

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

**Inquiry Regarding the Commission’s  
Electric Transmission Incentives Policy**

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**Docket No. PL19-3-000**

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**INITIAL COMMENTS  
OF CONSUMERS ENERGY COMPANY**

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Consumers Energy Company (“Consumers Energy”) hereby submits these comments in response to the Notice of Inquiry (“NOI”) issued by the Federal Energy Regulatory Commission (“FERC” or the “Commission”) in the above-captioned docket on March 21, 2019.<sup>1</sup> As discussed below, Consumers Energy supports the initial comments (“Initial Comments of Certain TDUs”) that are being contemporaneously filed by Alliant Energy Corporate Services, Inc. (“Alliant Energy”) and DTE Electric Company (“DTE Electric”) (collectively, “Certain TDUs [Transmission Dependent Utilities]”) in this docket.

**I. COMMUNICATIONS**

Consumers Energy requests that all communications, correspondence, documents and other materials related to this proceeding be addressed to the following persons:

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<sup>1</sup> *Inquiry Regarding the Commission’s Electric Transmission Incentives Policy*, 166 FERC ¶ 61,208, Docket No. PL19-3-000 (March 21, 2019) (“Transmission Incentives NOI”).

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## II. BACKGROUND

As part of the Energy Policy Act of 2005 (“EPAAct 2005”),<sup>2</sup> Congress amended the Federal Power Act (“FPA”) to include new section 219,<sup>3</sup> and directed the Commission to utilize transmission incentives “to help ensure reliability and reduce the cost of delivered power by reducing transmission congestion.”<sup>4</sup> The Commission, in response, issued Order No. 679<sup>5</sup>, which established the Commission’s fundamental principles for implementing transmission incentives. Later, the Commission refined its approach via its 2012 Policy Statement,<sup>6</sup> which provided additional guidance regarding the Commission’s interpretation of Order No. 679 and how it grants incentives, but did not alter any of the Commission’s regulations or the foundational principles of Order No. 679.

The Commission asserts in the Transmission Incentives NOI that, because of the

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<sup>2</sup> Energy Policy Act of 2005, Pub. L. No. 109-58, sec. 1261 *et seq.*, 119 Stat. 594 (2005).

<sup>3</sup> 16 U.S.C. § 824s (2005).

<sup>4</sup> Transmission Incentives NOI at P 1.

<sup>5</sup> *Promoting Transmission Investment through Pricing Reform*, Order No. 679, 116 FERC ¶ 61,057 (2006) (“Order No. 679”); *order on reh’g*, Order No. 679-A, 117 FERC ¶ 61,345 (2006) (“Order No. 679-A”); *order on reh’g*, 119 FERC ¶ 61,062 (2007).

<sup>6</sup> *Promoting Transmission Investment Through Pricing Reform*, 141 FERC ¶ 61,129 (2012) (the “2012 Policy Statement”).

time that has elapsed since the passage of Order No. 679 and the 2012 Policy Statement, it is necessary to “seek comment from stakeholders on the scope and implementation of the Commission’s transmission incentives policy.”<sup>7</sup> The industry has experienced significant developments in the way transmission is planned, developed, operated, and maintained. The Transmission Incentives NOI, therefore, seeks feedback from stakeholders as to how these developments should or should not change the ways in which the Commission implements section 219 of the FPA as required by EPAct 2005, while still maintaining the requirements of FPA sections 205 and 206 to ensure just and reasonable rates, charges, terms, and conditions that are not unduly discriminatory or preferential.

### **III. COMMENTS**

Consumers Energy is a transmission dependent utility whose customers ultimately pay the additional costs associated with electric transmission incentives. Consumers Energy strongly supports the Initial Comments of Certain TDUs, submitted in Docket No. PL19-3-000, in response to the Transmission Incentives NOI.

In particular, Consumers Energy agrees that any transmission incentive adders should be granted by the Commission on a case-by-case basis, at the project level, not automatically with broad applicability, at the policy-level, and should be limited to the life of the project. Moreover, should the Commission automatically grant any transmission incentive adders at the policy level, such

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<sup>7</sup> Transmission Incentives NOI at P 2.

adders should have an expiry date. Significant changes, like those that have taken place in the electric industry since the passage of EAct 2005 and the 2012 Policy Statement may render future policy-level adders obsolete, as has largely been the case with the transmission incentive adders granted as a result of EAct 2005 and the 2012 Policy Statement. Furthermore, Consumers Energy concurs with the the Initial Comments of Certain TDUs regarding return on equity (“ROE”). Specifically, the existing 25-basis point independence adder should be eliminated. History has shown that independent transmission companies are not impeded from raising necessary capital and, therefore, do not need an independence adder to ensure a just and reasonable return on equity. And if a transmission company’s base ROE already incorporates a project’s risks and challenges ROE adders that are intended to recognize a project’s risks and challenges are unnecessary. The final determination of an overall ROE (base ROE plus any incentive adder(s)) must ensure that there is no duplication or double counting of risks.

Accordingly, in order for a transmission incentive adder to be granted, Consumers Energy agrees with Certain TDUs that the project must meet the following criteria: (1) There is a unique risk or challenge that causes a need for an incentive; (2) There must be benefits incremental to existing RTO/ISO cost/benefit processes to justify an incentive – benefits promised must be demonstrated as being achieved after completion of the project. This means that there should be no adder for joining an RTO in those states where RTO membership is mandatory; and (3) Incentives should be structured such that

transmission companies are not only incented to build new facilities, but also to upgrade existing assets.

#### **IV. CONCLUSION**

WHEREFORE, the Consumers Energy respectfully requests that the Commission grant take these comments and the Initial Comments of Certain TDUs into consideration when acting on the Transmission Incentives NOI.

Respectfully submitted,

**/s/ Deborah A. Moss**

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June 26, 2019

### **CERTIFICATE OF SERVICE**

In accordance with 18 C.F.R. § 385.2010, I hereby certify that I have on this 26th day of June 2019, caused a copy of the foregoing document to be served upon all those listed on the official service list in this proceeding.

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Document Content(s)

PL19-3-000 Initial Comments.DOCX.....1-6