

MICHIGAN DEPARTMENT OF CONSUMER AND INDUSTRY SERVICES
Bureau of Hearings
Public Service Commission Division

INTEROFFICE COMMUNICATION

TO: The Commission

FROM: CALJ George Schankler

DATE: March 2, 2000

COMPANY: CONSUMERS ENERGY COMPANY **CASE NO:** U-12103

HEARING DATE: December 14, 1999

APPEARANCES: Raymond E. McQuillan, Attorney for Applicant

Patricia S. Barone, Assistant Attorney General on behalf of the MPSC
Staff

The above-referenced matter is hereby transmitted to the Commission for its consideration.

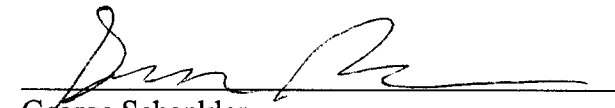
The application has been settled by the parties.

A hearing was held on December 14, 1999.

Section 81 of the Administrative Procedures Act of 1969, as amended, has been waived by all parties.

A proposed order and a copy of the settlement agreement are attached.

Respectfully submitted,


George Schankler
Chief Administrative Law Judge

GS/dp

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,	)	Case No. U-12103
currently contained in Rule 723	)	
of the Michigan Gas Safety Code	)	
_____	)	

SETTLEMENT AGREEMENT

On September 15, 1999 Consumers Energy Company (Consumers Energy) filed an application requesting a partial waiver of the interval for leakage survey of copper services.

Pursuant to due notice, interested persons were invited to submit comments or petition to intervene no later than December 7, 1999. No comments or petitions to intervene were filed. A prehearing conference was held on December 14, 1999. The Michigan Public Service Commission Staff (Staff) participated.

Consumers Energy and Staff hereby agree and stipulate to the following facts:

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. 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.

3. 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.

4. 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.

5. 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. By Order dated August 31, 1999 in Case No. U-11750, 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.

6. 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.

7. 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 former Michigan Gas Safety Code Rule 723(2)(b), [R 460.14723(2)(b)]. It is adopted by reference as Rule 606(2)(b), [R 460.20606] of the new Michigan Gas Safety Standards.

8. 49 CFR 192.723 (b)(2), [Rule 723(2)(b) of the former 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 former Michigan Gas Safety Code] on which electrical surveys for corrosion are impractical, survey intervals may not exceed 3 years.

9. Consumers Energy interpreted 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.

10. 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.

11. In support of its application Consumers Energy supplied the testimony of James R. Cotant, its Corrosion Control Program Manager. He demonstrated the history of underground corrosion leaks over the past 12 years for coated and wrapped steel services, bare

steel services, and copper services, along with the corresponding leak rate for each. He also provided the history of copper service leaks due to underground corrosion over a 12 year period identified by regional service area, including the corresponding leak rate for each area. Corrosion leak data show that the leak rate for copper services is comparable to that for coated and wrapped steel services and much 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. Copper gas distribution services perform very similar to coated and wrapped steel services and over 800% better than bare steel services. Based on the performance of copper services over the last 12 years, leak surveying the yard portion of copper services on an interval not to exceed five years seems to be reasonable, and with the majority of leaks occurring near the roadway, the proposal to do the mobile leakage survey on a three year cycle is not inconsistent with gas pipeline safety, and in the public interest.

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.

13. In support of its application, Consumers Energy also supplied the direct testimony of Eric D. Golke, who retired from Consumers Energy Company in 1999. Mr. Golke was the Superintendent in charge of a department of seven supervisors and approximately 50 employees who operated, maintained and constructed gas distribution facilities. Overall, 60.3% of the total leaks occurred in the road right-of-way portion of the copper service, while the balance occurred on yard lines (the portion of the underground service lines on the customers' premises). An accumulation of winter road salts for pavement de-icing was a major cause of the majority of leaks on copper services. This is true through all the areas in the state served by Consumers Energy Company. Approximately 1000 work orders related to underground corrosion leaks on copper services, for the period of 1994 through 1998, were examined. 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. Leak surveying copper services every three years in the road right-of-way and granting Consumers Energy's waiver proposal to leak survey the yard portion in an interval not to exceed every five years is not inconsistent with gas pipeline safety and is in the public interest.

14. Consumers Energy will comply with 49 CFR 192.723; Rule 606(2)(b) of the Michigan Gas Safety Standards (Rule 723(2)(b) of the former Michigan Gas Safety Code), 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.

15. The present leak survey frequency of copper services along roadways on a three year mobile unit survey cycle combined with the proposed partial waiver of the interval for leakage of copper services in the yard portion of properties on a five year walking survey cycle will result in these locations being surveyed along the roadways ten times (instead of six times) during the period from the year 2000 through the year 2015 because the walking survey of the yard portions of copper services will extend from the buildings to the road. Therefore, the four walking surveys between the year 2000 and the year 2015 will overlap with the six mobile surveys along the roadway such that the roadway portions of the copper services (where the majority of leaks occur) will be surveyed more frequently than the required three year interval.

16. The proposed waiver will serve the public interest and granting of the requested waiver is not inconsistent with gas pipeline safety nor the principles of risk management.

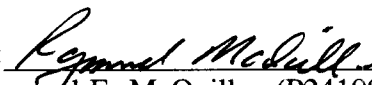
17. Staff has reviewed the application, and the testimony and exhibits attached to the application. Based on its review of this information, Staff agrees that the partial waiver of compliance is not inconsistent with gas pipeline safety and that public safety should not be adversely affected if the partial waiver of compliance is approved.

18. This Settlement Agreement has been made for the sole and express purpose of reaching a compromise and an accommodation among the parties. This settlement agreement is intended for final disposition of the issues in this proceedings and the parties hereto join in respectfully requesting the Commission to grant its prompt approval. It is the opinion of the signatories hereto that this settlement agreement will aid the expeditious conclusion of this case and minimize the expenditures of resources which would otherwise have to be devoted to this matter by the Commission and the parties.

19. Section 81 of the Administrative Procedures Act of 1969 is waived by the signatories.

CONSUMERS ENERGY COMPANY

Dated: February 23, 2000

By: 
 Raymond E. McQuillan (P24100)
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MICHIGAN PUBLIC SERVICE
 COMMISSION STAFF

Dated: February 24, 2000

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