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May 6, 2002

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

Re: In the Matter of the Rates, Terms and Conditions for Retail Customers of Consumers Energy Company to Choose an Alternative Electric Supplier, MPSC Case No. U-12488; and
In the Matter of the Rates, Terms and Conditions of The Detroit Edison Company to Choose and Alternative Supplier, MPSC Case No. U-12489

Dear Ms. Wideman:

Enclosed for filing please find the original and 4 copies of the Comments of the Association of Businesses Advocating Tariff Equity on the Michigan Public Service Commission Staff Retail Energy Imbalance Report in the above-entitled matters. Proofs of Service upon the parties of record are also enclosed. Thank you.

Very truly yours,

CLARK HILL P.L.C.



Thomas E. Maier

TEM:jl
Enclosures

cc: Parties of Record
Commissioners

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STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the rates, terms, and conditions)
for retail customers of **CONSUMERS ENERGY**)
COMPANY to choose 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 choose an alternative electric)
supplier)
_____)

Case No. U-12489

**COMMENTS OF THE ASSOCIATION OF BUSINESSES
ADVOCATING TARIFF EQUITY ON THE MICHIGAN PUBLIC SERVICE
COMMISSION STAFF RETAIL ENERGY IMBALANCE REPORT**

The Association of Businesses Advocating Tariff Equity ("ABATE"), by its attorneys, Clark Hill PLC, files these comments on the Staff Retail Energy Imbalance Report to the Michigan Public Service Commission ("MPSC" or "Commission") dated April 1, 2002, in the captioned proceeding.

I

INTRODUCTION

On June 19, 2000, the Commission initiated contested case proceedings in two cases to approve Retail Open Access ("ROA") tariffs for Consumers Energy Company ("Consumers") and The Detroit Edison Company ("Edison"). (*In the matter of the rates, terms, and conditions for retail customers of Consumers Energy Company to choose an alternative electric supplier, MPSC Case No. U-12488 (the "Consumers Case"); In the matter of the rates, terms, and conditions for retail customers of The Detroit Edison Company to choose an alternative electric supplier, MPSC Case No. U-12489 (the "Edison Case")*). These cases were brought pursuant to

the Commission's authority under the Customer Choice and Electric Reliability Act ("Act"), MCL 460.10 *et sec.*, and the purpose of these proceedings was to establish the rates, terms, and conditions under which all retail customers of Consumers and Edison would be permitted to choose an Alternative Electric Supplier ("AES").

Proposed tariffs were filed by both utilities, and numerous issues were raised by the various parties who intervened in these cases. One such issue involved the settlement of energy imbalances. In these proceedings, ABATE proposed that the Commission require Consumers and Edison to settle retail energy imbalances at the distribution level because, among other things: (1) individual retail customer loads are less predictable than wholesale customer loads; (2) application of the OATT balancing provisions would be inappropriate for retail customers; and (3) the provisions proposed by Consumers and Edison would discourage participation by customers with relatively unpredictable loads, while allowing Consumers and Edison to over-collect penalty charges. ABATE included a retail settlement proposal in its testimony in each case.

The Commission agreed with ABATE that several factors support netting energy imbalances at the distribution level. (MPSC Case No. U-12488, December 20th Consumers Order, p 33; MPSC Case No. U-12489, December 20th Edison Order, p 18). However, the Commission believed that practical issues existed construing the feasibility of such an imbalance program. (Id.)

In its December 20th Orders, the Commission directed the MPSC Staff to convene, no later than January 15, 2002, a meeting of the parties in Cases U-12488 and U-12489 and other interested persons to develop concepts and tariffs necessary to implement a distribution imbalance service. (MPSC Case No. U-12488, December 20th Consumers Order, p 33;

MPSC Case No. U-12489, December 20th Edison Order, p 18). The Commission's December 20th Orders also gave direction to the parties, stating as follows:

"The parties should give consideration to the issues surrounding distribution imbalance service such as the interaction between OATT transmission and retail distribution imbalance mechanisms, the design of a distribution imbalance service and appropriate charges, the steps to implement the service, and other relevant matters. The parties should attempt to resolve the issues surrounding this service and reach agreement on its implementation." (MPSC Case No. U-12488, December 20th Consumers Order, p 33; MPSC Case No. U-12489, December 20th Edison Order, p 18).

Finally, the Commission directed that the Staff file a report by April 1, 2002, with specific recommendations and proposed tariffs related to a distribution imbalance service, and that if the Staff believes as a result of its activities in this matter that a distribution imbalance service is either impractical or unnecessary, it should report its justifications for such a conclusion. (*Id.*) The Commission filed its report on April 1, 2002 (the "Staff Report").

II

COMMENTS

A. THE STAFF REPORT.

The Staff Report consists of one page of "Background," four paragraphs of "Conclusion," and a one-sentence "Recommendation." The "Background" Section briefly discusses the efforts of ABATE and a group consisting of the Alternative Electric Suppliers (the "AES Group") to develop an alternative proposal or proposals for consideration by all parties (the "ABATE-AES proposal"); the absolute rejection of this proposal by the utilities; and a meeting at which representatives of the Midwest ISO ("MISO") made a presentation and the parties briefly discussed the ABATE-AES proposal and the utilities responses thereto. The Staff ended this

one-page section of its Report by concluding that "no consensus among the parties is possible."
(Staff Report, p 1).

In its "Conclusion" Section, Staff opined that 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." (Staff Report, p 2).

Staff then went on to sketchily discuss the positive and negative features of each of Staff's three perceived alternatives, including the fact that "Staff does not possess the technical expertise to determine whether proposals contained on [the record in the Edison Case and the Consumers Case] are feasible", and ended with a "Recommendation" Section which suggested that the Commission delay action related to distribution level balancing pending complete implementation and operation of the MISO functions. (Staff Report, pp 2-3).

B. THE FAILURES OF THE STAFF REPORT.

The Staff Report totally failed to meet the objectives set forth by the Commission in its December 20th Orders on several fronts.

1. Failure to Fully Advise the Commission.

First, the Staff Report fails to fully advise the MPSC of what occurred as a result of the Commission's directive in its December 20th Orders. After a great deal of work and several meetings, ABATE and the AES Group were able to craft a proposal that was agreeable to those parties for presentation to the utilities. The Staff Report does not even

describe the ABATE-AES proposal. (A copy of that proposal is attached hereto as Exhibit A).

After the parties and Staff met again, the utilities requested additional spreadsheet information and additional time to prepare a written response to the ABATE-AES proposal. The requested additional spreadsheet information was provided. (Copies are attached as Exhibit B). Thereafter, Consumers and Edison submitted a joint response to the ABATE-AES proposal, and the Michigan Electric and Gas Association ("MEGA") also submitted informal written comments. The utilities completely rejected the ABATE-AES proposal; however, neither Consumers nor Edison, nor any other utility, made any counter-proposal, **or any proposal at all**, to deal with the settlement of energy imbalances, despite the Commission's request that the parties attempt to resolve this matter.

After another meeting at which MISO made a presentation and the parties discussed the ABATE-AES proposal and the utilities' responses thereto, both ABATE and Energy Michigan submitted additional comments to the MPSC Staff, as did Alpena Power Company. These facts and the additional proposals are not even mentioned in the Staff Report. (Copies of the additional comments of ABATE and Energy Michigan are attached hereto as Exhibits C and D, respectively). ABATE's additional comments included not only its continued support of the ABATE-AES proposal, but also included two alternative proposals.

Thus, despite the fact that ABATE and the AES Group had submitted numerous proposals for energy imbalance settlement, Staff allowed the utilities' total intransigence to lead Staff to the conclusion that "no consensus among the parties is possible" (Staff

Report, p 1)¹, and to recommend that the Commission do nothing to deal with this important issue other than to wait until such time as MISO gets around to addressing it.

2. The Proposals.

Second, the Staff Report fails to describe any of the proposals made as a result Commission's directive in its December 20th Orders.

(i) *The ABATE-AES Proposal.*

ABATE continues its full support of the ABATE-AES proposal submitted to Staff (Exhibit A) and suggests that the Commission adopt the same. The ABATE-AES proposal establishes two deviation bands: (1) an Individual AES deviation band; and (2) an Aggregated AES deviation band. In order to encourage participation in Retail Access and to allow AESs to gain experience to improve their forecasting skill, the ABATE-AES proposal proposes that the deviation bands will gradually decrease in size over time.² If the aggregated AES imbalance is within the Aggregated AES deviation band for an hour, all individual AESs imbalances are settled at Top Incremental Cost ("TIC"). If the aggregated AES imbalance is outside the Aggregated AES deviation band for an hour, individual AES imbalances are settled at 90% of TIC, TIC or 110% of TIC as set forth on Exhibit A. Because the Aggregated and Individual AES deviation bands are equal, there cannot be an aggregated AES imbalance greater than the

¹ The Staff Report also stated that "[I]t also became apparent, the possibility of narrowing the gap between the parties was unlikely with or without the Commission mandated April deadline." (Staff Report, p 1). This must have been "apparent" because despite the efforts of ABATE and the AES Group to develop alternative proposals, the utilities would not budge at all from their position that nothing be changed.

² Moreover, as cited in the testimony of ABATE's witness in the Consumers Case and the Edison Case, the FERC found in Duquesne Light Company, 86 FERC ¶ 61,189 (1999) and Illinois Power Company, 89 FERC ¶ 61,206 (1999) that the standard wholesale 2 MW or 1.5% deviation band with the greater of \$100 per MWh or 110% of incremental cost may not be just and reasonable for a retail access program. (See, Consumers Case, Case No. U-12488, TR 155-156; Edison Case, Case No. U-12489, TR 352).

sum of the individual AES imbalances. The utility will always settle the aggregate imbalance outside the Aggregate AES deviation band at the penalty rate of $TIC \pm 10\%$.

(ii) Alternative Proposals.

Should the Commission determine not to adopt the ABATE-AES proposal, ABATE suggested to Staff two alternative proposals that the Commission should consider.

a. The "Entergy" Approach.

The first such proposal is based on the Order issued by the Federal Energy Regulatory Commission ("FERC") on May 18, 2000, in Entergy Services, Inc.; Docket No. ER00-1947-000 (the "Entergy Order"). (A copy of the Entergy Order is attached as part of Exhibit C). As discussed in that Order, Entergy Services, Inc. ("Entergy") filed a new Schedule 4A adopting an energy imbalance bandwidth of $\pm 10\%$ or 2MW, whichever is greater, for a competing Texas Retail Electric Provider ("TREP"). Imbalances within the 10% bandwidth under that Schedule 4A would be settled at Entergy's incremental cost of energy. Penalty provisions for deviations above 10% and were also included in the Schedule 4A, being 110%/90% of Entergy's incremental costs for under and over supply if the deviation was above 10% but less than 25%, or 125%/75% of Entergy's incremental costs for under and over supply for deviations greater than 25%. (See, Entergy Order, part of Exhibit C, p 4). The Commission should be aware that, even over the protests of certain interveners, the FERC decided this matter and approved the proposed tariff revisions in less than sixty days. ABATE suggests that the Commission order

Consumers and Edison to file a Schedule 4A at the FERC containing provisions identical to those filed by Entergy and discussed in the attached Entergy Order.

b. Settlement Services Tariff.

The second alternative proposal would be for the Commission to initiate a new service – Settlement Services – and require the filing of a Michigan Tariff for settlement services. Such a tariff would be strictly Michigan jurisdictional and would provide that the utilities would bill or pay customers at tariff rates for all energy imbalances calculated on an hourly basis. Settlement services would be made available to all rate schedules and billed at the cost of firm service stated in the applicable tariff for which the customer qualifies to take service, using the average energy cost and a daily demand charge, if applicable, and would include all applicable discounts and credits. Attached as part of Exhibit C is ABATE's suggestion with regard to such a Settlement Services Tariff, including an example of how it would operate (which was previously submitted to Staff).

(iii) *ABATE's Original Proposal.*

As another alternative, the Commission could adopt the proposal made by ABATE in its testimony in the Edison Case and the Consumers Case. (See, Consumers Case, Case No. U-12488, TR 157-163; Edison Case, Case No. U-12489, TR 354 - 360). This alternative was mentioned as an option by Staff in the Staff Report. (Staff Report, p 3). However, Staff went on to claim that that "Staff

does not possess the technical expertise to determine whether proposals contained on [the record in the Edison Case and the Consumers Case] are feasible.” (*Id.*) ABATE believes that the Commission has all the expertise it needs to adopt this proposal or any of the others described above, and that the Commission should not avoid its duty to take action and fulfill the requirements of the Act because of Staff’s perceived inadequacies.

3. **The Utilities’ “Objections”.**

Consumers and Edison in their joint response to the ABATE-AES proposal, and, to a lesser extent, MEGA, raised certain “objections” to the ABATE-AES proposal, yet no alternative proposal was ever forthcoming from any of the utilities. These “objections” should not keep the Commission from acting for the reasons described below.

(i) **Jurisdictional Concerns.**

While some other states have resolved retail energy imbalance issues at the Federal level, at least one, Illinois, has not precluded the possibility it has jurisdiction over retail energy imbalances settled at the distribution level. The retail energy imbalance issue needs to be solved as soon as possible and solving it at the state level will speed implementation, as an **uncontested** proceeding at the FERC would take a minimum of 60 days to complete. A contested FERC proceeding could take substantially longer to complete but the Entergy case provides hope.

Moreover, at least one of the proposals described above, the Settlement Services Tariff, is strictly Michigan jurisdictional.

(ii) **Status of the Michigan Electric Market.**

Despite Consumers' and Edison's contention that competition in Michigan's electric market is "robust", only 1,000 MW to 1,500 MW of retail access service is served by AESs. This still only represents a small fraction of the electric load in Michigan. It is certainly not evidence that the current retail imbalance provisions of the Michigan utilities are not a barrier to retail access.

(iii) **Reliability.**

While Michigan may have experienced a high degree of reliability under the current treatment of AESs, that does not mean Michigan would not do as well under the joint ABATE-AES proposal or other proposed alternatives. In one form or another, Allegheny Power Company, American Electric Power, American Operating Companies, Central Illinois Light Company, Cinergy, Commonwealth Edison Company,³ and Duquesne Light Company have effectively widened or eliminated deviation bands and made less onerous charges applicable to settling retail energy imbalance. **None** of these utilities have reported a decrease in reliability, nor have they attempted to withdraw their retail settlement provisions once filed. Many of these provisions have been in use for **over two years**. The ABATE-AES proposal and the alternative proposals will not increase the likelihood of frequency deviation and implementation of emergency procedures. Further, there is no evidence that degradation of frequency performance or increased use of emergency procedures has occurred in other utility systems that have adopted less onerous retail energy imbalance provisions.

³ The ABATE proposal presented in testimony in MPSC Case Nos. U-12488 and U-12489 is very similar to that of Commonwealth Edison Company. ABATE still believes this approach is a viable alternative.

The ABATE-AES proposal and the alternative proposals do have the expectation that suppliers will try to schedule their supply to follow load. However, these proposals simply attempt to provide reasonable cost-based approaches to handling the difficulty of consistently forecasting retail load on an hour-to-hour basis within a bandwidth.

(iv) Additional Costs.

ABATE does not believe the proposal increases the utility requirements for Automatic Generation Control ("AGC") generation beyond the levels they needed prior to retail access.⁴ As regards other costs, such as start-up costs, the utilities provided no concrete evidence that such an increase in costs could occur.⁵ Even if some costs are incurred, those costs should be recovered through a cost of service-based charge – not arbitrary penalties.

Moreover, incremental cost does provide the proper signal to encourage proper AES behavior.⁶ Further, unless underdeliveries and overdeliveries are settled at the same price (*i.e.*, incremental cost), the utilities will pocket the

⁴ With all load under bundled service, the utilities forecast their hourly load and dispatch their generation and purchases to meet that forecast. The utilities use their generation under AGC to make up the difference between forecasted and actual load. With some load bundled and other load served by AESs, the utilities will still forecast their entire load, both bundled and served by AESs. The utilities will then dispatch their generation and purchases to meet the difference between total load and AES Schedules. As with 100% bundled service, the difference between actual and forecasted load will be provided by the utilities' generation under AGC. Therefore, the AGC requirements of the utilities should not change.

⁵ In fact, even Alpena Power Co. recognized that it would not be as costly to implement billing changes as claimed by Consumers. (*See*, March 20 letter to Larry Bailey from Steven K. Mitchell on behalf of Alpena Power Co., p 1).

⁶ It is important that incremental cost reflect the situation at hand in each hour. If a utility is required to make a high cost energy purchase of \$1,000 per MWh during a peak hour, that purchase should be allowed to set incremental cost. Similarly, during a light load hour, if a utility might have to dump power to the market in an hour to avoid taking a low-cost generating unit off-line, incremental cost should be allowed to be set as zero for that hour.

difference between the two different settlement prices used to the extent underdeliveries and overdeliveries net out in each hour.

(v) **Implementation.**

Edison's and Consumers' claim that the ABATE-AES proposal would increase complexity and take six months to implement is not credible. The utilities already calculate an imbalance for each AES in each hour. The proposal only calls for calculating the imbalance charges in a different manner from the same billing units that are already collected. There are only a handful of AESs. There is no reason that the ABATE-AES proposal could not be implemented within days through the use of electronic spreadsheets. In addition, the MISO has announced that its planned operation date for its Day 2 Congestion Management System is now Fall of 2003.

4. **The Need for Action.**

The Act required the Commission to issue Orders no later than January 1, 2002 "establishing the rates, terms, and conditions of service that allow all retail customers of an electric utility or provider to choose an alternative electric suppliers." (MCL 460.10a(1)). The Legislature stated that the Commission "shall" take these actions. (*Id.*) The use of the word "shall" in a statute connotes a mandatory duty imposed by law. (*Sharp v Huron Valley Bd of Ed*, 112 Mich App 18 (1981); *Wayne County v State Treasury*, 105 Mich App 249 (1981)).

Moreover, the Commission agreed with ABATE that several factors support netting energy imbalances at the distribution level. (MPSC Case No. U-12488, December 20th Consumers Order, p 33; MPSC Case No. U-12489, December 20th Edison

Order, p 18) All customers should have open access to alternate suppliers that is not precluded through retail energy imbalance provisions that are unduly discriminatory to certain customers. Retail energy imbalance provisions that penalize loads that cannot be consistently forecasted on an hour-to-hour basis within a narrow bandwidth are unduly discriminatory. Need in the marketplace is not necessarily the only criteria for retail energy imbalance provisions. Another important criterion is whether the provisions truly provide for non-discriminatory open retail access and eliminate the possibility that utilities will over collect because they balance on an individual basis instead of on a system wise basis.

III

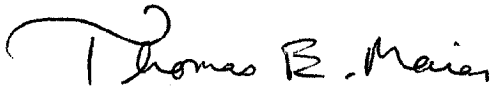
CONCLUSION

In conclusion, the MPSC Staff Report fails to properly inform the Commission of the proposals that resulted from the Commission's directive in its December 20th Orders. Further, it fails to justify the Staff's recommendation that the Commission do nothing to address the energy imbalance issue and thus leave Michigan electric consumers at the mercy of the existing monopolies, the limited alternatives available under the discriminatory imbalance penalty provisions that currently exist, and the oft-delayed actions of MISO in dealing with this issue. ABATE continues to support the ABATE-AES proposal that was previously submitted to the MPSC Staff. Alternatively, ABATE has submitted the two alternative proposals discussed above and in the attached documents and continues to support the original proposal it made in its testimony below, should the Commission desire to adopt an alternative approach. In any event, it is imperative that the Commission adopt a method of settling imbalances other than the one currently used by Consumers and Edison to avoid windfalls to the utilities and to result in a

settlement imbalance methodology that is fair to retail open access customers and permits real options and choices in the retail electric market.

Respectfully submitted,

CLARK HILL PLC

By: 

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Dated: May 6, 2002

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * *

In the matter of the rates, terms, and conditions)
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Case No. U-12488

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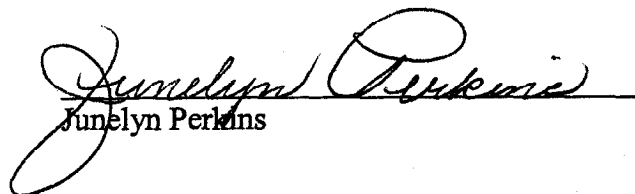
PROOF OF SERVICE

STATE OF MICHIGAN)
) SS:
COUNTY OF INGHAM)

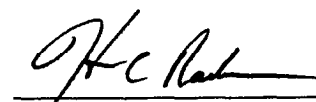
Junelyn Perkins, being duly sworn, deposes and says that she is an employee of Clark Hill PLC, and that on May 6, 2002, a copy of the Comments of the Association of Businesses Advocating Tariff Equity on the Michigan Public Service Commission Staff Retail Energy Imbalance Report was served upon:

See attached service lists

Except as otherwise noted on the attached list, service was accomplished by depositing same in a regular mail depository, enclosed in envelopes bearing postage fully prepaid addressed properly and electronic mail.


Junelyn Perkins

Subscribed and sworn to before me



Haran C. Rashes, Notary Public
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U-12488

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SERVICE LIST

MPSC Case No. U-12489

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Aggregated Deviation Band with Cost Based Settlement Proposal

This proposal establishes two deviation bands:

1. An Individual AES deviation band.
2. An Aggregated AES deviation band.

In order to encourage participation in Retail Access and to allow AESs to gain experience to improve their forecasting skill, these deviation bands will gradually decrease in size over time. The deviation bands are:

<u>Beginning</u>	<u>Individual AES Deviation Band</u>	<u>Aggregated AES Deviation Band</u>
March 1, 2002	Greater of 10% or 6 MW	Greater of 10% or 6 MW times the number of AESs delivering that hour
January 1, 2004	Greater of 8% or 5 MW	Greater of 8% or 5 MW times the number of AESs delivering that hour
January 1, 2006	Greater of 6% or 4 MW	Greater of 6% or 4 MW times the number of AESs delivering that hour

If the aggregated AES imbalance is within the Aggregated AES deviation band for an hour, all individual AESs imbalances are settled at Top Incremental Cost (TIC).

If the aggregated AES imbalance is outside the Aggregated AES deviation band for an hour, individual AES imbalances are settled as follows:

	Over Supply Within Individual AES Deviation <u>Imbalance</u> <u>Band</u>	Over Supply Outside Individual Deviation <u>Band</u>	Under Supply Within Individual Deviation <u>Band</u>	Under Supply Outside Individual Deviation <u>Band</u>
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Aggregated Under Supply

Within Deviation Band	TIC	NA	TIC	NA
Outside Deviation Band	TIC	TIC	TIC	110% TIC

Aggregated Over Supply

Within Deviation Band	TIC	NA	TIC	NA
Outside Deviation Band	TIC	90% TIC	TIC	TIC

Since the Aggregated and Individual AES deviation bands are equal, there cannot be an aggregated AES imbalance greater than the sum of the individual AES imbalances. The utility will always settle the aggregate imbalance outside the aggregate AES deviation band at the penalty rate of $TIC \pm 10\%$.

Base Case - No Aggregate Imbalance

[illegible]

	Sample Hour	AES Supply MW	AES Customer Load MW	AES Individual Deviation Band MW	AES Aggregated Deviation Band MW	AES Imbalance out of Band 1=yes 0=no	AES Imbalance Band MW	Imbalance Within Deviation Band MW	Imbalance Outside Deviation Band MW	Settlement Within Deviation Band	Settlement Outside Deviation Band	Total AES Imbalance Settlement	Utility Out of Pocket Costs	Utility Benefit
AES	Comment													
A	Under Supply Within Individual Deviation Band	90	95	9.5			(5.0)	(5.0)	-	\$ (175.00)	\$ -	\$ (175.00)		
B	Under Supply Outside Individual Deviation Band	80	95	9.5			(15.0)	(9.5)	(5.5)	\$ (332.50)	\$ (192.50)	\$ (525.00)		
C	Over Supply Within Individual Deviation Band	100	95	9.5			5.0	5.0	-	\$ 175.00	\$ -	\$ 175.00		
D	Over Supply Outside Individual Deviation Band	110	95	9.5			15.0	9.5	5.5	\$ 332.50	\$ 192.50	\$ 525.00		
E	Dramatic Over Supply	150	95	9.5			55.0	9.5	45.5	\$ 332.50	\$ 1,592.50	\$ 1,925.00		
F	Dramatic Under Supply	45	95	9.5			(50.0)	(9.5)	(40.5)	\$ (332.50)	\$ (1,417.50)	\$ (1,750.00)		
G	Under Supply Within Individual Deviation Band 2	93	95	9.5			(2.0)	(2.0)	-	\$ (70.00)	\$ -	\$ (70.00)		
H	Under Supply Outside Individual Deviation Band 2	75	95	9.5			(20.0)	(9.5)	(10.5)	\$ (332.50)	\$ (367.50)	\$ (700.00)		
I	Over Supply Within Individual Deviation Band 2	98	95	9.5			3.0	3.0	-	\$ 105.00	\$ -	\$ 105.00		
J	Over Supply Outside Individual Deviation Band 2	110	95	9.5			15.0	9.5	5.5	\$ 332.50	\$ 192.50	\$ 525.00		
K	Swing Supplier	40	95	9.5			(55.0)	(9.5)	(45.5)	\$ (332.50)	\$ (1,592.50)	\$ (1,925.00)		
Aggregated AES		991	1,045		104.5	0	(54)	(8.5)	(45.5)	\$ (297.50)	\$ (1,592.50)	\$ (1,890.00)	\$ 1,890.00	\$ -
	Top Incremental Cost	\$ 35.00								Negative = Payment to Utility				
	110% of Top Incremental Cost	\$ 38.50								Positive = Payment to AES				
	90% of Top Incremental Cost	\$ 31.50												

Aggregate Over Supply Within the Deviation Band

Sample Hour		AES	AES	AES	Aggregated	Aggregate	AES	AES	AES	AES	AES	Total	Utility	
AES	Comment	Supply	Customer	Individual	Deviation	AES	Imbalance	Imbalance	Imbalance	Imbalance	Imbalance	AES	Out of	Utility
		MW	Load	Deviation	Band	Imbalance	out of Band	Deviation	Deviation	Deviation	Deviation	Settlement	Pocket	Benefit
			MW	MW	MW	1=yes	0=no	MW	MW	MW	MW	Settlement	Costs	
A	Under Supply Within Individual Deviation Band	90	95	9.5				(5.0)	(5.0)	-	\$ (175.00)	\$ -	\$ (175.00)	
B	Under Supply Outside Individual Deviation Band	80	95	9.5				(15.0)	(9.5)	(5.5)	\$ (332.50)	\$ (192.50)	\$ (525.00)	
C	Over Supply Within Individual Deviation Band	100	95	9.5				5.0	5.0	-	\$ 175.00	\$ -	\$ 175.00	
D	Over Supply Outside Individual Deviation Band	110	95	9.5				15.0	9.5	5.5	\$ 332.50	\$ 192.50	\$ 525.00	
E	Dramatic Over Supply	150	95	9.5				55.0	9.5	45.5	\$ 332.50	\$ 1,592.50	\$ 1,925.00	
F	Dramatic Under Supply	45	95	9.5				(50.0)	(9.5)	(40.5)	\$ (332.50)	\$ (1,417.50)	\$ (1,750.00)	
G	Under Supply Within Individual Deviation Band 2	93	95	9.5				(2.0)	(2.0)	-	\$ (70.00)	\$ -	\$ (70.00)	
H	Under Supply Outside Individual Deviation Band 2	75	95	9.5				(20.0)	(9.5)	(10.5)	\$ (332.50)	\$ (367.50)	\$ (700.00)	
I	Over Supply Within Individual Deviation Band 2	98	95	9.5				3.0	3.0	-	\$ 105.00	\$ -	\$ 105.00	
J	Over Supply Outside Individual Deviation Band 2	110	95	9.5				15.0	9.5	5.5	\$ 332.50	\$ 192.50	\$ 525.00	
K	Swing Supplier	130	95	9.5				35.0	9.5	25.5	\$ 332.50	\$ 892.50	\$ 1,225.00	
Aggregated AES		1,081	1,045		104.5		0	36	10.5	25.5	\$ 367.50	\$ 892.50	\$ 1,260.00	\$ 126.00 ?
Top Incremental Cost														
		\$	35.00											
110% of Top Incremental Cost		\$	38.50											
90% of Top Incremental Cost		\$	31.50											

Negative = Payment to Utility

Positive = Payment to AES

Consistent Under Supply Outside Deviation Band

Sample Hour		AES	AES	AES	Aggregated	Aggregate	AES	AES	AES	AES	AES	Total	Utility	Utility
AES	Comment	Supply	Customer	Individual	AES	AES	Imbalance	Imbalance	Imbalance	Imbalance	Imbalance	AES	Out of	Benefit
		MW	Load	Deviation	Deviation	out of Band	1=yes	0=no	Imbalance	Within	Outside	Settlement	Settlement	Costs
			MW	Band	Band				MW	Band	Band	Deviation	Deviation	
				MW	MW							Band	Band	
A	Under Supply Outside Band	80	100	10					(20.0)	(10.0)	(10.0)	\$ (350.00)	\$ (385.00)	\$ (735.00)
B	Under Supply Outside Band	80	100	10					(20.0)	(10.0)	(10.0)	\$ (350.00)	\$ (385.00)	\$ (735.00)
C	Under Supply Outside Band	80	100	10					(20.0)	(10.0)	(10.0)	\$ (350.00)	\$ (385.00)	\$ (735.00)
D	Under Supply Outside Band	80	100	10					(20.0)	(10.0)	(10.0)	\$ (350.00)	\$ (385.00)	\$ (735.00)
E	Under Supply Outside Band	80	100	10					(20.0)	(10.0)	(10.0)	\$ (350.00)	\$ (385.00)	\$ (735.00)
F	Under Supply Outside Band	80	100	10					(20.0)	(10.0)	(10.0)	\$ (350.00)	\$ (385.00)	\$ (735.00)
G	Under Supply Outside Band	80	100	10					(20.0)	(10.0)	(10.0)	\$ (350.00)	\$ (385.00)	\$ (735.00)
H	Under Supply Outside Band	80	100	10					(20.0)	(10.0)	(10.0)	\$ (350.00)	\$ (385.00)	\$ (735.00)
I	Under Supply Outside Band	80	100	10					(20.0)	(10.0)	(10.0)	\$ (350.00)	\$ (385.00)	\$ (735.00)
J	Under Supply Outside Band	80	100	10					(20.0)	(10.0)	(10.0)	\$ (350.00)	\$ (385.00)	\$ (735.00)
K	Under Supply Outside Band	80	100	10					(20.0)	(10.0)	(10.0)	\$ (350.00)	\$ (385.00)	\$ (735.00)
Aggregated AES		880	1,100			110.0		1	(220)	(110.0)	(110.0)	\$ (3,850.00)	\$ (4,235.00)	\$ (8,085.00)
Top Incremental Cost		\$	35.00											
110% of Top Incremental Cost		\$	38.50											
90% of Top Incremental Cost		\$	31.50											

Negative = Payment to Utility

Positive = Payment to AES

Consistent Under Supply Within Deviation Band

Sample Hour														
AES	Comment	AES Supply MW	AES Customer Load MW	AES Individual Deviation Band MW	Aggregated AES Deviation Band MW	Aggregate AES Imbalance out of Band 1=yes 0=no	AES Imbalance MW	AES Imbalance Within Deviation Band MW	AES Imbalance Outside Deviation Band MW	AES Imbalance Settlement Within Deviation Band	AES Imbalance Settlement Outside Deviation Band	Total AES Imbalance Settlement	Utility Out of Pocket Costs	Utility Benefit
A	Consistent Under Supply Within Band	90	100	10			(10.0)	(10.0)	-	\$ (350.00)	\$ -	\$ (350.00)		
B	Consistent Under Supply Within Band	94	100	10			(6.0)	(6.0)	-	\$ (210.00)	\$ -	\$ (210.00)		
C	Consistent Under Supply Within Band	94	100	10			(6.0)	(6.0)	-	\$ (210.00)	\$ -	\$ (210.00)		
D	Consistent Under Supply Within Band	94	100	10			(6.0)	(6.0)	-	\$ (210.00)	\$ -	\$ (210.00)		
E	Consistent Under Supply Within Band	94	100	10			(6.0)	(6.0)	-	\$ (210.00)	\$ -	\$ (210.00)		
F	Consistent Under Supply Within Band	94	100	10			(6.0)	(6.0)	-	\$ (210.00)	\$ -	\$ (210.00)		
G	Consistent Under Supply Within Band	94	100	10			(6.0)	(6.0)	-	\$ (210.00)	\$ -	\$ (210.00)		
H	Consistent Under Supply Within Band	94	100	10			(6.0)	(6.0)	-	\$ (210.00)	\$ -	\$ (210.00)		
I	Consistent Under Supply Within Band	94	100	10			(6.0)	(6.0)	-	\$ (210.00)	\$ -	\$ (210.00)		
J	Consistent Under Supply Within Band	94	100	10			(6.0)	(6.0)	-	\$ (210.00)	\$ -	\$ (210.00)		
K	Consistent Under Supply Within Band	94	100	10			(6.0)	(6.0)	-	\$ (210.00)	\$ -	\$ (210.00)		
Aggregated AES		1,030	1,100		110.0	0	(70)	(70.0)	-	\$ (2,450.00)	\$ -	\$ (2,450.00)	\$ 2,450.00	\$ -
Top Incremental Cost		\$	35.00							Negative = Payment to Utility				
110% of Top Incremental Cost		\$	38.50							Positive = Payment to AES				
90% of Top Incremental Cost		\$	31.50											

Consistent Over Supply Outside Deviation Band

Sample Hour		AES		AES	Aggregated	Aggregate	AES		AES	AES	AES	AES	Total	Utility	Utility
		AES	Customer	Individual	AES	AES	Imbalance	Imbalance	Imbalance	Imbalance	Imbalance	Imbalance	AES	Out of	
AES	Comment	Supply	Load	Deviation	Deviation	out of Band	1=yes	0=no	Deviation	Deviation	Deviation	Deviation	Settlement	Settlement	Benefit
MW		MW	MW	Band	Band				Band	Band	Band	Band	Settlement	Settlement	
A	Consistent Over Supply Outside Band	120	100	10					20.0	10.0	10.0	\$ 350.00	\$ 315.00	\$ 665.00	
B	Consistent Over Supply Outside Band	120	100	10					20.0	10.0	10.0	\$ 350.00	\$ 315.00	\$ 665.00	
C	Consistent Over Supply Outside Band	120	100	10					20.0	10.0	10.0	\$ 350.00	\$ 315.00	\$ 665.00	
D	Consistent Over Supply Outside Band	120	100	10					20.0	10.0	10.0	\$ 350.00	\$ 315.00	\$ 665.00	
E	Consistent Over Supply Outside Band	120	100	10					20.0	10.0	10.0	\$ 350.00	\$ 315.00	\$ 665.00	
F	Consistent Over Supply Outside Band	120	100	10					20.0	10.0	10.0	\$ 350.00	\$ 315.00	\$ 665.00	
G	Consistent Over Supply Outside Band	120	100	10					20.0	10.0	10.0	\$ 350.00	\$ 315.00	\$ 665.00	
H	Consistent Over Supply Outside Band	120	100	10					20.0	10.0	10.0	\$ 350.00	\$ 315.00	\$ 665.00	
I	Consistent Over Supply Outside Band	120	100	10					20.0	10.0	10.0	\$ 350.00	\$ 315.00	\$ 665.00	
J	Consistent Over Supply Outside Band	120	100	10					20.0	10.0	10.0	\$ 350.00	\$ 315.00	\$ 665.00	
K	Consistent Over Supply Outside Band	120	100	10					20.0	10.0	10.0	\$ 350.00	\$ 315.00	\$ 665.00	
Aggregated AES		1,320	1,100			110.0		1	220	110.0	110.0	\$3,850.00	\$ 3,465.00	\$ 7,315.00	\$ 770.00
Top Incremental Cost															
110% of Top Incremental Cost															
90% of Top Incremental Cost															
		\$ 35.00													
		\$ 38.50													
		\$ 31.50													

Negative = Payment to Utility
Positive = Payment to AES

Consistent Over Supply Within Deviation Band

Sample Hour														
AES	Comment	AES Supply MW	AES Customer Load MW	AES Individual Deviation Band MW	Aggregated AES Deviation Band MW	Aggregate AES Imbalance out of Band 1=yes 0=no	AES Imbalance MW	AES Imbalance Within Deviation Band MW	AES Imbalance Outside Deviation Band MW	AES Imbalance Settlement Within Deviation Band	AES Imbalance Settlement Outside Deviation Band	Total AES Imbalance Settlement	Utility Out of Pocket Costs	Utility Benefit
A	Consistent Over Supply Within Band	110	100	10			10.0	10.0	-	\$ 350.00	\$ -	\$ 350.00		
B	Consistent Over Supply Within Band	110	100	10			10.0	10.0	-	\$ 350.00	\$ -	\$ 350.00		
C	Consistent Over Supply Within Band	110	100	10			10.0	10.0	-	\$ 350.00	\$ -	\$ 350.00		
D	Consistent Over Supply Within Band	110	100	10			10.0	10.0	-	\$ 350.00	\$ -	\$ 350.00		
E	Consistent Over Supply Within Band	110	100	10			10.0	10.0	-	\$ 350.00	\$ -	\$ 350.00		
F	Consistent Over Supply Within Band	110	100	10			10.0	10.0	-	\$ 350.00	\$ -	\$ 350.00		
G	Consistent Over Supply Within Band	110	100	10			10.0	10.0	-	\$ 350.00	\$ -	\$ 350.00		
H	Consistent Over Supply Within Band	110	100	10			10.0	10.0	-	\$ 350.00	\$ -	\$ 350.00		
I	Consistent Over Supply Within Band	110	100	10			10.0	10.0	-	\$ 350.00	\$ -	\$ 350.00		
J	Consistent Over Supply Within Band	110	100	10			10.0	10.0	-	\$ 350.00	\$ -	\$ 350.00		
K	Consistent Over Supply Within Band	110	100	10			10.0	10.0	-	\$ 350.00	\$ -	\$ 350.00		
Aggregated AES		1,210	1,100		110.0	0	110	110.0	-	\$3,850.00	\$ -	\$ 3,850.00	\$3,850.00	\$ 385.00
Top Incremental Cost		\$ 35.00								Negative = Payment to Utility				
110% of Top Incremental Cost		\$ 38.50								Positive = Payment to AES				
90% of Top Incremental Cost		\$ 31.50												

Aggregate Over Supply Outside Deviation Band

Aggregate Over Supply Outside Deviation Band						Aggregate AES	AES	AES	AES	AES				
	Sample Hour	AES Customer Load	AES Individual Deviation Band	Aggregated AES Deviation Band	AES Imbalance out of Band	AES Imbalance	AES Imbalance Within Deviation Band	AES Imbalance Outside Deviation Band	AES Imbalance Settlement Within Deviation Band	AES Imbalance Settlement Outside Deviation Band	Total AES Imbalance Settlement	Utility Out of Pocket Costs	Utility Benefit	
AES	Comment	MW	MW	MW	1=yes 0=no	MW	MW	MW	MW	MW				
A	Under Supply Within Individual Deviation Band	90	95	9.5		(5.0)	(5.0)	-	\$ (175.00)	\$ -	\$ (175.00)			
B	Under Supply Outside Individual Deviation Band	80	95	9.5		(15.0)	(9.5)	(5.5)	\$ (332.50)	\$ (211.75)	\$ (544.25)			
C	Over Supply Within Individual Deviation Band	100	95	9.5		5.0	5.0	-	\$ 175.00	\$ -	\$ 175.00			
D	Over Supply Outside Individual Deviation Band	110	95	9.5		15.0	9.5	5.5	\$ 332.50	\$ 173.25	\$ 505.75			
E	Dramatic Over Supply	150	95	9.5		55.0	9.5	45.5	\$ 332.50	\$ 1,433.25	\$ 1,765.75			
F	Dramatic Under Supply	45	95	9.5		(50.0)	(9.5)	(40.5)	\$ (332.50)	\$ (1,559.25)	\$ (1,891.75)			
G	Under Supply Within Individual Deviation Band 2	93	95	9.5		(2.0)	(2.0)	-	\$ (70.00)	\$ -	\$ (70.00)			
H	Under Supply Outside Individual Deviation Band 2	75	95	9.5		(20.0)	(9.5)	(10.5)	\$ (332.50)	\$ (404.25)	\$ (736.75)			
I	Over Supply Within Individual Deviation Band 2	98	95	9.5		3.0	3.0	-	\$ 105.00	\$ -	\$ 105.00			
J	Over Supply Outside Individual Deviation Band 2	110	95	9.5		15.0	9.5	5.5	\$ 332.50	\$ 173.25	\$ 505.75			
K	Swing Supplier	220	95	9.5		125.0	9.5	115.5	\$ 332.50	\$ 3,638.25	\$ 3,970.75			
Aggregated AES		1,171	1,045		104.5	1	126	10.5	115.5	\$ 367.50	\$ 3,242.75	\$ 3,610.25	\$ 3,610.25	\$ 441.00
	Top Incremental Cost	\$ 35.00							Negative = Payment to Utility					
	110% of Top Incremental Cost	\$ 38.50							Positive = Payment to AES					
	90% of Top Incremental Cost	\$ 31.50												

Aggregate Under Supply Outside the Deviation Band

Sample Hour		AES Customer Load		AES Individual Deviation Band	Aggregated AES Deviation Band	Aggregate AES Imbalance out of Band 1=yes 0=no	AES Imbalance	AES Imbalance Within Deviation Band	AES Imbalance Outside Deviation Band	AES Imbalance Settlement Within Deviation Band	AES Imbalance Settlement Outside Deviation Band	Total AES Imbalance Settlement	Utility Out of Pocket Costs	Utility Benefit
AES	Comment	AES Supply MW	Customer Load MW	Deviation Band MW	Deviation Band MW		MW	MW	MW	MW	MW			
A	Under Supply Within Individual Deviation Band	90	95	9.5			(5.0)	(5.0)	-	\$ (175.00)	\$ -	\$ (175.00)		
B	Under Supply Outside Individual Deviation Band	80	95	9.5			(15.0)	(9.5)	(5.5)	\$ (332.50)	\$ (211.75)	\$ (544.25)		
C	Over Supply Within Individual Deviation Band	100	95	9.5			5.0	5.0	-	\$ 175.00	\$ -	\$ 175.00		
D	Over Supply Outside Individual Deviation Band	110	95	9.5			15.0	9.5	5.5	\$ 332.50	\$ 173.25	\$ 505.75		
E	Dramatic Over Supply	150	95	9.5			55.0	9.5	45.5	\$ 332.50	\$ 1,433.25	\$ 1,765.75		
F	Dramatic Under Supply	45	95	9.5			(50.0)	(9.5)	(40.5)	\$ (332.50)	\$ (1,559.25)	\$ (1,891.75)		
G	Under Supply Within Individual Deviation Band 2	93	95	9.5			(2.0)	(2.0)	-	\$ (70.00)	\$ -	\$ (70.00)		
H	Under Supply Outside Individual Deviation Band 2	75	95	9.5			(20.0)	(9.5)	(10.5)	\$ (332.50)	\$ (404.25)	\$ (736.75)		
I	Over Supply Within Individual Deviation Band 2	98	95	9.5			3.0	3.0	-	\$ 105.00	\$ -	\$ 105.00		
J	Over Supply Outside Individual Deviation Band 2	110	95	9.5			15.0	9.5	5.5	\$ 332.50	\$ 173.25	\$ 505.75		
K	Swing Supplier	10	150	15			(140.0)	(15.0)	(125.0)	\$ (525.00)	\$ (4,812.50)	\$ (5,337.50)		
Aggregated AES		961	1,100		110.0	1	(139)	(14.0)	(125.0)	\$ (490.00)	\$ (5,208.00)	\$ (5,698.00)	\$ 4,865.00	\$ 833.00
Top Incremental Cost		\$ 35.00								Negative = Payment to Utility				
110% of Top Incremental Cost		\$ 38.50								Positive = Payment to AES				
90% of Top Incremental Cost		\$ 31.50												

Detroit Edison Comparison

Assumptions

TIC = \$ 500

Decremental Cost = \$ 450.00 (90% of TIC)

Aggregate Supply Scenarios

No Aggregate Imbalance

	AES Current Proposal 10% DB Aggregation TIC Based	DTE Current Settlement 1.5% DB No Aggregation \$100/MWH Min/TIC Based	AES Scenario #1 1.5% DB Aggregation TIC Based	AES Scenario #2 10% DB No Aggregation TIC Based	AES Scenario #3 10% DB Aggregation \$100/MWH Min/TIC Based
No Aggregate Imbalance	\$ -	\$ (14,600.00)	\$ -	\$ (10,095.00)	\$ -
Aggregate Under Supply Within 10% Deviation Band	\$ (37,000.00)	\$ (52,635.00)	\$ (44,750.00)	\$ (48,467.50)	\$ (37,000.00)
Aggregate Under Supply Outside 10% Deviation Band	\$ (65,100.00)	\$ (74,635.00)	\$ (66,750.00)	\$ (70,467.50)	\$ (65,100.00)
Aggregate Over Supply Within 10% Deviation Band	\$ 8,000.00	\$ (8,120.00)	\$ 8,000.00	\$ (3,615.00)	\$ 8,000.00
Aggregate Over Supply Outside 10% Deviation Band	\$ 52,860.00	\$ 44,530.00	\$ 49,630.00	\$ 49,035.00	\$ 52,860.00
Consistent Under Supply Within 10% Deviation Band	\$ (52,250.00)	\$ (56,375.00)	\$ (56,375.00)	\$ (52,250.00)	\$ (52,250.00)
Consistent Under Supply Outside 10% Deviation Band	\$ (85,525.00)	\$ (89,650.00)	\$ (89,650.00)	\$ (85,525.00)	\$ (85,525.00)
Consistent Over Supply Within 10% Deviation Band	\$ 52,250.00	\$ 44,412.50	\$ 44,412.50	\$ 52,250.00	\$ 52,250.00
Consistent Over Supply Outside 10% Deviation Band	\$ 94,572.50	\$ 86,735.00	\$ 86,735.00	\$ 94,572.50	\$ 94,572.50

Negative = Payment to Utility

Positive = Payment to AES

Total AES Settlement Amount for Sample Hour

Detroit Edison Comparison

Assumptions

TIC = \$ 35

Decremental Cost = \$ 31.50 (90% of TIC)

Aggregate Supply Scenarios

No Aggregate Imbalance

	AES Current Proposal 10% DB Aggregation TIC Based	DTE Current Settlement 1.5% DB No Aggregation \$100/MWH Min/TIC Based	AES Scenario #1 1.5% DB Aggregation TIC Based	AES Scenario #2 10% DB No Aggregation TIC Based	AES Scenario #3 10% DB Aggregation \$100/MWH Min/TIC Based
No Aggregate Imbalance	\$ -	\$ (7,295.00)	\$ -	\$ (498.75)	\$ -
Aggregate Under Supply Within 10% Deviation Band	\$ (2,590.00)	\$ (13,216.95)	\$ (3,132.50)	\$ (3,214.75)	\$ (2,590.00)
Aggregate Under Supply Outside 10% Deviation Band	\$ (4,557.00)	\$ (17,216.95)	\$ (4,672.50)	\$ (4,754.75)	\$ (14,520.00)
Aggregate Over Supply Within 10% Deviation Band	\$ 560.00	\$ (6,841.40)	\$ 560.00	\$ 5.25	\$ 560.00
Aggregate Over Supply Outside 10% Deviation Band	\$ 4,368.00	\$ (3,155.90)	\$ 4,249.00	\$ 4,100.25	\$ 3,700.20
Consistent Under Supply Within 10% Deviation Band	\$ (3,657.50)	\$ (9,020.00)	\$ (3,946.25)	\$ (3,657.50)	\$ (3,657.50)
Consistent Under Supply Outside 10% Deviation Band	\$ (5,986.75)	\$ (15,070.00)	\$ (6,275.50)	\$ (5,986.75)	\$ (9,707.50)
Consistent Over Supply Within 10% Deviation Band	\$ 3,657.50	\$ 3,108.88	\$ 3,368.75	\$ 3,657.50	\$ 3,657.50
Consistent Over Supply Outside 10% Deviation Band	\$ 6,949.25	\$ 6,071.45	\$ 6,660.50	\$ 6,949.25	\$ 6,620.08

Negative = Payment to Utility

Positive = Payment to AES

Total AES Settlement Amount for Sample Hour

Consumers Energy Comparison

Total AES Settlement Amount for Sample Hour

Assumptions

TIC = \$ 500

Decremental Cost = \$ 450.00 (90% of TIC)

Aggregate Supply Scenarios

No Aggregate Imbalance

	AES Current Proposal 10% DB Aggregation TIC Based	CMS Current Settlement 1.5% DB No Aggregation \$50/MWH Min/TIC Based	AES Scenario #1 1.5% DB Aggregation TIC Based	AES Scenario #2 10% DB No Aggregation TIC Based	AES Scenario #3 10% DB Aggregation \$50/MWH Min/TIC Based
No Aggregate Imbalance	\$ -	\$ (57,120.00)	\$ -	\$ (10,095.00)	\$ -
Aggregate Under Supply Within 10% Deviation Band	\$ (37,000.00)	\$ (85,170.00)	\$ (44,750.00)	\$ (48,467.50)	\$ (37,000.00)
Aggregate Under Supply Outside 10% Deviation Band	\$ (65,100.00)	\$ (105,570.00)	\$ (66,750.00)	\$ (70,467.50)	\$ (58,620.00)
Aggregate Over Supply Within 10% Deviation Band	\$ 8,000.00	\$ (57,120.00)	\$ 8,000.00	\$ (3,615.00)	\$ 8,000.00
Aggregate Over Supply Outside 10% Deviation Band	\$ 52,860.00	\$ (57,120.00)	\$ 49,630.00	\$ 49,035.00	\$ (33,000.00)
Consistent Under Supply Within 10% Deviation Band	\$ (52,250.00)	\$ (53,295.00)	\$ (56,375.00)	\$ (52,250.00)	\$ (52,250.00)
Consistent Under Supply Outside 10% Deviation Band	\$ (85,525.00)	\$ (84,150.00)	\$ (89,650.00)	\$ (85,525.00)	\$ (83,105.00)
Consistent Over Supply Within 10% Deviation Band	\$ 52,250.00	\$ -	\$ 44,412.50	\$ 52,250.00	\$ 52,250.00
Consistent Over Supply Outside 10% Deviation Band	\$ 94,572.50	\$ -	\$ 86,735.00	\$ 94,572.50	\$ 52,250.00

Negative = Payment to Utility

Positive = Payment to AES

Consumers Energy Comparison

Total AES Settlement Amount for Sample Hour

Assumptions

TIC = \$ 35

Decremental Cost = \$ 31.50 (90% of TIC)

	AES Current Proposal 10% DB Aggregation TIC Based	CMS Current Settlement 1.5% DB Aggregation \$50/MWH Min/TIC Based	AES Scenario #1 1.5% DB Aggregation TIC Based	AES Scenario #2 10% DB No Aggregation TIC Based	AES Scenario #3 10% DB Aggregation \$50/MWH Min/TIC Based
<u>Aggregate Supply Scenarios</u>					
No Aggregate Imbalance	\$ -	\$ (5,550.00)	\$ -	\$ (498.75)	\$ -
Aggregate Under Supply Within 10% Deviation Band	\$ (2,590.00)	\$ (8,290.00)	\$ (3,132.50)	\$ (3,214.75)	\$ (2,590.00)
Aggregate Under Supply Outside 10% Deviation Band	\$ (4,557.00)	\$ (10,290.00)	\$ (4,672.50)	\$ (4,754.75)	\$ (6,420.00)
Aggregate Over Supply Within 10% Deviation Band	\$ 560.00	\$ (5,550.00)	\$ 560.00	\$ 5.25	\$ 560.00
Aggregate Over Supply Outside 10% Deviation Band	\$ 4,368.00	\$ (5,550.00)	\$ 4,249.00	\$ 4,100.25	\$ (2,310.00)
Consistent Under Supply Within 10% Deviation Band	\$ (3,657.50)	\$ (5,115.00)	\$ (3,946.25)	\$ (3,657.50)	\$ (3,657.50)
Consistent Under Supply Outside 10% Deviation Band	\$ (5,986.75)	\$ (8,140.00)	\$ (6,275.50)	\$ (5,986.75)	\$ (6,682.50)
Consistent Over Supply Within 10% Deviation Band	\$ 3,657.50	\$ -	\$ 3,368.75	\$ 3,657.50	\$ 3,657.50
Consistent Over Supply Outside 10% Deviation Band	\$ 6,949.25	\$ -	\$ 6,660.50	\$ 6,949.25	\$ 3,657.50

Negative = Payment to Utility

Positive = Payment to AES

CLARK HILL

P.L.C.

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March 20, 2002

VIA HAND DELIVERY

Mr. Larry W. Bailey
Michigan Public Service Commission Staff
6545 Mercantile Way
Lansing, MI 489 11

Re: MPCS Case Nos. U-12488 and U-12499; Imbalance Proposals

Dear Mr. Bailey:

Pursuant to the Commission's December 20, 2001 Orders in the captioned cases, the MPSC Staff has held several meetings with the Intervenor, the utilities and interested parties to discuss various retail energy imbalance proposals concerning the services offered by Consumers Energy Company ("Consumers") and The Detroit Edison Company ("Edison"). During the course of those meetings, the Association of Businesses Advocating Tariff Equity ("ABATE") and the Alternative Energy Suppliers ("AESs") previously submitted a joint proposal concerning the settlement of energy imbalances. That proposal was rejected by Consumers and Edison; however, neither Consumers nor Edison made any counter-proposal, or any proposal at all, to deal with the settlement of energy imbalances, despite the Commission's requests that the parties attempt to resolve this matter. ABATE continues its full support of the joint proposal previously submitted and suggests that the Staff recommend the same to the Commission for adoption. Should the Staff determine not to recommend approval of the joint ABATE/AES proposal, ABATE herein suggests two alternative proposals which Staff should consider in preparing its report to the Commission.

The first such proposal is based on the Order issued by the Federal Energy Regulatory Commission ("FERC") on May 18, 2000, in Entergy Services, Inc.; Docket No. ER00-1947-000 (the "Entergy Order"). A copy of the Entergy Order is enclosed for your use. As discussed in that Order, Entergy Services, Inc. ("Entergy") filed a new Schedule 4A adopting an energy imbalance bandwidth of +/- 10% or 2MW, whichever is greater, for a competing Texas Retail Electric Provider ("TREP"). Imbalances within the 10% bandwidth under that Schedule 4A would be settled at Entergy's incremental cost of energy. Penalty provisions for deviations above 10% and were also included in the Schedule 4A, being 110%/90% of Entergy's incremental costs for under and over supply if the deviation was above 10% but less than 25%, or 125%/75% of Entergy's incremental costs for under and over supply for deviations greater

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Detroit, Michigan ■ Birmingham, Michigan I Lansing, Michigan

Mr. Larry Bailey
March 20, 2002
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than 25%. See, Entergy Order, p 4. Please note that, even over the protests of certain inter-venom, the FERC decided this matter and approved the proposed tariff revisions in less than sixty days. ABATE suggests that the MPSC Staff may wish to recommend that the Commission order Consumers and Edison to file a Schedule 4A at the FERC containing provisions identical to those tiled by Entergy and discussed in the enclosed Order.

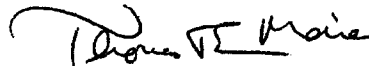
The second alternative proposal would be for the Commission to initiate a new service - Settlement Services - and require the filing of a Michigan Tariff for settlement services. Such a tariff would be strictly Michigan jurisdictional and would provide that the utilities would bill or pay customers at tariff rates for all energy imbalances calculated on an hourly basis. Settlement services would be made available to all rate schedules and billed at the cost of firm service stated in the applicable tariff for which the customer qualifies to take service, using the average energy cost and a daily demand charge, if applicable, and would include all applicable discounts and credits. Enclosed is ABATE's suggestion with regard to such a Settlement Services Tariff, including an example of how the same would operate.

In conclusion, ABATE continues to support the joint ABATE/AES Proposal which was previously submitted to the MPSC Staff. Nevertheless, ABATE submits the two alternative proposals discussed above and in the enclosed documents, should the MPSC Staff and/or the Commission desire to adopt an alternative approach. Obviously, the alternative proposals discussed above, especially the proposed Settlement Services Tariff, pose little or no problem with regard to the Commission's jurisdiction over this matter. Nevertheless, ABATE suggests that the MPSC Staff consider all three proposals, including the joint ABATE/AES Proposal, in preparing its report for the Commission. In any event, it is imperative that the Staff recommend the adoption of a method of settling imbalances other than that currently used by Consumers and Edison to avoid windfalls to the utilities and to lead to the adoption of a settlement imbalance methodology that is fair to retail open access customers and permits real options and choices in the retail electric market.

Thank you for your efforts in attempting to obtain a resolution to the settlement imbalance problem. If you have questions concerning the foregoing or the enclosed, or we may be of any further assistance, please feel free to call.

Very truly yours,

CLARK HILL PLC



Thomas E. Maier

TEM:pgs
Enclosures

Settlement Services Tariff

The Commission should initiate a new service for utilities that can easily be implemented and billed. Under the new settlement service utilities would bill or pay customers the tariff rates for all energy imbalances calculated on an hourly basis. Service should be available to all rate schedules and should be billed at the cost of firm service stated in the tariff for which the customer qualifies to take service using the average energy cost and a daily demand charge, if applicable, and should include all applicable discounts and credits. An example is set forth below.

ENERGY IMBALANCE RATE

PRIMARY SUPPLY D6

Demand Charge:

- \$.6786/kW/day – On-peak
- The demand charge applies only to the largest hourly underdelivery kW during the on-peak hours for the day. On-peak hours are those hours between 1100 hours and 1900 hours each day, Monday through Friday, legal holidays excluded. (See Schedule Designation B-4.4.)

Energy Charge for Underdeliveries and Credit for Overdeliveries:

- 2.49¢/kWh for all on-peak kWh
- 2.19¢/kWh for all off-peak kWh

Voltage Level Discount for Charges and Credits:

- .15¢/kWh at transmission level
- .10¢/kWh at sub-transmission level

Base Rate Reduction: A credit of 3.227% applied to the applicable demand and energy charges and voltage level discount shown above.

Surcharges and Credits: As approved by the Commission. See Schedule Designation B-4.9.

5% Securitization Reduction: A credit of 5% applied to the base bill and surcharges shown above.

(Note: the above charges would track any changes to the charges in Rate D6.)

91 FERC ¶ 61,155

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: James J. Hoecker, Chairman;
William L. Massey, Linda Breathitt,
and Curt Hébert, Jr.

Entergy Services, Inc.

Docket No. EROO- 1947-000

ORDER ACCEPTING FOR FILING REVISIONS TO OPEN
ACCESS TRANSMISSION TARIFF

(Issued May 18, 2000)

On March 23, 2000, Entergy Services Inc., as agent for, and on behalf of the Entergy Operating Companies¹ (Entergy) filed revisions to its open access transmission tariff (OATT) to accommodate a retail pilot program in Texas. In this order, we accept for filing without suspension or hearing, the proposed revisions to Entergy's OATT, to become effective on June 1, 2001, as requested.

Background

Entergy has submitted numerous revisions to its OATT to facilitate the implementation of a retail pilot program established in Texas. Under the pilot program, which is to begin on June 1, 2001, certain retail customers (five percent of shareholder-owned utility load) will have the opportunity to choose a competing Texas Retail Electric Provider (TREP). The TREP will purchase all transmission and delivery services on behalf of its retail customers.

To accommodate the pilot program, Entergy proposes three OATT Attachments: (1) Attachment J (TREP Transmission Service Charges); (2) Attachment K (TREP Network Service Agreement); and (3) Attachment L (TREP Network Operating Agreement). Entergy also proposes two modifications to the OATT itself: (1) the addition of a definition for TREP and (2) a reference to the new Attachments. Further, Entergy proposes a new Schedule 4A to address energy imbalance charges applicable to TREPs. Entergy states that all of the proposed changes are consistent with or superior to

¹The Operating Companies are Entergy Arkansas, Inc., Entergy Gulf States, Inc. (EGSI), Entergy Louisiana, Inc., Entergy Mississippi, Inc. and Entergy New Orleans, Inc.

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the pro forma tariff and that the proposed changes are consistent with Commission orders addressing OATT amendments to implement other retail access programs. Entergy requests an effective date of June 1, 2001 for the proposed revisions.

Notice and Interventions

Notice of Entergy's filing was published in the Federal Register, 65 Fed. Reg. 17,653 (2000), with comments, protests and interventions due on or before April 13, 2000.

The Arkansas Electric Energy Consumers (AEEC), filed a timely motion to intervene, raising no substantive issues. The Arkansas Electric Cooperative Cooperation (AECC) and East Texas Electric Cooperative, Sam Rayburn G&T Electric Cooperative, Inc. and Tex-La Electric Cooperative of Texas, Inc. (collectively, East Texas Cooperatives) filed timely motions to intervene and protests.

AECC states that proposed Schedule 4A includes an energy imbalance bandwidth of 10 percent, while Entergy's Schedule 4 (Wholesale Energy Imbalance Service) only allows wholesale network customers an energy imbalance bandwidth deviation of 1.5 percent. AECC also notes that under Entergy's proposal, retail network service customers are being offered rolled-in rates, while wholesale network service customers retain a bifurcated rate structure. AECC argues that these differences are discriminatory and that the Commission should reject the proposed amendments or set them for investigation and hearing.

East Texas Cooperatives argue that the proposed changes to the energy imbalance provisions and to the calculation of transmission rates discriminate against existing network customers such as East Texas Cooperatives in favor of TREPs. East Texas Cooperatives also assert that Entergy has offered no justification for these changes and that the Commission should reject Entergy's proposed energy imbalance schedule and the TREP rolled-in transmission charge.

On April 19, 2000, Dynegy Power Marketing, Inc. (Dynegy) filed an untimely motion to intervene, raising no substantive issues.

On April 28, 2000, Entergy filed a request for leave to answer the two protests and an answer. On May 12, 2000, AECC filed a motion for leave to answer and an answer. On May 15, 2000, Entergy filed a supplement to its answer in response to AECC.

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DiscussionProcedural Matters

Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (1999), the timely, unopposed motions to intervene of AECC, East Texas Cooperatives and AECC serve to make them parties to this proceeding.

We will grant the untimely, unopposed motion to intervene of Dynegy, given its interest in this proceeding and the absence of any undue prejudice or delay.

With respect to Entergy's answer, AECC's answer and Entergy's supplemental answer, Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (1999), generally prohibits an answer to a protest and an answer to an answer. We are not persuaded to allow the proposed answers, and accordingly will reject Entergy's answer, AECC's answer and Entergy's supplemental answer.

Open Access Transmission Tariff Revisions

The Commission finds that Entergy's proposed revisions, as discussed below, are consistent with or superior to the pro forma tariff and accepts Entergy's proposed revisions for filing, to become effective, on June 1, 2001, as requested.

TREP Network Service Charge Calculation

Entergy proposes a new Attachment J, TREP Transmission Service Charges.² Attachment J contains a rolled-in rate methodology with a two-step allocation process whereby the existing OATT method (a 12 CP rolling average divisor) is used to

²In its filing, Entergy notes that the current OATT rates for wholesale network integration transmission service use a bifurcated rate structure that establishes a bulk transmission rate for facilities that are 230 kV and above, and a separate rate for lower voltage facilities. In an October 1998 order, the Commission ordered Entergy to replace the bifurcated rate structure with rolled-in rates. See Entergy Services, Inc. 85 FERC ¶ 61,163 (1998) (October 1998 Order). However, the Commission stated that if a request for rehearing is filed, Entergy need not make a compliance filing until 30 days from the date the Commission disposes of the request for rehearing. A number of parties did seek rehearing and these requests remain pending before the Commission. For the Texas retail pilot program, Entergy proposes in Attachment J the rolled-in rate methodology that the Commission required in the October 1998 Order.

Docket No. ER00-1947-000

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allocate the portion of the of the Transmission System Revenue Requirement to EGSI, the Entergy Operating Company participating in the Texas pilot program, in the aggregate (EGSI Transmission Revenue Requirement). The second step allocates a portion of the EGSI Transmission Revenue Requirement to each of the TREPs participating in the pilot program on a month-by-month load ratio basis.

East Texas Cooperatives argue that if Entergy is unwilling to apply rolled-in transmission rates to all customers, then it should use bifurcated rates for TREPs until the Commission rules on the rehearing requests. AECC asserts that the different transmission rates to retail network customers (rolled-in rates) and to wholesale network customers (bifurcated rates) are discriminatory.

In Entergy Services Inc., which is being issued concurrently with this order, we deny rehearing as to our earlier finding that Enter&s bifurcated rate has not been shown to be just and reasonable and that a single system rolled-in rate is consistent with Commission precedent.³ Accordingly, consistent with the Commission's October 1998 Order and the concurrent rehearing order, we accept Entergy's rolled-in rate structure for network integration transmission service to TREP customers. We note that East Texas Cooperatives' and AECC's concerns about discriminatory and different rates should be alleviated because Entergy will be utilizing rolled-in rates for both wholesale network customers and for retail customers participating in the Texas pilot program.

Energy Imbalance Service

Under Schedule 4A, Entergy proposes an energy imbalance bandwidth of +/- 10 percent or 2 MW, whichever is greater, for TREPs participating in the pilot program. Entergy states that all scheduling imbalances within the 10 percent bandwidth will be settled at 100 percent of Entergy's incremental cost of energy. Entergy also proposes separate penalties for deviations above 10 percent but less than 25 percent of 110 percent/90 percent of Entergy's incremental cost for under and over supply. In addition, for deviations greater than 25 percent that occur in 10 percent or more of the hours of the month, Entergy proposes the imbalance settlement to be at 125 percent/75 percent of Enter&s incremental cost for under and over supply. Entergy argues that these imbalance bandwidth and penalty provisions are identical to provisions previously accepted by the Commission in IEC Operating Companies.⁴

³Entergy Services Inc., et al., 91 FERC ¶ ____ (2000).

⁴See IEC Operating Companies, 89 FERC ¶ 61,175 (1999), reh'g pending (IEC
(continued..)

Docket No. EROO- 1947-000

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East Texas Cooperatives and AECC note that existing network transmission customers would continue to take service pursuant to Schedule 4, which uses an energy imbalance bandwidth of +/- 1.5 percent. These entities argue that it is discriminatory to apply favorable energy imbalance terms to only some customers, i.e., the TREPs. East Texas Cooperatives assert that Entergy should either apply the terms of Schedule 4 to TREP customers or Entergy should make the new energy imbalance provision (Schedule 4A) applicable to all customers.

In IEC Operating Companies, we accepted energy imbalance bandwidths for retail customers that were different from those in effect for wholesale customers. In our prior cases, we recognized the inherent problems of retail loads and the difficulty in minimizing energy imbalances (e.g., retail customers lack access to hourly interval meters).⁵ In Duquesne and Illinois Power, the Commission determined that the standard energy imbalance provisions applicable to wholesale service may not be just and reasonable for a retail access program, and the energy imbalance provisions were set for hearing.⁶ Here, Entergy has proposed energy imbalance bandwidth and penalty provisions for retail customers that are different from those in effect for wholesale customers, and the proposed energy imbalance provisions are identical to those accepted by the Commission in IEC Operating Companies. Accordingly, we will accept Entergy's retail energy imbalance provisions for filing.

Waiver of Notice

We will grant waiver of the 120-day advance notice requirement to allow Entergy's proposed revisions to become effective as of June 1, 2001, the date of commencement of the Texas pilot program, as requested.

The Commission orders:

(A) Entergy's proposed tariff revisions are hereby accepted for filing, without suspension or hearing, to become effective on June 1, 2001, as requested.

⁴(...continued)
Operating Companies).

⁵See Duquesne Light Company, 86 FERC ¶ 61,189 at 6 1,665 (1999) (Duquesne); Illinois Power Company, 89 FERC ¶ 61,206 at 61,630 (1999) (Illinois Power).

⁶Id.

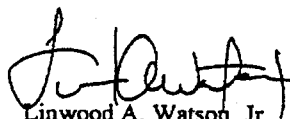
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(B) Entergy is hereby informed of the rate schedule designations on the following attachment.

By the Commission.

(SEAL)


Linwood A. Watson, Jr.,
Acting Secretary.

Attachment

Entergy Operating Companies

Docket No. EROO-1947-000

Effective Date: June 1, 2001

<u>Designation</u>	<u>Description</u>
(1) First Revised Sheet No. 19 under FERC Electric Tariff, First Revised Volume No. 3	Definition of Texas Retail Electric Provider (TREP)
(2) First Revised Sheet No. 28 under FERC Electric Tariff, First Revised Volume No. 3	True-Up Provisions for TREPs
(3) First Revised Sheet No. 79 under FERC Electric Tariff, First Revised Volume No. 3	Part III • Network Integration Transmission Service • Preamble
(4) Original Sheet Nos. 114A-114D under FERC Electric Tariff, First Revised Volume No. 3	Schedule 4A, TREP Energy Imbalance Service
(5) Original Sheet Nos. 215-224 under FERC Electric Tariff, First Revised Volume No. 3	Attachment J, TREP Transmission Service Charges
(6) Original Sheet Nos. 225-229 under FERC Electric Tariff, First Revised Volume No. 3	Attachment K, TREP Network Service Agreement
(7) Original Sheet Nos. 230-262 under FERC Electric Tariff, First Revised Volume No. 3	Attachment L, TREP Network Operating Agreement



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ERIC J. SCHNEIDEWIND

MAIL ejschneidewind@varnumlaw.com

Larry Bailey
MPSC
6545 Mercantile Way
P.O. Box 30221
Lansing, MI 48909

Dear Larry:

In response to your request for a statement of position, I offer the following on behalf of Energy Michigan.

Energy Michigan appreciated the opportunity to participate in your discussions regarding programs to deal with transmission imbalance issues. Energy Michigan members worked with ABATE, Mark Brown of Dorman Energy and Dave Zwitter of CMS/MST to offer a detailed and comprehensive balancing proposal. That proposal was presented to the Staff and utility working group in February 2002 and was rejected by the utility group in a response dated March 7, 2002. I believe that the proposal presented in February represents a consensus of non-utility groups and the best solution to the imbalance problem.

Some of my group feel that early implementation of the MISO approach to imbalances offers some relief but we do not feel strongly on the subject.

In conclusion, I believe our initial non-utility consensus approach to imbalancing is by far the best solution and urge the Commission to press for adoption of that approach.

Very truly yours,

VARNUM, RIDDERING, SCHMIDT & HOWLETT LLP

Eric J. Schneidewind
Eric J. Schneidewind

EJS/mrr

cc: Transmission Group
Bob Strong