The Detroit Edison Company
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Detroit Edison
A DTE Energy Company
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June 29, 2001

Ms. Dorothy Wideman
Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way
Lansing, Michigan 48909-7721

Re: MPSC Case No. U-12780 & U-12781

Dear Ms. Wideman:

Enclosed please find an original and four copies of The Detroit Edison Company's Initial Brief along with proof of service.

Very truly yours,

Bruce R Maters

Bruce R. Maters

BRM/dj
Enclosures

cc: Hon. James N. Rigas
Administrative Law Judge
Parties of Record

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of INDIANA MICHIGAN POWER COMPANY, d/b/a AMERICAN ELECTRIC POWER, for approvals in connection with 2000 PA 141 Section 10v.	))))) /	Case No. U-12780
In the matter of the application of INTERNATIONAL TRANSMISSION COMPANY, CONSUMERS ENERGY COMPANY AND GREAT LAKES ENERGY COOPERATIVE for approvals in connection with 2000 PA 141 Section 10v.	)))))	Case No. U-12781

BRIEF OF
THE DETROIT EDISON COMPANY

I.

HISTORY OF PROCEEDING

Section 10v of the Customer Choice and Electric Reliability Act, 2000 PA 141 (Act 141) requires electric utilities serving more than 100,000 retail customers in the State of Michigan to file a joint plan with the Commission by January 1, 2001 detailing measures to expand by June 5, 2002 the available transmission capability by at least 2000 megawatts (MW) over the available transmission capability in place on January 1, 2000. The joint plan should describe the facilities needed to complete the capacity expansion, including those required of other interconnected systems, as well as the associated cost recovery.

Three utilities, Consumers Energy (CE), Great Lakes Energy Cooperative, and International Transmission Company (ITC) on behalf of the Detroit Edison Company (Edison), agreed upon a plan and on December 28, 2000 filed a Joint Report detailing the actions required to achieve the 2000 MW expansion including identifying the additional facilities required, a proposed schedule for accomplishing the actions, the cost of the actions, and the proposed ratemaking treatment for the costs. This application was docketed as Case No. U-12781.

Also on December 28, the plan of Indiana Michigan Power Company doing business as American Electric Power (AEP) filed its plan, which was docketed as Case No. U-12780. On January 8, 2001 the Michigan Public Service Commission issued a notice of hearing in accordance with Section 10v setting the initial hearing for February 7, 2001. Interventions or notices of appearance were filed by Energy Michigan (EM), Ontario Power Generation Inc. (OPGI), First Power LLC, Dynegy Inc., the Association of Businesses Advocating Tariff Equity (ABATE), Exelon Energy, Inc., PG&E National Energy Group (PG&E), and Midland Co-Generation Venture LLP (Midland). The Michigan Public Service Commission Staff (Staff) also filed an appearance.

On February 7, 2001 the initial hearing was held at the offices of the Michigan Public Service Commission. At that hearing the interventions of EM, OPGI, First Power LLC, Dynegy Inc., ABATE, Exelon Energy, PG &E and Midland were granted. A schedule was developed, and it was determined that the Applicants would separately recommend by February 9, 2001 the names of potential independent experts for use by the Staff. The Staff, after reviewing the material provided, recommended to the Commission that Power Technologies Inc. be used as an expert to conduct an independent review of the transmission plans filed by the utility Applicants.

On March 16, 2001, testimony and exhibits of ITC witness Thomas W. Vitez were filed, along with testimonies and exhibits of CE witnesses Timothy J. Sparks and Benjamin

M. Ruhl, and testimonies and exhibits of AEP witnesses Bernard Pasternack and Kent D. Curry.

Staff and intervenor testimony was filed on April 25, and included the testimony and exhibits of ABATE wtiness James R. Dauphinais, testimony of EM witness David A. Blecker, and testimony and exhibits of Staff witnesses William J. Celio and Ricardo R. Austria. Mr. Austria is an employee of Power Technologies, Inc.

Rebuttal testimony was filed on May 18, and consisted of Testimony and exhibits of ITC witness Vitez; testimony and exhibits of CE witnesses Ruhl and Sparks; testimony and exhibits of AEP witnesses Pasternack and Dennis W. Bethel; testimony of EM witness Blecker, and testimony of ABATE witness Dauphinais.

On May 30, 2001, a motion was heard to delay the scheduled cross-examination so that ongoing settlement discussions could continue. After discussion, it was agreed by the parties that the hearing should be adjourned to June 6, 2001 at which time, if a joint proposal could not be developed, cross-examination would continue.

On June 6, the hearing was resumed pursuant to adjournment, at which point AEP stated:

> AEP will not contest in this proceeding the testimonies of Messrs. Vitez, Sparks, Celio, Blecker, and Dauphinais to the extent that they urge that the second Dumont Transformer should be included in the joint plan approved by the Commission.
>
> AEP will at this time unilaterally stipulate to the joint report filed by the other utilities. And thus, we will not offer into the record in this proceeding either the plan filed by AEP or the testimony of Mr. Pasternak in support of that plan. (3TR39, lines 2-11)

After some discussion it was agreed that all testimony (except for the withdrawn direct and rebuttal testimony of Mr. Pasternak), and exhibits presented by all parties would be bound into the record without objection, and three further exhibits, A-14, A-15, and I-16 could be developed and offered through limited cross-examination of AEP witness Dennis W. Bethel. At the close of cross-examination of Mr. Bethel on June 6, 2001, the hearing was concluded and the record closed. The record consists of 3 volumes, 251 pages of transcript, and 16 exhibits.

II.

POSITION OF EDISON

A. Summary

The fundamental difference between the Joint Report filed by ITC, CE, and Great Lakes, and the withdrawn AEP report was the installation of a second Dumont Transformer on the AEP transmission system. (Vitez, 3TR112, Sparks, 3TR 137, Austria, 3TR192, Celio, 3TR202) Edison believes that with the AEP stipulation adopting the Joint Report filed by Edison, CE, and Great Lakes, the requirements of Section 10v have been met by all Applicants, either directly or through a corporate affiliate. Allowable cost recovery for those facilities should be consistent with the Joint Report and Act 141.

B. ITC Witness

ITC witness Vitez supported the Joint Report submitted by the Applicants. Mr. Vitez is a Principal Engineer in Transmission projects, where he has performed planning studies, has been involved in numerous regional and interregional studies, and chairs the East Central Reliability Council (ECAR) Future System Study Group and is a member of the North American Electric Reliability Council's (NERC) Distribution Factors Task Force. Mr. Vitez participated in the development and writing of the Joint Report that he supports, and was involved in the process that originally attempted to develop the original joint plan.

The Joint Report that was developed was the product of extensive studies and modeling, and provides the means to increase commercial capability into Michigan. Mr. Vitez explained why it was not practical to permanently expand Available Transfer Capability, but that increasing firm commercial capability into Michigan increases the total amount of transmission service available to the market. (3TR114-115) Mr. Vitez also indicated that speculative generation projects should not be counted on to mitigate constraints.

The Joint Report identified seven (7) projects that were required by ITC to increase firm commercial capability into Michigan by 2,000 MW. These projects included adding a 1,000 MVA 345/230 kV transformer in the L51D interconnection with Hydro One, adding a 675 MVA Phase Angle Regulator in the B3N interconnection with Hydro One, installing a 35 mile 345 kV line from Belle River to Blackfoot, constructing a Blackfoot 345 kV switching station, reconductoring the Bunce Creek-Adams 120kV line, installing various capacitors, and installing a 230/120 kV transformer at Elm station. (3TR121) All projects were either complete or in progress, and Mr. Vitez indicated ITC's commitment to complete these necessary projects (3TR121). Mr. Vitez indicated that the total cost of the 7 projects was $50.7 million. (Exhibit A-3, page 12)

The Joint Report also identified projects required by other in-state and out-of-state entities necessary to increase firm commercial capability into Michigan.

III.

SECTION 10v REQUIREMENTS ARE SATISFIED

The Joint Report filed by ITC, CE, and Great Lakes, and stipulated to by AEP (hereinafter "Joint Plan"), clearly identifies the necessary upgrades required to meet the Section 10v requirement of increasing by at least 2000 MW the available transmission capability over that in place as of January 1, 2000. No party contests the adequacy of the proposed upgrades. No party has set forth evidence showing that any additional or other facilities or equipment should be included in the plans. EM witness, David A. Blecker, expresses a concern with regard to ITC's Ontario Interface. However, the concern really is in the nature of an objection to the market rules in Ontario. ITC owns only two interconnections with out-of-state entities: the First Energy interconnection and the Hydro One interconnection. The focus of actions under Section 10v must be directed on ITC's efforts to upgrade interconnections and facilities it controls and owns. As noted in the rebuttal testimony of Mr. Vitez, ITC is working to open the Ontario market. (3TR127-128) However, that activity remains outside of the coverage of Section 10v and largely outside the control of either the Commission or the parties in this case. Notwithstanding Mr. Blecker's concerns, the Commission can only conclude that the requirements of Section 10v have been satisfied and that the proposed upgrades described in the Joint Plan and their associated costs are reasonable and prudent.

IV.

ASSURANCE OF RECOVERY

The Joint Plan provides in Section IX-"Ratemaking Treatment," the following:

> Each transmission owner shall independently evaluate the need and be responsible for making any regulatory filings necessary for recovery of expenditures related to this joint plan of transmission capability expansion. Such filings shall be made to the appropriate regulatory agency having jurisdiction over the facilities at issue.
>
> It is intended at that transmission related costs of the transmission capability expansion plan shall be recovered through each respective Company's Open Access Transmission Tariffs (OATT) on file at the FERC. As specified in Section 10v of PA 141, each Transmission Owner expects that the Commission will ensure that the utilities remain whole for any prudent expenditures necessary which are made in response to Section 10v of PA 141 for which recovery is not allowed through the FERC OATT.

Section 10v provides for cost recovery as follows:

> (3) The commission may order modifications to the joint plan to make it consistent with this act. If the electric utilities are unable to agree upon a joint plan to meet the requirements of this act, the commission shall conduct a hearing to establish a joint plan. The commission shall authorize recovery from benefiting customers of all reasonable and prudent costs incurred by transmission owners for authorized actions taken and facilities installed to meet the requirements of this section that are not recovered through FERC transmission rates.
>
> (4) If an electric utility or an affiliate that is the owner of the transmission assets is denied cost recovery of the reasonable and prudent costs expended to implement the joint plan, then the electric utility or affiliate shall have no further obligation to implement the joint plan. If an electric utility or its affiliate is subsequently granted cost recovery, then the obligation to implement the original joint plan is required. If cost recovery of the reasonable and prudent costs of implementing the joint plan is denied, an electric utility or its affiliate shall develop a new joint plan as provided under this section.

The cost for the proposed transmission upgrades undertaken by ITC, the transmission affiliate of Detroit Edison, is $50,700,000. (Exhibit A-3, page 12) It seems clear that what is contemplated by the statute is recovery for "actions taken" and "facilities installed" to meet the upgrade requirements that are not recovered through FERC transmission rates. Therefore, Edison believes that the primary cost recovery vehicle is through a FERC-approved ITC transmission tariff or subsequent Alliance RTO tariff. Recovery of improvements on the AEP system, such as installation of the second Dumont transformer, similarly should be recovered through a transmission tariff or from the incremental revenues generated from the sale of the additional transmission capacity associated with the Dumont upgrade. However, Edison believes that contingency cost recovery must be addressed as provided for in Section 10v in the event FERC-authorized cost recovery is inadequate. Accordingly, it is Edison's position the Commission should adopt the proposed ratemaking procedure set forth in the Joint Plan and, in addition, establish a definite procedure and schedule which takes into account a reasonable time period during which the numerous uncertainties of cost recovery can be resolved.

Therefore, Edison proposes that the Joint Applicants file separate reports no later than December 31, 2003 detailing the costs and associated revenues with the various projects identified in the Joint Plan to upgrade the transmission capacity into Michigan. In the event FERC-authorized rates are deemed insufficient to recover the full cost of all such transmission upgrades, the Commission shall initiate a case within 60 days to determine an appropriate procedure to recover such costs from all benefiting customers in a timely manner by a uniform kWh surcharge.

V.

CONCLUSION

For the reasons set forth above, Detroit Edison requests that the Commission issue an order approving the Joint Plan and the transmission facility upgrades described therein as reasonable and prudent, and as satisfying the requirements of Section 10v of Act 141. Furthermore, the Commission should set forth a definite procedure and schedule for cost recovery of those transmission upgrades not recovered through FERC-approved rates and charges.

Respectfully submitted,

THE DETROIT EDISON COMPANY

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Dated: June 29, 2001

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of **INDIANA MICHIGAN POWER COMPANY,** **d/b/a AMERICAN ELECTRIC POWER,** for certain approvals in connection with 2000 PA 141 Section 10v.	)	Case No. U-12780
In the matter of the application of **INTERNATIONAL TRANSMISSION COMPANY,** **CONSUMERS ENERGY COMPANY,** and **GREAT LAKES ENERGY COOPERATIVE.** for certain approvals in connection with 2000 PA 141 Section 10v.	)	Case No. U-12781

PROOF OF SERVICE

STATE OF MICHIGAN)
) SS.
COUNTY OF WAYNE)

DORIS J. HILL-SHAVERS, being first duly sworn, deposes and says that on the 29th day of June, 2001, a copy of **THE DETROIT EDISON COMPANY'S INITIAL BRIEF** was served upon the parties listed on the attached Service List by electronic mail, and first class mail.

Doris J. Hill-Shavers
DORIS J. HILL-SHAVERS

Subscribed and sworn to before me
this 29th day of June, 2001

Christina Jacobson
CHRISTINA R. JACOBSON
NOTARY PUBLIC WAYNE CO., MI
MY COMMISSION EXPIRES Mar 10, 2005

MPSC Case Nos: U-12780/U-12781

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(As of March 8, 2001)

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