

David C. Champion
Senior Attorney



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

313 256-5092
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May 18, 2001

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

**Re: Application of MICHIGAN CONSOLIDATED GAS COMPANY
to amend Tariff Rule B3, Controlled Service; MPSC Case No. U-12950
(e-file)**

Dear Ms. Wideman:

Enclosed for filing in the referenced matter, please find the original and 5 copies of the application of Michigan Consolidated Gas Company (MichCon).

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

Very truly yours,

A handwritten signature in cursive script that reads "David C. Champion". The signature is fluid and stylized, with the first and last names being more prominent.

DCC

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of MICHIGAN)	
CONSOLIDATED GAS COMPANY to amend)	Case No. U-12950
<u>Tariff Rule B3, Controlled Service.</u>)	

APPLICATION

Michigan Consolidated Gas Company (MichCon) files this application pursuant to 1909 PA 300, as amended, MCL 462.2 et seq.; 1919 PA 419, as amended, MCL 460.51 et seq.; 1939 PA 3, as amended, MCL 460.1 et seq.; 1969 PA 306, as amended, MCL 24.201; and the Commission’s Rules of Practice and Procedure, Mich Administrative Code, R 460.17101 et seq. This application requests ex parte approval to amend MichCon’s Tariff Rule B.3, Controlled Service. In support of this application, MichCon shows the following:

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 current Tariff Rule B3, M.P.S.C. No.4 – Gas (Rule B3), entitled “Controlled Service” provides, in pertinent part, that as MichCon is able to contract for new gas supplies at reasonable and prudent prices, terms and conditions, it will approve applications for sales service in accordance with the six Controlled Service Priority categories set forth in Rule B3 (G)(1). Generally, under the Controlled Service Priority procedures in Rule B3, MichCon opens the highest priority first and then, if all applicants under that priority are granted sales service, the next priority may be opened.

3. Beginning with the highest priority, Priority One, the six priorities under Rule B3(G)(1) are as follows:

Priority One: The use of natural gas by any residential or commercial customer for any purpose except space heating and air conditioning.

Priority Two: The use of natural gas by any residential customer for space heating or air conditioning and the use of natural gas for services essential for public health and safety.

Priority Three: The use of natural gas by any industrial customer for industrial processing or in gas fired after burners to limit or abate obnoxious odors or air pollution.

Priority Four: The use of natural gas by any non-residential customer for space heating or air conditioning.

Priority Five: The use of natural gas for all other purposes not listed in Priority One through Priority Four or Priority Six.

Priority Six: The use of natural gas for the generation of steam or electricity by utilities, or the firing of kilns which can be fired by other fuels.

4. By application dated July 11, 2000 in Case No. U-12521, MichCon requested a temporary waiver of certain provisions of Rule B3. MichCon's application for temporary waiver of Rule B3 was filed in conjunction with MichCon's contemporaneous request in Case No. U-12524 to amend its T-1 and T-2 gas transportation tariffs to allow its gas transportation customers to return to sales service upon 12 months prior notice, with the notice provision to be phased-in over a 12 month period.

5. By order issued July 17, 2000, the Commission granted MichCon's request for a temporary waiver of priorities three through six of Rule B3. The Commission granted the requested waiver to avoid the potentially adverse effect that closing those priorities might have on new non-residential customers using less than 15,000 Mcf/year, and those non-residential customers participating in MichCon's experimental gas customer choice program who elect to return to MichCon's sales service. The temporary waiver granted by the Commission was to

remain in effect until the earlier of the conclusion of the phase-in period for the 12-month notice requirement approved in Case No. U-12524, or the issuance of a final order formally amending MichCon Tariff Rule B3.

6.. MichCon's current Tariff Rule B3 was last reviewed and revised by the Commission's order dated October 28, 1993, in Case Nos. U-10149, U-10150. Since that time, the natural gas industry in Michigan has undergone significant change. In particular, the ability of customers to choose their natural gas supplier pursuant to the experimental gas customer choice program approved in Case No. U-11682, coupled with the increasing volatility in the price of natural gas, has created the potential for significant upward swings in natural gas volumes required to meet MichCon's system supply requirements if, and to the extent, customers elect to switch from an alternative natural gas supplier to MichCon's sales service. For these reasons, MichCon proposes to amend Rule B3, both to simplify the tariff and to modify the Controlled Service priorities to reflect the volumetric requirements of customers rather than the uses to which those requirements apply. The changes proposed by MichCon for Controlled Service priorities One through Six are as follows:

PRIORITY ONE

The use of natural gas by any residential ~~or commercial~~ customer for any purpose ~~except space heating or air conditioning~~.

PRIORITY TWO

The use of natural gas ~~by any residential customer for space heating or air conditioning and the use of natural gas~~ for services essential for public health and safety regardless of annual consumption.

PRIORITY THREE

The use of natural gas by any commercial or industrial customer ~~for industrial processing or in gas fired after burners to limit or abate obnoxious odors or air pollution~~ with annual consumption less than 3,000 Mcf.

PRIORITY FOUR

The use of natural gas by any ~~non-residential customer for space heating or air conditioning~~ commercial or industrial customer with annual consumption equal to or greater than 3,000 Mcf but less than 15,000 Mcf.

PRIORITY FIVE

The use of natural gas ~~for all other purposes not listed in Priority One through Priority Four or Priority Six~~ by any commercial or industrial customer with annual consumption equal to or greater than 15,000 Mcf but less than 100,000 Mcf.

PRIORITY SIX

The use of natural gas ~~for the generation of steam or electricity by utilities, or the firing of kilns which can be fired by other fuels~~ by any commercial or industrial customer with annual consumption equal to or greater than 100,000 Mcf.

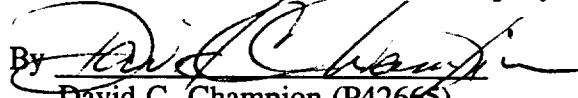
Exhibit A, which is attached to this application and made a part of it, is a mark-up of MichCon's proposed revisions to its Tariff Rule B3, including those identified above.

WHEREFORE, based on the foregoing, MichCon respectfully requests that the Commission issue an ex parte order:

- A. Granting MichCon's request to amend its Tariff Rule B3, Controlled Service;
- B. Approving MichCon's request to amend its Tariff Rule B3, Controlled Service, ex parte, as such action will not alter or amend the cost of service to customers in any way; and,
- C. Granting such other and further relief as may be deemed just and reasonable.

Respectfully submitted

Michigan Consolidated Gas Company

By 
David C. Champion (P42665)

Senior Attorney
500 Griswold Street
Detroit, MI 48226
(313) 256-5092

Dated: May 18, 2001

(Continued From Sheet No. B-23.00)

B2.6 Meter Readers and Complaints:

Requests for service and complaints may be made at an office of the Company in the District where service is rendered. Meter readers are not authorized to take such requests and complaints.

B2.7 Modification by Agents:

No agent of the Company shall have the power to amend, modify, alter or waive any of the conditions of any gas service contract, except upon the approval of a duly authorized officer of the Company, or to bind the Company by making any promise or representation contrary to or inconsistent with these Rules and Regulations or with the provisions of any contract.

B2.8 Amendments:

Subject to the approval of the Michigan Public Service Commission, the Company may alter or amend its Rules and Regulations from time to time, and add such further and other Rules and Regulations as experience may suggest.

B3. CONTROLLED SERVICE

(A) Scope

This Controlled Service Rule provides the Company with the authorization to control the attachment of additional ~~system supply~~ gas sales load and non-system supply load, consistent with changes in gas supply as they occur.

(B) Application

- (1) ~~All customers requesting gas service, except those seeking gas for residential use or for single family space heating use, must~~ Upon declaration of a Controlled Service condition, all those customers within the affected priorities requesting gas sales service shall make written application for such service on a form provided by the ~~utility~~ Company.
- (2) Existing gas sales customers requesting to attach additional gas burning equipment, existing Gas Customer Choice customers or existing transportation customers shall not be given preferential treatment over new customers but shall be considered the same as new customers in accordance with this Controlled Service Rule.

(Continued on Sheet No. B-25.00)

ISSUED _____ BY
H. GARDNER
VICE PRESIDENT, MARKETING,
SALES & REGULATORY AFFAIRS

DETROIT, MICHIGAN

EFFECTIVE FOR GAS SERVICE
RENDERED ON AND AFTER

ISSUED UNDER AUTHORITY OF THE
MICHIGAN PUBLIC SERVICE COMM.
DATED _____
IN CASE NO. U-_____

(Continued From Sheet No. B-24.00)

B3. CONTROLLED SERVICE (Continued)

~~(3) A transportation customer who pays the System Supply Entitlement Charge may apply for firm sales service prior to December 22, 1993 or within a period of five years after the customer initiates transportation service, whichever is later. If the customer pays the System Supply Entitlement Charge on a portion of its load, it may apply for firm sales service at any time on that portion; but it must await the completion of the five-year period on that portion for which the System Supply Entitlement Charge is not paid. This provision is not available for transportation service under contracts effective on and after January 3, 1994.~~

(C) Approval

- (1) As the Company is able to contract for ~~new~~ gas supplies at reasonable and prudent prices, terms, and conditions, applications for ~~firm~~ gas sales service will be approved *subject to the following conditions:*
 - (a) Approval will be on a first-come, first-served basis within each Controlled Service Priority.
 - (b) The Company will open the highest priority first. If all the applicants within that priority are granted gas sales service, and sufficient supply is available, the next highest priority will be opened.
 - (c) If the available supply is committed before granting all applicants gas sales service, then those applicants who do not receive gas sales service shall have their standing reserved within their priority, but will not receive preference over a later applicant who qualifies for a higher priority, when gas again becomes available and priorities are again opened.
- (2) An applicant whose Controlled Service Priority is open at the time of application may be granted ~~immediate~~ approval provided such applicant demonstrates to the satisfaction of the Company that the construction and installation of the necessary equipment will proceed in a timely manner.
- (3) An applicant whose Controlled Service Priority is closed at the time of application, such that gas sales service is not initially granted, shall have his application for gas sales service kept on file by Controlled Service Priority and date application is received.
- (4) Notification of approval shall specify the date within which service must be commenced.

(Continued on Sheet No. B-26.00)

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(Continued From Sheet No. B-25.00)

B3. CONTROLLED SERVICE (Continued)

- (2 5) The Company may not grant gas sales service to new customers or permit the attachment of additional gas burning equipment by existing customers *in a service area*, if:
- (a) The Company is curtailing any customers under Rule D3.1 *in that service area*.
- (b) The Company is curtailing any customers under Rule B4 *in that service area*; except that the Company may attach new residential customers provided no customers in Curtailment Priority Two are being curtailed.
- (6) *The Company reserves the right to attach new interruptible loads.*

(D) Forfeiture

- (1) An applicant who is not initially granted gas sales service, shall notify the Company in writing, within 30 days of the date of notification of approval, of ~~his~~ *the customer's* intention to accept gas sales service, otherwise the approved application is void.
- (2) A customer shall install the necessary equipment and commence gas sales service by the date specified in the Company's notification of approval, otherwise the customer's ~~forfeits his~~ reservation of gas supply *is forfeited and the customer must make a new application for service.*
- (3) If at any time after commencing gas sales service, a customer desires to burn an alternate fuel in place of system supply purchases, that customer will nominate nameplate ratings to which a Standby Service Charge is applied, otherwise such customer forfeits gas sales customer status. This provision is waived for customers who are being curtailed pursuant to Rule B4 or Rule D3.1.
- (4) The Company reserves the right to discontinue service to any customer who violates any of the provisions of this Rule.

~~(E) Impact on Existing Customers~~

- ~~(1) The Company may grant sales service to new customers, or permit the attachment of additional gas burning equipment by existing customers, when:~~
- ~~(a) Current system supplies are sufficient to provide reliable long term service to both the Company's existing sales customers and the new sales load being attached.~~
- ~~(b) The acquisition of additional supplies allows the attachment of new sales load. The Company will be responsible for the reasonableness and prudence of such additional gas acquisitions.~~

(Continued on Sheet No. B-27.00)

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(Continued From Sheet No. B-26.00)

B3. CONTROLLED SERVICE (Continued)

(F E) Restricted Sales

If a Controlled Service situation is in effect, and:

- (1) As a result of warmer-than-normal weather, or other factors, the Company has system-supply volumes in excess of its immediate gas sales load, the Company may sell such excess gas to customers other than system-supply gas sales customers. However, the availability of system supply gas for sale to non-system supply customers is conditioned on and subject to:
- (a) ~~The requirements of present and future system supply customers of the utility.~~
 - (b) ~~The sale of excess system supply causing no detriment to the Company's system supply.~~
 - (e a) The designation of all sales of excess system supply as super-interruptible load subject to Curtailment Priority Five of Rule B4.
 - (d b) Commission approval of non-tariff sales on a special contract basis, limited as to time and volume.
- (2) ~~The Company has gas supplies available to it on a short term or best efforts basis, that are not required for, and are incremental to system supply, such supply may be sold on a special contract basis, limited as to time and volume, and subject to Commission approval. Incremental supplies sold on a special contract basis will cause no detriment to the Company's system supply.~~

(G F) Priorities

- (1) ~~For purposes of controlling new customers seeking sales status, the following categories are hereby established, of which Priority Six constitutes the lowest priority and Priority One the highest priority. Service shall be controlled under this Rule in accordance with the following Priorities: Priority One constitutes the highest Priority. Priority Six constitutes the lowest Priority, which will be the first Priority controlled.~~

(Continued on Sheet No. B-28.00)

ISSUED _____ BY
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(Continued From Sheet No. B-27.00)

B3. CONTROLLED SERVICE (Continued)

PRIORITY ONE

The use of natural gas by any residential ~~or commercial~~ customer for any purpose ~~except space heating or air conditioning~~.

PRIORITY TWO

The use of natural gas ~~by any residential customer for space heating or air conditioning and the use of natural gas~~ for services essential for public health and safety *regardless of annual consumption*.

PRIORITY THREE

The use of natural gas by any ~~commercial or industrial~~ customer ~~for industrial processing or in gas fired after burners to limit or abate obnoxious odors or air pollution with annual consumption less than 3,000 Mcf~~.

PRIORITY FOUR

The use of natural gas by any ~~non-residential customer for space heating or air conditioning~~ *commercial or industrial customer with annual consumption equal to or greater than 3,000 Mcf but less than 15,000 Mcf*.

PRIORITY FIVE

The use of natural gas ~~for all other purposes not listed in Priority One through Priority Four or Priority Six~~ by any commercial or industrial customer with annual consumption equal to or greater than 15,000 Mcf but less than 100,000 Mcf.

PRIORITY SIX

The use of natural gas ~~for the generation of steam or electricity by utilities, or the firing of kilns which can be fired by other fuels~~ by any commercial or industrial customer with annual consumption equal to or greater than 100,000 Mcf.

- (2) A customer who has a pollution problem which presents a threat to the public health and welfare, where the use of natural gas offers the only feasible solution to the problem, may petition the Commission to assign a priority of use higher than that to which the customer would otherwise be entitled. The matter will be considered by the Commission pursuant to its Rules of Practice relating to petitions or complaints.

(Continued on Sheet No. B-29.00)

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(Continued From Sheet No. B-28.00)

B3. CONTROLLED SERVICE (Continued)

- (3) The use of natural gas in boilers which have alternate fuel capability shall not qualify as requirements for services essential for public health and safety without the express authorization of the Michigan Public Service Commission. The matter will be considered by the Commission pursuant to its Rules of Practice relating to petitions or complaints.

(G) Definitions

- (1) *Alternate fuel capability means that an alternate fuel could have been used whether or not the facilities for use have actually been installed or the alternate fuel is available.*
- (2) *Commercial Customer use of natural gas shall refer to any usual commercial use of gas, including, but not limited to, all gas purchased by a business which does not qualify for a manufacturing industry code under the Standard Industrial Classification, as listed in the current edition of the Standard Industrial Classification Manual issued by the Executive Office of the President of the United States, and gas used in centrally metered apartment buildings. A centrally metered apartment building that cannot procure gas supply from a source other than the Company may petition the Commission to assign a priority of use higher than that to which the customer would otherwise be entitled. The matter will be considered by the Commission pursuant to its Rules of Practice relating to petitions or complaints.*
- (3) *Industrial Customer use of natural gas shall refer to any usual industrial use of gas, including, but not limited to, all gas purchased under the Standard Industrial Classification, listed in the current edition of the Standard Industrial Classification Manual, issued by the Executive Office of the President of the United States.*
- (4) *Use of natural gas for services essential for public health and safety shall mean gas purchased for use by or in connection with hospitals, convalescent homes, nursing homes, medical centers and clinics; water and sewage treatment and waste disposal facilities; civil defense centers and public utility buildings; newspapers, radio and television stations; fire stations, police stations, jails and penal institutions; and such other uses of gas that are found qualified by the Michigan Public Service Commission as requirements of services essential for public health and safety; provided, however, that boilers, turbines and engines which have alternate fuel capability shall not qualify as requirements for services essential for public health and safety without the express authorization of the Michigan Public Service Commission. The matter will be considered by the Commission pursuant to its Rules of Practice relating to petitions or complaints.*
- (5) *Residential Customer use of natural gas shall include all gas usage metered and consumed within an individual household, and reasonably appurtenant and related to and normally associated with such a household, for such applications as space conditioning, cooking, water heating, refrigeration, clothes drying, incineration, lighting and other similar household applications. The term "household" includes single-family homes, farm homes, seasonal dwellings, duplexes and individual living units within mobile home parks, condominiums, individually metered apartments and cooperatives; provided, however, to qualify for residential usage a household must have the normal household facilities such as bathroom, individual cooking and kitchen sink facilities.*

(Continued on Sheet No. B-30.00)

ISSUED _____ BY
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(Continued From Sheet No. B-29.00)

B3. CONTROLLED SERVICE (Continued)

(H) Penalties for Violation

Any gas used by a customer in additional equipment installed by an existing gas sales customer following the declaration of a controlled service condition and for which the customer has not received authorization, shall, during the period when a gas controlled service condition has been instituted pursuant to this Rule, be subject to excess use charges of \$10 per Mcf plus the highest city-gate price reported in Gas Daily for locations in the East North Central Region of the United States during the month in which the infraction occurred, with such charges being in addition to the rates set forth in the applicable Company rate schedule. Failure of the customer to pay such excess use charges when due shall constitute sufficient cause for the Company to shut off gas service to such customer. The Company reserves the right to shut off service to any customer who violates any of the provisions of this Rule.

(Continued on Sheet No. B-31.00)

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