

**Wolverine Power Supply Cooperative, Inc.
President & CEO Eric D. Baker**

Statement

November 23, 2011

Docket No. AD12-1-000

November 30, 2011 Reliability Technical Conference Discussion on Multi-Jurisdictional Processes

Introduction

My name is Eric D. Baker. I am the President & CEO of Wolverine Power Supply Cooperative, Inc. (“Wolverine”) headquartered in Cadillac, Michigan. My background includes power generation development, power contract negotiations, portfolio modeling, rates, regulatory affairs, long-range transmission planning, and engineering. I serve on the North American Electric Reliability Corporation’s (“NERC”) Member Representative Committee. I am pleased to be a panelist at the November 30, 2011 Reliability Technical Conference as part of the discussion on multi-jurisdictional processes.

Wolverine is a Michigan-based non-profit generation and transmission electric cooperative that provides wholesale service to its seven members and is subject to the Federal Energy Regulatory Commission’s (“FERC”) jurisdiction under the Federal Power Act. Wolverine currently has five traditional distribution cooperative members.¹ These distribution cooperative members purchase wholesale requirements power from Wolverine and resell that power at retail to over 250,000 retail customers in 47 counties throughout Michigan’s Lower Peninsula. Wolverine’s other two members, Spartan Renewable Energy, Inc. and Wolverine Power Marketing Cooperative, Inc., are licensed alternative electric suppliers in Michigan.

Wolverine is a member of the Midwest Independent Transmission System Operator, Inc. (“MISO”). Wolverine generates and purchases energy primarily to serve its members and supplements and balances its power supply portfolio with short-term purchases from, and sales to, MISO. Wolverine’s transmission system consists of approximately 1,200 miles of 69 kV and 138 kV looped transmission lines and associated facilities.²

¹ Cherryland Electric Cooperative, Great Lakes Energy, HomeWorks Tri-County Electric Cooperative, Midwest Energy Cooperative and Presque Isle Electric & Gas Co-op.

² These transmission facilities are included in the Michigan Joint Zone under the MISO Open Access Transmission, Energy and Operating Reserve Markets Tariff (“MISO Tariff”).

Wolverine is also a member of the PJM Interconnection (“PJM”) and will begin offering certain of its generation assets into the PJM market starting January 1, 2012. Further, one of Wolverine’s distribution cooperative members serves load in the PJM market.

Wolverine is a Registered Entity within the ReliabilityFirst Corporation (“RFC”) and is responsible for being compliant with eight NERC functions covering 84 standards and nearly 800 requirements. RFC has recognized Wolverine for its proactive participation in regional working groups and for sharing its best practices and lessons learned on an ongoing basis.

Wolverine has been in the permitting phase for a solid-fuel power plant for over five years near Rogers City, in northern Michigan. This development, which includes a baseload power plant and a wind turbine farm, is being evaluated by Wolverine as an option to meet a portion of the long-term baseload power supply needs of its members. The Michigan Department of Environmental Quality issued an air permit for the Rogers City plant in July 2011.

Comments

My comments will focus on the safety-valve proposal as outlined by various Regional Transmission Organizations (“RTOs”) in comments to the Environmental Protection Agency (“EPA”) that would utilize the designation of Reliability Critical Units (“RCUs”) to extend the operation of units critical to the reliability of the transmission grid.

Firstly, Wolverine applauds FERC for recognizing the importance of establishing regional independent transmission organizations and power markets across the United States. Further, FERC’s support of reasonable cost structures is critical to ensure that transmission infrastructure can and will be built.

Wolverine encourages FERC to look to the RTOs to facilitate regional planning among the transmission owners within their respective footprints. Within MISO, this planning process already exists, and has been effective in planning for larger-scale transmission initiatives that impact multiple transmission owners. On balance, MISO’s efforts to enhance regional markets and planning processes have been an enormous step forward.

Wolverine generally supports the concept of a safety-valve as outlined in the joint RTO comments regarding EPA’s proposed rule. This approach would allow transmission operators to maintain the reliability of the electric system while providing generation owners a reasonable amount of time in which to bring their units into compliance with EPA’s proposed rule. A thoughtful and integrated approach to transmission planning and construction is the key to developing solutions that are most economical, while maintaining reliability.

Time is of the essence in these deliberations since all solutions, whether they are new or enhanced transmission, environmental retrofits, or new generation facilities, take years to plan

and complete. Wolverine has firsthand experience with the frustratingly slow pace of project implementation through its development of a new baseload facility. The permitting process for the Rogers City plant has spanned over five years, and construction will take another four years.

Wolverine believes that RTOs may be in the best position to evaluate reliability and to perform the safety-valve determination, and assign the Reliability Critical Unit (“RCU”) designation to individual generating units. The RTOs are responsible for the day-to-day operations of the electric system for their region and have a sufficiently broad perspective to identify units that, if retired, would negatively impact the reliability of the transmission grid.

Michigan is unique in that it is comprised of two peninsulas. The transmission systems in each of the two peninsulas are owned by different transmission companies and reside in two different reliability organizations’ footprints.³ The Michigan transmission system has evolved into what, essentially, is two separate radial systems. I believe that in the case of Michigan, MISO can facilitate an approach to this important long-range transmission planning process that integrates the two radial peninsula transmission systems into a strong, reliable looped system.

The goal of the safety-valve concept should be to bridge the gap between the near-term reliability needs of the transmission grid and the long-term environmental goals of the EPA’s proposed rule. The safety-valve process should balance the fact that while older unabated coal plants need to either clean up or shut down, many of these older plants play an important role in grid reliability. Wolverine offers two important cautions with regard to the safety-valve approach:

1. The safety-valve should not be a vehicle to “kick the can” down the road, particularly with respect to coal plant environmental retrofits. While the proposed EPA rule is daunting, it did not come as a total surprise. The industry has an obligation to make hard decisions with respect to these older plants. In other words, an RCU designation should only be granted if there is a firm commitment by the plant owner to install environmental retrofits or commit to a firm shut down date for a particular unit.
2. The safety-valve approach must recognize alternative transmission plans or other new generation that can be built or expedited and that can achieve a better longer-term solution than the safety-valve. MISO is striving to achieve transmission plans that meet appropriate reliability requirements *and* represent the most cost effective solution. MISO characterizes this approach as a transition from a reliability-based

³ The transmission owners in the Lower Peninsula are International Transmission Company, Wolverine, and Indiana Michigan Power Company. American Transmission Company owns the transmission system in the Upper Peninsula. The Lower Peninsula is part of the RFC footprint, while the Upper Peninsula is primarily in the Midwest Reliability Organization footprint.

planning paradigm, to a value-based planning paradigm. The value based planning process should recognize that the more appropriate long-term solution to the RCU designation can be new, state-of-the-art generation.

Closing

I appreciate the opportunity to participate in the November 30, 2011 Reliability Technical Conference and to submit this statement on behalf of Wolverine.