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November 18, 1999

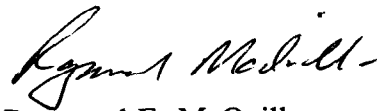
Ms. Dorothy Wideman
Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way
P.O. Box 30221
Lansing, MI 48909

Re: Case No. U-11290, et al

Dear Ms. Wideman:

Enclosed for filing in the above-referenced matter, is an original and four copies of the "Consumers Energy Company's Response to MPSC Staff Report on Bid Cycle One.". I have also enclosed a Proof of Service.

Very truly yours,



Raymond E. McQuillan

CC: Hon. Daniel E. Nickerson, Jr.
Hon. George Schankler
Parties per Attachment 1
to Proof of Service

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own)
motion, to consider the restructuring of)
the electric utility industry)
_____)

Case No. U-11290

In the matter of the request of)
CONSUMERS ENERGY COMPANY)
for approval of a retail open access tariff.)
_____)

Case No. U-11451

In the matter of the request of)
THE DETROIT EDISON COMPANY)
for approval of a direct access tariff)
_____)

Case No. U-11452

In the matter of the request of)
CONSUMERS ENERGY COMPANY)
for authority to suspend its power)
supply cost recovery clause and)
related relief)
_____)

Case No. U-11453

In the matter of the application of)
THE DETROIT EDISON COMPANY)
COMPANY for authority to suspend)
implementation of its power supply cost)
recovery clause and related relief.)
_____)

Case No. U-11449

CONSUMERS ENERGY COMPANY'S
RESPONSE TO MPSC STAFF
REPORT ON BID CYCLE ONE

On October 20, 1999, the MPSC Staff ("Staff") filed an Open Access Bidding Report: Results and Recommendations From the First Bid Cycle summarizing the results of the first bid award cycle in the voluntary Retail Open Access programs for Consumers Energy Company ("Consumers") and The Detroit Edison Company, as directed by the MPSC in its March 8, 1999

electric restructuring orders (Case Nos. U-11290, et al.). In addition, the Staff provided certain recommendations concerning the bid award process for subsequent bid cycles.

Consumers supports Staff's recommendation that no major changes to the bid process should be implemented at this time. Consumers, however, would offer the following comments on certain of the recommendations made by the Staff Report. In addition, Consumers has brief comments to Energy Michigan's Comments on Staff Open Access Bidding Report filed November 8, 1999.

Voluntary Bid Forfeiture

Staff's Report recommends clarification concerning voluntary bid forfeiture. Staff suggests that both utilities explicitly articulate the procedure that a winning bidder who submits multiple bids in a respective bid class and voluntarily elects to forfeit capacity must do so by surrendering the lowest bid first, proceeding up the highest bid last. Consumers concurs with this recommendation.

Consumers further comments that the clarification should also make clear that a winning bidder forfeit all losing bids for that bid class in that bid cycle. The Commission must protect the integrity of the bidding process, despite the fact that a winning bidder can review all the bids after the fact and probably determine that its lower bids that were not awarded capacity might stand a reasonable likelihood of getting forfeited capacity later in that bid cycle. This recommendation would eliminate potential abuse of the bid award process by winning bidders who would voluntarily forfeit their own awarded bid capacity once they review each cycle's bid results on Consumers' Electric Customer Choice Web Page and determine they are a high-ranking losing bidder and probably receive an award of forfeited bid capacity at their lower bid price. The net result is a lower contribution to stranded cost recovery as a result of this abuse of the bid process through

voluntary bid forfeiture. Winning bidders are fully capable of exercising their awarded bids and need not resort to subterfuge to attempt to acquire that same capacity at a lower bid price after they see all the posted bids. Perhaps losing bids should not be publicly posted on the Web page but be known only to the Independent Bid Administrator or the Staff. Consumers believes the following language will fully address this issue in the meantime.

"Any forfeiture of capacity awarded to a bidder would be applied first to the lowest priced capacity awarded to that bidder, then to the next higher priced capacity awarded to that bidder, if any, and so on. A forfeiture by a winning bidder would also result in forfeiture of all losing bids by that bidder in the appropriate bid class for that bid cycle."

Energy Michigan says forfeiting from the **lowest** priced winning bid to the highest priced winning bid for entities having multiple winning bids could delay open access service for certain customers. Consumers cannot agree with Energy Michigan's comments. The bidding process does not publicly identify either the bidder or their potential customers to the utility. To allow the bidding process to be manipulated by claiming specific bids could only serve specific customers compromises the purpose of bidding in the first place. If a winning bidder is also a retailer, Consumer cannot know at the time of the bid which customers the retailer intends to serve. Consequently, voluntary forfeiture by that winning bidder must be accomplished in a fashion that most promotes the objectives of bidding. All winning bidders can immediately enroll customers and commence service once all pertinent requirements are met. Honoring the awarded bid commitment does not delay anything.

Reciprocity

Staff's Report suggests screening for reciprocity concerns at the time bidding is conducted. Consumers believes reciprocity conditions are applied to the power supply providers or

their marketing affiliate, not necessarily the entity winning the bid. The entity winning the bid may sell or assign that bid award to another entity who performs the role of the retailer and/or power supply provider. Therefore, the application of reciprocity screening during the bid award process is premature. It should be applied once the winning bidder or a subsequent owner of that capacity has designated a retailer and identified the power supplied provider.

Energy Michigan requests that reciprocity requirements be dropped completely until January 1, 2002. The MPSC has already addressed this issue on several occasions and determined that reciprocity requirements are fair and applicable from the beginning of the program. Comments to the Staff Report should not advocate major program modifications that do not address the bidding process.

Energy Michigan - Other Comments

Consumers' review of Energy Michigan's Comments indicates Energy Michigan has impermissibly gone beyond the scope of issues addressed in Staff's Report. Namely, comments by Energy Michigan as to implementation cost recovery and franchise requirements are not issues addressed in Staff's Open Access Bidding Report and should not be addressed in this venue.

In closing, Consumers commends Staff on its involvement in the bidding process and Staff's acknowledgment that the bid procedure was completed on schedule and in accordance with the prescribed plans. Consumers appreciates Staff's observation that the entire process was conducted in a most professional manner and in strict conformance with preestablished procedures.

Dated: November 18, 1999

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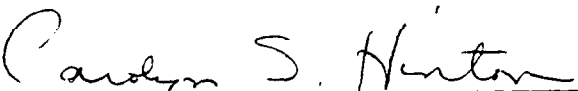
Case No. U-11449

PROOF OF SERVICE

STATE OF MICHIGAN)
) SS
COUNTY OF JACKSON)

Carolyn S. Hinton, being first duly sworn, deposes and says that she is employed in the Legal Department of Consumers Energy Company; that she served a copy of the "**Consumers Energy Company's Response to MPSC Staff Report on Bid Cycle One**" upon the persons listed

in Attachment 1 hereto, at the addresses listed therein by depositing the same on **November 18, 1999**, in the United States mail in the City of Jackson, Michigan with first-class postage thereon fully paid.



Carolyn S. Hinton

Subscribed and sworn to before me this **18th** day of **November**, 1999.



Sammie B. Dalton
Notary Public, Jackson County, Michigan
My Commission Expires: January 4, 2000

Attachment 1 to Case Nos. U-11290, et al

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Attachment 1 to Case Nos. U11290, et al (Continued)

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Attachment 1 to Case Nos. U11290, et al (Continued)

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