

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)	
MICHIGAN CONSOLIDATED GAS)	
COMPANY for approval of its uncollectible)	
expense true-up mechanism computation and)	Case No. U-13898
its report regarding its safety and training-related)	
expenditures for 2008.)	
_____)	

At the August 25, 2009 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. Orjiakor N. Isiogu, Chairman
Hon. Monica Martinez, Commissioner
Hon. Steven A. Transeth, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On September 30, 2003, Michigan Consolidated Gas Company (Mich Con) filed an application seeking a general rate increase and requested authority to implement an uncollectibles expense true-up mechanism (UETM). In its April 28, 2005 order (April 28 order), the Commission authorized Mich Con to implement the UETM, which is to remain in effect until the conclusion of Mich Con’s next general rate case. The Commission also approved \$6,914,000 above the test year amount for additional safety and training (S&T) related expenses, subject to a refund to customers of any funds not expended. April 28 order, pp. 70-75.

By March 31 of each year, Mich Con was ordered to file an application in this docket, “[Comparing] Mich Con’s actual uncollectibles expense for the preceding calendar year with the base level of uncollectibles expense contained within the company’s rates. Ninety percent of the

difference between those amounts would be collected from, or refunded to, Mich Con's customers through a temporary surcharge or credit over the subsequent 12-month period. The surcharge or credit would be implemented by Commission order after an opportunity for hearing on the annual application." April 28 order, p. 71.

On March 30, 2009, Mich Con filed an application, with supporting testimony and exhibits, requesting that the Commission approve its UETM computation of \$86.9 million and proposed surcharges and its report regarding its S&T related expenditures for 2008.

Administrative Law Judge Mark E. Cummins (ALJ) conducted a prehearing conference on May 21, 2009. At that time, Attorney General Michael A. Cox (Attorney General) was recognized as an intervenor. The Commission Staff (Staff) also participated in the proceeding. On August 12, 2009, the Attorney General's motion to withdraw as an intervenor was granted. Subsequently, Mich Con and the Staff submitted a settlement agreement resolving all issues in the case.

According to the terms of the settlement agreement, attached as Attachment A, the parties agree that Mich Con's filing represented an accurate depiction of the company's 2008 uncollectible expenses and an accurate calculation of the UETM surcharge. Given current economic conditions, Mich Con agrees to moderate the impact of the UETM on customers by implementing the UETM surcharge over a 15-month time frame—rather than the 12-month time frame contemplated in its filing. Mich Con further agrees to implement the UETM surcharge beginning September 1, 2009, if the Commission issues an order approving the settlement agreement by August 25, 2009. Finally, the parties agree that the Commission should accept Mich Con's S&T related expense report.

After review of the settlement agreement, the Commission finds that its terms are reasonable, and that its approval is in the public interest.

THEREFORE, IT IS ORDERED that:

A. The settlement agreement, attached as Attachment A, is approved.

B. Michigan Consolidated Gas Company's application to revise its uncollectibles expense true-up mechanism surcharges is granted. The new surcharges shall apply to services rendered beginning on September 1, 2009 as reflected on the tariff sheet attached to the settlement agreement as Attachment 1.

C. Within 10 days of the date of this order, Michigan Consolidated Gas Company shall file tariff sheets reflecting the new surcharges, substantially similar to the tariff contained in Attachment 1 to the settlement agreement.

D. Michigan Consolidated Gas Company's report regarding its safety and training-related expenditures for 2008 is accepted.

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, under MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

Orjiakor N. Isiogu, Chairman

Monica Martinez, Commissioner

Steven A. Transeth, Commissioner

By its action of August 25, 2009.

Mary Jo Kunkle, Executive Secretary

Mechanism filings on or before March 31 of each calendar year.” On March 30, 2009 MichCon filed its Application, Testimony and Exhibits supporting the 2008 UETM. On April 24, 2009 the Commission directed MichCon to publish a notice of hearing in newspapers of general circulation in MichCon’s service territory. A prehearing conference was conducted on May 21, 2009, and a procedural schedule was adopted. In an attempt to efficiently resolve the matter the parties have agreed to enter into a full settlement of this case and recommend approval by the Commission of the following:

1. The Parties request that the Commission enter an order approving MichCon’s request of its Uncollectible Expense True-up Mechanism Computation for the 2008 calendar year.
2. The parties request that the Commission approve the attached Tariff Sheet (Attachment 1) implementing the Surcharge necessary to recover MichCon’s uncollectible expenses for the calendar year 2008.
3. The parties established that MichCon’s filing represented an accurate depiction of MichCon’s 2008 uncollectible expense and an accurate calculation of the UETM surcharge.
4. During settlement discussions, parties agreed that the current economic conditions made moderating the impact of the UETM on customers’ bills desirable. To alleviate the impact of the UETM surcharge on customers’ bills, the Company offered to collect the surcharge over a 15 month time frame, rather than the 12 month time frame traditionally used in the calculation. Implementing a lower rate before the winter heating season begins would moderate the impact of the UETM on customers’ winter bills

compared to MichCon's originally filed UETM surcharge. The volumes and surcharges for a 15 month surcharge are included as Attachment 2. Thus the parties agree that the surcharge should be collected over 15 months and if the Commission issues an Order approving this settlement agreement by August 25, 2009, MichCon will implement the surcharge beginning September 1, 2009. If the Commission does not approve this settlement agreement until after August 25, 2009, MichCon will implement the surcharge on the first day of the month following the Commission Order approving this settlement. The attached Tariff sheet reflects a reduced surcharge from the initially filed proposal but shall be applied on customers' bills for a 15 month period.

5. The service charge approved in this docket related to the 2007 UETM shall expire on December 31, 2009.
6. The Parties also request that the Commission accept MichCon's annual report regarding its expenditures for safety and training-related expenditures.
7. This Settlement Agreement is entered into for the sole and express purpose of reaching a compromise among the parties. All offers of settlement and discussions relating to this Settlement Agreement are considered privileged under MRE 408. If the Commission approves this Settlement Agreement without modification, neither the parties to this settlement nor the Commission shall make any reference to, or use this Settlement Agreement or the order approving it, as a reason, authority, rationale, or example for

taking any action or position or making any subsequent decision in any other case or proceeding; provided however, such references may be made to enforce or implement the Settlement Agreement and the order approving it.

8. This Settlement Agreement is not severable. Each provision of this Settlement Agreement is dependent upon all other provisions of this Settlement Agreement. Failure to comply with any provision of this Settlement Agreement constitutes failure to comply with the entire Settlement Agreement. If the Commission rejects or modifies this Settlement Agreement, this Settlement Agreement shall be deemed to be withdrawn, and shall not constitute any part of the record in this proceeding or be used for any other purpose, and shall not operate to prejudice the pre-negotiation positions of any party.
9. This Settlement Agreement is reasonable and in the public interest, and will reduce the time and expense of the Commission, its Staff, and the Parties.
10. The Parties agree to waive Section 81 of 1969 PA 306 (MCL 24.281), as it applies to the issues in this proceeding, if the Commission approves this Settlement Agreement without modification.
11. This Settlement Agreement may be executed in any number of counterparts, each considered an original, and all counterparts that are executed shall have the same effect as if they were the same instrument.

IN WITNESS WHEREOF, the parties have caused this Settlement Agreement to be duly executed by their respective duly authorized officers as of the date first above written.

MICHIGAN CONSOLIDATED GAS COMPANY

By: Michael J. Solo Digitally signed by Michael J. Solo
DN: cn=Michael J. Solo, o=Legal - Regulatory, ou=DTE Energy, email=solom@dteenergy.com, c=US
Date: 2009.08.12 08:33:24 -04'00' Dated: August, 12, 2009
Print: Michael J. Solo
Its: Attorney

MICHIGAN PUBLIC SERVICE COMMISSION STAFF

By: *Spencer Sattler* Dated: August, 12, 2009
Print: Spencer Sattler
Its: Attorney

M.P.S.C. No. 5 – Gas
 Michigan Consolidated Gas Company
 (To reflect the 2008 Uncollectible Expense True-up Mechanism Surcharge (2008 UETM))

Third Revised Sheet No. D-2.00
 Cancels Second Revised Sheet No. D-2.00

D2. SURCHARGES

	Rate Schedule No.	Uncollectible Expense True-up Mechanism Surcharge (UETM) \$/Ccf		Energy Optimization Surcharge
		2007	2008	\$/Ccf
A	Residential	\$0.01720	\$0.03480	\$0.0088
AS	Low Income Senior Citizens	\$0.01720	\$0.03480	\$0.0088
2A	Residential Multiple Family Dwelling Class I	\$0.01720	\$(0.00400)	\$0.0116
2A	Residential Multiple Family Dwelling Class II	\$0.01479	\$0.03163	\$0.0116
GS-1	Non-Residential General Service	\$0.01524	\$0.03047	\$0.0116
GS-2	Large Volume	\$0.00770	\$(0.00823)	
	<100,000 Mcf			\$0.0116
	>100,000 Mcf			\$0.0007
S	School	\$0.01051	\$0.01951	\$0.0116
ST	Small Volume Transportation	\$0.00271	\$0.00553	\$0.0007
LT	Large Volume Transportation	\$0.00128	\$0.00260	\$0.0007
XLT	Extra Large Volume Transportation	\$0.00117	\$0.00255	\$0.0007

In addition to the above surcharges, Rate Schedules A, AS, 2A, GS-1, GS-2, and S are subject to Rule C7, Gas Cost Recovery, and may be subject to Rule C8, Customer Attachment Program or to Rule C9, Main Extension/Area Expansion Program.

The Energy Optimization Surcharge is implemented on a “bills rendered” basis. It is effective for bills rendered beginning with the billing cycle following June 2, 2009.

The 2007 and 2008 UETM are implemented on a “service rendered” basis.

The 2008 UETM is effective for 15 months of service rendered, commencing on <date> and ending <date>.

Issued <date>, 2009
 D. G. Brudzynski
 Vice President
 Regulatory Affairs
 Detroit, Michigan

Effective for service rendered beginning
 <date>

Issued under authority of the
 Michigan Public Service Commission
 Dated, 2009
 In Case No. U-13898

**Michigan Consolidated Gas Company
 UETM Rate Design Determinants (M/cfs) 1/**

Line No.	Rate Schedules Proposed in Case U-13898 (Col 1)	Staff Volumes for Deliveries Adopted in U-13898 Order (Col 2)	Volumes from Post Order Cost of Service Evaluation in Case U-13898 (Col 3)	Prorated Allocation Volumes to Accommodate New Rate Classifications (Col 4)	Currently Effective Rate Schedules (Col 5)	12 Months Rate Design Determinants for UETM Allocation (Col 6)	15 Months Rate Design Determinants for UETM Alloc. (Col 6 x 1.25) (Col 7)
1	Rate Schedule 1		47,223,000	47,222,752	GS-1	47,222,752	59,028,440
2	Rate Schedule 6		403,250	403,248	GS-2	403,248	504,060
3	Attachment B Rate 1	47,626,000	47,626,250	47,626,000			
4	Rate Schedules 2, 3 & 3A	139,375,000	139,375,000	139,375,000	A and AS	139,375,000	174,218,750
5	Rate Schedule 2A Class 1		324,212	324,212	2A Class I	324,212	405,265
6	Rate Schedule 2A Class 2		7,193,788	7,193,788	2A Class II	7,193,788	8,992,235
7	Rate Schedule 2A Total	7,518,000	7,518,000	7,518,000			
8	Rate Schedule 10	956,000	956,000	956,000	S	956,000	1,195,000
9	Sales Schedules Total	195,475,000	195,475,250	195,475,000		195,475,000	244,343,750
10	Rate Schedule ST	22,726,263	22,726,000	22,726,263	ST - 1 and 2	22,726,263	28,407,828
11	Rate Schedule LT		40,821,556	40,821,556	LT - 1 and 2	40,821,556	51,026,945
12	Rate Schedule XLT		75,132,511	75,132,511	XLT - 1 and 2	75,132,511	93,915,638
13	Attachment B Large Tran.	115,954,067	115,954,067	115,954,067			
14	Transport Total	138,680,329	138,680,067	138,680,329		138,680,329	173,350,412
15	Grand Total	334,155,329	334,155,317	334,155,329		334,155,329	417,694,162

1/ Per Order in Case U-13898 (UETM)

**Michigan Consolidated Gas Company
Calculation of 2008 UETM Surcharges**

Line No.	Currently Effective Rate Schedules	Proposed 2008 UETM Allocation Percentages (Exhibit A-8 Col 6)	Proposed 2008 UETM Allocation 1/	Actual 2006 Under(Over) Collection 3/ (Exhibit A-3 Col 4)	Proposed 2008 UETM Allocation (Col 3 + Col 4)	Rate Design Determinants For UETM (Mcf) (Att 2 p. 1 Col 7)	Proposed UETM Surcharges \$/Mcf (Col 5 / Col 6)	Proposed UETM Surcharges \$/Ccf (Col 7 / 10)
	(Col 1)	(Col 2)	(Col 3)	(Col 4)	(Col 5)	(Col 6)	(Col 7)	(Col 8)
1	GS-1	21.1660619%	\$ 17,575,701	\$ 407,883	\$ 17,983,584	59,028,440	\$ 0.3047	\$ 0.03047
2	GS-2	0.2000509%	166,116	(207,620)	(41,504)	504,060	\$ (0.0823)	\$ (0.00823)
3	A and AS	69.3737833%	57,606,036	3,015,149	60,621,185	174,218,750	\$ 0.3480	\$ 0.03480
4	2A Class I	0.1744944%	144,895	(161,101)	(16,206)	405,265	\$ (0.0400)	\$ (0.00400)
5	2A Class II	3.0717344%	2,550,681	293,219	2,843,901	8,992,235	\$ 0.3163	\$ 0.03163
6	S	0.3119755%	259,055	(25,882)	233,173	1,195,000	\$ 0.1951	\$ 0.01951
7	Total Sales	94.298097%	\$ 78,302,484	\$ 3,321,648	\$ 81,624,133	244,343,750		
8	ST - 1 and 2	1.7550199%	\$ 1,457,318	\$ 113,630	\$ 1,570,948	28,407,828	\$ 0.0553	\$ 0.00553
9	LT - 1 and 2	1.5554159%	1,291,572	37,113	1,328,686	51,026,945	\$ 0.0260	\$ 0.00260
10	XLT - 1 and 2	2.3914699%	1,985,809	412,883	2,398,691	93,915,638	\$ 0.0255	\$ 0.00255
11	Total EUT	5.7019033%	\$ 4,734,700	\$ 563,626	\$ 5,298,325	173,350,412		
12	Grand Total	100.000000%	\$ 83,037,184	\$ 3,885,274	\$ 86,922,458	417,694,162		

1/ Col 2 * Col 3 Line 12

2/ Per Exhibit A-1 Line 13

3/ Per Exhibit A-3 Col 4