David C. Champion
Senior Attorney

michcon

Michigan Consolidated Gas Company
500 Griswold Street, Detroit, MI 48226

313 256-5092
313 256-5251 FAX

December 15, 2000

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

Re: MPSC Case No. U-12763

Dear Ms. Wideman:

Enclosed for filing please find the original and 17 copies of the application of Michigan Consolidated Gas Company for authority to amend the Unauthorized Gas Usage Charge provision of its end-use gas transportation tariffs.

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** for Authority to Amend the Unauthorized Gas Usage Charge Provision of its End-Use Gas Transportation Tariffs	)))))	Case No. U-12763

Application of Michigan Consolidated Gas Company

Michigan Consolidated Gas Company ("MichCon" or the "Company") submits this Application to the Michigan Public Service Commission ("Commission" or MPSC") for authority to amend the Unauthorized Gas Usage Charge provision of MichCon's end-use gas transportation tariffs, Rate Schedules LT-1, LT-2, ST-1, and ST-2. 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. MichCon's natural gas business is subject to the jurisdiction of the Commission pursuant to various provisions of 1909 PA 300, as amended, MCL 462.2 et seq., MSA 22.21 et seq.; 1919 PA 419, as amended, MCL 460.54 et seq., MSA 22.4 et seq., 1939 PA 3, as amended, MCL 460.1 et seq., MSA 22.13(1) et seq., 1982 PA 304, MCL 460.6h, MSA 22.13 (6h); 1969 PA 306, as amended, and MCL 24.201 et seq., MSA 3.560 (101) et seq.

3. In Case No. U-8635 et al, Order dated December 22, 1988, the Commission, among other things, established an on-system gas transportation program for MichCon end-users by approving two transportation tariffs, Rate Schedule T-1 and Rate Schedule T-2. In Case No. U-10150, Order dated October 28, 1993, the Commission refined MichCon's end-use gas transportation program by approving separate tariffs for small and large end-use gas transportation customers. As a result, MichCon's existing end-use transportation tariffs include Rate Schedule ST-1, Rate Schedule ST-2, Rate Schedule LT-1, and Rate Schedule LT-2.

4. A common feature of MichCon Rate Schedules ST-1, ST-2, LT-1 and LT-2, is the provision for an Unauthorized Gas Usage Charge. The Unauthorized Gas Usage Charge is intended to discourage end-use gas transportation customers from relying on MichCon's system supply in instances where an end-use gas transportation customer's use of natural gas exceeds the cumulative volume of natural gas delivered to MichCon on the customer's behalf.

5. In Case No. U-12729, Order dated December 11, 2000, the Commission approved certain amendments to the Unauthorized Gas Usage Charge provisions contained in the small and large volume end-use gas transportation tariffs for Consumers Energy Company ("Consumers"). In that case, the Commission found that end-use gas transportation customers who secure their own natural gas supply must manage that supply to meet their overall needs. The Commission further found that discouraging end-use gas transportation customers and their suppliers from engaging in unauthorized use of Consumers' system-supply gas was in the public interest. The Commission said:

> " . . . the failure of gas transportation customers to meet their monthly delivery requirements could adversely affect system reliability and

> result in a situation in which Consumers is unable to provide continuous service to all customers on its system. Furthermore, the failure of transportation customers to meet their monthly delivery requirements could also result in Consumers being forced to purchase higher priced gas on the spot market to replace system supply gas used by transportation customers." (Order, at page 2).

For the foregoing reasons, among others, the Commission authorized Consumers to revise the Unauthorized Gas Usage Charge provision of its end-use gas transportation tariffs to permit imposition of an Unauthorized Gas Usage charge equal to *the highest price reported for MichCon, Michigan, Consumers Energy and Chicago LDC's during the applicable month as reported by <u>Gas Daily</u> or, in the event that <u>Gas Daily</u> discontinues its reporting of such prices, any comparable reporting service, plus $10 per Mcf* (Order, Attachment A, emphasis original) for all gas taken in excess of the cumulative volume delivered to Consumers.

6. MichCon's end-use gas transportation program does not differ substantively from Consumers' end-use gas transportation program. Moreover, the circumstances warranting approval of Consumers' proposed amendment to its Unauthorized Gas Usage Charge apply with equal force to MichCon. The cost of natural gas in the marketplace has increased significantly in recent months. Indeed, the price of natural gas reported on the New York Mercantile Exchange in recent days has exceeded $9.00 per Mcf, not including the cost of transportation capacity to Michigan. Further, the cost of gas has become increasingly more volatile.

7. In light of the increasing volatility of natural gas prices, and to ensure that this factor does not encourage end-use gas transportation customers to employ the Company's transportation tariffs to the operational or economic detriment of MichCon's other gas sales rate schedule customers, MichCon respectfully requests that the Commission authorize

MichCon to amend the Unauthorized Gas Usage Chare provision of its end-use gas transportation tariffs to include language identical to that approved for inclusion in Consumers' end-use gas transportation tariffs. Revised tariffs setting forth the proposed amendments to MichCon's end-use gas transportation Rate Schedules LT-1, LT-2, ST-1, and ST-2, are included as Attachment A to this Application.

8. The Unauthorized Gas Usage Charge addressed in this Application is intended solely to deter customers from violating other tariff requirements and, as a result, customers operating in compliance with those tariff requirements never pay the charge. Accordingly, granting the relief requested in this Application will not increase the cost of service to MichCon's other customers. MichCon therefore requests that the Commission approve the tariff amendments proposed in this Application without the time and expense of a public hearing.

WHEREFORE, Michigan Consolidated Gas Company respectfully requests that the Commission:

(A) Approve MichCon's request to amend the Unauthorized Gas Usage Charge provision of MichCon's end-use gas transportation tariffs, Rate Schedules LT-1, LT-2, ST-1, and ST-2 as described in the Application;

(B) Determine that the relief requested herein should be granted without the time and expense of a public hearing; and,

(C) Grant MichCon such other and further relief as is lawful and appropriate.

Respectfully submitted,

MICHIGAN CONSOLIDATED GAS COMPANY

By: ____________________

David C. Champion (P42665)
Senior Attorney
500 Griswold Street, G. B. 9
Detroit, Michigan 48226
(313) 256-5092

Dated: December 15, 2000

(Continued From Sheet No. E-34.00)

Rate Schedule No. ST-1 (Continued) **Applicable to All Districts**

System-Supply Entitlement Charge:

Customers have the option of paying a System-Supply Entitlement Charge of $0.20 per 100 cubic feet. The Company shall discount the Charge for all customers to reflect the currently effective unavoidable pipeline charges, but the Charge shall not be less than $0.03 per 100 cubic feet, unless otherwise approved by the Commission. Once the Charge (including any discounts) is in effect, that Charge shall remain in effect until all appropriate customers are notified of a revised charge. Notice must occur at least 15 days prior to the beginning of the billing month in which that revised charge is to be in effect. Customers may choose to pay this Charge at their option. This choice shall be made within 90 days of selecting transportation service, and a customer may choose to pay this Charge on a fixed monthly quantity or percentage of its total transportation requirements. This provision is not available for transportation service under contracts effective on and after January 3, 1994.

Surcharges:

This Rate is subject to Surcharges shown on Sheet No. E-2.00.

Authorized Gas Usage:

A customer currently paying the System-Supply Entitlement Charge has automatic access to the Company's system supply for all gas taken by the customer in excess of the cumulative volumes delivered to the Company (less gas-in-kind) on behalf of that customer, up to the quantity or percentage of system-supply entitlement the customer has selected. The customer shall pay for this authorized gas usage at the customer's sales rate.

Unauthorized Gas Usage:

If a customer uses the Company's system supply, then the customer shall pay for unauthorized gas usage at the *highest price reported for MichCon, Michigan, Consumers Energy and Chicago LDCs during the applicable month as reported by Gas Daily or, in the event that Gas Daily discontinues its reporting of such prices, any comparable reporting service,* plus $1.00 per 100 cubic feet for all gas taken by the customer in excess of the cumulative volume delivered to the Company (less use and loss) on behalf of the customer.

Load Balancing Storage Charge:

(A) A customer shall be charged $0.025 per 100 cubic feet per month plus 0.9% for fuel for injection, for the storage of any month-end balance of gas that exceeds 10% of the annual contract quantity. The 0.9% for fuel for injection shall be paid for by gas-in kind.

(Continued on Sheet No. E-36.00)

(Continued From Sheet No. E-37.01)

Rate Schedule No. ST-2 (Continued) **Applicable to All Districts**

System-Supply Entitlement Charge:

Customers have the option of paying a System-Supply Entitlement Charge of $0.20 per 100 cubic feet. The Company shall discount the Charge for all customers to reflect the currently effective unavoidable pipeline charges, but the Charge shall not be less than $0.03 per 100 cubic feet, unless otherwise approved by the Commission. Once the Charge (including any discounts) is in effect, that Charge shall remain in effect until all appropriate customers are notified of a revised charge. Notice must occur at least 15 days prior to the beginning of the billing month in which that revised charge is to be in effect. Customers may choose to pay this Charge at their option. This choice shall be made within 90 days of selecting transportation service, and a customer may choose to pay this Charge on a fixed monthly quantity or percentage of its total transportation requirements. This provision is not available for transportation service under contracts effective on and after January 3, 1994.

Surcharges:

This Rate is subject to Surcharges shown on Sheet No. E-2.00.

Authorized Gas Usage:

A customer currently paying the System-Supply Entitlement Charge has automatic access to the Company's system supply for all gas taken by the customer in excess of the cumulative volumes delivered to the Company (less gas-in-kind) on behalf of that customer, up to the quantity or percentage of system-supply entitlement the customer has selected. The customer shall pay for this authorized gas usage at the customer's sales rate.

Unauthorized Gas Usage:

If a customer uses the Company's system supply, then the customer shall pay for unauthorized gas usage at the *highest price reported for MichCon, Michigan, Consumers Energy and Chicago LDCs during the applicable month as reported by Gas Daily or, in the event that Gas Daily discontinues its reporting of such prices, any comparable reporting service,* plus $1.00 per 100 cubic feet for all gas taken by the customer in excess of the cumulative volume delivered to the Company (less use and loss) on behalf of the customer.

Load Balancing Storage Charge:

(A) A customer shall be charged $0.025 per 100 cubic feet per month, plus 0.9% for fuel for injection, for the storage of any month-end balance of gas that exceeds 10% of the annual contract quantity. The 0.9% for fuel for injection shall be paid for by gas-in-kind.

(Continued on Sheet No. E-39.00)

(Continued From Sheet No. E-41.00)

Rate Schedule No. LT-1 (Continued) **Applicable to All Districts**

System-Supply Entitlement Charge:

Customers have the option of paying a System-Supply Entitlement Charge of $0.20 per 100 cubic feet. The Company shall discount the Charge for all customers to reflect the currently effective unavoidable pipeline charges, but the Charge shall not be less than $0.03 per 100 cubic feet, unless otherwise approved by the Commission. Once the Charge (including any discounts) is in effect, that Charge shall remain in effect until all appropriate customers are notified of a revised charge. Notice must occur at least 15 days prior to the beginning of the billing month in which that revised charge is to be in effect. Customers may choose to pay this Charge at their option. This choice shall be made within 90 days of selecting transportation service, and a customer may choose to pay this Charge on a fixed monthly quantity or percentage of its total transportation requirements. This provision is not available for transportation service under contracts effective on and after January 3, 1994.

Surcharges:

This Rate is subject to Surcharges shown on Sheet No. E-2.00.

Authorized Gas Usage:

A customer currently paying the System-Supply Entitlement Charge has automatic access to the Company's system supply for all gas taken by the customer in excess of the cumulative volumes delivered to the Company (less gas-in-kind) on behalf of that customer, up to the quantity or percentage of system-supply entitlement the customer has selected. The customer shall pay for this authorized gas usage at the customer's sales rate.

Unauthorized Gas Usage:

If a customer uses the Company's system supply, then the customer shall pay for unauthorized gas usage at the *highest price reported for MichCon, Michigan, Consumers Energy and Chicago LDCs during the applicable month as reported by Gas Daily or, in the event that Gas Daily discontinues its reporting of such prices, any comparable reporting service,* plus $1.00 per 100 cubic feet for all gas taken by the customer in excess of the cumulative volume delivered to the Company (less use and loss) on behalf of the customer.

Load Balancing Storage Charge:

(A) A customer shall be charged $0.025 per 100 cubic feet per month, plus 0.9% for fuel for injection, for the storage of any month-end balance of gas that exceeds 10% of the annual contract quantity. The 0.9% for fuel for injection shall be paid for by gas-in-kind.

(Continued on Sheet No. E-43.00)

(Continued From Sheet No. E-45.00)

Rate Schedule No. LT-2 (Continued) **Applicable to All Districts**

System-Supply Entitlement Charge:

Customers have the option of paying a System-Supply Entitlement Charge of $0.20 per 100 cubic feet. The Company shall discount the Charge for all customers to reflect the currently effective unavoidable pipeline charges, but the Charge shall not be less than $0.03 per 100 cubic feet, unless otherwise approved by the Commission. Once the Charge (including any discounts) is in effect, that Charge shall remain in effect until all appropriate customers are notified of a revised charge. Notice must occur at least 15 days prior to the beginning of the billing month in which that revised charge is to be in effect. Customers may choose to pay this Charge at their option. This choice shall be made within 90 days of selecting transportation service, and a customer may choose to pay this Charge on a fixed monthly quantity or percentage of its total transportation requirements. This provision is not available for transportation service under contracts effective on and after January 3, 1994.

Surcharges:

This Rate is subject to Surcharges shown on Sheet No. E-2.00.

Authorized Gas Usage:

A customer currently paying the System-Supply Entitlement Charge has automatic access to the Company's system supply for all gas taken by the customer in excess of the cumulative volumes delivered to the Company (less gas-in-kind) on behalf of that customer, up to the quantity or percentage of system-supply entitlement the customer has selected. The customer shall pay for this authorized gas usage at the customer's sales rate.

Unauthorized Gas Usage:

If a customer uses the Company's system supply, then the customer shall pay for unauthorized gas usage at the *highest price reported for MichCon, Michigan, Consumers Energy and Chicago LDCs during the applicable month as reported by Gas Daily or, in the event that Gas Daily discontinues its reporting of such prices, any comparable reporting service,* plus $1.00 per 100 cubic feet for all gas taken by the customer in excess of the cumulative volume delivered to the Company (less use and loss) on behalf of the customer.

Load Balancing Storage Charge:

(A) A customer shall be charged $0.025 per 100 cubic feet per month, plus 0.9% for fuel for injection, for the storage of any month-end balance of gas that exceeds 10% of the annual contract quantity. The 0.9% for fuel for injection shall be paid for by gas-in-kind.

(Continued on Sheet No. E-47.00)