



RICHARD P. MIDDLETON
Legal Department
(313) 235-3647

July 10, 2006

Ms. Mary Jo Kunkle
Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way
Lansing, Michigan 48909

Re: In the matter, on the Commission's own motion, to investigate the
appropriateness of instituting a surcharge to assist in the funding of
the Gas Technology Institute
MPSC Case No. U-14561

Dear Ms. Kunkle:

Attached for electronic filing is the Reply Brief of Michigan Consolidated Gas Company
along with a Proof of Service.

Very truly yours,

Richard P.
Middleton

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Richard P. Middleton

RPM/kbt
Attachments
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STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own	)	
motion, to investigate the appropriateness	)	Case No. U-14561
of instituting a surcharge to assist in the	)	
<u>funding of the Gas Technology Institute</u>	)	

REPLY BRIEF OF MICHIGAN CONSOLIDATED GAS COMPANY

Pursuant to R 460.17339 and the schedule established by the Administrative Law Judge Daniel E. Nickerson, Jr., Michigan Consolidated Gas Company (“MichCon”) files its reply brief in the above-captioned matter.

A number of parties filed briefs in this proceeding including Consumers Energy Company, the Association of Businesses Advocating Tariff Equity, SEMCO, Michigan Gas Utilities, Wisconsin Public Service Corporation and Northern States Power Company (these four parties filed 1 brief), the Michigan Attorney General, and Staff of the Michigan Public Service Commission. None of these parties proposed that the Commission issue an order in this proceeding approving expenditures for research and development projects at the Gas Technology Institute (“GTI”).

Specifically, only Staff and the SEMCO utility group supported recovery of GTI research expenditures from utility ratepayers, but left each utility with the burden of proving that recovery was appropriate in their next general rate case. Staff’s position is that the gas utilities may incur expenses associated with gas research as part of its business and recommends that the Commission express support for such expenses in future rate cases by approving a contribution

from ratepayers not to exceed a fixed amount equal to the individual utilities total gas throughput multiplied by 0.0174 cents per Mcf. However, Staff's support of this charge is tempered by the fact they believe that the Commission's Order and future funding of GTI research should be based upon benefits to the ratepayers, and it is incumbent upon each utility in its general rate case to demonstrate the benefits afforded by any research and development expenditures.

The SEMCO utilities state that natural gas utilities should be allowed to recover in their base rates as operating expenses voluntary contributions to GTI research projects subject to each utilities presentation and support in future rate cases. Again, SEMCO utilities believe that persuading the Commission to approve GTI expenditures as beneficial to ratepayers is the responsibility of each utility. Neither Staff nor the SEMCO utilities take the position that in the course of this proceeding, the Commission should identify those projects which are beneficial or even which categories include projects that are beneficial to ratepayers. Simply stated no party to this proceeding proposes that the Commission's Order in this case should assure utilities that when they present GTI expenditures for recovery in future rate cases that they will be approved by the Commission without disallowance or mitigation with other general rate case issues.

MichCon agrees with the Public Service Commission Staff that establishing in this case a ceiling rate per Mcf for recovery from ratepayers of Gas Technology Institute research expenses is a positive step. However, the Commission must do more than approve a rate ceiling in this proceeding to avoid the situation where in approving recovery of GTI research expenditures, the Commission in turn disallows other equal and offsetting expenses, or simply disagrees in the context of a general rate case that the projects selected by the utility are neither sufficiently beneficial to ratepayers to allow recovery or are not the type of research projects that the Commission deems are in the public interest. As long utilities are left to the vagaries of a

general rate case to determine whether they will recovery GTI expenditures simply establishing a ceiling rate which utilities may be able to charge its customers for GTI research, leaves utilities in the same position at the end of this proceeding that they were before it was started. That is, utilities will be required to bear all the burden of persuasion and proof in a general rate case that any expenditures for GTI research that they choose to make will be deemed appropriate for recovery from their utility customers.

Respectfully submitted

MICHIGAN CONSOLIDATED GAS COMPANY

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Dated: July 10, 2005

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own)
motion, to investigate the appropriateness) Case No. U-14561
of instituting a surcharge to assist in the)
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PROOF OF SERVICE

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

Jennifer Evans, being duly sworn, deposes and says that on the 10th day of July, 2006, a copy of the Reply Brief of Michigan Consolidated Gas Company in the above captioned matter was served upon the persons on the attached service list via e-mail.

Jennifer Evans

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JENNIFER EVANS

Subscribed and sworn to before
me this 10th day of July, 2006.

**Estella R.
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MPSC Case No. U-14561

June 22, 2006

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