

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)
CONSUMERS ENERGY COMPANY for authority)
to increase its rates for the distribution of natural) Case No. U-15190
gas and other relief.)
_____)

At the October 25, 2007 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Orjiakor N. Isiogu, Chairman
Hon. Monica Martinez, Commissioner
Hon. Steven A. Transeth, Commissioner

ORDER

On February 9, 2007, Consumers Energy Company (Consumers) filed an application requesting authority to increase its rates for the distribution of natural gas and other relief. A prehearing conference was held on March 21, 2007 before Administrative Law Judge Mark D. Eyster (ALJ). The ALJ granted petitions to intervene filed by Attorney General Michael A. Cox, the National Energy Marketers Association, and the Association of Businesses Advocating Tariff Equity. Consumers and the Commission Staff (Staff) also participated in the proceedings. Subsequently, the parties engaged in settlement negotiations and a partial settlement agreement was filed on August 7, 2007.

In an order issued on August 21, 2007, the Commission approved the settlement agreement, resolving most of the issues in the case.¹ Under one of the terms of the settlement agreement, the Staff agreed to organize collaborative meetings to allow interested parties to discuss possible amendments to Consumers' Gas Customer Choice (GCC) program concerning how the volumes of gas delivered by the GCC suppliers are reconciled with the volumes that are consumed by GCC customers, and to make recommendations for modifying the program to the Commission within 90 days of the date of the order. August 21, 2007 order, Exhibit A, p. 4, ¶ 5.

Under the current GCC reconciliation process, at the end of the program year (April 1 through March 31) the utility reconciles the volume of gas delivered by each supplier with the amount of gas consumed by its customers on a pool by pool basis. The pools relate to supplier-designated price categories, and are further broken down into two customer groups within each category, *i.e.*, customers enrolled as of April 1st and customers enrolled thereafter. The current tariffs of both Consumers and Michigan Consolidated Gas Company (Mich Con) require reconciliation of each of these categories separately.

On September 5, 2007, the Staff sent a letter to all interested parties (including suppliers who had also expressed concerns to the Commission on this issue) inviting them to join in the collaborative, which was held on September 17, 2007, at the Commission's offices. Mich Con also agreed to participate in the collaborative. Attached to the letter were a proposed spreadsheet and workpapers, drafted by the Staff, showing how an aggregate reconciliation could be performed. An aggregate reconciliation requires considerably less accounting than a pool by pool reconciliation.

¹The Commission also issued an order on September 25, 2007, reopening the record in this matter for the sole purpose of taking additional evidence on the issue of the authority for, and funding of, a proposed energy efficiency program.

On October 11, 2007, the Staff filed its Report and Recommendations, detailing the results of the collaborative.

The Staff reports that all parties in attendance at the September 17 collaborative meeting agreed to change the method to the annual aggregate reconciliation process as reflected in the spreadsheet and workpapers, without modification. The Staff reports that all parties agreed that the proposed aggregated process is fairer and more accurate than the pool by pool process currently in use, and is competitively neutral because it does not impact gas cost recovery (GCR) customers either positively or negatively.

The Staff recommends that the Commission make changes to the utilities' tariffs to allow for the new reconciliation process. The proposed new tariff sheets are attached to this order as Exhibits A (Consumers) and B (Mich Con). Both new tariff sheets would provide that "The annual reconciliation will be performed on an aggregate basis for all accounts served by a Supplier, i.e., all Supplier-designated Pricing Categories and customer groups within each category will be combined for the purposes of the annual reconciliation."

The Commission finds that the recommendations contained in the Staff report are reasonable and should be adopted. The change to the annual reconciliation method from pool by pool reconciliation to an annual aggregated reconciliation will simplify that process considerably, with minimal or no impact on GCR customers. All interested stakeholders were involved in the collaborative, and all parties agreed that the aggregated process is fairer, and agreed to the Staff's method as proposed. Given the disparate interests of the parties, this is indeed evidence that the change is appropriate.

The Commission directs the utilities to make the proposed changes to their tariff language within 30 days of the date of this order.

The Commission FINDS that:

a. Jurisdiction is pursuant to 1909 PA 300, as amended, MCL 462.2 *et seq.*; 1919 PA 419, as amended, MCL 460.51 *et seq.*; 1939 PA 3, as amended, MCL 460.1 *et seq.*; 1982 PA 304, as amended, MCL 460.6h *et seq.*; 1969 PA 306, as amended, MCL 24.201 *et seq.*; and the Commission's Rules of Practice and Procedure, as amended, 1999 AC, R 460.17101 *et seq.*

b. The utilities should be directed to modify their tariffs to allow for the aggregated reconciliation of GCC gas deliveries to actual usage as described in this order.

THEREFORE, IT IS ORDERED that, within 30 days, Consumers Energy Company and Michigan Consolidated Gas Company shall each file a tariff sheet substantially similar to Exhibits A and B, respectively, attached to this order.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

(S E A L)

/s/ Orjiakor N. Isiogu

Chairman

By its action of October 25, 2007.

/s/ Monica Martinez

Commissioner

/s/ Mary Jo Kunkle
Its Executive Secretary

/s/ Steven A. Transeth
Commissioner

The Commission FINDS that:

a. Jurisdiction is pursuant to 1909 PA 300, as amended, MCL 462.2 *et seq.*; 1919 PA 419, as amended, MCL 460.51 *et seq.*; 1939 PA 3, as amended, MCL 460.1 *et seq.*; 1982 PA 304, as amended, MCL 460.6h *et seq.*; 1969 PA 306, as amended, MCL 24.201 *et seq.*; and the Commission's Rules of Practice and Procedure, as amended, 1999 AC, R 460.17101 *et seq.*

b. The utilities should be directed to modify their tariffs to allow for the aggregated reconciliation of GCC gas deliveries to actual usage as described in this order.

THEREFORE, IT IS ORDERED that, within 30 days, Consumers Energy Company and Michigan Consolidated Gas Company shall each file a tariff sheet substantially similar to Exhibits A and B, respectively, attached to this order.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

Chairman

By its action of October 25, 2007.

Commissioner

Its Executive Secretary

Commissioner

(Continued From Sheet No. H-2.00)

H1. GENERAL PROVISIONS (Contd)

- L. The Company shall remit to the Supplier, approximately 21 days from the end of each calendar month, an amount for the cost of gas equal to the MMBtu quantities that the Supplier has delivered onto the Company's system, not in excess of the Suppliers' delivery obligation, multiplied by the lesser of the price per Mcf converted to MMBtu, billed to the Supplier's customers that month or 110% of the cost of gas billed to sales customers pursuant to the Company's Rule B10. The amount to be remitted shall be reduced for any applicable Supply Equalization Charges, Administrative Fees, Billing Fees, Failure Fees, and/or amounts owed pursuant to the annual price reconciliation per Paragraph M.
- M. Except as set forth below, within 60 working days after (i) the end of the March billing cycle, or (ii) revocation of a Supplier's Authorized Supplier status, or (iii) withdrawal by a Supplier from participation in the Gas Customer Choice Program, the Company will reconcile the cost per MMBtu remitted to the Supplier per Paragraph L, before reductions for Administrative Fees, Billing Fees, Failure Fees, and Supply Equalization Charges, converted to cost per Mcf using monthly system-average Btu content, with the price per Mcf billed to customers over the course of the program year on the Supplier's behalf. Any difference multiplied by the smaller of the Mcf delivered by the Supplier or the billed customer consumption for the year being reconciled, will be reflected in an adjustment on the next monthly remittance to the Supplier.

In those instances where both (i) the price per Mcf billed to customers over the course of the program year on the Supplier's behalf is higher than the cost of gas billed to sales customers by the Company pursuant to the Company's Rule B10, and (ii) the MMBtu delivered by the Supplier converted to Mcf exceeds the billed customer consumption for the year being reconciled, then the following procedure will be used. In such instances, (i) within 60 working days after the end of the March billing cycle, or revocation of a Supplier's Authorized Supplier status, or withdrawal by a Supplier from participation in the Gas Customer Choice Program, the Company will reconcile the amount billed to customers on the Supplier's behalf with the Company's remittance to the Supplier for the gas delivered, and any difference will be reflected in an adjustment on the next monthly remittance to the Supplier, and (ii) gas delivered by the Supplier in excess of the actual customer consumption will be returned to the Supplier in kind unless the Company and the Supplier mutually agree on a price for the Company to purchase the excess gas.

For gas volumes returned to the Supplier, the Supplier shall have until the end of the second full month from when the reconciliation statement is distributed to remove the volume from his storage pool. At the end of the second full month and any month thereafter, the Company, at its sole discretion, may: (i) assess a holdover fee of \$0.25 per MMBtu per month for any gas volume remaining in storage or (ii) cash out the remaining gas in storage at the then current cost of gas billed to sales customers pursuant to the Company's Rule B10.

- N. A Supplier that fails to comply with the terms and conditions of the program shall have its Authorized Supplier status suspended and/or terminated and subject to Rule B3, Controlled Service, its customers shall become sales rate customers of the Company.
- O. The Company will convert customer consumption from Mcf to MMBtu using monthly system-average Btu content.
- P. Where used in this rule, the term "month," unless otherwise indicated, means billing month when referring to customer consumption and calendar month when referring to deliveries by Suppliers.
- Q. The annual load requirement, delivery schedules, Supply Equalization Charges, and delivery shortfall Failure Fees shall apply separately to each Supplier-designated pricing category and each of the two customer groups within that category, i.e. those enrolled as of April 1, and those enrolled after April 1 in each program year. *The annual reconciliation will be performed on an aggregate basis for all accounts served by a Supplier, i.e., all Supplier-designated pricing categories and customer groups within each category will be combined for the purposes of the annual reconciliation.*
- R. The Company may disclose, at such times as requested by the Commission or its staff, the gas rates charged to Rate CC customers.

(Continued on Sheet No. H-4.00)

(Continued from [Sheet No. G-3.00](#))

G1. GENERAL PROVISIONS: (Continued)

- (P) The annual load requirement, delivery schedules, Supply Equalization Charges, and delivery shortfall Failure Fees shall apply separately to each Supplier-designated Pricing Category and each of the two customer groups within that category, i.e., those enrolled before their usage for the May billing cycle has begun and those enrolled after their usage for the May billing cycle has begun in each Program Year. *The annual reconciliation will be performed on an aggregate basis for all accounts served by a Supplier, i.e., all Supplier-designated Pricing Categories and customer groups within each category will be combined for the purposes of the annual reconciliation.*
- (Q) The Company may disclose, at such times as requested by the Commission or its Staff, the gas rates charged to Rate CC customers.
- (R) The Company shall have the authority to issue operational flow orders, or take other action which it deems necessary, to ensure system reliability, even if such action may be inconsistent with other provisions of these Program Rules.
- (S) The Company will act as Supplier of last resort under the Program.
- (T) A Supplier must include the Company's required tariff language in all of its contracts. If a customer has a complaint against a Supplier, the customer should try to resolve it first with the Supplier. If it is appropriate, the customer or Supplier should involve the Company. If the complaint is unresolved, the customer should involve the Commission Staff, and ultimately the Commission.
- (U) The Transportation Standards of Conduct, Rules F1 and F2, shall apply to the GCC program.
- (V) The Company will convert customer consumption from Mcf to MMBtu using monthly system-average Btu factor.

G2. RESIDENTIAL CUSTOMER PROTECTIONS:

- (A) A Supplier must provide a 30-day unconditional cancellation period following the agreement date with a customer. The first day of the 30-day period is the day after the contract is entered into by the customer. The exercise of this right by the customer may occur through a verbal or written communication with the Supplier. The Supplier shall promptly submit a de-enrollment file to the Company after receiving notice that a customer has cancelled the contract. A customer who cancels within the specified period will be treated as not having exercised their customer choice option with respect to the enrollment which is cancelled. The Company is not required to de-enroll a customer until after it receives a de-enrollment file from the Supplier or a new enrollment file from a different Supplier.
- (B) A customer has the right to terminate participation with a Supplier at any time if the initial contract period has ended. The exercise of this right by the customer may occur through a verbal or written communication with the Supplier. The Supplier shall promptly submit a de-enrollment file to the Company after receiving notice that a customer has cancelled the contract. The Company is not required to de-enroll a customer until after it receives a de-enrollment file from the Supplier or a new enrollment file from a different Supplier.
- (C) A Supplier using face-to-face solicitation methods cannot represent itself as an employee or agent of the Company. A Supplier's sales representatives or agents must prominently display identification on the front of their outer clothing that identifies them as employees or agents working on behalf of a Supplier, and includes the name of the Supplier and the name and identification number of the person representing the Supplier.

(Continued on [Sheet No. G-5.00](#))

**ISSUED
BY**

DETROIT, MICHIGAN

**EFFECTIVE FOR GAS SERVICE
RENDERED ON AND AFTER
REGULATORY AFFAIRS
ISSUED UNDER AUTHORITY OF THE
MICHIGAN PUBLIC SERVICE COMM.
DATED
IN CASE NO. U-**