

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own motion,
of the interpretation of merchant plants with the
transmission and distribution system of electric
utilities.

Case No. **U-12485 (efile)**

**MICHIGAN PUBLIC SERVICE COMMISSION STAFF'S COMMENTS ON
PROPOSED INTERCONNECTION STANDARDS**

In these Comments Staff will concentrate on the matter of the fees included in the interconnection standards for merchant plants proposed by the Detroit Edison Company, Consumers Energy Company, and the Michigan Electric and Gas Association. Staff believes that the matter of fees is an important one: excessive fees can discourage the development of merchant facilities, while fees which are too low may result in cross-subsidization of merchant plants by the utilities' other customers. In these Comments Staff will review the fees proposed by the companies and, based on this review, suggest an alternative fee structure for the Commission to consider.

Detroit Edison has proposed a three-tier fee structure roughly based on the size of the project:

	Application Fee	Field Services Fee
25 kVA or less, single phase:	\$200	\$500
Other, 100 kVA or less:	\$300	\$700
Greater than 100 kVA:	\$1000	As Quoted [The

Detroit Edison Company: "Draft Proposal Distributed Generation Interconnection Guidelines", pages 11 - 12]

The Field Services fee, which is unique to Edison, is described as covering the cost of witnessing tests, setting relays, installation of any metering, and site approval costs associated

with final approval for paralleling with the grid. [The Detroit Edison Company: “Draft Proposal Distributed Generation Interconnection Guidelines”, page 12]

In addition, Edison proposes a “System Impact Study Charge” and a “System Modification Charge.” Edison does not propose to charge for a System Impact study if the facility in question is 100 kVA or less (except in the case of single phase generators on the “Secondary Network). [Edison “Guidelines”, page 11] A System Impact Study is expected to be required of projects greater than 100 kVA, though the scope of the study is dependant upon the size of the project. The “Guidelines” do not indicate what the cost of the System Impact Study will be, stating only that the customer will be informed of the cost after a review of the initial application. [Edison “Guidelines”, page 39] The System Modification Charge, as the name suggests, is intended to compensate the company for modifications required by the requested interconnection. Such modifications are not expected for single-phase generators of 25 kVA or less [Edison “Guidelines”, page 11]; the modification costs associated with a project will depend on the characteristics of that project [Edison “Guidelines”, pages 38 - 40].

Consumers Energy has also proposed a three-tier fee schedule, but the structure differs from the Edison proposal in both the level of cost and the project size categorization used. The Consumers fee structure follows:

	Application Fee	Interconnection Study Fee
100 kW or less:	\$400	\$2000
100 kW – 999 kW:	\$1000	\$4000
One MW or more:	\$1000	\$6000

[Consumers Energy Company: “Generator Interconnection Requirements: Generation Facilities with Aggregate Generator Output Below 100 kW”, pages 1 – 2; “Generator Interconnection Requirements: Generation Facilities with Aggregate Generator Output Between 100 kW and 999

kW”, pages 1 – 2; “Generator Interconnection Requirements: Generation Facilities with Aggregate Generator Output Of 1 MW or More”, pages 1 – 2.]

It should be noted that the Interconnection Study fee is an estimated value. The project is to be charged the actual cost of the study, which may be greater or less than the stated amounts for the three project size classes. [See Consumers’ proposed “Interconnection Study Agreements”] It should also be noted that if a project of 100 kW or less is a “Non-Sell-Back” facility, an Interconnection Study is not required. An “Abbreviated Interconnection Study” will be conducted, instead, for which there is no charge.

In addition, Consumers’ Generator Interconnection Requirements provide that the interconnecting generator is responsible for all interconnection costs.

The Michigan Electric and Gas Association (MEGA) proposes a \$100 application fee for single-phase projects and a \$500 application fee for three-phase projects. MEGA also proposes that the cost of any system impact study be charges to the proposed project. MEGA notes that the cost of such a study would vary widely “mostly dependent on the size of the proposed facility and the available capacity on the utility system to interconnect at the desired point.” Finally, MEGA states that costs of utility system upgrades due to the interconnection should be paid by the generation owner. [Michigan Electric and Gas Association: “Response to February 5, 2001 Order of the Michigan Public Service Commission”, page 7]

In its order in this case dated February 5, 2001, the Commission stated that “the interconnection process should not constitute a barrier to market entry.” [**ORDER**, Case No. U-12485, February 5, 2001, page 6]. Staff is concerned that the application fees proposed in the company filings will function to discourage the submission of applications, especially for smaller projects. For example, Edison would require an application fee of \$200 for a residential photovoltaic installation, followed by a \$500 Field Service fee once the project is completed.

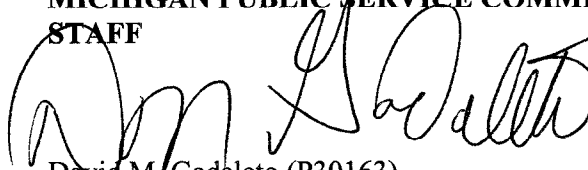
In addition, Staff is also concerned that the proposed fees are intended to recover the cost of salaries and overheads, which are already incorporated as a cost of service in existing rates. To avoid a double recovery of costs, fees should be designed to cover only actual additional out of pocket costs.

In the view of Staff, there should be nominal application fees sufficient to establish that an applicant is serious about the proposed project. For projects proposed by residential customers a total application fee of \$50 to \$100 should be sufficient. For non-residential projects Staff would recommend an application fee of \$100 to \$200. These fees, which should be uniform among all Michigan electric companies, would cover the time required for an initial review or consultation of an hour or two in duration. This review would serve to provide applicants with advice regarding the feasibility of their projects and an order of magnitude estimate of additional costs.

In conclusion, Staff recommends to the Commission that the Detroit Edison Company, Consumers Energy Company, and the Michigan Electric and Gas Association be directed to redesign their proposed merchant plant application fees to address the concerns expressed in Staff's Comments.

Respectfully Submitted,

**MICHIGAN PUBLIC SERVICE COMMISSION
STAFF**



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DATED: June 6, 2001

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PROOF OF SERVICE

STATE OF MICHIGAN)
) ss
COUNTY OF INGHAM)

Mishelle R. Pagels, being first duly sworn, deposes and says that on June 6, 2001, she served a copy of Michigan Public Service Commission Staff's Comments on Proposed Interconnection Standards upon the following parties via e-mail and depositing the same in a United States postal depository enclosed in an envelope bearing postage fully prepaid, plainly addressed as follows:

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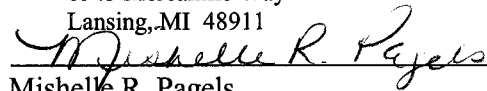
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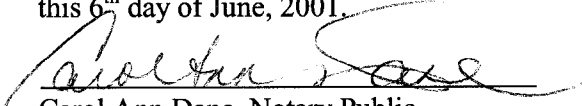
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Subscribed and sworn to before me
this 6th day of June, 2001.


Carol Ann Dane, Notary Public
Eaton County, Michigan
My Commission Expires: 07/23/2004