

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
CONSUMERS ENERGY COMPANY)
for a partial waiver of the interval)
for leakage survey of copper services,)
currently contained in Rule 723)
of the Michigan Gas Safety Code)

Case No. U- 12103

APPLICATION OF CONSUMERS ENERGY COMPANY

Consumers Energy Company (“Consumers Energy” or the “Company” respectfully requests that the Michigan Public Service Commission (“Commission”) or (“MPSC”) grant a partial waiver of the interval for leakage survey of copper services, currently found in Rule 723; R 460.14723, of the Michigan Gas Safety Code. In support, Consumers Energy states as follows:

1. Consumers Energy is a public utility engaged in, among other things, the transportation, distribution and sale of natural gas to over 1.5 million customers in the lower peninsula of the State of Michigan. Consumers Energy’s gas system is fully integrated and interconnected, and is operated as a single system.

2. Consumers Energy’s retail gas sales business and its retail gas transportation business are subject to the jurisdiction of the Commission pursuant to various provisions of 1909 PA 300, as amended, MCLA 462.2 et seq, MSA 22.21 et seq; 1919 PA 419, as amended, MCLA 460.54 et seq, MSA 22.4 et seq; 1939 PA 3 (MCLA 460.1 et seq; MSA 22.13(1) et seq, and 1929 PA 9, as amended, MCLA 483.101 et seq.; MSA 22.1332(1) et seq; 1969 PA 165, as amended, MCLA 483.151 et seq, MSA 22.1332(1) et seq; and 1969 PA 306, as amended, MCLA 24.201 et seq, MSA 3.560(101) et seq.

3. Pursuant to the Natural Gas Pipeline Safety Act of 1968, as amended, 49 USCA § 60102, Consumers Energy is also subject to the jurisdiction of the United States Department of Transportation for the regulation of safety standards for pipeline facilities and for pipeline transportation of gas.

4. The State of Michigan, through this Commission as its state agency, is certified under the Natural Gas Pipeline Safety Act of 1968, as amended, 49 USCA § 60105, to prescribe natural gas safety standards and to enforce compliance with those standards for the transportation of natural gas through intrastate pipelines and intrastate pipeline facilities.

5. Pursuant to the Natural Gas Pipeline Safety Act of 1968, as amended 49 USCA § 60118(d), a state agency with a presently effective annual certification from the Secretary of Transportation may waive compliance with a safety standard under that Act if the state agency determines that the waiver of compliance is not inconsistent with the gas pipeline safety. 49 USC § 60118(d) further provides that any waiver granted by the state agency is subject to review by the Secretary of Transportation and that the state agency must give the Secretary of Transportation written notice of the waiver at least 60 days prior to the effective date of the waiver. The Michigan Public Service Commission has a presently-effective annual certification from the Secretary of Transportation.

6. Pursuant to § 3 of 1969 PA 165, as amended, MCL 483.153; MSA 22.1333, Consumers Energy's natural gas system must comply with the requirements of any standard prescribed by this Commission. The current standards are prescribed in the Michigan Gas Safety Code, as amended, 1979 Administrative Code, as supplemented, R 460.14001, et seq (the "Michigan Gas Safety Code"). By Order dated August 31, 1999 in Case No. U-1 1750, the Commission approved administrative rules that rescind the current Michigan Gas Safety Code and replace it with

new Michigan Gas Safety Standards (the “Michigan Gas Safety Standards”), R 460.20101, et seq, as set forth in the Order.

7. Pursuant to § 2(2) of 1969 PA 165, as amended, MCL 483.152(2); MSA 22.1332(2), this Commission may waive compliance with any standard established if the waiver is not inconsistent with gas pipeline safety.

8. The federal gas pipeline safety regulations administered by the Research and Special Programs Administration (“RSPA”) of the Department of Transportation include 49 CFR 192.723(b)(2), which is identical to the respective Michigan Gas Safety Code Rule 723(2)(b), [R 460.14723(2)(b)]. It is adopted by reference as Rule 606(2)(b), [R 460.206061 of the new Michigan Gas Safety Standards.

9. 49 CFR 192.723 (b)(2), [Rule 723(2)(b) of the current Michigan Gas Safety Code], requires that a leakage survey utilizing leak detector equipment shall be conducted outside business districts as frequently as necessary, but at intervals not exceeding 5 years. However, for cathodically unprotected distribution lines subject to 49 CFR 192.465(e) [Rule 465(5); R 460.14465(5) of the current Michigan Gas safety Code] on which electrical surveys for corrosion are impractical, survey intervals may not exceed 3 years.

10. Consumers Energy interprets these standards to require leakage surveys for cathodically protected steel distribution services at intervals of not more than 5 years, with the exception of isolated (electrically insulated) services leak surveyed on a 3 year interval, while copper distribution lines not cathodically protected must be leak surveyed at intervals of not more than 3 years.

11. Based upon an analysis of leaks related to copper services, Consumers Energy proposes to conduct leak surveys on certain portions of copper services at intervals of not more than

5 years. Corrosion leak data show that the leak rate for copper services is comparable to that for coated and wrapped steel services and more than 800 percent better than that for bare steel services. The Consumers Energy gas distribution system includes approximately 215,000 cathodically unprotected bare copper service lines that were installed during the period of 1960 through 1972. The incidence of corrosion leaks for such copper services during the period of 1987 through 1998 is comparable to that for coated and wrapped steel services, with an average leak rate incidence of 1.00 leaks per 1000 services for copper and 0.84 leaks per 1000 services for coated and wrapped steel, of which the majority must be surveyed for leaks on a five-year cycle. This compares with a rate of 8.14 for bare steel services. The details of this analysis are presented in the Testimony and Exhibits of James R. Cotant filed herewith.

12. Since many corrosion leaks on copper services have been associated with the use of winter road salts, Consumers Energy analyzed leak history records to determine (a) whether the location of the corrosion leaks on the services correlated with the use of road salts and (b) whether leak rates were significantly different for different parts of Consumers Energy's service area. Consumers Energy found that the majority of corrosion leaks on copper services were found within the road rights of way and that the leak rates were generally the same throughout Consumers Energy's service area. Approximately 1000 work orders related to underground corrosion leaks on copper services, for the period of 1994 through 1998, were examined. Approximately sixty percent of the corrosion leaks were found within the road rights of way, while the balance occurred on yard lines (the portion of the underground service lines on the customers' premises). As would be expected, in the urban areas where curbs and gutters exist and the road salt run-off is collected in storm drains, the leak rate percentages are lower. However, the leak rates in those areas are

nevertheless consistent with those in other parts of the State. The details of this investigation are presented in the Testimony and Exhibits of James R. Cotant and Eric D. Golke filed herewith.

13. Consumers Energy intends to comply with 49 CFR 192.723; Rule 723(2)(b) of the Michigan Gas Safety Code; Rule 606(2)(b) of the Michigan Gas safety Standards, for copper services by conducting mobile leak surveys on three-year intervals. However, based on the exceptionally low incidence of corrosion leaks on copper service lines, and the fact that the majority of the leaks have occurred within the road rights of way, Consumers Energy seeks a waiver of the three-year survey requirement for the yard lines and proposes to instead include them in walking surveys conducted at five year intervals. In addition, Consumers Energy will monitor the corrosion leak rate of copper services on an annual basis and re-evaluate the need for more frequent leak surveys of yard lines in the event there is a material increase in the average leak rate.

14. Consumers Energy submits that the proposed waiver will serve the public interest and that the granting of the requested waiver is not inconsistent with gas pipeline safety nor the principles of risk management.

15. Consumers Energy respectfully requests that the Commission approve the Waiver sought in the Application, without the time and expense of a public hearing.

WHEREFORE, Applicant respectfully requests that the Commission:

(a) Determine that the requested partial waiver is not inconsistent with gas pipeline safety and will serve the public interest;

(b) Grant the requested partial waiver;

(c) Provide the United States Department of Transportation's Office of Pipeline Safety Regulations written notice of the waiver of compliance **with** the requirements of 49 CFR 192.723(b)(2); Rule 723(2)(b) of the Michigan Gas Safety Code; Rule 606(2)(b) of the Michigan Gas

Safety Standards; and provide that the effective date of this waiver shall be 60 days after the date that Office is notified of this action or earlier if so approved by that office.

(d) Grant this Application without the time and expense of a public hearing; and

(e) Grant such other and further relief as is lawful and reasonable.

Respectfully submitted,

CONSUMERS ENERGY COMPANY

By: Kenneth L. Elenbaas
Kenneth L. Elenbaas
Manager of Gas Operations -
Technical Support

Dated: September 15, 1999

Raymond E. McQuillan
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STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

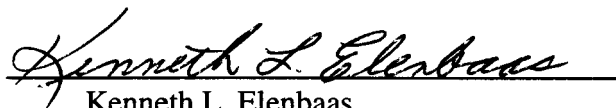
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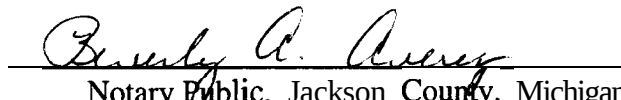
VERIFICATION

STATE OF MICHIGAN)
) SS
COUNTY OF JACKSON)

Kenneth L. Elenbaas, being first duly sworn, deposes and says that he is the Manager of Gas Operations - Technical Support representing Consumers Energy Company; that he has read the foregoing Application by him subscribed for and on behalf of said Applicant; that he knows the contents thereof to be true except to matters of information and belief which he believes to be true; and he is authorized to subscribe to said Application on behalf of Consumers Energy Company.


Kenneth L. Elenbaas
Manager of Gas Operations -
Technical Support

Subscribed and sworn to before me this 15th day of September, 1999.


Notary Public, Jackson County, Michigan Beverly A Avery
My Commission Expires: September 20, 2001