

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)	
CONSUMERS ENERGY COMPANY seeking)	
a revision in the date for filing of a study of)	Case No. U-12933
depreciation rates and practices for electric)	
and common utility plant.)	
_____)	

At the December 20, 2001 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. Laura Chappelle, Chairman
Hon. David A. Svanda, Commissioner
Hon. Robert B. Nelson, Commissioner

OPINION AND ORDER

On April 27, 2001, Consumers Energy Company (Consumers) filed an application with the Commission requesting approval of a revision of the date by which Consumers was to file its next study of electric and common utility plant depreciation rates and practices. Consumers also requested the Commission's immediate consideration of its application.

Consumers' current depreciation rates were established by the order in Case No. U-10685 et al. dated November 14, 1996, as adjusted by the order on rehearing dated April 10, 1997. In the Commission's November 14 order, it approved a date for Consumers to file a depreciation study for its electric and common utility plant. That date was September 1, 2001.

On June 18, 2001, the Attorney General filed a response to Consumers' application and request for immediate consideration in which the Attorney General requested that the Commission

deny Consumers' application and direct the company to comply with the previously established filing deadline for the study of depreciation rates and practices for electric and common utility plant.

On July 11, 2001, the Commission issued an order in this case which extended the depreciation study filing deadline to January 11, 2002. Subsequently, on October 29, 2001, the Commission extended the deadline to April 11, 2002.

In 2000 PA 141, the Legislature established a rate freeze for Consumers' electric service until December 31, 2003 with the exception of a statutorily required rate reduction for residential customers and securitization related rate adjustments. Rates for small commercial and manufacturing service cannot be increased before January 1, 2005. Rates for residential customers cannot be increased prior to January 1, 2006. Changes to depreciation rates have a direct impact on the revenue requirement of Consumers. At least through the end of 2003, any changes in revenue requirement for Consumers cannot be reflected in its rates for electric service. From January 1, 2004 through January 1, 2006, changes in depreciation rates that produce an increase in revenue requirement cannot be reflected in electric rates.

The Commission notes that the passage of Act 141 and changes in the federal regulatory landscape associated with the electric industry have altered, and continue to alter, the industry. At this time the effect of these changes cannot be fully determined. This uncertainty is difficult to recognize in the completion of a study of depreciation rates and practices. Assumptions made today and evolving electric industry practices and policies may not be compatible.

The Commission believes the study of Consumers' depreciation rates for electric and common utility plant should be deferred until those rates and practices can be viewed in an environment that permits the results of the study to be considered in a rate making context. In this light, the Com-

mission defers review of Consumers' depreciation rates for electric and common utility plant until after January 1, 2006, the end of the residential rate cap. After January 1, 2006, the Commission may direct Consumers to file an application for revised depreciation rates or Consumers, if it deems it necessary, may make such a filing.

The Commission FINDS that:

- a. Jurisdiction is pursuant to 1909 PA 106, as amended, MCL 460.551 et seq.; 1919 PA 419, as amended, MCL 460.51 et seq.; 1939 PA 3, as amended, MCL 460.1 et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; and the Commission's Rules of Practice and Procedure, as amended, 1992 AACS, R 460.17101 et seq.
- b. This docket should be closed.
- c. Consumers' current depreciation rates should remain in effect.
- d. Consumers should not be required to file a depreciation study prior to January 1, 2006.

THEREFORE, IT IS ORDERED that:

- A. This docket is closed.
- B. Consumers Energy Company's current depreciation rates for electric and common utility plant shall remain unchanged.
- C. Consumers Energy Company shall not be required to file for revised depreciation rates and practices prior to January 1, 2006.

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/ Laura Chappelle
Chairman

(S E A L)

/s/ David A. Svanda
Commissioner

/s/ Robert B. Nelson
Commissioner

By its action of December 20, 2001.

/s/ Dorothy Wideman
Its Executive Secretary

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MICHIGAN PUBLIC SERVICE COMMISSION

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By its action of December 20, 2001.

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Suggested Minute:

“Adopt and issue order dated December 20, 2001 finding that Consumers Energy Company should not be required to file a depreciation study prior to January 1, 2006, as set forth in the order.”