

UNITED STATES OF AMERICA
ATOMIC ENERGY COMMISSION

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| In the Matter of |) | |
| Consumers Power Company |) | |
| Application for Reactor |) | Docket No. 50-329A |
| Construction Permit and |) | Docket No. 50-330A |
| Operating License |) | |

Affidavit of Mr. John N. Keen

My name is John N. Keen. I am General Manager of the Wolverine Electric Cooperative Inc. of Big Rapids, Michigan (P. O. Box 822) Big Rapids, Michigan 49307. The Wolverine Electric Cooperative is a cooperative generation and transmission system that serves four distribution cooperatives. These are:

O&A Electric Cooperative,
The Tri-County Electric Cooperative,
Oceana Electric Cooperative,
Western Michigan Electric Cooperative

The Wolverine Cooperative owns and operates generation and transmission facilities which serve as a source of bulk power supply for these distribution cooperatives. In addition, Wolverine is connected through 69 KV transmission lines to several other bulk power suppliers in Michigan. In general, the facilities of these interconnected systems are located in the western and northern portions of the Michigan's lower peninsula. They include Northern Michigan

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Electric Cooperative which serves as bulk power supplier for three cooperative distribution systems, namely Presque Isle Electric Cooperative, Top'O Michigan Rural Electric Cooperative and Cherryland Rural Electric Cooperative Association. They also include the City of Traverse City, the City of Grand Haven, the City of Hart, the City of Zeeland, the City of Lowell and the City of Portland. Wolverine, Northern Michigan, Grand Haven and Traverse City, the four largest, have formed a bulk power coordinating organization and the other entities participating in that organization do so through Wolverine. This group is known as the Michigan Municipal and Cooperative Power Pool (MMCPP) and I am Chairman of its Coordinating Committee.

By and large the MNCPP presently plans and operates its facilities as if it were isolated, although there is one low capacity (20 megawatt) interconnection at or near the village of Alba with the Consumers Power Company.

At the present time the contract which governs the division of cost and benefits from operating that interconnection is such as to deny the MNCPP from participating in the benefits of reserve sharing. Over the last 2 to 3 years we have been attempting to work out a true coordinating contract with Consumers Power Company. This should include the pooling of installed reserves of MNCPP with those of Consumers Power Company and the fair apportionment of meeting

the reserve responsibility between the two entities. This would not only reduce our proportionate reserve requirement but also allow us to contemplate the installation of large sized generating units. Our negotiations have been with Consumers Power Company since it has sole control of all the high voltage or ehv transmission lines within economical transmission distance of our system. We attempted, 6 or 7 years ago, to determine whether we could coordinate or obtain power from the Indiana-Michigan Electric Company which is a subsidiary of the American Electric Power System (AEP). AEP at that time advised that it was not interested in power supply to an entity in the general service area of another company. Further, the transmission cost of an interconnection with Indiana-Michigan was high.

We have not considered interconnection or coordinating arrangements with the Detroit Edison System because the Detroit Edison System as presently constituted is remote from the main load centers on our system. The cost of transmission for an arrangement with Detroit, would be prohibitive.

Our present negotiations with Consumers Power Company have not achieved the objective of obtaining a coordinating arrangement which would allow us to engage in reserve sharing by maintaining a percentage of installed reserves with respect to our system load equal to that maintained by the other parties to the interconnection, namely Consumers Power Company or the Michigan Pool, with respect to their load.

Because of our lack of success in achieving this more limited type of coordination, we have not raised the subject of a coordinated development program between the MMCPP and the Consumers Power System or the Michigan Pool, which includes both Consumer Power and Detroit Edison. We would be interested in such an arrangement, which we think would not only benefit the customers of the MMCPP but also the customers of the Michigan Pool and the public generally through savings in facilities and resources.

We believe that the problem lies in the fact that one entity, such as Consumers Power Company owns and controls all the transmission in our area, forming a single bargaining entity approximately 20 - 25 times the size of our entire interconnected MMCPP. If instead of a single company there were a number of companies in our area of a much smaller size, we believe we could negotiate an interconnection on fair terms with one or all of these which would allow us to provide pooled power supply to our (MMCPP) respective distribution systems at a competitive cost. As isolated, or as interconnected through the interconnection arrangements presently proposed by the Consumers Power Company, we would be forced to engineer generation and transmission expansion programs which would require the construction of small

We are in competition with Consumers Power Company in a number of different ways. First, there is competition for three-phase loads. Up until 1969 there were no exclusive service areas in Michigan except in so far as cities could refrain from permitting private utility service within the city limits. In 1969, most competition for single phase loads, which are generally small loads, was terminated by Michigan law. The larger loads which are three phase loads, are still open to competition. The determinants of the competition are ordinarily the size of the load and the distance from the existing facilities of one or the other of the competitors. If quite a large load such as a 25 megawatt industrial load was located at a point adjacent to transmission facilities of the Consumers Power Company and one of the members of the MMCPP, the fact that the Consumers Power Company is able to install much larger units would give it a decided advantage in competing for the load. If we, that is the MMCPP, would have access to coordination so that we were able to install larger units than we are at present able to, it would increase our chances of effectively competing for such load. To the extent that access to larger units would reduce cost for the MMCPP group, its members would also be in a better competitive position against other energy sources, as for example, electric heating as against gas heating. To the extent our

uneconomic generating units and maintain excessive installed reserves. As far as our operations of existing plants, we would be forced to waste fuel in carrying excess spinning reserves, and even be required to impose upon our customers, outages in service which would not be required if we had access to automatic pool assistance from the surrounding interconnected network on fair terms.

If we could work out a fair arrangement as far as installed reserves, we would be interested in coordinating the development of our system with Consumers Power or the Michigan Pool. By this, I specifically mean a reserve-sharing arrangement in which the MMCPP would be required to maintain as its part of the reserves for the interconnected system the same proportion of reserve as a percent of its peak load as the other members of the Michigan Power Pool maintain. The information supplied by the applicant indicates that at the time the Midland unit would come on line their reserve percentage would approximate 17 - 18 percent of their peak load. So far as coordinating development, once we had assurance of access to reserve sharing on that basis, we could consider the purchase of a portion of a unit to be installed either by Consumers Power for its own account or a unit to be installed by Consumers Power or by Detroit Edison for the Michigan Pool. The annual load growth

of the Consumers Power Company alone is 300 to 500 megawatts a year, and for the Michigan Pool is in the order of 800 to 1300 megawatts a year. Wolverine's own load grows only 5 mw a year and the total annual MMCP annual load growth would be in the range of 12 to 20 mw per year.

The negotiations between Wolverine on behalf of MMCP and Consumers Power Company are documented by a number of letters, four of which are attached hereto as Exhibits 1 through 4 and incorporated herein by reference.

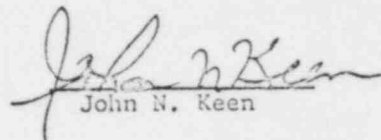
Exhibit 1. - Three page letter of Wolverine Electric Cooperative Inc (Wolverine) to Consumers Power Company (Consumers) dated June 8, 1970.

Exhibit 2. - Four page letter of Consumers to Wolverine dated July 2, 1970, with a two page attachment.

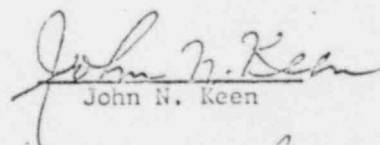
Exhibit 3. - Two page letter of Consumers to Wolverine dated January 8, 1971.

Exhibit 4. - Two page letter of Consumers Power to Wolverine dated February 3, 1971 with an attachment which is entitled (Preliminary Only) Agreement for Interchange and Wholesale Power Purchase between Consumers Power Company and Northern Michigan Electric Cooperative, Inc. Wolverine Electric Cooperative Inc., City of Grand Haven, Michigan and City of Traverse City, Michigan, a two page Exhibit A, a two page Exhibit B, and a two page Exhibit C to the attachment.

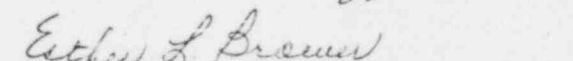
member systems can grow, and obtain a fair share of the growth market, we are in a better position to obtain the economies of scale in electric power supply, and to pass these savings on to our customers.


John N. Keen

John N. Keen, being first duly sworn, deposes and says: I am the General Manager of the Wolverine Electric Cooperative, Inc. and the Chairman of the Coordinating Committee of the Michigan Municipal and Cooperative Power Pool; I make this affidavit in behalf of those organizations; In the course of business I have knowledge of and am familiar with the matters related herein except as to those matters stated on information, and as to those matters I believe them to be true.


John N. Keen

Subscribed and sworn to before me this 14th day of June 1971


Notary Public in and for the County
of *Washtenaw* State of *Michigan*
My Commission expires *March 20, 1973*