

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

Promoting Transmission Investment Through Pricing Reform) Docket No. RM11-26-000

Initial Comments of the Michigan Public Service Commission

On May 19, 2011, the Federal Energy Regulatory Commission ("Commission") issued a Notice of Inquiry ("NOI") seeking input from stakeholders on the scope and implementation of its transmission incentive policies, including what steps the Commission could take to ensure that its incentive policies for investment in transmission infrastructure appropriately encourage the development of the nation's transmission grid in a manner consistent with its statutory responsibilities. Pursuant to the May 19 NOI and the Commission's June 8, 2011 and August 12, 2011 "Notices Extending Comment Period" issued in the above-captioned docket, the Michigan Public Service Commission ("MPSC") hereby submits these general comments on the scope and implementation of the Commission's transmission incentives regulations and policies under Order No. 679.¹

The MPSC generally supports the Commission's efforts to use incentive mechanisms to encourage capital investment in the nation's transmission system that will promote the reliable and economically efficient transmission and generation of electricity throughout the country. Moreover, the MPSC believes that properly implemented incentives that promote capital improvements in the electric infrastructure will not only improve the reliability and operation of

¹ *Promoting Transmission Investment Through Pricing Reform*, Order No. 679, FERC Stats. & Regs. ¶ 31,222 (2006), *order on reh'g*, Order No. 679-A, FERC Stats. & Regs. ¶ 31,236, *order on reh'g*, 119 FERC ¶ 61,062 (2007).

the nation's electric infrastructure, but such investments could also promote the development of needed jobs.

Clearly, in order to send the proper signals to Wall Street to encourage investment, incentive policies must be clear and predictable so as to provide for needed regulatory certainty. However, it is equally true that policies established today, may not continue to be appropriate as the investment climate changes. For this reason, the MPSC supports rate incentive policies that keep pace with market forces by balancing the need for regulatory certainty with the changing investment climate over time. In particular, the MPSC encourages the Commission to build into any incentive policy a predictable, periodic evaluation of its policies to insure that as circumstances change, such incentives continue to accomplish their intended results and are not unduly burdensome to ratepayers. The MPSC therefore encourages the Commission to consider a triennial review of all of its rate incentive policies, including the level of the incentives and what investment may be eligible for incentives, to keep them relative to current market conditions. Such a review would provide the needed regulatory certainty while at the same time enable the Commission to strike an appropriate balance between consumer and investor interests.

Respectfully submitted,

**THE MICHIGAN PUBLIC SERVICE
COMMISSION**

BILL SCHUETTE
Attorney General

Steven D. Hughey (P32203)
Patricia S. Barone (P29560)
Assistant Attorneys General
Public Service Division
6545 Mercantile Way, Suite 15
Lansing, MI 48911
Telephone: (517) 241-6680

/s/ Kelly A. Daly
David D'Alessandro
Kelly A. Daly
John E. McCaffrey
M. Denyse Zosa
Special Assistant Attorneys General
Stinson Morrison Hecker LLP
1150 18th Street, N.W., Suite 800
Washington, DC 20036-3816
Telephone: (202) 785-9100

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