staff has proposed that this workgroup "would focus on transmission planning related to wind energy." Since other types of renewable energy are just as important to the State's future as windpower, these should be included as well. Further, the process should not be limited to transmission planning; other issues related to Michigan's electric infrastructure may be standing in the way of renewables growth, and the Consortium should examine such impediments and make recommendations to the Commission to remedy them.

- a) *Is another forum already addressing these issues? If so, how would the work of the Consortium improve that effort?* Constellation is unaware of any other such forum.

- b. *Should the Consortium address any additional Areas of Focus? If so, why?* The Commission's July 1, 2008 order creating the Consortium stated that it "shall consider, evaluate, and integrate transmission; generation (utility-owned, alternative, renewable, distributed, and redispatched); distribution upgrades and construction; energy efficiency; and demand side alternatives." (p. 5) Although the strawman describes this in general terms under Area of Focus 1(4), relating to the "Subregional Planning Process," this process is apparently limited to working within the framework of the "existing Michigan Sub Regional Technical Study Task Force." If the strawman is proposing to rely on that process rather than fold such efforts into this Consortium for greater participation, there would have been no need for the Commission to issue the July 1 order. Constellation recommends that the Consortium process include discussion of and input into these task force proceedings.

Further, the Consortium should stay abreast of legislative developments concerning review of Public Act 141. If changes are made to IRP and baseload generation construction issues (e.g., a certificate of need process), then that outcome should be folded into this process. If changes are not made, the Consortium should reach a consensus approach on those issues to fulfill the goals set forth by the Commission in the July 1 order.

1. *Is another forum already addressing this area? If so, how would the work of the Consortium improve that effort?* Constellation is not aware of any such forum.

2. *Do you have any initial thoughts regarding a plan of attack to address the additional Area(s) of Focus?* See the response to "b" above.

3. *What deliverable(s) or result(s) would be expected from the Consortium?* It is unclear whether this question relates to the overall Consortium output or only this particular line of question. Assuming the question is broadly intended, Constellation believes that the Commission order is the best guide: the process should result in a "consensus" (p. 4) set of "energy infrastructure recommendations" (p. 5) embodied in a "report to the Commission" filed in this docket "by July 31, 2009" on "accomplishments, its efficacy in developing

electricity infrastructure, and whether and how the Consortium should continue" (p. 6).

- c. *Should the Consortium add PA 30 implementation issues as an Area of Focus? Why or why not?* Staff is referring to the Electric Transmission Line Certification Act, Act 30 of 1995. As described by Staff at the July 23rd kickoff meeting, there have been issues regarding this act that have likely thwarted its purpose of providing a clear and timely process for review, deliberation, and decision on applications for certification under the act. Constellation believes that all issues that may bear on Michigan's energy infrastructure should be explored in this Consortium; consequently, PA 30 issues should be added. One potential improvement to the statute would be extension of the one-year deadline for decision delineated in Section 8(4) to Section 9 applications, in order to avoid delay in necessary construction.

Respectfully submitted,

DICKINSON WRIGHT PLLC
Counsel for Constellation NewEnergy, Inc.

By: _____
John M. Dempsey (P30987)
215 S. Washington Square, Suite 200
Lansing, MI 48933
(517) 371-1700

Dated: August 15, 2008

Consumers Energy - responses to Staff comments,
August 2008

Michigan Planning Consortium Response to MPSC Staff Question

Organization

- a. Do you support the proposed Consortium structure outlined in the attached straw man?

Consumers Energy is in general agreement with the Consortium structure as outlined. The Consortium should be able to identify areas of agreement and disagreement between the parties. Where there is disagreement, the workgroups can vet the facts and positions of the parties. Full and complete resolution of disagreements within the Consortium structure may not occur, and ultimately the issue will move towards a contested regulatory proceeding.

The steering committee can be very effective at setting the agenda for the work groups and keeping the agenda moving ahead without bogging down in a continual rehash of the disagreements.

- b. How should steering committee members be selected?

The steering committee should consist of MPSC Staff, the Midwest ISO and representations from the major transmission owners, load serving entities, customers, and the Attorney General's office. Consumers Energy recommends the following representation on the steering committee: MPSC Staff, the Midwest ISO, International Transmission Company, Consumers Energy, Detroit Edison and Wolverine, American Transmission Company, ABATE and the Attorney General.

Areas of Focus

- a. MPSC straw man outlines three Areas of Focus: sub-regional planning process, infrastructure expansion for renewable energy, and the 765 kV loop.

- 1) Do you agree with the proposed scope of each Area of Focus? If not, why not?

As stated above, Consumers Energy believes the focus groups, and the Consortium as a whole, will be limited in resolving disputes among the parties other than in those areas where the parties are misinterpreting the positions of one another.

With this in mind, the first area of focus on the Sub regional Planning Process should work to enhance the Midwest ISO process and assure that all parties are coming at the planning issue with the same understanding of the facts.

With regards to the second area of focus, Consumers Energy believes it should be toward taking the Michigan Wind Energy Transmission Study results and developing consensus on the extent to which the system should be expanded given the benefits and burdens such an expansion represents.

With regards to the third area of focus, Consumers Energy believes we need an understanding of who is going to pay for this project, who is going to benefit from this

**Michigan Planning Consortium
Response to MPSC Staff Question**

project, and a consensus as to whether the 765 kV loop is a benefit or a burden for the state.

2) Are there specific issues within each of these areas that the Consortium should address? If so, why?

With regards to the first area of focus, the Consortium should focus on identifying the problems and concerns with the existing transmission system in Michigan. Until there is a good understanding of the problems and concerns that a solution is attempting to solve, identification of and selection of the most cost effective solution cannot take place.

A second area of focus should be to focus on vetting and agreeing on the appropriate planning criteria for transmission in Michigan (e.g. what do NERC standards really require? How should the planning philosophy address least cost planning principles?).

a) Is another forum already addressing these issues? If so, how would the work of the Consortium improve that effort?

The Michigan Focus Group in the Midwest ISO Sub Regional Planning Process has started to address some of these issues. The Consortium can improve the work of that group by assuring that all parties have a common understanding of the problems and concerns to which solutions are being developed to address.

b. Should the Consortium address any additional Areas of Focus? If so, why?

Not at this time.

1) Is another forum already addressing this area? If so, how would the work of the Consortium improve that effort?

Not at this time.

2) Do you have any initial thoughts regarding a plan of attack to address the additional Area(s) of Focus?

Not at this time.

3) What deliverable(s) or result(s) would be expected from the Consortium?

Not at this time.

c. Should the Consortium add PA 30 implementation issues as an Area of Focus? Why or why not?

**Michigan Planning Consortium
Response to MPSC Staff Question**

No. While there have been a couple of projects that have gone through the PA30 Certificate of Need process, there has not been enough experience with the process to know if changes are needed.

Detroit Edison - responses to Staff comments,
August 2008

These comments are being submitted by Detroit Edison in response to the Michigan Public Service Commission Staff's strawman proposal regarding the structure and work product goals of the Michigan Planning Consortium.

Organization

Steering Committee - Staff proposes a small steering committee consisting of a volunteer from load serving entities, regional transmission organizations and transmission owners. Detroit Edison appreciates that a small committee may be logistically more efficient and may more readily reach consensus.¹ Detroit Edison suggests that the volunteer representing load serving entities be from either Detroit Edison or Consumers Energy. Additionally, as the cost of any policy implemented out of the Consortium's effort will ultimately be borne by the state's electric consumers, a representative from the consumer community would offer insight from a consumer's perspective and should be considered for inclusion on the steering committee. Of course, these informal efforts, must ultimately pass scrutiny consistent with the Michigan Administrative Procedures Act, the law that governs how the Commission considers and implements regulatory policy.

Detroit Edison agrees with the Staff's proposal that one volunteer representing each of the interests enumerated above should constitute the steering committee and Detroit Edison is willing to offer a member to this committee.

Full Consortium – Staff indicates that the “full Consortium” will provide guidance to the workgroups. Detroit Edison requests that the Staff more fully describe what constitutes the “full consortium” and further requests clarification as to whether guidance will be provided out of a consensus process or will any individual within the “full Consortium” be able to provide guidance to a work group.

Areas of Focus

Work Group 1: SubRegional Planning Process – Detroit Edison concurs with the proposed work scope of this group. While FERC's recent Order 890 provides for greater transparency and participation in the planning process, MISO's implementation of Order 890 continues to develop and improve since the first SubRegional planning meeting held this past January. FERC conditionally accepted MISO's compliance filing accepting MISO's role as the local transmission planner on behalf of those TOs so electing. MISO is to make an additional compliance filing later this month which will clarify the timeframe over which planning information is to be made available to stakeholders. Detroit Edison agrees that a workgroup established to evaluate and further understand the roles, rights and responsibilities of each entity within the planning process would be valuable and would likely lead to greater collaboration within the planning process and potentially a reduce the number of formal disputes. In particular Detroit Edison would like the group to

¹ The steering committee could also solicit input from subject matter experts as necessary and appropriate.

discuss and establish financial metrics to evaluate infrastructure alternatives. In addition, Detroit Edison sees benefit in establishing consensus on load growth projections both from a system and on a more granular basis. Finally Detroit Edison would welcome a discussion regarding the decision process addressing short-term vs. long-term solutions. Detroit Edison would gratefully accept any invitation by the Staff to host future task force meetings within the MISO process whose purpose is to provide greater clarity and consensus within the transmission planning process recognizing that Staff is not taking on MISO's planning role by offering to host such meetings.

Work Group 2: Infrastructure Expansion for Renewable Energy – As Staff indicates, if renewable generation of a major scale is to be constructed in the state the wires infrastructure required to deliver energy to load should be assessed. The goal of this workgroup should be to develop a plan to coordinate the required expansion of the wires network from generation to load. This group will likely need to establish its focus after the pending legislation is addressed by Michigan's legislature. If Wind Renewable Energy Zones are to be established, this group could support the efforts of the proposed Wind Energy Resource Zone Board. While the Board's role will be to establish Renewable Zones, this Infrastructure Expansion group could determine the adequacy of the wires infrastructure to support development of the resources identified by the Resource Zone Board. In addition, because legislation is not finalized, it's not clear to what extent utilities will be required to procure in-state versus out-of-state renewable supplies. The resolution of this issue and the utilities compliance plans will dictate any wires infrastructure upgrades needed to deliver energy to load.

Work Group 3: 765kV Loop – The proposal to create a national backbone transmission system is very contentious. At the federal level states have expressed concern regarding federal siting preemption of what has traditionally been the state's role. The 765kV loop was the subject of a targeted study by MISO to ascertain its benefits versus its costs. MISO's draft report on the 765kV Targeted Study was recently released indicating that the project by itself or in combination with adjacent projects would not deliver the benefit to cost metrics currently established within the MISO process that would enable the project to be cost-shared across the MISO region. The project continues to be studied, in an effort led by MISO, as part of a much broader transmission expansion intended to determine the infrastructure that may be needed to meet a national renewables standard. Detroit Edison agrees that this work product of this group, assuming for the sake of discussion that it is necessary, should be to inform the Commissioners of all of the issues, to enable them to better understand the policy discussion and its potential impacts on the state..

ITC - responses to Staff comments,
August 2008

Comments of ITC Holdings Corp. to
Michigan Public Service Commission Case NO. U-15590
Establishment Of Planning Consortium To Address Michigan's Energy
Infrastructure Opportunities And Challenges
August 15, 2008

INTRODUCTION

Michigan Electric Transmission Company, LLC (METC) and International Transmission Company *d/b/a ITC Transmission* (collectively ITC) recognize the efforts of the Michigan Public Service Commission (MPSC) to become more engaged in the transmission planning process. A robust, well-designed and maintained regional transmission grid is essential to insure electric supply reliability and access to the lowest-cost possible electric supply for Michigan's retail electric customers. To this end, ITC has integrated its entire transmission planning efforts into the Midwest Independent Transmission System Operator, Inc.'s (MISO) regional transmission planning process and ITC participates extensively in those planning processes. ITC adheres to all transmission planning requirements set forth by the Federal Energy Regulatory Commission (FERC) which has jurisdiction over transmission planning and complies with all mandatory reliability standards set forth by the North American Electric Reliability Corporation.

It is unclear how the Planning Consortium will improve or avoid duplicating and conflicting with the existing MISO transmission planning processes as required by FERC Order 890 et al, including the FERC obligations for local transmission planning functions. For example, MISO has recently augmented its transmission planning process to include a Michigan Sub-Regional Technical Study Task Force to address Michigan specific transmission planning issues. ITC actively participates in this process.

The Planning Consortium may serve a valuable role to facilitate information sharing among stakeholders and ensure that all options for meeting future electric demand are appropriately considered. It is also important that Federal processes and obligations not be compromised. Escalating generating plant construction costs and fossil fuel prices and uncertain future environmental emission regulations have fundamentally altered generation economics. ITC intends to participate in the Planning Consortium since it believes it may be useful to examine the most beneficial supply strategies for meeting future electrical energy requirements and would continue the valuable work of the Commission's Capacity Needs Forum and 21st Century Energy Plan. It is also important that Federal processes and obligations not be compromised.

METC and ITC refer the reader to the questions below regarding the proposed Consortium structure.

ORGANIZATION

- A. Do you support the proposed Consortium structure outlined in the attached straw man?**

It is unclear from the stated purposes of the Consortium how the Consortium will enhance and avoid conflicting with the existing FERC-approved Midwest Independent Transmission System Operator, Inc. (Midwest ISO) transmission planning function as required by Order 890. In Order 890 Compliance issued May 15, 2008 in FERC Docket No. OA08-53-000, paragraph 132 specifically states the obligations that FERC requires transmission owners to meet regarding their local transmission planning function. ITC actively adheres to all FERC requirements and is compliant with Order 890 through its participation in the Midwest ISO FERC-approved regional planning process which must satisfy the following requirements: (i) coordination; (ii) openness; (iii) transparency; (iv) information exchange; (v) comparability; (vi) dispute resolution; (vii) regional participation; (viii) economic planning studies; and (ix) cost allocation for new projects (Order 890 Paragraphs 444-602). While ITC intends to participate in the Consortium, it does so with the caveat that federal processes and obligations cannot be compromised and that duplication of existing processes must be avoided.

The Planning Consortium strawman proposal has elements which could facilitate discussion of Michigan's future electric supply requirements and options and improve information sharing among Michigan stakeholders. However, there is concern that the Consortium's Subregional Planning Process effort would be duplicative of MISO's Michigan Sub-Regional Technical Study Task Force. ITC believes it would be beneficial to enhance stakeholder knowledge of the existing MISO transmission planning processes to provide a common base of knowledge and to look for ways in which stakeholders may input more effectively into these existing transmission planning processes.

Please refer to the questions below regarding the proposed Consortium structure.

B. How should steering committee members be selected?

Given the lack of clarity regarding the role of the steering committee, ITC prefers that the steering committee perform such functions as: (i) assembling data from the workgroups; (ii) serve as a forum for discussing the work of workgroups; (iii) serve as a forum for general policy discussions; and (iv) provide comments on the final report. The steering committee should not be a voting or decision-making body. The steering committee should be reflective of the Michigan electric industry and include members from the following groups: electric utilities, independent transmission companies, environmental advocacy groups, the Office of the Michigan Attorney General, consumer advocacy, alternative electric suppliers, regional transmission organizations, independent power producers, renewable energy, and large industrial customers.

AREAS OF FOCUS

A. MPSC straw man outlines the three Areas of Focus: sub-regional planning process, infrastructure expansion for renewable energy, and the 765 kV loop.

I. Do you agree with the proposed scope of each Area of Focus?

Not as currently proposed. Regarding the three Areas of Focus, ITC refers to its responses in questions A regarding organization and II. regarding specific issues that the Consortium should address , ITC is unaware of any deficiencies with respect to the Midwest ISO's FERC-approved compliant planning process. One must also keep in mind that the MISO's process is continually evolving to better address stakeholder needs. ITC believes that each area of the Consortium's focus should identify the information concerning transmission planning that is not currently being made available to authorized parties under the Midwest ISO's processes.

Also, it is unclear as to what Commission Staff's purpose is relative to "coordinating with MISO to take the lead in facilitating portions of future task force meetings or schedule special meetings" relating to the existing Michigan Subregional Technical Study Task Force planning process. As FERC stated in Order No. 890-A:

Transmission planning is the tariff obligation of the transmission provider and the pro forma OATT planning process adopted in Order No. 890 is the means to see that it is carried out in a coordinated, open, and transparent manner. **It would not be appropriate to allow customers and others that do not bear the responsibility for tariff compliance to have co-equal control over the planning process.** (Order No. 890-A at P 188 *Emphasis added*)

It is important that each Area of Focus have clear objectives that can be reasonably achieved in a clear time frame.

II. Are there specific issues within each of these areas that the Consortium should address?

For the 765 kV Loop group, the Consortium should understand and consider the many benefits a regional extra high voltage (EHV) transmission overlay can provide to Michigan and the MISO and the broader benefits of reliability and access to regional bulk power supplies, and identify mechanisms to quantify benefits for integration into future plans for all Consortium participants. The Consortium should detail what additional benefits the 765 kV line can provide to Michigan (and/or the Region) that are not currently quantified in the existing study protocols.

The scope of the Infrastructure Expansion for Renewable Energy should be expanded to include renewable and other supply resource integration. This will ensure that the transmission grid is developed in an optimal manner and avoid piecemeal transmission expansions. The transmission grid in Michigan will be required to interconnect a substantial amount of wind and new base load generation by 2020 in response to renewable portfolio standard (RPS) requirements and generation expansion plans announced by Michigan's investor-owned, cooperative and municipal utilities and independent power producers. Given the challenges MISO faces with respect to its generation queue, the Consortium should consider the MISO queue issues, specifically as it relates to renewables.

As discussed further in response 2c below, a concerted effort should be devoted to improving information sharing among stakeholders particularly as it applies to load forecasting, demand response potential and generation expansion and retirements. These are critical inputs into transmission planning.

a. Is another forum already addressing these issues?

Yes. As stated above in the response to the proposed Consortium structure, it is unclear from the stated purposes of the Consortium how the Consortium will enhance and avoid conflicting with the FERC-approved Order 890-compliant MISO transmission planning process. For example, the 765 kV loop is being studied by both MISO and the PJM Interconnection; the MISO has a generator outlet study process to determine how to integrate renewable resources to achieve renewable portfolio standards requirements.

b. If so, how would the work of the Consortium improve that effort?

The focus of the Consortium should be to identify how the MISO's processes can be enhanced to better meet stakeholder needs.

c. Should the Consortium address any additional Areas of Focus? If so, why?

The Consortium should address load forecasting since it has significant impact on transmission planning. An accurate and unbiased forecast is essential for proper planning of the transmission system. Other areas related to load forecasting also need to be addressed such as the work of the demand response work group or the plug-in hybrid electric vehicle (PHEV) collaborative, both of which could have a significant impact on future demands. The Consortium should discuss changes that need to be made to improve load forecasts. The Consortium should consider how to share data that can improve reliability and economic modeling.

The Consortium should broaden the Infrastructure Expansion for Renewable Energy group and recast it as Renewables and Other Resource Integration. This modified Area of Focus would identify viable locations for renewable generation and generation from other fuel types while also giving consideration to timing of new generation and its cost effectiveness so that the transmission system can be appropriately planned to reliably interconnect the generation. It is envisioned that this area would utilize some of the findings of the 21st Century Energy plan.

1. Is another forum already addressing this area? If so, how would the work of the Consortium improve that effort?

At present time, no other forum is addressing these issues as proposed above.

2. Do you have any initial thoughts regarding a plan of attack to address the additional Area(s) of Focus?

The additional Areas of Focus should be managed in the same way the initial Areas of Focus are being proposed to be managed. Additionally, each Area of Focus work group should have co-chairs, one chair from members of the

Commission staff and one from ITC since ITC is the transmission owner for a vast majority of Michigan's footprint.

3. What deliverable(s) or result(s) would be expected from the Consortium?

The Commission Order from July 1, 2008 seeks a policy-oriented report by July 31, 2009. This report should probably consist of detailed policy-oriented summary of individual sub-group findings and steering committee discussion.

III. Should the Consortium add PA 30 implementation issues as an Area of Focus?

No. At this point it is premature to discuss any PA 30 implementation issues. The Consortium needs to maintain its focus on the key areas discussed and not stray away from those issues to achieve the best possible results.

MEC - responses to Staff comments,
August 2008

-----Original Message-----

From: David Gard [mailto:david@environmentalcouncil.org]

Sent: Friday, August 15, 2008 12:42 PM

To: Cole, Cathy E (DLEG); Talberg, Sally A (DLEG)

Subject: Comments on Michigan Planning Consortium

Ms. Cole and Ms. Talberg,

Per Julie Baldwin's e-mail request for comments on the Michigan Planning Consortium (7/28/08), please see the following responses in italics from the Michigan Environmental Council (MEC).

Best,

David Gard
Energy Program Director
Michigan Environmental Council
517-487-9539

Organization

- a. Do you support the proposed Consortium structure outlined in the attached straw man?

We agree with organizing a separate workgroup to examine each area of focus, as outlined in the strawman document.

Regarding the steering committee, its purpose is not entirely clear to us. The stated purpose in the strawman document is to advise staff on Consortium activities. This seems an unnecessary and redundant function to the extent that staff are already engaged in Consortium planning, reporting and workgroup efforts. Perhaps the intended purpose of the steering committee could be further explained to justify the additional time and activity devoted to its administration.

- b. How should steering committee members be selected?

The Commission established four initial goals, one of which includes, "Examine cost effects of various alternatives on Michigan customers." (Page 6, U-15990, 7/1/08) Given this priority on ratepayer impacts, we recommend that any steering committee include at least one representative from each customer sector (residential, commercial, industrial).

Areas of Focus

- a. MPSC straw man outlines three Areas of Focus: sub-regional planning process, infrastructure expansion for renewable energy, and the 765 kV loop.

- 1) Do you agree with the proposed scope of each Area of Focus? If not, why not?

Sub-regional planning process: MEC is particularly supportive of including Item 3 (Review planning standards, criteria and assumptions) and Item 4 (Develop guidelines on presenting to MISO alternatives to transmission projects) as part of this workgroup's agenda.

Infrastructure expansion for renewable energy: MEC concurs that this is an important issue to examine and should be an area of focus.

765 kV loop: MEC concurs that this is an important issue to examine and should be an area of focus.

2) Are there specific issues within each of these areas that the Consortium should address? If so, why?

We recommend expanding the renewable energy workgroup's purview to include technical and policy implications of all distributed generation options, net metering, and smart grid issues to the extent these could affect the design and operation of T&D systems throughout Michigan.

a) Is another forum already addressing these issues? If so, how would the work of the Consortium improve that effort?

The Consortium should coordinate with the Wind Working Group and Michigan Renewable Energy Program on examining transmission issues related to renewable energy.

b. Should the Consortium address any additional Areas of Focus? If so, why?

While the MPSC Order does not explicitly call for the Consortium to conduct a full IRP, it does state, "Alternative generation, new technologies, energy efficiency, and demand response provide new forms of energy resources. Pulling all of these planning initiatives and alternative energy solutions into a state-level process would allow for a more effective solution, which could be presented at MISO and the Federal Regulatory Commission (FERC)." (Page 2, U-15590, 7/1/08) This suggests the need for comprehensive statewide energy planning that considers all resource options; the Consortium should directly recognize this need and recommend that MPSC initiate an ongoing statewide IRP process.

1) Is another forum already addressing this area? If so, how would the work of the Consortium improve that effort?

We are not aware of another forum conducting a statewide IRP and consider MPSC to be the most appropriate, most qualified body to conduct such a process.

Also, the Consortium should strongly reinforce the stated notion that decisions to develop essential electricity infrastructure "serve Michigan's energy needs at the most reasonable cost to ratepayers." (Page 4, U-15590, 7/1/08) To this end, the Consortium should urge that decisions in all rate cases before MPSC should reflect outcomes that deliver the most reasonable cost to ratepayers.

2) Do you have any initial thoughts regarding a plan of attack to address the additional Area(s) of Focus?

No specific comments.

3) What deliverable(s) or result(s) would be expected from the Consortium?

Again, the Consortium should include in its recommendations that MPSC initiate an ongoing statewide IRP process.

c. Should the Consortium add PA 30 implementation issues as an Area of Focus? Why or why not?

No specific comments.

Rodger Kershner - responses to Staff comments,
August 2008

-----Original Message-----

From: Kershner, Rodger A. [<mailto:RKershner@HowardandHoward.com>]

Sent: Tuesday, August 05, 2008 3:06 PM

To: Cole, Cathy E (DLEG); Talberg, Sally A (DLEG)

Subject: Michigan Planning Consortium- Comments on Staff Strawman Proposal

Dear Cathy and Sally,

In general, the staff's proposed structure, agenda and scope for the Michigan Planning Consortium represent a promising place to start, and in general I have no comments or suggestions except with respect to the following.

The significance of the steering committee, if it is given the opportunity to set the detailed agenda, should not be understated. It is entirely appropriate that each major segment of the electric industry be represented on that group, as each has unique needs, concerns and perspectives on the industry as a whole. The strawman proposal recognizes the contributions that the distribution and transmission segments can make to ensuring comprehensive consideration of planning issues. The generation segment, especially the independent and renewable generator segment needs to participate in the steering committee's agenda-shaping function also, in order for the Consortium's work to enjoy their unique perspective and have the credibility that comes with industry-wide participation.

I strongly suggest that the steering committee be made to comprise not only load serving entities, transmission providers and transmission operators, but also generators unaffiliated with any of those, and if possible, generators with a renewables (particularly wind) perspective. Thanks for the opportunity to offer my thoughts. Sincerely Rodger Kershner

Rodger A. Kershner

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WeEnergies - responses to Staff comments,
August 2008

-----Original Message-----

From: Patterson.Ronan [mailto:ronan.patterson@we-energies.com]

Sent: Thursday, August 14, 2008 1:14 PM

To: Talberg, Sally A (DLEG); Cole, Cathy E (DLEG)

Cc: snip

Subject: Planning Consortium

Here are the initial responses of Wisconsin Electric Power Company d/b/a We Energies.

ORGANIZATION

A. The proposed structure of the consortium appears appropriate to meet the stated purpose of the consortium.

B. Steering committee members should be selected based on volunteers who represent all sectors of the industry (transmission owners, generators, load serving entities, regulators, etc).

AREAS OF FOCUS

A. 1) We are in general agreement with the scopes as proposed, However, the summary of the Sub-regional Planning focus is directed only towards transmission, whereas the more thorough description of this area of focus later in the document captures more of the intent behind this effort. We suggest you include a more thorough description of this area of focus in the summary. Also, why is this effort only looking at near-term reliability planning in the lower peninsula? This effort should include a similar reliability assessment for the Upper Peninsula as well.

2) The issues outlined in the proposal appear to be appropriate for investigation under this consortium.

a) To our knowledge, no other forum is addressing the areas of focus captured in this consortium

B. We recommend that the following work efforts be added to the areas of focus.

Sub regional planning process: Under the fourth work item, we suggest adding a discussion of applicable resource planning tools and methodologies.

765kv loop: Suggest adding a cost/benefit allocation analysis. In other words, will Michigan customers receive appropriate benefits for the costs associated with 765 kv transmission additions?

1). To our knowledge, no other effort is currently addressing these areas.

2). For sub regional planning, consider incorporation of lessons learned from the prior Michigan capacity planning effort.

For the 765 kv effort, it is important to review and incorporate MISO work in this area.

WPSC - responses to Staff comments,
August 2008

COMMENTS OF WOLVERINE POWER SUPPLY COOPERATIVE, INC.

MICHIGAN PUBLIC SERVICE COMMISSION CASE NO. U-15590:

ESTABLISHMENT OF PLANNING CONSORTIUM TO ADDRESS MICHIGAN'S ENERGY INFRASTRUCTURE OPPORTUNITIES AND CHALLENGES

AUGUST 15, 2008

Background

On July 1, 2008, the Michigan Public Service Commission (MPSC or Commission) issued an order in Case No. U-15590 establishing the Michigan Planning Consortium (Consortium). The stated purpose of the Consortium is “to improve the planning process for electricity infrastructure projects and identify possible ways to reduce costs to ratepayers.”

Initial goals were to include:

- Ensuring adequate sharing of information throughout the planning process on a local and detailed level
- Evaluating energy infrastructure alternatives, including proposed transmission projects
- Examining the cost effects of various alternatives on Michigan customers; and
- Recommending the most effective ways for Michigan stakeholders to participate in regional planning processes, and related state and Federal Energy Regulatory Commission (FERC) proceedings, including MPSC Act 30 certification proceedings

The Commission Staff will be holding monthly meetings, which are intended to be both informational and policy-oriented. The Consortium structure is as follows:

1. The full Consortium will guide the work groups and Commission Staff and will make decisions on deliverables, which may include proposed recommendations to the MPSC or other entities
2. A small steering committee will advise Commission Staff on Consortium activities
3. Three work groups will be formed to address the following three Areas of Focus:
 - Subregional planning – to address Michigan-specific issues such as information sharing, planning criteria and assumptions, and dispute resolution related to transmission planning performed at the regional transmission organization level;

- Infrastructure expansion for renewable energy – to study and make recommendations regarding infrastructure expansion to facilitate renewable energy development in Michigan; and
- 765 kV loop – to focus on the proposed 765 kV loop through Michigan, and the extra-high voltage grid proposals being studied under the Midwest Independent Transmission System Operator, Inc. (Midwest ISO) Transmission Expansion Plan (2009) and the Joint Coordinated System Plan.

Description of Wolverine

Wolverine Power Supply Cooperative, Inc. (Wolverine) is a non-profit generation and transmission electric cooperative that provides wholesale service to meet all the power requirements of its six member-owners¹, all of whom serve customers at retail. Wolverine itself owns and operates five electric generating facilities capable of producing approximately 200 MW of internal generation, primarily peaking capacity.

Wolverine also owns and operates an extensive electric transmission network throughout western and northern Michigan. Wolverine has nearly 1,200 miles of 69 kV and 138 kV looped transmission lines and associated facilities. Wolverine and other companies use these transmission facilities to integrate their power supply resources with customer loads.

Beginning January 1, 2006, the commencement date of the Michigan Joint Zone, Wolverine transferred operational control of its transmission facilities (as approved in Commission Case No. U-13862; and in a FERC order dated September 30, 2005 in Docket Nos. ER02-2458-002 and -003) to the Midwest ISO. Additionally, Wolverine owns and operates approximately 390 miles of radial transmission facilities that provide transmission service to distribution substations connected to Wolverine's network, which serve as the interface between Wolverine and its member distribution cooperatives.

Wolverine maintains a state-of-the-art Energy Control Center located at its Cadillac headquarters through which it monitors all the connected generation facilities and all the transmission functions for Wolverine and its member-owners.

¹ Cherryland Electric Cooperative, Great Lakes Energy Cooperative, HomeWorks Tri-County Electric Cooperative, Presque Isle Electric & Gas Co-op, Spartan Renewable Energy, Inc. and Wolverine Power Marketing Cooperative, Inc.

Comments

Wolverine appreciates the opportunity to provide comments on the establishment of a Michigan Planning Consortium and the Commission Staff's proposal for addressing the three areas of focus identified at the July 23, 2008 kick-off meeting. Wolverine's comments will be grouped by area of focus:

Sub-regional Planning

In issuing Order No. 2000, the FERC encouraged the voluntary formation of Regional Transmission Organizations (RTO) to *independently* administer the transmission grid on a *regional basis* throughout North America. As an RTO, *one of the Midwest ISO's obligations is to independently verify that the regional transmission system is being planned efficiently and cost effectively to meet reliability needs and requirements.*

Wolverine supports regional transmission planning and agrees that a robust, well-designed regional transmission grid is essential to insuring that reliable, efficient and cost effective electric supply is available to Michigan's retail electric customers.

The Midwest ISO regional planning processes, which Wolverine actively participates in, include information sharing and dialogue among the various stakeholders resulting in expansion plans that substantially improve the transmission grid performance in the Midwest region by ensuring continued compliance with mandatory national electric reliability standards, by relieving the most significant points of congestion on the grid and by facilitating the development of new base load and renewable generation resources. Wolverine also participates in the Sub-Regional Technical Study Task Force created to address Michigan-specific transmission planning process. Further, Wolverine adheres to all transmission planning requirements set forth by the FERC, which has jurisdiction over transmission planning, and Wolverine complies with all mandatory reliability standards established by the North American Electric Reliability Corporation (NERC).

It is unclear how the Consortium efforts will improve or avoid duplicating and conflicting with the existing Midwest ISO planning processes as required by the FERC, including FERC's obligations for local transmission planning functions. Wolverine supports Consortium efforts focused on distribution planning processes under the Commission's jurisdiction to assure that

these distribution standards do not conflict with the Midwest ISO, FERC and NERC planning requirements.

With regard to Act 30 certification proceedings, Wolverine supports PA 30 and would support seeing it strengthened to include distribution facilities. With respect to the question asked by Commission staff, *i.e.*, “Should the Consortium add PA 30 implementation issues as an area of focus?” it depends what is meant by the phrase “implementation issues”. If the phrase is meant to imply *expediting the PA 30 process, Wolverine would support such a focus* as totally consistent with the Legislature’s intent in enacting PA 30.

First, Section 3(1) of PA 30 stresses the importance of transmission to the state of Michigan and its utility infrastructure:

Sec 3(1) Transmission of electricity is an essential service.

Second, Section 8(5) of PA 30 mandates that the Commission grant a requested PA 30 certificate if four relatively simple conditions are met:

Sec 8(5) The commission shall grant the application and issue a certificate if it determines all of the following:

- (a) The quantifiable and nonquantifiable public benefits of the proposed major transmission line justify its construction.
- (b) The proposed or alternative route is feasible and reasonable.
- (c) The proposed major transmission line does not present an unreasonable threat to public health or safety.
- (d) The applicant has accepted the conditions contained in a conditional grant. [emphasis added]

Third, Section 10(1) of Act 30 provides that a PA 30 certificate preempts all conflicting local ordinances, laws, rules, regulations, policies, or practices that prohibit or regulate the location or construction of transmission assets:

Sec 10(1) If the commission grants a certificate under this act, that certificate shall take precedence over a conflicting local

ordinance, law, rule, regulation, policy, or practice that prohibits or regulates the location or construction of a transmission line for which the commission has issued a certificate.

Fourth, Section 10(3) of PA 30 provides that in any eminent domain proceeding, a PA 30 certificate is binding and conclusive as to public convenience and necessity:

Sec 10(3) In an eminent domain or other related proceeding arising out of or related to a transmission line for which a certificate is issued, a certificate issued under this act is conclusive and binding as to the public convenience and necessity for that transmission line and its compatibility with the public health and safety or any zoning or land use requirements in effect when the application was filed.

Fifth, Section 15(2) of PA 30 specifically limits the Commission's authority to those granted under the statute, i.e., the Commission is prohibited from expanding its powers beyond those set forth in the statute:

Sec 15(2) In administering this act, the commission shall have only those powers and duties granted to the commission under this act.

The above constitute clear statutory intent to favor transmission and to expedite its addition to the state's infrastructure.

If, on the other hand, the phrase "implementation issues" is meant to imply *allowing purely distribution utilities, i.e., "market participants" into the transmission planning process, Wolverine opposes any such focus* by the Consortium. The Legislature and the Commission purposely resolved to make sure that *market participants* could not use their market power over transmission to negatively impact competition.

Independent transmission anticipates development of a robust independent transmission system so that dispatch of generation occurs consistent with lower costs – not to meet bottom line needs of market participant generation utilities that may otherwise profit from congestion or transmission systems in need of reinforcement. If market participants (which buy and sell

energy as a commodity) are permitted to use the Consortium to actively participate in independent transmission company planning, they will be asserting impact over how the state's transmission system is planned, *i.e.*, the fox will have been allowed into the hen house. This is counter to FERC and state policy.

The need for strong transmission infrastructure should be beyond dispute, e.g., August 14, 2003. The state's distribution utilities should focus on distribution service, and not use their status as "market participants" to invade the separation that the FERC and the Midwest ISO intended. PA 30 was intended to expedite and encourage transmission – not provide an inroad for market participants to invade transmission planning. The Consortium should not be used to allow market participants to involve themselves in transmission planning.

Infrastructure Expansion for Renewable Energy

Wolverine is proud of its leadership among state utilities in support of the development of new renewable energy in Michigan. Michigan's first utility-scale wind development, the Harvest Wind Farm, achieved commercial operation in May 2008. Wolverine and its developer-owner partner, John Deere Wind Energy, celebrated this significant milestone for Michigan with customers, legislators and governmental officials including the Commission on May 23, 2008. Wolverine supports further renewable development in Michigan.

FERC's approval, in Docket Nos. ER07-1141-001 and ER07-1144-002, allowing International Transmission Company, Michigan Electric Transmission Company, LLC and American Transmission Company, LLC, as transmission owners to pay 100 percent of the costs of network upgrades required to interconnection a generation facility will be instrumental in stimulating further renewable development in Michigan. Wolverine also supports the concept behind pending Senate Bill 213 which would provide a centralized system for siting wind energy resources.

The Midwest ISO, again through the stakeholder process, is developing new procedures for the timely interconnection of renewable resources and it is unclear how the Consortium efforts will assure that these efforts are not duplicated.

765 kV Loop

As discussed elsewhere in Wolverine's comments, Wolverine strongly believes that a robust, well-designed regional transmission grid is essential to insuring that reliable, efficient and

cost effective electric supply is available to Michigan's retail electric customers. Similarly, Wolverine adheres to all transmission planning requirements set forth by the FERC and complies with all mandatory reliability standards established by the North American Electric Reliability Corporation (NERC). As reported by Fitch Ratings in *Frayed Wires: U.S. Transmission System Shows Its Age* on October 25, 2006,

“Currently, the power delivery system in the United States is characterized by an aging infrastructure, significant underinvestment and technology that was developed in the 1950s or earlier...Over the past few decades, the vast majority of transmission investment was directed toward constructing new facilities to meet customer load demands, and relatively little capital investment was expended for the refurbishment of the existing facilities...FERC was given new powers to promote new transmission construction through the ability to set and enforce reliability standards, preside over siting and permits and establish incentive-based rates for new transmission development.”

Michigan's transmission companies, including Wolverine, as part of the regional transmission planning process and adhering to both FERC and NERC's planning requirements, will undertake significant transmission investment during the next decade to insure the continued existence of a robust, well-designed regional transmission grid and reliable, cost effective electric supply for Michigan's retail electric customers.

Summary

The Michigan Planning Consortium can provide a useful forum for the sharing of information among stakeholders and provide the necessary leadership to assure that distribution planning standards do not conflict with the Midwest ISO, FERC and NERC planning requirements. It is important that federal processes and transmission owner obligations are not compromised during this work effort. Wolverine intends to participate in the Consortium since it believes that transmission planning and oversight and the development of renewable energy in Michigan significantly impacts Wolverine and its member-owners.

Wolverine prefers that the steering committee provide guidance on the processes as opposed to function as a decision-making body. Additionally, the steering committee should include a cross-representation of the Michigan electric industry and include representatives from the following: utilities—including investor-owned, cooperatives and municipals, independent transmission companies, environmental and consumer groups—including renewable energy organizations and large industrial customers, alternative electric suppliers, regional transmission organizations and independent power producers.