

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)	
CONSUMERS ENERGY COMPANY for authority)	
to increase its rates for the distribution of natural)	Case No. U-13000
gas and for other relief.)	
_____)	

**CONCURRING OPINION OF
CHAIRMAN LAURA CHAPPELLE**

(Submitted November 7, 2002)

I have signed the majority opinion, which authorizes Consumers to increase its retail rates for the sale of natural gas by \$55,728,000 on an annual basis. In reaching this determination, the Commission relied upon the rate base amount calculated by the Staff on the basis of primarily historical data rather than upon the rate base amount projected by Consumers on the basis of its planned expenditures. I write separately because I could have supported an even greater rate increase if Consumers' request for relief in this proceeding had been coupled with a proposal to collect a portion of its rates under bond, to track its capital and other O&M expenditures to ensure that they actually occurred, and to refund to customers amounts by which its rates were increased above levels of the company's actual expenditures.

At the outset, I believe that it is important to note that Consumers' most recent rate increase occurred on August 17, 1984 in Case No. U-7650, which means that Consumers has not had a rate increase for over 18 years. During that interval, the Commission thrice decreased Consumers' rates by a total of \$63 million. I consider Consumers' ability to provide gas service to its customers in the face of rate decreases and 18 years of inflation as a testament to its ability to

achieve productivity increases and wisely manage its resources. However, Consumers' current application evidences a marked departure from the past. In this proceeding, Consumers sought increases of 26% for 2001 and 64 % for 2002 above its historical 2000 capital expenditures. Additionally, Consumers proposed to spend 28 % above historical levels for other O&M expenditures in 2002. These hefty spending increases after 18 years of declining rates and productivity gains raise suspicion.

Nevertheless, I believe that with added precautions, the Commission could have reasonably granted Consumers a rate increase of up to \$62 million on an annual basis while ensuring reasonable rates to customers. The Commission proposed such an approach in its May 7, 1991 order in Case No. U- 9346, a Consumers electric rate case. In that proceeding, the Commission provided that \$35 million of Consumers' annual rate revenue could be collected under bond and subject to refund in the event that Consumers failed to spend the full amount of the other O&M expenditures authorized by the Commission.¹ Had Consumers proposed such a mechanism in this proceeding or had the Commission provided for such a mechanism and Consumers agreed to it, I believe that it would have been appropriate to base Consumers' rates on its budgetary projections for capital expenditures and most of its projected other O&M expenditures.

MICHIGAN PUBLIC SERVICE COMMISSION

Laura Chappelle, Chairman

¹ Consumers declined to participate in the innovative approach offered by the Commission in Case No. U-9346.