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Gentlemen:

During this past week, we have had the opportunity of conferring with personnel at Consumers Power Company ("Consumers") regarding the status of the testimony submitted by Consumers on November 5, 1976, which was prepared in October and the first week of November. Certain portions of that testimony were based on the expectation that a decision on continuation, modification or suspension of the construction permits would be rendered on or about December 1, 1976. As a result of that expectation, two different time periods were chosen as representative of the potential for delay and utilized for analysis of (1) the effects of delay and (2) the comparison of the cost to complete and operate Midland to the cost of abandoning Midland and installing and operating an alternative source. Those time periods are 12/1/76 to 5/1/77 and 12/1/76 to 9/1/77. Obviously, the decision on continuation, modification or suspension of the construction permits was not issued on December 1, 1976. Thus, the time period utilized in the evaluation of effects of delay and costs of abandonment is somewhat out of date. A change in the period studied would necessarily vary the dollar figures in the testimony relating to the effects of delay and the costs of abandonment.

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Moreover, the testimony was prepared on the basis of circumstances and conditions as they were known to Consumers in October and the first week of November and several changes have occurred in the meantime. Some of the changes relate to:

- (1) The Dow-Consumers negotiations. Dow and Consumers have met in the interim to discuss the points outlined in the testimony of Messrs. Temple and Howell.
- (2) The receipt from Bechtel of Forecast 2 relating to cost and scheduling estimates and Consumers' current review of Forecast 2 to determine whether any changes should be made to current cost and scheduling estimates.
- (3) Changes in estimates of future fuel costs (both nuclear and coal).
- (4) Changes in plans regarding retirement of certain older Consumers' generating stations.

These changes necessarily affect such computations as cost of purchased or substituted power, cost of delay, etc. It is not possible to ascertain precisely what the changes in cost figures would be without redoing the computations which went into the preparation of the existing testimony. It does seem clear, however, that the changes would not significantly affect the important ratios which the existing testimony establishes. The ratios of (1) the effect on costs of a delay to the additional investment which would be made if construction is allowed to continue; (2) the effect on costs of a delay to the change in the cost of abandonment due to continued construction; and (3) the alternative of proceeding with Midland to that of abandoning Midland and installing an alternate generating source; should not vary significantly from those reflected in the existing testimony. In short, the existing testimony, which was based on computations for two representative time periods, chosen with the intent of informing this Board of the scope and magnitude of the effects of its available courses of action, should not be altered significantly due to the changes in circumstances. That testimony should therefore be an adequate basis for the Board to make an informed decision on whether to continue, modify or suspend the construction permits, so long as it realizes that it is dealing with ever-changing conditions and circumstances and that the testimony is fixed as of December 1, 1976.

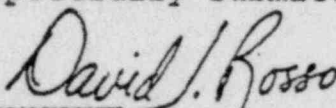
However, should the Board desire to receive up-to-date testimony, incorporating any changes in conditions and circumstances, prior to proceeding with the suspension hearings, we urge it to grant Consumers motion of December 13, 1976 and prescribe a schedule for the conduct of these proceedings, thereby establishing a time period setting forth a new beginning date and an end date

upon which all testimony would be based. Preparation of such updated testimony would require a minimum of two to three weeks. We also urge the Board to consider the alternative schedules set forth in our motion of December 13. Basically, we now view the Board's options as:

1. Freezing testimony as of December 1, 1976, for purposes only of the suspension hearing, setting a definite schedule for future proceedings and proceeding with the suspension hearing;
2. Adjourning the hearing for about a month, setting a definite schedule for future proceedings, including a time period on which all computations in the suspension case should be based, and instructing Consumers to update the testimony; or
3. Consolidating the suspension hearing with the substantive hearing on the remanded issues, setting a definite schedule for all future proceedings and instructing Consumers to update its testimony.

With regard to this last alternative, we would point out that the Draft Environmental Statement has been issued on schedule (we are informed that it issued Friday, January 14th) and that the schedule set forth in our motion of December 13 for commencing the substantive hearing on the remanded issues on June 6, 1977 continues to be realistic.

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