

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of	)	
CONSUMERS ENERGY COMPANY for	)	Case No. U-12970
approval of the unbundling of its commercial	)	
and industrial rate schedules.	)	
_____	)	

NOTICE OF PROPOSAL FOR DECISION

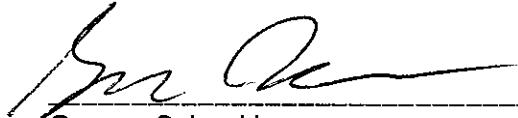
The attached Proposal for Decision is being issued and served on all parties of record in the above matter on January 15, 2002.

Exceptions, if any, must be filed with the Michigan Public Service Commission, P.O. Box 30221, 6545 Mercantile Way, Lansing, Michigan 48909, and served on all other parties of record on or before January 29, 2002, or within such further period as may be authorized for filing exceptions. If exceptions are filed, replies thereto may be filed on or before February 5, 2002. An original and 15 copies of either document are necessary to meet proper filing requirements, as well as proof of service on all other parties of record.

At the expiration of the period for filing of exceptions, an Order of the Commission will be issued in conformity with the attached Proposal for Decision and will become effective unless exceptions are filed seasonably or unless the Proposal for

Decision is reviewed by action of the Commission. To be seasonably filed, exceptions must reach the Commission on or before they are due.

MICHIGAN PUBLIC SERVICE COMMISSION

A handwritten signature in black ink, appearing to read "George Schankler", is written over a horizontal line.

George Schankler
Administrative Law Judge

January 15, 2002
Lansing, Michigan
dp

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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CONSUMERS ENERGY COMPANY for	)	Case No. U-12970
approval of the unbundling of its commercial	)	
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_____	)	

PROPOSAL FOR DECISION

I.

HISTORY OF PROCEEDINGS

On June 5, 2001, Consumers Energy Company (Consumers) filed an application requesting approval of the unbundling of its existing commercial and industrial rate schedules. The application included the testimony and exhibits of Steven Gaarde and Thomas Yehl. On August 24, 2001, a prehearing conference was held pursuant to due notice. The Attorney General of Michigan, Energy Michigan, the Association of Businesses Advocating Tariff Equity (ABATE), the National Energy Marketing Association, and Exelon Energy were granted leave to intervene. The Michigan Public Service Commission Staff (Staff) also appeared.

On November 26, 2001, a hearing was conducted and the prefiled testimony of Consumers was bound into the record without objection. Consumers' exhibits were received in evidence. Also, the prefiled testimony of Staff witness Larry Bailey was bound into the record without objection. There was no cross-examination and no other testimony or exhibits were offered by any other party. The record consists of the

testimony of three witnesses, three exhibits and 76 pages of transcript. Consumers and Staff filed initial briefs. Consumers and ABATE filed reply briefs. No other briefs were filed.

II.

DISCUSSION AND FINDINGS

This case was initiated pursuant to Section 10b(2) of 2000 PA 141 (PA 141), MCL 460.10b(2); MSA 22.13(10b)(2). This section provides as follows:

(2) No later than 1 year from the effective date of the amendatory act that added this section, each electric utility shall file an application with the commission to unbundle its existing commercial and industrial rate schedules and separately identify and charge for their discrete services. No earlier than 1 year from the effective date of the amendatory act that added this section, the commission may order the electric utility to file an application to unbundle existing residential rate schedules. The commission may allow the unbundled rates to be expressed on residential billings in terms of percentages in order to simplify residential billing. The commission shall allow recovery by electric utilities to implement and administer the provisions of this section.

Mr. Yehl testified in support of the application that commercial and industrial customers currently can select from three different basic rate structures: (1) a two-part rate structure with an energy charge and a customer charge; (2) a three-part rate structure with a billing (coincident) demand charge, an energy charge, and a customer charge (applicable to secondary customers); and (3) a four-part rate structure, with a maximum (non-coincident) demand charge, a billing (coincident) demand charge, an energy charge, and a customer charge (applicable to primary customers). Using the

cost data from Mr. Gaarde's cost-of-service study, Mr. Yehl segregated the existing rates for each rate schedule into generation, transmission, distribution and customer components.

Because of rate design policies followed in prior rate cases, each of these rate schedules deviates from cost in varying degrees. Thus, in addition to the categories of generation, transmission, distribution and customer-related charges, Mr. Yehl also determined a positive or negative "regulatory adjustment charge." The purpose of this charge is to reflect the degree of cross-subsidization reflected in these rate schedules. Mr. Yehl maintained that a separate charge is the only way to reasonably allocate the cross-subsidization between rate schedules.

Exhibit A-2 unbundles the costs and rates for each rate schedule. Mr. Yehl also offered Exhibit A-3 which are the rate sheets for the unbundled charges. Mr. Yehl noted that it was Consumers' intention to add to customer bills the average rate for generation costs that is reflected in each rate schedule, but not to include on those bills the same level of detail that is included in the tariff sheets in order to avoid confusion and reduce billing and administrative costs. Mr. Yehl felt that the average cost of generation for each rate schedule provides the customer with the necessary information to evaluate the relative cost of Retail Open Access service.

Staff witness Bailey did not comment directly on Consumers' filing, but Staff did support granting the application in its brief. Mr. Bailey also recommended that the Commission direct Consumers to unbundle its residential rates. In its brief, Staff indicates that it does not recommend the billing of unbundled rates during the period of

the rate freeze because to do so would create unnecessary confusion. Consumers' rates may be frozen for commercial and industrial customers until January 2, 2005. Sec. 10d(2) of 2000 PA 141, MCL 460.10d(2). Consumers supported this Staff recommendation in its reply brief, and indicated that it would make the rates available for inspection at its offices as well as filing them with the Commission, as suggested by Staff.

In its reply brief, ABATE takes the position that the application should be denied because the cost of service studies utilized were not based on current data and that Consumers intent to include on customer bills the average rate for generation costs but not the same level of detail as would be included on the tariff sheets is inappropriate because it would not show amounts for transmission service, distribution service, customer charges or the regulatory adjustment charge.

The issues raised in the reply brief should properly have been raised through testimony on the record or, at the very least, in ABATE's initial brief. Consumers and Staff now have no opportunity to rebut ABATE's arguments. For this reason, the Administrative Law Judge will not discuss the issues raised by ABATE.

Given the uncontroverted evidence presented by Consumers and Staff's support for the application, the Administrative Law Judge finds that Consumers' unbundling of commercial and industrial rates as proposed in the application is reasonable, appropriate and in compliance with Section 10b(2) of 2000 PA 141. Staff's position that Consumers should not actually bill the unbundled rates during the period of the rate freeze mandated by 2000 PA 141 is also reasonable and appropriate due to the

confusion which could be caused; and Staff's proposal that the Commission direct Consumers to file an application to unbundle residential rates is reasonable and appropriate, and Consumers does not oppose it.

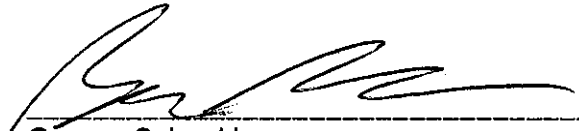
III.

CONCLUSION

Based on the evidence of record and the findings above, the Administrative Law Judge recommends that the Commission issue an order:

1. Approving the application for unbundling of Consumers' commercial and industrial rates;
2. directing that the unbundled rates not be billed during the period of the rate freeze mandated by 2000 PA 141; and
3. directing Consumers to file an application to unbundle residential rates.

MICHIGAN PUBLIC SERVICE COMMISSION


George Schankler
Administrative Law Judge

January 11, 2002
Lansing, Michigan
dp

ISSUED AND SERVED: January 15, 2002

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

STATE OF MICHIGAN	)		
	)	SS.	Case No. U-12970
County of Ingham	)		
_____	)		

PROOF OF SERVICE

Dawn M. Prawdzik deposes and says that on the 15th day of January 2002, she served a copy of the attached Proposal for Decision, upon those persons shown on Attachment A, by enclosing same in a sealed envelope addressed as indicated above and delivering the envelope to the Commission's mail courier for (1) postage prepayment and deposit with the United States Postal Service, or (2) delivery through interdepartmental mail (I.D.M.).

Dawn M. Prawdzik

Subscribed to before me this 15th
day of January, A.D. 2002.

Sharon A. Allen
Notary Public, Eaton County Acting in
Ingham County, Michigan

My Commission expires 8-16-2004.

ATTACHMENT A

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