

A CMS Energy Company

October 19, 2004

Ms. Mary Jo Kunkle
Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way
P.O. Box 30221
Lansing, MI 48909

Re: Case No. U-12999

Dear Ms. Kunkle:

Enclosed for filing in the above-referenced matter are an original and four copies of the **Petition Of Consumers Energy Company For Rehearing**. I have also enclosed a Proof of Service. These documents are also being filed electronically, in a PDF format, as part of the MPSC's electronic filings program. I have also enclosed an original Proof of Service.

Sincerely,


Signature
Not Verified

H. Richard Chambers

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by H. Richard
Chambers
Date:
2004.10.19
15:06:29 -04'00'

CC: Hon. Daniel E. Nickerson, Jr., ALJ
Parties Per Attachment 1 to
Proof of Service

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STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the Matter of the Application of)
CONSUMERS ENERGY COMPANY)
for Accounting and Ratemaking Approval)
of Depreciation Rates for Gas Utility Plant)
_____)

Case No. U-12999

PETITION OF CONSUMERS ENERGY COMPANY
FOR REHEARING

Consumers Energy Company (“Consumers Energy” or the “Company”) petitions the Michigan Public Service Commission (“Commission”) for rehearing of the Commission’s October 14, 2004 Opinion and Order in the above captioned case. Consumers Energy requests that the Commission, on rehearing, approve continued use by Consumers Energy of the gas depreciation rates that have been in effect since December 19, 2003. In support, Consumers Energy states as follows:

1. In a series of orders and in a number of dockets, this Commission has reviewed and approved Consumers Energy's depreciation rates applicable to gas utility plant. On October 14, 2004 the Commission issued an order in Case No. U-12999 (the “Case No. U-12999 Order”) which found that, on a go-forward basis, Consumers Energy should revert to the gas depreciation rates authorized by the December 7, 1998 order in Case No. U-11509. This resulted in an increase in depreciation expense from the level that was in effect immediately prior to the order.

2. The Commission stated at page 14 of its Case No. U-12999 Order:

“This concludes Consumers’ present voluntary reduction in its depreciation rates, in which the Commission acquiesced by its December 18, 2003 order in Case No. U-13730.” (footnote 3)

Consumers Energy in this rehearing petition is requesting that the Commission reinstate the voluntary reduction in depreciation rates that was in effect immediately prior to the Case No. U-12999 Order. The depreciation rates which Consumers Energy is requesting that the Commission approve on rehearing, which are shown on Attachment A, are those which the Commission approved, on an interim basis, in its December 18, 2003 Order in Case No. U-13730. Attachment A is identical to Attachment A to Consumers Energy's Statement of Voluntary Reduction in Request for Interim Rate Relief filed on December 8, 2003 in Case No. U-13730.

3. As discussed further below, given the Commission's determinations in its Case No. U-12999 Order (i) regarding when the next depreciation case should be filed and (ii) that a study of negative net salvage cost recovery should be undertaken, the voluntary reduction in depreciation rates to which the Commission agreed in its December 18, 2003 order in Case No. U-13730 should be continued.

4. Pursuant to the Commission's Case No. U-12999 Order, the rates established by the Commission in Case No. U-12999 will be reviewed again within a relatively short period of time. The Commission in its Case No. U-12999 Order directed that:

“Consumers shall file an application for new depreciation accrual rates for its natural gas utility plant on, or no earlier than a date three months prior to, the date that the Company files its next natural gas general rate case.” (p. 19)

With respect to the timing of the next gas rate case the Commission ordered in October 14, 2004 Case No. U-13730:

“D. The surcharge authorized by this order shall terminate two years from the day after the date [of] the letter referred to in ordering paragraph A is received by the Commission.

“E. Consumers Energy Company shall file a general rate case on or before the date that the surcharge provided for by this order expires.” (p. 40)

The Commission’s records will show that the letter referred to in ordering paragraph A was filed by the Company on October 15, 2004. As a consequence of the above quoted language, a new gas depreciation filing will need to be made within two years. Consumers Energy had requested in Case No. U-12999 that the Commission determine that a new gas depreciation filing would not need to be made until October 1, 2010. See Case No. U-12999 Order, p. 17.

5. Consumers Energy has been recording depreciation since the day following the December 18, 2003 Order in Case No. U-13730 using depreciation rates for accounts as set forth on Attachment A. As noted above, a filing will be made to revise gas depreciation rates within the next two years. Consumers Energy proposes that the depreciation rates that have been in effect since the December 2003 order remain in place rather than make another change at this time. This will avoid multiple depreciation rate changes within short periods of time, and will allow consistency until the next review. Consumers Energy requests that the Commission on rehearing, reinstate, as of October 14, 2004, the depreciation rates that were in effect in this case immediately prior to the Case No. U-12999 Order being issued.

6. In Case No. U-12999 parties expressed concern that rates established in Case No. U-11509 were too high. Proposals of each of the other parties would have reduced depreciation expense by approximately 35% to 67% below levels that would result from using rates approved in Case No. U-11509, based on December 31, 2002 plant balances. In response to issues raised in Case No. U-12999 regarding whether cost of removal and negative net salvage levels used in determining depreciation rates should be reduced, the Commission directed the Company to undertake a study of negative net salvage costs. Continuing with the voluntary

reduction in depreciation rates would reduce annual depreciation expense by approximately \$22.5 million (using December 31, 2002 plant balances), a decrease of approximately 21%, below the levels that result from use of the gas depreciation rates authorized in Case No. U-11509. The continued use of the December 18, 2003 depreciation rates is within the range of the evidence that has been presented in Case No. U-12999. The existing and proposed depreciation rates and expense are shown on Attachment A.

7. Consumers Energy in seeking rehearing is voluntarily agreeing to a continued reduction in depreciation rates to levels voluntarily agreed to in its December 8, 2003 Statement of Voluntary Reduction in Request for Interim Rate Relief filed in Case No. U-13730.

WHEREFORE, Consumers Energy Company respectfully requests that the Michigan Public Service Commission on rehearing approve continued use of depreciation rates in accordance with Attachment A to this Application.

Respectfully submitted,

CONSUMERS ENERGY COMPANY

Dated: October 19, 2004



Signature
Not Verified

H. Richard Chambers

Digitally signed
by H. Richard
Chambers
Date:
2004.10.19
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By:



Signature
Not Verified

John Russell

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by John G.
Russell
Date: 2004.10.19
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John G. Russell
President and Chief Operating Officer

Jon R. Robinson
H. Richard Chambers
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Jackson, Michigan 49201
Attorneys for Consumers Energy Company
(517) 788-1482

ATTACHMENT A

CONSUMERS ENERGY COMPANY
Gas Utility Depreciation Study, Case U-12999
Comparison of Depreciation Rates Using ALG
Net Salvage Calculated Using a Five Year Average by Function
Based on December 31, 2002 Plant Balances

Attachment A

Acct No.	Description	12/31/2002 Balance	Existing Depr. Rates		5 Yr Average		Difference 5 Yr Average vs Existing
			Rates	Annual Accrual	Rates	Annual Accrual	
U.G. Storage Plant:							
350.2	Rights of Way	1,321,117	1.72%	22,723	1.16%	15,325	(7,398)
351.2	Compressor Station Structures	7,676,757	2.34%	179,636	2.47%	189,616	9,980
351.2	M & R Station Structures	4,607	1.73%	80	2.78%	128	48
351.4	Other Structures	3,337,803	2.87%	95,795	2.69%	89,787	(6,008)
352.1	Leaseholds & Rights	5,336,673	1.72%	91,791	1.16%	61,905	(29,886)
352.3	Well Construction	32,974,906	1.74%	573,763	3.57%	1,177,204	603,441
352.4	Well Equipment	16,388,907	4.08%	668,667	3.62%	593,278	(75,389)
353.0	Lines	22,020,894	2.88%	634,202	3.76%	827,986	193,784
354.0	Compressor Station Equipment	78,065,202	2.65%	2,068,728	3.04%	2,373,182	304,454
355.0	M & R Station Equipment	2,083,799	2.84%	59,180	2.89%	60,222	1,042
356.0	Purification Equipment	13,376,874	3.04%	406,657	3.77%	504,308	97,651
357.0	Other Equipment	3,153,829	4.05%	127,730	3.81%	120,161	(7,569)
	Subtotal U.G. Storage Plant	185,741,368	2.65%	4,928,952	3.24%	6,013,102	1,084,150
Transmission Plant:							
365.2	Rights of Way	15,624,024	1.22%	190,613	1.05%	164,052	(26,561)
366.0	Structures & Improvements	10,063,270	1.93%	194,221	1.23%	123,778	(70,443)
367.0	Mains	183,611,384	1.56%	2,864,338	1.45%	2,662,365	(201,973)
368.0	Compressor Station Equipment	35,038,304	2.01%	704,270	0.88%	308,337	(395,933)
369.0	Measuring & Regulating Equipment	23,684,196	1.99%	471,316	1.64%	388,421	(82,895)
370.0	Communication	7,579,322	6.01%	455,517	3.48%	263,760	(191,757)
371.0	Other Equipment	3,445,240	3.62%	124,718	2.53%	87,165	(37,553)
	Subtotal Transmission Plant	279,045,740	1.79%	5,004,993	1.43%	3,997,878	(1,007,115)
Distribution Plant:							
374.2	Rights of Way	6,960,315	1.54%	107,189	0.77%	53,594	(53,595)
375.0	Structures & Improvements	4,242,886	1.98%	84,009	0.67%	28,427	(55,582)
376.1	Mains - bare steel	4,327,468	3.46%	149,730	2.08%	90,011	(59,719)
376.2	Mains - coated & wrapped steel	350,910,853	3.16%	11,088,783	2.45%	8,597,316	(2,491,467)
376.3	Mains - cast iron	9,358,954	3.90%	364,999	1.67%	156,295	(208,704)
376.4	Mains - copper	16,968	3.05%	518	2.61%	443	(75)
376.5	Mains - plastic	541,424,815	3.72%	20,141,003	3.31%	17,921,161	(2,219,842)
378.0	Measuring & Regulating Equipment	32,498,407	2.75%	893,706	1.93%	627,219	(266,487)
380.1	Services - bare steel	224,035	10.29%	23,053	6.99%	15,660	(7,393)
380.2	Services - coated & wrapped steel	72,006,386	6.49%	4,673,214	5.12%	3,686,727	(986,487)
380.4	Services - copper	27,245,781	9.29%	2,531,133	5.49%	1,495,793	(1,035,340)
380.5	Services - plastic	392,981,530	9.61%	37,765,525	6.89%	27,076,427	(10,689,098)
380.5	Services - Risers (Formerly in C&W)	109,424,669	6.49%	7,101,661	6.89%	7,539,360	437,699
381.0	Meters	174,926,601	2.82%	4,932,930	0.50%	874,633	(4,058,297)
382.0	Meter Installations	151,913,431	3.68%	5,590,414	3.01%	4,572,594	(1,017,820)
383.0	House Regulators	18,415,248	2.38%	438,283	0.99%	182,311	(255,972)
	Subtotal Distribution Plant	1,896,878,347	5.05%	95,886,150	3.84%	72,917,971	(22,968,179)
General Plant:							
389.2	Rights of Way	1,516	0.00%	0	2.50%	38	38
390.0	Structures & Improvements	23,627,456	2.97%	701,735	1.27%	300,069	(401,666)
391.0	Office Furniture & Equipment	1,717,346	7.61%	130,690	17.78%	305,344	174,654
391.2	Computer Equipment	7,356,574	9.37%	689,311	4.80%	353,116	(336,195)
393.0	Stores Equipment	53,713	30.18%	16,211	11.20%	6,016	(10,195)
394.0	Tools, Shop & Garage Equipment	4,900,533	4.49%	220,034	8.74%	428,307	208,273
395.0	Laboratory Equipment	1,006,056	2.26%	22,737	17.41%	175,154	152,417
396.0	Power Operated Equipment	119,819	8.72%	10,448	28.38%	34,005	23,557
397.0	Communication Equipment	8,194,971	4.51%	369,593	11.50%	942,422	572,829
398.0	Miscellaneous Equipment	260,787	5.77%	15,047	17.73%	46,238	31,191
	Subtotal General Plant	47,238,771	4.61%	2,175,806	5.48%	2,590,709	414,903
	Total Gas Utility Plant	2,408,904,226	4.48%	107,995,901	3.55%	85,519,660	(22,476,241)

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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CONSUMERS ENERGY COMPANY)
for Accounting and Ratemaking Approval)
of Depreciation Rates for Gas Utility Plant)
_____)

Case No. U-12999

PROOF OF SERVICE

STATE OF MICHIGAN)
) SS
COUNTY OF JACKSON)

Sammie B. Dalton, being first duly sworn, deposes and says that she is employed in the Legal Department of Consumers Energy Company; that on October 19, 2004 she served an electronic copy of the **Petition Of Consumers Energy Company For Rehearing** upon the persons listed in Attachment 1 hereto, at the e-mail addresses listed therein. She further states that she also served a hard copy of the same document to the addresses listed in Attachment 1 by depositing the same in the United States mail in the City of Jackson, Michigan with first-class postage thereon fully paid.


Signature
Not Verified

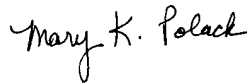


Digitally signed
by Sammie B.
Dalton
Date: 2004.10.19
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Sammie B. Dalton

Subscribed and sworn to before me this 19th day of October, 2004.


Signature Not
Verified



Digitally signed
by Mary K. Polack
Date: 2004.10.19
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Mary K. Polack, Notary Public
State of Michigan, County of Jackson
My Commission Expires: 09/09/06
Acting in the County of Jackson

ATTACHMENT 1 -- TO CASE NO. U-12999

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