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December 2, 2003

Mr. Robert Kehres
Acting Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way, Ste. 7
Lansing, MI 48933

Re: Case No. U-12915
Michigan Renewables Energy Program
Initial Comments of MECA to Staff Report

Dear Mr. Kehres:

Enclosed please find original and four copies of Initial Comments of the Michigan Electric Cooperative Association to the MPSC Staff Report on the Michigan Renewables Energy Program and Proof of Service in the above-referenced matter. This document will also be electronically filed.

If you have any questions, please call me.

Sincerely,

DYKEMA GOSSETT PLLC

Albert Ernst

AE:jmb

cc: Mike Peters
MECA Mangers List
Service List

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter, on the Commission's own motion,	)	
to establish the Michigan Renewables Energy	)	
Program.	)	Case No. U-12915
_____	)	

Initial Comments
Of the Michigan Electric Cooperative Association
To the MPSC Staff Report
On the Michigan Renewables Energy Program

Dated: December 2, 2003

Michael Peters
Michigan Electric Cooperative Association
2859 West Jolly Rd.
Okemos, MI 48864
(517) 351-6322

1. Introduction

The Michigan Electric Cooperative Association (MECA), on behalf of its member electric cooperatives,¹ submits these initial comments in response to the Commission Staff's November 18, 2003, Michigan Renewables Energy Program (MREP) Annual Report (the "Report") in the above captioned docket. MECA is the statewide trade association representing Michigan's nine-distribution cooperatives and one generation and transmission cooperative. Cooperatives are nonprofit, member-owned and -controlled utilities governed by a board of directors democratically elected from among the members. In 2003, Michigan's electric cooperatives served more than 290,000 members' farms, homes and businesses, had total revenues in excess of \$300 million, and maintained over 35,000 miles of distribution line, all in 58 of Michigan's 83 counties.

One unique aspect of the service provided by the cooperatives is the power supply arrangement that several members of MECA have with their wholesale power supply provider. Wolverine Power Cooperative (WPC), a FERC regulated utility, is a cooperatively-owned wholesale power supply entity that sells at wholesale to its four member cooperatives, Cherryland Electric Cooperative, HomeWorks Tri-County Electric Cooperatives, Great Lakes Energy Cooperative and Presque Isle Electric & Gas Co-op. These four cooperatives receive all of their wholesale power supply from WPC under an all-requirements contract. The all-requirements contract is the underlying collateral for WPC's debt with its primary lender, the National Rural Utilities Cooperative Finance

¹ Alger Delta Cooperative Electric Association; Cherryland Electric Cooperative; Cloverland Electric Cooperative; Great Lakes Energy Cooperative; HomeWorks Tri-County Electric Cooperative; Midwest Energy Cooperative; Ontonagon County Rural Electrification Association; Presque Isle Electric & Gas Co-op; Thumb Electric Cooperative; and Wolverine Power Supply Cooperative.

Corporation (CFC). Under the all-requirement arrangement, the four distribution cooperative members must purchase all of their requirements through WPC. To do otherwise would be a violation of the contract. One other cooperative, Midwest Energy Cooperative, has a similar power supply arrangement with two suppliers, Wabash Valley Power Association, Inc., which provides wholesale requirements for a part of Midwest's service area formerly known as Fruit Belt Electric Cooperative, and Buckeye Power Cooperative, Inc., which provides the wholesale requirements for a part of Midwest's service area formerly known as Southeastern Electric Cooperative. Several of the areas covered in the MREP, if implemented either by the MPSC or the Michigan Legislature, may affect the all-requirements contract.

2. Overview

The Report is the first report on the collaborative process established as part of the Commission's MREP. The Report and the MREP are a product of the Michigan Legislature's passage of the Customer Choice and Electric Reliability Act ("CCERA") of 2000, 2000 PA 141; MCL 460.10r(6); MSA 22.13 (10r)(6). The law states:

The commission shall establish the Michigan renewables energy program. The program shall be designed to inform customers in this state of the availability and value of using renewable energy generation and the potential of reduced pollution. The program shall also be designed to promote the use of existing renewable energy sources and encourage the development of new facilities. (emphasis added.)

MECA thanks Staff and other participants in the collaborative for their dedication to the process and hard work. MECA believes the Report represents an excellent overview of the diversity of opinion and thought on the broad issue of renewable energy and its place in Michigan's power supply future. The MREP and the members of the

collaborative must focus on the primary purpose of the MREP, as charged by the Legislature, which is to inform customers in this state of the availability and value of using renewable energy generation and the potential of reduced pollution. MECA would caution the MREP collaborative group from advocating for any one perspective. This is especially applicable for any policy recommendations that may emanate from the group, such as a position on net metering, or the establishment of a renewable portfolio standard.

3. Net Metering and RPS

Net Metering—MECA has submitted comments to the MREP process regarding net metering. MECA supports net metering legislation that accomplishes the following:

- Is applicable to smaller units (10 kW and below) that use renewable “fuels”.
- The total net metering load on a utility’s system should not exceed .1% of the utilities peak load.
- Net metering generators should be limited to a size not to exceed the customer’s load and must be located on the customer’s premises (stacking not allowed).
- Netting must be limited to generation costs only and must be based on the market price of generation at the time of the transfer from the customer to the utility. We are opposed to the netting of fully bundled retail rates against the generation supplied by the customer.
- The netting customer should be required to pay any costs incurred by the utility if the netting customer requires reconfiguration of the utility’s distribution system to allow for interconnection.
- Carry forward of any generation credit should be limited to “month-to-month” and should be based on a dollar value, not kWh generated.
- Rates should be designed for net metering that recover all fixed and unavoidable costs, yet give appropriate credit to customers for any kWh delivered to the utility system. The MPSC should have the ability to approve cost based rates and tariff requirements that are different for net metering customers.

Renewable Portfolio Standard—MECA has submitted comments regarding the establishment of a Renewable Portfolio Standard (RPS). MECA is opposed to any mandatory RPS. We believe that the only sustainable renewable energy programs are those that are market based and supported by customers that demand renewable energy sources. MECA would be willing to consider the establishment of voluntary targets for

renewable energy supply and possible incentives to meet those targets. Any such plan would have to give credit for any existing renewable energy sources.

MECA respectfully requests that the Commission consider these comments in conjunction with the MREP Report. MECA and its members will continue to participate in the MREP and in any regulatory proceedings which arise out of the MREP affecting their interests.

Respectfully submitted,

**MICHIGAN ELECTRIC
COOPERATIVE ASSOCIATION**

By _____
Michael W. Peters, Executive Vice
President and General Manager
2859 West Jolly Road
Okemos, MI 48864

Dated: December 2, 2003

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter, on the Commission's own motion,	)	
to establish the Michigan Renewables Energy	)	
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_____	)	

PROOF OF SERVICE

STATE OF MICHIGAN	)	
	)	SS.
COUNTY OF INGHAM	)	

Jeanne M. Beachnau, an employee of Dykema Gossett PLLC, being first duly sworn, deposes and says that on the 2nd day of December, 2003, she served a copy of Initial Comments of the Michigan Electric Cooperative Association to the MPSC Staff Report on the Michigan Renewables Energy Program upon persons listed in the attached Service List at their respective addresses, by enclosing copies of the same in an envelope properly addressed, and by depositing said envelope in the United States Mail with postage thereon having been fully prepaid and by electronic mail.

Subscribed and sworn before me this 2nd day of December, 2003.	_____ Jeanne M. Beachnau
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Trace Graham, Notary Public
Ingham County, Michigan
My Commission Expires: 08/20/06

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