

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter, on the Commission’s own motion,)
regarding the regulatory reviews, revisions,)
determinations, and/or approvals necessary for)
MICHIGAN CONSOLIDATED GAS COMPANY to)
fully comply with Public Acts 286 and 295 of 2008.)
_____)

Case No. U-15890

At the September 29, 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 FINANCIAL INCENTIVE MECHANISM

On March 4, 2009, Michigan Consolidated Gas Company (Mich Con) filed an application,
with supporting testimony and exhibits, requesting approval of its proposed energy optimization
plan (EOP), authority to implement energy optimization surcharges, and other related relief, in
accordance with the Michigan Clean, Renewable, and Efficient Energy Act, 2008 PA 295,
MCL 460.1001 *et seq.* (Act 295), and the Commission’s December 4, 2008 Temporary Order in
Case No. U-15800 (Temporary Order).

On March 13, 2009, a prehearing conference was held before Administrative Law Judge
Barbara A. Stump, at which petitions to intervene filed by the Association of Businesses
Advocating Tariff Equity, Attorney General Michael A. Cox, and the Michigan Community

Action Agency Association were granted. The Commission Staff (Staff) also participated in the proceedings.

On June 2, 2009, the Commission issued an order approving the EOP. With respect to the financial incentive mechanisms proposed by the parties for performance above the EO targets contained in 2008 PA 295, the Commission stated:

The Commission also finds that approval of a financial incentive is at the Commission's discretion, and the incentive must be commensurate with the degree to which the provider's program exceeds the energy optimization targets. The Commission agrees that Mich Con's proposed financial incentive mechanism is not proportionate with additional energy savings above the statutory targets. As the Staff points out, Mich Con's proposed incentive mechanism provides substantial rewards for results that may be within the margin of error for the statutory targets for energy savings. However, the Commission believes that the Staff's incentive mechanism would be more effective if it enhanced the incentive to invest more in cost-effective energy optimization programs. Therefore, the Commission directs that within 30 days, the parties to this case may file new proposed financial incentive mechanisms. The parties may propose something new or may use the mechanisms proposed by either Mich Con or the Staff, with modifications to achieve the aforementioned objectives.

Order, pp. 10-11.

On July 2, 2009, in response to the Commission's directive, Mich Con and the Staff filed new proposals for a financial incentive mechanism. Mich Con refiled the same mechanism it had filed in its original case, revised so that the maximum reward would be earned if the company exceeds the statutory targets by 15%. The Staff filed the same algorithm that it filed in its initial testimony, with revised interpolation limits. The original Staff proposal was based on limits of 200% of target energy savings and a Utility System Resource Cost Test (USRCT) of 6.0. The Staff's revised limits are at 125% of target energy and an overall USRCT of 3.5. Maximum payout of 15% of program spending is obtained for performance at and above the interpolation limits.

The Commission finds that the algorithm proposed by the Staff is most appropriate and finds that there should be minor adjustments to the interpolation limits to provide more incentive to the

company to increase its efforts in energy optimization. The Commission therefore approves the Staff's proposed mechanism as shown in Attachment 1 with the following parameters: a USRCT of 1.25 and a maximum achievement level of 115% of the energy savings target.

THEREFORE, IT IS ORDERED that the energy optimization financial incentive mechanism proposed by the Commission Staff, with the revised parameters shown in Attachment 1, is approved for use by Michigan Consolidated Gas Company.

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

Orjiakor N. Isiogu, Chairman

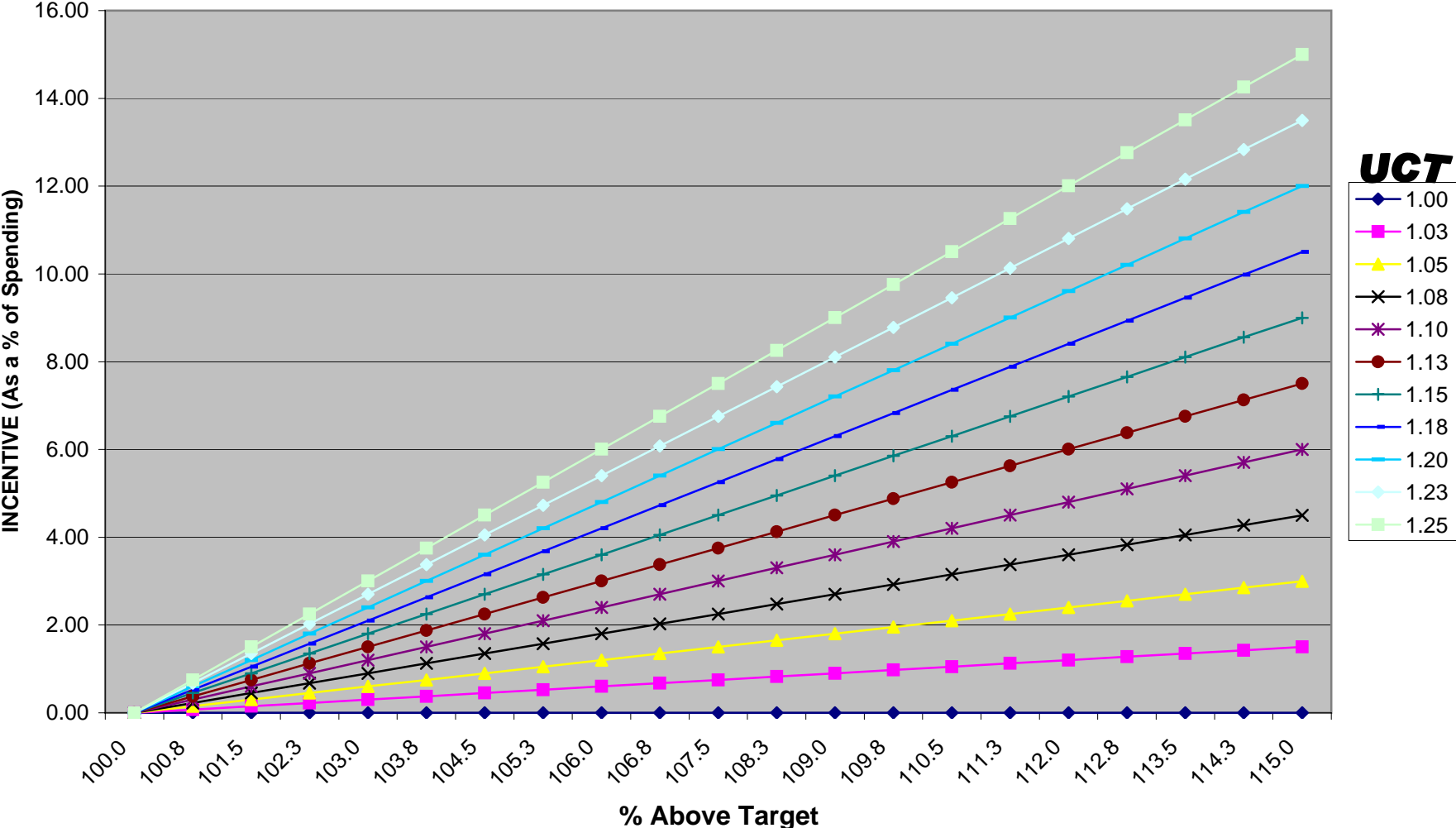
By its action of September 29, 2009.

Monica Martinez, Commissioner

Mary Jo Kunkle, Executive Secretary

Steven A. Transeth, Commissioner

Energy Optimization Program Incentive Mechanism



ATTACHMENT 1

**EO Incentive Mechanism
EO Incentive as a % of Program Spending**

Target	UCT											
	1.00	1.03	1.05	1.08	1.10	1.13	1.15	1.18	1.20	1.23	1.25	
100.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100.8	0.00	0.08	0.15	0.23	0.30	0.38	0.45	0.53	0.60	0.68	0.75	0.75
101.5	0.00	0.15	0.30	0.45	0.60	0.75	0.90	1.05	1.20	1.35	1.50	1.50
102.3	0.00	0.23	0.45	0.68	0.90	1.13	1.35	1.58	1.80	2.03	2.25	2.25
103.0	0.00	0.30	0.60	0.90	1.20	1.50	1.80	2.10	2.40	2.70	3.00	3.00
103.8	0.00	0.38	0.75	1.13	1.50	1.88	2.25	2.63	3.00	3.38	3.75	3.75
104.5	0.00	0.45	0.90	1.35	1.80	2.25	2.70	3.15	3.60	4.05	4.50	4.50
105.3	0.00	0.53	1.05	1.58	2.10	2.63	3.15	3.68	4.20	4.73	5.25	5.25
106.0	0.00	0.60	1.20	1.80	2.40	3.00	3.60	4.20	4.80	5.40	6.00	6.00
106.8	0.00	0.68	1.35	2.03	2.70	3.38	4.05	4.73	5.40	6.08	6.75	6.75
107.5	0.00	0.75	1.50	2.25	3.00	3.75	4.50	5.25	6.00	6.75	7.51	7.51
108.3	0.00	0.83	1.65	2.48	3.30	4.13	4.95	5.78	6.60	7.43	8.26	8.26
109.0	0.00	0.90	1.80	2.70	3.60	4.50	5.40	6.30	7.20	8.11	9.01	9.01
109.8	0.00	0.98	1.95	2.93	3.90	4.88	5.85	6.83	7.81	8.78	9.76	9.76
110.5	0.00	1.05	2.10	3.15	4.20	5.25	6.30	7.35	8.41	9.46	10.51	10.51
111.3	0.00	1.13	2.25	3.38	4.50	5.63	6.75	7.88	9.01	10.13	11.26	11.26
112.0	0.00	1.20	2.40	3.60	4.80	6.00	7.20	8.41	9.61	10.81	12.01	12.01
112.8	0.00	1.28	2.55	3.83	5.10	6.38	7.66	8.93	10.21	11.48	12.76	12.76
113.5	0.00	1.35	2.70	4.05	5.40	6.75	8.11	9.46	10.81	12.16	13.51	13.51
114.3	0.00	1.43	2.85	4.28	5.70	7.13	8.56	9.98	11.41	12.83	14.26	14.26
115.0	0.00	1.50	3.00	4.50	6.00	7.50	9.00	10.50	12.00	13.50	15.00	15.00