

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

Michigan Electric Transmission Company, LLC
and Midwest Independent Transmission
System Operator, Inc.

Docket No. ER07-95-003

ORDER ACCEPTING COMPLIANCE FILING

(Issued May 30, 2007)

1. On March 23, 2007, Michigan Electric Transmission Company, LLC (Michigan Electric) and Midwest Independent Transmission System Operator, Inc. (Midwest ISO) filed proposed revisions to Michigan Electric's transmission rate formula under Attachment O of Midwest ISO's Open Access Transmission and Energy Market Tariff (TEMT).¹ In this order, we accept Michigan Electric's proposed revisions, effective January 1, 2007, as requested.

I. Background

2. On October 30, 2006, Michigan Electric filed proposed revisions to its transmission rate formula under Attachment O of the TEMT. Michigan Electric proposed to use projected current costs to calculate transmission rates, subject to true-up, rather than prior-year costs.

3. On November 20, 2006, the Michigan Public Service Commission (Michigan Commission) filed a notice of intervention and protest. Among other concerns, the Michigan Commission questioned whether the information that Michigan Electric proposed to provide to customers and regulators was adequate for evaluating Michigan Electric's ongoing and projected construction expenditures. Specifically, the Michigan Commission argued that Michigan Electric should be required, as part of its annual information sharing process, to identify for each ongoing or planned construction project: (1) the projected costs of the project in the forecasted rate base; (2) the expected

¹ As administrator of the TEMT, Midwest ISO joins Michigan Electric in this compliance filing to amend the tariff. In this order, we refer to the proposed revisions as Michigan Electric's proposals.

construction schedule and/or in-service date for the project, and the date that the project would be included in the projected monthly transmission plant balance and (3) a description of the need for each project.²

4. On December 5, 2006, Michigan Electric filed a motion for leave to answer and an answer. Michigan Electric stated that it would make available complete information regarding the transmission investments that form the basis for its projected revenue requirement.³

5. The December 21 Order conditionally accepted, suspended and made effective subject to refund Michigan Electric's proposed formula rate revisions, subject to Michigan Electric's making a compliance filing, and subject to the outcome of the ongoing proceedings in Docket Nos. ER06-56-000 and ER06-56-002. Regarding the information sharing process, the Commission accepted Michigan Electric's commitment that it would provide its customers and the Michigan Commission information related to its ongoing and projected construction expenditures included in its projected revenue requirement.⁴

6. On January 22, 2007, the Michigan Commission filed a request for clarification, or in the alternative, request for rehearing. The Michigan Commission stated that the Commission erred in failing to address its claim that access to specific information about construction expenditures is necessary to assess the prudence of costs. The Michigan Commission requested the Commission to clarify that, in accepting Michigan Electric's commitment regarding the provision of construction expenditure information, the Commission agreed that the information Michigan Electric would be obligated to provide includes the specific information identified by the Michigan Commission in its protest.

7. Also on January 22, 2007, Michigan Electric submitted revised tariff sheets under the TEMT to comply with the Commission's December 21 Order. On February 21, 2007, the Michigan Commission filed a protest to Michigan Electric's January 22 compliance filing, arguing that the compliance filing did not comply with the December 21 Order.

8. The February 21 Order granted the Michigan Commission's request for clarification and rejected Michigan Electric's January 22 compliance filing. The Commission declined to list the specific information that Michigan Electric must provide

² *Michigan Electric Transmission Company, LLC*, 117 FERC ¶ 61,314, at P 10 (2006), *order on reh'g*, 118 FERC ¶ 61,139 (2007) (December 21 Order and February 21 Order, respectively).

³ *Id.* at P 15.

⁴ *Id.* at P 17-18.

as a part of its annual information sharing process. Instead, the Commission clarified that the information requested by the Michigan Commission is the type of information that Michigan Electric should provide in connection with the annual update of its rates. In addition, the Commission found that Michigan Electric failed to clarify that it would provide information to its customers and the Michigan Commission related to its ongoing and projected construction expenditures included in its projected revenue requirement. As a result, the Commission found that Michigan Electric failed to fully comply with the December 21 Order and rejected its compliance filing.

II. March 23 Compliance Filing

9. On March 23, 2007, Michigan Electric filed proposed revisions to its transmission rate formula under Attachment O of the TEMT. Specifically, the proposed revisions provide that Michigan Electric will make available to its customers and the Michigan Commission its projected net revenue requirement, including information regarding projected costs of plant in forecasted rate base, expected construction and in-service dates, load, and resultant rates incorporating a true-up adjustment. The proposed revisions also provide that, upon request, Michigan Electric will provide a description of the basis on which projects were planned.

III. Notice of Filing and Pleadings

10. Notice of Michigan Electric's filing was published in the *Federal Register*, 72 Fed. Reg. 15,133 (2007), with interventions and protests due on or before April 13, 2007. On April 12, 2007, the Michigan Commission filed comments.

IV. Discussion

11. In the February 21 Order, we rejected Michigan Electric's January 22 compliance filing and directed Michigan Electric to file revised tariff provisions reflecting all of the commitments regarding information sharing made in its December 5 answer, including the commitment to provide information to its customers and the Michigan Commission related to its ongoing and projected construction expenditures included in its projected revenue requirement.

12. The Michigan Commission states that while it generally believes that the compliance filing is in accord with the February 21 Order, it files comments to spell out its understanding of the revised tariff provisions. The Michigan Commission notes that the Commission explicitly declined to specify the construction-related expenditure information that Michigan Electric should make available as part of its annual information sharing process and that its understanding is that the proposed tariff language is not intended to reflect an exclusive itemization of the expenditure information that Michigan Electric may be required to provide. The Michigan Commission does not

object to the proposed tariff provisions, provided that its interpretation of the proposed language is correct. The proposed revised tariff provisions state that Michigan Electric shall make available to customers and to the Michigan Commission its projected net revenue requirement, including certain specific information, and that all information shall be provided in sufficient detail to identify the components of such revenue requirement. We agree with the Michigan Commission's interpretation that the omission of references to specific information does not mean that Michigan Electric would not be obligated to provide such information if it is necessary to support its projected net revenue requirement.

13. We find that the proposed revised tariff provisions are consistent with the requirements of the December 21 and February 21 Orders. We find that the proposed tariff provisions include all of the commitments to which Michigan Electric previously agreed in its December 5 answer, including providing information to its customers and the Michigan Commission related to its ongoing and projected construction expenditures included in its projected revenue requirement. Therefore, we accept Michigan Electric's proposed revisions, effective January 1, 2007, as requested.

The Commission orders:

Applicants' compliance filing is hereby accepted, effective January 1, 2007, as discussed in the body of this order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.