



State of Michigan
John Engler, Governor

Department of Consumer & Industry Services
Kathleen M. Wilbur, Director

Public Service Commission

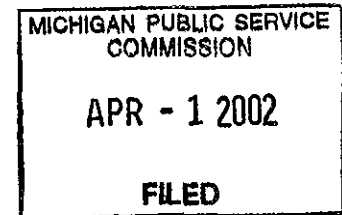
6545 Mercantile Way
P.O. Box 30221
Lansing, MI 48909-7721
Telephone: 517-241-6180
Website: cis.state.mi.us/mpsc

Commissioners

Laura Chappelle
David A. Svanda
Robert B. Nelson

April 1, 2002

Ms. Dorothy Wideman
Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way
P.O. Box 30221
Lansing, MI 48909



RE: Staff Report in Case Nos. U-12488 and U-12489

Dear Ms. Wideman:

Attached is the Staff's report on the implementation of a distribution level imbalance service.

Sincerely,

William J. Celio, Director
Electric Division

cc: Parties of Record

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * *

**In the matter of the rates, terms, and conditions)
for retail customers of Consumer Energy)
to chose an alternative electric supplier.)
_____)**

Case No. U-12488

**In the matter of the rates, terms, and conditions)
for retail customers of The Detroit Edison)
Company to chose an alternative electric)
supplier.)
_____)**

Case No. U-12489

STAFF RETAIL ENERGY IMBALANCE REPORT

MICHIGAN PUBLIC SERVICE COMMISSION

April 1, 2002

STAFF RETAIL ENERGY IMBALANCE REPORT

Background

As directed by the Commission in its December 20, 2001 orders in Case Nos. U-12489 and U-12488, Staff convened a meeting on January 15, 2002 to see if interested parties could resolve the issues surrounding design and implementation of a distribution level energy imbalance service. The initial meeting included general discussions of the ABATE proposals, other possible proposals and the general issues related to retail energy imbalance service. At this meeting, ABATE and the AES group (ABATE – AES) agreed to work on development of an alternate proposal for consideration by the group. A proposal was developed and distributed to the parties.

A second meeting was held on February 14, 2002. The ABATE - AES proposal was presented and discussed. The utilities requested time to prepare a written response to the proposal. Subsequently, the utilities' responses were distributed to the parties.

At a third meeting held on March 13, 2002, representatives from Midwest ISO (MISO) presented an overview of MISO developments relating to energy imbalance service. After the MISO presentation, a short discussion of the utilities' response to the ABATE - AES proposal took place.

In Staff's opinion no consensus among the parties was possible. It also became apparent, the possibility of narrowing the gap between the parties was unlikely with or without the Commission mandated April deadline.

Conclusion

Staff believes the Commission has three alternatives to deal with the energy imbalance issue. First, the Commission could determine this matter will be adequately covered through the development of the operations of the MISO. Second, the Commission could reopen or commence a proceeding devoted to developing a record upon which it could approve a distribution level imbalance service. Finally, the Commission could order the implementation of the previously proposed service.

Each option has positive and negative features. Adopting a MISO approach would appear to be more in line with the concept of regional transmission organizations and the market transparencies related thereto. While the MISO is operating at this time, these operations do not cover the fullest range of its activities. Further, some disputes remain concerning the regional organization with respect to the Alliance and MISO, American Transmission Company and MISO relationships. It will take some time for the MISO to become fully operational which may delay full implementation of the MISO's imbalance services.

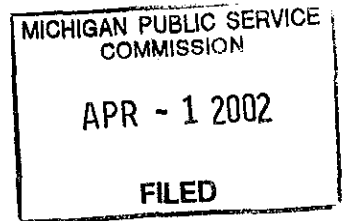
Should the Commission wish to explore the imbalance on a more fully developed record, it could initiate a proceeding to do so. This approach, similar to the MISO method, will not present an instant solution. A formal proceeding brings with it the usual consumption of time. Staff estimates such a proceeding would not present complete record to the Commission in the year 2002.

The Commission could rely on the already existing record in Case Nos. U-12488 and U-12489. Unfortunately, Staff does not possess the technical expertise to determine whether the proposals contained on that record are feasible. Staff, however, does note, if the Commission were to order adoption of the method in the aforementioned case, such implementation would be time consuming and perhaps inconsistent with the activities necessary to implement the ultimate MISO approach.

Recommendation

Staff recommends the Commission delay action related to a distribution level imbalance pending complete implementation and operation of the MISO functions.

PROOF OF SERVICE



STATE OF MICHIGAN)

County of Ingham)

Case No. U-12488 & U-12489

Cindy Stephens, being duly sworn, deposes and says that on April 1, 2002, A.D. she served a copy of the attached Staff Report, by mailing copies thereof by first class mail, postage prepaid, or by inter-departmental mail, to the persons as shown on the attached service list.

Cindy Stephens

Subscribed and sworn to before me
this 1st day of April, A.D., 2002.

Sharon A. Allen

Notary Public Ingham County, Michigan
My Commission expires August 16, 2004

SERVICE LIST FOR DOCKET # U - 12488-
DATE OF PREPARATION: 04/01/2002

CASE #

MR. THOMAS MCNISH
CONSUMERS ENERGY COMPANY
212 W. MICHIGAN AVENUE
JACKSON MI 49201

MR. DAVID M. GADALETO
ASSISTANT ATTORNEY GENERAL
6545 MERCANTILE WAY, 2ND FLOOR
LANSING MI 48910
ID MAIL

MR. THOMAS E. MAIER
CLARK HILL
2455 WOODLAKE CIRCLE
OKEMOS MI 48864 5941

MR. JON R. ROBINSON
CONSUMERS ENERGY COMPANY
212 W. MICHIGAN AVENUE
JACKSON MI 49201

MR. JOHN M. DEMPSEY
DICKINSON WRIGHT PLLC
215 S. WASHINGTON AVENUE, SUITE 200
LANSING MI 48933

MR. MICHAEL J. BROWN
HOWARD & HOWARD
222 WASHINGTON SQUARE, SUITE 500
LANSING MI 48933 1817

MR. DON L. KESKEY
KNAGGS, HARTER ET AL
1375 S. WASHINGTON AVE., STE. 300
LANSING MI 48910

MR. JAMES N. RIGAS
PSC-ALJ DIVISION
6545 MERCANTILE WAY
LANSING MI 48909
ID MAIL

MR. ERIC J. SCHNEIDEWIND
VARNUM, RIDDERING, SCHMIDT & HOWLETT
THE VICTOR CENTER
201 N. WASHINGTON SQUARE, SUITE 810
LANSING MI 48933

SERVICE LIST FOR DOCKET # U - 12489-
DATE OF PREPARATION: 04/01/2002

CASE #

MS. SUSAN BEALE
THE DETROIT EDISON COMPANY
2000 SECOND AVENUE
DETROIT MI 48226

MR. DAVID M. GADALETO
ASSISTANT ATTORNEY GENERAL
6545 MERCANTILE WAY, 2ND FLOOR
LANSING MI 48910
ID MAIL

MR. ROBERT A. LEFEVRE
CLARK HILL PLC
2455 WOODLAKE CIRCLE
OKEMOS MI 48864 5941

MR. JULIO C. MAZZOLI
CMS ENTERPRISES
330 TOWN CENTER DR.
SUITE 1100
DEARBORN MI 48126 2712

MR. JOHN M. DEMPSEY
DICKINSON WRIGHT PLLC
215 S. WASHINGTON AVENUE, SUITE 200
LANSING MI 48933

MR. JOSEPH H. FIELDS
JOSH FIELDS & ASSOCIATES
4700 SOUTH HAGADORN ROAD
SUITE 195
EAST LANSING MI 48823

MR. DANIEL E. NICKERSON, JR.
PSC ALJ DIVISION
6545 MERCANTILE WAY
LANSING MI 48909
ID MAIL

MR. BRUCE R. MATERS
THE DETROIT EDISON COMPANY
2000 SECOND AVENUE 688 WCB
DETROIT MI 48226

MR. ERIC J. SCHNEIDEWIND
VARNUM, RIDDERING, SCHMIDT & HOWLETT
THE VICTOR CENTER
201 N. WASHINGTON SQUARE, SUITE 810
LANSING MI 48933