

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of	)	
MICHIGAN CONSOLIDATED GAS COMPANY	)	
for ex parte approval of certain amendments	)	Case No. U-12763
to its gas transportation tariffs.	)	
_____	)	

At the January 23, 2001 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Laura Chappelle, Chairman
Hon. David A. Svanda, Commissioner
Hon. Robert B. Nelson, Commissioner

ORDER APPROVING APPLICATION

On December 15, 2000, Michigan Consolidated Gas Company (Mich Con) filed an application requesting approval of certain amendments to the unauthorized gas usage charge provisions in its small and large volume gas transportation rate schedules (ST-1, ST-2, LT-1, and LT-2).

The purpose of the unauthorized gas usage charge is to discourage unauthorized use of sales supply gas by Mich Con's transportation customers. According to Mich Con, significant increases in the cost of gas in the marketplace and increased market volatility have created a situation in which the charge's current provisions may be inadequate to discourage such unauthorized use. It further states that the potential harm arising from unauthorized gas usage is particularly significant during the winter heating season.

Mich Con goes on to state that it seeks authority to revise the methodology for calculating the unauthorized gas usage charge to correspond to the methodology recently approved for Consumers Energy Company (Consumers) by the December 11, 2000 order in Case No. U-12729. Specifically, Mich Con proposes that the charge be determined using the highest reported market price for Chicago and Michigan markets for the month in which unauthorized gas usage occurs, plus \$10 per thousand cubic feet.

The Commission has reviewed Mich Con's application and finds that the proposed change in the methodology for calculating the unauthorized gas usage charge for transportation customers is reasonable and in the public interest, and should be approved. Transportation customers that secure their own gas supply must manage that supply to meet their overall needs. Moreover, it is in the public interest to discourage gas transportation customers and their suppliers from making unauthorized use of system supply gas. Specifically, the failure of gas transportation customers to meet their monthly delivery requirements could adversely affect system reliability and result in a situation in which Mich Con 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 Mich Con being forced to purchase higher priced gas on the spot market to replace system supply gas used by transportation customers.

The revised methodology for determining the unauthorized gas usage charge proposed by Mich Con is consistent with the methodology for determining the excess usage charge recently approved for Consumers in Case No. U-12729. Increasing market prices, the rising volatility of those prices, and the onset of the winter heating season support prompt action on Mich Con's application.

The unauthorized gas usage charge is imposed on a customer only if, for a given month, gas taken by that customer exceeds the volume of gas delivered to Mich Con on behalf of that customer plus allowable withdrawals from storage. This charge is intended solely to deter customers from violating other tariff requirements and, as a result, customers operating in compliance with those tariff requirements will never pay the charge. Thus, granting the relief sought in Mich Con's application will not increase the cost of service to Mich Con's customers. Therefore, the Commission may approve the tariff amendments without providing notice or an opportunity for hearing, pursuant to MCL 460.6a; MSA 22.13(6a). The Commission further finds that the changes should become effective for service rendered on and after February 1, 2001.

The Commission FINDS that:

- a. Jurisdiction is pursuant to 1909 PA 300, as amended, MCL 462.2 et seq.; MSA 22.21 et seq.; 1919 PA 419, as amended, MCL 460.51 et seq.; MSA 22.1 et seq.; 1939 PA 3, as amended, MCL 460.1 et seq.; MSA 22.13(1) et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; MSA 3.560(101) et seq.; and the Commission's Rules of Practice and Procedure, as amended, 1992 AACS, R 460.17101 et seq.
- b. It is in the public interest to deter unauthorized use of system supply gas by transportation customers.
- c. Mich Con's proposed amendments to the unauthorized gas usage charge provisions in its small and large volume gas transportation tariffs, as set forth in Exhibit A attached to this order, are reasonable and in the public interest, and should be approved.
- d. Ex parte approval is appropriate.

THEREFORE, IT IS ORDERED that:

A. Michigan Consolidated Gas Company is authorized to amend its rules, regulations, and rate schedules to reflect the revised methodology for calculating the unauthorized gas usage charge in transportation tariffs ST-1, ST-2, LT-1, and LT-2.

B. The tariff language set forth on Exhibit A shall take effect for service rendered on and after February 1, 2001.

C. Michigan Consolidated Gas Company shall file, within 30 days, tariff sheets essentially the same as those attached to this order as Exhibit A.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26; MSA 22.45.

MICHIGAN PUBLIC SERVICE COMMISSION

(S E A L)

/s/ Laura Chappelle
Chairman, abstaining.

By its action of January 23, 2001.

/s/ David A. Svanda
Commissioner

/s/ Dorothy Wideman
Its Executive Secretary

/s/ Robert B. Nelson
Commissioner

THEREFORE, IT IS ORDERED that:

A. Michigan Consolidated Gas Company is authorized to amend its rules, regulations, and rate schedules to reflect the revised methodology for calculating the unauthorized gas usage charge in transportation tariffs ST-1, ST-2, LT-1, and LT-2.

B. The tariff language set forth on Exhibit A shall take effect for service rendered on and after February 1, 2001.

C. Michigan Consolidated Gas Company shall file, within 30 days, tariff sheets essentially the same as those attached to this order as Exhibit A.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26; MSA 22.45.

MICHIGAN PUBLIC SERVICE COMMISSION

Chairman, abstaining.

By its action of January 23, 2001.

Commissioner

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Suggested Minute:

“Adopt and issue order dated January 23, 2001 authorizing Michigan Consolidated Gas Company to amend its gas transportation tariffs, as set forth in the order.”