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February 12, 2002

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

Re: Case No. U-12488

Dear Ms. Wideman:

Enclosed for filing in the above-referenced matter are an original and four copies of the "**Reply Of Consumers Energy Company To Energy Michigan's Petition For Rehearing And Clarification**". A Proof of Service is also enclosed. In addition, this document was filed electronically as part of the Commission's Electronic Filings Program.

Sincerely,

Jon R. Robinson

CC: Hon. James Rigas, ALJ
Parties per Attachment 1
to Proof of Service

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STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the rates, terms and Conditions for retail customers of CONSUMERS ENERGY COMPANY To choose an alternative electric supplier	)))))	Case No. U-12488

REPLY OF CONSUMERS ENERGY COMPANY
TO ENERGY MICHIGAN'S PETITION
FOR REHEARING AND CLARIFICATION

On December 20, 2001, the Commission issued its Opinion and Order ("December 20 Order") in this proceeding. On January 22, 2002, Energy Michigan filed a Petition for Rehearing and Clarification ("Petition"), raising five issues. Consumers Energy Company ("Consumers Energy") files this reply to Energy Michigan's Petition.

1. Waiver of Telemetry: Rule F2.2

This is the most significant of the changes sought by Energy Michigan in its Petition. Energy Michigan asks the Commission to make a substantive change in its December 20 Order, and in the Consumers Energy ROA program, by directing the Company to waive the long-standing telemetry requirement for customers over 20 kilowatts and below 1000 kilowatts. The Commission rejected this proposal in the December 20 Order (see December 20 Order, p. 28), and should reject it again.

Energy Michigan failed to present any evidence on this proposal. The first time it was ever mentioned in this case was in Energy Michigan's Brief, and then primarily in the context of an argument that asserted that the Detroit Edison telemetry requirement was causing delays in enrollments. The failure to present the proposal in evidence in this case deprived

Consumers Energy of the opportunity to present rebuttal evidence explaining the basis for the requirement, and the serious administrative and system redesign problems that would be caused by waiver of the requirement. The lack of any evidentiary support requires rejection of Energy Michigan's request on this issue.

The argument concerning waiver of the telemetry requirement was originally made in the context of complaints about the length of time it should take to complete enrollments. The Commission directly addressed this issue in the December 20 order when it imposed the 45 day enrollment deadline. See December 20 Order, p. 28. In any event, Consumers Energy disputes that it has experienced significant delays in completing enrollments, and also asserts that its performance in this area has seen steady improvements. Energy Michigan did not present any evidence in this case that even alleged that Consumers Energy was slow in enrolling customers. There is thus also no record support for the claim that Consumers Energy has been slow with enrollments—which is the premise for the telemetry waiver proposal.

The telemetry requirement for customers over 20 kilowatts was imposed in the first place because the FERC OATT requires that transmission service be billed on a calendar month (as opposed to billing month) basis. That is, all of these meters must be read within 1-2 days at the end of the calendar month in order to bill the OATT properly. Given the current number of active ROA customers, it is simply not feasible to accomplish that many manual meter reads on a 1-2 day schedule. As ROA expands to thousands of customers, the cost of attempting these meter reads on a manual basis would skyrocket. The telemetry requirement allows for electronic accessing of the necessary billing information in a far more economical and practical manner. In addition, the installation of telemetry equipment allows the utility, the

Retailer and the customer to obtain meter data that allows for a more accurate balancing of load and generation supply.

The fact that the Commission elected to impose different telemetry requirements on Detroit Edison is not reason enough to adopt any further changes to the Consumers Energy program. There are a number of differences between the two companies' ROA programs (e.g., load profiling, various business systems differences), and perfect conformity at this stage of ROA introduction is neither possible nor desirable. There will be later opportunities to revisit the telemetry requirement, if necessary, but there is no justification for ordering Consumers Energy to make this change at this time.

2. <u>Credit Requirements—Rule F3.2</u>

Energy Michigan asks the Commission to clarify that Rule F3.2 does not obligate an ROA customer with 24 months of good payment history as an ROA customer or as a full service customer to meet the creditworthiness standard set forth in Rule F3.2. Energy Michigan's request reflects a misunderstanding of this Rule. Rule F3.2 is in the "Retailer Section" of the tariffs, and thus was only intended to apply to Retailers or to ROA customers who enter into transmission service agreements directly. It does not apply to ROA customers who purchase distribution service from Consumers Energy and who have selected a Retailer that provides the necessary transmission service. Stated differently, the current rule only applies to "transmission-related charges."

Consumers Energy acknowledges that there is a short paragraph in the rule that refers to "distribution-related charges",[1] but that was only included in the tariff because, until

[1] This paragraph states: "The Retailer or Eligible ROA customer shall provide an amount of credit equal to two months of anticipated distribution-related charges. This requirement for distribution-related charges will terminate once the Retailer or Eligible ROA customer has accumulated 24 months of good payment history."

January 1, 2002, the Retailer in the Consumers Energy program had been paying the Transition Charge, which was considered a "distribution-related charge." Removal of this paragraph is one option; Consumers Energy would prefer to retain this paragraph, however, because of the possibility that Retailers may pay distribution-related charges at some time in the future, either as an option or otherwise, and the creditworthiness standard should apply to the totality of their payment obligations.

3. <u>Eligibility for Standby Service</u>

Energy Michigan argues that, as written, Rule F3.4B adopted by the Commission does not allow "marketers" to contract for ROA standby service. Using Energy Michigan's lexicon, a "marketer" is an entity that purchases and resells wholesale power, and may also purchase and resell transmission service to Retailers. Energy Michigan asks the Commission to clarify that marketers who have executed transmission service agreements can also purchase ROA standby service. Consumers Energy agrees that a marketer who enters into a transmission service agreement to resell to Retailers may also purchase ROA standby service. No changes to the ROA tariff are necessary in order to achieve this result.

4. <u>Rate Equalization Credit</u>

Energy Michigan asks that the residential ROA tariff sheet explicitly include the rate equalization credit described in the Commission's order in Case No. U-12639. Energy Michigan was apparently concerned because the tariff sheets attached to the December 20, 2001 order in Case No. U-12488 did not include that credit. In the tariff sheets filed by Consumers Energy in Case No. U-12488 on January 18, 2002, the rate equalization credit is stated. Thus, Energy Michigan already has the relief it seeks.

5. **ROA 45 Day Enrollment Deadline**

Energy Michigan asks the Commission to clarify that the 45 day enrollment period specified in the December 20, 2001 order refers to calendar, not business days. Consumers Energy understands that the period refers to calendar days. No tariff language change is necessary because the references to "days" in the ROA tariffs mean calendar days unless otherwise specified.

Consumers Energy asks that the Commission rule on Energy Michigan's Petition in a manner consistent with the comments expressed above.

Respectfully submitted,

CONSUMERS ENERGY COMPANY

Dated: February 12, 2002

By: ______________________

Jon R. Robinson
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PROOF OF SERVICE

STATE OF MICHIGAN)
) SS
COUNTY OF JACKSON)

Sammie B. Dalton, being first duly sworn, deposes and says that she is employed in the Legal Department of Consumers Energy Company; that on February 12, 2002 she served an electronic copy of the **"Reply Of Consumers Energy Company To Energy Michigan's Petition For Rehearing And Clarification"** upon the persons listed in Attachment 1 hereto, at the e-mail addresses listed therein. She further states that a hard copy of the same document was mailed to the addresses listed therein by depositing the same on February 12, 2002, in the United States mail in the City of Jackson, Michigan with first-class postage thereon fully paid.

Sammie B Dalton

Subscribed and sworn to before me this 12th day of February, 2002.

Holly J. Allen

Holly J. Allen
Notary Public, Jackson County, Michigan
My Commission Expires: 05/01/06

ATTACHMENT 1 -- TO CASE NO. U-12488

Administrative Law Judge

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