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February 14, 2005

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 Case No. U-12999 are an original and four copies of the "Petition of Consumers Energy Company for Waivers of Filing Requirements." In addition, an electronic copy of this document is being filed with the Commission in portable document format (PDF).

I have also enclosed a Proof of Service.

Sincerely,



Signature
Not Verified



Digitally signed
by H. Richard
Chambers
Date:
2005.02.14
10:39:09 -05'00'

H. Richard Chambers

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

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
WAIVERS OF FILING REQUIREMENTS

Consumers Energy Company (“Consumers Energy” or the “Company”)
respectfully requests that the Michigan Public Service Commission (“MPSC” or “Commission”):

- (i) grant a waiver of the requirement that Consumers Energy file its next gas depreciation case “on, or no earlier than a date three months prior to, the date that Consumers Energy Company files its next natural gas general rate case;” and
- (ii) grant a partial waiver of the requirement that Consumers Energy “use its natural gas utility plant balances as of December 31 of the calendar year immediately preceding the filing date” in its next gas depreciation case.

In support, Consumers Energy states as follows:

1. On October 14, 2004, the MPSC issued an order in Case No. U-13730 which, among other things, authorized Consumers Energy to implement surcharges designed to increase its annual gas revenues by \$58,124,000. The Commission stated that the surcharge increase authorized by the order would terminate two years from becoming effective.

2. On October 14, 2004, the MPSC issued an order in Case No. U-12999 which ordered Consumers Energy (i) to undertake a study of net-salvage values as proposed by the Commission Staff and file its report with the Commission Staff on or before December 31, 2005, and (ii) to 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 Consumers Energy Company files its next natural gas general rate case.

3. On October 14, 2004 the Commission issued an order in Case No. U-14292 initiating a generic proceeding to address appropriate accounting and ratemaking treatment for Statement of Financial Accounting Standards No. 143. At the initial prehearing conference in Case No. U-14292 a schedule was adopted which provides for cross examination on August 8-12, initial briefs to be filed September 2, reply briefs on September 16, and a target date for a proposal for decision of October 17, 2005. (Case No. U-14292 transcript, 1 Tr 10, 14)

4. In order to allow an opportunity for the Commission to issue a final order establishing new gas rates prior to the expiration of the surcharges approved in Case No. U-13730, Consumers Energy will need to file its next natural gas general rate case by mid-2005, or before. Consumers Energy currently anticipates filing its next natural gas rate case in mid- 2005.

5. Absent a waiver by the Commission of the requirement set forth in the Case No. U-12999 order that the next gas depreciation case be filed not later than when the next natural gas general rate case is filed, a gas depreciation case will need to be filed before a final resolution of Case No. U-14292 and prior to completion of the study of net salvage values that the Commission, in Case No. U-12999, directed the Company to file with the Staff by year-end 2005.

6. The Commission's order in Case No. U-12999 indicates that, at the time of that order, the Commission anticipated that the filing of the next gas depreciation case would occur after the completion of the generic FAS No. 143 proceeding (Case No. U-14292) and the study of net salvage values:

“After the generic proceeding discussed later in this order, the Commission will be in a better position to consider revised depreciation rates and to accommodate any changes in ratemaking that any revised depreciation rates or practices may engender. Additionally, the Commission also will have available the Staff’s proposed review of Consumers’ substantial negative net salvage values, as provided for below. Such additional information can only serve to assist the Commission in its review of this important issue.” Case No. U-12999 October 14, 2004 order, p. 14 (Emphasis added)

7. At page 18 of its Case No. U-12999 order, the Commission noted that a different filing date for Consumers Energy’s next gas depreciation study could become appropriate as a consequence of developments in Case No. U-14292. It stated:

“Accordingly, 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... If a different date becomes appropriate because of the Commission’s generic proceeding in Case No. U-14292, then the Commission may direct another filing date.” Case No. U-12999 October 14, 2004 order, p. 18 (Emphasis added)

Consumers Energy submits that a different date has become appropriate as a result of facts and circumstances arising subsequent to the issuance of the Case No. U-12999 order and unintended consequences that will result if the relief requested in this petition is not granted.

8. Delaying the date by which Consumers Energy must file its next gas depreciation case until after the issuance of a final order by the Commission in Case No. U-14292 regarding the treatment of FAS No. 143 and after the completion of the review of net salvage values would result in a more efficient use of the time and resources of the Commission, its Staff, Consumers Energy, and parties to the next gas depreciation case, and would avoid the need to speculate as to various matters and/or revise the filing as a result of conclusions reached in the other reviews. Granting the waiver which Consumers Energy is

requesting is consistent with the Commission's desire to have additional information from Case No. U-14292 and the negative net salvage value study results available before its next review of gas depreciation rates.

9. The Commission is authorized by statute to alter or amend prior orders. The Commission stated in its Case No. U-12999 order that it reserved jurisdiction and may issue further orders as necessary.

10. In addition to the above, Consumers Energy seeks a partial waiver of the requirement set forth by the Commission in its October 14, 2004 Case No. U-12999 order, at pages 19 and 20, that Consumers Energy use its natural gas utility plant balances as of December 31 of the calendar year immediately preceding the filing date in its next natural gas depreciation filing. Consumers Energy requests that the Commission modify this requirement such that:

(a) Consumers Energy is required to use plant balances as of December 31 of the calendar year immediately preceding the filing date if the filing is made on or after June 1 of a calendar year; but

(b) Consumers Energy may use plant balances as of December 31 of the calendar year prior to the calendar year immediately preceding the filing if the filing is made between January 1 and May 31.¹

This bifurcated approach takes into consideration timing constraints regarding when data becomes available and the time needed for analysis which could make it difficult to use plant balances for the preceding calendar year in the study if the study is filed prior to June 1 of a given year.

11. Consumers Energy is willing to agree that, if the Commission grants the waivers requested in this petition, it will file a new gas depreciation case on, or before, 150 days

¹ e.g., If the Company files on May 1, 2006 it would use December 31, 2004 plant balances; If the Company files on June 1, 2006 it would use December 31, 2005 plant balances.

after the later of (i) the issuance of a final order by the Commission in Case No. U-14292 or (ii) the filing by Consumers Energy of the study of net salvage values required by the Case No. U-12999 order.

12. Consumers Energy, further, is willing to agree that, if the Commission grants the waivers requested in this petition, it will not object to having the results of the new gas depreciation case incorporated into the Company's revenue requirement through use of a surcharge mechanism if the final order in the gas depreciation case is not issued concurrently with a final order in a natural gas general rate case, until such time as the results of the depreciation case can be reflected in rates established in a general rate case.

WHEREFORE, Consumers Energy Company respectfully requests that the Michigan Public Service Commission:

(i) Grant a waiver of the requirement that Consumers Energy file its next gas depreciation study on, or not earlier than a date three months prior to, the date that Consumers Energy files its next natural gas general rate case;

(ii) Grant a partial waiver of the requirement that Consumers Energy use its natural gas utility plant balances as of December 31 of the calendar year immediately preceding the filing date in its next natural gas depreciation filing in the manner described in this petition;

(iii) Revise the filing requirement for Consumers Energy's next gas depreciation case to be that Consumers Energy file its next gas depreciation case on or before 150 days after the later of (i) the issuance of a final order by the Commission in Case No. U-14292 or (ii) the filing by Consumers Energy of the study of net salvage values required by the Case No. U-12999 order; and

(iv) Grant Consumers Energy such other and further relief as is lawful and reasonable.

Respectfully submitted,

CONSUMERS ENERGY COMPANY

Dated: February 14, 2005

By:


Signature
Not Verified

H. Richard Chambers

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by H. Richard
Chambers
Date:
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H. Richard Chambers (P34139)
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STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the Matter of the Application of)
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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)

Margaret Hillman, being first duly sworn, deposes and says that she is employed in the Legal Department of Consumers Energy Company; that on February 14, 2005 she served an electronic copy of the "Petition of Consumers Energy Company for Waivers of Filing Requirements" 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.

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Signature
Not Verified

Margaret Hillman

Digitally signed
by Margaret
Hillman
Date:
2005.02.14
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Margaret Hillman

Subscribed and sworn to before me this 14th day of February, 2005.

?
Signature
Not Verified

Mary K. Polack

Digitally signed
by Mary K.
Polack
Date:
2005.02.14
10:40:38 -05'00'

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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