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December 15, 2000

Ms. Dorothy Wideman
Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way
Lansing, Michigan 48909

Re: MPSC Case No. U-12761

Dear Ms. Wideman:

Enclosed for filing please find the original and 17 copies of the application of Michigan Consolidated Gas Company ("MichCon") to terminate its experimental gas customer choice program and implement a modified voluntary customer choice program within its service area.

Please acknowledge receipt of this filing by date-stamping the additional copies provided and returning them to MichCon in the enclosed, self-addressed envelope.

Should you have any questions regarding this filing or require additional information, please do not hesitate to contact me. Your attention to this matter is appreciated.

Very truly yours,

David C. Champion
Senior Attorney

DCC/tmc

enclosures

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of **Michigan Consolidated Gas Company** to terminate its experimental gas customer choice program and implement a modified voluntary customer choice program within its service area.)	MPSC Case No. U-12761

Application of Michigan Consolidated Gas Company

Michigan Consolidated Gas Company ("MichCon" or "Company") submits this Application for authority to terminate its existing experimental gas customer choice pilot program and implement a modified voluntary gas customer choice program for all customers within MichCon's service territory effective April 1, 2001. In support of this Application MichCon states as follows:

1. MichCon is a Michigan corporation with its principle offices located at 500 Griswold Street, Detroit, Michigan 48226. MichCon is a public utility subject to the jurisdiction of the Commission and is engaged in the acquisition, storage, transportation, distribution, and sale of natural gas and other related services to 1.2 million residential, commercial, and industrial customers within the State of Michigan.

2. By Order issued April 28, 1998 in Case No. U-11682 (the "Year 1 Order"), the Commission approved a comprehensive, three-year experimental gas customer choice program intended to examine the benefits of making natural gas transportation service available to all customers within MichCon's service territory. By Order issued August 17, 1999 in Case No. U-12050 (the "Year 2 Order"), the Commission approved modifications to the gas customer choice program intended to improve the customer solicitation and enrollment processes,

minimize customer confusion, and ensure that adequate residential customer protections were in place.

3. By Order issued August 4, 2000 in Case No. U-12550, the Commission initiated a proceeding to facilitate the expansion of gas customer choice to all customers within the State of Michigan. The Commission's Order directed interested parties to engage in a collaborative effort to develop greater uniformity in the terms and conditions for the provision of gas customer choice to all customers within the State. The collaborative process initiated by the Commission resulted in the issuance of a Staff Report containing Staff's recommendations, and concluded with a Commission Order, dated October 13, 2000 ("Consensus Order"), addressing the various terms and conditions the Commission found appropriate for the provision of gas customer choice.

4. MichCon has reviewed its experiences and evaluated the results of its operations relative to the gas customer choice program approved in the Year 1 and Year 2 Orders. MichCon has also reviewed the findings and recommendations set forth in the Commission's Consensus Order. Based upon this review, MichCon submits that various elements of its current customer choice program must be modified if MichCon is to assist in achieving the Commission's goal of greater program uniformity as set forth in the Consensus Order. As importantly, modification of MichCon's current gas customer choice program will ensure that the benefits of gas customer choice are extended to all program participants.

5. Under MichCon's existing experimental customer choice program, MichCon's gas sales customers have clearly benefited from the fixed natural gas commodity price of $2.95 per Mcf approved in the Year 1 and Year 2 Orders. When compared against the current market price for natural gas, which has increased significantly in recent months, MichCon's fixed $2.95

per Mcf price has saved its customers millions of dollars. In addition, many customers – approximately 70,000 in Year 1 and 50,000 in Year 2 – have taken advantage of their opportunity to choose a gas supplier other than MichCon. These two outcomes alone highlight the success of MichCon's experimental program.

6. As reflected in the Staff's Report and the Consensus Order adopting it, and in light of the collective experience of gas customer choice program participants, a number of procedural changes are required to implement more uniform, workably competitive and permanent gas customer choice programs for the State of Michigan. In the Year 1 and Year 2 Orders, the Commission approved MichCon's proposed program terms and conditions, including: annual participation caps and commercial volume caps, a specific enrollment period, suspension of MichCon's gas cost recovery ("GCR") mechanism, a fixed natural gas commodity rate, a temporary moratorium on non-commodity rate adjustments, an income sharing mechanism, and suspension of MichCon's 90/10 refund mechanism. MichCon has determined that, if authorized by the Commission, it will voluntarily implement the modified gas customer choice program as described in this Application. The modified program described herein alters all of the above-mentioned terms and conditions except the suspension of MichCon's GCR clause and the use of the fixed natural gas commodity rate. MichCon is simultaneously seeking modification of those elements of its program in a separate Application. The modified program described in this Application would be made available to all customers within MichCon's service territory beginning April 1, 2001. Accordingly, and by this Application, MichCon respectfully requests that the Commission immediately approve the terms and conditions of the modified program described in further detail below.

7. MichCon's proposed gas customer choice program would adopt the participation phase-in caps and year-round enrollment period recommended in the Staff Report. During Year 1 of the modified program, 40% of MichCon's customers would be eligible to participate. In Year 2, 60% of customers would be eligible. Beginning in Year 3, the participation cap would be eliminated. This phased-in approach would allow over 400,000 MichCon customers to participate during Year 1 of the modified program, with potential participation increasing to over 600,000 customers during Year 2. Further, all customers will be eligible to participate at the outset of the program on a first-come, first-served basis, up to the respective participation caps.

8. In its Year 1 Order, the Commission determined that, during the term of the experimental program, MichCon or other parties could file a limited purpose rate case to seek rate adjustments for cost impacts from legislative action or accounting pronouncements promulgated by the Federal Accounting Standards Boards or the Securities and Exchange Commission if such actions or pronouncements impacted MichCon's annual revenue requirement by more than $5 million. By this application, MichCon proposes to terminate the temporary moratorium on non-commodity rate adjustments approved in the Year 1 Order effective December 31, 2000. MichCon's proposal to terminate the temporary moratorium on non-commodity rate adjustments is consistent with the proposed termination of its experimental program and with the other proposed rate changes included in this Application and the GCR Clause Filing.

9. As part of this Application, MichCon also proposes to terminate, effective December 31, 2000, the annual income sharing mechanism implemented as part of MichCon's experimental customer choice program. With the elimination of the temporary moratorium on non-commodity rate adjustments, as proposed in this Application, it is no longer necessary or

appropriate to maintain MichCon's income sharing mechanism. Concurrent with the elimination of the income sharing mechanism relative to MichCon's fixed natural gas commodity price, MichCon proposes to re-establish the 90/10 income sharing mechanism established in Case No. U-10150, Order dated October 28, 1993.

10. Appended to this Application, and made a part of it, are Exhibits addressing various aspects of MichCon's modified customer choice program. The proposed tariff sheets for MichCon's modified customer choice program are shown in Exhibit A. Exhibit B is the Authorized Gas Supplier Agreement. As directed by the Commission in its Consensus Order, the proposed tariff sheets, which mirror the tariff sheets distributed in conjunction with the Staff Report, have been modified in the following manner: (i) language requiring provision of customer names and addresses to suppliers has been removed; (ii) language has been added to the Transportation Standards of Conduct in Section F1(F) indicating that a marketer may make a standing request for contemporaneous disclosure of any discount or information related to the transportation, sales, or marketing of natural gas that the Company provides to a marketing affiliate, (iii) language allowing a 5% shortfall before imposition of a delivery failure fee has been removed from Section G1(J) with related changes in Sections G1(L) and G1(P), (iv) language in Section G4(B)(4) has been changed to indicate that customer inquiries to suppliers related to gas emergencies should be directed to the Company, (v) the first sentence of G1(C) has been revised to reflect the additional language regarding termination of a customer's selection of a supplier, and (vi) the second sentence of G4(B)(7) has been deleted.

11. As proposed by Staff, at the termination of MichCon's existing experimental customer choice program, customers will automatically revert back to MichCon's sales service unless MichCon receives valid notification that the customer has elected to purchase gas from an

alternative supplier. As observed by Staff, utilizing this process should minimize confusion and provide a relatively seamless transition from the experimental program to the permanent program.

12. In its Consensus Order, the Commission directed Staff to develop a generic gas customer choice awareness and education program. The Commission also directed Staff to involve other interested parties, such as LDCs, gas marketers and organizations representing customer groups, in the development of customer education programs. MichCon welcomes the opportunity to participate in the development of a customer awareness and education program. Moreover, as indicated in Staff's Report, it is unlikely that any uniform customer choice education program will commence prior to April 1, 2002. MichCon is committed to providing timely and accurate information to its customers. Pending development of the uniform customer education program ordered by the Commission, MichCon will utilize customer education materials similar to those used in its current program, as modified to reflect the program changes proposed in this Application. Consistent with past practice, MichCon will provide its revised customer education materials to the Staff for review before such materials are made available to MichCon's customers.

13. Staff proposed, and the Commission subsequently concurred, that a forum should be conducted to evaluate what services, if any, could eventually be unbundled. Staff further proposed that MichCon, Consumers Energy and other interested parties participate in the forum. MichCon is committed to actively participate in the proposed unbundling forum.

14. Finally, MichCon proposes minor revisions to the structure of its Rules, Regulations and Rate Schedules for Gas Service – MPSC No. 3 – Gas ("Tariff Book") to accommodate the proposed new gas customer choice tariff. In prior years, MichCon used

Section F of its Tariff Book to reflect those standardized forms and agreements relied on by MichCon in the conduct of its business. Such forms and agreements were generally submitted to, but never approved by the Commission. In furtherance of the Commission's stated goal of greater program uniformity among gas utilities, MichCon proposes to place its gas customer choice program rules and regulations and related tariffs in the same location as such tariffs are found in other gas utilities' tariff books. Accordingly, MichCon proposes that the standardized forms currently included in Section F of its Tariff Book be eliminated and that Section F be revised to include MichCon's Transportation Standards of Conduct. MichCon further proposes that its gas customer choice tariff be included in Section G of the Tariff Book.

15. The proposal to eliminate MichCon's experimental customer choice program and to voluntarily implement modified customer choice as described in this Application will not result in an increase in the cost of service to MichCon's customers. Accordingly, MichCon requests that the Commission approve this Application without the time and expense of a hearing. Prompt approval of this Application will ensure the continuing viability and expansion of choice and its benefits throughout Michigan.

16. The Commission has jurisdiction over MichCon's natural gas business and the authority necessary to grant the relief requested in this Application pursuant to 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, as amended, MCLA 460.1 et seq., MSA 22.13(1) et seq.; 1969 PA 306, as amended, MCLA 24.201 et seq., MSA 3.560(101) et seq.

WHEREFORE, Michigan Consolidated Gas Company respectfully requests that the Commission expeditiously issue an *ex parte* order:

A. Granting MichCon's request to voluntarily implement the modified gas customer choice program described in this Application;

B. Approving the Gas Customer Choice tariff shown on Exhibit A to this Application;

C. Eliminating the temporary moratorium on non-commodity rate adjustments effective December 31, 2000;

D. Eliminating the income sharing mechanism contained in MichCon's existing gas customer choice program effective December 31, 2000;

E. Restoring the 90/10 refund mechanism established in Case No. U-10150 effective January 1, 2001; and,

F. Granting such other relief as the Commission deems appropriate.

Respectfully submitted

MICHIGAN CONSOLIDATED GAS COMPANY

By ______________________
Harold Gardner
Vice-President

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Dated: December 15, 2000