

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

**Midwest Independent Transmission System Operator, Inc. and) Docket No. ER11-1844-000
International Transmission Company d/b/a ITCTransmission)**

**NOTICE OF INTERVENTION AND COMMENTS
OF THE MICHIGAN PUBLIC SERVICE COMMISSION
IN SUPPORT OF FILING TO ADDRESS LOOP FLOW ISSUES**

Pursuant to Rule 214 of the Federal Energy Regulatory Commission's (Commission) Rules of Practice and Procedure, the Michigan Public Service Commission (MPSC) hereby submits its Notice of Intervention and Comments in support of the proposed tariff revisions filed on October 20, 2010 in the referenced docket by the Midwest Independent Transmission System Operator, Inc. (Midwest ISO) and International Transmission Company (ITC)(collectively the Filing Parties).

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. BACKGROUND

By the instant filing, the Filing Parties propose to establish a cost allocation methodology that assigns the costs of new phase angle regulators (PARS) constructed by ITC which have been identified by the Midwest ISO, New York Independent System Operator (NYISO) and PJM Interconnection, L.L.C. (PJM)(collectively, RTOs ISO) as essential to mitigate Lake Erie loop flow problems.

The proposed tariff sheets would allocate costs of the PARs to the three regions (Midwest ISO, NYISO and PJM) that cause Lake Erie loop flow problems. The resulting cost allocation proposal allocates costs based on an analysis performed by the Midwest ISO that measures the extent to which each region contributes to the loop flows. The resulting allocations are as follows:

Midwest ISO	49.6%
NYISO	30.9%
PJM	19.5%

As noted by the Filing Parties, no agreement has been reached with regard to how the cost associated with the new PARS would be shared.

III. COMMENTS

The MPSC supports allocating costs of facilities on the basis of cost causation principles. The proposed tariff sheets would allocate the costs of the new PARs project on the basis of benefit from the PARs facilities by each region. In the MPSC's view, such allocation is consistent with cost causation principles. The MPSC recognizes, however, that there is no agreement among the affected parties on this point.

As indicated by the Filing Parties, representatives of the regions affected have been working together to identify the source of Lake Erie loop flow problems and to discuss potential solutions.¹ According to the Filing Parties, the representatives of the regions affected recognize that all three regions contribute to the loop flow problem and also agree that new PARs would address the loop flow problems.² Unfortunately, no agreement was reached as to how to allocate costs of such facilities. As explained by the Filing Parties, the absence of agreement presents a legal issue because the Commission recently proposed in its Transmission NOPR in Docket No. RM10-23 that the cost of intraregional facilities must be allocated "solely within the transmission planning region unless another entity outside the region or another transmission planning region voluntarily agrees to assume a portion of those costs."³

Representatives of the MPSC participated in meetings among the interested entities regarding the loop flow problem. These discussions were very constructive and produced much common ground, including agreement as to the need to address loop flow problems and the type of facilities that would lead to a solution, at least in part. Further meetings are scheduled between the regions. Given this background and momentum, the MPSC believes that further discussions, particularly in a more formal setting at the FERC, may produce a consensus on cost

¹ Transmittal Letter at 3.

² *Id.* at 6.

³ Transmission NOPR at 92.

allocation. Towards this objective, the MPSC requests the Commission to establish a process for engaging in settlement discussions under the auspices of a FERC Settlement Judge. Michigan believes that such procedures, with the active participation of the FERC Staff, may be an efficient way to reach a consensus on a cost allocation methodology. Such process, in the MPSC's view, would be preferable to litigating the allocation methodology and the underlying legal issues related to allocating costs to entities outside of the Midwest ISO planning region.

Respectfully submitted,

**THE MICHIGAN PUBLIC SERVICE
COMMISSION**

/s/ Patricia S. Barone

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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 17th day of November, 2010.

/s/ Patricia S. Barone