

# Modernizing Energy Transmission: A Michigan Perspective



*If we want Michigan to be competitive,  
we need to level the playing field when  
it comes to energy prices.*

## The issue: high energy prices hurt business development

- Michigan is at a disadvantage when it comes to attracting new manufacturers and other electricity-intensive job-providers to our state. The wholesale price of energy in Michigan is one of the highest in the Midwest. In 2010, Michigan had the highest average price in all of MISO because of west-to-east congestion.

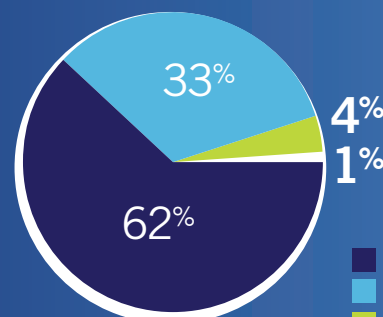
## The solution: regional power transmission investment

- A proposal for regional electricity transmission development will strengthen Michigan. The proposal, which spreads the cost of modernizing our power grid across 13 states in the Midwest region, will facilitate the development of a competitive wholesale market to benefit consumers.
- The benefits of the regional plan significantly exceed the investment costs by a 2-to-1 margin in Michigan, according to preliminary research from the Midwest Independent System Operator (Midwest ISO).
- Opponents of the proposal want to limit electricity competition and cheaper forms of energy coming into the market. For them, the status quo works by maintaining higher energy prices here in Michigan. These critics are seeking to disconnect Michigan from larger regional planning. This isolationist approach to energy is short-sighted and would only stifle the benefits of the competitive marketplace.

## Inside an electric bill

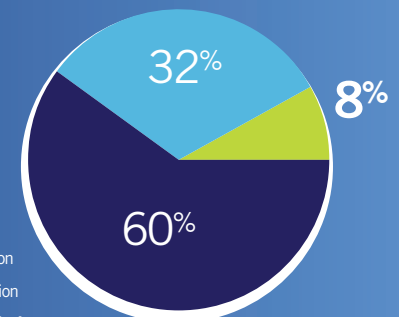
Electric **generation** by utilities makes up about two-thirds of a consumer electric bill – the portion that a competitive wholesale market will shrink while making the power grid more efficient, stable and secure. In contrast, electric **transmission** accounts for only 8% of the average electric bill (just 4% here in Michigan), yet provides tremendous value by allowing access to competitive wholesale markets, promoting competition and lowering prices for electric generation.

Typical Monthly Residential  
Bills Michigan  
Usage: 500kWh/month



Source: Michigan Public Service Commission data

Major Components of U.S.  
Average Electricity Price, 2010  
(Cents per kWh and Share of Total)



Source: U.S. Energy Information Administration

*Michigan's power transmission grid is only as strong as its weakest link,  
which is outside the state. The 2003 blackout is a painful reminder.*

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- The process to develop this regional transmission cost allocation methodology for facilitating a regional transmission grid was vetted for almost two years by the Midwest Independent System Operator (Midwest ISO). This process was transparent and included input from all stakeholders including utilities, transmission owners, customers and state public service commissions.
- In evaluating how incremental investments in our system impact a consumer's electric bill, we point to our systems in Michigan. ITC has invested approximately \$1.5 billion in our ITC *Transmission* and METC systems combined since our acquisition of these systems in 2003 and 2006, respectively. When ITC first acquired these systems, transmission comprised approximately 3 to 4 percent of the consumer's electric bill. **Today, after ITC's investments in these systems, transmission still comprises approximately 3 to 4 percent of the consumer's electric bill – a true testament to the cost impacts of transmission investment.**
- ITC is the country's largest independent electricity transmission company, with 450 employees and 310 contractors contributing to Michigan's economy every day. We are required by Federal regulations to provide open and non-discriminatory access to the transmission grid in order to facilitate broad regional wholesale energy markets. Utilities buy and sell energy to and from this market every day in order to meet the energy demands of their customers.

***No matter which generation sources we want to tap into – coal, renewables, nuclear, or natural gas – to bring them to the market, we must have a reliable, modernized transmission system.***

## Electricity rate increases in Michigan

Looking at 22 months of data (April 2009 – January 2011):

- Michigan market price was the highest in the Midwest **68%** of the time
- Michigan market prices were highest or second highest in the Midwest more than **90%** of the time
- On average, Michigan is \$2.68 per MWh above the average price in Midwest ISO, which is **7% higher**
- Michigan customers have paid \$160 million more for power since 2006 because of this differential.
- Michigan residential customers saw their electricity rates increase by 16 percent to 18 percent since 2008 with the passage of Public Act 286.
- The big Michigan utilities requested \$393 million to **\$1.1 billion in rate increases** since 2008.

Source: Michigan Public Service Commission

RETAIL RESIDENTIAL RATES 2011



Source: <http://www.eia.gov/electricity/data.cfm#sales> – Table 5.6.A. Average Retail Price of Electricity to Ultimate Customers by End-Use Sector, by State, November 2011 and 2010

## Midwest ISO: Voluntary and transparent transmission planning

The Midwest ISO is a regional transmission organization (RTO) responsible for the independent planning and operation of the transmission grid and wholesale energy market across 13 states. This benefits consumers by providing an organized method for buying and selling energy into a regional market and ensuring the transmission grid is planned and funded in a fair and equitable manner.



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