S T A T E O F M I C H I G A N

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of **CONSUMERS ENERGY COMPANY** for approval of accounting and ratemaking treatment for a pipeline refund.	)))))	Case No. U-12227

At the May 22, 2000 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. John G. Strand, Chairman
Hon. David A. Svanda, Commissioner
Hon. Robert B. Nelson, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On December 6, 1999, Consumers Energy Company (Consumers) filed a petition seeking Commission approval of its proposed accounting and ratemaking treatment for a $691,589 pipeline refund that it received from Panhandle Eastern Pipeline Company (Panhandle) on April 9, 1998 of an ad valorem property tax imposed by the state of Kansas. Consumer's petition indicated that, because its gas cost recovery (GCR) clause had been suspended and a revenue sharing mechanism had been established pursuant to the Commission's December 19, 1997 Order in Case No. U-11599, the utility believed that the appropriate way to handle the refund would be to include the amount in the revenue sharing calculation. The petition thus asked the Commission to adopt the utility's conclusion and to approve its proposed accounting and ratemaking treatment of the refund.

Attorney General Jennifer M. Granholm, the Commission Staff, and Consumers participated in the proceedings. Following extensive discussions, the parties submitted a settlement agreement resolving all issues in this case.

According to the terms of the settlement agreement, attached as Exhibit A, the parties agree that 50% of the pipeline refund, plus interest, should be distributed to Consumers' retail customers through credits to their bills during the first billing month after approval of the settlement agreement. The parties further agree that the appropriate amount of the distribution is $345,795 (which represents 50% of the pipeline refund) plus interest of $94,139, for a total refund of $439,934. (This assumes that the distribution occurs in June 2000.) The settlement agreement goes on to state that the distribution will be allocated among all of Consumers' customers approved for 90/10 refunds in Case No. U-10490 and will be based on each eligible customer's January 2000 billed volumes. Finally, the settlement agreement provides that (1) to the extent Consumers receives any further refunds of amounts that relate to the Kansas ad valorem property tax, the disposition of those amounts should occur in the same manner, (2) any current unrefunded balances owed to residential, commercial, or industrial sales customers should be distributed to those customers through bill credits that are calculated based upon each customer's actual January 2000 gas consumption, and (3) any current unrefunded balances owed to transportation customers shall also be allocated and distributed to those customers approved for 90/10 refunds in Case No. U-10490 at the same time and in the same manner as for the utility's sales customers.[1]

Based on its review of the settlement agreement, the Commission concludes that it represents a reasonable means of addressing the issues raised by the parties. Specifically, it assures that

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[1]Records provided by Consumers indicate that the current unrefunded balances owed to the utility's gas sales and transportation customers total approximately $2.3 million.

customers will receive a refund of a significant portion of the amount received from Panhandle, and accomplishes that refund in an equitable and timely manner. Had the amount simply been included in the revenue sharing mechanism, the possibility exists that customers would not receive any portion of the pipeline refund. Therefore, the Commission finds that the settlement agreement is reasonable and in the public interest, and should be approved.[2]

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.; 1982 PA 304, as amended, MCL 460.6h et seq.; MSA 22.13(6h) 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. The settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

A. The settlement agreement, attached as Exhibit A, is approved.

B. Consumers Energy Company is authorized to refund in the June 2000 billing month the total amount of $439,934 plus any unrefunded balances remaining in its refund liability accounts.

C. Future pipeline refunds received by Consumers Energy Company that relate to Kansas ad valorem property tax payments shall be treated in the same manner approved in this order.

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[2] Approval of the settlement agreement will not increase the rates, charges, or cost of service for any customer. Therefore, the Commission may approve the settlement agreement without providing notice or an opportunity for a hearing.

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/ John G. Strand
Chairman

(S E A L)

/s/ David A. Svanda
Commissioner

/s/ Robert B. Nelson
Commissioner

By its action of May 22, 2000.

/s/ Dorothy Wideman
Its Executive Secretary

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MICHIGAN PUBLIC SERVICE COMMISSION

Chairman

Commissioner

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By its action of May 22, 2000.

Its Executive Secretary

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Suggested Minute:

> "Adopt and issue an order dated May 22, 2000 approving the settlement agreement and authorizing Consumers Energy Company to refund not less than $439,934 to its customers in the form of credits to their June 2000 gas bills, as set forth in the order."