STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter, on the Commission's own motion, to promulgate rules governing the interconnection of independent power projects with electric utilities.	))))	Case No. U-13745

At the July 8, 2003 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. Laura Chappelle, Chairman
Hon. David A. Svanda, Commissioner
Hon. Robert B. Nelson, Commissioner

OPINION AND ORDER

On March 26, 2003, the Commission issued an order seeking comment on proposed rules implementing Section 10e(3) of the Customer Choice and Electricity Reliability Act, MCL 460.10e(3), which requires the Commission "to establish standards for the interconnection of merchant plants with the transmission and distribution systems of electric utilities."

At a public hearing on May 14, 2003, two persons offered comments. Robert Eckhout, representing the Michigan State Conference of the International Brotherhood of Electrical Workers (IBEW), asserted that all Michigan utilities should be subject to uniform, statewide interconnection standards. He also discussed the implications of the proposed rules for worker safety. Art Toy, a homeowner who has an interest in wind and solar power applications, spoke in favor of the proposed rules, except for one suggested revision regarding the fee provisions.

On the May 28, 2003 deadline for filing written comments, the following electric utilities and organizations representing electric utility interests jointly submitted a single set of comments: the

Michigan Electric and Gas Association, the Michigan Electric Cooperative Association, Consumers Energy Company, and The Detroit Edison Company.

The Commission has considered the verbal and written comments and has revised the proposed rules accordingly, as discussed below. The rules, as revised by this order, are attached as Exhibit A.

General

In their joint comments, the Michigan electric utilities object to certain statements and characterizations contained in the regulatory impact statement.[1] Specifically, the electric utilities deny that their control of bottleneck facilities has produced discriminatory behavior, that the lack of interconnection standards has impeded the development of independent power projects, or that technical or administrative disputes arise from irresolvable conflicts in economic interests.

As indicated in MCL 24.245(3), the regulatory impact statement is an administrative agency's explanation of its justification for proposing the rules. It does not alter the content of the rules. In this case, the regulatory impact statement identifies the need for interconnection standards and explains how the proposed rules will meet that need. The Commission is not persuaded that its regulatory impact statement is inaccurate in any material respect.

Characterizing the proposed rules as a broad procedural framework, the joint comments request the Commission to clarify that the purpose of the rules is not to impose or alter any legal duty on a utility's part or affect any right or obligation to purchase power from a project. In this regard, the electric utilities state that Section 10e imposes interconnection obligations only with respect to merchant plants, which, as defined in Section 10g(1)(d), MCL 460.10g(1)(d), are "electric generating equipment and associated facilities with a capacity of more than 100 kilowatts located in

[1] The Commission's regulatory impact statement for the proposed rules appears at http://www.state.mi.us/orr/emi/rules.asp?type=dept&id=CI&subId=2002%2D010+CI&subCat=RIS.

this state that are not owned and operated by an electric utility." In their joint comments at 6, the utilities say that the rules should acknowledge that there is no legal obligation to interconnect with power projects that either do not qualify as merchant plants or that are under 100 kilowatts (kW), although they accept that the interconnection standards should apply as a matter of procedure in those situations if the host utility consents to an interconnection. They contend that the rules should make clear that a utility, in its role as the owner and operator of electrical distribution facilities, may deny an interconnection when it is not under a statutory obligation to provide one. The utilities also request a statement that more clearly delineates areas in which preemptive federal law imposes limits on the scope of the rules.

To convey these points, the electric utilities propose an additional rule captioned "Scope and application," to be inserted at the beginning of the proposed rules. The proposed new rule would state the following:

> (1) These rules do not apply to interconnections or transactions that are subject to the jurisdiction of the federal energy regulatory commission. Subject to the foregoing, these rules apply to interconnection of projects operating in parallel with the distribution systems of investor-owned or cooperative electric public utilities regulated by the commission.
>
> (2) These rules and the standards and procedures approved by the commission under these rules do not alter or affect the statutory rights and legal obligations of an electric utility regarding interconnection of its distribution system with any project.
>
> (3) The application of these rules shall not be affected by the existence or non-existence of an electric utility purchase of electric capacity and energy from a project.
>
> (4) These rules will not affect any agreements between an electric utility and a project developer for the purchase of capacity and energy from a project.

Joint comments, Attach. A at 1.

The rule proposed by the electric utilities focuses on collateral concerns and makes clarifications that are unnecessary. With respect to the first subrule, the jurisdictional interplay with the Federal Energy Regulatory Commission (FERC) is already adequately covered by the definition of "distribution system" in Rule 1(1). It is not necessary to specify the types of utilities that are

subject to the rules because the scope of the rules follows from the statutory context of 1939 PA 3, MCL 460.1 et seq., which Section 10e amended. As proposed, subrule (2) is also superfluous in light of Section 10e, which provides a definitive statement of the Commission's jurisdiction over interconnection matters. By indicating that the rules do not affect any sale of electricity generated by a project to an electric utility, proposed subrules (3) and (4) state what is already obvious.

Mr. Eckout of the IBEW and Mr. Toy both spoke in favor of uniformity in interconnection standards. The proposed rules are a step in that direction.[2] However, the Commission is unable at this time to move further in the direction of uniformity without taking into account the unique operating considerations and circumstances of each electric utility that would be subject to the rules. The Commission expects the utilities and other interested persons to work together to promote as much uniformity as possible, so that the interconnection procedures that each utility submits for Commission approval under proposed Rule 2 will avoid unnecessary deviations from other utilities' procedures. However, the Commission is not presently in a position to mandate more uniformity in the details of each utility's interconnection procedures.

Effective Date

The joint comments note that the proposed effective date of the rules, as indicated in the March 26, 2003 order in Cases Nos. U-12485 and U-13745 (which commenced this rulemaking) and the notice of hearing accompanying the order, is March 1, 2004. The electric utilities support that effective date because, they say, it will give them adequate time to comply with the rules. However, the rules themselves do not reference March 1, 2004 as the effective date, but they

[2] As Mr. Eckout noted, draft Standard 1547, then under consideration by the Institute of Electrical and Electronics Engineers, Inc. (IEEE), may have the effect of promoting uniformity. The IEEE Board approved the standard in final form on June 12, 2003.

indicate that they will take effect seven days after their filing with the Secretary of State. The utilities seek to amend the rules to ensure that they do not take effect before March 1, 2004.

The date identified in the earlier order and notice of hearing is a projected target date for completing the rulemaking process. It can be no more precise than any estimate because meeting the various milestones in a rulemaking is subject to a number of considerations that are beyond the Commission's control. Thus, the actual effective date of the rules may occur earlier or later. The Commission did not intend that March 1, 2004 would be legally binding as the earliest possible effective date. It will continue to process the proposed rules in accordance with statute, and the rules will become effective seven days after their filing with the Secretary of State. See MCL 24.247(1). The utilities' participation in the ongoing rulemaking process, together with the provision in proposed Rule 2(1) giving them 90 days from the effective date to take the first step required by the rules, should ensure that they have ample time to comply.

Rule 1 – Definitions

The joint comments propose to revise the definition of "distribution system" in Rule 1(1)(a) to track more closely the definition of "distribution" in the Commission's "Glossary of Terms."[3] In accordance with the suggested usage in the glossary, the rule definition will replace "transmit" with "deliver" (in the context of using the distribution system to deliver electricity to end users).

The joint comments further propose to redefine "interconnection" in Rule 1(1)(b) as the physical connection of a power project with the utility's distribution system and to exclude the administrative and procedural aspects of securing an interconnection. The Commission finds that the utilities' proposed definition is too narrow in the context of the rules. Although an interconnection includes the physical connection, it also encompasses the procedural background in which the

[3] See http://www.cis.state.mi.us/mpsc/electric/restruct/glossary.htm.

rights and obligations of the utility and the project developer are established. However, the proposed reference in the joint comments relating the interconnection to the parallel operation of the project with the utility's system is a helpful clarification. Proposed Rule 1(1)(b) will be revised accordingly.

The joint comments propose additional definitions for "complete application," "working days," "interconnection facilities agreement," and "interconnection study agreement." The Commission does not find it appropriate to incorporate any of these definitions. The concept of a complete application is already implicit in Rule 6(4), which now appears in a reorganized format as Rule 4(4) of Exhibit A. Similarly, the meaning of "working days" already appears in Rule 6(3) [now Rule 4(2) of Exhibit A]. The last two definitions are discussed in conjunction with the changes proposed in the joint comments for Rule 6.

Rule 2 – Electric Utility Interconnection Procedures

For the most part, the joint comments do not object to Rule 2, although the electric utilities propose certain changes in wording to accommodate their proposed definition of "interconnection" in Rule 1 and to remove a reference to projects that are not merchant plants. The Commission finds that the wording of Rule 2 should not be revised.

Rule 3 – Technical Criteria

The joint comments propose to insert a provision that states that the interconnection procedures apply without regard to whether all, some, or none of the electrical output of the project is sold to an electric utility or some other third party. As indicated earlier, the Commission finds this clarification to be unnecessary. Although Rule 3(1) further indicates that the interconnection procedures shall include provisions that apply to projects that will designate some or all of their output for sale

to an electric utility or a third party, it does not impose a legal obligation, or alter any existing obligation, to purchase such output. It is merely a technical accommodation for situations in which the electrical output is entering the distribution system for delivery to another user.

The joint comments further propose to reconfigure the five capacity-based size classifications in Rule 3(2). The five classifications proposed in the joint comments are as follows: (1) under 30 kW, which the utilities characterize as generally applicable to residential power applications, (2) 30 kW to 150 kW, which covers most small commercial installations, (3) 150 kW to 750 kW, applicable to large commercial and light industrial uses, (4) 750 kW to 2 megawatts (MW), relating to medium industrial installations and small stand-alone generators, and (5) 2 MW or more, which encompasses the larger industrial installations or stand-alone generators that interconnect with the utility system at distribution voltages. The electric utilities explain that as project capacity increases, the technical complexity of the work required to complete the interconnection increases, the ability to rely on standardized equipment decreases, and the need for specialized design and construction services increases. They say that the projects within the first three categories usually rely on standardized equipment, with minimal, if any, need for engineering review and construction. The last two classifications typically require more extensive engineering study, specialized equipment, and construction and may require interaction with the transmission system provider. In general, they say, the cost, work, and technical expertise escalate with each classification upgrade.

The Commission is persuaded by the detailed justification for the proposed capacity classifications set forth in the joint comments. The proposed classifications appear to capture the different degrees of difficulty in completing interconnection of projects of different sizes. Rule 3(2) is being amended accordingly.

Rule 4 – Project Application

The joint comments suggest some reorganization of the provisions arranged in Rules 4 through 6. They also would add provisions to Rule 4 to indicate that each utility's interconnection procedures may include standard application forms and that each site-specific project requires a separate application. With respect to the provision relating to the utility's acknowledgment of its receipt of a project application in Rule 6(3), which now appears as Rule 4(2) in Exhibit A, the joint comments suggest lengthening the period for making the acknowledgment from three to five working days.

The Commission is adopting some of the suggestions to reorganize the arrangement of provisions in Rules 4 to 6. It also adopts the suggestions to allow use of standard application forms as part of the interconnection process and to require separate applications for each project and project site. Because acknowledging receipt of a project application is an administrative act, the proposal to lengthen the period for issuing the acknowledgment is unwarranted. A clarification is being added to indicate that the utility's obligation to process a project application under these rules does not begin until it has received the required fee for filing the application.

Rule 5 – Project Filing Fee

Rule 5 provides for filing fees of $100 for a project with a capacity of 100 kW or less and $200 for all others. The joint comments propose, as an alternative, a filing fee of $0.50 per kW, but, in any event, no less than $100 and no more than $500. Mr. Toy proposed a fee of $5.00 per kW, which would not be subject to a minimum fee amount.

The Commission agrees that it is reasonable to vary the amount of the filing fee with the capacity of the project. It further finds that the proposal in the joint comments strikes a reasonable balance by varying the amount of the fee on the basis of project capacity, while recognizing that all

projects impose some degree of administrative burden that does not vary with capacity. The Commission therefore adopts the electric utilities' position on the fee structure.

Rule 6 – Interconnection Deadlines

In their joint comments, the electric utilities object to the proposed deadlines in Rule 6(1) as inflexible, unreasonably short, and unrealistic in light of the work that must be performed to accommodate extensive engineering reviews and construction. The utilities' counterproposal divides interconnection activities into two separate phases or periods—an engineering study period and a design and construction period—with each phase to be governed by an agreement between the utility and the project developer (termed an "interconnection study agreement" and an "interconnection facilities agreement," respectively). It also assigns separate time requirements to each phase. For example, a project in the under 30 kW classification would be subject to two-week deadlines for both the study and construction phases, or four weeks cumulatively. Under this proposal, projects in the two highest capacity classifications, i.e., more than 750 kW, would not be subject to a fixed deadline to complete the design and construction period, but the deadline would be determined by mutual agreement of the utility and the project developer. (The deadline for completing engineering studies for those two classifications is six weeks.)

In support of the utilities' position on time requirements, the joint comments indicate that larger projects often require extensive engineering and construction work. According to the utilities, obtaining easements, right-of-way access, and governmental construction permits introduces a variable that is both time-consuming and beyond the control of either party. They say that weather may also interfere with construction. If it is necessary to effect an outage of existing distribution facilities in order to undertake the construction, they say, there may be additional delays,

particularly when the scheduling of the outage coincides with peak usage periods or affects system reliability.

The Commission is not persuaded that the operating conditions typically experienced by electric utilities justify a lengthy extension of the deadlines. In many instances, particularly with small projects, engineering and construction requirements should be minimal, if any are necessary at all, and it does not seem justifiable to impose separate engineering study and construction requirements, with cumulative deadlines, in every instance. For most small projects that rely on standardized equipment, cumulative deadlines of four weeks appear to be more than adequate. Therefore, the rules will not adopt a structure that bifurcates the interconnection process for every project into separate phases and creates separate deadlines for each phase.

The Commission also rejects the idea that interconnection of larger projects should not be subject to a definite time limit. Not specifying a deadline might lead to endless arguments regarding how long the work should take, or whether delays are excusable or not, instead of focusing the attention and efforts of all concerned on overcoming obstacles to the timely completion of projects. While some delays may truly be unavoidable, Rule 6(2) relieves the utility of responsibility for delays attributable to the project developer. The Commission is also modifying the rules to indicate that delays that are solely attributable to the need to obtain easements, right-of-way access, and construction permits do not count against the utility's responsibility for meeting its deadline.

In light of the reconfigured capacity classifications approved in Rule 3(2), the Commission adopts deadlines that correspond approximately to those that it initially proposed, although it is lengthening somewhat the deadlines for projects falling within the two higher capacity classifications, in recognition of the increased complexity of some of those projects. The deadlines

for each classification are as follows: (1) under 30 kW, 2 weeks, (2) 30 kW to 150 kW, 4 weeks, (3) 150 kW to 750 kW, 6 weeks, (4) 750 kW to 2 MW, 12 weeks, and (5) 2 MW or more, 18 weeks.

Rule 7 – Additional Services Provided by Electric Utility

In their joint comments, the electric utilities object to the second sentence of Rule 7(2), which imposes a ceiling on the charges that a utility may collect to compensate itself for any required engineering studies. As proposed, the ceiling in subrule (2) is the greater of 5% of the total cost of the project or $10,000. The electric utilities contend that interconnection studies are necessary to uphold the reliability and safety of the distribution system, that any dispute over the propriety of a study or charge can be addressed by a complaint filed under MCL 460.10e, and that project developers must pay all of the costs of conducting such studies under MCL 460.10e(3).

The Commission does not find the objections to Rule 7(2) to be persuasive. While engineering studies may be necessary in certain circumstances, they may not be necessary in all instances. One objective of these rules is to clarify interconnection-related provisions as much as possible so as to avoid the time and expense of relying too much on the complaint process to resolve disputes. The fee ceiling provisions reflect that there are limits to the charges that can be based on the reasonable, actual costs of performing necessary engineering services. A regulated utility recovers cost allowances for reasonable amounts of operation and maintenance expense and other recurring expense items through its base rates. It is unlikely that a utility would be forced to incur additional out-of-pocket costs beyond those permissible under the fee ceiling provisions of the rule. Thus, the provision in Rule 7(2) is consistent with MCL 460.10e(3), which provides: "The merchant plant will be responsible for all costs associated with the interconnection unless the commission has otherwise allocated the costs and provided for cost recovery." The base rate process provides an adequate cost recovery mechanism for any excess costs. The fee ceiling recognizes that engineering

studies must be subject to cost constraints based on reasonableness and provides an incentive to ensure that no one mandates unnecessarily extensive or prolonged studies.

The electric utilities further object to the provisions in proposed subrule (3) that preclude a utility from requiring engineering studies or imposing charges if the project meets both of the following criteria: (1) its aggregate export capacity is less than 15% of the line section peak load, and (2) it does not contribute more than 25% of the maximum short circuit current at the point of interconnection. They contend that the exclusionary provisions are rigid and inflexible and could lead to a degradation of service quality for existing customers.

The technical criteria specified in subrule (3) describe relatively small projects in which it is not foreseeable that an engineering study would be necessary. The electric utilities have not attempted to explain why, as a technical matter, projects that fall within those criteria would pose a risk to safety or reliability that can only be addressed through a costly engineering study. In some circumstances, it may be that the safety and reliability of service on the existing configuration of the utility's facilities is already marginal, so that it would be reasonable for the utility to assume any additional expense.

The electric utilities object to the last sentence of subrule (5), which states: "If the electric utility is unable to perform its obligations within the deadlines, then the project developer may choose to perform the necessary services or construction in compliance with the electric utility's specifications." They say that the apparent premise for imposing this "self-help" provision is that utilities "would not perform their interconnection obligations in a timely and effective manner, which is not justified by experience in the field." Joint comments at 25. The utilities argue that, as the owners and operators of distribution systems, they should have the final say regarding whether

proposed construction or alterations meet applicable standards and that MCL 460.10q(4) upholds their rights in this respect.

The IBEW also opposes the self-help provision on the ground that it could adversely affect worker and public safety.[4]

As recognized in MCL 460.10q(4), the electric utilities have an exclusive right to own, construct, and operate their electric distribution facilities. They are legally responsible for those facilities. The purpose of proposed Rule 7(5) is to prevent utilities from using their control over distribution facilities to delay projects unjustifiably, but the rule must do so without interfering with the utilities' statutorily recognized prerogatives. To ensure that the physical equipment that links a project to a utility's distribution system meets the technical standards maintained by a utility, the Commission is amending the third sentence of Rule 7(5) to indicate that a project developer that chooses to assume construction responsibilities due to a deadline missed by the utility must retain the services of a contractor that appears on a list approved by the utility. As revised by this order, the rule will further require each utility to maintain a list of contractors that it certifies as capable of performing construction work on electrical facilities in accordance with its own standards. The utility may not refuse or withhold certification from a contractor that requests certification and demonstrates that it has the required capabilities.

The electric utilities propose an additional provision that would require them to notify the transmission service provider of a request for an interconnection if the project might affect the interconnected transmission system. It further provides that the transmission provider would be

[4] The IBEW also supports the adoption of qualifications that would require only licensed electricians to install distributed generation equipment. This concept is beyond the scope of the proposed rules.

responsible for any studies or modifications and that any delay occasioned by the process would not be attributable to the electric utility.

Because the projects addressed in these proposed rules are relatively small and would interconnect with distribution facilities only at voltages that are not subject to FERC standards, it is not clear why the interconnections would affect the grids of facilities operated by independent transmission providers. The electric utilities have offered no explanation of the effect of those projects on transmission providers or provided a justification for the provisions.

Rule 8 – Pre-certified Equipment

The electric utilities seek to modify parts of proposed Rule 8, which requires each utility to maintain an up-to-date listing of pre-certified manufactured generation equipment that can be installed by project developers without extensive study or review. The utilities contend that such a listing would be costly, could duplicate existing listings provided by national certification organizations, and would interfere with situation-specific technical reviews that may be necessary even when a certified device is generally acceptable on a stand-alone basis.

The Commission finds no reason to eliminate the obligation for utilities to maintain up-to-date lists of pre-certified equipment under the criteria stated in Rule 8, i.e., that listed items of equipment are generally accepted for interconnection purposes and that a detailed review of their engineering design, characteristics, or suitability is unnecessary for use or installation. The benefits of the rule—apprising project developers of the types of equipment that require minimal, if any, labor-intensive, project-specific services on the part of either the developer or the utility—should outweigh the minimal costs of maintaining an up-to-date listing, particularly if the listing encourages the use of more standardized equipment. Nothing precludes a utility from referencing or

incorporating listings provided by other recognized organizations, and the Commission is modifying the rule to clarify this point.

Rule 9 – Rule Waivers

The electric utilities propose to add a rule that would allow them to seek waivers from specific rule provisions upon a showing of good cause. Because it is possible that some of the rules might have unforeseeable adverse effects on an electric utility, the Commission accepts this suggestion.

The Commission FINDS that:

a. Jurisdiction is pursuant to 1909 PA 106, as amended, MCL 460.551 et seq.; 1919 PA 419, as amended, MCL 460.51 et seq.; 1939 PA 3, as amended, MCL 460.1 et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; and the Commission's Rules of Practice and Procedure, as amended, 1999 AC, R 460.17101 et seq.

b. Adequate notice and opportunity for participation by interested persons have been provided as required by the Administrative Procedures Act of 1969, as amended, MCL 24.201 et seq.

c. The proposed rules governing electric interconnection standards should be revised as discussed above.

d. As revised, the rules are reasonable and in the public interest, and should be adopted.

e. The revised rules should be submitted to the Legislative Service Bureau and the Office of Regulatory Reform for their approval.

f. If the Legislative Service Bureau and the Office of Regulatory Reform formally approve these rules, they should be submitted to the Joint Committee on Administrative Rules.

THEREFORE, IT IS ORDERED that:

A. The administrative rules governing electric interconnection standards, attached to this order as Exhibit A, are approved and shall be submitted to the Legislative Service Bureau and the Office of Regulatory Reform for their approval.

B. Upon approval of the administrative rules by the Legislative Service Bureau and the Office of Regulatory Reform, the rules shall be transmitted to the Joint Committee on Administrative Rules.

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

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ Laura Chappelle
Chairman

(S E A L)

/s/ David A. Svanda
Commissioner

/s/ Robert B. Nelson
Commissioner

By its action of July 8, 2003.

/s/ Robert W. Kehres
Its Acting Executive Secretary

THEREFORE, IT IS ORDERED that:

A. The administrative rules governing electric interconnection standards, attached to this order as Exhibit A, are approved and shall be submitted to the Legislative Service Bureau and the Office of Regulatory Reform for their approval.

B. Upon approval of the administrative rules by the Legislative Service Bureau and the Office of Regulatory Reform, the rules shall be transmitted to the Joint Committee on Administrative Rules.

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

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

_____
Chairman

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Commissioner

_____
Commissioner

By its action of July 8, 2003.

_____
Its Acting Executive Secretary

DEPARTMENT OF CONSUMER AND INDUSTRY SERVICES

PUBLIC SERVICE COMMISSION

ELECTRIC INTERCONNECTION STANDARDS

Filed with the Secretary of State on
These rules take effect 7 days after filing with the Secretary of State

(By authority conferred on the public service commission by section 7 of 1909 PA 106, MCL 460.557, section 5 of 1919 PA 419, MCL 460.55, and sections 4, 6, and 10e of 1939 PA 3, MCL 460.4, 460.6. and 460.10e)

R 460.481 Definitions.

Rule 1. (1) As used in these rules:

(a) "Distribution system" means the structures, equipment, and facilities operated by an electric utility to deliver electricity to end users, but it excludes transmission facilities that are subject to the jurisdiction of the federal energy regulatory commission.

(b) "Interconnection" means the process administered by an electric utility to implement the electrical connection of a project with a distribution system, so that parallel operation can occur.

(c) "Interconnection procedures" mean the requirements adopted by each electric utility and approved by the commission to govern interconnection.

(d) "Project" means a merchant plant and other electric generating equipment and associated facilities that are not owned or operated by an electric utility.

(e) "Project developer" means a person that owns, operates, or proposes to construct, own, or operate, a project.

(2) A term defined in section 10g of 1939 PA 3, MCL 460.10g, has the same meaning when used in these rules.

R 460.482 Electric utility interconnection procedures.

Rule 2. (1) Each electric utility shall file an application for approval of proposed interconnection procedures within 90 days of the effective date of these rules. Two or more electric utilities may file a joint application proposing a single set of interconnection procedures.

(2) The commission may approve, modify, or reject the proposed interconnection procedures. The commission shall issue its approval if the procedures, as proposed by the electric utility or with modifications required by the commission, meet all of the following requirements:

(a) Describe the steps necessary to effect the connection of a merchant plant or other project with the distribution system of the electric utility.

(b) Designate a single point of contact at the electric utility for all communications about interconnection.

(c) Are consistent with generally accepted industry practices and guidelines.

(d) Ensure the reliability of electric service and the safety of customers, utility employees, and the general public.

(e) Ensure compliance with these rules.

R 460.483 Technical criteria.

Rule 3. (1) The interconnection procedures shall specify technical, engineering, and operational requirements that are suitable for the electric utility's distribution system. The procedures shall include provisions that apply specifically to a project that designates some or all of its electrical output for sale to an electric utility or a third party.

(2) The interconnection procedures shall make provisions that are appropriate for the size and capacity of a project as they affect the technical and engineering complexity of the interconnection. The procedures shall include a distinct set of requirements for each of the following project capacity classifications:

(a) Less than 30 kilowatts.

(b) Thirty kilowatts or more, but less than 150 kilowatts.

(c) One hundred and fifty kilowatts or more, but less than 750 kilowatts.

(d) Seven hundred and fifty kilowatts or more, but less than 2 megawatts.

(e) Two megawatts or more.

(3) If the voltage at the electrical connection is comparable to the electric utility's transmission voltages, but the electric utility's facilities are classified as part of its distribution system for jurisdictional purposes, such as a radial line, the project shall not be subject to the interconnection procedures approved under these rules. The interconnection shall instead comply with analogous federal energy regulatory commission standards.

R 460.484 Project application.

Rule 4. (1) The interconnection procedures shall prescribe a process for a project developer to apply to an electric utility for an interconnection. The procedures may include a standard form application. A separate application shall be required for each project or project site.

(2) An electric utility shall acknowledge receipt of an application within 3 days, excluding Saturdays, Sundays, and other days when the offices of the electric utility are not open to the public.

(3) If the developer has paid the filing fee provided in R 460.485, the electric utility shall conduct an initial review of the application and provide the project developer 2 hours of consultation relating to the review in exchange for the fee. The consultation shall include a good faith estimate of the electric utility's charges to complete the interconnection.

(4) The interconnection procedures shall set a reasonable deadline for the electric utility to make an initial response to the application. The initial response shall indicate whether the application complies with the interconnection procedures and the standards set forth in these rules and identify any information required to complete the application or bring it into compliance. If an electric utility rejects an application for interconnection or otherwise withholds interconnection, then it shall provide the project developer with a written explanation of the reasons, which shall be based on demonstrably valid technical, reliability, or safety criteria.

R 460.485 Project filing fee.

Rule 5. (1) A project developer shall pay the electric utility a filing fee calculated as $0.50 per kilowatt of project capacity, but in no event shall the amount of the fee be less than $100 or more than $500.

(2) An electric utility may not charge additional fees, unless they are authorized by these rules.

R 460.486 Interconnection deadlines.

Rule 6. (1) The interconnection procedures shall set deadlines for processing an application filed by a project developer, achieving major milestones, and completing the interconnection and shall preclude undue delay. The deadlines shall ensure that the period from the date that the project developer files a complete application to the completion of all of the electric utility's obligations for interconnection shall be no longer than the following for each project capacity classification:

(a) Less than 30 kilowatts.....2 weeks

(b) Thirty kilowatts or more, but less than 150 kilowatts . . . .4 weeks

(c) One hundred and fifty kilowatts or more, but less than 750 kilowatts.....6 weeks

(d) Seven hundred and fifty kilowatts or more, but less than 2 megawatts.....12 weeks

(e) Two megawatts or more . . . .18 weeks

(2) Delays that are the responsibility of the project developer shall not be included in determining compliance with the deadlines imposed in subrule (1) of this rule.

(3) Delays that are solely attributable to time lapsed while an electric utility is diligently seeking to secure a necessary easement,

right-of-way access, or other change in property rights or comply with governmental permitting or zoning requirements shall not be includedin determining compliance with the deadlines imposed in subrule (1) of this rule.

R 460.487 Additional services provided by electric utility.

Rule 7. (1) The interconnection procedures shall state the conditions in which engineering studies or physical construction or modification of the electric utility's distribution system are required to facilitate or complete an interconnection. If any of those services are necessary, the electric utility and the project developer shall make a written agreement that sets forth the charges and other terms and conditions. The electric utility may prescribe standardized agreement forms as part of its interconnection procedures.

(2) The interconnection procedures shall set forth a uniform schedule of charges for engineering studies. The charges shall not exceed the lesser of either of the following:

(a) Five percent of the estimated total cost of the project.

(b) Ten thousand dollars.

(3) The interconnection procedures shall not require, or impose charges for, engineering studies if the project's aggregate export capacity is less than 15% of the line section peak load and the project does not contribute more than 25% of the maximum short circuit current at the point of interconnection.

(4) An agreement may impose charges for the electric utility's cost of making physical modifications to its distribution system, which shall not exceed reasonable, actual costs.

(5) An agreement required by this rule shall set deadlines for the electric utility to perform its obligations. The deadlines shall be consistent with the requirements in R 460.486(1). If the electric utility is unable to perform its obligations within the deadlines, then the project developer may choose to retain a contractor from a list of certified contractors maintained by the electric utility, and the contractor shall perform the remaining services and construction activities that are necessary to comply with the electric utility's specifications. The interconnection procedures shall include the list of certified contractors that are capable of performing services and construction under this subrule. The electric utility may not withhold or deny certification from any contractor that requests certification and demonstrates the requisite capabilities.

R 460.488 Pre-certified equipment.

Rule 8. The interconnection procedures shall include provisions for creating and maintaining an up-to-date listing of pre-certified types,

makes. and models of manufactured generating equipment. The electric utility's listing may reference or incorporate listings of equipment certified by recognized national testing laboratories as suitable for connection with a distribution system. The electric utility shall include an item of equipment in its pre-certified list if the item is generally acceptable for interconnection with the distribution system and a detailed review of the item's engineering design, characteristics, or suitability is not necessary to approve its use or installation by a project developer.

R 460.489 Waivers.

Rule 9. An electric utility may apply for a waiver from one or more provisions of these rules. The Commission may grant a waiver upon a showing of good cause.