MICHIGAN PLANNING CONSORTIUM
COMMENTS FOR REPORT
APRIL 15, 2009

Michigan Planning Consortium

Response Template for 3/23/09 MPC Memo

Responding Company or Individual: Consumers Energy (Anonymous or blank is OK, but if you would like to receive credit in the MPC report for your ideas, please include a response)

1. In your opinion, what accomplishments have been made by or through the Michigan Planning Consortium since the time it was established?

The Michigan Planning Consortium (Consortium) has generally met in workgroup sessions addressing Information Sharing, Generation Interconnections and the proposal for a 765 kV Transmission line in Michigan. Consumers Energy offers the following comments with regards to the accomplishments of the workgroups:

a. Information Sharing

The Information Sharing workgroup has been beneficial in providing stakeholders with an opportunity to understand the planning issues related to transmission expansion. The primary focus of the workgroup has been in reviewing how load forecasts drive transmission planning and getting an appreciation and understanding of the forecasting methodologies and outlooks of the major load serving entities within Michigan. In the future, Consumers Energy suggests that the Information Sharing continue as part of Consortium meetings held prior to the Midwest ISO Transmission Expansion Planning (MTEP) process each year. These meetings should focus on the "Hot Topics" and issues expected to be included in the MTEP review.

b. Generator Interconnection

The Generator Interconnection workgroup agenda has been one of updating participants on what other groups or studies are producing with regards to the integration of wind energy in Michigan. Consumers Energy believes the need for a workgroup in this area has been eclipsed by legislation and the activities of the Michigan Wind Energy Resource Zone Board and the Regional Transmission Organization's transmission planning processes. If there is a need for future discussion of the topic in Michigan, Consumers Energy recommends that it be added to the Consortium agenda as a "Hot Topic" as part of periodic Consortium meetings.

c. 765 kV Transmission

The 765 kV Transmission workgroup has been focused on providing stakeholders with an opportunity to understand the proposal for a 765 kV transmission line in Michigan. The workgroup did not identify any additional benefits that would cost justify the proposed line in Michigan.

This point is very significant, and should be stressed in the final report to the Commission. Consumers Energy suggests that if a need exists to continue the discussion around 765 kV transmission, the focus should be a Consortium meeting with a "Hot Topic" on EHV cost allocation from a Michigan perspective.

2. The Consortium is to "recommend how its work complements ongoing state and regional processes… ." What specifically are the state and regional processes that should be considered in the light of this task? What recommendation(s) about this issue should be included in the report?

   Consumers Energy recommends that many of the Michigan issues likely to be addressed in the MTEP planning process should be vetted in a Consortium meeting prior to the MTEP process, since the bulk of the state is in the Midwest ISO footprint. Consumers Energy believes this can be handled by adding a couple of Consortium meetings to discuss current and emerging issues and load forecasts prior to the MTEP process.

3. Are there particular problems already identified that the Consortium should address, but has not yet? If yes, please list them.

   Consumers Energy suggests that the issue of a common cost allocation position for EHV transmission should be addressed.

4. Are there improvements to be made in identifying problems that the Consortium should address? Do Consortium participants recommend any regular process(es) for the identification of problems to be brought to the attention of the Consortium? If so, what process(es)?

   Yes. In establishing the agenda for issues that participants want discussed, the parties involved in the process should be polled for "Hot Topic" issues. .

5. How should the Consortium act as "the forum to collect needed information and … work towards consensus recommendations"?

   The development of consensus recommendations can come out of "Hot Topic" presentations by the participants in the Consortium. As participants present their positions, the points of agreement and consensus should become apparent.

6. Can the general types of information that should be collected be identified? If yes, what are those types of information?

   While there is certain on-going information such as load forecasts and assumptions that drive transmission planning, there continue to be new emerging topics that are best identified through a poll of participants for a "Hot Topic" discussion.

7. What recommendations should be made regarding means to "[e]nsure adequate sharing of information throughout the planning process on a local and detailed level"?

The "Hot Topic" prior to the first Midwest ISO Transmission Expansion Plan meeting should focus on the information (e.g. load forecasts and other projections) that will be needed in the Midwest ISO planning process.

Implementation issues are to be addressed "through consideration of energy infrastructure solutions to an identified need, including details of specific proposed transmission projects." Are there recommendations about implementation issues that should be included in the report? If yes, please explain. Are there any identified needs that should be discussed in the report? If yes, please explain.

The only energy infrastructure project reviewed by the Consortium has been the proposed AEP-ITC 765 kV project. The Consortium has not come to consensus that there are enough benefits to Michigan to justify implementation of the AEP-ITC 765 kV project. The benefit study that was performed by the Midwest ISO identified that the project would benefit PJM when it was looked at as an integrated project within the eastern interconnect. The Michigan benefits identified were significantly less than the costs that Michigan customers would be paying, under current cost allocation mechanisms.

8. What "energy infrastructure recommendations" should be included in the July report, if any?

The Consortium has not developed a consensus position on any energy infrastructure needs.

9. What recommendations should be made regarding means to "[e]valuate energy infrastructure alternatives, including proposed transmission projects"?

Consumers Energy supports Staff recommending that the Consortium be the forum to discuss Michigan specific transmission planning issues prior to the Midwest ISO Transmission Expansion Planning process.

10. What recommendations should be made regarding means to "[e]xamine cost effects of various alternatives on Michigan customers"?

Consumers Energy recommends cost effects of planning alternatives be a key focus of future Consortium meetings as "Hot Topics" are discussed.

11. The Consortium is to "identify and make recommendations to the Commission for improvements to the planning process for electricity infrastructure." What recommendations for improvements should be included in the report?

The Consortium should recommend that there be periodic Consortium meetings scheduled in advance of the MTEP process to discuss "Hot Topics" and issues that are expected to come up on the next planning cycle. The goal of the "Hot Topic" discussion would be to determine the positions of Michigan parties on current infrastructure planning issues and work towards a consensus recommendation from Michigan parties.

12. The Commission identified a need for a "more organized state-level" planning process, with "adequate coordination among different Michigan entities contributing to energy infrastructure planning" and "balance to ensure that decisions … are fully supportable and … serve Michigan's energy needs at the most reasonable cost to ratepayers." Please describe any process(es) for this purpose that you propose the Consortium should recommend to the Commission.

    Consumers Energy recommends that the focus of the Consortium meetings be focused on achieving consensus wherever possible on Michigan related information and planning assumptions prior to the Midwest ISO Transmission Expansion Plan process.

13. What recommendations should be made regarding "the most effective ways for Michigan stakeholders to participate in regional planning processes and related state and FERC proceedings, including 1995 PA 30 (Act 30) certification proceedings"?

    Michigan stakeholders should be encouraged to participate in the Midwest ISO transmission planning process and attempt to address their issues in that venue. That being said, the Midwest ISO transmission planning process is not a contested regulatory process and there is no specific way to adjudicate differences of opinion. If there is a disagreement on the need for a transmission project, the Midwest ISO will defer to the transmission owner's request to include the project in the MTEP with a potential discussion of the opposing position.

    As a result, the Act 30 certification proceedings for new transmission lines should be maintained and expanded to include all transmission lines greater than 100 kV. The certification proceedings would allow the impact of the proposed project on the customers in Michigan to be adjudicated by interested stakeholders.

14. What recommendations should be made regarding the future of the Consortium? Should it "continue, …fold into the evolving regional transmission processes, or another alternative"? If recommending "another alternative," please provide as much specificity as you can. If the Consortium should continue, in what capacity should it continue, and what specifically should the Consortium address?

    As stated earlier, Consumers Energy recommends the Consortium be reconvened as a periodic meeting to prepare for and support the Midwest ISO Transmission Expansion Planning process. Consumers Energy also believes there are opportunities to bridge the work done as part of the Michigan Planning Consortium with the work to be done as part of the Michigan Technical Workgroup at the Midwest ISO.

15. Is there anything else, not included in these questions, that you would like to see addressed in the Consortium's report to the Commission? If so, please provide details and recommendations.

Please send your responses via email by April 10th to Cathy Cole of the MPSC Staff at colec1@michigan.gov. If you have any questions, contact Cathy at 517-241-6065.

Michigan Planning Consortium

Response Template for 3/23/09 MPC Memo

Responding Company or Individual: _____**Detroit Edison**_____ (Anonymous or blank is OK, but if you would like to receive credit in the MPC report for your ideas, please include a response)

16. In your opinion, what accomplishments have been made by or through the Michigan Planning Consortium since the time it was established?

The Planning Consortium has afforded the opportunity to open dialogue between Detroit Edison and ITCTransmission. Several new relationships between ITCTransmission personnel and Detroit Edison personnel have been established which have opened direct lines of communication. The Consortium has provided a broader understanding of the MISO planning process and the inputs to that process. In terms of each of the workgroups and accomplishments by each group:

765kV Workgroup

The 765 kV Loop Workgroup will review existing studies and plans 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 workgroup would then identify the qualitative and quantitative advantages or implications of the projects, as well as roadblocks to project implementation. This workgroup will investigate quantifying potential reliability or operational benefits of proposed economic transmission projects to determine if they should be included as potential value drivers when analyzing larger scale economic transmission proposals. This workgroup will examine the potential impact of proposed economic transmission projects on Michigan network and retail customers. Any recommendations developed by this group will be taken forward to the entire Michigan Planning Consortium for consideration.

None of the goals established for this group were completely achieved. Although some studies were reviewed and there were some brief discussions on trying to identify qualitative and quantitative benefits of transmission, there was no follow up or focus. It seemed as if there was no real desire by the participants to work on achieving these goals.

Generation Integration

The Renewable and Other Generation Integration Workgroup *(formerly the Wind Energy Studies Group)* was to focus on transmission planning related to wind energy resource development but it will also consider other generation integration issues to identify ways to best coordinate and hopefully optimize transmission expansion in Michigan. The ultimate goals of this group are to examine the likely costs and benefits of different development scenarios for future Michigan electric power generation, and to develop a plan to optimize transmission expansion to support the plan to optimize transmission expansion to support the development of renewable and other generation in the state. As an initial task, this workgroup will help guide the on-going Michigan Wind Energy Transmission Study (MI-WETS). That study is exploring transmission needs for various levels of future wind energy development in

various promising areas in both the Upper and Lower Peninsulas.

Of the goals established for this group, only the MI-WETS continued under development. The other goals of this group were in large part superseded by legislation creating the Michigan Renewable Zone Board. Scenarios for transmission build-out to support wind will be dependent on the findings of the Board.

Information Sharing

The overarching goals of the Information Sharing and Local Planning Assumptions Workgroup are to increase information sharing related to electric system planning and to pro-actively discuss and attempt to reach agreement on planning processes, practices and assumptions. At least initially, the workgroup was to focus on transmission planning processes at the local and regional levels. Specifically the workgroup was to research, discuss and convene meetings to accomplish the following:

- Improve information sharing among Michigan entities associated with regional and local planning activities, including load forecasting and other planning-related inputs and assumptions,
- Review and discuss applicable planning standards, criteria and assumptions to ensure common understanding of and attempts to reach consensus on how they are applied in Michigan.
- Discuss tools and processes to evaluate resource alternatives, including demand response, , distribution, and transmission, in light of Michigan's electric industry structure.

This group had the most active participation and liveliest discussion and generally achieved its goals related to the sharing and discussion of information related to load forecasting. MISO's participation in this group offered a broader understanding of the MISO planning process and inputs thereto as well as the time sensitivity to those inputs. While consensus on planning standards, criteria and assumptions was not achieved, a broader understanding of those standards and implications thereof was achieved. With regard to the discussion of tools to evaluate resource alternatives to transmission, this topic was not addressed.

17. The Consortium is to "recommend how its work complements ongoing state and regional processes…" What specifically are the state and regional processes that should be considered in the light of this task? What recommendation(s) about this issue should be included in the report?

The Consortium or its members should recommend to MISO that the next Regional Generation Outlet Study should be Michigan-centric given the current RPS legislation requiring a Michigan build to meet. The Consortium or its members could

act as a clearing house for review of data assumptions being used in the next RGOS study.

18. Are there particular problems already identified that the Consortium should address, but has not yet? If yes, please list them.

- ***Within the Generation Integration Group – consortium should address how transmission network upgrade cost sharing will apply if upgrade is made in advance of developer's commitment to build.***
- ***How are benefits of transmission to be defined? How should qualitative benefits be portrayed in a cost/benefit analysis. What weight to qualitative benefits receive?***
- ***What role will lower voltage distribution systems play in accommodating RPS mandate?***
  - ***What function will lower voltage lines serve? Transmission?***
  - ***What requirement is there to build to serve?***
  - ***If lower voltage system viewed as "transmission" by FERC, does utility have obligation to connect developers to accommodate inter-state transactions?***
  - ***What is state's expectation with respect to utility's charging FERC Wholesale Distribution Charge to developers connecting to the utility system.***
  - ***What part will the lower voltage system play in a broader transmission build to serve RPS generation?***
  - ***Who is to build "feeder" system to move RPS generation from site to grid?***
- ***What role do private developers have compared to utility development of RPS resources. What are expectations of Commission?***
- ***What role should the Planning Consortium play in assuring that information requested of transmission developer during MTEP process is provided on a basis sufficient to enable review of projects and, if desired, the development of alternative solutions?***

19. Are there improvements to be made in identifying problems that the Consortium should address? Do Consortium participants recommend any regular process(es) for the identification of problems to be brought to the attention of the Consortium? If so, what process(es)?

An issue tracking/action item list should be expanded to all workgroups, should be tied to stated goals and should be acted on.

20. How should the Consortium act as "the forum to collect needed information and … work towards consensus recommendations"?

To benefit the Commission, the Consortium's should be to identify broad issues that exist with respect to transmission planning. The Consortium should then poll

stakeholders regarding their position on these issues identifying areas of common consensus, areas where consensus might be achieved, and areas where consensus is not likely to be achieved.

One effort in the past that seemed to result in a general consensus was the 21st Century Energy Plan wherein information was brought together to develop an Integrated Resource view of the State's needs. Another such effort could evaluate new market structures, new externalties such as a federal RPS standards, carbon mitigation, and the possibility of transmission siting legislation and analyzing these inputs to determine the impact on the state with regard to generation or transmission scenarios.

21. Can the general types of information that should be collected be identified? If yes, what are those types of information?

Information required as input to the planning process should be reviewed for accuracy and reasonableness. Such information would include load forecasts both on a regional and on a area-specific basis. Elemental data regarding circuits that are said to be exceeding design limits should be made available to enable analysis and potential alternative proposals.

22. What recommendations should be made regarding means to "[e]nsure adequate sharing of information throughout the planning process on a local and detailed level"?

MISO's convening the Michigan Technical Study Workgroup in combination with the MISO-run Sub-regional planning meetings has afforded opportunity to seek and receive information throughout the planning process. If there is thought to be inadequate sharing of information, remedy can be sought via either existing processes before MISO or the FERC.

23. Implementation issues are to be addressed "through consideration of energy infrastructure solutions to an identified need, including details of specific proposed transmission projects." Are there recommendations about implementation issues that should be included in the report? If yes, please explain. Are there any identified needs that should be discussed in the report? If yes, please explain.

There were no specific "infrastructure solutions" discussed within the context of the MPC.

24. What "energy infrastructure recommendations" should be included in the July report, if any?

There were no specific "infrastructure solutions" discussed within the context of the MPC.

25. What recommendations should be made regarding means to "[e]valuate energy infrastructure alternatives, including proposed transmission projects"?

Existing means to evaluating energy infrastructure alternatives currently exist.

HB5524 contains provisions requiring an IRP analysis be presented in the context of a certificate of need request by utilities proposing to construct significant generation facilities within the state. The IRP analysis is to address alternative generation or transmission solutions to the proposed generation project. Within the MISO planning process, sufficient information is to be shared with stakeholders to enable the development of possible alternatives to proposed transmission projects and are to be reviewed by MISO's Board within the MTEP approval process.

26. What recommendations should be made regarding means to "[e]xamine cost effects of various alternatives on Michigan customers"?

See response to Question 10.

27. The Consortium is to "identify and make recommendations to the Commission for improvements to the planning process for electricity infrastructure." What recommendations for improvements should be included in the report?

See response to Question 10.

28. The Commission identified a need for a "more organized state-level" planning process, with "adequate coordination among different Michigan entities contributing to energy infrastructure planning" and "balance to ensure that decisions … are fully supportable and … serve Michigan's energy needs at the most reasonable cost to ratepayers." Please describe any process(es) for this purpose that you propose the Consortium should recommend to the Commission.

See response to Question 10.

29. What recommendations should be made regarding "the most effective ways for Michigan stakeholders to participate in regional planning processes and related state and FERC proceedings, including 1995 PA 30 (Act 30) certification proceedings"?

The most effective way to participate in the planning process is through the Michigan Technical Study Workgroup, through participation in the MISO-run Sub-regional planning meetings, and through review and comment to the MTEP report drafting

process. Avenues of appeal exist either through MISO, the FERC or the MPSC through Act 30 proceedings.

30. What recommendations should be made regarding the future of the Consortium? Should it "continue, …fold into the evolving regional transmission processes, or another alternative"? If recommending "another alternative," please provide as much specificity as you can. If the Consortium should continue, in what capacity should it continue, and what specifically should the Consortium address?

The Consortium should not continue.

31. Is there anything else, not included in these questions, that you would like to see addressed in the Consortium's report to the Commission? If so, please provide details and recommendations.

Please send your responses via email by April 10th to Cathy Cole of the MPSC Staff at colec1@michigan.gov. If you have any questions, contact Cathy at 517-241-6065.

Michigan Planning Consortium

ITC Holdings Corp. response for 3/23/09 MPSC Memo

1. In your opinion, what accomplishments have been made by or through the Michigan Planning Consortium since the time it was established?

Ans: Specifically, the Consortium helped in illuminating some of the outstanding issues that were unclear among MI stakeholders. The accomplishments of the Consortium can be summarized as follows:

• Generated meaningful discussions between ITC, the Midwest ISO, and Michigan stakeholders regarding the Midwest ISO Transmission Expansion Planning ("MTEP") process.

• Improved stakeholders awareness regarding the appropriate channels for getting their concerns or questions answered by the Midwest ISO.

• Generated meaningful discussions on load forecasting, including discussions on different types of load forecasting methodologies used by electric and transmission companies.

•Provided a medium for discussing the benefits of extra high voltage (EHV) transmission infrastructure.

•Provided, as a starting point, a venue for dialogue regarding the Michigan Wind Energy Resource Zone ("WERZ").

2. The Consortium is to "recommend how its work complements ongoing state and regional processes… " What specifically are the state and regional processes that should be considered in the light of this task? What recommendation(s) about this issue should be included in the report?

Ans: While the Consortium provided a special opportunity to discuss Michigan-specific issues relative to transmission planning (WERZ and integration of wind resources, 765 EHV, and load forecasting), ITC believes that the FERC-approved Midwest ISO's MTEP process is the appropriate forum and venue to discuss all local and regional planning issues.

3. Are there particular problems already identified that the Consortium should address, but has not yet? If yes, please list them.

Ans: No. Many of the issues prompting the formation of the Consortium have been addressed as a result of the improvements to the Midwest ISO MTEP process.

4. Are there improvements to be made in identifying problems that the Consortium should address? Do Consortium participants recommend any regular process (es) for

the identification of problems to be brought to the attention of the Consortium? If so, what process (es)?

Ans: No. See answer to question 3 above.

5. How should the Consortium act as "the forum to collect needed information and … work towards consensus recommendations"?

Ans: Currently, there are forums to achieve this objective. These include: 1) the Midwest ISO MTEP process; 2) the ITC and DTE planning committee; 3) the ITC and CE planning committee; and 4) the various phases of the MTEP process. In addition, ITC holds quarterly Partner's in Business meetings in which ITC's stakeholders are invited to attend in order to gain information about ITC's transmission plans and specific projects. ITC believes through one or all of the forums referenced above there are opportunities for information collection and sharing.

6. Can the general types of information that should be collected be identified? If yes, what are those types of information?

Ans: ITC believes information that is not currently available should be obtained either through the voluntary exchange of information, within the boundaries of the FERC-mandated Standards of Conduct, between ITC and stakeholders, or through the Midwest ISO MTEP process.

7. What recommendations should be made regarding means to "[e]nsure adequate sharing of information throughout the planning process on a local and detailed level"?

Ans: Currently, the Midwest ISO MTEP process allows for information sharing on a local and detailed level. ITC believes that the appropriate venue for information sharing should be through the established Midwest ISO processes, such as the Michigan Technical Taskforce and the East SPM process.

8. Implementation issues are to be addressed "through consideration of energy infrastructure solutions to an identified need, including details of specific proposed transmission projects." Are there recommendations about implementation issues that should be included in the report? If yes, please explain. Are there any identified needs that should be discussed in the report? If yes, please explain.

Ans: No recommendations are needed. ITC believes the report does not need to include any implementation issues through consideration of energy infrastructure solutions. Transmission infrastructure issues are identified by the transmission providers in the state. MISO is the

transmission planning entity and hence has the federal charge to address infrastructure needs on a state and regional basis.

9. What "energy infrastructure recommendations" should be included in the July report, if any?

Ans: ITC believes the report does need to include any energy infrastructure recommendations.

10. What recommendations should be made regarding means to "[e]valuate energy infrastructure alternatives, including proposed transmission projects"?

Ans: The established and improved Midwest ISO's MTEP process already addresses infrastructure alternatives and evaluates transmission projects on a local and regional basis.

11. What recommendations should be made regarding means to "[e]xamine cost effects of various alternatives on Michigan customers"?

Ans: None. The Midwest ISO MTEP process should and will address these types of concerns.

12. The Consortium is to "identify and make recommendations to the Commission for improvements to the planning process for electricity infrastructure." What recommendations for improvements should be included in the report?

Ans: None. The Consortium report should discuss the evolution of the new and improved MTEP process, the Midwest ISO's role in educating Consortium members on the new MTEP process and of the need to utilize the MISO client representatives more frequently than in the past.

13. The Commission identified a need for a "more organized state-level" planning process, with "adequate coordination among different Michigan entities contributing to energy infrastructure planning" and "balance to ensure that decisions … are fully supportable and … serve Michigan's energy needs at the most reasonable cost to ratepayers." Please describe any process(es) for this purpose that you propose the Consortium should recommend to the Commission.

Ans: The Consortium report should indicate to the Commission that since Midwest ISO adopted the changes to its MTEP process to comply with FERC's Order 890, the MTEP process has vastly increased the involvement of stakeholders in the MTEP process and that all stakeholders involved in the consortium, including the MPSC Staff, should continue to work with the Midwest ISO in improving their involvement in the MTEP process.

14. What recommendations should be made regarding "the most effective ways for Michigan stakeholders to participate in regional planning processes and related state and FERC proceedings, including 1995 PA 30 (Act 30) certification proceedings"?

Ans: ITC believes the current MTEP process is the most effective way for Michigan stakeholders to participate in the regional planning process. The MTEP process provides the opportunity for meaningful dialogue very early in the planning process and also allows all interested parties to voice their concerns regarding alternatives to potential transmission projects.

15. What recommendations should be made regarding the future of the Consortium? Should it "continue …fold into the evolving regional transmission processes, or another alternative"? If recommending "another alternative," please provide as much specificity as you can. If the Consortium should continue, in what capacity should it continue, and what specifically should the Consortium address?

Ans: ITC believes the Consortium has served its targeted purpose of bringing stakeholders together to share information and discuss transmission projects. ITC believes that the Midwest ISO has vastly improved the MTEP process and the MPC should encourage Michigan stakeholders to participate in that forum.

16. Is there anything else, not included in these questions that you would like to see addressed in the Consortium's report to the Commission? If so, please provide details and recommendations.

Ans: ITC is of the opinion that all stakeholders involved in the Consortium, including the MPSC Staff, should continue to work with the Midwest ISO in improving the MTEP process for 2010 and beyond.

Michigan Planning Consortium

Response to 3/23/09 MPSC Memo
Responding Company or Individual: **Wolverine Power Cooperative**

1. In your opinion, what accomplishments have been made by or through the Michigan Planning Consortium since the time it was established?

Wolverine: The Michigan Planning Consortium ("Consortium") provided good initial communication among interested Michigan parties. It also assisted in providing a much clearer understanding of the various load forecasting methods used. There was also significant value in the discussion of the MISO Midwest Transmission Expansion Plan ("MTEP").

2. The Consortium is to "recommend how its work complements ongoing state and regional processes… ." What specifically are the state and regional processes that should be considered in the light of this task? What recommendation(s) about this issue should be included in the report?

Wolverine: While the Consortium provided an excellent opportunity for the various Michigan parties to discuss planning activities, significant overlap exists with the approved Midwest ISO planning process. As part of the Midwest ISO planning process, stakeholders have the right and forum to address issues as part of MTEP.

3. Are there particular problems already identified that the Consortium should address, but has not yet? If yes, please list them.

Wolverine: No.

4. Are there improvements to be made in identifying problems that the Consortium should address? Do Consortium participants recommend any regular process(es) for the identification of problems to be brought to the attention of the Consortium? If so, what process(es)?

Wolverine: No.

5. How should the Consortium act as "the forum to collect needed information and … work towards consensus recommendations"?

Wolverine: The Midwest ISO's MTEP process should serve the function of collecting "needed information and … work toward consensus recommendations". As a Regional Transmission Organization ("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.

6. Can the general types of information that should be collected be identified? If yes, what are those types of information?

Wolverine: It is not necessary for the Consortium to be the information source for transmission planning information.

7. What recommendations should be made regarding means to "[e]nsure adequate sharing of information throughout the planning process on a local and detailed level"?

Wolverine: The Midwest ISO MTEP process allows for appropriate information sharing among stakeholders.

8. Implementation issues are to be addressed "through consideration of energy infrastructure solutions to an identified need, including details of specific proposed transmission projects." Are there recommendations about implementation issues that should be included in the report? If yes, please explain. Are there any identified needs that should be discussed in the report? If yes, please explain.

Wolverine: The report does not need to include any recommendations about implementation issues.

9. What "energy infrastructure recommendations" should be included in the July report, if any?

Wolverine: None.

10. What recommendations should be made regarding means to "[e]valuate energy infrastructure alternatives, including proposed transmission projects"?

Wolverine: 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.

11. What recommendations should be made regarding means to "[e]xamine cost effects of various alternatives on Michigan customers"?

Wolverine: 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.

12. The Consortium is to "identify and make recommendations to the Commission for improvements to the planning process for electricity infrastructure." What recommendations for improvements should be included in the report?

Wolverine: No specific recommendations. Many of the issues originating from prior rounds of the Midwest ISO MTEP process have been satisfactorily resolved as the

process as evolved and improved. Wolverine recommends that Michigan stakeholders continue to work together and work with the Midwest ISO to further improve the planning process, as all Midwest ISO stakeholders should.

13. The Commission identified a need for a "more organized state-level" planning process, with "adequate coordination among different Michigan entities contributing to energy infrastructure planning" and "balance to ensure that decisions … are fully supportable and … serve Michigan's energy needs at the most reasonable cost to ratepayers." Please describe any process(es) for this purpose that you propose the Consortium should recommend to the Commission.

Wolverine: As mentioned above, the MTEP process has improved and these issues can be adequately addressed in the MTEP forum.

14. What recommendations should be made regarding "the most effective ways for Michigan stakeholders to participate in regional planning processes and related state and FERC proceedings, including 1995 PA 30 (Act 30) certification proceedings"?

Wolverine: Participation in the Midwest ISO MTEP process is the most effective way for Michigan stakeholders to participate in regional planning processes.

15. What recommendations should be made regarding the future of the Consortium? Should it "continue, …fold into the evolving regional transmission processes, or another alternative"? If recommending "another alternative," please provide as much specificity as you can. If the Consortium should continue, in what capacity should it continue, and what specifically should the Consortium address?

Wolverine: The Consortium has provided a valuable service leading to positive dialogue between the various Michigan stakeholders. The inclusion of Midwest ISO staff in the effort has been helpful as well. Much of the function of the group should be folded into the evolving regional transmission process, which continues to improve in response to stakeholder input. There may be value in holding a Michigan-based group meeting for information sharing purposes early in an MTEP round to discuss Michigan-specific issues.

16. Is there anything else, not included in these questions, that you would like to see addressed in the Consortium's report to the Commission? If so, please provide details and recommendations.

Wolverine: The report should address the improvements that have been implemented in the MISO MTEP process and should encourage all Consortium participants to participate in that forum.

Please send your responses via email by April 10th to Cathy Cole of the MPSC Staff at colec1@michigan.gov. If you have any questions, contact Cathy at 517-241-6065.

To: Tom Stanton
From: Jack Dempsey
Date: March 20, 2009

On behalf of Staff, you have requested that participants in the Michigan Planning Consortium's Generation Integration Workgroup provide comments on a future approach to electricity infrastructure planning and review in Michigan. As we understand it, your stated goal is to recommend an approach that would optimize infrastructure/reliability planning as a whole and devise appropriate policy in a final report to the Michigan Public Service Commission (the "Commission") in U-15590.

Constellation NewEnergy, Inc. and Constellation Energy Commodities Group, Inc. (collectively, "Constellation") appreciate the opportunity to provide such a recommendation regarding the Commission's role in infrastructure planning and review. Constellation understands that the Commission is evaluating the benefits of an Integrated Resource Plan ("IRP) approach. As part of that evaluation, Constellation encourages the Commission Staff to consider making the following determinations:

(1) Require electric utilities to consider and evaluate the use of competitive procurement processes under any certificate of necessity ("CON") process;
(2) Foreclose utilities from taking action that hinders the development of retail competition;
(3) Subject any utility projects – for base load generation or otherwise - to competitive bid; and
(4) Encourage Smart Grid strategies that provide the maximum amount of value to all consumers.

BENEFITS OF COMPETITION

Competition - at the wholesale level for procuring the generation needed by electric utilities, and at the retail level for customers that choose to shop – will keep costs as low as possible and produce a number of benefits that are aligned with the Commission's goals for the future of the Michigan electric market. Additionally, encouraging participation of competitive market principles will maximize the value of any Smart Grid development in Michigan.

Benefits of Wholesale Competition

• Competitive procurements provide appropriate market signals. In cases where consumers do not pay actual market prices, they have little or no incentive to reduce consumption during times when production costs are significantly higher (or defer consumption to periods in which there is lower system demand). Since costs may be substantially higher at these times, the potential for savings should not be overlooked. Moreover, demand response programs, which provide the tools and incentives for electricity customers to

reduce their consumption at critical times or in response to market prices, provide relatively low-cost means of guarding system reliability.

• Utilities should be required to enter into full requirements contracts, for all or a portion of their IRP, which achieves several benefits. First, a full requirements procurement structure relieves the Commission or utility from active portfolio management responsibility, and instead places the planning responsibility into the hands of the winning full requirements suppliers, who have extensive experience in managing portfolios. In doing so, full requirements procurement demands far less regulatory involvement in evaluating the specifics of a procurement plan to assess whether the utility is buying the "right" products, in the "right" amounts, and at the "right" times. Second, this approach yields the lowest fixed price at which these customers can be served, so it provides a fully competitive price while at the same time minimizing short term price volatility and insulating customers from other risks that would be borne by the full requirements suppliers. Third, it will offer an efficient way to bring the benefits of wholesale competition to residential and small commercial customers that do not select alternative retail electric suppliers.

Benefits of Retail Competition

• The ability and information to make decisions and have choices regarding their electric power needs -- just as they do with the telecommunications, natural gas, and airlines industries, which were previously under a monopoly system of regulation.

• A superior platform to promote demand response and energy efficiency than traditional cost-of-service regulation. Competitive suppliers currently offer demand response, energy efficiency, and green products and services.

• A competitive market model will allow the marketplace to respond to any future (federal or state) climate regulation in the most cost competitive manner. Without such competitive forces, Michigan's customers will be forced to bear the entire burden of costly climate change regulation.

Requirements For New Generation Facilities

• **Mandate the use of a Competitive Bidding Process**. Consider safeguards to minimize risks to customers and suppliers. Among other things, the Commission should require that incumbent utilities demonstrate: (1) a need for additional energy and/or capacity considering all available resources, including resources available in the region and regional planning initiatives; (2) that the type of plant construction being proposed is the proper plant to build, and; (3) that the proposed cost of the new facilities is just, reasonable,

and prudent, as demonstrated through a competitive bidding process. The solicitation of competitive bids will ensure that Michigan consumers who will ultimately pay for the costs of a new plant will get the benefit of a quality, lowest cost product, rather than foot the bill for utility-built plants that have historically been the subject of gross cost overruns. Electric customers – both bundled and retail choice – are still paying the costs (through securitization assessments) of the last time the incumbent electric utilities built or tried to build new generating facilities. The utilities should be held to the lessons of the past and should not be permitted to again require Michigan consumers to pay the costs for their mistakes. This reasoning applies equally to other utility projects, as well.

• Allowance for Funds Used During Construction ("AFUDC") offset be utilized for Construction Work in Progress ("CWIP") during the construction of new generation facilities, and limit rate recovery to that time only after a plant is put into service. The electric utility seeking to recover the costs of plant construction should bear the burden of financing the construction until such point as the plant actually begins producing electric power for the benefit of the utility's ratepayers. Such a safeguard helps protect ratepayers from unnecessary or unsuccessful plant investment. Michigan history is replete with examples of utility plant construction plans gone awry. Detroit Edison's Fermi II power plant is but one example. The plant was originally scheduled to be completed in 1980, with total projected costs under $1 billion. However, the plant was not completed until 1985, did not go on-line until 1988, and exceeded $5 billion in total cost. Had Edison been permitted to include CWIP without an AFUDC offset, the cost of the new plant would have gone into Edison's rate base for an extended period of time without any corresponding benefit to the affected ratepayers. Such a result must be avoided if at all possible.

Effective Smart Grid strategies

• An effective Smart Grid strategy should direct significant attention to demand-side resources currently in play, and their increasing role in the future as part of a Smart Grid, including allowing customers to bid in to markets. Demand response programs for commercial and industrial customers, in particular, bring a number of significant benefits to consumers, including but not limited to:

a) Strong rates of return and typically relatively low investments on a dollar/MW basis.
b) If properly structured, provide the ability to leverage private funds from competitive demand response providers.
c) Capable of faster implementation that exists with larger infrastructure projects.

d) Reduce the need to run older peaking generating units, which typically have high emissions rates.

One of Michigan's very first Smart Grid objectives should be to maximize participation of commercial and industrial customers in demand response programs.

• Encourage the treatment of demand resources on a comparable basis to supply resources. This parity will enable greater demand elasticity for all rate classes, resulting in a better functioning market and a more reliable grid. Additionally, utility supply-side investments should always be made with consideration of demand-side resources and their capabilities in mind. In other words, if properly enabled, demand-side resources can often be substituted for many types of supply-side resource investments including new peaking plants, new transmission lines, new substations, new capacitor banks, etc. Properly enabling demand resources to serve these functions will require work in several areas including building automation systems, communications protocols, and extensive public education – all appropriate issues for the Initiative to explore.

• Opportunity to involve non-utility parties - including demand response providers, energy services companies, building automation companies, and end-user groups - into Smart Grid discussions and solutions. It is these groups that have lead much of the Smart Grid innovation in the U.S. to date, and it is these groups that will be making the required investments on the customer's side that are needed in order to achieve a Smart Grid.

Conclusion

Constellation commends the Commission and Staff in taking this pro-active look at infrastructure planning and review as a means of meeting Michigan consumers' electricity needs in the future. As articulated above, Staff's final report to the Commission in the Michigan Planning Consortium regarding the optimal approach to infrastructure planning and review should include the following elements:

(1) Require electric utilities to consider and evaluate the use of competitive procurement processes under any certificate of necessity ("CON") process;
(2) Foreclose utilities from taking action that hinders the development of retail competition;
(3) Subject any utility projects – for base load generation or otherwise - to competitive bid; and
(4) Encourage Smart Grid strategies that provide the maximum amount of value to all consumers.