

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 (efile)

In the matter of the application of
INTERNATIONAL TRANSMISSION COMPANY,
CONSUMERS ENERGY COMPANY, and
GREAT LAKES ENERGY COOPERATIVE.

Case No. U-12781 (efile)

MICHIGAN PUBLIC SERVICE COMMISSION
STAFF'S REPLY BRIEF

I. Reply To Consumers Energy

At pages 4-5 of its Initial Brief, Consumers Energy addresses the issue of cost recovery for various projects implemented in compliance with Section 10v of 2000 PA 141. In its brief, Consumers Energy states that:

Mr. Benjamin Ruhl testified on behalf of Consumers Energy in connection with the cost recovery of approximately \$37 million transmission system investment being made by Consumers Energy to comply with Section 10v. He explained that none of these costs are reflected in Consumers Energy's current OATT rates, and thus, will not be recovered through those rates. 3 TR 162. Under these circumstances, recovery from retail customers is provided under Section 10v. He further explained that this \$37 million investment is comparable to other implementation costs for which PA 141 authorizes recovery. In recognition of the current retail rate freeze imposed by PA 141, Mr. Ruhl recommended that the Commission authorize the Company to establish a regulatory asset for the investment costs and that this asset, including carrying charges, be recovered at the end of the freeze period. 3 TR 154.

Staff rejected this approach in its testimony and Initial Brief. Staff witness, Celio, testified:

Consumers Energy requests the Commission create a regulatory asset for its entire transmission expansion project. This regulatory asset would then be recovered from end user customers when permitted by 2000 PA 141.

The ITC expects expansion expenditures to be covered by Open Access Transmission Tariffs (OATT) approved by the FERC with any short fall recovered through state rates pursuant to Section 10v.

Staff believes either the IM or Detroit Edison method is acceptable. The Consumers Energy approach appears to lack any recovery from FERC approved OATT tariffs therefore is incomplete. 3 TR 205-206.

In its Initial Brief at pages 3-4, Staff states:

The issue of cost recovery should not be resolved at this time because it has not been determined what recovery will be allowed through FERC transmission rates. The language of Section 10v of 2000 PA 141 regarding cost recovery of 'authorized actions taken and facilities installed ' that are not recovered through FERC transmission rates' should be sufficient to ensure utility cost recovery.

Finally, the general issue of cost recovery is premature and not within the scope of this case as defined by 10v of Act 141. A utility's application for cost recovery with the MPSC, prior to FERC determining whether the costs are covered by old or new FERC rates, is not in keeping with the implied requirement of Section 10v that the utility must first seek cost recovery from FERC.

Consumers Energy's assertion in its Initial Brief that the costs are not currently reflected in its OATT rates does not mean that Consumers Energy shouldn't apply for cost recovery through its FERC regulated transmission rates as required by Section 10v of 2000 PA 141. Consumers Energy's recommendation of cost recovery is premature and not consistent with Section 10v of 2000 PA 141.

Respectfully Submitted,

**MICHIGAN PUBLIC SERVICE COMMISSION
STAFF**



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July 13, 2001

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PROOF OF SERVICE

STATE OF MICHIGAN)
) ss
COUNTY OF INGHAM)

Mishelle R. Pagels, being first duly sworn, deposes and says that on Friday, July 13, 2001, she served a copy of Michigan Public Service Commission Staff's Reply Brief upon the following parties via email and by depositing the same in a United States postal depository enclosed in an envelope bearing postage fully prepaid, plainly addressed as follows:

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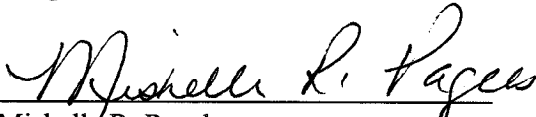
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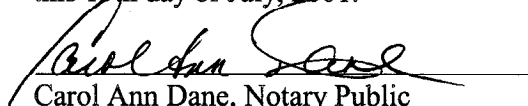
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ID MAIL

Honorable James Rigas
Administrative Law Judge
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Mishelle R. Pagels

Subscribed and sworn to before me
this 13th day of July, 2001.


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