

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)	
MICHIGAN CONSOLIDATED GAS COMPANY)	
for approval of a gas cost recovery plan, five-year)	Case No. U-13060
forecast, and monthly gas cost recovery factor)	
for calendar year 2002.)	
_____)	

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 31, 2001, Michigan Consolidated Gas Company (Mich Con) filed an application for approval of its gas cost recovery (GCR) plan, five-year forecast, and GCR factor for calendar year 2002. The application noted that Mich Con's GCR clause has been suspended for three years pursuant to the Commission's order in Case No. U-11682 and that the company has been providing gas at a fixed commodity rate of \$2.95 per thousand cubic feet (Mcf). With that three-year period coming to a close, Mich Con proposes to reinstate its GCR clause and to implement a maximum GCR factor of \$4.54 per Mcf, subject to increases based on New York Mercantile Exchange gas commodity prices.

A prehearing conference was held on October 8, 2001 before Administrative Law Judge Daniel E. Nickerson, Jr. (ALJ). He granted petitions for leave to intervene filed by the Residential

Ratepayer Consortium, Attorney General Jennifer M. Granholm, and the Michigan Community Action Agency Association. The Commission Staff also participated.

MCL 460.6h(9) permits Mich Con to charge up to the amount of its proposed factor on January 1, 2002 unless the Commission conducts a review pursuant to MCL 460.6h(8):

The commission, on its own motion or the motion of any party, may make a finding and enter a temporary order granting approval or partial approval of a gas cost recovery plan in a gas supply and cost recovery review, after first having given notice to the parties to the review, and after having afforded to the parties to the review a reasonable opportunity for a full and complete hearing. A temporary order made pursuant to this subsection shall be considered a final order for purposes of judicial review.

MCL 460.6h(8).

Although not raised as an issue by any of the parties, the Commission has a concern about Mich Con's ability to implement its proposed GCR factor on January 1, 2002. As noted above, Mich Con currently charges \$2.95 per Mcf, but proposes to charge a substantially higher factor of up to \$4.54 per Mcf in January. Furthermore, current market prices of natural gas are significantly lower than \$4.54 per Mcf. Also, Mich Con's customers may see the transition to higher gas costs in one month rather than a more gradual increase over several months. In light of these facts, the Commission concludes that the public interest requires it to conduct a hearing on Mich Con's proposed GCR factor rather than permit the company to self-implement a factor of as much as \$4.54 per Mcf in January.

Accordingly, Mich Con shall file, on or before November 27, 2001, a statement identifying the GCR factor it proposes to implement in January 2002 and testimony supporting the need to impose that GCR factor or any other factor of as much as \$4.54 per Mcf before the issuance of an order on the full plan case. A prehearing conference will be held on November 28, 2001 at 10:00 a.m., at which the ALJ shall set a schedule that provides for the hearings on the issue of a

temporary order to be completed and all briefs to be filed no later than noon on December 17, 2001.

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, 1992 AACCS, R 460.17101 et seq.

b. A hearing should be held on whether to issue a temporary order on Mich Con's proposed GCR factor.

THEREFORE, IT IS ORDERED that:

A. Michigan Consolidated Gas Company shall file, on or before November 27, 2001, a statement identifying the GCR factor it proposes to implement in January 2002 and testimony supporting the need to impose that GCR factor or any other factor of as much as \$4.54 per thousand cubic feet before the issuance of an order on the full plan case.

B. A prehearing conference shall be held on November 28, 2001 at 10:00 a.m.

C. The Administrative Law Judge shall set a schedule that provides for the hearings on the issue of a temporary order to be completed and all briefs to be filed no later than noon on December 17, 2001.

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

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

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

MICHIGAN PUBLIC SERVICE COMMISSION

Chairman

Commissioner

Commissioner

By its action of November 20, 2001.

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Suggested Minute:

“Adopt and issue order dated November 20, 2001 requiring a hearing on whether the Commission should issue a temporary order on Michigan Consolidated Gas Company’s proposed gas cost recovery factor for calendar year 2002, as set forth in the order.”