STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of **MICHIGAN CONSOLIDATED GAS COMPANY** for approval of deferred accounting, deferred tax accounting, and rate recovery of environmental assessment and remediation costs.	Case No. U-10149
In the matter of the application of **MICHIGAN CONSOLIDATED GAS COMPANY** for authority to increase its rates and for other relief.	Case No. U-10150

At the February 24, 1994 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. John G. Strand, Chairman
Hon. Ronald E. Russell, Commissioner
Hon. John L. O'Donnell, Commissioner

ORDER GRANTING IN PART AND DENYING IN PART
PETITIONS FOR REHEARING, RECONSIDERATION, AND CLARIFICATION

On October 28, 1993, the Commission issued an opinion and order in consolidated Cases Nos. U-10149 and U-10150 increasing the retail gas rates of Michigan Consolidated Gas Company (Mich Con) by $15,727,000 annually. The order also deferred future environmental assessment and remediation costs, revised the utility's rules and regulations, bifurcated its rates for use of the Wet Header Pipeline, disaggregated its transportation customers based on their annual volumes of gas (thus creating separate rate classes for large- and small-volume

transportation customers), and required Mich Con to propose tariff language concerning the diversion of customer-owned gas.

On November 29, 1993, Mich Con and the Association of Businesses Advocating Tariff Equity (ABATE) filed petitions requesting that the Commission rehear, reconsider, or clarify various aspects of the October 28, 1993 order.[1] The Commission Staff (Staff) and Attorney General Frank J. Kelley (Attorney General) filed replies to Mich Con's petition on December 20, 1993. In addition, replies to ABATE's petition were filed by Mich Con, the Staff, and the Attorney General. Furthermore, as required by the October 28, 1993 order, Mich Con filed proposed tariff language concerning the diversion of customer-owned gas. Comments concerning this filing, which include requests to modify or postpone adoption of the proposed tariff, were filed by ABATE; the Staff; and Antrim Development Corporation, Grace Petroleum Corporation, Muskegon Development Company, Ward Lake Drilling, Inc., d/b/a Ward Lake Energy, and Wolverine Gas and Oil Company, Inc., (collectively, Antrim). Finally, Mich Con submitted its reply to these comments on January 25, 1994.

Rule 403 of the Commission's Rules of Practice and Procedure, R 460.17403, provides that a petition for rehearing may be based on claims of error, newly discovered evidence, facts or circumstances arising after the hearing, or unintended consequences resulting from compliance with the order. A petition for rehearing is not merely another opportunity for a party to argue a position or to express disagreement with the Commission's decision. In reaching its decision, the Commission will have fully considered the record and all arguments. Unless a party can show the decision to be incorrect or improper because of errors, newly discovered

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[1]One of the issues for which Mich Con originally sought rehearing concerned the effective date of the rate increase authorized in that order. However, on December 17, 1993, the utility withdrew its request for rehearing of that issue.

evidence, or unintended consequences of the decision, the Commission will not grant a rehearing.

Coal Displacement Customer Discounts

The December 22, 1988 and March 29, 1989 orders in consolidated Cases Nos. U-8635, U-8812, and U-8854, Mich Con's previous general rate case, allowed the utility to offer transportation service to any customers, including coal displacement customers, for as little as 23¢ per thousand cubic feet (Mcf) under its market-based T-2 tariff. This represented a potential 23¢ per Mcf discount from the cost-of-service-based transportation rate established in that case. These orders further provided Mich Con the opportunity to recoup some or all of the discount's cost by allowing the utility to negotiate rates with other T-2 customers for up to 68.2¢ per Mcf (approximately 23¢ per Mcf higher than the cost of service derived in that case). In computing the utility's revenue deficiency in Cases Nos. U-8635 et al., it was assumed that 2 billion cubic feet (Bcf) of service previously provided under special contracts would be provided under the T-2 tariff to customers that were able to use coal as an alternate fuel. Moreover, the cost of providing a discount to those customers was allocated to other members of the transportation rate class.

In the present case, Mich Con initially recommended that the cost of serving coal displacement customers at a discounted rate of 23¢ per Mcf be accounted for in the manner approved in Cases Nos. U-8635 et al. (i.e., allocating the cost of the discount to the rate class from which its coal displacement customers come). In contrast, ABATE proposed that this cost be spread over all rate classes, rather than requiring only transportation customers to continue bearing this expense. ABATE supported this proposal by pointing out that all utility customers benefit from load retention arising from this discount. In light of this argument,

Mich Con withdrew its initial suggestion and adopted ABATE's proposal. The Staff and the Attorney General objected to this proposal and argued that the discount should not be assigned beyond the class that includes coal displacement customers.

The Commission agreed with the Staff and the Attorney General, and found that the cost of the coal displacement discount should not be assigned beyond the large-volume transportation customer class for the following three reasons. First, allocating these costs to other customer classes would conflict with the Commission's preference for designing cost-of-service-based rates for each customer class. Second, it would be inconsistent with the Commission's practice of requiring the cost of a discounted rate to be borne by the remaining members of that rate class. Third, it would eliminate any incentive on the part of the utility to make sure that all discounts offered to coal displacement customers are justified. Specifically, requiring the cost of these discounts to be recovered from other large-volume transportation customers forces Mich Con to either offer them sparingly or face the risk of losing these other customers.

Mich Con and ABATE request rehearing concerning this issue. They base their request on the grounds that the Commission's order is erroneous (i.e., it conflicts with the policy upon which the rates for coal displacement customers were founded) and has resulted in unintended consequences (e.g., placing an undue financial burden on the utility's large-volume transportation customers).

In support of their request for rehearing, these parties contend that Mich Con's coal displacement discount is essentially a load retention rate, designed to reduce the utility's rates by spreading its fixed costs over a larger volume of usage. In short, ABATE asserts, the purpose of this discount is to "retain industrial load to reduce the burden upon ratepayers who

cannot readily switch to coal." (ABATE's petition, p. 4.) However, Mich Con's large-volume transportation customer class includes both coal displacement customers who, by definition, can switch to coal, and other large-volume transportation customers who cannot readily make that switch. The utility and ABATE therefore argue that, because the Commission's assignment of all costs of the coal displacement discount to Mich Con's large-volume customers results in higher rates for members of that class who cannot readily switch to coal than would have resulted if no coal displacement discount had been authorized[2], the Commission's October 28, 1993 order was erroneous.

These two parties further contend that, due to factual differences between consolidated Cases Nos. U-8635 et al. and the present case, it was inappropriate for the Commission to retain the cost allocation methodology established in that previous rate case. Mich Con points out that, in the previous rate case, only 2 Bcf of coal displacement volumes were at issue. In contrast, over 19 Bcf of transportation for coal displacement customers is assumed in the present case. The utility further notes that the Commission's October 28, 1993 order in this case separated transportation customers into two classes, large-volume and small-volume. Thus, that order results in a much larger amount of discount-related costs being allocated to a much smaller group of transportation customers. According to the utility, this is an "excessive and unintended" result, which should be corrected on rehearing. (Mich Con's petition, p. 7.)

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[2]Specifically, ABATE attached computations to its petition indicating that Mich Con's large-volume transportation rate would have been only 51.37¢ per Mcf if all coal displacement customers had switched to coal, instead of the 54.58¢ per Mcf rate arising from the October 28, 1993 order.

Mich Con and ABATE go on to assert that each of the Commission's three grounds for assigning all coal displacement discount costs to large-volume transportation customers is incorrect. First, they contend that the Commission's conclusion that allocating these costs to all customer classes would conflict with its preference for cost-of-service rates is irrelevant because, by definition, load retention rates like this are not intended to reflect the cost of service. Second, they claim that the discount at issue is far different from the low income senior citizen discount approved in Case No. U-7895. Specifically, the coal displacement discount is designed to benefit all customers (by spreading fixed costs over a higher volume of throughput), whereas only residential customers may benefit from the senior citizen discount. Thus, there is no need to allocate the costs of these two discounts in an identical manner. Third, they argue that because none of the parties objected to the size and scope of the coal displacement discount proposed in this case, there is no basis for concluding that Mich Con needs an incentive to minimize the amount of discounting offered to its coal displacement customers. Furthermore, they assert that it is in the utility's best interest to charge its coal displacement customers as high a rate as the market will bear, thus maximizing its revenues. Therefore, Mich Con and ABATE contend, the additional incentive created by assigning all costs to large-volume transportation customers is unnecessary.

In light of these arguments, Mich Con and ABATE propose allocating the cost of the coal displacement discount to all customer classes. Alternatively, the utility proposes that, at a minimum, these costs should be allocated to both large- and small-volume transportation customers, thus mitigating the adverse effect on large-volume customers that are not able to switch to coal. ABATE proposes a third alternative, a "reverse coal displacement 90/10 revenue sharing mechanism" that would require Mich Con to refund to its large-volume

customers 90% of any expected transportation revenues resulting from the utility's failure to successfully market the entire 19 Bcf of coal displacement sales assumed in the 1994 test year sales estimate.[3]

The Staff and the Attorney General oppose these parties' requests for the following four reasons. First, they contend that the arguments offered by Mich Con and ABATE are based on several untested assumptions. Specifically, ABATE stated that:

> "A fundamental assumption supporting a load retention rate is that but for the [coal displacement] discount, these companies would not use gas. Another fundamental assumption is that some revenue from these customers is better than no revenue. . . . A final assumption in this case must be that, absent a finding of imprudence on Mich Con's part, the discount under the T-2 tariff from the average transportation rate was only enough to secure the load, and that no excess discounting was done just to economically benefit the coal displacement customer." (ABATE's petition, p. 2.) [Emphasis in original.]

However, the Staff argues, there was no attempt in this case to confirm that Mich Con's coal displacement customers, or any of these large-volume transportation customers, would actually switch to coal if the discount were eliminated. Furthermore, the Staff asserts that ABATE's second assumption, that some revenue from these customers is better than none, is true only if the revenue received from coal displacement customers exceeds the incremental cost of serving them. Nevertheless, the Staff contends, no attempt was made to specifically prove that the 23¢ per Mcf rate retained in this case exceeds the incremental cost of serving these transportation customers. This is particularly important, the Staff claims, in light of the fact that implementation of FERC Order 636 (which creates a higher value for storage services and increases the risk of Mich Con being assigned "overrun charges" for any imbalances caused by its transportation customers) will likely increase the incremental cost of serving coal

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[3]As discussed in Mich Con's December 17, 1993 answer to ABATE's petition for rehearing, the utility opposes this 90/10 revenue sharing mechanism.

displacement customers. As for the third assumption, the Staff argues that because all coal displacement customers are receiving the maximum discount allowed, regardless of their size and load characteristics, it is doubtful that the discounts offered to these customers are at the minimum level necessary to keep them from switching to coal.

Second, notwithstanding assertions to the contrary, the Staff and the Attorney General contend that Mich Con's large-volume transportation customers are not shouldering an excessive or unintended burden as a result of the October 28, 1993 order. In support of this contention, it is noted that:

1. Large-volume transportation customers are still paying a distribution charge that is 10¢ per Mcf (or 20%) less than that required of Mich Con's small-volume transportation customers and 95¢ per Mcf less than the distribution charge borne by the utility's residential sales customers;

2. Because 19 Bcf of the 88 Bcf currently handled by Mich Con for its large-volume transportation customers receive the coal displacement discount, the average cost of large-volume transportation is even lower than the 54.58¢ per Mcf rate established by the Commission's October 28, 1993 order;

3. There was no showing that the 54.58¢ per Mcf rate is not competitive with the other options available to these customers (such as alternative fuels or pipeline bypass);

4. These large-volume transportation customers can avoid paying this rate, should they find it to be too high, by either negotiating a lower rate on Mich Con's T-2 tariff or switching back to Rate 6 sales service (which has a distribution charge that is 47.1¢ per Mcf less than the utility's residential sales rate);

5. Many of Mich Con's large-volume transportation customers take part of their gas under the coal displacement rate, thus raising the question of why they should be given even more beneficial treatment; and

6. Since Mich Con's last general rate case, completed during 1988, residential rates have risen by 29¢ per Mcf, while large-volume transportation customers' rates have risen only 9¢ per Mcf.

Third, the Staff and the Attorney General argue that adopting the joint Mich Con/ABATE request constitutes bad public policy. Specifically, they contend that allocating coal displacement subsidies to all rate classes could, over time, allow the utility to accomplish the monopolist's dream of segmenting the market according to price sensitivity and charging its most price sensitive customers just below the price of alternative fuel sources.

Fourth, they assert that both of the back-up requests offered by Mich Con and ABATE must be rejected. For example, the Staff contends that because the October 28, 1993 order approved ABATE's request to disaggregate transportation customers into large- and small-volume users, the rates for small-volume customers have already increased significantly. Thus, the Staff claims, it would be unfair to increase these rates further by approving Mich Con's request to spread recovery of the coal displacement subsidy to all transportation customers. The Staff and the Attorney General further object to ABATE's proposal to institute a reverse 90/10 revenue sharing mechanism. This objection is apparently based on recognizing that (1) the utility could suffer a double loss if any customers switch to coal [e.g., not only would its revenues decline, but it would also be required to "refund" 90% of this missing revenue to its remaining large-volume transportation customers] and (2) the utility would therefore have an incentive to maximize the amount of gas transported under the coal displacement discount, at least until it reached 19 Bcf per year. According to the Staff, this proposal is "totally absurd, and should be rejected out of hand." (Staff's response to petitions, p. 9.)

The Commission finds the arguments offered by the Staff and the Attorney General persuasive. As correctly noted in the October 28, 1993 order, the overriding problem with the joint Mich Con/ABATE request to assign the cost of coal displacement discounts to all

customer classes is that it provides the utility with little incentive to restrict the number and size of these discounts. Moreover, spreading the cost of these discounts to all ratepayers is contrary to cost-of-service principles. Furthermore, the Commission agrees with the Staff and the Attorney General that, in light of the six factors set forth on page 8 of this order, it cannot reasonably be concluded that allocating all coal displacement discount costs to Mich Con's large-volume transportation customers results in excessive rates. Therefore, the joint Mich Con/ABATE proposal to assign these costs to all customer classes should not be adopted.

The Commission reaches the same conclusion with regard to the alternative proposals offered by the utility and ABATE. ABATE's proposal to institute a reverse 90/10 revenue sharing mechanism could have the perverse effect of creating an incentive for the utility to maximize, rather than minimize, the volume of gas transported under its coal displacement discount--at least up to 19 Bcf. In addition, because disaggregation of Mich Con's transportation customers has already resulted in a significant rate increase for customers in the small-volume transportation class, Mich Con's alternative request to spread the cost of this discount to these customers would produce an inequitable result. The Commission therefore finds that the requests for rehearing concerning coal displacement customer discounts should be rejected.

Electronic Remote Metering

The disaggregation of the utility's transportation customers into large- and small-volume transportation classes arose from a request by Mich Con and ABATE and was designed to establish a rate for each class based on its own cost of service. This request was supported by testimony that, on average, Mich Con's large-volume transportation customers use gas at a much more even pace than its other transportation customers and therefore cost less per

Mcf to serve. Thus, Mich Con and ABATE asserted, disaggregation would further the move toward cost-of-service-based rates.

The Staff opposed this proposal primarily on the grounds that the record lacked sufficient detail to establish a precise rate differential between small- and large-volume customers. It therefore recommended that Mich Con be ordered to (1) provide electronic remote metering to all transportation customers using more than 100,000 Mcf per year and any other transportation customers that request that form of metering, and (2) conduct a load study, prior to the filing of its next rate case, on which future transportation rates could be more accurately based. Pending completion of those tasks, the Staff urged, disaggregation of the transportation customer class should be postponed.

Based on evidence that the average monthly load factor[4] for Mich Con's large-volume transportation customers exceeds that of its average small-volume customers, the Commission found that the request to disaggregate the utility's transportation customer class should be granted. Nevertheless, it agreed with the Staff that steps should be taken to compile the peak day load data necessary to compute the precise rate differential between these two groups of transportation customers. The Commission therefore held as follows:

> "First, the utility should be given until the start of the 1994-1995 heating season to install electronic remote meters for all transportation customers having [annual contract quantities] of at least 100,000 Mcf, as well as for all other transportation customers that request remote meters. Second, a cost of service study should be undertaken based on the daily usage patterns revealed through the use of those meters. Third, that study should be filed with the Commission, with the underlying data, no later than January 15, 1996." (October 28, 1993 order, p. 107.)

[4]A load factor is the ratio of average use to peak use.

Mich Con seeks rehearing, reconsideration, or clarification of the Commission's ruling regarding electronic remote metering on several grounds. First, it contends that the Commission's order could result in the utility being required to install up to 3,800 electronic remote meters, each at a cost of nearly $5,000. According to the utility, this potential $19 million meter installation cost is excessive and, it believes, unintended. Second, Mich Con argues that the peak load data sought by the Commission does not require the installation of electronic remote meters at all transportation customer locations. Rather, less costly measuring equipment can adequately capture a customer's peak day consumption. Moreover, installing this equipment at a number of representative transportation customer locations, instead of at every location, is sufficient to provide a statistically significant analysis of peak day usage. Third, the utility asserts that "a cost of service study performed outside the context of a rate case has extremely limited value." (Mich Con's petition, p. 15.)

For these reasons, Mich Con requests that the Commission revise its order and only require that (1) the utility install the type and number of devices necessary to prepare "a reliable and representative load study" of its transportation customers and (2) the load study "be incorporated into a cost of service study to be filed on or before January 15, 1996, or the time when Mich Con files its next rate case, whichever is later." (Mich Con's petition, pp. 18-19.) In the alternative, the utility requests that the Commission clarify its order to merely require that Mich Con provide peak day load data during its next general rate case in a fashion similar to that established for Consumers Power Company in consolidated Cases Nos. U-8676, U-8924, and U-9197.

The only party to respond to these requests, the Staff, concurred with several of Mich Con's assertions. For example, it conceded that there is no need to install electronic remote

meters at all facilities operated by the utility's transportation customers. It further acknowledged that there is no need for Mich Con to file a full cost of service study, as opposed to a load study, outside the context of a general rate case. The Staff therefore supported the utility's request, with the following caveats:

> "(1) No later than the start of the 1994-1995 heating season, Mich Con should install the meter devices necessary to conduct a gas load study with particular emphasis on its large and small volume transportation customers. The meter devices would not necessarily allow Mich Con to read the meters remotely, but should measure and record customer usage on an hourly [or quarter hour] basis and be downloaded monthly by a meter reader.
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> "(2) The load study should be completed no later than January 15, 1996 and made available, upon request, to all parties to Case No. U-10150.
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> "(3) If Mich Con files a general rate case prior to the conclusion of the load study, . . . [the utility shall] not propose any modification to the principles underlying the cost of service study and rate design approved in this case for sales customers and end-user transportation under the ST-1, ST-2, LT-1, or LT-2 rate classes. This restriction would not apply to rate design for the Wet-Header system and other off-system transportation rates." (Staff's response to petitions, pp. 11-12.)

The Commission finds that the utility's request to relax the requirements imposed by its October 28, 1993 order should be granted in part. It was neither the Commission's intent to require implementation of an unnecessarily costly form of metering nor its desire to foster preparation of an unneeded cost of service study. Instead, it seeks to ensure that the peak day load data necessary to estimate a more precise rate differential between Mich Con's large- and small-volume transportation customers is made available to both the Commission and the parties as expeditiously as possible. As correctly noted by Mich Con and the Staff, this can be done by conducting a statistically significant load study outside the context of a cost of

service study. Thus, because the utility's request, as modified by the Staff's first two caveats[5], will accomplish the intended goal, it is approved.

Diversion of Customer-Owned Gas

ABATE asserted that, although remote, a possibility exists that, during a gas supply emergency, transportation customers' gas may be seized by Mich Con to supply some of the utility's other customers. This was based on the belief that, in the event of an extreme, catastrophic gas shortage, the public interest would not allow pilot lights to go out in homes and hospitals throughout Michigan while Mich Con continues to deliver gas to industrial boilers. Given this possibility, ABATE suggested that a tariff be established governing the rights of the respective parties should the diversion of customer-owned gas occur.

The Administrative Law Judge (ALJ) assigned to this case agreed with ABATE. However, the ALJ went on to note that no proposed language was offered that could have been evaluated or contested by the other parties. She therefore recommended that Mich Con be instructed to file specific tariff language covering such an occurrence and that interested parties be offered an opportunity to submit arguments regarding the tariff's proposed wording. None of the parties excepted and the Commission found that the ALJ's recommendations should be adopted. It therefore gave the utility 30 days to file proposed tariff language and provided other parties 21 days to respond.

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[5]The third caveat offered by the Staff extends beyond the need for a timely, accurate load study. Clearly, the Staff is free to argue against any proposed changes to cost allocation and rate design principles that are offered prior to completion of such a study. However, any ruling on those changes should be reserved for the case in which they are proposed.

Mich Con filed its proposed tariff concerning the diversion of customer-owned gas on November 29, 1993. As noted earlier, written comments were subsequently received from ABATE, Antrim, and the Staff, as was the utility's response to these comments.

ABATE contends that the tariff proposed by Mich Con should be adopted, but only after the four following changes have been made. First, language should be added requiring transportation customers to be given as much notice as possible of an impending diversion. Second, the tariff should specifically state that gas may only be diverted to provide plant protection, ensure public health and safety, and maintain residential service. Third, it should be clearly stated that "diversion should occur only in the event [that] Mich Con is unable to secure other gas supplies . . . from any source at any price." (ABATE's comments, p. 3.) [Emphasis in original.] Fourth, the tariff should require the utility to compensate a transportation customer whose gas is diverted by paying the higher of (1) the spot market price of gas during the month of diversion, (2) the customer's actual cost of the diverted gas, or (3) the cost of the customer's alternate fuel.

In contrast, Antrim argues that the proposed tariff should be rejected in its entirety on the grounds that it would be unconstitutional for Mich Con to ever divert gas owned by its transportation customers. According to Antrim, the diversion of customer-owned gas would violate the Fifth and Fourteenth Amendments to the United States Constitution, as well as Article I, Sections 2 and 17 of the Michigan Constitution of 1963. Antrim goes on to contend that, even if a legal basis does exist for the diversion of third-party gas, numerous changes must be made to Mich Con's proposed tariff language. These changes include (1) specifically stating that transportation customers whose gas is diverted are entitled to recover consequential damages arising from the diversion, (2) obligating Mich Con to pay a pre-set penalty for diverting gas,

and (3) requiring the utility to replace a customer's diverted gas "as soon as replacement gas may become available." (Antrim's comments, p. 4.)

After reviewing the proposed tariff language and considering this matter more fully, the Staff now asserts that it would be best to initiate a separate contested case proceeding on the curtailment of service and diversion of third-party gas. Four reasons are given for this assertion.

First, the Staff notes that this is a much more complex issue than first envisioned. Among the questions that must be answered are:

> "Is this a long-term curtailment or just a very temporary emergency? Could the curtailment be confined to a class of customers or an individual customer within a segment of Mich Con's service territory? Should transportation customers such as hospitals or schools not have their gas taken from storage or have it taken last?" (Staff's comments, pp. 2-3.)

Second, important interests are at stake. For example, tariff language approved by the Commission would likely affect if, and how much, gas will be available to various customers in the event of a gas shortage. Third, these interests extend to a large number of customers that, because they did not participate in this rate case, would have no opportunity to address this issue. Fourth, there appears to be no need to immediately rule on the proposed tariff. None of the gas supply experts who testified in this case predict that a long-term gas shortage will occur in the near future.

Like the Staff, Mich Con now believes that a detailed record should be developed in order to address the complex issues raised in the parties' comments and that "a separate proceeding would be more appropriate and administratively efficient in order to develop a thorough gas supply diversion plan." (Mich Con's response to comments, pp. 1-2.) However, the utility goes on to suggest that a generic proceeding concerning this issue might prove beneficial by

allowing all Michigan gas utilities to establish a uniform method of responding to gas shortages.

The Commission agrees with the Staff and Mich Con that a separate contested case proceeding should be initiated to address service curtailment and the diversion of third-party gas. Due to the potential effect that curtailment and diversion could have on the utility's customers, all ratepayers should have an opportunity to address this issue. However, due to differences in utilities' respective sources of supply, access to storage, and customer demands, it is doubtful that a generic proceeding involving all Michigan gas utilities constitutes the most efficient use of resources. Thus, the Staff's request for a separate, utility-specific proceeding to address this issue should be approved. The Commission therefore finds that no action should be taken on the tariff language filed by Mich Con and that the utility should, within 90 days of issuance of this order, file an application for approval of all tariff language necessary to establish a service curtailment and gas diversion program.

The Commission FINDS that:

a. Jurisdiction is pursuant to 1909 PA 300, as amended, MCL 462.2 et seq.; 1919 PA 419, as amended, MCL 460.51 et seq.; 1939 PA 3, as amended, MCL 460.1 et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; and the Commission's Rules of Practice and Procedure, R 460.17101 et seq.

b. The petition for rehearing and reconsideration filed by Mich Con should be granted in part and denied in part.

c. The petition for rehearing filed by ABATE should be denied.

d. Mich Con should, before the start of the 1994-1995 heating season, install all meter devices necessary to conduct a reliable and representative gas load study with particular

emphasis on its large- and small-volume transportation customers. These meter devices should measure and record customer usage on an hourly or quarter hour basis, and the data should be downloaded monthly.

e. The gas load study required by this order should be completed no later than January 15, 1996 and made available, upon request, to all parties to Case No. U-10150. Furthermore, that load study should be incorporated into a cost of service study filed by January 15, 1996, or the time when Mich Con files its next rate case, whichever is later.

f. Within 90 days of issuance of this order, Mich Con should file an application for approval of all tariff language necessary to establish a service curtailment and gas diversion program.

g. Except for the modifications and clarifications made in today's order, all relief requested in the petitions, comments, and responses addressed in this order should be denied.

THEREFORE, IT IS ORDERED that:

A. The petition for rehearing and reconsideration filed by Michigan Consolidated Gas Company on November 29, 1993 is granted in part and denied in part.

B. The petition for rehearing filed by the Association of Businesses Advocating Tariff Equity on November 29, 1993 is denied.

C. Michigan Consolidated Gas Company shall, before the start of the 1994-1995 heating season, install all meter devices necessary to conduct a reliable and representative gas load study with particular emphasis on its large- and small-volume transportation customers. These meter devices shall measure and record customer usage on an hourly or quarter hour basis, and the data shall be downloaded monthly.

D. The gas load study required by this order shall be completed no later than January 15, 1996 and made available, upon request, to all parties to Case No. U-10150. Furthermore, that load study shall be incorporated into a cost of service study filed by January 15, 1996, or the time when Michigan Consolidated Gas Company files its next rate case, whichever is later.

E. Within 90 days of issuance of this order, Michigan Consolidated Gas Company shall file an application for approval of all tariff language necessary to authorize a service curtailment and gas diversion program.

F. Except for the modifications and clarifications made in today's order, all relief requested in the petitions, comments, and responses addressed in this order is denied.

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.

MICHIGAN PUBLIC SERVICE COMMISSION

(S E A L)

/s/ John G. Strand
Chairman

/s/ Ronald E. Russell
Commissioner

By its action of February 24, 1994.

/s/ Dorothy Wideman
Its Executive Secretary

/s/ John L. O'Donnell
Commissioner