

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Midwest Independent Transmission System) Operator, Inc.)	Docket Nos. ER06-18-004 ER06-18-005
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**NOTICE OF INTERVENTION AND
SUPPLEMENTAL COMMENTS OF
THE MICHIGAN PUBLIC SERVICE COMMISSION**

Pursuant to Rule 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission”), 18 C.F.R. § 385.214 (2006), the Combined Notice of Filing #1 issued by the Commission on November 7, 2006 and Notice of Filing #2 issued by the Commission on November 14, 2006 and the Notice of Extension of Time issued by the Commission on November 17, 2006, the Michigan Public Service Commission (“MPSC”) provides its notice of intervention and supplemental comments, to the comments being filed by the Organization of MISO States, in response to the November 1, 2006 tariff revisions filing, also known as the Regional Expansion Criteria and Benefits Filing (“RECB II”), of the Midwest Independent Transmission System Operator, Inc. (“Midwest ISO”).¹ The MPSC states as follows:

I. DESCRIPTION OF THE FILING

On November 1, 2006, the Midwest ISO filed revisions to Attachment FF to the Midwest ISO Open Access Transmission and Energy Markets Tariff to comply with the Commission’s

¹ The MPSC is a member of the Organization of MISO States (“OMS”). The MPSC has been participating through the OMS in the ER06-18-000 docket which concerned the October 7, 2005 tariff filing of the Midwest ISO (“RECB I filing”). The Commission conditionally accepted the RECB I filing on February 3, 2006 and required that the Midwest ISO make a compliance filing on November 1, 2006 which is the filing at issue in this instant proceeding in Docket Nos. ER06-18-004 and ER06-18-005. To the extent the Commission determines that a Motion to Intervene is required pursuant to Rule 214 (d), the MPSC respectfully requests that this Notice be treated as Motion to Intervene Out of Time pursuant to Rule 214 (d).

February 3, 2006 Order (“February 3 Order”).² Specifically, the Midwest ISO states that the purpose of the RECB II filing is to incorporate into the EMT the methodology for: (1) establishing criteria for evaluating whether a Regionally Beneficial Project (“RBP”) would be expected to generate sufficient regional benefits to justify cost allocation to Transmission Customers in designated sub-regions; (2) establishing procedures for allocating the costs of RBP resulting from the Midwest ISO’s Regional Transmission Plan (“MTEP”) that meet such inclusion criteria to the appropriate parties; and (3) establishing cost allocation procedures for costs resulting from the agreements with entities outside the Midwest ISO Region. Filing at pp 2-3.

II. NOTICE OF INTERVENTION

The MPSC is an agency of the State of Michigan, created by 1939 Pub. Acts 3, Mich. Comp. Laws Ann. § 460.1 *et seq.* As the Michigan regulatory agency having jurisdiction and authority to control and regulate rates, charges, and conditions of service for the retail sale of electricity in the State, the MPSC is a “state commission” as defined in 16 U.S.C. § 796(15) and 18 C.F.R. § 1.101(k) (2006). Accordingly, the MPSC hereby provides its notice of intervention pursuant to 18 C.F.R. § 385.214(a)(2) (2006).

Copies of all pleadings and correspondence in the proceeding should be addressed to:

² *Midwest Independent Transmission Sys. Operator, Inc.*, 114 FERC ¶ 61,106 (2006).

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III. COMMENTS

These comments are supplemental to those of the Organization of MISO States comments, which Michigan supports. Michigan's recent planning experiences can provide some important insights to assure that the Commission's and Michigan's mutual goal of encouraging cost-effective transmission investment can be realized efficiently, with a minimum amount of confusion and delay.

Michigan has undertaken major electric resource planning initiatives over the past two years. These initiatives have included extensive computer modeling of the Michigan electric system. Modeling components include electric reliability, power flow, resource expansion, and external energy markets. The Midwest ISO has participated in the initiatives by undertaking reliability modeling and providing information on behalf of the Michigan projects. Our experience to date has demonstrated that when the Midwest ISO and Michigan closely collaborate on modeling and analyses, the result has been very helpful to policy makers and the results widely accepted by market participants. However, Michigan has serious concerns about coordination of the modeling process for resource expansions and the conflicts that may emerge if this process is not conducted and correlated properly.

When this collaboration does not exist, modeling and analyses results can be contradictory and confusing, and result in doubts concerning the value, need, and cost recovery for expanded transmission. Michigan's modeling experience along with the Midwest ISO's role in our planning initiatives lead Michigan to recommend that the following language be added to the end of proposed tariff in Section B. as set forth on First Revised Sheet No. 1839 of the EMT:

The Midwest ISO will collaborate with the affected states on modeling formats, data selection, and assumptions used in estimating benefits for a regionally beneficial project.

The Midwest ISO has played an important role in Michigan's planning initiatives by performing reliability planning on behalf of the Michigan Commission Staff. The Midwest ISO's assistance is due in part to its responsibility as the regional reliability coordinator to identify areas where electric reliability is vulnerable. In this role, the Midwest ISO complements Michigan's own efforts to identify and plan for its future resource needs.

In our state reliability planning processes, initial interaction between Midwest ISO and the Michigan Staff revealed that the Midwest ISO's generating data used for modeling purposes was not completely accurate. Collaboration between Midwest ISO and Michigan planning participants resulted in a "clean" set of data for reliability modeling. Once the data had been updated, Midwest ISO's modelers proved adept at identifying forecast reliability violations in Michigan and played an important role in helping the Michigan Staff recommend policy proposals for addressing the state's future needs.

In the resource expansion modeling area however, our experience has been different. One of the major resource options being studied for the future is a large new Michigan transmission line. To evaluate whether such a line would be beneficial, the Midwest ISO has used PROMOD, a single period model, to estimate the economic impact of options that are

spread over several years. Michigan Staff, on the other hand, has made use of a model that is designed for multi-period analysis. Input assumptions have also differed between the Midwest ISO modeling effort and the Michigan Staff's work. The different approaches and assumptions have resulted in Midwest ISO modelers showing a net benefit from the project, but Michigan modelers calculating that the project would result in higher costs than alternative methods for meeting the state's needs. Unlike reliability planning, there was only intermittent collaboration between Midwest ISO and the Michigan Staff during these resource expansion model runs. If tariff language or a procedure had been in place to require closer collaboration, it would be more likely that such inconsistent results could be avoided.

Michigan does have a transmission line siting statute which requires a transmission owner to secure a certificate for transmission lines for voltages at or above 345 KV. The Electric Transmission Line Certification Act, 1995 PA 30, as amended, MCL 460.561 et seq. Prior to issuing a certificate, this law requires the MPSC to determine, among other things, that a proposed line's quantifiable and non-quantifiable public benefits justify its construction.

Our experience interacting with Midwest ISO planners reveals that Midwest ISO may determine a proposed project to be beneficial, while Michigan may find the line to not be beneficial given the likely differences over the appropriate modeling format or assumptions and the lack of coordination. Michigan would note that it is possible to avoid these differences with close collaboration between Midwest ISO and Michigan planners. Michigan's and Midwest ISO's experience with reliability modeling demonstrates the value of this collaboration.

To assure a seamless and efficient process for identifying and siting regionally beneficial projects at the 345 KV level and above, the MPSC strongly recommends that the Commission

include the draft language above in the Midwest ISO's EMT that would require it to collaborate with affected states regarding model format, assumptions, and data.

IV. CONCLUSION

As set forth more fully above, the MPSC hereby provides its notice of intervention in this proceeding and comments to the November 1, 2006 filing.

Respectfully submitted,

THE MICHIGAN PUBLIC SERVICE COMMISSION

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C. this 21st day of December, 2006.

/s/ M. Denyse Zosa
