

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

|                                     |   |                  |
|-------------------------------------|---|------------------|
| In the matter of the application of | ) |                  |
| INDIANA MICHIGAN                    | ) |                  |
| POWER COMPANY, D/B/A                | ) |                  |
| AMERICAN ELECTRIC                   | ) | Case No. U-12780 |
| POWER, for certain                  | ) |                  |
| approvals in connection with        | ) |                  |
| 2000 PA 141 Section 10v             | ) |                  |
|                                     | ) |                  |
| In the matter of the application of | ) |                  |
| INTERNATIONAL                       | ) | Case No. U-12781 |
| TRANSMISSION                        | ) |                  |
| COMPANY, CONSUMERS                  | ) |                  |
| ENERGY COMPANY, and                 | ) |                  |
| GREAT LAKES ENERGY                  | ) |                  |
| COOPERATIVE                         | ) |                  |

---

REBUTTAL TESTIMONY

OF

DAVID A. BLECKER, P.E.

ON BEHALF OF

ENERGY MICHIGAN, INC.

May 18, 2001

1 Q. Please state your name, business address and for whom you appear.

2 A. My name is David A. Blecker. My address is 7295 E. Cate Road, Belleville, WI 53508.

3 I am appearing on behalf of Energy Michigan Inc.

4

5 Q. Are you the same David A. Blecker that previously filed direct testimony in this  
6 proceeding on April 25, 2001?

7 A. Yes.

8

9 Q. What is the purpose of your rebuttal testimony?

10 A. The purpose of this testimony is to address issues raised by (Michigan Public Service  
11 Commission (MPSC) Staff witness Austria regarding the difference in opinion between  
12 American Electric Power (AEP) and the International Transmission Company et al (ITC)  
13 in their PA 141 Section 10v compliance plan filings as to the need for a second Dumont  
14 substation transformer.

15

16 Q. Have you read Mr. Austria's prefiled direct testimony dated April 25, 2001?

17 A. Yes I have.

18

19 Q. Have you read MPSC Staff Witness Celio's prefiled direct testimony dated April 25,  
20 2001?

21 A. Yes I have.

22

1 Q. What is your understanding of Mr. Austria's position with respect to the need for a  
2 second Dumont substation transformer?

3 A. It appears as if Mr. Austria does not make a definitive conclusion with respect to the need  
4 for a second Dumont Substation transfer. Rather, he classifies the potential addition as a  
5 "bubble" project and as such, it should not necessarily be implemented because,  
6 "...bubble projects require more specific information about future conditions, to reduce  
7 uncertainty." (Austria Direct Testimony, Page 14, lines 11-12.) He further asserts that  
8 AEP has made a choice not to include this project in its application. As a result, Mr.  
9 Austria offers the opinion that AEP "assumes the implied risk that the requirements of  
10 PA 141 Section 10v are not met." (Austria 16:13-14.)

11  
12 Q. Do you agree with Mr. Austria that the second Dumont transformer is a "bubble" project?

13 A. I do not. Mr. Austria apparently reaches this conclusion based in part on his belief that  
14 AEP is willing to assume certain risks associated with its plan. Namely, these risks  
15 include: 1) the status of Cook unit 1; 2) Michigan southern import conditions; and, 3)  
16 successful start-up and operation of an IPP at Cook by 2002.

17  
18 Of these risks, the status of a merchant plan at Cook seems to be the most critical from  
19 both a technical and policy perspective. As Mr. Austria repeatedly points out in his  
20 testimony, the status of IPPs is an unknown and changing factor that may significantly  
21 change the risks associated with the Dumont substation question in particular and the  
22 effectiveness of the overall compliance plan in general. In fact, when discussing AEP's  
23 plan and the Dumont transformer - IPP relationship, Mr. Austria states, "other IPP

1 projects may further reduce, or may increase, the risks.” (Austria 15:18-19). Elsewhere,  
2 Mr. Austria states, “The accurate representation of IPPs could have significant impact on  
3 the Michigan import capability.” (Austria 10:1-2). When discussing the methodology  
4 used to assess the import capability of the Michigan transmission system, Mr. Austria  
5 states, “Another source of uncertainty is the representation of future generation from  
6 IPPs.” (Austria 13:9-10.)

7  
8 Q. What does this mean in terms of the need for a second Dumont substation transformer?

9 A. Mr. Austria states that the AEP decision to exclude a second Dumont transformer and  
10 AEP’s risk of failing to meet the requirements of PA 141 Section 10v are mitigated if  
11 AEP ensures the Cook IPP is operational by 2002.

12  
13 Q. Do you agree?

14 A. No. I concur with MPSC staff witness Celio’s observation that the Commission must  
15 decide whether or not AEP can rely on the actions of non-regulated third party to satisfy  
16 the requirements of PA 141 Section 10v. Furthermore, I would encourage the  
17 Commission to reject this approach because neither the Commission, nor AEP, has  
18 regulatory control over a merchant plant facility once it is sited and built. Should the IPP,  
19 for whatever reason, not operate the facility in such a manner as to provide support to the  
20 network, then AEP could be found in violation of PA 141 Section 10v. More  
21 importantly, Michigan energy consumers may be limited in their ability to exercise their  
22 retail choice options.

23

1 Q. Is it your opinion that merchant plants are not an effective means to address transmission  
2 loading problems?

3 A. Not at all. I have argued in other hearings that merchant plants can be an effective  
4 resource to mitigate the need for new transmission lines and I still believe that is true.  
5 However, my arguments for generation in lieu of transmission were predicated on the  
6 assumption that the transmission owning utility enter into appropriate power purchase  
7 contracts with the IPP to ensure that the required levels of capacity and or energy are  
8 available when they are needed. In this proceeding, we have seen no evidence that AEP  
9 plans to enter into such power purchase agreements.

10

11 Q. Do you have other concerns about reliance on the construction of IPPs for a utility to  
12 meet the requirements of PA 141 Section 10v?

13 A. Yes. In spite of total capacity of new merchant plants under consideration in Michigan  
14 and ECAR, recent events in the energy industry cast additional uncertainty over how  
15 much generation will be built and where. For example, much of the new capacity was  
16 announced or under consideration when natural gas prices were around \$2 per mmbtu.  
17 As gas prices have doubled and tripled in the last year, it is reasonable to expect some  
18 IPPs to decide that certain units are no longer economically viable and will be cancelled.  
19 Similarly, the problems in California may result in a shift of development plans from the  
20 midwest to the western markets. The point is simply that there are no guarantees that the  
21 critical new capacity will be built or operated in a manner to provide the benefits to  
22 Michigan consumers that are intended by the Michigan Legislature.

23

1 Q. What is your recommendation to the Commission?

2 A. As I pointed out in my direct testimony, and as pointed out by Mr. Austria, the Dumont  
3 Substation has been consistently identified as a limiting element to Michigan bulk power  
4 transfers. Furthermore, the fact that AEP has signed an Interconnection Agreement with  
5 an IPP (AEP Witness Pasternak Direct Testimony page 15 lines 1-3) does not guarantee  
6 that the plant will be built or operational by 2002. The Interconnection Agreement, as a  
7 pro-forma instrument, only commits AEP to provide a transmission interconnection to the  
8 IPP. It does not give AEP rights to the capacity or energy from that unit.

9  
10 In light of these factors, I would encourage the Commission to consider ordering  
11 construction of a second Dumont 765 kV transformer.

12  
13 Q. Based on your review of AEP's PA 141 Section 10 v filing, does it accept the "implied  
14 risk" as referred to by Mr. Austria?

15 A. No. Further review of AEP Witness Pasternak's testimony did not reveal any instance in  
16 which AEP characterizes the trade off between a second Dumont transformer and the  
17 company's reliance on new merchant plant generation as an acceptable risk or trade-off.

18  
19 Q. Do you have any other concerns regarding the utility PA 141 Section 10v compliance  
20 plan selection and implementation?

21 A. Yes. Regardless of which plan is approved by the MPSC, it will require the construction  
22 of new transmission and distribution facilities. Before construction begins, it is critical to  
23 ensure the benefits of increased competition resulting from new T&D infrastructure are

1 not realized at the expense of landowner rights and the environment. My support for the  
2 ITC et al, plan is based on a general endorsement of the approach from a policy  
3 perspective. In application, I strongly encourage the MPSC to ensure that any and all  
4 new power lines are routed and sited in such a way as to minimize the impact on  
5 landowners, use existing rights-of-way as much as possible and minimize the  
6 environmental impact of new construction.

7

8 Q. Does this conclude your rebuttal testimony?

9 A. Yes it does.

10