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July 2, 2004

Ms. Mary Jo Kunkle
Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way
Lansing, Michigan 48909

Re: **MPSC Case No. U-14109**

Dear Ms. Kunkle:

Enclosed for filing please find an original and four (4) copies of The Detroit Edison Company's Petition for Rehearing and Supplemental Summer 2004 Capacity Plan. Please file these documents separately in this docket.

If you have any questions please do not hesitate to call.

Very truly yours,



Bruce R. Maters

BRM/cd

cc: Donald E. Erickson
Assistant Attorney General

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the investigation, on the)
Commission's own motion, into the electric)
Supply reliability plan of THE DETROIT)
EDISON COMPANY for the year 2004.)

Case No. U-14109

THE DETROIT EDISON COMPANY'S PETITION
FOR REHEARING

THE DETROIT EDISON COMPANY
Bruce R. Maters (P28080)
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Dated: July 2, 2004

INTRODUCTION

On January 22, 2004, the Michigan Public Service Commission (“Commission”) initiated a proceeding in Case No. U-1405 to require the major Michigan electric utilities to prepare and submit their respective assessments of the electric requirements for 2004. The Commission directed each utility to address relevant factors, such as supply adequacy, service reliability, a description of both in and out-of-state capacity resources and transmission requirements. The reports were to be filed no later than March 31, 2004.

The Detroit Edison Company (“Edison”) filed its report by the required date. Comments were submitted by the Attorney General on April 30, 2004. On June 3, 2004, the Commission issued its Opinion and Order finding Edison’s plan to be deficient. However, the Commission’s conclusions were erroneous and based upon inaccurate and incomplete facts.

Therefore, this Petition for Rehearing attempts to correct certain facts upon which the Commission relied, and in addition, provides supplemental information which was not available when the Commission issued its June 3 Order. As such, this Request meets the standards for rehearing set forth in the Commission’s Rules of Practice and Procedure cited below.

STANDARD OF REVIEW

Rule 403 of the Commission’s Rules of Practice and Procedure, R 460.17403 provides:

“(1) A petition for rehearing after a decision or order of the commission shall be filed with the commission within 30 days after service of the decision or order of the commission unless otherwise specified by statute. A petition for rehearing based on a claim of error shall specify all findings of fact and conclusions of law claimed to be erroneous with a brief statement of the basis of the error. A petition for rehearing based on a claim of newly discovered evidence, on facts or circumstances arising subsequent to the close of the record, or on unintended consequences resulting from compliance with the decision or order shall specifically set forth the matters relied upon. The petition shall be accompanied by proof of service on all other parties to the proceeding.”

The Commission, in issuing its June 3, Order, relied on certain facts that were erroneous. In addition, since the publication of the Order, new facts surrounding Edison’s summer capacity planning have emerged which should be considered by the Commission. Therefore, Edison seeks rehearing of the June 3, 2003 Order in this proceeding.

DISCUSSION

A. Edison’s Transmission Planning was Reasonable and Prudent.

Sufficient generation capacity currently exists throughout the Midwest region and in western Michigan. However, transmission capacity reduced the generation supply options available to Edison for the summer of 2004. The key issue in developing a reliable supply plan for the summer of 2004 was the availability of transmission capacity to import generation supply into southeast Michigan.

1. Reservation of transmission capacity was prudent.

At the time of the filing of the original summer capacity plan in this docket, Edison finalized the procurement of 875 MW of capacity purchases from western Michigan.

However, on March 26, 2004 MISO denied four related pending requests for 875 MW of firm seasonal transmission from west Michigan to southeast Michigan across the METC-ITC¹ interface that had been submitted to MISO on March 3, 2004. The denials across the METC-ITC interface were unparalleled and Edison resubmitted the same requests on March 31, 2004.

The four requests, totaling 875 MW were denied on the basis of internal MISO model results that indicated a lack of available transmission capacity on five METC-ITC west-to-east flowgates. Subsequent to the submission of the March 31 Report on Summer 2004 Capacity Plan, Edison learned that the denials were based upon errors in the MISO transmission models and input data.² The denials initiated an immediate and ongoing process between Michigan transmission interests and MISO to identify the source of the problem. ITC, METC, MECS and MISO conducted multiple conference calls that resulted in modifications to MISO's transmission models and in turn, led to unconditional approval of three of the firm seasonal transmission requests and partial approval of the fourth, for a total of 624 MW. It was only through the elimination of these problems by MISO and Michigan's transmission interests that MISO was able to grant a significant portion of Edison's transmission reservation requests.

The remaining amount of the fourth request, 251 MW, could only be approved as a firm reservation, based upon Edison's acceptance of flowgate redispatch options for certain flowgates. Edison in turn advised MISO that it knew of no redispatch options that could be reasonably used to firm up the confirmed transmission and, pursuant to

¹ Michigan Electric Transmission Company (METC) and the International Transmission Company (ITC) are the two independent transmission companies serving Michigan.

² Request for Rehearing on Appeal of International Transmission Company submitted June 21, 2004 in Docket No. ER04-375

MISO policy guidelines, requested MISO assistance in identifying possible redispatch options. Edison and MISO are currently in the process of identifying possible redispatch options that will address the Company's needs.

In addition, Edison is pursuing approval of weekly firm transmission service for the remaining balance of the 251MW. The Company has been successful in obtaining firm weekly transmission service. The Company will continue to secure weekly firm transmission for the remaining week in July and the month of August. For July and August the Company has secured either firm seasonal or non-firm network level 6 transmission service for the initial 875 MW of purchases from the METC region

On June 22, Edison requested FERC authorization to engage in spot purchases of energy from two affiliated EWG's in the control area.³ The proposal, if approved by the FERC, will be used to supplement any remaining non-firm transmission reservations associated with the Company's capacity purchase from west Michigan.

2. Edison did not ignore or reject flowgate redispatch.

In direct response to the Commission's criticism of Edison's transmission reservation efforts (Order at p. 6), the Company affirmatively states that it did not decline to pursue redispatch opportunities with its regional transmission system operator.

On April 2, 2004, the Midwest ISO ("MISO") and PJM interconnection, L.L.C. submitted a compliance filing with regard to their Joint Operating Agreement ("JOA"), in FERC Docket No. ER04-375-001. In response to issues raised in comments filed by the International Transmission Company on April 23, 2004, FERC requested additional

³ FERC Docket No. ER04-948

information from MISO regarding the relationship of the methodologies proposed in the JOA to a partial denial of transmission service that had been requested earlier by Edison. On May 28, 2004, MISO submitted a response explaining that the partial denial of Edison's initial request was not related to the methodologies used in the JOA.

Unfortunately, MISO's May 28 submittal contained incorrect information that did not bear directly on the primary subject matter of the inquiry and which had not been verified with Edison. This information stated that a marketing subsidiary of DTE Energy rejected a conditional requirement of the use of flowgate redispatch to firm up otherwise non-firm transmission capacity.

This information was incorrect. At no time did Edison not consider, decline or reject a specific offer to use flowgate redispatch that had been presented to it by MISO. As discussed in greater detail below, upon learning in late March that the firm transmission service requests submitted to MISO would not be fully granted, Edison advised MISO that it knew of no redispatch options that could reasonably be used to firm up transmission capacity. Edison elected to confirm that portion of its request that could be granted unconditionally, and asked MISO for assistance in identifying redispatch options that maybe available to firm up non firm transmission service. Edison and MISO are currently in the process of identifying possible redispatch options that it believes will address Edison's needs. Attachment 1 to this Petition for Rehearing is a copy of the Joint and Supplemental Comments of Edison and MISO filed in FERC Docket No. ER04-375-005. The comments confirm the description of facts set forth herein.

B. The Company's Identified Supply Sources Constitute A Reasonable and Practical Plan to Meet Summer Reliability

The Commission erroneously concluded at page 7 of its June 3 Order that Edison should have identified other supply options before seeking authorization to purchase from its affiliated companies. The Company did identify such options.

Edison has completed procurement of 1,505 MW of seasonal capacity for the summer of 2004 to fulfill the 1,471 MW of required purchases. This includes capacity to support the 1,271 MW developed in the original summer capacity report and an additional 200 MW of purchases necessitated by the updated load forecast. All of the purchased capacity is physically located within the Michigan. Of the total amount of summer purchases, 430 MW are located within the Edison/ITC service territory and 1,075 MW are located within the METC service territory in west Michigan.

At the time of the filing of its 2004 summer assessment the Company, as in previous years, had examined a number of different supply and transmission options. Such an examination is a continuing process that will continue through the completion of the summer peak load period. In March of this year, the Company was in the process of finalizing the acquisition of purchases and transmission necessary to reliably deliver that capacity for the 2004 summer period. As developed in the summer capacity report, the Company had a seasonal purchase requirement (at that time) of 1,271 MW.

Although adequate supply capacity exists in the Midwest (ECAR and MAIN Reliability Regions) and western Michigan to source this need, the critical issue is whether a sufficient amount of firm transmission is available to deliver these resources reliably into southeast Michigan. In addition, in Southeast Michigan only two significant

non-DTE affiliated or non-Edison owned merchant generation facilities exist: First Energy's Sumpter ("Sumpter") facility, and the CMS Dearborn Industrial Generating facility (DIG). Two affiliated DTE units, East China and River Rouge 1, are also located in southeast Michigan. Edison purchased 150 MW from one of the two non-affiliated units in southeast Michigan but was informed by the seller that no additional capacity was available from that facility for the summer. Edison had also purchased 875 MW from four sources located in west Michigan and was in the later stages of evaluation for the remaining 246 MW of the purchase requirements when its original Summer 2004 Capacity Plan was submitted on March 31, 2004. Options for the last increment included an additional purchase from west Michigan and a purchase from the remaining the non-affiliated unit in southeast Michigan. The Company subsequently contracted for seasonal capacity from the second non-affiliated facility.

On June 3, 2004, Edison received authorization from this Commission in Case No. U-14138 to seek authority from the FERC to purchase up to 300 MW of additional summer capacity from affiliated generation located within Edison's service area. The Company has sought approval from FERC to make purchases from these generation sources at cost.⁴ Therefore, this Commission should be further assured that any purchases from affiliated sources will be reasonable and prudent.

C. Effective Supply and Reliability Planning Efforts are Continuous and Require the Supplementation of Edison's Initial 2004 Capacity Plan

Edison is filing contemporaneously with this Petition for Rehearing a Supplement to the Report on Summer 2004 Capacity Plan (Attachment 2). This Supplemental

⁴ FERC Docket No. ER04-948 supra

Report describes in detail that through a combination of owned internal generation capacity and 1,505 MW of procured power supply resources, Edison has sufficient capacity to provide a 15% reserve margin for its bundled customers' projected summer peak demand. Further, it explains that Edison has secured firm transmission necessary to meet a majority of its needs and as further security, it has sought authority from the FERC to procure up to 300 MW of 2004 seasonal summer capacity from DTE affiliate merchant generation located in the ITC service area, to supplement any remaining non-firm transmission reservations across the congested METC-ITC transmission interface.

CONCLUSION AND RELIEF

Upon correction of both the erroneous facts relied upon by the Commission in its June 3, 2004 Order in this case, and the submission of the supplemental summer capacity plan describing action taken since the filing of Edison's Summer 2004 Capacity Plan, the alleged deficiencies noted by the Commission in its June 3 Order have been addressed or shown not to have existed in the first place. As such, Edison requests that the Commission grant rehearing to incorporate updated and correct information contained in this Petition and the attachments hereto.

WHEREFORE, Edison respectfully requests that the Commission grant rehearing, and modify its June 3, 2004 Opinion and Order to correct the facts and conclusions upon which the June 3, 2004 Order in this case was based.

Respectfully submitted,

THE DETROIT EDISON COMPANY

By



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Dated: July 2, 2004

Attachment 1

ORIGINAL

FILED
OFFICE OF THE
SECRETARY

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

2004 JUN 14 P 4: 24

Midwest Independent Transmission) Docket No. ER04-375-005
System Operator, Inc. and)
REGUL PJM Interconnection, L.L.C.)

JOINT AND SUPPLEMENTAL COMMENTS
OF
THE MIDWEST INDEPENDENT TRANSMISSION SYSTEM OPERATOR, INC.
AND
THE DETROIT EDISON COMPANY

Pursuant to the Federal Energy Regulatory Commission's ("Commission") June 3, 2004 "Notice of Filing" in the above-referenced proceeding, the Midwest Independent Transmission System Operator, Inc. ("Midwest ISO") and The Detroit Edison Company ("Detroit Edison")¹ (collectively, "Parties") respectfully submit the following joint and supplemental comments.

COMMENTS

A. Detroit Edison Did Not Decline or Reject a Specific Flowgate Redispatch Offer.

On April 2, 2004, the Midwest ISO and PJM Interconnection, L.L.C. submitted a compliance filing with regard to their Joint Operating Agreement ("JOA"), in Docket No. ER04-375-001. In response to issues raised in comments filed by International Transmission on April 23, 2004,² the Commission requested additional information from the Midwest ISO regarding the

¹ Detroit Edison is a public utility operating company and a wholly-owned subsidiary of DTE Energy Company ("DTE Energy") that is engaged in the generation and distribution of electric energy in the State of Michigan. Detroit Edison provides retail electric service to approximately two million customers located throughout portions of southeastern Michigan, including the International Transmission Company ("International Transmission") control area. Detroit Edison is also a participant in the Midwest ISO.

² International Transmission's comments expressed concern about, among other issues, the possible impact of the JOA on the availability of firm transmission capacity on Michigan transmission systems for the summer of 2004. In particular, International Transmission stated that under the JOA, Detroit Edison "would not be able to take planned levels of power from Michigan generators on a firm basis using Michigan transmission facilities to serve Michigan load." Comments of International Transmission Co. Seeking Additional Data and Clarifications, Docket No. ER04-375-001, Apr. 23, 2004, at 9.

relationship of the methodologies proposed in the JOA to a partial denial of transmission service that had been requested earlier by Detroit Edison. On May 28, 2004, the Midwest ISO submitted a response explaining that the partial denial of Detroit Edison's initial request was not related to the methodologies used in the JOA. Midwest ISO Filing, Docket No. ER04-375-004, May 28, 2004, at 2 ("May 28 Submittal").

Unfortunately, the Midwest ISO's May 28 Submittal contained additional information that did not bear directly on the primary subject of the inquiry and had not been verified with Detroit Edison. This information stated that a marketing subsidiary of DTE Energy³ "declined" the conditional portion of its request that required flowgate redispatch options in order to firm up non-firm transmission, and that this "rejection" combined with other factors to reduce the transmission capacity that had been available in calendar year 2003. *Id.* at 4, 9.

This information was incorrect. At no time did Detroit Edison decline or reject a specific offer to use flowgate redispatch that had been presented to it by the Midwest ISO. Upon learning in late April that the firm transmission service requests submitted to the Midwest ISO would not be fully granted, Detroit Edison advised the Midwest ISO that it knew of no redispatch options that could reasonably be used to firm up transmission capacity. Detroit Edison elected to confirm that portion of its request that could be granted unconditionally, and asked the Midwest ISO for assistance in identifying redispatch options that could be used for a subsequent transmission service request.⁴ In mid-May and early June, Detroit Edison followed

³ Detroit Edison represents that no DTE Energy affiliate other than Detroit Edison was involved with these requests. The transmission service requests at issue were submitted by Detroit Edison for the purposes of meeting its native load obligations.

⁴ The Midwest ISO published a Flowgate Redispatch Procedure on June 5, 2003, that establishes a process and set of procedures that, among other things, provide that for long term transmission requests, the Tariff Administrator will verify, or assist the customer to identify constraints and determine potential generation shift combinations necessary to provide individual flowgate relief.

up this request, and Midwest ISO is currently in the process of identifying possible redispatch options that it believes will address Detroit Edison's needs.

B. Reliability Assurance is a Continuing Process.

Detroit Edison and the Midwest ISO are committed to working together to ensure that Michigan customers enjoy reliable transmission service for the summer of 2004 and beyond. The process of producing energy and procuring energy and transmission is a continuing activity that must be managed on an ongoing basis. The effective production and delivery of wholesale and retail electric service is subject to a multiplicity of contingencies, some of which are foreseeable and some of which may occasionally be unforeseen.

Recent structural modifications to the electric supply and service arrangements and the entities that carry them out in furtherance of the Commission's open access transmission and wholesale energy market policies increase the potential for unforeseen contingencies that could impact electric service reliability. This situation demands that all entities with energy production and supply responsibilities maintain continued communication, cooperation, and operational vigilance. The Parties are fully committed to this responsibility.

C. The Michigan Transmission Congestion at Issue is Relatively New.

The transmission congestion that restricted the initial transmission service request is located within the Michigan Electric Coordinated System ("MECS") Control Area, primarily at the transmission interface between the Michigan Electric Transmission Company facilities, formerly owned by Consumers Energy, and those of International Transmission, which were formerly owned by Detroit Edison. The MECS Control Area was operated for many years as a jointly dispatched tight power pool. Under such operation, internal transmission congestion that could develop from time to time would be addressed directly using normal generation dispatch

protocols. As the Midwest ISO noted in its May 28 filing, the critical flowgates at issue here are now subject to more restrictive Transmission Reserve Margin ("TRM") requirements than they were in 2003. While this may improve reliability in Michigan, but for that change in TRM, Detroit Edison's request for firm service could have been granted in full.

D. Transmission and Reliability Responsibilities for Michigan are Now Shared by Several Entities.

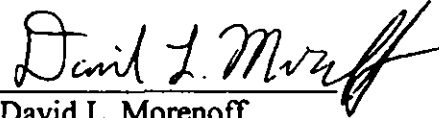
Detroit Edison and Consumers Energy, the original members of MECS, are no longer vertically integrated electric utilities operating a jointly dispatched tight power pool. Transmission facilities have been transferred to independent entities, both of which have joined an independent regional transmission system operator. Individual functions associated with regional transmission and reliability operations necessary for effective operations are now disbursed among at least five different entities – Detroit Edison, Consumers Energy, International Transmission, Michigan Electric Transmission Company and the Midwest ISO. It is critical that expeditious and effective communication protocols among these entities be maintained as the transition to new wholesale market operations in the region proceeds.

CONCLUSION

Although neither Detroit Edison nor the Midwest ISO wishes to belabor any issue related to Detroit Edison's prior requests to procure transmission service, both Parties reiterate that Detroit Edison did not reject a specific flowgate redispatch offer provided by the Midwest ISO, and the Midwest ISO did not act improperly in processing any transmission request proffered by Detroit Edison. On April 26th, Detroit Edison elected to accept that portion of its firm request that could be granted without conditions, which Midwest ISO confirmed, and elected to pursue other options for the remaining portion of its capacity needs. The Parties are working to ensure

CERTIFICATE OF SERVICE

I hereby certify that on this 14th day of June, 2004, I have caused a copy of the foregoing document to be served by first class mail on each person listed on the Secretary's official service list for the above-referenced proceeding.



David L. Morenoff
TROUTMAN SANDERS LLP
401 9th Street, NW, Suite 1000
Washington, D.C. 20004

Attachment 2

The Detroit Edison Company

**Supplement to the
Report on
Summer 2004 Capacity Plan**

July 2, 2004

Case No. U-14109

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**The Detroit Edison Company
Supplement to the
Report on Summer 2004 Capacity Plan**

I. Introduction

In their January 22, 2004 Order in Case No. U-14005, the Michigan Public Service Commission (Commission or MPSC) directed The Detroit Edison Company (Detroit Edison or Company), Consumers Energy Company and Indiana Michigan Power Company to file by March 31, 2004, "an assessment of the ability of the utility to meet customers' expected electric requirements in 2004". On March 31, 2004 Detroit Edison filed its "Report on Summer 2004 Summer Capacity Plan" (Original Report) as directed. At the time of the filing, some elements of the Plan were being finalized as expressed in the following statement:

Therefore, **at this time**, Edison cannot provide the Commission, with complete assurances that adequate power supply resources, delivered through firm transmission capacity to Southeast Michigan, are available this summer to serve its bundled customer load. However, Edison's Summer Supply Plan **is still under development** and the Company **will continue to review all supply and delivery options** so that reliable service will be provided to its bundled customers.

Subsequent to the filing of the Original Report, Detroit Edison continued its review of all available supply and delivery options so that reliable service can be provided to its bundled customers. This review, including resolution of certain issues pending at the time of the Original Report, and a revised load forecast warrant the submission of a Supplemental Report (Supplemental Report). In addition, the June 3, 2004 Order contained certain factual misunderstandings that this Supplemental Report addresses.

II. Summary of 2004 Summer Capacity Requirements

Subsequent to the preparation of the Original Report, Detroit Edison revised the summer peak load forecast for its service territory. Exhibit 1 Revised and Exhibit 2 (both attached) summarize the electric generating resources required to meet the current forecasted summer peak load in Detroit Edison's service territory in 2004. The new load forecast reflects a slight reduction in the overall service territory peak load due to economic considerations and a reduction in projected

Electric Choice growth. The net affect of these adjustments is that seasonal resources required to serve Detroit Edison's full service customers **increases** by 200 MW.

Exhibit 1 (Revised) reconciles the current capacity requirements with those developed in the Original Report and was developed consistent with the methodology outlined in the Original Report. The total peak load for the Detroit Edison service territory has been reduced a result of updated economic factors for Southeast Michigan by 122 MW, to 12,893 MW. The revised projected total peak load includes both full service load requirements to be supplied by Detroit Edison, and the load requirements for Electric Choice customers that will be supplied by Alternative Electric Suppliers. However, the peak demand excludes the Rouge Complex served by the Dearborn Industrial Generation facility (DIG).

The forecasted growth rate in Electric Choice participation was also reduced to reflect the impact of recent increases in regional market prices for wholesale power supply and the Commission's issuance of the February 20, 2004 Interim Electric Rate Order in Case No. U-13808 for Detroit Edison. Both of these factors reduce the available headroom for Electric Choice and, in turn, the expected growth rate for the program. Projected Electric Choice 2004 summer peak load was reduced from 2,165 MW to 1,859 MW, a reduction of 306 MW.

The net impact of these two forecast changes increase Detroit Edison's forecasted full service peak load requirements by 184 MW. Consistent with the Original Report, a 15 % planning reserve of 28 MW was added to the revised full service peak load requirement. The 15% planning reserve excludes reserves for interruptible full service load. In addition the 4% operating reserve requirement for the Electric Choice revised peak load that is supplied as an ancillary service by the Company through the Midwest Independent System Operator (MISO) was reduced resulting in a total increase in reserve requirement of 16 MW. The 184 MW increase in forecasted full service peak load requirement and 16 MW increase in total reserve requirement increases Detroit Edison's total required resources by 200 MW. Since Company owned resources are being fully utilized, the additional 200 MW of required resources increases required seasonal purchases by 200 MW.

III. Peak Demand Forecast

The 2004 summer peak demand forecast is based on an average mean temperature of 84° F and a 50% confidence level, which is the same basis used for the 2002 and 2003 summer peak demand forecast. Summer service area peak demand is expected to be nearly 1,400 MW higher than the actual 2003 peak demand. The summer of 2003 was a mild summer with only 4 days above ninety degrees. Table 2 Revised is a summary of the summer peak demands for 2001-2003 and the revised forecasted summer peak demand for 2004 and shows both the actual summer peaks and the weather and load management normalized peak demands. The weather normalized peak demands show an average increase of nearly 400 MW in each of the three years.

**Table 2
Revised
Summer Peak Demands Summary**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004 Forecast</u>
Coincident System Peak Demand - Actual (MW)				
Bundled	11,845	11,256	10,435	10,769
Choice	119	659	1,185	1,859
Total	11,964	11,915	11,620	12,893
 Weather Conditions Mean Temp (F)	 85.25	 83.50	 78.50	 84.00
 Load Management Utilized – MW	 197	 250		
 Coincident System Peak Demand -Normalized¹ (MW)				
Bundled	11,616	11,590	11,280	10,769
Choice	119	670	1,185	1,859
Total	<u>11,735</u>	<u>12,260</u>	<u>12,465</u>	<u>12,893</u>

All entries exclude DIG Demands

¹ Normalized for weather and removal of load management reductions

IV. Impact of Electric Choice

Detroit Edison currently projects that approximately 14.5% of its total service territory peak demand for the summer of 2004 will be served by alternative electric suppliers. The Company's revised forecast of 1,859 MW of coincident Electric Choice load (impact at time of system peak, excluding the Rouge Complex served by DIG) for the summer of 2004 is based on the best available information at this time. Through June 14, 2004, Electric Choice had 2,232 MW enrolled and 2,190 MW in service, as measured by total contract demand (excluding the Rouge Complex served by DIG).

V. Detroit Edison's Available Supply Resources

No changes from the Original Supply Plan.

VI. Purchased Capacity

Detroit Edison has completed the procurement of 1,505 MW of seasonal generation capacity (June-August) for the summer of 2004 to fulfill its the 1,471 MW of required purchases as developed in Exhibit 1 Revised. This includes capacity for the 1,271 MW purchase requirements developed in the Original Report and the incremental 200 MW of purchases resulting from the revised load forecasts as discussed in this Supplemental Report. All of the purchased capacity is physically located within the Michigan.

Exhibit 2 summarizes the capacity purchases and relevant transmission arrangements necessary to deliver these purchases to Southeast Michigan. Geographically, of the total amount of supply purchased, 430 MW is located within the Detroit Edison – International Transmission Company (ITC) service territories in Southeast Michigan and 1,075 MW within the Michigan Electric Transmission Company (METC) service territory in West Michigan.

On June 3, 2004, Detroit Edison received limited approval from the MPSC in Case No. U-14138 for up to 300 MW of additional summer purchases from affiliated exempt wholesale generation (EWG) located within the Detroit Edison service territory. Detroit Edison requested approval to use local (within Southeast Michigan) affiliated EWG sources because other local nonaffiliated sources were fully subscribed for the period in question and additional local generation was

required to supplement non-firm transmission or to be used as a redispatch option. A purchase from an affiliated EWG also requires the approval of the Federal Energy Regulatory Commission (FERC). Application to the FERC was subsequently made on June 22, 2004. The purchase, if approved, will be used to supplement transmission dependent purchases from the METC service territory in the event that transmission curtailments occur.

VII. Transmission

Immediately prior to the filing of the Original Report on March 31, 2004, Detroit Edison was engaged in arranging transmission service for seasonal generating capacity that it had procured from within the METC (Western Michigan) service territory. Current MISO tariffs require that designated network resources (physical source of supply) be in place and identified before firm seasonal transmission service can be requested. At the time of the filing of the Original Report, Detroit Edison had completed procurement of 875 MW of capacity purchases from Western Michigan. However, on March 26, 2004 MISO denied four related pending requests for 875 MW of firm seasonal transmission service from West Michigan to Southeast Michigan across the METC – ITC interface that had been submitted to MISO on March 3, 2004. The denials across the METC-ITC interface were unparalleled and Detroit Edison subsequently resubmitted the same requests on March 31, 2004. In the Original Report Detroit Edison set forth a preliminary process to address the denials:

If Edison is unsuccessful in obtaining firm seasonal transmission capacity from MISO, then the Company will request firm transmission on a weekly/daily basis throughout the summer, as needed. **At this time**, Edison will be forced to rely upon non-firm transmission capacity this summer to import 875 MW of merchant capacity from Western Michigan. In fact MISO has confirmed 875 MW of non-firm network transmission reservations of for the summer for the Company. The Company will continue to request monthly/seasonal firm network transmission.

The denials initiated an ongoing process between Michigan transmission interests and MISO to clarify the METC-ITC flowgate issues. The process was more fully set forth in a May 28, 2004 MISO response to a FERC data request in Docket No. ER04-375-001 and a June 14, 2004 joint MISO and Detroit Edison supplemental response in the referenced Docket, which are attached to this Supplemental Report. The four seasonal requests totaling 875 MW, according to MISO, were denied on the basis of internal MISO model results that indicated a lack of available

transmission capacity on five METC-ITC West to East flowgates. Immediately thereafter, ITC, METC, the Michigan Electric Coordinated System (MECS), and MISO conducted multiple conference calls that resulted in modifications to the MISO model and in turn, led to unconditional approval of three of the firm seasonal transmission requests and partial approval of the fourth, for a total of 624 MW². The remaining amount of the fourth request, 251 MW, would only be approved as firm if Detroit Edison's agreed to flowgate redispatch for certain of the affected flow gates. Detroit Edison advised MISO that it knew of no redispatch options that could be effectively used to firm up the conditional transmission paths and requested MISO's assistance in identifying possible redispatch combinations. Detroit Edison and MISO are currently in the process of identifying possible redispatch options that may address the Company's needs. In the interim, Detroit Edison has received approval from MISO that the 251 MW transmission request will be treated as non-firm network level 6 (NN6) transmission service.

Detroit Edison has and continues to submit requests to MISO for weekly firm transmission service for the remaining 251MW of the original request. The Company has been successful in obtaining firm weekly transmission service for the last three weeks in June and all but the last week in July and the Company remains optimistic that firm weekly transmission will be approved for remaining 251 MW for the remaining week in July and weeks in August.

For the incremental 200 MW purchase from the METC service territory, the Company has received weekly firm transmission through July 25 and seasonal non-firm NN 6 transmission for the month of August and will continue to request weekly firm network service .If firm weekly transmission is not available for the 251 MW or the 200 MW purchase, the Company will use the affiliated EWG capacity to supplement the NN6 currently approved as required.

Exhibit 2 summarizes the transmission arrangements secured by Detroit Edison for the summer of 2004. The Company has completed procurement of 1,505 MW of seasonal power supply capacity. The 430 MW of purchased supply capacity located within the Detroit Edison - ITC

² (Request for Rehearing or Appeal of International Transmission submitted June 21, 2004 in Docket No. ER04-375)

service territory is not affected by the METC – ITC flowgate constraint. Sufficient local firm network transmission capacity exists to support these transactions.

The affiliated DTE EWG's capacity is also located within the Detroit Edison - ITC service territory and will therefore not be affected by the METC – ITC flowgate constraint. If the request to purchase is approved by the FERC sufficient local firm network transmission capacity also exists to support any transactions that are effected.

VIII. Load Management

No changes from the Original Supply Plan.

IX. Other Considerations

The Commission's Orders of June 3, 2004 in Case No. U-14109, and Case No. U-14138 expressed criticism of the planning process used by Detroit Edison that served as the basis for certain conclusions rendered by the Company its 2004 Summer Assessment which was filed with the Commission on March 31, 2004. In particular the Commission believed that Detroit Edison was in error for using MISO's denial of firm seasonal network transmission capacity to deliver the 875 MW of generation capacity to Southeast Michigan as a basis of a statement in the 2004 Summer Assessment that;

Therefore, at this time, Edison cannot provide the Commission, with complete assurances that adequate power supply resources, delivered though firm transmission capacity to Southeast Michigan, are available this summer to serve its bundled customer load. However, Edison's Summer Supply Plan is still under development and the Company will continue to review all supply and delivery options so that reliable service will be provided to its bundled customers.

The Commission apparently believes that the Company was basing this conclusion on a single factor, the lack of firmness of a specific transmission reservation path and that, given the adequacy supply resources other regions, the Company should have considered other supply alternatives. These alternatives include other capacity resources within the East Central Reliability Region (ECAR), alternative transmission paths into Southeast Michigan, generator

redispatch options identified by MISO, and other supply options within its service territory from non-affiliated suppliers. The Company would offer that, at the time of the filing of its 2004 Summer Assessment, it had, as in previous years, examined a number of different supply and transmission options. This examination will continue through the completion of the summer peak load period. The overriding goal of this process is to satisfy the Company's full service load obligations reliably and economically.

In March of this year, as in previous years, the Company was in the process of finalizing the acquisition of purchases and transmission necessary to reliability deliver that capacity for the 2004 summer peak load period. As developed in the Original Report, the Company had a seasonal purchase requirement (at that the time) of 1,271 MW. Although more than adequate generation capacity exists in the Midwest (ECAR and MAIN reliability regions) and in West Michigan the critical issue is the availability of firm transmission capacity to import this supply into Southeast Michigan .

There is insufficient unaffiliated merchant generation capacity within Southeast Michigan to meet Edison's summer purchase requirements. Beyond Detroit Edison owned utility generation, only two non- affiliated EWG's; First Energy's Sumpter (Sumpter) facility, and the CMS Dearborn Industrial Generating facility (DIG) are in operation. Two affiliated DTE EWG's; East China and River Rouge 1 are also located in Southeast Michigan.

To source its full service supply requirements therefore, Detroit Edison must purchase seasonal capacity to satisfy expected seasonal obligations. At the time of the filing of the Original Report, Detroit Edison had completed the purchase of 150 MW from one of the two non-affiliated units in Southeast Michigan but was informed by the seller that no additional capacity was available from that facility for the 2004 summer peak load period. Detroit Edison had also completed the purchase of the 875 MW of capacity from the four sources located in West Michigan and was in the final stages of evaluation for the remaining 246 MW of purchase requirement. Options under consideration at the time for the final increment of capacity included another purchase from an EWG in West Michigan and a purchase from the remaining the non-affiliated EWG unit in Southeast Michigan. The Company subsequently contracted for a seasonal supply purchase for all of the capacity from the second nonaffiliated EWG facility.

MISO rules require that before firm seasonal network transmission can be requested, a designated network resource (source of supply) be secured and identified. Shortly after the 875 MW acquisitions, Detroit Edison submitted four requests to MISO for seasonally firm network transmission on March 3, 2004. These requests were subsequently denied by on March 26, 2004, five days prior to the filing of the Original Report. The denial was unusual given Edison's understanding of the historical and anticipated flows across the facilities in question. The four requests were resubmitted to MISO for study on March 31, 2004.

Given the critical function that firm transmission provides, the Company, as part of its supply planning process, also considers other transmission paths into Southeast Michigan beyond those provided by METC. As background, the Company, through the International Transmission Company, is interconnected to West Michigan with the Michigan Electric Transmission Company, to Ohio to the South with First Energy, and to Ontario to the East through the Hydro One to the Independent Electricity Market Operator (IMO). The Company submitted requests to MISO for nominal amounts of seasonally firm transmission capacity from First Energy and was also denied. IMO is not a viable supply or transmission option for seasonal reliability considerations given that their procedures require termination of external transactions during times of local system supply shortfalls and the general lack of excess generation supply during summer periods in Ontario. The other transmission paths available to import power into lower Michigan are the AEP/METC and NIPSCO/METC interfaces. These paths are not a reliable supply import option for Southeast Michigan, assuming firm transmission capacity is available across the AEP/METC interface, because the power once imported into Western Michigan would also have to be subsequently delivered across the METC/ITC interface, which is the delivery bottleneck in Southeast Michigan.

In summary, even though there is adequate generation capacity in the Midwest, little of this supply is a reliable supply option for Southeast Michigan because of limited firm transmission across the METC-ITC transmission interface. Moreover, Edison has already obtained the total amount of generation capacity it needs from merchant plants located in Michigan. The critical supply reliability issue remains the availability of adequate transmission to import power into Southeast Michigan.

Similarly, the Company's decision to seek approval to buy from a local affiliated local EWG resource, was only made after it was apparent that; 1) there is a new and potentially significant transmission flowgate in lower Michigan that reduces transfer capability into Southeast Michigan, 2) there are no firm transmission options available to the South from Ohio, 3) the Company had purchased all remaining available local non-affiliated EWG capacity within its service territory, and 4) additional local capacity may be necessary to "firm up" or supplement partial reliance on NN6 non-firm transmission to deliver purchase from West Michigan.

X. Summary

Through a combination of owned generation supplemented by seasonal capacity purchases Detroit Edison has sufficient supply resources for the 2004 summer period to serve the expected peak load requirements of its full service customers and to provide a 15 percent reserve in the event that an unexpected contingency may occur. All of the seasonal capacity purchases are from resources located within Michigan.

The Company has sufficient local firm network transmission to support owned or purchased capacity transactions from within its service territory. To support the remaining seasonal capacity purchases from sources external to its service territory, the Company will utilize a combination of firm seasonal transmission, firm weekly transmission, and non-firm network transmission. The Company may also use local capacity purchased from affiliated EWGs should a non-local transmission constraint occur.

In summary, the Company has reviewed all reasonable local and regional supply options to prudently meet its full service customer obligations. The Company believes that its 2004 Summer Supply Assessment provides a reasonable basis and assurance for meeting that obligation. However, the Company will continue to review factors affecting its plan and may make modifications as necessary to meet its service obligations.

Respectfully submitted,

THE DETROIT EDISON COMPANY

**Exhibit 1 Revised
Detroit Edison Capacity Plan
Summer 2004 Supplemental**

(a)	(b) March 2004 Summer 2004	(c) June 2004 Summer 2004	(d) Delta
A. <u>Required Resources</u>	MW	MW	MW
Peak demand for service area	13,015	12,893	-122
Less loads in Electric Choice	-2,165	-1,859	306
Less interruptible load	-265	-265	<u>0</u>
Adjusted demand	10,585	10,769	184
Detroit Edison Planning Reserve	1,550	1,578	28
Electric Choice Operating Reserve	87	74	-13
Total Reserve	1,636	1,652	16
Annual Long Term Sale	151	151	0
Total Required Resources	<u>12,372</u>	<u>12,572</u>	<u>200</u>
B. <u>Available Resources</u>			
Owned capability available	10,998	10,998	0
Long-term commitments: Non-utility generation and P.A. 2 contracts	103	103	0
Total Available Resources	<u>11,101</u>	<u>11,101</u>	<u>0</u>
C. <u>Required Purchases</u>	1,271	1,471	200
D. <u>Load Management for Contingencies</u>			
Interruptible Air Conditioning	250	250	
Interruptible Water Heating	50	50	
Internal Load Management	30	30	
Total	<u>330</u>	<u>330</u>	

Exhibit 2
METC/ITC Interface Transmission Confirmations

Line	Week of	624 MW	251 MW	200 MW
1 .	June 14, 2004	seasonal firm		
2 .	June 21, 2004	seasonal firm	weekly firm	
3 .	June 28, 2004	seasonal firm	weekly firm	weekly firm
4 .	July 5, 2004	seasonal firm	weekly firm	weekly firm
5 .	July 12, 2004	seasonal firm	weekly firm	weekly firm
6 .	July 19, 2004	seasonal firm	weekly firm	weekly firm
7 .	July 26, 2004	seasonal firm	NN6 - weekly firm requested	weekly firm requested
8 .	August 2, 2004	seasonal firm	NN6 - weekly firm requested	NN6 - weekly firm requested
9 .	August 9, 2004	seasonal firm	NN6 - weekly firm requested	NN6 - weekly firm requested
10 .	August 16, 2004	seasonal firm	NN6 - weekly firm requested	NN6 - weekly firm requested
11 .	August 23, 2004	seasonal firm	NN6 - weekly firm requested	NN6 - weekly firm requested
12 .	August 30, 2004	seasonal firm	NN6 - weekly firm requested	NN6 - weekly firm requested

225 MW from River Rouge 1 to cover if delivery problems occur

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May 28, 2004

VIA HAND DELIVERY

The Honorable Magalie R. Salas
Secretary
Federal Energy Regulatory Commission
Dockets Room, Room 1a
888 First Street, N.E.
Washington, D.C. 20426

Re: *Midwest Independent Transmission System Operator, Inc.*
Response to Commission's May 17, 2004 Data Request
Docket No. ER04-375-005

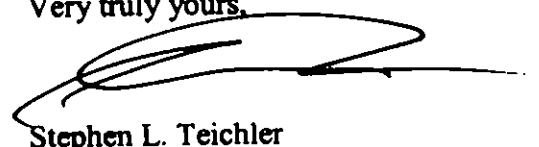
Dear Secretary Salas:

Please find enclosed for submission an original and six (6) copies of the Midwest Independent Transmission System Operator, Inc.'s response to the Commission's May 17, 2004 data request, in the above-referenced docket. An additional copy has been sent to the attention of Zeny Magos, as directed by the order.

Also enclosed are an additional two copies of the document that I would appreciate being time-stamped and returned with my messenger.

Any questions regarding this filing should be directed to the undersigned. Thank you for your attention to this matter.

Very truly yours,



Stephen L. Teichler

SLT/slk
Enclosures
WSH113662.1

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May 28, 2004

Honorable Magalie R. Salas
 Secretary
 Federal Energy Regulatory Commission
 888 First Street, N.E.
 Washington, D.C. 20426

**Re: *Midwest Independent Transmission System Operator, Inc.*
 Response to Commission's May 17, 2004 Data Request
 Docket No. ER04-375-001**

Dear Secretary Salas:

On April 2, 2004, the Midwest Independent Transmission System Operator, Inc. ("Midwest ISO") and PJM Interconnection, L.L.C. ("PJM") submitted a filing ("April 2 Filing") to comply with the Federal Energy Regulatory Commission's ("FERC" or "Commission") March 18, 2004 Order Modifying and Conditionally Accepting the Joint Operating Agreement ("JOA") between the Midwest ISO and PJM ("March 18 Order").¹ On May 17, 2004, the Commission issued a request for additional information from the Midwest ISO ("May 17 Request"). Accordingly, the Midwest ISO hereby submits its response to the May 17 Request, served upon the Commission and as directed therein.

In comments made in response to the April 2 Filing, International Transmission Company ("International Transmission" or "ITC") questioned whether the JOA process to determine Available Flowgate Capacity ("AFC") prevented its largest customer, and former affiliate, Detroit Edison Company ("Detroit Edison" or "DECO"), from obtaining all the firm transmission capacity that it requested on transmission systems in Michigan this coming summer.² Specifically, in a report by Detroit Edison to the Michigan Public Service Commission dated March 31, 2004, Detroit Edison stated that the Midwest ISO denied Detroit Edison's

¹ *Midwest Independent Transmission System Operator, Inc. and PJM Interconnection, L.L.C.*, 106 FERC ¶ 61,251.

² See International Transmission comments at pp. 4-5. Please note that Detroit Edison is the distribution utility affiliate of DTE Energy Co. The entity that applied for transmission service at issue here ("DTE") is not Detroit Edison, but a marketing subsidiary of DTE Energy Co.

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 Page 2

request for 875 MW of firm seasonal network capacity to link Designated Network Resources (“DNRs”) or contracted merchant generators from Western Michigan to Southeast Michigan.³

In the May 17 Request, the Midwest ISO was directed by the Commission to respond to certain questions set forth therein, in order to assist the Commission in evaluating the aforementioned allegations and in rendering a decision on the April 2 Filing. As demonstrated below, the Midwest ISO asserts that denial of transmission service was not related to the methodologies used in the JOA.

Issue #1: Capacity Reservation for 2004

- 1) *For the 2003 summer season, how much firm seasonal network capacity was Detroit Edison able to successfully reserve? When were requests for such capacity made to the Midwest ISO? What was the duration of those reservations? Please break down such reservations if made by separate requests. Provide a comparison of the same for the upcoming 2004 summer season.*

Response: The Midwest ISO reviewed four transmission service requests that were made by DTE for summer 2004. These four monthly firm transmission service requests for the summer months (June-August), were all sourcing from IPPs in the Consumers Energy Company (“CONS”) area and delivering to DTE. The requests, their magnitude and the Independent Power Producer (“IPP”) that was the source for these requests follows:

<u>AREF #</u>	<u>Amount</u>	<u>IPP</u>	<u>IPP Size</u>
75769742	68 MW	Kalamazoo River Generating Station	68 MW
75769743	132 MW	Livingston	132 MW
75769744	180 MW	Zealand 1	1000 MW
75769745	495 MW	Renaissance	600 MW

All four of these requests were submitted on 3/3/2004 and were refused on 3/26/2004. The refusal was based on the application of internal models that indicated a lack of available transmission capacity on five Michigan Electric Coordinated System (“MECS”) West-to-East flowgates:

1. Atlanta Jct-Atlanta 138 kV for loss of Thetford-Jewell 345 kV
2. Argenta-Battle Crk 345 kV for loss of Argenta-Tompkins 345 kV
3. Thetford-Jewell 345 kV for loss of Hampton-Pontiac 345 kV

³ “The Detroit Edison Company Report on Summer 2004 Capacity Plan” dated March 31, 2004, Michigan Commission Case No. U-14005, at p 9.



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4. Hemphill-Hunters Crk 120 kV for loss of Thetford-Jewell 345 kV
5. Hampton-Pontiac 345 kV for loss of Thetford-Jewell 345 kV

These four requests were resubmitted on 3/31/04. Following modeling discussions with ITC, Michigan Electric Transmission Company ("METC") and MECS and the implementation of model changes, Midwest ISO was able to unconditionally approve the first three requests and approximately half of the fourth request on 4/23/04. The remaining amount of the fourth request could only be approved on a conditional basis. The condition required DTE to arrange flowgate redispatch ("FRD") for certain flowgates.

DTE confirmed the three unconditional requests and the unconditional part of the fourth request. DTE declined the conditional part of the fourth request claiming it was unable to find generator combinations that could be used for redispatch purposes. This provided DTE 624 MW out of the 875 MW requested for firm imports in summer 2004.

The attached "Table 1" gives a month-by-month breakdown of the drive-in and drive-out transmission service (both Point to Point ("PTP") service and Network Integrated Transmission System ("NITS")) that has been confirmed on the Midwest ISO OASIS page involving the CONS and the DECO areas for 2003 and 2004. Firm and non-firm transmission service are identified separately in the table. Only monthly and yearly transmission service reservations were included. Each monthly value contains a summation of the reservations that were active for that month. The 2003 reservations represent the full set of reservations for the year since the query was made after the end of the year. The 2004 reservations can be considered a partial set since the query was made on May 5, 2004, and additional firm and non-firm requests could still be approved in 2004.

These reservations are all instances on the Midwest ISO OASIS page where CONS and/or DECO appear as either the source or the sink, or both. It does not include reservations where CONS appears as both the source and sink or DECO appears as both the source and sink. It also does not include reservations that have been grandfathered under the Midwest ISO tariff and appear on the individual CONS OASIS page or the individual DECO OASIS page.

Since the focus is on the DECO drive-in reservations using firm transmission service, we can compare the DECO Drive-In – Firm column for summer months (June, July and August) between 2003 and 2004. This comparison shows that the summer firm imports into the DECO area are running from 50 MW to 250 MW



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lower in 2004 versus 2003. An explanation of why these are lower appears in response to Question 3.

The attached spreadsheet also contains the set of Midwest ISO firm and non-firm reservations that have been summed to produce the monthly data in "Table 1". These are the set of confirmed reservations on the Midwest ISO OASIS as of May 5, 2004.

- 2) ***Was the AFC allocation process outlined in the JOA being used at the time the Midwest ISO denied Detroit Edison's request for 875 MW of firm seasonal network capacity during the 2004 summer season?***

Response: No, it was not. The Midwest ISO initially denied the four firm transmission service requests from DTE on 3/26/04. These same four requests were resubmitted on the Midwest ISO OASIS on 3/31/04. ITC, METC and MECS held three conference calls with Midwest ISO. Following updates to the model and the flowgates, the Midwest ISO was able to totally approve three of the requests and partially approve the fourth request. DTE was given the opportunity to arrange FRD in order to receive approval of the remaining amount of the fourth request. DTE declined this offer.

All of this activity occurred before the JOA took effect on May 1, 2004. The JOA flowgate allocation process had no impact on the initial denial of the four requests or on the subsequent approval of the three requests and a partial amount of the fourth request. This issue was raised by DTE during the debate in the NERC Operating Committee approval of the PJM and Midwest ISO Reliability Plans at the March 25, 2004 NERC meeting. Both Midwest ISO and PJM representatives stated on the record that the JOA had nothing to do with this problem, because the JOA AFC allocation process was not yet in effect.

- 3) ***Please explain in detail all factors that led to the denial of Detroit Edison's request for 875 MW of firm network capacity. What factors are different in the 2004 summer season than the 2003 summer season that led to the unavailability of firm capacity to satisfy Detroit Edison's request?***

Response: The Midwest ISO has investigated the differences between 2003 summer conditions and 2004 summer conditions that resulted in approval of three of the requests (68 MW, 132 MW and 180 MW) and partial approval of the fourth request (approved 244 MW of 495 MW requested). These DTE requests were all



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from the CONS area to the DECO area and have a total capacity of 624 MW. When combined with a 150 MW request (also sinking in DECO) submitted earlier in the queue by Quest Energy, there was a total of 774 MW of firm requests approved for summer 2004. Comparing CONS firm exports between summer 2003 and summer 2004, reveals approximately a 150-180 MW increase in exports. Comparing DECO firm imports between summer 2003 and summer 2004, reveals approximately a 50-250 MW decrease in imports. These two situations would be offsetting in that the CONS area is able to export more power but less is being imported into the DECO area. While overall loading of the system projected for summer 2004 may be comparable with summer 2003, there is a significant difference in the use of transmission reserve margin ("TRM") between summer 2003 and summer 2004.

The Midwest ISO is including TRM on all Midwest ISO flowgates to account for operating reserve sharing and uncertainty between forecasted and actual conditions. During an automatic reserve sharing ("ARS") event in the MECS control area, a notification is issued by the East Central Area Reliability Council ("ECAR") instructing ECAR control areas to provide operating reserves to replace the lost generation. These operating reserves must be supplied within 10 minutes. TRM is needed on the flowgates to allow for an immediate response to an ARS event. Prior to the Midwest ISO, there was no requirement in ECAR to maintain an operating reserve component for TRM. The three flowgates that limit the DTE requests for summer 2004 had zero TRM and zero Capacity Benefit Margin ("CBM") in 2003. The Midwest ISO stakeholder AFC Work Group approved the methodology that is being used to determine TRM for all Midwest ISO flowgates. This methodology includes 2% of the flowgate rating for uncertainty and an operating reserve sharing component. The three flowgates that limit the DTE requests and the amount of TRM being held in summer 2004 that was not held in summer 2003 for these flowgates are:

Hemphil-Hunters Crk 120 kV for loss of Thetford-Jewell 345 kV:

TRM=35 MW

Summer rating=235 MW

TRM as a percent of rating=15%.

Atlantic Jct-Atlantic 138 kV for loss of Thetford-Jewell 345 kV:

TRM=21 MW

Summer rating=223 MW

TRM as a percent of rating=9%.



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Latson-Genoa 138 kV for loss of Thetford-Jewell 345 kV:
 TRM=20 MW
 Summer rating=148 MW
 TRM as a percent of rating=13%.

An analysis of the AFCs based on confirmed reservations for each of the three flowgates is given in "Table 2". When the impacts of all five requests are considered (one from Quest Energy and four from DTE) the flowgate AFCs are negative, with Hemphil-Hunters Crk 120 kV for loss of Thetford-Jewell 345 kV being the most negative. It is obvious that the TRM exceeds the amount of negative AFCs. If there were no TRM being held, all five of the requests could have been approved. It is also obvious that increasing the use of counter-flows from 15% to 30% was not sufficient to approve the five requests. Increasing the amount of counter-flows does remove Latson-Genoa 138 kV for loss of Thetford-Jewell 345 kV as a limit but the other two flowgates remain as limits.

- 4) *Please explain in detail how the Midwest ISO considered firm capacity reserved by Detroit Edison as of the JOA "freeze date" of June 3, 2003, in determining the AFC for the 2004 Summer Season. How much firm capacity Detroit Edison reserved and how much firm capacity Detroit Edison was actually using on June 3, 2003? Did the Midwest ISO rely on the actual firm service used or the firm capacity reserved on June 3, 2003 in determining, for purposes of the JOA AFC process, the historical use of the Midwest ISO system? What other factors, other than the actual firm service used or reserved on the Midwest ISO system on June 3, 2003, did Midwest ISO use in determining, for purposes of the JOA AFC process, the historical use of the Midwest ISO system?*

Response: The DTE transmission requests for summer 2004 were not denied on the basis of the JOA AFC allocation process, or DTE's historical usage.

The Midwest ISO and PJM agreed in the JOA that a firm allocation would be made on the reciprocal flowgates based on historical usage. As explained in great detail in the Congestion Management Process,⁴ the historical usage is defined to include firm impacts from designated network resources that existed on 6/3/03 and firm impacts from PTP reservations that had been confirmed by June 3, 2003. The allocation is intended to capture the firm flowgate usage prior to ComEd joining the PJM market. A reference year of December 1, 2003, through

⁴ CMP, Original Sheets 137-143, April 2, 2004 compliance filing.



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November 30, 2004, is used for the impacts of firm PTP reservations. This means that all firm PTP reservations that had been confirmed by 6/3/03 and were active for the 12-month period of December 1, 2003, to November 30, 2004, will be included in the monthly allocations. To the extent a designated network resource is located outside the area where the load is located and uses a reservation to deliver generation output to the load area, the firm impacts of the DNR generator are included in the allocation similar to the firm PTP impacts.

Even though the Midwest ISO and PJM did not use the results of the JOA allocation process prior to May 1, 2004, the Midwest ISO and PJM have coordinated AFCs between the two Regional Transmission Organizations ("RTOs") since 2003. Coordination of AFCs means that Midwest ISO and PJM, as neighboring Reliability Coordinators, have agreed to honor each other's flowgates and exchange information used to compute AFCs. The Midwest ISO and PJM have also exchanged AFCs for each other's flowgates for certain time points in the future.

The allocation of flowgate capacity that was agreed upon in the JOA and the coordination of AFCs are two separate processes. Prior to May 1, 2004, the Midwest ISO and PJM relied on the AFC coordination process to approve or deny new requests for transmission service. After May 1, 2004, both the Network/Native Load ("NNL") allocation and AFC coordination are being used to approve or deny new requests for transmission service. Since the DTE requests were processed before May 1, 2004, there was no consideration given to the allocation of flowgate capacity between the Midwest ISO and PJM when approving the three DTE network service requests and approving a partial amount of the fourth request.

- 5) ***Please explain the process Midwest ISO follows under the JOA to use "Historical Firm Flow" in the determination of AFC and explain all the factors that could result in the same amount of firm capacity that was successfully reserved by customers in the 2003 summer season being unavailable for customers in the 2004 summer season.***

Response: The historical firm flows are used to determine the allocation of flowgate capacity between Midwest ISO and PJM. The allocation of flowgate capacity and the determination of AFCs are two separate processes. The Midwest ISO and PJM have agreed in the JOA that both the flowgate allocation and AFCs will be used to process firm transmission service. For transmission requests submitted after May 1, 2004, the more limiting of the two values will be used. AFCs will continue to be calculated as they are today and reflect the

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reliability of the system. The flowgate allocation represents each party's allocated share of the flowgate based upon historical usage. The Midwest ISO and PJM have agreed in the JOA that even if one of the parties still has an allocation available on a flowgate, there must be positive AFCs available before transmission service can be granted.

Because the AFC determination process is separate from the flowgate allocation process, the reservations used in the AFC process are not limited to reservations that met the criteria for the historical usage. The three DTE firm network service requests and the partial amount of the fourth DTE request were approved based on AFCs and not based on an NNL allocation. There is no linkage between the AFCs used to process the DTE transmission service requests and the flowgate allocation between the Midwest ISO and PJM.

Issue # 2: Alleged Curtailment Anomaly

In addition to the summer 2004 capacity reservation, International Transmission raised a second issue regarding transactions that can be curtailed when congestion occurs on the Midwest ISO system. International Transmission stated that there is an anomaly because the JOA obligates the Midwest ISO to reserve capacity on Midwest ISO flowgates for all transactions on PJM that will have an impact on those flowgates, even those of less than five percent, however, the Midwest ISO can only curtail transactions which impact the Midwest ISO flowgates by five percent or more.⁵ In order to assist the Commission in rendering a decision on this issue related to the compliance filing, the Midwest ISO responds to the following:

- 1) Please confirm that Midwest ISO treats all flows without e-tags (i.e., PJM Market Flows) from PJM as one transaction for curtailment purposes when congestion occurs on the Midwest ISO system. Also please confirm that PJM Market Flows will be subject to curtailment on the Midwest ISO system, even those whose impact on flowgates is less than five percent.***

Response: Both questions are answered in the affirmative. PJM calculates market flows for the ComEd control area and sends this information to the NERC Interchange Distribution Calculator ("IDC") every 15 minutes for use in the TLR process. At this time, market flows are only being determined for reciprocal flowgates that are impacted by ComEd market flows. When either the Midwest ISO opens its market or PJM further expands its market, the PJM market flow calculation will be expanded to include the entire PJM market area (ComEd control area, "classic" PJM control area plus the expanded market area.) New

⁵ International Transmission comments at 13.



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reciprocal flowgates will be introduced for this wider market area when this occurs. Please refer to Sections 11.1.1 and 11.1.2 of the JOA.

The market flow calculation includes impacts of generators being used to serve load in the market area. These can be considered non-tagged flows produced by the market. Market flows are determined for each reciprocal flowgate and includes all flows with a positive impact down to 0%. Since allocations are direction specific, counter-flows with a negative impact down to 0% are included in the reverse direction market flow calculation for each reciprocal flowgate. PJM is assigned an amount of market flow relief they must achieve based on their impacts down to 0% and the market flow priority of service (priority 2, priority 6, or priority 7). The NERC TLR process will assign an amount of market flow relief that will apply to all reciprocal flowgates (including Midwest ISO flowgates) when TLR is called for that flowgate. The impact of the market flows can be considered a single transaction for curtailment purposes since the NERC IDC receives a single market flow amount for each flowgate and it directs the amount of market flow relief that must be accomplished for each flowgate.

Conclusion

The Midwest ISO respectfully submits its responses to the Commission in compliance with the Commission's May 17, 2004 Data Request in this docket. As demonstrated by the responses to the specific questions, the JOA methodologies for allocating AFCs had nothing to do with the DTE firm transmission requests being denied for summer 2004. The introduction of operating reserve TRM margins, the prior reservation of another power marketer serving load in the Detroit Edison control area, and DTE's rejection of flowgate redispatch options, have combined to reduce the transmission capacity that had been available to DTE in 2003.

Respectfully submitted,

Stephen L. Teichler
Counsel for the Midwest Independent
Transmission System Operator, Inc.

Attachments

cc: Patrick Clarey, FERC
Christopher Miller, FERC
Zeny Magos, FERC

SLT/slk

Note:

The tables and spreadsheets for this filing (Docket No. ER04-375-005) have not been included in this attachment because when downloaded from the FERC website they are illegible. The original, scanned document (including tables and spreadsheets) can be found at the FERC web site at:

<http://elibrary.ferc.gov/idmws/nvcommon/NVViewer.asp?Doc=10160048:0>

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Midwest Independent Transmission)
System Operator, Inc. and)
PJM Interconnection, L.L.C.) Docket No. ER04-375-001

NOTICE OF FILING

(_____, 2004)

Take notice that on May 28, 2004, the Midwest Independent Transmission System Operator, Inc. ("Midwest ISO") filed an amendment to its April 2, 2004 filing of a Joint Operating Agreement ("JOA") between the Midwest ISO and PJM Interconnection, L.L.C. ("PJM"), in compliance with the Commission's May 17, 2004 letter request for additional information.

The Midwest ISO has served a copy of this filing as directed in the May 17, 2004 letter. In addition, In addition, the filing has been electronically posted on the Midwest ISO's website at www.midwestiso.org under the heading "Filings to FERC" for other interested parties in this matter. The Midwest ISO will provide hard copies to any interested parties upon request.

Any person desiring to intervene or to protest this filing should file with the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 CFR 385.211 and 385.214). *Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding.* Any person wishing to become a party must file a motion to intervene. All such motions or protests should be filed on or before the comment date, and, to the extent applicable, must be served on the applicant and on any other person designated on the official service list. This filing is available for review at the Commission or may be viewed on the Commission's web site at <http://www.ferc.gov>, using the "FERRIS" link. Enter the docket number excluding the last three digits in the docket number field to access the document. For assistance, please contact FERC Online Support at FERCOnlineSupport@ferc.gov or toll-free at (866) 208-3676, or for TTY, contact (202) 502-8659. Protests and interventions may be filed electronically via the Internet in lieu of paper; see 18 CFR 385.2001(a)(1)(iii) and the instructions on the Commission's web site under the "e-Filing" link. The Commission strongly encourages electronic filings.

Comment Date: _____

Magalie Roman Salas
Secretary

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SECRETARY

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

2004 JUN 14 P 4: 24

Midwest Independent Transmission) Docket No. ER04-375-005
System Operator, Inc. and)
REGUL PJM Interconnection, L.L.C.)

JOINT AND SUPPLEMENTAL COMMENTS
OF
THE MIDWEST INDEPENDENT TRANSMISSION SYSTEM OPERATOR, INC.
AND
THE DETROIT EDISON COMPANY

Pursuant to the Federal Energy Regulatory Commission's ("Commission") June 3, 2004 "Notice of Filing" in the above-referenced proceeding, the Midwest Independent Transmission System Operator, Inc. ("Midwest ISO") and The Detroit Edison Company ("Detroit Edison")¹ (collectively, "Parties") respectfully submit the following joint and supplemental comments.

COMMENTS

A. Detroit Edison Did Not Decline or Reject a Specific Flowgate Redispatch Offer.

On April 2, 2004, the Midwest ISO and PJM Interconnection, L.L.C. submitted a compliance filing with regard to their Joint Operating Agreement ("JOA"), in Docket No. ER04-375-001. In response to issues raised in comments filed by International Transmission on April 23, 2004,² the Commission requested additional information from the Midwest ISO regarding the

¹ Detroit Edison is a public utility operating company and a wholly-owned subsidiary of DTE Energy Company ("DTE Energy") that is engaged in the generation and distribution of electric energy in the State of Michigan. Detroit Edison provides retail electric service to approximately two million customers located throughout portions of southeastern Michigan, including the International Transmission Company ("International Transmission") control area. Detroit Edison is also a participant in the Midwest ISO.

² International Transmission's comments expressed concern about, among other issues, the possible impact of the JOA on the availability of firm transmission capacity on Michigan transmission systems for the summer of 2004. In particular, International Transmission stated that under the JOA, Detroit Edison "would not be able to take planned levels of power from Michigan generators on a firm basis using Michigan transmission facilities to serve Michigan load." Comments of International Transmission Co. Seeking Additional Data and Clarifications, Docket No. ER04-375-001, Apr. 23, 2004, at 9.

relationship of the methodologies proposed in the JOA to a partial denial of transmission service that had been requested earlier by Detroit Edison. On May 28, 2004, the Midwest ISO submitted a response explaining that the partial denial of Detroit Edison's initial request was not related to the methodologies used in the JOA. Midwest ISO Filing, Docket No. ER04-375-004, May 28, 2004, at 2 ("May 28 Submittal").

Unfortunately, the Midwest ISO's May 28 Submittal contained additional information that did not bear directly on the primary subject of the inquiry and had not been verified with Detroit Edison. This information stated that a marketing subsidiary of DTE Energy³ "declined" the conditional portion of its request that required flowgate redispatch options in order to firm up non-firm transmission, and that this "rejection" combined with other factors to reduce the transmission capacity that had been available in calendar year 2003. *Id.* at 4, 9.

This information was incorrect. At no time did Detroit Edison decline or reject a specific offer to use flowgate redispatch that had been presented to it by the Midwest ISO. Upon learning in late April that the firm transmission service requests submitted to the Midwest ISO would not be fully granted, Detroit Edison advised the Midwest ISO that it knew of no redispatch options that could reasonably be used to firm up transmission capacity. Detroit Edison elected to confirm that portion of its request that could be granted unconditionally, and asked the Midwest ISO for assistance in identifying redispatch options that could be used for a subsequent transmission service request.⁴ In mid-May and early June, Detroit Edison followed

³ Detroit Edison represents that no DTE Energy affiliate other than Detroit Edison was involved with these requests. The transmission service requests at issue were submitted by Detroit Edison for the purposes of meeting its native load obligations.

⁴ The Midwest ISO published a Flowgate Redispatch Procedure on June 5, 2003, that establishes a process and set of procedures that, among other things, provide that for long term transmission requests, the Tariff Administrator will verify, or assist the customer to identify constraints and determine potential generation shift combinations necessary to provide individual flowgate relief.

up this request, and Midwest ISO is currently in the process of identifying possible redispatch options that it believes will address Detroit Edison's needs.

B. Reliability Assurance is a Continuing Process.

Detroit Edison and the Midwest ISO are committed to working together to ensure that Michigan customers enjoy reliable transmission service for the summer of 2004 and beyond. The process of producing energy and procuring energy and transmission is a continuing activity that must be managed on an ongoing basis. The effective production and delivery of wholesale and retail electric service is subject to a multiplicity of contingencies, some of which are foreseeable and some of which may occasionally be unforeseen.

Recent structural modifications to the electric supply and service arrangements and the entities that carry them out in furtherance of the Commission's open access transmission and wholesale energy market policies increase the potential for unforeseen contingencies that could impact electric service reliability. This situation demands that all entities with energy production and supply responsibilities maintain continued communication, cooperation, and operational vigilance. The Parties are fully committed to this responsibility.

C. The Michigan Transmission Congestion at Issue is Relatively New.

The transmission congestion that restricted the initial transmission service request is located within the Michigan Electric Coordinated System ("MECS") Control Area, primarily at the transmission interface between the Michigan Electric Transmission Company facilities, formerly owned by Consumers Energy, and those of International Transmission, which were formerly owned by Detroit Edison. The MECS Control Area was operated for many years as a jointly dispatched tight power pool. Under such operation, internal transmission congestion that could develop from time to time would be addressed directly using normal generation dispatch

protocols. As the Midwest ISO noted in its May 28 filing, the critical flowgates at issue here are now subject to more restrictive Transmission Reserve Margin ("TRM") requirements than they were in 2003. While this may improve reliability in Michigan, but for that change in TRM, Detroit Edison's request for firm service could have been granted in full.

D. Transmission and Reliability Responsibilities for Michigan are Now Shared by Several Entities.

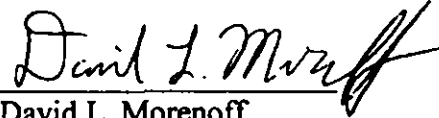
Detroit Edison and Consumers Energy, the original members of MECS, are no longer vertically integrated electric utilities operating a jointly dispatched tight power pool. Transmission facilities have been transferred to independent entities, both of which have joined an independent regional transmission system operator. Individual functions associated with regional transmission and reliability operations necessary for effective operations are now disbursed among at least five different entities – Detroit Edison, Consumers Energy, International Transmission, Michigan Electric Transmission Company and the Midwest ISO. It is critical that expeditious and effective communication protocols among these entities be maintained as the transition to new wholesale market operations in the region proceeds.

CONCLUSION

Although neither Detroit Edison nor the Midwest ISO wishes to belabor any issue related to Detroit Edison's prior requests to procure transmission service, both Parties reiterate that Detroit Edison did not reject a specific flowgate redispatch offer provided by the Midwest ISO, and the Midwest ISO did not act improperly in processing any transmission request proffered by Detroit Edison. On April 26th, Detroit Edison elected to accept that portion of its firm request that could be granted without conditions, which Midwest ISO confirmed, and elected to pursue other options for the remaining portion of its capacity needs. The Parties are working to ensure

CERTIFICATE OF SERVICE

I hereby certify that on this 14th day of June, 2004, I have caused a copy of the foregoing document to be served by first class mail on each person listed on the Secretary's official service list for the above-referenced proceeding.



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