

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)	
CONSUMERS ENERGY COMPANY for a)	
financing order approving the securitization of)	Case No. U-12505
certain regulatory assets and other qualified costs.)	
_____)	

At the November 25, 2003 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. Peter Lark, Chair
Hon. Robert B. Nelson, Commissioner
Hon. Laura Chappelle, Commissioner

OPINION AND ORDER

In its October 24, 2000 order, the Commission authorized Consumers Energy Company (Consumers) to securitize up to \$468,592,000 of regulatory assets and other qualified costs. Among other issues addressed by the order, the Commission concluded that there must be periodic true-ups of the securitization bond and tax charges to ensure that the amounts collected are sufficient to service the securitization bonds and to recover the associated tax liability. The Commission stated:

The record clearly shows that not only are periodic securitization and tax charge true-ups necessary, but (to provide the certainty needed to obtain a AAA bond rating) they need to be undertaken in a way that allows for their swift and certain resolution. For this reason, the Commission finds that Consumers' proposal should be approved, but with two relatively minor changes. First, based on recent indications by the utility that annual true-ups would be sufficient until one year prior to the bonds' final maturity date (See, Consumers' initial brief, p. 9), the utility should be limited to undertaking no more than one routine true-up per year until the final year that securitization is in place. Moreover, during that final year,

true-ups shall be limited to no more than one per quarter. Second, Consumers should initiate each routine true-up by filing an application that (1) explains the basis for its proposed revision of the securitization and tax charges, (2) shows the computation of its revised charges, and (3) seeks Commission approval--on an expedited basis--of those new charges before they can be implemented. All proceedings must be completed and a final Commission order regarding the utility's request for a routine true-up must be issued within 45 days after Consumers files its application.

October 24, 2000 order, Case No. U-12505, p. 49 (footnote omitted).

On October 16, 2003, Consumers filed its second annual routine true-up adjustment report. Consumers requests a decrease in its bond principal and interest securitization surcharge from \$0.001328 per kilowatt-hour (kWh) to \$0.001299 per kWh for the 12-month period beginning December 3, 2003. It requests an increase in the tax surcharge for the same period from \$0.000418 per kWh to \$0.000419 per kWh.

The Commission Staff (Staff) reviewed the proposed adjustments, and concluded that the adjustments are routine, the calculations are accurate, and the proposed adjustments conform to the methodology approved by the Commission. The Staff thus recommended that the Commission approve the true-up adjustments to take effect December 3, 2003.

After considering Consumers' filing and the Staff's review, the Commission agrees that the proposed adjustments are routine, the calculations are accurate, and the proposed adjustments conform to the approved methodology. Consumers should therefore be authorized to implement the adjustments as of December 3, 2003.

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, 1999 AC, R 460.17101 et seq.

b. Consumers should be authorized to implement its proposed true-up adjustments.

THEREFORE, IT IS ORDERED that, as of December 3, 2003, Consumers Energy Company is authorized to decrease the bond principal and interest securitization surcharge from 1.328 mills per kilowatt-hour to 1.299 mills per kilowatt-hour and to increase the tax surcharge from 0.418 mills per kilowatt-hour to 0.419 mills per kilowatt-hour.

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/ Peter Lark
Chair

(S E A L)

/s/ Robert B. Nelson
Commissioner

/s/ Laura Chappelle
Commissioner

By its action of November 25, 2003.

/s/ Robert Kehres
Its Acting Executive Secretary

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Case No. U-12505

Suggested Minute:

“Adopt and issue order dated November 25, 2003 approving routine true-up adjustments to Consumers Energy Company’s securitization and tax charges, as set forth in the order.”