

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter, on the Commission's own motion, to)	
commence an investigation into the interconnection of)	Case No. U-15113
independent power producers with a utility's system.)	
_____)	

In the matter, on the Commission's own motion,)	
to commence a rulemaking proceeding to amend)	Case No. U-15239
R 460.481 to R 460.489.)	
_____)	

At the February 27, 2007 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. J. Peter Lark, Chairman
Hon. Laura Chappelle, Commissioner
Hon. Monica Martinez, Commissioner

ORDER

In an order issued on October 24, 2006, the Commission initiated this proceeding to:

- (1) investigate the interconnection of independent power producers with a utility's system,
- (2) identify any problems or deficiencies in the existing interconnection procedures, and
- (3) develop and implement remedies. Specifically, the Commission directed The Detroit Edison Company (Detroit Edison) to file, by November 14, 2006, a report on the interconnection process as it applied to the Elkton-Pigeon-Bay Port Laker School District (Laker School) project.¹ This report was to include a detailed discussion regarding the timing of actual events at each step in the

¹The Laker School project consisted of three 65 kilowatt (kW) wind turbines, a 10 kW wind turbine, and a 1,600 Watt solar panel.

interconnection process, which proved to be far more protracted and complicated than originally anticipated. Detroit Edison was also required to explain what changes it intended to implement to assure that future interconnections are completed more smoothly. In addition, Detroit Edison was required to indicate how it intended to treat any generated power in excess of Laker School District's needs in light of the fact that the utility's net metering tariff only applies to projects of less than 30 kW.²

The Commission also directed Alpena Power Company, Consumers Energy Company, Detroit Edison, Edison Sault Electric Company, Indiana Michigan Power Company, Upper Peninsula Power Company, Wisconsin Electric Power Company, d/b/a We Energies, Wisconsin Public Service Corporation, and the Michigan Electric Cooperative Association on behalf of its member-cooperatives Alger Delta Cooperative Association, Cherryland Electric Cooperative, Cloverland Electric Cooperative, Great Lakes Energy Cooperative, Tri-County Electric Cooperative, Midwest Energy Cooperative, The Ontonagon County Rural Electrification Association, Presque Isle Electric & Gas Co-op, and Thumb Electric Cooperative of Michigan to file, by November 28, 2006, a listing of all interconnections completed pursuant to the procedures approved in Case Nos. U-14085, U-14088, or U-14091, as well as any pending interconnection applications. For each interconnection, the utilities were instructed to indicate the timing of each step in the interconnection process and to indicate whether any problems arose in the process.

Further, the Commission provided that other interested persons could file, by December 19, 2006, information detailing interconnection problems they have experienced and any suggestions for changes to the interconnection procedures.

²The Laker School District was given an opportunity to file a response to Detroit Edison's November 14 report.

The Commission Staff (Staff) was tasked with: (1) analyzing the filings and obtaining additional information as needed,³ (2), convening a public meeting on January 9, 2007 to discuss the issues raised in the filings for the purpose of determining if any consensus could be reached, and (3) filing a report by January 31, 2007, summarizing the issues identified and making recommendations for future action.

The Staff filed its Report on Utility Interconnection Issues (Staff Report) in Case No. U-15113 on January 31, 2007. The Staff Report summarizes: (1) the history of interconnection provisions in Michigan, (2) the Case No. U-13745 rulemaking proceeding that resulted in adoption of R 460.481 *et seq.*; (3) the approval of interconnection procedures for regulated utilities in Case Nos. U-14085, U-14088, and U-14091, (4) the details and discrepancies in the reports filed by Detroit Edison and the Laker School District regarding the Laker School project, (5) the reports from regulated utilities regarding completed and pending interconnection projects, (6) the 20 filings received from interested persons, and (7) the participants and the discussions that occurred at the January 9, 2007 public meeting.

Based on its analysis, the Staff divided its recommendations into two parts, one for generator interconnections of under 30 kW and another for generator interconnections of 30 kW and larger, although several of the standards are common to both groups. According to the Staff, the Commission should adopt the following recommendations:

1. The Commission should require utilities to file interconnection reports in the Case No. U-15113 electronic docket every 6 months using the table format shown in Appendix A. This recommendation would apply to all utilities without regard to the size of the interconnection.
2. The Commission should require utilities to provide to the applicant within three business days written notification of the receipt of each interconnection application. This recommendation would apply to all utilities without regard to the size of the interconnection.

³The electric utilities were directed to cooperate fully with the Staff.

3. The Commission should require utilities to evaluate the application for completeness and notify the applicant in writing within 10 business days of receipt of each interconnection application, specifying: (1) whether the application is complete, and if not advising what material is missing; (2) any changes in rates the utility believes will be required or optional once the interconnection is complete; and (3) all remaining activities that the utility believes will be the responsibility of the applicant to complete, including the proposed timing for those actions. This recommendation would apply to all utilities without regard to the size of the interconnection.
4. The Commission should require utilities to appoint a knowledgeable utility interconnection project manager for each interconnection application. This recommendation would apply to all utilities without regard to the size of the interconnection.
5. The Commission should encourage utilities to educate the public about the interconnection process by speaking at conferences and workshops, and maintaining easy to understand website informational pages. This recommendation would apply to all utilities without regard to the size of the interconnection.
6. The Commission should establish a workgroup to develop faster and less complex interconnection procedures for 10 kW and under interconnection projects.
7. The Commission should direct the Michigan Renewable Energy Program Ratemaking and Net Metering Committee to form a task force comprised of representatives from the Staff, utilities, and interested parties to seek a new consensus and report to the Commission within 90 days on a simplified approach for net metering for inverter based systems smaller than 10 kW.
8. The Commission should develop an informal interconnection standards waiver process. This recommendation was intended to apply only to generator interconnections of 30 kW and larger.
9. The Commission should establish a workgroup with the following objectives:
 - identify reasonable and achievable interconnection time deadlines;
 - propose a system for determining whether interconnection costs are reasonable, actual costs;
 - study the impacts and benefits of requiring utilities to consult with transmission providers when certain interconnection applications are filed (for distribution-level interconnections);
 - investigate the impacts and benefits of requiring all generators to maintain an acceptable power factor; and
 - develop criteria for identification of areas of opportunity for distributed generation on each utility's distribution system.

This recommendation was intended to apply only to generator interconnections of 30 kW and larger.

10. The Commission should encourage each utility to conduct a pre-application meeting between utility interconnection staff and each applicant or developer, to explain all expectations of the applicant and discuss any obligatory or optional rate changes that could occur once the interconnection is completed. This recommendation was intended to apply only to generator interconnections of 30 kW and larger.

Discussion

The Commission finds that the Staff's recommendation regarding adoption of a requirement for utilities to file interconnection reports in the Case No. U-15113 electronic docket every 6 months using the table format shown in Appendix A attached to this order should be adopted immediately. This recommendation shall apply to all utilities without regard to the size of an interconnection project. The initial reports shall be filed no later than September 30, 2007, to be followed by subsequent reports filed by March 31 and September 30 of subsequent years.

Likewise, the Commission is persuaded that immediate approval of the Staff's recommendation that utilities be encouraged by the Commission to educate the public about the interconnection process by speaking at conferences and workshops and to maintain easy to understand website informational pages is warranted. Many of the difficulties encountered so far with regard to interconnection delays could have been avoided had the utilities spent more time educating the project developers. This recommendation also applies to all utilities without regard to the size of potential interconnection projects.

Next, the Commission finds that the Engineering Section of the Commission's Operations and Wholesale Markets Division should be tasked with the responsibility of establishing a workgroup to develop faster and less complex interconnection procedures for 10 kW and under interconnection projects. Many commenting parties requested a simplified application process for these smaller projects. The Staff shall form a workgroup that involves a representative cross-section of

all interested persons and shall report the progress of the workgroup to the Commission by September 30, 2007. The Staff's report shall be filed in Case No. U-15113. Any suggestions that will require approval in a rulemaking proceeding also shall be submitted in Case No. U-15239.

The Commission also finds that the Engineering Section of the Commission's Operations and Wholesale Markets Division should convene a separate workgroup for interconnection projects of 30 kW or larger. The objectives for the 30 kW and larger workgroup will be to (1) identify reasonable and achievable interconnection time deadlines, (2) propose a system for determining whether interconnection costs are reasonable, actual costs, (3) study the impacts and benefits of requiring utilities to consult with transmission providers when certain interconnection applications are filed (for distribution-level interconnections), (4) investigate the impacts and benefits of requiring all generators to maintain an acceptable power factor, and (5) develop criteria for identification of areas of opportunity for distributed generation on each utility's distribution system. The Staff shall form a workgroup that involves a representative cross-section of all interested persons and shall report the progress of the workgroup to the Commission by September 30, 2007. The Staff's report shall be filed in Case No. U-15113. Any suggestions that will require approval in a rulemaking proceeding also shall be submitted in Case No. U-15239.

Further, the Commission agrees that the Michigan Renewable Energy Program Ratemaking and Net Metering Committee should be directed to form a task force comprised of representatives from the Staff, utilities, and interested parties to seek a new consensus and report to the Commission within 90 days on a simplified approach for net metering for inverter based systems smaller than 10 kW. The report shall be filed in Case No. U-15113.

Finally, with regard to the remainder of the Staff's recommendations, the Commission finds that their approval merits consideration in accordance with the rulemaking provisions of the

Michigan Administrative Procedures Act, 1969 PA 306, as amended, MCL 24.201 *et seq* (APA). For example, the Staff's recommendation that utilities provide written notification within three business days of the receipt of each interconnection application via e-mail, facsimile transmission, or U. S. Mail involves modifications to R 460.484, which currently provides "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." R 460.484. Additionally, the Commission notes that the Staff's recommendation that utilities evaluate applications for interconnections involving projects of under 30 kW within 10 business days is also the subject of R 460.486(1)(a). Further, the Staff's proposal for adoption of an informal waiver process requires amendment of R 460.489, which currently provides for waivers to be approved only by the Commission. Because the Commission must amend R 460.481 to R 460.489 to adopt these recommendations, the Commission is persuaded that the Staff's recommendations with regard to (1) the designation of a specific utility interconnection project manager for each interconnection application and (2) the requirement for a pre-application meeting between the utility and the applicant should also be addressed during the rulemaking proceeding.

Summary

The Commission finds that all of the Staff's recommendations are reasonable. However, because certain of the Staff's recommendations involve the promulgation of amendments to R 460.481 to R 460.489, the Commission has by this order opened a docket, Case No. U-15239, to consider those recommendations in a rulemaking proceeding. The remaining recommendations are approved by this order.

All documents filed in this case shall be submitted electronically through the MPSC Electronic Case Filings Web site at: <https://efile.mpsc.cis.state.mi.us/cgi-bin/efile/login.pl>. Requirements and

instructions for filing electronic documents can be found in the Electronic Case Filings Users Manual at: <http://efile.mpsc.cis.state.mi.us/efile/pdfs/usersmanual.pdf>. An application for account and letter of assurance, required of all first-time users, are located at: <http://efile.mpsc.cis.state.mi.us/efile/pdfs/assurance.pdf>. If you require assistance prior to e-filing, contact Commission staff at 517-241-6170 or by e-mail at: mpscefilecases@michigan.gov.

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. The Staff's recommendation regarding adoption of a requirement for utilities to file interconnection reports in the Case No. U-15113 electronic docket every six months using the table format shown in Appendix A should be adopted.
- c. The Staff's recommendation that utilities be encouraged by the Commission to educate the public about the interconnection process by speaking at conferences and workshops and to maintain easy to understand website informational pages should be adopted.
- d. The Engineering Section of the Commission's Operations and Wholesale Markets Division should be tasked with the responsibility of establishing a workgroup to develop faster and less complex interconnection procedures for 10 kW and under interconnection projects.
- e. The Engineering Section of the Commission's Operations and Wholesale Markets Division should convene a separate workgroup for interconnection projects of 30 kW or larger.
- f. The Michigan Renewable Energy Program Ratemaking and Net Metering Committee should be directed to form a task force comprised of representatives from the Staff, utilities, and

interested parties to seek a new consensus and report to the Commission within 90 days on a simplified approach for net metering for inverter based systems smaller than 10 kW.

g. A rulemaking proceeding should be commenced to amend R 460.481 to R 460.489.

THEREFORE, IT IS ORDERED that:

A. Alpena Power Company, Consumers Energy Company, The Detroit Edison Company, Edison Sault Electric Company, Indiana Michigan Power Company, Northern States Power Company, d/b/a Xcel Energy, Upper Peninsula Power Company, Wisconsin Electric Power Company d/b/a We Energies, Wisconsin Public Service Corporation, Alger Delta Cooperative Electric Association, Cherryland Electric Cooperative, Cloverland Electric Cooperative, Great Lakes Energy Cooperative, Tri-County Electric Cooperative, Midwest Energy Cooperative, The Ontonagon County Rural Electrification Association, Presque Isle Electric & Gas Co-op, and Thumb Electric Cooperative of Michigan shall each file interconnection reports using the table format shown in Appendix A. These reports are to be filed in Case No. U-15113 by September 30, 2007 and every 6 months thereafter.

B. Alpena Power Company, Consumers Energy Company, The Detroit Edison Company, Edison Sault Electric Company, Indiana Michigan Power Company, Northern States Power Company, d/b/a Xcel Energy, Upper Peninsula Power Company, Wisconsin Electric Power Company d/b/a We Energies, Wisconsin Public Service Corporation, Alger Delta Cooperative Electric Association, Cherryland Electric Cooperative, Cloverland Electric Cooperative, Great Lakes Energy Cooperative, Tri-County Electric Cooperative, Midwest Energy Cooperative, The Ontonagon County Rural Electrification Association, Presque Isle Electric & Gas Co-op, and Thumb Electric Cooperative of Michigan are encouraged by the Commission to educate the public

about the interconnection process by speaking at conferences and workshops and maintaining easy to understand website informational pages.

C. The Engineering Section of the Commission's Operations and Wholesale Markets Division shall establish a workgroup to develop faster and less complex interconnection procedures for 10 kilowatts and under interconnection projects as provided in this order.

D. The Engineering Section of the Commission's Operations and Wholesale Markets Division shall convene a separate workgroup for interconnection projects of 30 kilowatts or larger as provided in the order.

E. The Michigan Renewable Energy Program Ratemaking and Net Metering Committee shall form a task force comprised of representatives from the Commission Staff, electric utilities, and interested parties to seek a new consensus and report to the Commission within 90 days on a simplified approach for net metering for inverter based systems smaller than 10 kilowatts.

F. A rulemaking proceeding to amend R 460.481 to R 460.489 shall be commenced in Case No. U-15239.

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

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ J. Peter Lark

Chairman

(S E A L)

/s/ Laura Chappelle

Commissioner

/s/ Monica Martinez

Commissioner

By its action of February 27, 2007.

/s/ Mary Jo Kunkle

Its Executive Secretary

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

MICHIGAN PUBLIC SERVICE COMMISSION

Chairman

Commissioner

Commissioner

By its action of February 27, 2007.

Its Executive Secretary