

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

**Midwest Independent Transmission )  
System Operator, Inc. )**

**Docket No. ER10-1791-000**

**NOTICE OF INTERVENTION AND COMMENTS  
OF  
THE MICHIGAN PUBLIC SERVICE COMMISSION**

Pursuant to Rules 211 and 214 of the Federal Energy Regulatory Commission's ("Commission") Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2008), the Michigan Public Service Commission ("MPSC") hereby submits its notice of intervention and comments in the above captioned proceeding. In support of its position the MPSC states as follows.

**I. NOTICE OF INTERVENTION**

The MPSC is an agency of the State of Michigan created by 1939 Pub. Act 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) (2008). Accordingly, the MPSC hereby

provides its notice of intervention pursuant to 18 C.F.R. § 385.214(a)(2)(2008). Copies of all pleadings and correspondence in the proceeding should be addressed to:

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## II. DESCRIPTION OF THE FILING

On July 15, 2010, the Midwest Independent Transmission System Operator, Inc. ("Midwest ISO") and the Midwest ISO Transmission Owners (hereinafter "Applicants"), pursuant to section 205 of the Federal Power Act, 16 U.S.C §824d and Part 35 of the Commission's regulations, 18 C.F.R. Part 35, submitted for filing proposed tariff sheets and supporting testimony to revise the Midwest ISO's Open Access Transmission Energy, and Operating Reserve Markets Tariff to: 1) establish a new category of transmission projects designated as Multi Value Projects ("MVPs") and corresponding cost allocation methodology for such projects; (2) provide for Generator Interconnection Projects ("GIPs") arising within a defined time period to share the costs of Network Upgrades on which they mutually rely; and (3) otherwise retain the cost allocation for

Network Upgrades needed for GIPs that was conditionally accepted by the Commission in the October 23, 2009 Order in Docket No. ER09-1431-000.<sup>1</sup>

The Applicants assert that the new MVP transmission project planning and cost allocation category will enable the reliable and economic delivery of power in support of energy policy mandates and will address, through the development of a robust transmission system, multiple reliability and/or economic issues affecting multiple transmission zones. The proposed MVP cost allocation methodology spreads 100% of MVP costs to all load and exports on the basis that MVPs and their associated transmission upgrades provide region-wide benefits to the Midwest ISO footprint as a whole. In order for a transmission project to qualify as an MVP, a project must meet at least one of the following criteria:

**Criterion 1** - The project must be developed through the transmission expansion planning process for the purpose of enabling the transmission system to deliver energy reliably and economically to support documented energy policy mandates or laws that directly or indirectly govern the minimum or maximum amount of energy that can be generated by specific types of generation in a manner that is more reliable and/or more economic than it otherwise would be without the transmission upgrade; and/or

**Criterion 2** - The project must provide multiple types of economic value across multiple pricing zones with a total project benefit-to-cost ratio of 1.0 or higher, as defined in Section II.C.6 of Attachment FF. In conducting the benefit-to-cost analysis, the reduction of production costs and the associated reduction of locational marginal prices ("LMP") resulting from a transmission congestion relief project are not additive and are considered a single type of economic value; and/or

**Criterion 3** - The project must address at least one Transmission Issue associated with a projected violation of a North American Electric Reliability Corporation

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<sup>1</sup> *Midwest Indep. Transmission Sys. Operator, Inc.*, 129 FERC ,61,060, at P 1 (2009) ("October 23 Order").

("NERC") or Regional Entity standard and at least one economic-based Transmission Issue that provides economic value across multiple pricing zones. In this case, the project must generate total financially quantifiable benefits in excess of the total project costs based on financial benefits and project costs, as defined in Section II.C.6 of Attachment FF.

In addition to these criterion, the filing provides that in order to be defined as an MVP the total capital cost of the transmission project: 1) must be greater than or equal to the lesser of \$20,000,000.00 or 5% of the constructing Transmission Owner's contemporaneously reported net transmission plant; and 2) must include the construction or improvement of transmission facilities operating at voltages above 100 kV.<sup>2</sup>

The tariff revisions in this filing provide recovery for 100% of all MVP costs on a postage-stamp (i.e., usage) basis that will be allocated to all load in, and exports from, the Midwest ISO. The MVP charge will be based on the annual revenue requirements reported by each Midwest ISO Transmission Owner for projects that meet the MVP criteria.

The Applicants explain that this filing is part of an ongoing, comprehensive review of the Midwest ISO's Regional Expansion Criteria and Benefits ("RECB") transmission cost allocation methodologies. Currently RECB methodologies include Baseline Reliability Projects ("BRP" also known as "RECB I"), projects required to ensure that the Midwest ISO transmission system remains in compliance with applicable reliability standards, and Regionally Beneficial Projects ("RBP" also known as "RECB II"), projects that are economic upgrades that meet a specific set of standards. These

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<sup>2</sup> Lower voltage, or "underbuild" facilities will be included in the MVP category so long as they are, from a planning perspective, required as part of the same project as the MVP.

projects are now defined as Market Efficiency Projects ("MEP"). The filing specifically provides that the cost allocation methodologies (i.e., 20% regional /80% non-regional allocation) already agreed to and contained in the orders approving the existing RECB I and RECB II projects will continue to be retained.

The Applicants request the earliest possible effective date, i.e., July 16, 2010.

### III. STANDARD OF REVIEW

The Commission reviews Regional Transmission Organization ("RTO") proposals to modify the procedures for generation interconnection set forth in Order No. 2003 under an "independent entity" standard of review.<sup>3</sup> Under that standard, RTOs "are entitled to more flexibility in proposing variations than are non-independent entities," because they are "less likely than non-independent entities to favor one generator over another."<sup>4</sup> As the Commission explained in the October 23 Order, "cost allocation for generator interconnection-related network upgrades must strike an appropriate balance between the entity that 'caused' the need for an upgrade (i.e., by deciding to interconnect a new generator) and the larger set of entities that will actually benefit from that upgrade. Accordingly, Applicants must show that the changes proposed in this filing "are just and

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<sup>3</sup> See *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003, 2001-2005 FERC Stats. & Regs. ¶ 31,146, (2003) ("Order No. 2003"), *order on reh'g*, Order No. 2003-A, 2001-2005 FERC Stats. & Regs. ¶ 31,160 (2004) ("Order No. 2003-A"), *order on reh'g*, Order No. 2003-B, 2001-2005 FERC Stats. & Regs. ¶ 31,171 (2004) ("Order No. 2003-B"), *order on reh'g*, Order No. 2003-C, 2001-2005 FERC Stats. & Regs. ¶ 31,190 (2005) ("Order No. 2003-C"), *aff'd sub nom. Nat'l Ass'n of Regulatory Utility Comm'rs v. FERC*, 475 F.3d 1277 (D.C. Cir. 2007).

<sup>4</sup> *Midwest Indep. Transmission Sys. Operator, Inc.*, 129 FERC ¶ 61,301, at P 14 (2009)("Phase II Order").

reasonable and not unduly discriminatory, and that they would accomplish the purposes of Order No. 2003."<sup>5</sup>

#### IV. COMMENTS

##### A. Background and General Position

The MPSC generally supports the concept of creating a new category of public policy projects such as Multi-Value Projects and the establishment of a clear and concise planning process for evaluating and approving transmission projects that have reasonable and equitable outcomes without unduly disadvantaging any discrete group of stakeholders. Having been an active participant in the stakeholder process that contributed to this filing, the MPSC recognizes that equitable transmission cost allocation is a difficult subject which requires the evaluation and resolution of competing interests. The MPSC commends the Midwest ISO for the consultative process it undertook in advance of this filing and for tireless efforts on this important topic.

The MPSC supports a cost allocation methodology that encourages transmission system development needed to maintain both system reliability and energy policy mandates and laws requiring reliance on renewable energy sources. To this end, the MPSC believes the Applicants' proposal to establish an enhanced MVP planning process is a step in the right direction and one that generally is responsive to many of the concerns and issues raised by stakeholders. Specifically, the MPSC encourages the development of a transparent MVP planning process that includes detailed procedures and mechanisms for evaluating projects to insure the most efficient, cost-effective and

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<sup>5</sup> *Id.*

reliable projects are selected as well as a process to insure coordination and a meaningful opportunity for states to participate in the information exchange.

The MPSC has determined that the Applicant's filing does not account for several important matters specific to Michigan that would shift a disproportionate share of costs to Michigan customers, inconsistent with the Commission's regulations and applicable case law.

Under Sections 205 and 206 of the Federal Power Act, the Commission is charged with ensuring that the rates, terms, and conditions for transmission of electricity in interstate commerce are just, reasonable, and not unduly discriminatory or preferential.<sup>6</sup> The Commission and the courts have found that the costs of jurisdictional transmission facilities must be allocated in a manner that satisfies the "cost causation" principle, *i.e.*, the requirement that "all approved rates reflect to some degree the costs actually caused by the customer who must pay them."<sup>7</sup> Accordingly, the Commission must ensure that the costs allocated to a beneficiary are at least roughly commensurate with the benefits that are expected to accrue to that entity.<sup>8</sup> The U.S. Court of Appeals for the Seventh Circuit explained that all approved rates must reflect to some degree the costs actually caused by the customer who must pay them and that compliance with this principle is

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<sup>6</sup> 16 U.S.C. 824d, 824e.

<sup>7</sup> *K N Energy, Inc. v. FERC*, 968 F.2d 1295, 1300 (D.C. Cir. 1992) ("*K N Energy*").

<sup>8</sup> *Illinois Commerce Comm 'n v. FERC*, 576 F.3d 470, 476-77 (7th Cir. 2009) 77 (citing *Midwest ISO Transmission Owners*, 373 F.3d at 1369) ; *Sithe/Independence Power Partners, L.P. v. FERC*, 285 F.3d 1,4-5 (D.C. Cir. 2002); 16 U.S.C. § 824d).

evaluated by comparing the costs assessed against a party to the burdens imposed or benefits drawn by that party.<sup>9</sup>

While the MPSC supports the direction and objectives of the instant filing, there currently is no basis for concluding that the instant filing strikes the Commission's required appropriate balance between the entity that "caused" the need for an upgrade and the larger set of entities that will actually benefit from that upgrade. To the contrary, the criteria for evaluating projects eligible for 100% cost subsidization could result in the allocation of costs that far exceed the benefits derived therefrom. Such an end result would be unjust and unreasonable as discussed in *Illinois Commerce Comm 'n v. FERC*.

A just and reasonable allocation of costs that follows cost causation principles is of particular importance to the State of Michigan because the transmission facilities that interconnect Michigan to the Midwest ISO transmission system are limited.

Geographically, Michigan is two peninsulas. In historical terms, geography has constrained the development of Michigan's interconnections with neighboring utility systems. In electrical terms, the load, generation and transmission lines in the Upper Peninsula are comparatively small. The Lower Peninsula is unique within the Midwest ISO in that the physical transmission interconnections with the Midwest ISO transmission system are limited. In effect, Michigan is becoming more of a Midwest ISO

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<sup>9</sup> *Illinois Commerce Comm 'n v. FERC*, 576 F.3d 470, 476 (7th Cir. 2009) (citing *K N Energy*, 968 F.2d at 1300; *Transmission Access Policy Study Group v. FERC*, 225 F.3d 667, 708 (D.C. Cir. 2000), *aff'd sub nom. NY v. FERC*, 535 U.S. 1 (2002); *Pac. Gas & Elec. Co. v. FERC*, 373 F.3d 1315, 1320-21 (D.C. Cir. 2004); *Midwest ISO Transmission Owners v. FERC*, 373 F.3d 1361, 1368 (D.C. Cir. 2004); *Alcoa Inc. v. FERC*, 564 F.3d 1342, 1346-47 (D.C. Cir. 2009); *SithellIndependence Power Partners, L.P. v. FERC*, 285 F.3d 1,4-5 (D.C. Cir. 2002); 16 U.S.C. § 824d).

island than a peninsula. These transmission limitations are managed by Midwest ISO's coordinated operations of the transmission grid with neighboring RTOs. However, Michigan's limited interconnections with the Midwest ISO means that Michigan is likely to realize minimal benefits from distant transmission expansion projects constructed in the other twelve states in the Midwest ISO.

On the basis of load, Michigan would be exposed to 19.3% of all MVP costs.<sup>10</sup> This percentage would increase with the anticipated departure of First Energy and Duke next year.

In addition, Michigan has enacted Renewable Portfolio Standards, 2008 PA 295; MCL 460.1021 *et seq.*, that provide a comprehensive roadmap for the state's future development of renewable resources and the transmission upgrades needed to accommodate these demands. As a state struggling with restructuring its economy and in need of jobs, the MPSC must carefully balance to what extent Michigan customers can afford to subsidize MVP projects in distant locations that will have few appreciable benefits to them, while still supporting national energy policy direction.

As a threshold matter, therefore, the MPSC believes that the Commission must require a demonstration that the cost causation principles identified by the Seventh Circuit in *Illinois Commerce Comm 'n v. FERC* are satisfied.. To accomplish the intent of the Seventh Circuit, a subjective mechanism must be established during the planning

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<sup>10</sup> “Midwest ISO Transmission Expansion Plan 2010 (Draft August 20, 2010), Appendix F.3 Rate Impacts of Future Congestion, Figure F.4-1, page 2, [http://www.midwestmarket.org/publish/Document/4be958\\_12a8f61ed96\\_-7fde0a48324a?rev=1](http://www.midwestmarket.org/publish/Document/4be958_12a8f61ed96_-7fde0a48324a?rev=1)”

process to determine whether there are any regions or pricing zones that receive minimal benefit from the proposed MVP project. In regions or pricing zones where such disparity exists, there should be an allocation of little or no costs. The inclusion of this subjective analysis will ensure that the planning process is not biased towards regional transmission projects at the expense of local renewable energy resources.

Notwithstanding the need for a subjective analysis of the benefits flowing from a proposed project, Michigan is also concerned that the objective criteria for identifying whether a project should be eligible as an MVP for 100% cost allocation is currently too broad. The MPSC, therefore, requests the following modifications to the instant filing:

- 1) Limit the definition of MVPs to include only Criterion 1 projects developed through the approved transmission expansion planning process for the purpose of enabling the transmission system to deliver energy reliably and economically to support documented renewable energy policy mandates or laws;
- 2) Limit the definition of MVPs to include only those facilities at or above 300kV;
- 3) Modify 100% regional cost allocation to load for MVPs to 80% regional, 20% non regional;
- 4) Reject MVP Criterion 2 and Criterion 3 because as proposed they are indistinguishable from RECB I and RECB II criteria;
- 5) If Criterion 2 and Criterion 3 are approved, limit the definition of MVPs to include only those projects that can demonstrate a benefit-to-cost ratio of 1.25 across multiple zones;
- 6) Integrate accountability and more transparency provisions into the MVP planning process;
- 7) Ensure the continuation of the existing generator interconnect provisions in the Midwest ISO tariff; and

- 8) Support the Midwest ISO's proposed July 16, 2010 effective date.

**B. Specific Concerns and Recommendations**

**1. MVPs Should Be Limited to Criterion 1 Facilities.**

Michigan supports a pricing policy which appropriately allocates to all transmission customers the cost of transmission investments for projects that have been developed and vetted through a planning process that insures coordination, transparency and a meaningful opportunity to participate in information exchange. As currently defined, Criterion 1 specifically requires that such projects be "for the purpose of enabling the transmission system to deliver energy reliably and economically to support documented energy policy mandates or laws ...." Consistent with this definition, the MPSC believes that only those projects that have emerged from such a process with the ability to deliver energy reliably **and** economically to support documented energy policy mandates in a manner that is more reliable and/or more economic than it would otherwise be (without the MVP ) should qualify as an MVP.

Assuming MVPs are limited to facilities that qualify under this two-pronged Criterion 1 test (and satisfy the cost causation principles discussed above), the MPSC supports the proposal to allocate 100% of the MVPs' costs to load. However, under circumstances where energy policy mandates or laws are enacted that cannot satisfy the requirement that the delivery of energy be more economic than it would otherwise be (without the transmission upgrades), a different guarantee of cost allocation may be required. In fairness, and to encourage the development of the most economic projects,

such a policy should allocate the cost of "less economic" upgrades and expansions to those causing the upgrade or expansion to be undertaken. An example might be to consider the creation of new and separate MVP planning and cost allocation regions to allow for more equitable sharing of costs to customers for MVP projects that would be roughly commensurate with the benefits that they would receive.

## **2. MVPs Should be Limited to Facilities At or Above 300kV.**

As currently proposed, the MPSC believes that the Applicants' request to include facilities operating at voltages equal to or above 100kV (inclusive of lower-voltage or "underbuilds") in the MVP category does not satisfy the cost causation principles articulated by the Commission or the Courts as the usage of these facilities are too local in nature to provide regional benefit commensurate with the cost allocation expected to accrue. The MPSC is in favor of modifying this criterion to permit only those facilities with voltages at or above 300kV to be defined as MVPs and eligible for cost sharing regionally. Moreover, incorporating a threshold minimum level of 300kV for facilities to be included in the MVP process is at the low end of the voltage levels that have been incorporated into the tariffs of the Midwest ISO's neighboring RTOs.<sup>11</sup> Given that the Southwest Power Pool on the south west side of MISO has a minimum threshold of

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<sup>11</sup> Southwest Power Pool ("SPP"), for instance, defines extra high voltage ("EHV") facilities as transmission facilities operating at or above 300 kV. The Commission recently accepted this definition of EHV and approved SPP's voltage-based cost allocation methodology, under which 100 percent of costs for new EHV facilities operating at or above 300 kV are allocated across the SPP region on a postage stamp basis. *See* Southwest Power Pool, Inc., 131 FERC ¶61,252, P 62, 73-75 (2010). Similarly, the Commission accepted PJM Interconnection, L.L.C.'s ("PJM") definition of extra high voltage transmission facilities as those operating at or above 500 kV. *See PJM Interconnection, L.L.C.*, Opinion No. 494, 119 FERC ¶ 61,063, P 76, 78-79 (2007), *order on reh'g*, Opinion No. 494-A, 122 FERC ¶ 61,082, P 63-65 (2008).

300kV and PJM on the east side of MISO has a minimum threshold of 500 kV, the MPSC requests that the Commission direct MISO to amend its definition of MVP to include a minimum kV threshold consistent with its neighboring RTOs. The MPSC believes that increasing the minimum requirement for qualifying projects to 300 kV will also minimize current concerns associated with the vague requirement that a project must show value across "multiple pricing zones" by increasing the likelihood that such a project would impact a larger region (instead of simply two neighboring utilities).

**3. 100% Regional Cost Allocation to Load for MVPs Should be Modified to 80% Regional and 20% Non-Regional.**

A reasoned basis exists to modify the proposed 100% regional cost allocation to load to an 80% regional and 20% non-regional cost allocation methodology. Specifically, it is recognized that a portion of the transmission system is installed to facilitate the delivery of energy from local generation to local load within a specific area and provide access to the overall transmission grid. This portion of the transmission system provides access benefits to local generation and load. "Therefore, the cost of this portion of the transmission system could be allocated to local generation and load."<sup>12</sup>

During the Organization of MISO States ("OMS") focused Cost Allocation and Regional Planning ("CARP") work group meetings and the collaborative Midwest ISO RECB stakeholder meetings that followed, extensive discussion was dedicated to understanding the implications of the Midwest ISO Transmission Usage Study ("TUS").

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<sup>12</sup> Clair Moeller – Injection Withdrawal Presentation, OMS CARP Meeting, July 8, 2009; [http://www.misostates.org/CARP-Injection\\_WithdrawalPresentation.ppt#657,13](http://www.misostates.org/CARP-Injection_WithdrawalPresentation.ppt#657,13), Access to Local Facilities, slide 13.

This study attempted to equate the benefits of representative transmission lines with the flows over those particular transmission lines.

The Midwest ISO's analysis of transmission system usage indicated that use of transmission facilities likely to qualify as MVPs is primarily regional. In addition, the Midwest ISO found other benefits of MVPs beyond advancing state and federal energy policy such as reduction in production costs and losses, reduced capacity requirements and increased reliability. By calculating regional and non-regional usage through a Transmission Usage Analysis, the TUS provided a quantifiable method to allocate costs for different voltage classes.

The Midwest ISO Staff represented that the amount of local transmission usage anticipated in the year 2014 was expected to be 32%, dropping to 25% in the year 2024.<sup>13</sup> While these percentages were developed based upon assumptions going forward into the future, it is reasonable to believe that a minimum of 20% of installed transmission facilities will be used locally, and therefore, should be funded as such. In its filing, the Midwest ISO chose to allocate 100% of MVP costs to regional load, rather than retain the TUS calculation that allocated 80% to regional load and 20% to either local generation or local load.

The MPSC believes the Midwest ISO's TUS provided not only a scientific but also a reasoned basis for determining the benefits and cost sharing responsibilities (regionally and non-regional) consistent with Commission and Court precedent.

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<sup>13</sup> Injection / Withdrawal Transmission Cost Allocation – 12/14/09, OMS CARP Meeting, 12/14/09, <http://www.misostates.org/CARPXIIIInjectionWithdrawal12-14-09.pdf>, slide 8.

#### **4. Criterion 2 and Criterion 3 Should be Rejected.**

The Applicant's filing specifically provides that the cost allocation methodologies already agreed to and contained in the orders approving the existing RECB I and RECB II will continue to be retained. The existing RECB I and RECB II cost allocation methodologies, which resulted from extensive discussions and analysis, provide that only 20% of the costs of such applicable facilities will be allocated system-wide and the remaining 80% of such costs will be recovered on a local and sub-regional basis. The MPSC agrees with the Applicant that RECB I and RECB II cost allocation methodologies should be retained and continue to be used for their intended purposes. RECB I expressly applies to Network Upgrades that are required to ensure that the Midwest ISO transmission system remains in compliance with applicable NERC reliability standards.

The MPSC, however, does not agree that it would be just and reasonable to include Criterion 3 in the proposed definition of MVP because, by its own terms, Criterion 3 also addresses transmission projects associated with violations of a North American Reliability Corporation standard. Yet under the instant filing, the proposed cost allocation methodology would now require 100% of the cost of these projects to be socialized. Similarly, RECB II and Criterion 2 both involve economic upgrades yet contemplate different cost allocation implications.

While the MPSC recognizes that the Applicants contend that the proposed projects included in Criterion 2 and 3 are not the same as RECB I and RECB II because they are

regional in nature, according to the testimony of Jennifer Curran, almost all reliability and economic projects would qualify for MVP cost sharing treatment.

The MPSC requests that the Commission reject the use of Criterion 2 and Criterion 3 as criteria to qualify as an MVP. The MPSC contends that the Applicants' request to include Criterion 2 and 3 in the MVP at this time should be rejected and, to the extent any changes are required to the *status quo*, such a discussion should be vetted thoroughly during the RECB Phase III process scheduled to begin at the Midwest ISO in September. If, however, the Commission approves the inclusion of Criterion 2 and Criterion 3 in the MVP analysis, the MPSC urges the Commission, at a minimum, to require the Midwest ISO to provide a distinction between RECB I and II projects and those projects proposed under MVP Criterion 2 and 3.

**5. At a Minimum, MVPs Should be Limited to Facilities With a Benefit-to-Cost Ratio of 1.25 or Higher Across Multiple Zones.**

If for any reason the Commission does not support the MPSC approach of limiting the definition of MVPs to Criterion 1, and instead incorporates Criterion 2, the MPSC believes it is important that the Midwest ISO benefit-to-cost ratio be no less than 1.25. The reason this change is particularly important in an RTO like the Midwest ISO is that the scope of the geographical region is so large in size that a benefit to "multiple [pricing] zones" could be satisfied in an area smaller than one state, yet the costs would be presumed to be socialized across the entire RTO encompassing twelve states in the Midwest ISO.

Under such circumstances, the MPSC believes that a project must demonstrate a stronger benefit-to-cost ratio of 1.25 to support inclusion as a MVP. Moreover, a benefit-to-cost ratio of 1.25 is consistent with the threshold for Cross Border Market Efficiency Projects agreed to between the Midwest ISO and PJM as well as the threshold contained in the FERC Notice of Proposed Rulemaking in RM10-23.<sup>14</sup>

**6. Integrate Accountability and More Transparency Into the Planning Process.**

In addition to the analysis and procedures identified above, the MPSC requests that FERC build on the existing planning protocols and establish a transparent process to address issues including MVP transmission planning cost accountability and the requirement that various types of alternative projects are properly considered and evaluated.

With respect to planning accountability, the MPSC requests that the Commission establish a rebuttable presumption that only the initial projected cost expectation for a project is subject to the cost recovery mechanism such that any cost overruns require the applicant to carry the burden to demonstrate that such overruns are just and reasonable and could not have otherwise been anticipated. The MPSC believe this presumption will result in more accurate cost projections by which to evaluate competing projects and provide an incentive for the project developers to come in within budget.

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<sup>14</sup> *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, 131 FERC ¶ 61,253(2010).

In addition, the Commission could require the Midwest ISO to continue its work to revise its tariff to include a more detailed MVP planning and approval process that would increase the stakeholder participation and review to ensure that MVPs are the most reliable and cost effective project available in the short-term and the long-term.

#### **7. Continuation of Existing Generator Interconnection Provisions.**

The MPSC supports the Applicants' proposal to continue existing provisions governing the allocation of costs to network upgrades required for generator interconnections. In particular, the MPSC supports the continuation of the existing provision for ITC, ATC and METC governing the 100% reimbursement of costs for qualified network upgrades required as part of generator interconnection. As a matter of state policy, the MPSC supports Midwest ISO tariff provisions such as those approved for ITC, METC and ATC which encourage the construction of new generation facilities that will serve state policy initiatives of maintaining reliable electric service and promoting the creation of new jobs in Michigan.

#### **8. Approval of the Requested Effective Date**

The MPSC strongly supports the Applicants requested effective date of July 16, 2010. Consistent with stakeholder discussions and expectations to date, approval of July 16, 2010 as the effective date will allow MVP cost allocation treatment for transmission projects that may be approved in Appendix A of the 2010 MTEP.

## V. CONCLUSION

In conclusion, any Commission order in this proceeding must demonstrate that the instant filing would allocate costs of new transmission in an equitable manner consistent with cost causation principles. The Comments as set forth above identify several areas where the filing fails to satisfy this important standard. As a result, the MPSC does not support the approval of this filing without the modification requested herein that protect regions or stakeholders from the shared costs of projects from which they receive little or no benefit. To address this concern, the Commission, should direct the Midwest ISO to include a mechanism in its filing to protect ratepayers from paying for projects from which they receive little or no benefits.

Respectfully submitted,  
**THE MICHIGAN PUBLIC SERVICE  
COMMISSION**

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**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served, via electronic mail or first class mail, 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 10th day of September, 2010.

*s/ Kelly A. Daly*\_\_\_\_\_