

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 Docket Nos. ER07-95-001
and Midwest Independent Transmission ER07-95-002
System Operator, Inc.

ORDER GRANTING REQUEST FOR CLARIFICATION, DISMISSING REQUEST
FOR REHEARING AND REJECTING COMPLIANCE FILING

(Issued February 21, 2007)

1. On January 22, 2007, the Michigan Public Service Commission (Michigan Commission) filed a request for clarification, or, in the alternative, a request for rehearing of the Commission's December 21, 2006 order in this proceeding, *Michigan Electric Transmission Company, LLC*, 117 FERC ¶ 61,314 (2006) (December 21 Order). In this order, we clarify the December 21 Order, dismiss the Michigan Commission's request for rehearing, reject a compliance filing and direct a new compliance filing.

I. Background

2. On October 30, 2006, Michigan Electric Transmission Company, LLC (Michigan Electric) and Midwest Independent Transmission System Operator Inc. (Midwest ISO) filed Michigan Electric's proposed revisions to its transmission rate formula under Attachment O of Midwest ISO's Open Access Transmission and Energy Market Tariff (TEMT or Tariff).¹ 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 Commission filed a notice of intervention and protest. Among other concerns, the Michigan Commission raised a concern whether the information that Michigan Electric would provide to customers and regulators was adequate for evaluating Michigan Electric's ongoing and projected construction

¹ As the administrator of the Tariff, Midwest ISO joined Michigan Electric in amending the Tariff but took no position on the substance of the filing.

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 forecasted rate base; (2) the expected construction schedule and/or in-service date for the project, and the date that the project is 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 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 to 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 states that the Commission erred in failing to address its arguments that access to specific information about construction expenditures is necessary to assess the prudence of costs, and requests 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 is obligated to provide includes the specific information identified by the Michigan Commission in its protest.

7. Also on January 22, 2007, Michigan Electric and Midwest ISO submitted revised tariff sheets under the Tariff, to comply with the Commission's December 21 Order.

8. On February 1, 2007, Michigan Electric filed an answer to the request for rehearing, stating that there is no basis for the Michigan Commission's request. Michigan Electric states that the December 21 Order is clear regarding its obligations to share information with the Michigan Commission.

² December 21 Order, 117 FERC ¶ 61,314 at P10.

³ *Id.* at P15.

⁴ *Id.* at P17-18.

9. On February 12, 2007, the Michigan Commission filed a protest to Michigan Electric's January 22, 2007 compliance filing, arguing that the compliance filing does not comply with the December 21 Order.

II. Discussion

12. The Michigan Commission states that the Commission should require Michigan Electric, as part of its annual information sharing process, to identify: (1) the projected costs of projects in its forecasted rate base; (2) the expected construction schedule and/or in-service date for the projects, and the date the projects are included in the projected monthly transmission plant balances; and (3) a description of the need for the projects.

13. While the Commission declines to list the specific information that Michigan Electric must provide as part of its annual information sharing process, we clarify 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. Information regarding projected costs of plant in forecasted rate base, expected construction schedule and in-service dates are essential for customers and the Michigan Commission to evaluate the accuracy of projected costs that form the basis of Michigan electric's rates. In addition, if requested, we expect Michigan Electric to provide a description of the basis upon which projects were planned either by Midwest ISO or Michigan Electric, in order to allow customers to evaluate the reasonableness of rates resulting from each annual update to Michigan Electric's Attachment O formula.⁵

14. Since the Commission is granting the Michigan Commission's request for clarification, its alternative request for rehearing is moot.

15. In the December 21 Order, the Commission accepted Michigan Electric's commitment to provide the Michigan Commission all projected revenue requirement information provided to Michigan Electric's customers and to invite the Michigan Commission to attend and participate in the annual customer meeting at which Michigan Electric explains the formula rate input projections and cost detail. The Commission also accepted Michigan Electric's commitment to provide its customers and the Michigan Commission complete information related to its ongoing and projected construction expenditures included in its projected revenue requirement. The Commission clarified that accepting Michigan Electric's proposal to provide information necessary to evaluate the accuracy of its projected revenue requirement is without prejudice to the information

⁵ The Commission also notes that the open, transparent planning required by the Commission's final rule in Preventing Undue Discrimination and Preference in Transmission Service, Order No. 890, issued February 15, 2007, in Docket Nos. RM05-17-000 and RM05-25-000 is intended to provide greater access to this type of planning information.

sharing and review issues pending in Docket No. ER06-56-000 and ER06-56-002. The Commission also required Michigan Electric to file revised tariff sheets to reflect these commitments.

16. On January 22, 2007, Michigan Electric submitted revised tariff sheets reflecting its commitment to provide to the Michigan Commission information provided to Michigan Electric's customers as to its projected revenue requirement and the basis for it. Michigan Electric also revised the tariff sheets reflecting its invitation to the Michigan Commission to attend and participate in Michigan Electric's annual customer meeting at which Michigan Electric explains its projected revenue requirement for the upcoming rate period.

17. On February 12, 2007, the Michigan Commission protested Michigan Electric's compliance filing. The Michigan Commission argues that the compliance filing does not comply with the Commission's December 21 Order. The Michigan Commission states that Michigan Electric merely clarified that the Michigan Commission will be included in Michigan Electric's annual information sharing process, but did not make any tariff revisions to reflect its commitment, as accepted by the Commission, to provide information related to its ongoing and projected construction expenditures included in its projected revenue requirement.

18. In the December 21 Order, the Commission directed Michigan Electric to file revised tariff sheets to reflect all of the commitments that it made in its December 5 answer. In its compliance filing, Michigan Electric clarified that it would make available to the Michigan Commission the same projected revenue requirement information made available to customers and that the Michigan Commission would be invited to attend and participate in the annual customer meeting at which Michigan Electric would explain its projected revenue requirement for the upcoming rate period. However, 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. Michigan Electric did not fully comply with the Commission's December 21 Order. We will therefore reject its compliance filing and direct it to file revised tariff sheets within 30 days of the date of this order, reflecting all of the commitments regarding information sharing made in the December 5 answer.

The Commission orders:

(A) The Michigan Commission's motion for clarification is hereby granted as discussed in the body of this order.

(B) The Michigan Commission's alternative request for rehearing is hereby denied.

(C) Michigan Electric's compliance filing is rejected. Michigan Electric is directed to file revised tariff sheets as described in the body of this order within 30 days of the date of this order.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.