

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own motion,)	
to establish uniform terms and conditions for)	
the provision of voluntary gas customer choice)	Case No. U-12550
programs offered in Michigan.)	
_____)	

At the November 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 August 4, 2000, the Commission issued an order in this proceeding (the August 4 order) to facilitate the expansion of gas customer choice to all customers within the state. That order directed the Commission Staff (Staff) to undertake a collaborative process with the local distribution companies (LDC) that were conducting gas customer choice pilots and other interested parties for the purpose of developing uniform terms and conditions for use in the expanded program. Pursuant to the August 4 order, the Staff held collaborative meetings and issued its report and recommendations (the Staff report) on September 22, 2000. After receiving and reviewing additional comments, the Commission issued an order on October 13, 2000 that adopted the Staff's report, with some modifications.

The Staff report reflected a consensus that smaller LDCs should be distinguished from large LDCs with respect to customer choice program design and implementation. A part of that

consensus was the plan to continue working with SEMCO Energy Gas Company (SEMCO) and Michigan Gas Utilities (MGU) to complete, within one year, the design of a gas customer choice program that would be suitable for each of the LDCs, as consistent as possible with program features determined to be appropriate by the Commission, and compatible with their respective operations and gas customer choice experiences.

On December 29, 2000, SEMCO and MGU submitted proposals to the Staff concerning the features of a permanent gas customer choice program for mid-sized LDCs. Interested parties submitted comments on those proposals in early 2001. The Staff requested additional comments by July 20, 2001, and held a meeting on August 2, 2001 to discuss the two proposals and to reach a consensus on as many issues as possible. Attendees at that meeting included representatives of ANR Pipeline Company, Attorney General Jennifer M. Granholm, Consumers Energy Company (Consumers), CMS Marketing, Services and Trading Company, FirstEnergy Services, Inc., the Michigan Electric and Gas Association, MGU, the National Energy Marketers Association (NEMA), Nicor Energy, Inc., Northern Natural Gas Company, SEMCO, and Wisconsin Public Service Corporation (WPS Corp).

On September 27, 2001, the Staff submitted its report and recommendations concerning mid-sized LDCs (the second Staff report). SEMCO, MGU, NEMA, and WPS Corp submitted comments on the second Staff report.

The second Staff report identifies the issues on which the participants were able to reach a consensus. For issues where no consensus could be reached, the second Staff report includes the Staff's recommendations to the Commission.

The Commission notes that many of the marketer and supplier participants do not agree with all of the Staff's recommendations. However, those differences relate to features previously

approved by the Commission for Consumers or that are required due to the operational constraints of mid-sized LDCs. The Commission further finds that positions expressed in NEMA's comments should be addressed when dealing with larger utilities' gas customer choice programs instead of in the context of the current collaborative process. Moreover, because SEMCO's pilot program for customer choice expires on March 31, 2002, it would be unwise to require significant changes to its choice program at this time. After considering these and other factors, the Commission finds that the second Staff report should be adopted with the modification discussed below.

Under the gas customer choice program adopted for Consumers, there is an annual reconciliation of supplier deliveries. MGU accepted the annual reconciliation process, but wanted to recognize supplier underdeliveries as well as overdeliveries. However, the second Staff report states that because the LDCs determine and control the suppliers' daily delivery obligations, it is not necessary to reconcile underdeliveries. MGU responds to the Staff's recommendation on this issue by stating that the annual reconciliation must address four scenarios, not just one. These four potential scenarios, MGU believes, should be given equal consideration.

Specifically, MGU asserts that in addition to the reconciliation of overdeliveries when the supplier's price is higher than the LDC's gas cost recovery (GCR) factor, reconciliation should also occur when there are overdeliveries and the supplier's price is less than the LDC's GCR factor, there are underdeliveries and the supplier's price is higher than the LDC's GCR factor, and there are underdeliveries and the supplier's price is lower than the LDC's GCR factor. MGU also proposes to use its weighted average cost of gas for comparison purposes and to establish a specific triggering mechanism for determining when an adjustment would be made.

The Commission recognizes that gas customer choice programs are still under development. This is particularly true in the case of MGU, which did not conduct a pilot program. The

Commission further notes that as gas customer choice develops, changes and adjustments may be needed. One way to determine if changes are needed is to implement pilot programs with various methodologies or options and to review the results of those programs. To that end, the Commission finds that MGU should be allowed to use a different annual reconciliation process than currently authorized for use by Consumers. Therefore, the Commission directs the Staff to work with MGU to ensure that the LDC's proposed reconciliation process fairly addresses all supplier issues and concerns, to determine whether the 20% triggering point proposed by MGU appropriately balances the interests of participating suppliers and GCR customers, and to assess the operation of this feature and make recommendations to the Commission as needed.

The Commission encourages SEMCO and MGU to voluntarily file a gas choice program that includes terms, conditions, and program features consistent with the second Staff report as modified by this order. The Commission will address WPS Corp's concerns in the context of considering a gas customer choice program for it and other small LDCs. As a preliminary step, the Commission directs the Staff to gather data and prepare a report on the prices paid by customers of LDCs that did not offer customer choice programs during the heating season of 2000/2001 as compared to prices paid by customers of LDCs that did offer choice.

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.; 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. The second Staff report should be adopted subject to the modification discussed in this order.

c. As modified by this order, the second Staff report establishes acceptable uniform terms and conditions for the provision of voluntary gas customer choice programs for mid-sized LDCs in Michigan.

THEREFORE, IT IS ORDERED that the September 27, 2001 report and recommendations of the Commission Staff is adopted, as modified by 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/ Laura Chappelle
Chairman

(S E A L)

/s/ David A. Svanda
Commissioner

/s/ Robert B. Nelson
Commissioner

By its action of November 20, 2001.

/s/ Dorothy Wideman
Its Executive Secretary

c. As modified by this order, the second Staff report establishes acceptable uniform terms and conditions for the provision of voluntary gas customer choice programs for mid-sized LDCs in Michigan.

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MICHIGAN PUBLIC SERVICE COMMISSION

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Suggested Minute:

“Adopt and issue order dated November 20, 2001 adopting, with modification, the September 27, 2001 Commission Staff report concerning the expansion of gas customer choice in Michigan, as set forth in the order.”