

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own motion,)
of the interconnection of merchant plants with)
the transmission and distribution systems of) Case No. U-12485
of electric utilities.)

Comments of Exelon Energy Company and Exelon Services, Inc. on
The Detroit Edison Company Distributed Generation
Interconnection Guidelines

One of the purposes of the recently enacted Michigan “Customer Choice and Electricity Reliability Act” is “to encourage the development and construction of merchant plants which will diversify the ownership of electric generation in this state.” To further this purpose, the Michigan Public Service Commission initiated a proceeding (Case No. U-12485) to establish standards for the interconnection of merchant plants with the transmission and distribution systems of electric utilities. The staff of the Commission spent many months consulting with electric utilities, owners and operators of merchant plants and proposed merchant plants in Michigan and other relevant stakeholders, as well as researching what other states had done on this issue. In October 2000, the staff filed its final report making some very thoughtful recommendations on the key issues surrounding the interconnection of merchant plants.

The Commission, in its Order of February 5, 2001, largely adopted the recommendations of its staff. Accordingly, the Commission directed the Michigan electric utilities to file draft proposed interconnection standards that were consistent with the Commission’s Order.

On May 4, 2001, DTE filed its proposed standards. Those standards largely ignore the Commission's order and the staff's recommendations, and will do little, if anything, to encourage the development of merchant plants as envisioned by the Michigan legislature.

Exelon recommends that the Commission modify DTE's proposed standards as discussed herein in order to make those proposed standards more consistent with the Commission's Order.

I. Classification of Interconnection Standards by Project Size

The staff, in its report, discussed how a number of electric utilities and state commissions had developed different sets of interconnection standards depending on the size of the interconnected facility. Pacific Gas and Electric Company distinguishes between six different size classes: less than 10 kW, 11 – 40 kW, 41 – 100 kW, 101 – 400 kW, 401 – 1,000 kW, and over 1,000 kW. ComEd Company has three size classifications: 25 – 2,500 kVA, 2,500 – 10,000 kVA and over 10 MVA. Texas classifies facilities into four groups: 10 kW or less, 10 – 500 kW, more than 500 kW but less than 2,000 kW, and more than 2,000 kW. New York has developed standardized interconnection requirements for facilities of 300 kVA or less.

The Commission, in its Order, agreed with the staff's recommendations and developed five size categories for merchant plants in Michigan: (1) under 100 kW, (2) 100 kW to 499.99 kW, (3) 500 kW to 999.99 kW, (4) 1 MW to 39.99 MW, and (5) 40 MW or greater. The Commission then ordered all Michigan electric utilities to file proposed standards consistent with its Order.

DTE proposes the use of only two categories: less than 25 kVA and greater than 25 kVA. For purposes of certain fees and studies, DTE provides a third category, 25 – 100 kVA. This proposal ignores the staff’s recommendations, the Commission’s Order, and will not encourage the development of a merchant plant market, particularly smaller sized distributed generation. It simply defies logic and good engineering practice that a 25 or 100 kW facility could require as much study, as much equipment, as much time to review and process, and impose as much costs as a 40 or 100 MW facility. Yet, that is precisely what DTE’s proposal implies and, indeed, will do.

Uncertainty, delay and costs are all significant barriers to the development of a vibrant and efficient distributed generation market. By refusing to develop standards specific to a facility’s size (as DTE was directed to do), DTE will effectively prevent many smaller sized projects, i.e. those less than 1 MW, from going forward.

The Commission should amend DTE’s proposal to incorporate the five categories recommended by staff and adopted by the Commission. Exelon recommends that the Commission use the Generator Interconnection Standards submitted by Consumers Energy, along with the Comments on those standards that Exelon submitted, as its guide in amending DTE’s proposed standards.

II. Timeliness of Review of Applications for Interconnection

The staff Final Report reviewed how several states handle applications for interconnections. In Ohio, interconnections are routinely achieved within four weeks of receipt of a completed application if the interconnection does not require construction of additional facilities. In Texas, pre-certified facilities of 10 MW or less are required to be

interconnected within four weeks of receipt of a completed application. All other facilities are required to be interconnected within six weeks.

In its Order, the Commission concluded “If such facilities can be dealt with in a matter of four weeks after submission of a completed application in Ohio and Texas, there is no apparent reason to conclude that Michigan utilities would be incapable of similar performance.”

Once again, DTE ignored the staff recommendations and the Commission Order. DTE has proposed a multi-step (10) process that would require a minimum of 8.5 to 15 weeks to complete. This process does not include the time required to negotiate an interconnection agreement. Nor does this proposed process include a time certain for DTE to witness, review and approve the testing of the facility.

Much of DTE’s problem on this issue stems from its refusal to delineate more size categories and to develop standards specific to each category. The Commission should modify DTE’s proposal to incorporate time periods appropriate for each size category. Once again, Exelon recommends that the Commission use Consumers’ proposed standards, along with Exelon’s comments, as a guide.

A significant source of delay in the interconnection of generation facilities can be the negotiation of interconnection agreements. Other states (Texas and New York) and other utilities (ComEd) have developed standardized contracts that materially advance the negotiation process. We recommend that the Commission adopt one of these existing contracts and incorporate it into DTE’s filing, at least for facilities less than 1 MW. For convenience, we have attached a copy of the Interconnection Agreement developed by the Texas Public Utilities Commission.

III. Reasonable Interconnection Study Costs

To its credit, DTE did make some attempt to comply with the Commission's Order by delineating the costs of interconnection. The primary problem with DTE's costs once again stems from its failure to provide more size categories. As it is, a 110kW facility would pay a \$1000 application fee, over \$700 for Field Services and some unspecified sum for a System Impact Study. These costs will cripple many otherwise economic generation projects.

Much of the problem with DTE's proposed costs could be remedied simply by increasing the 100 kVA category to 500 kVA or 1 MW, as is more common in other states and as the Commission concluded in its Order. This would mean that generators up to 500 kVA/1 MW would pay a \$300 application fee, no System Impact Study costs and \$700 for Field Services. This is more reasonable.

The Commission should look closely at the Field Services Charge. It is not a charge that is common in the other states discussed in the staff's Final Report or in the Commission Order. Consumers does not propose to impose such charges. At a minimum, DTE should be required to justify those charges.

IV. Technical Requirements

It appears that DTE simply incorporated its existing technical requirements into its new proposal. As best we can tell these requirements have not been updated for over a decade. They are simply out of date.

The industry has been moving in the direction of adopting standard technical interconnection standards, known as IEEE 1547. Consumers take specific notice of these standards in its proposal and generally provides that any generator that is listed by an

independent laboratory as satisfying IEEE 1547 will not require any additional protective relaying equipment. Exelon recommends that the Commission adopt the technical requirements proposed by Consumers and amend DTE's proposal accordingly.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "John M. Dempsey", written over a horizontal line.

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