

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the rates, terms, and)	
conditions for retail customers of)	
CONSUMERS ENERGY COMPANY)	Case No. U-12488
to choose an alternate electric supplier)	
_____)	

REPLY BRIEF OF ENERGY MICHIGAN, INC.

I. INTRODUCTION

This Brief is submitted in reply to the Initial Briefs of the Consumers Energy Company (Consumers or Consumers Energy), Michigan Public Service Commission Staff (Staff or MPSC Staff), the Association for Businesses Advocating Tariff Equity (ABATE) and Exelon Energy (Exelon). Failure to reply to all of the issues raised by the aforesaid parties or issues raised by any other party should not be construed as agreement with the issues or positions raised by those parties.

This Reply Brief will be divided into two major sections:

- II: A discussion of the positions of the parties to this matter on eight major issues presented in the Energy Michigan Initial Brief.

- III: Both Consumers and Staff Briefs reference Staff’s version of the ROA tariff. Therefore, the revised Retail Open Access tariff (ROA - tariff) attached to the MPSC Staff testimony of witness Larry Bailey as Exhibit S-15 will be reviewed and comments will be made on each section where Energy Michigan disagrees with the revisions to the existing tariff proposed by Consumers Energy or the revisions proposed by MPSC Staff.

A copy of the Staff ROA tariff S-15 is attached as Attachment A. The revisions proposed by Staff and Consumers will be differentiated by using bold letters and underlines to emphasize the MPSC Staff revisions and the color red will identify Consumers' proposed revisions.

II. REPLY TO BRIEFS ADDRESSING EIGHT MAJOR ENERGY MICHIGAN ISSUES

Energy Michigan Issue #1:

Consumers New Provisions Requiring That Only Retailers Contract for Transmission and Distribution Service Should Be Rejected: Staff ROA Sections F3D(8) and (9)

Energy Michigan urged rejection of Consumers' proposed new ROA provision requiring that a single retailer entity purchase both the distribution and transmission services required to serve retail customers. Energy Michigan proposed that a power marketer entity be the transmission customer which could serve multiple retailers and that separate retailer entities purchase distribution services.

A. Consumers Position

Consumers opposed the Energy Michigan position stating that:

1. A third party can already act as an aggregator and bring a number of individual retail customers to a retailer to accomplish the alleged purpose of Energy Michigan; and
2. That the real purpose of Energy Michigan is to allow the marketer-transmission customer to designate the Consumers distribution system in general as a point of delivery for Point to Point transmission service. Consumers claims that Network transmission service should be used for deliveries to its distribution system on behalf of multiple customers. Consumers emphasizes that it will not provide Point to Point transmission service on behalf of multiple ROA customers where the delivery point is the distribution system, not the

specific meter of a retail customer. *Consumers Brief*, p. 38-39.

B. Energy Michigan Reply

The Consumers position in this case can substantially change ROA economics. Consumers' new ROA tariff provisions prevent two economically desirable outcomes:

1. A retailer entity purchasing transmission cannot combine on peak and off peak loads of multiple competing retailers to achieve the most efficient and least expensive mix of transmission. *Polich*, 2 Tr 104-106; *Energy Michigan Brief*, p. 4. Consumers claims that an aggregator could be used to combine individual retail customers and bring them to the retailer- purchaser of transmission. What Consumers does not explain is that a marketer purchaser of transmission may wish to serve multiple unassociated, competing retailer entities and combine their load to deliver the most efficient mix of transmission service. The Consumers structure requiring retailers to purchase transmission and deliver through the distribution system would prevent a Nordic Marketing transmission entity from serving both the Nordic retailer and other separate competing retailer entities. Thus, Consumers proposed solution is not responsive to the problem which its new proposal creates.

2. Consumers freely admits that its proposed structure will prevent, and has currently prevented (with no MPSC authorization), a retailer from using Point to Point transmission service to serve multiple customer loads by designating the Consumers distribution system as a point of delivery rather than using individual customer meters as a point of delivery. *Consumers Brief*, p. 38-40. Energy Michigan witness Polich testified that Network service has often been impossible for competitors to obtain because a purchaser of Network transmission service is required to demonstrate that they have procured firm annual electric supply and the necessary firm transmission service from the point of generation to Consumers' transmission system. When the firm transmission service cannot be obtained (as was the case during the summer of 2000) the retailer or marketer is ineligible for Network

transmission service. *Polich, 2 Tr 108-109*. This creates a Catch-22 situation. Multiple customers cannot be served with Network service until firm transmission rights are obtained. But firm transmission rights cannot be obtained because utilities hoard or take all available capacity. There is no guarantee that this situation will not recur in future years. Thus, the marketer-transmission purchaser may never obtain Network transmission service because it cannot obtain firm transmission.

The same restrictions do not apply to Consumers when it serves its own native load customers. Consumers uses Point to Point transmission service for deliveries to its distribution system as the point of delivery even though that Point to Point service is used to serve hundreds if not thousands of individual customers. In direct contradiction to the point made by Consumers rebuttal witness Karen Feahr (2 Tr 84), Consumers itself can serve hundreds of customers with one point of delivery but would like to require a marketer-retailer competitor to use over 250 points of delivery to serve individual retail customers. Thus Consumers can use Point to Point transmission service for delivery and not have to procure firm transmission service where its competitors such as Nordic, Engage, etc. must use Network service and therefore must have firm transmission rights which are often taken by Consumers.¹

The Consumers position on Point to Point service really amounts to a self serving

¹ Consumers has stated that it offered firm transmission to the competitive industry as of April 23, 2001 for the summer of 2001. *Consumers Brief, p. 21, n. 4*. It also states that non-utilities had obtained firm transmission service for the summer of 2000. In the spirit of supplementing the record with relevant information, Energy Michigan has attached to this Reply Brief correspondence from Nordic Marketing to Mr. William Garrity regarding the offered transmission service. *See Attachment B*. Nordic correspondence explains that it requires capacity starting September 1, 2001 not the June 1, 2001 start date of the Consumers offer. Also, the Consumers offer of transmission is limited to use in the Consumers territory rather than the entire MECS area and has no rollover rights. Without rollover rights, there is no way to contract over a long term with customers and be assured continuing availability of transmission. Surely Consumers must have understood that the offer of firm transmission capacity for the summer of 2001 at this late date was illusory because the economics of the industry simply will not allow service during this period. Thus Consumers' offer of summer 2001 transmission capacity merely serves to emphasize that firm transmission will often not be available on realistic commercial terms and that requiring retailers to use Network service which requires firm transmission is tantamount to frustrating all deliveries to the Consumers distribution system.

competitive tactic. Consumers may freely use Point to Point transmission service to move power to its distribution system which in turn is delivered to hundreds if not thousands of individual retail customers. Consumers then denies retailers or marketers the ability to use Point to Point service, forces them to use Network service which requires firm transmission that is often not available or not available on reasonable terms. *See Attachment B.* With this posture, Consumers is able to serve its own customers at the lowest possible cost and frustrates its competitors from enjoying the same privileges and economics.

The Commission can prevent implementation of Consumers' self serving position by rejecting the new Consumers proposals to force retailers, not marketers, to purchase transmission service (Subsections F3.1G and H Sec. 3.4B force a retailer purchasing standby to also execute the transmission agreement. Also the description of the retailer role (F1.3) states that the retailer must secure transmission.

Energy Michigan Issue #2:

Retailer Should be Allowed to Aggregate Multiple
Customer Loads Under Point to Point Transmission Service

As described in Issue #1 above, Consumers only allows retailers to aggregate multiple customer loads into a single combined transaction for transmission scheduling using Network service and Consumers prohibits the use of Point to Point transmission service for aggregated customers.

A. Consumers Position

Consumers urges the Commission to reject the Energy Michigan request to allow aggregation of customer loads under Point to Point service. Consumers claims it is “not appropriate” nor the “intent of FERC” to consider all of its interconnections to be one point of delivery. Yet Consumers produces no authority to support its beliefs on this issue. *Consumers Brief, p. 39-40.*

B. Energy Michigan Position

The Energy Michigan position is described in Issue #1 above. Briefly, Consumers claims that it is inappropriate to consider its entire distribution system as a point of delivery for Point to Point transmission service delivery since multiple customers are served and that Network service would be the best and most logical type of service to utilize. *Consumers Brief, p. 39-40; Rebuttal of Karen Feahr, 2 Tr 84.*

Consumers failed to address the Energy Michigan argument that Network service often cannot be utilized because the necessary firm transmission service is not available. *2 Tr 108-109, also see n.1.* Furthermore, without the practical ability to use Network service the restricted use of Point to Point service favored by Consumers (which prohibits aggregation of multiple customers) forces uneconomic use of 1,000 kW blocks of transmission to serve individual small loads which may only require a fraction of the block. Under the Consumers position, 1,500 kW of load which could not be served on Network service would have to utilize 2,000 kW of Point to Point transmission service even though load of another retailer for 500 kW could have been combined to fully utilize the 2,000 kW block. *Polich, 2 Tr 109-110.*

The Consumers position is wasteful and uneconomic. Consumers should be ordered to make Point to Point service available to aggregated loads for delivery to the Consumers distribution system.

Energy Michigan Issue #3:
Mandatory Enrollment Processing Deadlines

A. Consumers Position

Consumers objects to the Energy Michigan proposal that it be required to switch a customer to open access service within 15 days of enrollment and that if enrollment is not completed in 15

days, the AES should be allowed to commence energy deliveries on the 16th day. *Energy Michigan Brief*, p. 9. Consumers cites three reasons to reject the Energy Michigan position:

1. Evidently the business systems to implement open access are still not mature after almost three years of work.
2. Installation of telemetry phone lines to customers takes a long time and is not within the control of Consumers Energy.
3. Small customers who must be switched to a large customer billing system can only start at the end of a meter read period which can take from one to 30 days. *Consumers Brief*, p. 40-41.

B. Energy Michigan Reply

The current inability of Consumers to process even tiny volumes of ROA applications after expenditures of scores of millions of dollars is scandalous. The Commission must enforce processing deadlines with accompanying penalties or self implementing features to provide the incentive which millions of dollars of implementation expenditures and regulatory admonitions have not accomplished. The fact that Consumers can not process even the tiny volume of applications in a rapid manner is evidence of a system that is inoperable, not immature.

There is a simple solution to Consumers' concerns regarding delays caused by phone line installation: adopt the Energy Michigan proposal to waive telemetry for installations below 1,000 kW and continue use of the existing manual read process for such installations. *Polich*, 2 Tr 125; *Energy Michigan Brief*, p. 9. Customers below 1,000 kW using demand meters currently provide data through the use of manual meter reads. The manually retrieved data can provide accurate billing information for Consumers purposes. ROA generation suppliers will then be responsible to use sampling techniques or other methods to ensure that their energy deliveries are in balance with

customer use. This approach will eliminate delay and confusion, reduce customer costs and preserve the same economics for manual meter reading that are compensated under the current Consumers rate structure.

The Commission simply must provide some definitive time deadline for ROA enrollment after which power deliveries can begin, customers can receive credits and Consumers would be left to complete enrollment at its own pace. Any other system rewards Consumers for frustrating ROA enrollment. Consumers' most serious objection to this mandatory time frame concerns problems surrounding installation of telemetry. The vast majority of those problems can and should be eliminated by deleting the current language in tariff ROA-R (Sheet 23.00), ROA-s (Sheet 27.00) and ROA-P (Sheet 30.00) requiring telemetry for meters above 20 kW. New language requiring telemetry for customers with demand greater than 1,000 kW should be utilized.

Energy Michigan Issue #4:

ROA Service Curtailment Procedures: Staff ROA Tariff Sec. F2.11

(Customer Section) and Sec. F3.7(D)(Retailer Section)

The above referenced sections of the Staff's ROA tariff contain Consumers' new proposal to address curtailment of service to ROA customers in situations where the retailer's generation deliveries are inadequate to serve the retailers retail customers. Consumers' proposed new language to allows it to immediately curtail service where power deliveries are inadequate but no standards or criteria are provided.

The Staff has proposed curtailment language which provides that where backup power is available from Consumers, the retailer should be forced to pay for all power delivered at the cost to Consumers plus 10%. Where the combined power requirements of all customers including ROA service exceed the capability of Consumers, the existing curtailment procedures to bring supply and demand into balance would be utilized.

Energy Michigan proposed a curtailment system essentially similar to the Staff concept which allows Consumers to use OATT penalty pricing rates to bill retailers who are out of balance but only invokes curtailment where Consumers does not possess enough power to serve all customers.

A. Consumers Position

The Consumers response to Staff and Energy Michigan proposals is interesting. The Staff proposals are characterized by Consumers as inconsistent and abruptly dismissed. *Consumers Brief, p. 30*. The Energy Michigan proposals are summarized as proposing that “Consumers Energy should have no curtailment rights.” *Id.* Using this impeccable reasoning, Consumers dismisses both Staff and Energy Michigan proposals as impractical and urges adoption of its language which allows Consumers to curtail service of its competitors without any objective standards.

B. Energy Michigan Reply

The Consumers rhetoric disguises the fact that Consumers’ approach to curtailment is based upon a glaring and irrefutable flaw: Consumers does not possess the physical means to curtail ROA customers in imbalance situations. Consumers does not possess equipment nor has required installation of such equipment which would enable remote curtailment of individual ROA customers. Without this capability, the Consumers curtailment language is ineffective or meaningless. *Polich, 2 Tr 118*.

Energy Michigan has proposed a solution fairly similar to that of Staff. The process is as follows:

1. Where a retailer is out of balance but Consumers possesses sufficient supplies of capacity, the retailer should be billed for the necessary power at current OATT Schedule 4 penalty rates. This is the mechanism used at the wholesale level to deal with exactly the same imbalance situations. *Id.*

2. Where energy supplies are not sufficient to serve all customers, Consumers should utilize mechanisms for imbalances that currently exist and are technically enforceable. The out of balance party is notified of the problem and required to resolve the imbalance within two hours or less. If the imbalance is not resolved, Consumers can invoke economic penalties under the OATT and move to revoke the retailer's license. *Polich, p. 122*. The only mechanism available to Consumers to resolve system emergencies is to utilize curtailment on an area basis which will include both ROA and sales customers. Note that the requirement invoking any of these measures is a supply emergency which is to declare a currently defined term that can be immediately utilized. *Energy Michigan Brief, p. 9-11*.

This Energy Michigan proposal is similar to the Staff proposal which requires that Consumers attempt to supply (under a best efforts basis) supplier imbalances pursuant to the terms of Staff's proposed standby rate which calls for pricing power at 110% of market levels, an approach similar to Mr. Polich's recommendation to use OATT Schedule 4 terms.

The Commission should adopt the Energy Michigan proposals as a rational and workable solution to curtailment. Staff's proposals are a second best, but incomplete concept. The Consumers curtailment language should not be adopted because it is so open ended that it gives the utility complete discretion and relies upon an essentially unenforceable curtailment mechanism which is based upon a technical capability that does not exist.

Energy Michigan Issue #5:

Load Profiling Service: Staff ROA Sec. F-25.00, F-29.00 (other?)

The Energy Michigan position on load profiling recommended a reduction in profiling charges or, if that is prevented by the PA 141 freeze, expansion of the energy imbalance bands or charge actual costs of imbalances rather than estimates, and the requirement that Consumers provide load leading profiles based on residential or small secondary customers will managed load. *Energy Michigan Brief, p. 11-14*.

A. Consumers Energy Position

1. Managed loads

Consumers did not address or object to the proposals that load leading profiles be provided for managed loads. This recommendation to supply profiles for managed loads should be adopted as it will permit an expansion of energy conservation options to small ROA customers.

2. Load profile charge

Consumers only objection to the Energy Michigan proposals to reconfigure load profile services is a reference to 2000 PA 141 which it claims has frozen the Company's rates. *Consumers Brief, p. 43*. The rebuttal presented by witness Bearman claimed that Mr. Polich had no cost support for his proposal. *2 Tr 46*.

B. Energy Michigan Reply

Regarding proposals concerning the fee structure for load profiling, Consumers objections do not address the point of the Energy Michigan testimony.

Energy Michigan has demonstrated that Consumers' current load profiling charges are based upon an estimate of the charge necessary to pay for imbalances resulting from any difference between the forecasted load leading profile provided by Consumers and the actual energy use the is required. The profile management charge provides the ability for Consumers to recover such costs. *Polich, 2 Tr 112*. An alternative to using an estimated value for recovery of these costs is to use the actual costs as determined from month to month.

This is not a recommendation for a rate reduction but rather a proposal to move from

estimates to actual values to calculate the load profile costs incurred by Consumers. *Id, at 113.* Energy Michigan witness Polich's proposal requires Consumers to calculate the actual cost of serving all load profile customers (the difference between costs paid by those customers who follow the load profiles and the actual cost of serving those customers to the extent that the actual use was greater or less than dictated by the profiles). Once that cost of service is determined, load profile customers would be charged their pro rata share of the actual cost. If Consumers incurred no net additional cost, the charge would be zero, but if the cost were very high the customers would have to pay those high costs. *Polich, 2 Tr 114-115.*

In the alternative, the energy imbalance band could be expanded to reduce the possibility of penalties.

The Commission can adopt the Polich proposal for determining Consumers actual imbalance cost and substitute this for the estimated .46 ¢ /kWh charge. The change would not be a rate change or reduction but rather a substitution of methodology for determining and collecting the cost of service. This is not a rate reduction prohibited by 2000 PA 141.

In answer to Consumers' rebuttal, Mr. Polich does not need cost support for his proposal because he is recommending that the load profile fees be based on actual costs, whatever they may be, not estimates.

Energy Michigan Issue #6:

Return to Service: Staff Draft Sec. F 2.5 and F1.8 (30 Day Notice)

ROA customers are currently allowed to return to bundled service on 30 days notice. Rule F10. Consumers has proposed a new Return to Service provision which requires a customer to provide nine months notice of return to bundled service and, after nine months, to return to full tariff rates for a minimum of 12 months. A customer who returns to bundled service with less than nine months notice must pay the greater of the Company's highest hourly incremental cost or full service rates

until the nine month notice period is fulfilled.

Staff proposed that customers be able to return to bundled service on one month of notice and then remain for a minimum of 12 months on full service rates.

Energy Michigan witness Polich proposed to accept the Consumers Return to Service provisions unless 2,000 MW of additional transmission firm capacity were not available to ROA customers. In such cases, customers would be allowed to return to service on 15 days notice for up to three months. *Energy Michigan Brief, p. 15-17.*

A. Consumers Energy Position

Consumers opposes both Staff and Energy Michigan proposals. Consumers claims that it needs nine months notice to acquire necessary generation. Consumers also claims that nine months notice prevents gaming by alternate suppliers or customers who would presumably would buy Consumers' power during the summer when it was cheaper and non-system power the other nine months of the year when that was cheaper. *Consumers Brief, p. 15-24.*

Consumers attacks the Energy Michigan Return to Service proposal on the grounds that the FERC OATT gives ROA customers the same access to transmission as utilities and that over 500 MW of AEP summer access is now held by non-utilities contravening Mr. Polich's claim that such capacity was not available. *Consumers Brief, p. 21.* Consumers also claims that it has offered firm transmission to AES entities but none accepted the offer. Therefore Consumers claims that transmission shortage is not an issue that should justify more lenient Return to Service provisions. *Id, p. 21.*

B. Energy Michigan Reply

Consumers has offered no cogent reason to support the need for a nine month return to service notice versus the current one month which has functioned since the beginning of open access service. Consumers claims that the Staff proposal would encourage “gaming of the system” but neglects to mention that the Staff requirement to remain on bundled service for 12 months virtually eliminates the gains that could be made from gaming. Consumers also fails to explain why a 30 day notice period has been used successfully for several years but that now a nine month notice is suddenly necessary. Given the existing power supply market, one month notice is clearly sufficient to obtain necessary energy supplies particularly when it is remembered that since the customers were receiving service prior to the notice, whether from an alternate supplier or other entity, there is enough capacity available to serve these customers after they return to Consumers because Consumers has access to the same power supplies.

Consumers’ opposition to the Energy Michigan proposal is even less substantial. Why should Consumers object to an approach which gives them the Return to Service provisions which they desire in return for complying with a statutory mandate to expand transmission availability by 2,000 MW and making that capacity available, first and foremost, to alternate suppliers? If Consumers objects to this approach, isn’t this an indication that Consumers really objects to providing their competitors with adequate transmission capacity?

In fact, the parties reserving the referenced 2001 summer capacity across AEP are not AES entities and Consumers cannot point to any AES entities serving Michigan customers who were able to obtain such capacity.

Also note that the Consumers offer of summer capacity contained in Exhibit B to their Brief was so flawed as to be obviously unacceptable to any AES entity. As noted in Attachment B to this Brief, the Consumers offer was for an 11 month term encompassing the summer of 2001 when Consumers knew that market prices made Electric Choice service during this time frame uneconomic. In other words, an AES entity would have to pay for 11 months of transmission in order to commence using that service in the eight months from September 2001 through April 2002.

Moreover, the purchaser of the offered transmission capacity has no right to rollover or extend the service and thus would be placed in the position of cutting off existing customers after 11 months unless additional transmission capacity could be found from another source. Finally, all of the offered AEP transmission capacity offered by Consumers must be used to serve customers on the Consumers system and not the Detroit Edison system. Consumers is well aware of the fact that the economics currently favor ROA service to market Edison territory and not Consumers. This collection of “conditions” clearly made the Consumers offer of transmission capacity unattractive to any reasonable business person. Failure of the AES community to purchase this transmission capacity is more a tribute to the wisdom of the alternate supplier community than to the “generosity” of Consumers Energy.

Conclusion

The Consumers offer of 100 MW of AEP summer capacity demonstrates just how unreliable the market for firm transmission has become. Alternate suppliers in Michigan cannot obtain firm transmission across AEP under reasonable terms. The Consumers offer of 100 MW of capacity was made on totally unreasonable terms. Mr. Polich had it right when he said that until alternate suppliers were allowed an equal opportunity to obtain firm transmission capacity into Michigan that ROA service could not be guaranteed. Under these conditions, a liberal Return to Service policy such as sponsored by Mr. Polich is justified because it is the utilities who have acted to prevent reliable Electric Choice service by hoarding firm transmission capacity. Thus utilities should be forced to provide useable firm transmission capacity or, in the alternative, accept the duty to serve customers who have been deprived of Electric Choice service due to transmission unavailability.

The Commission should adopt the Polich approach to Return to Service proposal or, failing that, amend Sec.1.8 and 2.5C as recommended by Staff to allow Return to Service on one month notice.

Energy Michigan Issue #7:
Format of the ROA Tariff Proposal

A. Position of Staff and Consumers

Consumers initially sponsored Exhibit A-1 which proposed changes to their existing ROA tariff and illustrated those changes in italics. MPSC Staff took the Consumers tariff proposed in Exhibit A-1 including the new changes proposed by Consumers and presented it as Staff Exhibit S-15 with Staff proposals illustrated by ~~strikeout~~, bold letters and underlining. However, S-15 incorporates the new changes of Consumers and does not identify those changes. The result is an exhibit which clearly highlights the new Staff proposals and totally conceals Consumers' new proposals.

Pretty confusing, isn't it?

B. Energy Michigan Reply

There is a real danger that the Commission or Administrative Law Judge could work through the Staff Exhibit S-15 and rule on all the Staff proposed changes without identifying or ruling on a great many new provisions which were added by Consumers but are not identified in the Staff draft.

This Energy Michigan Reply Brief will resolve the confusion regarding ROA tariff format in two ways:

1. Sec. III will proceed through the Staff draft and comment on each Consumers revision or Staff revision in the order presented in the Staff tariff draft.
2. The Staff S-15 attached to this Energy Michigan Reply Brief as Attachment A will identify Staff's proposed changes as is done in S-15 with underlining, bold letters and ~~strikeout~~. The changes proposed by Consumers will be identified in red letters.

This method of identifying and addressing the changes proposed by both Consumers

and MPSC Staff should eliminate a lot of the confusion and complexity surrounding these issues.

Energy Michigan Issue #8:

The Consumers Proposal to Defer ROA Tariff Implementation to 120 Days After Approval

A. The Consumers Position

On rebuttal, Consumers presented a new proposal to defer implementation of changes to the ROA tariff to at least 120 days after the date of any MPSC Order ruling on these proposals. *Bearman Rebuttal, 2 Tr 48.*

B. Energy Michigan Reply

Energy Michigan opposed the new Bearman proposal on the following grounds:

1. The proposal was not included in the Consumers direct case and therefore is improperly before the Commission as rebuttal. *Energy Michigan Brief, p. 18*
2. If the final decision in this case is rendered in late 2001, as is expected, Consumers' proposed 120 day delay would result in an effective date well into the 2002 calendar year. Uncertainty regarding these tariff provisions could hamper customer enrollment and the ability to determine or calculate financial benefits. *Energy Michigan Brief, p. 18-19.*

Staff opposed the Consumers 120 day delay on the grounds that implementation of full customer choice is required on January 1, 2002 by 2000 PA 141. *Staff Brief, p. 21.*

For the reasons stated above, the new Consumers proposal to delay ROA tariff implementation 120 days should be rejected. *Id.*

III. SECTION BY SECTION REVIEW OF THE MPSC STAFF PROPOSED ROA
TARIFF WITH REPLY COMMENTS TO THE CHANGES PROPOSED BY
MPSC STAFF AND CONSUMERS ENERGY, AS WELL
AS DESCRIPTION OF ENERGY MICHIGAN PROPOSALS

This section of the Energy Michigan Reply Brief will proceed through the MPSC Staff proposed version of the ROA tariff (Exhibit S-15) attached to this Reply Brief as Attachment A and will discuss each modification recommended by Consumers, MPSC Staff and Energy Michigan. Where there are no modifications or the revisions of Consumers and Staff are acceptable, no comment will be made.

A. Section F1.3: The Retailer Role

This section repeats language which requires the retailer, and not a marketer, to secure transmission service and distribution service. Energy Michigan believes that marketers who do not purchase distribution service must be allowed to secure transmission service from Consumers. See discussion in Energy Michigan Issue #1 above.

Energy Michigan also believes that discussion of marketer issues as they relate to purchase of transmission should be dealt with by FERC.

B. Section F1.4: Definitions

1. F1.4 (q) and (r) define “point of delivery” and “point of receipt” in such a way that a retailer cannot aggregate customer load under Point to Point service and deliver it to the Consumers system. These provisions should be revised for the reasons stated in Issue #2 above.

2. Section F1.4 (w) contains language requiring a “retailer” to meet its obligations to

“local government units”. This language should be deleted because it could be construed to require Consumers to enforce local franchising requirements, etc. The requirements in PA 141 placed upon an AES entity are limited to obtaining a license approved by the Commission. Neither the Commission nor Consumers are authorized to enforce additional local government requirements. *Energy Michigan Brief, p. 20.*

C. Section F1.6: Reciprocity Requirement

The MPSC Staff modifications to F1.6 alter current Consumers ROA tariff requirements to specify a more reasonable and enforceable standard of reciprocity. Under the Staff concept, reciprocity need only be relatively equivalent to that provided by the Company rather than exactly equal as to rates, terms and conditions. *Staff Brief, p. 4.*

Consumers opposes this change evidently on the grounds that the Staff proposal would make it too easy for out-of-state electricity suppliers to do business in their service territory. *Consumers Brief, p. 5.*

Energy Michigan strongly supports the Staff revisions to the concept of reciprocity. *Energy Michigan Brief, p. 20.* The current reciprocity standard proposed by Consumers would make it nearly impossible for an out-of-state utility or their affiliate to offer electric supplies in Michigan. It is obvious that no state outside Michigan is going to have rates, terms and conditions that are uniformly equivalent to those offered by Consumers in every detail. Using this impossible reciprocity standard, Consumers could disqualify virtually every affiliate of an out state utility as a supplier in Michigan. The Staff standard of relative equivalent ROA terms is far more reasonable and enforceable and will surely result in a greater amount of electric supplies in Michigan. The Staff definition of reciprocity should be adopted.

D. Section F1.7: Customer or Retailer Compensation to the Company

Staff recommended deletion of the Consumers requirement for compensation which would force customers or retailers to compensate Consumers for almost unlimited direct or indirect costs caused by some unspecified general failure to meet obligations.

The Consumers standard is so broad that it could lead to claims for enormous and unpredictable damages. This broad and ill defined section should be deleted as recommended by Staff.

E. Section F1.8: Termination or Cancellation of Contract

This section is used by Staff to implement a Return to Service period of 30 days rather than the nine months proposed by Consumers. Energy Michigan would support the Staff proposal if the Energy Michigan 15 day return period is not adopted. Reasons for this support are stated in the discussion of Energy Michigan Issue #6 above.

F. Section F1.9: Meter Errors

The Consumers language limits Company liability for meter error to repair or replacement of a meter and preparation of revised bills for service.

Energy Michigan recommends that Company liability be extended to include imbalance penalties or additional power costs caused by inaccurate meter reads.

G. Section F2.2: Metering

This rule covers the provision of meters and, among other things, provides that time of use meter reading be accomplished electronically through a customer provided telephone line. Time of use meters are required for all loads of 20 kW or above.

For the reasons detailed in the discussion of Energy Michigan Issue #3 above (Enrollment Deadlines) Energy Michigan believes that the current requirement to install telemetry for customer loads below 1,000 kW is the greatest impediment to enrollment processing efficiency. *Polich, 2 Tr 125.*

Consumers agrees that telemetry installations slow ROA enrollment but claims that the installation of telemetry is beyond their control. *Consumers Brief, p. 40.* Energy Michigan proposes to eliminate telemetry requirements for ROA customers with demand below 1,000 kW and use manual meter reads as a means of speeding enrollment and reducing costs and complexity. *Id.* Energy Michigan recommends that Rule F2.2, Sheet F5.00, ¶ 2 be amended to mandate electronic meter reading through a customer provided telephone to loads of 1,000 kW or more. *Energy Michigan Brief, p. 9.*

H. Section F2.3: Character of Service

This subsection requires that customers or retailers who wish to contract for standby service must execute a transmission service agreement.

Energy Michigan recommends that F2.3B be revised to eliminate language which requires the retailer to be the entity who executes the transmission agreement in order to obtain standby service. A marketer should be allowed to comply with that requirement for the reasons stated in Issue #1 above.

I. Section F2.4: Availability of Service

Default Transition Charge

1. Staff Position

In this section the Staff proposes that if the Commission does not adopt a specific transition charge in Case U-12639 that a “default rate of .5 ¢ /kWh” for transition charges be implemented. This requirement is repeated in tariff sheets F25.00 (Residential), F28.00 (Secondary) and F32.00 (Primary).

2. Energy Michigan Position

Energy Michigan opposes the Staff default rate in the strongest possible terms. Energy Michigan has already pointed out that a default transition charge of .5 ¢ /kWh on the Consumers system could be disastrous and totally eliminate competition if adopted due to the Commission’s failure to complete Case U-12639 on a timely basis. Just as damaging, if customers are attempting to estimate their costs under Electric Choice for the year 2002 and beyond, they may believe that a .5 ¢ /kWh transition charge would be in effect unless there is a decision to the contrary. Thus, the existence of a .5 ¢ /kWh default charge would be an extremely negative and unjustified factor in customer evaluation of ROA economics. *Energy Michigan Brief, p. 21.*

Energy Michigan strongly urges that the Commission utilize the language proposed by Consumers which merely states that transition charges would be “established by the Michigan Public Service Commission and specified in the then existing Company’s electric rate schedule.” There is no need for a default charge of .5 ¢ /kWh or any other value.

J. Section F2.5B(3): Commencement of Service and Return to Full Service

Staff initially proposed that Rule F2.5B(3) be revised to delete the requirement for a dedicated phone line where telemetry was required and to require an executed Retail Open Access contract for customers greater than 20 kW. Consumers opposed the requirement for written

contracts and Staff has agreed that the requirement for written contracts be limited to those customers with 20 kW or more of demand. *Staff Brief, p. 13.*

This position is acceptable to Energy Michigan.

Deletion of the requirement for dedicated phone lines was not opposed to by Consumers and therefore should be adopted.

K. Section F2.5C: Return to Service

The positions of Staff, Energy Michigan and Consumers on this issue are discussed in Energy Michigan Issue #6 discussed in III. above and discussion of Rule F1.8.

L. Section F2.6: Billing and Payment

This section is intended to establish the priority of payment for monies received from or on behalf of a customer utilizing the Company's complete billing payments option.

Staff proposed language revisions and Consumers agreed to those revisions with one minor exception.

Energy Michigan witness Polich testified that Rules F2.6 should be modified to address situations where a customer has withheld a portion of payment due to billing disputes. Mr. Polich recommends that in such cases the amount of customer payment applied to each category of charges be reduced by the disputed payment amount. *Polich, 2 Tr 123; Energy Michigan Brief, p. 28.*

M. Section F2.7: Shut Off of Service

Consumers proposed new ROA tariff language which basically states that Consumers would

not shut off service to an AES customer who was current for Company distribution charges even though the customer was delinquent on AES energy charges. See *Exhibit A-1, Sheet F-10.00 Rule F8*.

1. Staff Position

The Staff amended this rule so that Consumers could be required to shut off service for failure to pay alternate supplier bills but only in compliance with applicable billing rules. This issue also arises in Section 3.5(c)(2) Sheet F-16.00 of Staff's tariff.

2. Consumers Objections to Staff

Consumers opposes the Staff proposal by referencing 2000 PA 141 limitations which Consumers claims provide that an electric utility is not required to shut off service to an eligible customer for non-payment to an Alternate Electric Supplier" as the reason for opposing the Staff shut off rule revision. The "eligible customer" reference is to qualifying low income customers or senior citizen customers. *Consumers Brief, p. 14-15*.

3. Energy Michigan Reply to Consumers

Consumers does not address all the other ROA customers, businesses, industries or non-qualifying residential customers who can legally be shut off in full compliance with the billing practice rules. The Consumers position on shut off effectively allows Consumers to shut off customers for non-payment of charges for services rendered by Consumers but denies that right to AES entities.

The Staff position is far more practical and equitable because it allows the same shut off rights for all entities.

Energy Michigan supports the Staff conclusion (Staff Brief, p. 14-15) that PA 141 is permissive in allowing an AES to request that Consumers shut off service for non-payment of the AES bill. Staff's new language in Rule F2.7 allows Consumers to implement the shut off request of an AES and should be supported.

N. Section F2.11: Curtailment of Service

1. Consumers Position

Consumers proposed new language for this rule which allowed it almost complete discretion to curtail service to ROA customers when they determine that insufficient power had been delivered by their supplier.

2. Energy Michigan Position

Energy Michigan strongly opposes this new Consumers curtailment proposal for the reasons stated in the discussion in II. Issue #4 above.

As stated in that discussion, Energy Michigan prefers the rational framework proposed by witness Polich for curtailment of all ROA and bundled sales customers. In the alternative Energy Michigan can support the Staff position.

O. Section F3.1: Terms and Conditions of Service

1. F3.1B: ROA Enforcement and Contracting

Staff revised Rule 3.1B to delete objectionable language proposed by Consumers regarding the Company enforcing ROA compliance and language that could have been construed as requiring written customer statements as opposed to statements verified by

electronic means.

For the reasons stated in Energy Michigan Brief page 25, Energy Michigan supports the Staff's revisions.

2. F3.1G and H: Execution of Transmission Agreements

These new provisions proposed by Consumers force retailers to execute transmission agreements with Consumers and could be construed to prevent marketers from serving more than one retailer from contracting for transmission service.

a. Energy Michigan Position

Energy Michigan opposes the new Consumers language for the reasons stated in II. Energy Michigan Issue #1 above. Energy Michigan believes that marketers should be allowed to execute transmission agreements and serve multiple retailers, thus using available transmission capacity more economically and efficiently. *Energy Michigan Brief, p. 4-5.* F3.2 G and H should be revised to provide that a retailer or a marketer may execute the necessary transmission agreements in 3.1G or complete the transmission service applications in 3.1H.

P. Section F3.2: Credit Worthiness

Staff has proposed retailer credit worthiness standards equal to two months of expected exposure and that credit requirements would be waived after 24 months of full and timely payments to Consumers.

1. Consumers Position and Staff Response

Consumers replied to the Staff proposal by suggesting that the amount of credit required for backup service for energy used during June, July and August be based on the market price of power and that Staff's waiver of credit after 24 months of good payment history be deleted. *Consumers Brief, p. 19.*

MPSC Staff proposed that the credit requirement for backup service be based on June through August market prices. Staff also recognized that since retailers no longer pay transition charges or other large unpredictable charges that credit requirements should not apply to retailers. Finally, Staff desires to keep the 24 month waiver for retailers who demonstrate good payment but not marketers. *Staff Brief, p. 19.*

2. Energy Michigan Reply

Since Consumers has urged adoption of a proposal from Case U-12489 presented by Staff, Energy Michigan proposed a concept from the same case which was presented by witness Polich. *Energy Michigan Brief, p. 24.*

Mr. Polich proposed that:

a. AES entities should not have a credit requirement since they do not purchase transmission under the Energy Michigan concept of retailer activity or pay transition charges pursuant to MPSC Orders U-12478 and U-12505.

A retailer who does not purchase transmission should have credit requirements no different than any sales customer of Consumers. Any credit requirement should be waived after 24 months of good payment history.

b. Marketers or AES entities who purchase transmission should have a credit

requirement equal to two months of OATT charges for required transmission capacity which would amount to approximately \$5,000/MW of capacity based on cost of \$100/MW plus 50 hours of imbalances. After 24 months of consistent good credit history, credit requirements should be waived. *U-12489, 2 Tr 307 (Polich)*.

Consumers credit requirements should be drastically reduced for a marketer or a retailer purchasing transmission where these entities do not contract for standby or backup from Consumers. Those transmission customers not contracting for standby should be subject to the \$5,000/MW credit requirement recommended by Mr. Polich. Credit requirements should be waived after 24 months of good payment history.

Q. Section F3.3: Electronic Business Transactions

In this section Staff mandated that the Commission be required to approve any tariff where the retailer would be required to transact business other than electronically.

1. Consumers Position

Consumers opposes the Staff position on the grounds that there might be instances where allowing an exception to general rules of conducting business electronically or using electronic funds transfer would benefit both the retailer and the Company. *Consumers Brief, p. 34*. Consumers wants to allow such exceptions but without receiving Commission approval.

2. Energy Michigan Position

Energy Michigan supports the Staff language which would grant the Commission the role to supervise any deviation from the desirable electronic information and funds transfer policy.

R. Section F3.4(B)

Staff proposes to modify Consumers language by deleting a requirement that customers contracting for standby service execute a transmission agreement with the Company.

1. Consumers Position

Consumers opposes the Staff language but offers no reason for its opposition. *Consumers Brief, p. 34.*

2. Energy Michigan Reply

Energy Michigan supports the Staff language because it removes the requirement that a retailer sign a transmission service agreement when in fact a marketer or other entity might be the appropriate signor. It also removes an unnecessary impediment to contracting for standby service.

S. Section F3.5: Billing and Payment

1. Subsection 3.5B(3)

Staff revisions to B(3) specify the order in which the Company would apply payments received from customers.

Energy Michigan recommends that this language be revised to provide that the payment priority reflect right of the customer to withhold any amounts that are in dispute. *Energy Michigan Brief, p. 28.*

2. Subsection 3.5B(4)

In Subsection B(4) Staff proposes to insert language specifying the pricing for the “complete billing” service offered by Consumers. *Staff Brief, p. 11-12.*

Consumers Energy opposes the Staff proposal to insert pricing for “complete billing” on the grounds that the Staff prices have no factual support and may be extremely inaccurate. Consumers wishes to preserve its flexibility to negotiate pricing.

Energy Michigan supports deletion of the Staff’s language describing prices for “complete billing”. Energy Michigan believes that inclusion of pricing competitive services offered by Consumers should not be contained in a tariff because this gives Consumers an advantage over its competitors whose prices are not revealed to customers. Moreover, as Consumers explains, the pricing inserted by the Staff has no factual basis and therefore may greatly over or under recover costs thus producing rates which are unjust and unreasonable.

T. Section F3.5C: Billing and Payment Shut Off of Service

In this section, Staff has amended the Consumers tariff language to allow a retailer to request that the Company shut off service to a customer for failure to pay bills.

Consumers opposes this Staff recommendation. *Consumers Brief, p. 14-15.*

Energy Michigan supports the Staff language for the reasons stated in the discussion of Rule F2.7 above.

U. Section F3.6: Dispute Resolution Procedures

1. Staff Position

In this section, Staff has proposed to replace the Consumers dispute resolution

procedures with a process which utilizes the American Arbitration Association to resolve disputes instead of the current Consumers program in which the Company first attempts to resolve the disputes and then disputes are sent to the Michigan Public Service Commission.

2. Energy Michigan Reply

Energy Michigan opposes Staff's new dispute resolution process on the grounds that use of the MPSC as the first level of dispute resolution after discussions between retailers and Consumers offers the most expeditious, inexpensive and unbiased resolution possible. Use of the American Arbitration Association will be more expensive than the dispute resolution procedures recommended by Consumers in proposed tariff Section F11. *Energy Michigan Brief, p. 28-29.*

V. Section F3.7

1. F3.7B: System Operations Scheduling for Power Delivery

Staff supports changes to F3.7B(1)(b) which would allow retailers to notify the Company electronically or by fax of proposed schedule changes and which would remove the Company's right, "at its discretion" to refuse to make schedule changes requested by the retailer.

a. Consumers Position

Consumers opposes deletion of the sentence which allows it discretion to refuse schedule changes. Consumers claims that it requires the flexibility to refuse schedule changes under unusual system conditions, etc. *Consumers Brief, p. 34-35.*

b. Energy Michigan Reply

Energy Michigan supports the Staff revisions because the Consumers language gives Consumers too much latitude to refuse schedule changes requested by its competitors.

2. Section F3.7C: Specifications for Power Supply Schedules

Energy Michigan proposes that this section be revised so that instead of stating that scheduled supplies of power shall be made in 1 MW increments “as required by the OATT”, the rule would simply say that scheduled supplies of power shall be made as required by the OATT. Since the OATT requirements may change from time to time, the phrase “1 MW” should be deleted so that the amount of power increments used would simply be as required by FERC tariffs. *Energy Michigan Brief, p. 27.*

a. Consumers Position

Consumers opposes the Energy Michigan change on the grounds that the 1 MW minimum has been in effect since the beginning of the ROA program, it has been repeatedly approved by the Commission and it is consistent with the current requirements of the OATT. *Consumers Brief, p. 42.*

b. Energy Michigan Reply

The reason for the Energy Michigan change is not refuted by Consumers. In the future, it is quite possible that the FERC requirement for the amount of power increments which are used to dispatch may change. If that is the case then tariff provision F3.7C referencing “1 MW” would have to be changed to be in conformance with FERC requirements. The change recommended by Energy Michigan would eliminate this problem by simply providing that the increments used would always be in conformance with the FERC open access tariff.

Note that in the discussion of Sec. F3.7C(1) the Consumers Brief at p. 35 says it agrees with Staff's proposed changes but that the reason for use of the 1 MW increment requirement for scheduling is to be consistent with the FERC OATT and changes in that document will probably require changes to the ROA tariff. This Consumers position from another section of the tariff emphasizes why it is desirable to delete the "1 MW" reference so that the scheduling requirements are always consistent with FERC scheduling.

3. Section F3.7D(2): Curtailment of Service

Consumers has agreed to the changes proposed by Staff to this section. *Consumers Brief*, p. 35. Energy Michigan agrees.

W. Section F4: Open Bid Process

1. Conflicting provisions are incorporated in the Staff proposed section on open bid process.

Staff's proposed language on the bid process incorporates two conflicting sets of amendments because it used the Consumers proposed revisions of the ROA tariff submitted as Exhibit A-1 to their direct case instead of using the current ROA tariff which does not contain those changes. In Section F4, the Consumers changes incorporated in S-15 include several tariff revisions which overturn the Commission's Order in Case U-12327 (March 14, 2000) which temporarily halted the requirement that bid deposits be forfeited within 180 days if the customers were not enrolled and approvals obtained.

The new Consumers language incorporated in Staff S-15 and in the Consumers A-1 now mandates that bid deposits be forfeited unless all necessary approvals and enrollment have occurred within 180 days of capacity award. Under this language virtually all bid

deposits would be forfeited where capacity was not currently in use.

Staff's proposed new language regarding bid deposits is contained on Sheet F22.00, last paragraph which provides that bid deposits which were unused by December 31, 2001 should be returned to the bidder by March 31, 2002 without interest.

Thus, the Staff S-15 version tariff language contains two conflicting versions of the process to deal with bid deposits.

2. Energy Michigan Position

Energy Michigan supports return of unused bid deposits because failure to commence ROA service was caused by factors beyond the control of marketers or AES entities. *Polich, 2 Tr 121; Energy Michigan Brief, p. 20-21*. Lack of summer transmission capacity during the year 2000 and enrollment delays by Consumers frustrated the ROA program.

The Consumers rebuttal presented by Mr. Bearman recommends reinstating the 180 day forfeiture requirement as a means of encouraging winning bidders to swiftly enroll customers and discouraging capacity hoarding. *2 Tr 46*. However, the encouragements suggested by Mr. Bearman, cannot overcome obstacles to ROA customer enrollment such as the lack of firm transmission capacity or outright inability of Consumers to promptly enroll customers at times when market opportunities were very favorable. Consumers claims that imposing a 180 day deadline to start ROA service is critical to successful implementation of the ROA program, yet it is crystal clear that deadlines will have no impact on ROA enrollment in light of current market factors and Consumers inability to process applications on a timely basis. Given these barriers to enrollment, a 180 day deadline will certainly produce unjust enrichment to Consumers at the expense of potential ROA customers and AES entities.

Energy Michigan urges the Commission to address the bid deposit issues in Section F4 (Sheet F22.00) of the Staff draft tariff and: (1) adopt a provision mandating return of bid deposits which remain unused by December 31, 2001 with interest to prevent the unjust enrichment of Consumers; and (2) reject the Consumers amendments to Section F4 (F2 of Consumers Exhibit A-1) as inconsistent with the Staff and Energy Michigan position as well as with an existing Order of the Commission in U-12327.

If the Energy Michigan deposit position is not approved, Staff's proposal to retain deposits on unused ROA capacity by March 31, 2002 should be adopted.

X. Retail Open Access Tariff Sheets ROA-R, ROA-S and ROA-P

There are six issues relating to the ROA tariffs for residential, secondary and primary service which require amendment of Staff's proposed tariff sheets.

1. Metering issues regarding telemetry

In the ROA-S and ROA-P tariffs, time of use metering is required for customers with maximum demand of 20 kW or more. Also, the ROA tariffs formerly simply made the customer responsible for any associated dedicated telephone line to transmit data to Consumers. There are two problems with this language:

- a. Use of the phrase "telephone line" is unduly restrictive and might be construed to exclude other forms of telemetry such as cell phones, etc. Energy Michigan recommended that the phrase "analog remote communications links" be used instead. *Polich, 2 Tr 124, Energy Michigan Brief, p. 29.* Consumers has responded that the phrase "communications links that allow access to the meter data by the Company and are compatible with the Company's metering and billing system" be used instead of Energy Michigan's suggested phrase. *Consumers Brief,*

p. 44. This change is acceptable to Energy Michigan and should be incorporated in the ROA-S and ROA-P tariffs.

b. The existing tariff contains language regarding data transmission which could be construed as mandating use of telemetry in all installations including customers with demand below 1,000 kW. For the reasons stated in II, Issue #3 above, Energy Michigan proposes that installation of telemetry should not be required in installations below 1,000 kW. *Energy Michigan Brief, p. 9 and 30.* Consumers has suggested a positive change which would add the phrase “when required” prior to the sentence making a customer responsible for installation of telemetry. At least this change would make the telemetry requirement optional.

However, Energy Michigan requests that the Commission formally state the telemetry is not required where customer demand is less than 1,000 kW since the needed data can be acquired by using time of use meters and existing manual read procedures. As a second best option the Commission should adopt Consumers proposal to add the phrase “when required” to the metering requirement language in ROA-S and ROA-P.

2. Meter issues - threshold for time of use metering

a. Exelon Position

Exelon has proposed that the Consumers requirement that customers with more than 20 kW demand use time of use meters be eliminated and that these customers use energy meters. Exelon proposes that the time of use meter threshold be raised to 300 kW. *Exelon Brief, p. 4.* Exelon did not introduce testimony to support this position.

b. Energy Michigan Reply

The Exelon position may be useful as an option but should be rejected as a mandatory rule.

Energy Michigan witness Polich testified that the current Consumers Profile Management fee of .46 ¢ /kWh is uneconomic. *2 Tr 113*. If customers with less than 300 kW of demand are forced to use energy meters, they will be forced to use energy based system use rates which tend to penalize high load factor customers or use the Consumers uneconomic load profiling system to estimate energy demand. In either case, high load factor ROA customers with between 20 kW and 300 kW of demand will be financially penalized.

Therefore, the Exelon proposal to use energy meters for customers with 20 kW to 300 kW of demand should be rejected or made optional.

3. Default Transition Charges

Tariff ROA-R (Sheet 25.00), ROA-S (Sheet 28.00) and ROA-P (Sheet 32.00) contain language inserted by the Staff providing that if the Commission has not determined the amount of the transition charge by January 1, 2002 a charge of .5 ¢/kWh will be implemented. For the reasons stated in the discussion of Section F2.4 above, this proposed language should not be adopted. At worst, the default charge would be implemented if the Commission issues no decision in Case U-12639 and could be terribly damaging to ROA economics in the Consumers territory. At best, existence of the default charge language could be used by opponents of the ROA program to discourage enrollment on the grounds that a .5 ¢ transition charge is likely to be adopted. Transition charges should be “as determined by the Commission” not set at some artificial value which has no factual support. *Energy Michigan Brief, p. 21.*

4. Responsibility for reactive power and profile management charges

The Staff S-15 tariff draft made retailers responsible for payment of profile management charges where reactive power value drops below a level of .80. Consumers Energy witnesses opposed this change on the grounds that reactive power charges ought to be assessed against the party responsible for maintaining adequate power quality: the customer. *Consumers Brief, p. 36.* Energy Michigan also opposed making AES entities responsible for reactive power charges on the same grounds. *Energy Michigan Brief, p. 30-31.*

MPSC Staff has reviewed the position of Consumers and has agreed in its Brief that reactive power charges should be billed to the customer, not the retailer. *Staff Brief, p. 13* Staff was silent regarding payment of profile management charges. Therefore, the ROA-R, ROA-S and ROA-P tariff should be revised to provide that ROA customers not retailers would be responsible to pay reactive power charges for inadequate power quality.

5. Load profile charges: Tariff Sheets ROA-R, Sheet 25.00 and ROA-S, Sheet 29.00

The existing and proposed Consumers ROA tariffs for residential and secondary service contain load profile charges of .46 ¢ /kWh.

For the reasons discussed in II, Issue #5 above, Energy Michigan proposes that the energy imbalance band for profile service be increased from 2% to 10%, enabling schedules to reduce energy penalties, or that the Commission delete the existing profile charge structure and implement, instead, a mechanism which would calculate actual energy imbalance costs incurred by Consumers for load profile service and charge eligible customers those actual costs rather than the existing estimated cost of 0.46 ¢ /kWh. *Energy Michigan Brief, p. 11-15 and Section II, Issue #5 above.* If these changes are adopted the Commission should delete the existing profile management charge and substitute language implementing the

concepts recommended by Energy Michigan.

The Energy Michigan response to Consumers opposing arguments is discussed in II, Energy Michigan Issue #5 above.

6. Requirement for written contract ROA-S, Sheet F29.00 and ROA-P, Sheet F32.00

Staff included language which requires Consumers to enter into written contracts with all secondary and primary ROA customers. Consumers proposed that the requirement for a written contract be restricted to customers with demand of at least 300 kW. *Consumers Brief, p. 29 and 37.* Staff agreed to the Consumers position that written contracts only be required at a demand level of 300 kW and above. *Staff Brief, p. 13.*

Energy Michigan concurs that written contracts should not be required for customers below 300 kW.

Y. ROA Standby Rate ROA-SB, Sheet F33.00

1. Consumers and Staff Position

Consumers proposed a new ROA standby rate, SB, in its Exhibit A-1 filing. The new Consumers proposal incorporated a concept that users of standby service would be charged the greater of the Company's highest hourly incremental cost of generation or purchases of power plus 10% or the highest hourly market sales price plus 10%, plus applicable transmission charges.

The Staff ROA tariff at Sheet F33.00 incorporated the Consumers Rate SB language but changed it to add the phrase "for that hour" to the provision describing calculation of standby charges. Staff changes would essentially link Rate SB charges to the cost of power

or sales price incurred by Consumers for the hour that the customer was served. Energy Michigan views these changes as a clarification, not a change in policy. Consumers stated that it could accept the Staff version of ROA SB with exception of requesting that the availability clause of ROA SB make clear that a customer with the maximum demand of 1,000 kW or more who executes the transmission service agreement is eligible for ROA-SB service. *Consumers Brief, p. 10.*

2. ABATE Position

ABATE pointed out in testimony (2 Tr 137) and its Brief (page 7) that the Consumers language adding 10% to its actual cost of standby violates provisions of PA 141 which require use of market pricing but do not authorize collection of a 10% adder to that market price. *ABATE Brief, p. 7.*

3. Energy Michigan Position

Energy Michigan supports the proposal of ABATE to delete the 10% markup to standby power contained in the ROA-SB versions offered by Staff and Consumers. Energy Michigan also supports the Staff addition of the phrase, “for that hour” to the standby charge pricing.

IV. CONCLUSION AND PRAYER FOR RELIEF

WHEREFORE, Energy Michigan respectfully requests that the Commission adopt the Energy Michigan proposals for each tariff provision described above and in Exhibit I-5, #1-15, including the eight major issues set forth by Energy Michigan on a detailed basis in II and the remaining ROA issues contained in the page by page discussion of the MPSC Staff’s revised version of the Consumers tariff submitted as S-15. *See III above.*

Respectfully submitted,

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Attachment A

Energy Michigan, Inc.

Case U-12488 Reply Brief

Case No. U-12488
Exhibit No. S-____(LB-2)
Witness: L. W. Bailey

Consumers Energy Retail Open Access Service Tariffs

SECTION F

RETAIL OPEN ACCESS SERVICE STANDARDS

EI. GENERAL PROVISIONS AND DEFINITIONS

F1.1 Introduction

This tariff is designed to express the terms and conditions associated with Retail Open Access Service in the Company's Electric Customer Choice (ECC) Program, as well as provide information regarding the roles of the market participants. This tariff includes the following sections:

General Provisions and Definitions	F1
Customer Section	F2
Retailer Section (Alternative Electric Supplier)	F3
Open Bid Process and Allocation of Capacity	F4
ROA Rate Schedules	ROA-R, ROA-S, ROA-P, ROA-SB

In the Company's ECC Program, the Company will maintain a relationship and primarily interact with two separate major participants, the Customer and the Retailer. The Company has separately defined the retail and wholesale functions behind electric supply in a competitive environment.

F1.2 The Customer Role

The Customer is the end-user of Power at one or more locations in the State of Michigan who has facilities connected to the Company's Distribution System. Under Retail Open Access Service, the Customer will conduct transactions with at least two entities .Consumers Energy and a Retailer. The Customer is responsible for choosing a Retailer.

The Company's principal requirement is that the Customer must already be connected to the Company's Distribution System as a Company customer or meet the requirements for new customers connecting to the Company's Distribution System. Customers with a Maximum Demand of 300 kW or more must execute a Retail Open Access Service Contract with the Company.

F1.3 The Retailer Role

A Retailer is an entity that has obtained all the necessary legal approvals to sell retail electricity in the State of Michigan. Retailers take title to power and sell power in Michigan's retail electric market. The Retailer buys products and services needed to provide Power to Customers, combines these products and services in different marketing packages, and sells the packages to Customers. A Retailer must meet all applicable statutory and regulatory requirements of Michigan and Federal law, if applicable. The Retailer must secure transmission service from the Company **or transmission owner** under the Company's **applicable** FERC Open Access Tariff.

(Continued on Sheet No. F-2.00)

(Continued From Sheet No. F-1.00)

F1. GENERAL PROVISIONS AND DEFINITIONS (Contd)

F1.4 Definitions

- (a) "Aggregator" means an entity that pools Customers into a buying group for the purpose of purchasing large blocks of Power. A Retailer and a Broker may also act as an Aggregator.
- (b) **"Alternative Electric Supplier" means the entity making the retail sale of electric energy to a Customer on the Company Distribution System and in doing so:**
 - (i) **sells or procures power for a Customer and causes that power to be supplied to Company for delivery to a Customer,**
 - (ii) **satisfies all applicable, statutory, and regulatory requirements of Michigan and Federal law,**
 - (iii) **does not physically deliver electricity directly to retail Customers in the state.**
- (c) "Available Transfer Capability" means the amount of available Transmission Service from the Point of Receipt to the Point of Delivery available for further commercial uses, consistent with the Company's **applicable** FERC Open Access Tariff.
- (c) "Broker" means an entity which acts as an agent for a Power transaction but does not take title to the Power.
- (d) "Company" means Consumers Energy Company.
- (e) **"Company Full Service" means the provision by the Company of transmission, distribution and generation service.**
- (f) "Company's Distribution System" means the system used to deliver Power from the Company's Transmission System to the Customer.
- (g) "Company's Electric Rate Schedule" means the Company's Schedule of Rates Governing the Sale of Electric Service on file with the Michigan Public Service Commission.
- (h) "Company's FERC Open Access Tariff" means the Company's Open Access Transmission Tariff on file with the Federal Energy Regulatory Commission (FERC), as it may be amended from time to time, or any comparable tariff should the Company's FERC Open Access Tariff cease to exist.
- (i) "Company's System" means all electric transmission and distribution facilities owned by the Company.
- (j) "Company's Transmission System" means the system used to deliver Power from the Point of Receipt to the Company's Distribution System **or transmission system should the company divest its transmission resources.**
- (k) **"Customer" means the end-user of electricity who requests or takes Retail Open Access Service.**
- (l) "Direct Assignment Facilities" means additional facilities that are only needed to satisfy a request for service under Retail Open Access Service but that do not materially and substantially benefit other users of the Company's System and are not therefore an integral part of the Company's System. Direct Assignment Facilities shall be specified in a contract required under the Company's FERC Open Access Tariff and/or a Retail Open Access Service Contract that governs service to the Customer and/or Retailer, and the costs thereof shall be paid by the Customer and/or Retailer.
- (m) "Distribution Contract Capacity" means the Maximum Demand of the Retailer or the sum of the Maximum Demand of all the Retailer's Customers, which includes Real Power Losses and which is less than or equal to the awarded bid capacity but never less than 1,000 kW.
- (n) **"Generation Supplier" means an entity that owns or has title to electric generation. A Generation Supplier may also act as a Retailer.**
- (o) "Marketer" means an entity which takes title to and sells Power. A Marketer may also act as a Retailer.
- (p) "Maximum Demand" means the highest 15-minute demand created during the current month or previous 12 months.

(Continued on Sheet No. F-3.00)

(Continued From Sheet No. F-2.00)

F1. GENERAL PROVISIONS AND DEFINITIONS (Contd)

F1.4 Definitions (Contd)

- (q) "Point of Delivery (**POD**)" means the point where the Company transfers Power from its system to the Customer's service location.
- (r) "Point of Receipt (**POR**)" means the point where the Company receives Power for delivery through the Company's System to a Customer.
- (s) "Power" means a combination of electric ~~demand~~ **current** and **energy voltage** which is usually expressed in kilowatts (kW).
- (t) "Real Power Losses" means energy consumed in moving Power through the Company's System between the Point of Receipt and the Point of Delivery.
- (l) **"Retail Open Access Customer" means the end-user of electricity who requests or takes Retail Open Access Service.**
- (u) "Retail Open Access Rate Schedule" means Retail Open Access Residential Rate ROA-R, Retail Open Access Secondary Rate ROA-S, Retail Open Access Primary Rate ROA-P and/or Retail Open Access Standby Rate ROA-SB.
- (v) "Retail Open Access Service Contract" means the initial agreement, and any amendments or supplements thereto, relating to the service transactions to be provided for a Retailer and/or Customer by the Company under Retail Open Access Service.
- (w) "Retailer" means an entity **that has obtained and maintained an Alternative Electric Supplier AES) license from the Michigan Public Service Commission, met its obligations to local governmental units to make retail sales of Power supply, has title to any Power they market and makes the retail sale of Power supply to a Customer of the Company.**
- (x) **"Slamming" means an act of switching a Customer's electric Power supplier without the Customer's consent.**
- (y) "Standby Service" means a contractual service that can replace scheduled Power at the Point of Receipt if the Retailer/Customer fails to deliver Power or there is a transmission system constraint.
- (z) "Top Incremental Cost (**TIC**)" means the Company's highest hourly incremental cost for Power.
- (aa) "Transmission Service" means that service that provides for the movement of Power through the Company's 120 kV and above transmission system.

F1.5 Application of Rules

The Transmission Service component of Retail Open Access Service will be supplied under the ~~Company's~~ **applicable** FERC Open Access Tariff unless otherwise provided for within the Company's Electric Rate Schedule.

For purposes of services rendered by the Company under Retail Open Access Service, any conflicts between the terms of this tariff and the ~~Company's~~ **applicable** FERC Open Access Tariff shall be resolved by applying the terms of this Retail Open Access Service Tariff.

Unless otherwise provided for in this Section F, Retail Open Access Service Customers are subject to the Company's Electric Rate Schedule.

(Continued on Sheet No. F-3.10)

(Continued From Sheet No. F-3.00)

F1. GENERAL PROVISIONS AND DEFINITIONS (Contd)

F1.6 Reciprocity Requirement

~~A reasonable level of~~ Reciprocity between the Company and Retailers, Marketers, Brokers, ~~Generation~~ Suppliers and their affiliates must be established.

Through December 31, 2001:

- A. In-state and out-of-state utilities and utility affiliates must consent to open the same relative amount of retail customer load to competition by the Company. Further, the consent of out-of-state utilities and utility affiliates to this reciprocity requirement must be expressed as a provision of an enforceable contract. A municipal utility or a municipal power agency is required to provide reciprocity **to the extent required by Public Act 141 of 2000 and other applicable law.**
- B. All entities to whom this reciprocity requirement applies must offer “Comparable” Retail Open Access Service.
- C. “Comparable” Retail Open Access Service is one which ~~(i)~~ provides for Retail Open Access Service in an amount of retail customer load **relatively** equivalent to that provided by the Company, ~~and (ii) specifies rates, terms and conditions that are equivalent to those offered by the Company;~~ and that have been approved by all applicable regulatory authorities for use in Retail Open Access Service transactions.

On and after January 1, 2002:

- A. No Michigan-based electric utility or its affiliate shall be permitted to utilize the Company’s System to make retail sales unless such utility or its affiliate provides comparable Retail Open Access Service to retail customers located within its service territory. **A municipal utility or a municipal power agency is required to provide reciprocity to the extent required by Public Act 141 of 2000 and other applicable law.**
- B. No Retailer that also provides retail distribution services, or that has an affiliate that provides retail distribution services, shall be permitted to utilize the Company’s System to make retail sales unless the Retailer or its affiliate provides comparable Retail Open Access Service. If neither the Retailer nor its affiliate provide retail distribution services, but the transaction involves an independent intermediary (such as a Marketer or Broker), or independent Generation Supplier, the reciprocity obligation may be satisfied by the intermediary or Generation Supplier, or the regional transmission/distribution affiliate of either the intermediary or Generation Supplier.
- C. “Comparable” Retail Open Access Service is one which (i) provides for Retail Open Access Service in an amount of retail Customer load **relatively** equivalent to that provided by the Company, ~~and (ii) specifies rates, terms and conditions that are equivalent to those offered by the Company;~~ and that have been approved by all applicable regulatory authorities for use in Retail Open Access Service transactions.

(Continued on Sheet No. F-3.20)

(Continued From Sheet No. F-3.10)

FI. GENERAL PROVISIONS AND DEFINITIONS (Contd)

~~F1.7 Customer or Retailer Compensation to the Company for Failure to Meet Tariff Obligations~~

~~The Customer or Retailer shall compensate the Company for any and all third-party costs incurred by the Company as the result of the Customer's or Retailer's failure to meet any of its obligations under this Section F and the applicable Retail Open Access Rate Schedule.~~

F1.8 Termination or Cancellation of Contract

The applicable provisions of this Retail Open Access Service Tariff, any contract required under the Company's FERC Open Access Tariff and any Retail Open Access Service Contract entered into under this tariff shall continue in effect after termination or cancellation thereof to the extent necessary to provide for final billing, billing adjustments and payments. Notwithstanding the above, if the Retail Open Access Service tariff, any contract required under the Company's FERC Open Access Tariff or any Retail Open Access Service Contract is terminated prior to the end of its initially contemplated term, for reasons other than breach by the Company, the Customer or Retailer shall ~~reimburse the Company for all unrecovered costs applicable to facilities installed pursuant to the provisions of such tariff and contracts~~ **be required to pay the applicable charges pursuant to the applicable tariffs or contract.**

Termination of Retail Open Access Service to a Customer can be initiated by the Retailer, the Customer, or the Company **upon 30 days written notice.**

F1.9 Meter Errors, Billing Errors and Telephone Failures

The "Rules Governing Services Supplied by Electric Utilities", **Section B Part I Rules B1.-B9.**, shall be applicable for meter errors, meter malfunctions and billing errors. If the Customer's meter is unable to be read due to a telephone failure, the rules for billing errors apply.

Where incorrect billing results from a calculation error discovered by either the Company, the Retailer, or the Customer, the error will be corrected and a revised bill for the Customer and/or Retailer will be calculated and settled on the next billing period after the error is discovered. **Billing errors discovered by the company shall be adjusted as provided for the applicable residential, or commercial and industrial billing rules.**

~~In no event will the Company be liable to the Customer or Retailer for loss of revenue or other losses due to meter errors, meter malfunctions, billing errors or telephone failures.~~ The Company's sole obligation and the Customer's and Retailer's sole remedy **for company owned meter malfunctions** will be for the Company to repair or replace the meter and prepare revised bills as described above.

(Continued on Sheet No. F-3.30)

(Continued From Sheet No. F-3.20)

F1. GENERAL PROVISIONS AND DEFINITIONS (Contd)

F1.10. Standards of Conduct

This rule is intended to promote fair competition and a level playing field among all participants involved in the Retail Open Access Service program within the Company's regulated electric service territory. All affiliates of the Company, whether divisions of, departments within or wholly-owned subsidiaries of the Company (collectively described herein as first tier affiliates) or separately organized affiliated companies or joint ventures (collectively described herein as second tier affiliates), will be allowed to participate in every aspect of such program on an equal basis to non-affiliates because of the Company's decision to adopt these standards of conduct. Accordingly, once the Michigan Public Service Commission approves such a scope of participation by the Company's first and second tier affiliates and agrees that the Company's program and obligations thereunder should be no different because of participation by such affiliates, the Company agrees to apply the following standards of conduct to the Retail Open Access Service program in its regulated electric service territory:

A. These standards of conduct shall apply as follows to affiliates of the Company:

- (1) The standards of conduct apply to second tier affiliates when they participate in the Retail Open Access Service program within the Company's regulated electric service territory by offering retail customers power supplies at market prices. Such affiliates can begin to participate immediately in the program.
- (2) The standards of conduct will only apply to the Company or its first tier affiliates if and when they participate in the Retail Open Access Service program within the Company's regulated electric service territory by offering retail customers power supplies at market prices. The standards of conduct do not apply to the Company or its first tier affiliates if the power supply is offered as part of a bundled service or if the price of the power supply to the customer remains regulated in any respect by the Michigan Public Service Commission.
- (3) Within its regulated electric service territory, the Company and its first tier affiliates will not commence offering retail customers power supplies at market prices pursuant to the Retail Open Access Service program any earlier than January 1, 2002.

B. The Company will apply any tariff provision relating to Retail Open Access Service in the same manner without undue discrimination to all similarly situated persons:

C. The Company will not give any Aggregator, Broker, Marketer or Retailer or their customers undue preference over any other Aggregator, Broker, Marketer or Retailer and their customers in matters relating to bidding, scheduling of power, provision of ancillary services, billing, metering, curtailment policy or access to customer information pursuant to the Retail Open Access Rate Schedules approved by the Michigan Public Service Commission. Affiliated Aggregators, Brokers, Marketers, Retailers and their customers shall neither receive undue preferences nor be discriminated against, but simply be treated by the Company like all other Aggregators, Brokers, Marketers, Retailers and their customers:

D. The Company will not communicate to any of its retail electric customers, or to any Aggregator, Broker, Marketer or Retailer that any advantage may accrue to such customers, Aggregator, Broker, Marketer or Retailer in the use of the Company's regulated services as a result of that customer, Aggregator, Broker, Marketer or Retailer dealing with any particular Aggregator, Broker, Marketer or Retailer, including an affiliated Aggregator, Broker, Marketer or Retailer.

E. To the extent practicable, the Company will process all similar requests for Retail Open Access Service in the same manner and within the same period of time.

(Continued on Sheet No. F-3.40)

(Continued From Sheet No. F-3.30)

F1. GENERAL PROVISIONS AND DEFINITIONS (Contd)

F1.10. Standards of Conduct (Contd)

- ~~F. If a Customer requests information about Aggregators, Brokers, Marketers or Retailers, the Company will provide a list of all Aggregators, Brokers, Marketers or Retailers known to be operating on its system, including its affiliates, and in response to such a request will not promote any specific Aggregators, Brokers, Marketers or Retailers including its affiliates.~~
- ~~G. The Company shall not provide customer lists, customer-specific sales volumes and customer-specific patterns of usage to any Aggregator, Broker, Marketer or Retailer, including affiliated Aggregators, Brokers, Marketers or Retailers offering retail customers power supplies at market prices. Once a calendar year a Customer can request in writing that up to 12 months of historic volumetric sales data be provided to a particular Aggregator, Broker, Marketer or Retailer or to all Aggregators, Brokers, Marketers or Retailers, and that request will be honored by the Company without charge until revoked by the Customer. Additionally, once a calendar year a particular Aggregator, Broker, Marketer or Retailer can request and receive up to 12 months of historic volumetric sales data for one of its current customers and the Company may without charge provide only that Aggregator, Broker, Marketer or Retailer with such data. The Company can levy a reasonable fee to fill requests for data that is more than 12 months old or to respond to requests made more frequently than once a calendar year.~~
- ~~H. The Company will implement its Retail Open Access Service program on a nondiscriminatory basis, and will not engage in any practice which unduly conditions transactions between any Customer, Aggregator, Broker, Marketer or Retailer and the Company's affiliated Aggregators, Brokers, Marketers or Retailers. Notwithstanding the above, Customers, Aggregators, Brokers, Marketers or Retailers are not relieved of complying with the requirements to execute or complete the contracts, agreements or other forms required by the terms of the Retail Open Access Service program.~~
- ~~I. Except as permitted by these standards of conduct, the Company's transmission and distribution employees and the employees of its first and second tier affiliates that act as Aggregators, Brokers, Marketers and Retailers offering retail customers power supplies at market prices will function independently of each other. The Company will maintain separate business offices from its wholly-owned subsidiaries and second-tier affiliates engaged in the Retail Open Access Service program.~~
- ~~J. The books of account and records for the regulated utility services provided by the Company to its retail electric customers will be maintained separately from the books of accounts and records kept by any affiliated Aggregator, Broker, Marketer or Retailer.~~
- ~~K. Nothing in these retail standards of conduct is intended to supplant or relieve the Company of its duty to comply with the Standards of Conduct for Public Utilities established by the Federal Energy Regulatory Commission in Order Nos. 889 and 889-A, as codified at 18 CFR §~37.1-37.4.~~

(Continued on Sheet No. F-4.00)

(Continued From Sheet No. F-3.40)

F2. CUSTOMER SECTION

F2.1 Terms and Conditions of Service

The Retail Open Access Service Tariff and Rate Schedules set forth the rates, charges, terms and conditions of service for the delivery of Power to a Customer, procured by a Retailer. Such Power shall be initially received at a designated Point of Receipt and ultimately delivered to the Customer's Point of Delivery through the Company's Distribution System.

A Customer's eligibility to take Retail Open Access Service is subject to the full satisfaction of any terms or conditions imposed by pre-existing contracts or tariffs with the Company.

A Customer will specify only one Retailer at any given time for the supply of Power to each Customer Account or Customer location.

A Customer shall be permitted to change Retailers. The changes will become effective at the completion of their normal billing cycle. A Customer will be assessed a Customer Switching Service Charge (as provided for in the Retail Open Access Rate Schedule) per account for each change. The change will be submitted to the Company electronically by the Customer's Retailer as a new enrollment.

F2.2. Metering

All load served under this tariff shall be ~~separately~~ metered. A Customer receiving electric service with a Maximum Demand of 20 kW or more shall be required to install a Time-of-Use Meter. A Customer receiving electric service through Company-owned transformation will have varying metering requirements, depending on the Customer's size. The metering requirements for these Customers shall be determined as follows:

<u>Customer Maximum Demand</u>	<u>Required Metering</u>
Less than 20 kW	Energy-Only Recording Meter or Energy and Maximum Demand Recording Meter
20 kW or Greater	Time-of-Use Meters

(Continued on Sheet No. F-5.00)

(Continued From Sheet No. F-4.00)

F2. CUSTOMER SECTION (Contd)

F2.2 Metering (Contd)

Metering equipment for a Customer taking Retail Open Access Service shall be furnished, installed, read, maintained and owned by the Company. For a Customer with a Time-of-Use Meter, meter reading will be accomplished electronically through a Customer-provided telephone line, which must be installed and operating prior to the Customer receiving Retail Open Access Service.

If a Customer is not able to allow sharing of the telephone line, the Customer shall obtain a separate telephone line for such purposes paying all charges in connection therewith. The Customer is responsible for assuring the performance of the telephone line. If the Company is unable to access meter data electronically, the Company will retrieve the data manually for a fee of \$12/month (one reading). In the event that the Company is unable to access meter data for three consecutive months, the Customer's Retail Open Access Service may be terminated and the Customer may be transferred to Company Full Service and be subject to the "Return to Company Full Service" provision unless telephonic access failure is due to non-performance of the telecommunications service provider.

For an Energy-Only Recording or Energy and Maximum Demand Recording Metered Customer, the meter will be read by conventional means and the Customer will not be required to provide a telephone service.

(Continued on Sheet No. F-6.00)

(Continued From Sheet No. F-5.00)

F2. CUSTOMER SECTION (Contd)

F2.3 Character of Service

- A. Refer to the "Nature of Service" provision of the applicable Retail Open Access Rate Schedule.
- B. Standby Service is available under the terms and conditions as set forth in the Retail Open Access Standby Rate ROA-SB. This service is available to a Retail Open Access Service Retailer or Customer with a monthly Maximum Demand greater than or equal to 1,000 kW ~~who has an executed a Transmission Service Agreement with the Company~~. All other standby rates and/or standby provisions in the Company's Electric Rate Schedule are not available to Retail Open Access Service Retailers or Customers.
- C. The Customer with a monthly Maximum Demand of less than 1,000 kW must utilize an Aggregator to meet the requirements of the "Specifications for Power Supply Schedules" provision as set out in the Retailer Section.**
- D. The Customer with a monthly-Maximum Demand greater than or equal to 1,000 kW is not required to utilize an Aggregator.**

F2.4 Availability of Service

Until December 31, 2001, eligibility for Retail Open Access Service will be determined using Rule F4, Open Bid Process and Allocation of Capacity. The amount bid becomes the amount of the Transition Surcharge to be paid by the Retailer. The Transition Surcharge is equal to the winning bid price multiplied by the kWh consumption of its group of Customers.

~~Beginning January 1, 2002, all customers shall be eligible to take Retail Open Access Service and will pay the Transition Surcharge established by the Michigan Public Service Commission and specified in the then existing Company's Electric Rate Schedule.~~

On and after January 1, 2002, all Customers with Load connected to the Company's Distribution System shall be eligible for Retail Access Service and Retailers shall pay the Company's Transition Charge as determined by the Commission for all kilowatt-hours consumed by Customers taking Retail Access Service. The Transition Charge is intended to recover the costs associated with the implementation of Retail Access Service and the Company's stranded costs arising from implementation of Retail Access Service. If the Commission has not determined the amount of the transition charge by January 1, 2002 a transition charge of 0.5¢ per kWh will be implemented. Any over or under collection of transition charges will be adjusted on a customer specific basis within one billing cycle of the date the commission sets the 2002 transition charge.

(Continued on Sheet No. F-7.00)

(Continued From Sheet No. F-6.00)

F2. CUSTOMER SECTION (Contd)

F2.5 Term, Commencement of Service, and Return to Full Service

A. Term

Retail Open Access Service shall have a minimum term of one year. Upon completion of the initial term, Retail Open Access Service shall continue on a month-to-month basis until terminated by the Customer or the Company with 30 days notice.

~~The term of Retail Open Access Service under this Section F and the applicable Retail Open Access Rate Schedule shall be the dates specified in the Retail Open Access Service Contract.~~

B. Commencement of Service

Retail Open Access Service may not commence to a Customer until metering is installed and, if applicable, when a ~~dedicated~~ phone line is installed. In addition, the following service requirements must be met prior to Retail Open Access Service commencing.

- ~~(1) The Customer with a monthly Maximum Demand of less than 1,000 kW must utilize an Aggregator to meet the requirements of the "Specifications for Power Supply Schedules" provision as set out in the Retailer Section.~~
- ~~(2) The Customer with a monthly Maximum Demand greater than or equal to 1,000 kW is not required to utilize an Aggregator.~~
- (3) A Customer served under Retail Open Access Primary Rate ROA-P and a Secondary Customer with a Maximum Demand of 20 kW or more served under Retail Open Access Secondary Rate ROA-S ~~may~~ **shall** be required to execute a Retail Open Access Service Contract (which may include, but is not limited to, on-site generation, Direct Assignment Facilities, etc.) with the Company prior to commencing Retail Open Access Service.

(Continued on Sheet No. F-8.00)

(Continued From Sheet No. F-7.00)

F2. CUSTOMER SECTION (Contd)

F2.5. Term, Commencement of Service, and Return to Full Service (Contd)

C. Return to Company Full Service

A Customer may return to Company Full Service by providing at least 9 ~~one~~ months written notice of its intent to do so and may return on the same terms as any new customer applying for Company Full Service. A Customer returning to Company Full Service must remain on Company Full Service for a minimum term of 12 months.

~~A Customer providing less than 9 months written notice of its intent to return to Company Full Service shall return to Company Full Service at market-based rates. The 9-month period commences with the beginning of the Customer's billing cycle following receipt of the Customer's written notice of their intent to return to Company Full Service. Therefore, the market-based rates will only apply for the period the Customer actually returns to Company Full Service. For example, if the Customer provided four months written notice of their intent to return to Company Full Service, the Customer would return to Company Full Service at market-based rates for the remaining 5 months of the required 9-month notice period. Subsequent to this 9-month period, the applicable Company Full Service rate will apply. Notwithstanding the above, a Customer must provide a minimum of 30 days written notice prior to the commencement of the Customer's next billing cycle of their intent to return to Company Full Service.~~

~~In the event the Customer returned to Company Full Service because the Customer was Slammed by a Retailer, the Company will waive the 9 1-month and the 12-month minimum term requirements. The market-based rate provision of this rule does not apply to such Customers.~~

(Continued on Sheet No. F-9.00)

(Continued From Sheet No. F-8.00)

F2. CUSTOMER SECTION (Contd)

F2.5 Term, Commencement of Service, and Return to Full Service (Contd)

C. Return to Company Full Service (Contd)

~~The market-based rate is the greater of:~~

~~(1) the Customer's applicable Retail Open Access Rate Schedule, plus the Company's highest hourly incremental cost of any generation or purchases of Power, plus allocated capacity costs associated with capacity purchases required to meet the Customer's peak load, plus applicable transmission charges, computed on a monthly basis
or~~

~~(2) the Customer's applicable Company Full Service Rate Schedule computed on a monthly basis. The Customer may initiate the return to Company Full Service by contacting the Company or its Retailer. The Company has no obligation to verify that the Customer is eligible to terminate the service under the terms of a contract with its Retailer.~~

F2.6 Billing and Payment

The Company will read the meter and render a bill to the Customer. The Company will bill the Customer for Retail Open Access Service in accordance with the applicable Retail Open Access Rate Schedule. The Company provides two Customer billing options: complete billing by the Company or separate billing by the Company and the Retailer. If the Retailer elects the complete billing option, the Customer will receive a single bill, which includes the Company's charges as well as the Retailer charges.

The Customer shall pay the Company the amount billed on or before a due date established under the Due Date and Late Payment Charge provision of the applicable Retail Open Access Rate Schedule.

(Continued on Sheet No. F-10.00)

(Continued From Sheet No. F-9.00)

F2. CUSTOMER SECTION (Contd)

F2.6 Billing and Payment (Contd)

Payments received from **or on behalf of** a Customer **utilizing the complete billings option** shall be applied in the following order:

- ~~(1) To the Company's past due and current Retail Open Access Service charges;~~
- ~~(2) To the Retailer's past due and current Power supply charges;~~
- ~~(3) To the Company's other charges, and~~
- ~~(4) To the Retailer's other charges.~~

- (1) all past due and current Company distribution and distribution related charges**
- (2) past due and current Retailer energy charges**
- (3) other Company charges**
- (4) other Retailer charges**

(Continued on Sheet No. F-11.00)

(Continued From Sheet No. F-10.00)

F2. CUSTOMER SECTION (Contd)

F2.7 Shutoff of Service

- (1) The Company is the only entity allowed to physically shut off service to a Customer.
- (2) ~~The Company will not shut off service to a Customer who is current on the Company's bill for distribution services or who has executed a settlement agreement with the Company but is delinquent on the Retailer's bill for Power supplied to the Customer.~~
- (3) Shutoff of service to a Customer for nonpayment of the Company's bill for distribution service or for any violation of the Company's tariffs shall be in accordance with the Company's Electric Rate Schedule **and applicable billing rules**. ~~The Company will provide written notice to the Retailer ten days prior to shutoff. The Company shall not be liable for any losses to the Retailer due to shutoff.~~

F2.8 Retail Open Access Service Distribution Contract Capacity

A Time-of-Use Metered Customer with a Maximum Demand of 300 kW or more shall contract for an amount of capacity sufficient to meet the maximum requirements of the load connected to the Company's Distribution System at the Customer's Location. The Retail Open Access Service Distribution Contract Capacity will initially be set at the highest 15-minute integrated demand created during the current month or previous 11 billing months. Any single 15- minute integrated reading of the Time-of-Use Meter in any month that exceeds the Retail Open Access Service Distribution Contract Capacity then in effect shall become the new Retail Open Access Service Distribution Contract Capacity. Customers not having previously established service requirements shall contract with the Company for a specified Retail Open Access Service Distribution Contract Capacity in kW sufficient to meet the maximum requirements for each Location.

An Energy-Only Recording or Energy and Maximum Demand Recording Metered Customer shall not have to execute a Retail Open Access Service Contract.

The Retail Open Access Service Contract for Customers with on-site generation shall be set at an amount sufficient to meet the maximum requirements for that location without the on-site generation operating.

(Continued on Sheet No. F-12.00)

(Continued From Sheet No. F-11.00)

F2. CUSTOMER SECTION (Contd)

F2.8 Retail Open Access Service Distribution Contract Capacity (Contd)

The Company will provide the necessary facilities to deliver electric power from the Company's Distribution System at the Retail Open Access Service Distribution Contract Capacity. As provided for in the "Nature of Service" provision of the applicable Retail Open Access Rate Schedule, any incremental cost incurred by the Company to provide the necessary facilities to meet the Customer's increased demand for distribution services over the Retail Open Access Service Distribution Contract Capacity existing when service commences under this tariff shall be the responsibility of the Customer and br Retailer. Once established, the Retail Open Access Service Distribution Contract Capacity shall not decrease during the contract term unless there is a specific permanent reduction in connected load.

F2.9 Rates and Charges

Refer to the applicable Retail Open Access Rate Schedule.

F2.10 Liability and Indemnification

Refer to the Company's Rule B 10.1., Character of Service.

F2.11 Curtailment of Service

- A. In the event the Retailer's sources of supply do not deliver Power to the Point of Receipt ~~due to transmission constraints, the Company has the right to curtail service~~ **the Retailer shall pay for all Power delivered. Unless contracted for separately with the Company, the pricing for this service shall be the same as that specified in the Optional Retail Access Backup Service Tariff. A minimum charge for one hour will apply to this service, and subsequent usage will be rounded up to the next full hour.**
- B. In the event the combined Power requirements of all service commitments exceed the Available Transfer Capability of a portion of all of the Company's Transmission System, the Power deliveries for those Customers affected by the constraint will be curtailed in accordance with the ~~Company's~~ **applicable** FERC Open Access Tariff.
- C. In the event the Company cannot move Power to the Point of Delivery, then the Emergency Electric Procedures contained in Rule B12. will apply to Customers taking service under Retail Open Access Service.

F2.12 Parallel Operations Requirements

Refer to the Company's Rule B 10.6C., Parallel Operations Requirements.

(Continued on Sheet No. F-13.00)

(Continued From Sheet No. F-12.00)

F2. CUSTOMER SECTION (Contd)

F2.13 Dispute Resolution Procedures

Dispute resolution procedures for Customers concerning Retail Open Access Service shall be in accordance with the Company's Electric Rate Schedule and the applicable residential, commercial and industrial billing rules.

(Continued on Sheet No. 14.00)

(Continued From Sheet No. F-13.00)

F3. RETAILER SECTION

F3.1 Terms and Conditions of Service

The Retail Open Access Service Tariff and Rate Schedules set forth the rates, charges, terms and conditions of service for the Retailer when enrolling and serving a Customer under Retail Open Access Service. The Retailer is the retail seller of electric supply to the Customer on the Company's Distribution System. The Retailer shall complete all of the following service requirements:

A. Has received all appropriate administrative agency approvals, including a license from the Michigan Public Service Commission to ensure adequate service to Customers.

B. Has **obtained all necessary** governmental **approvals**.

~~D. Has complied with the Company's Customer enrollment requirements to prevent the Slamming of Customers. The Retailer must maintain a Customer signed statement indicating that the Customer has chosen to switch its Power supply service to the Retailer. The Company shall establish procedures, beyond the enrollment requirements, to ensure that no Customer is switched to a Retailer without the Customer's knowledge. The Company shall bill the Retailer for all associated switching fees incurred as a result of Slamming plus the actual administrative cost incurred for switching a Slammed Customer from one rate to another. **Shall warrant that the Customer has duly authorized the submitted enrollment and the Retailer has complied with the provisions of 2000 P.A. 141 or any applicable commission rules developed pursuant to 2000 P.A. 141 to prevent slamming.**~~

Consumers Energy provides Customers with pending enrollments with a Retailer a ten-day notice period in which the Customer may cancel the enrollment before the switch is executed. If the Customer challenges the enrollment the switch transaction is cancelled, the affected Retailer(s) are notified, and the enrolling Retailer shall be assessed the \$5 switching fee instead of the Customer. The enrolling Retailer cannot reverse the Customer's cancellation.

D. Has secured sufficient Customer participation such that the Distribution Contract Capacity is equal to or greater than 1,000 kW.

~~E. Has complied with all applicable statutory, reciprocity and administrative requirements.~~

F. Has shown that it has obtained the right to generation resources sufficient to serve its Customer(s) load.

G. Has executed the agreements required under the Company's **applicable** FERC Open Access Tariff **such as the Transmission Enabling Agreement and the Transmission Service Agreement**.

H. **Has completed necessary applications and processes to enable scheduling of Transmission Service.**

I. **Has submitted a certified Michigan Sales Tax Exemption Certificate to the Company, if applicable.**

J. Has executed a Retail Open Access Service Contract (which may include, but is not limited to, a portfolio of Customers, negotiated services, Direct Assignment Facilities, etc) with the Company.

K. Has complied with Rule B10.6C., Parallel Operations Requirements, if applicable.

If a Retailer fails to pay amounts due the Company or otherwise fails to perform obligations undertaken in connection with service to a Customer, the Company will give the Customer notice of the Retailer's default. If the Customer or its Retailer fails to pay amounts due the Company or otherwise fails to comply with the provisions of the applicable tariffs or agreements with the Company, Retail Open Access Service may be terminated. ~~Unless~~ If the ~~Customer, or the Retailer cures the~~ default with the Company **is not cured**, the Customer **may** changes its Retailer or the Customer may **request in writing** to be returned to Company Full Service subject to the "Return to Company Full Service" provision in the Customer Section.

The Company shall provide the Retailer, ~~through the Company's website, with electronic access to a Retailer's~~

Handbook setting out the service requirements in more detail to assist the Retailer in providing Power supplies to the Company's Customers.

F3.2 Creditworthiness

Creditworthiness will be administered in accordance with the Company's FERC Open Access Tariff.

The Retailer must demonstrate and maintain current creditworthiness in an amount sufficient to cover anticipated charges for all services provided by Consumers Energy. For unsecured credit, the Retailer must provide three (3) years of audited financial statements, including notes, having an acceptable amount of positive tangible net worth, and meeting risk parameters derived from an analysis of its financial statements. The Retailer may provide alternative security or credit enhancement, such as a letter of guarantee, letter of credit or prepayment. Consumers Energy will use reasonable credit review procedures which may include, but are not limited to, review of the Retailer's financial statements, verification that the Retailer is not operating under state or federal bankruptcy laws, and has no pending lawsuits or regulatory proceedings or judgments outstanding which would have a material adverse affect on the Retailer and its ability to perform its obligations. Affiliates of Consumers Energy are subject to these same requirements and must provide proof of creditworthiness consistent with the code of conduct approved by the Commission.

The amount of creditworthiness required is equivalent to two months expected exposure.

Following 24 months of full and timely payment to Consumers Energy for services provided, Retailers shall be deemed to have sufficient credit to satisfy Consumers Energy's creditworthiness standards.

(Continued on Sheet No. F-15.00)

(Continued From Sheet No. F-14.00)

F3. RETAILER SECTION (Contd)

F3.3 Electronic Business Transactions

Unless otherwise specified by the Company in a Commission approved tariff, Retailers shall transact all business with the Company electronically.

Unless otherwise specified by the Company in a Commission approved tariff, all payments made to the Company by the Retailer will be made by electronic funds transfer to the Company's account.

F3.4 Rates and Charges

- A. Rates and charges will be in accordance with the applicable Retail Open Access Rate Schedule ~~and the Company's FERC Open Access Tariff.~~
- B. Standby Service is available under the terms and conditions as set forth in the Retail Open Access Standby Rate ROA-SB. This service is available to a Retail Open Access Service Retailer or Customer with a monthly Maximum Demand greater than or equal to 1,000 kW ~~who has executed a Transmission Service Agreement with the Company~~. All other standby rates and/or standby provisions in the Company's Electric Rate Schedule are not available to Retail Open Access Service Retailers or Customers.

F3.5 Billing and Payment

- A. Retailer Payment

~~The Retailer shall pay the Company all applicable charges rendered by the Company on the Retailer's bill. The Company shall bill the Retailer monthly for Retail Open Access services provided.~~

- B. Customer Payment to Retailer/Company

~~The Company shall bill the customer monthly for non-ROA services, will read the meter and render a bill to the Customer. The Retailer's charges to that Customers may be billed as part of the Company's bill or may be billed separately by the Retailer at the option of the Retailer.~~

When the Retailer purchases billing services from the Company, the following conditions apply:

- (1) The Retailer must **shall** provide ~~their its~~ pricing structure detail and a rate table, in a mutually agreeable format, at least one calendar week prior to the effective date of such pricing structure and rate table. ~~If this information is not received on a timely basis, the Company will not bill the Customer(s) for the Retailer for the specific billing month(s)~~
- (2) Customer payments for the Retailer charges billed by the Company will be transferred **electronically** to the Retailer within six business days after the Customer payments are received. Any discrepancies in charges collected and remitted will be corrected and reflected in the next billing cycle.
- (3) Payments received from or on behalf of a Customer shall be applied in the following order:
 - (a) ~~To the Company's past due and current Retail Open Access Service charges;~~
 - (b) ~~To the Retailer's past due and current Power supply charges;~~
 - (c) ~~To the Company's other charges; and~~
 - (d) ~~To the Retailer's other charges.~~

- (a) all past due and current Company distribution and distribution related charges**
- (b) past due and current Retailer energy charges**
- (c) other Company charges**
- (d) other Retailer charges**

Retailer's charges will be prorated based on the amount owed, if there are multiple Retailers involved.

- (4) ~~Optional services (i.e., billing and remittance processing, credit and collections, meter read information, Customer information, etc.) may be provided by the Company pursuant to **the following** terms: negotiated with the Retailer, and~~

A Retailer enrolling Customer(s) with the total billing option shall pay the Company a one-time charge of \$5,000 for the Retailer's initial rate-ready schedule set-up for up to sixty rates, regardless of the number of Customers under this option.

A Retailer enrolling Customer(s) with the total billing option shall pay the Company a monthly transaction charge of \$0.20 per Customer location billed under the Complete Billing option.

A Retailer enrolling Customer(s) with the total billing option shall pay the Company \$1,000 per occurrence for each change request made by the Retailer to its rate-ready schedule, regardless of the number of changes in the request or the number of Customers effected.

Any other charges to the Retailer for services provided by the Company will be negotiated on an individual case basis.

- (5) ~~Amounts owed to the Company by a Retailer may be deducted from the Retailer's Customer payments received by the Company prior to remittance to the Retailer.~~

~~Where the Retailer's Customer(s) is not billed by the Company, optional services (i.e., meter read information, customer information, etc.) may be provided by the Company pursuant to terms negotiated with the Retailer.~~

(Continued on Sheet No. F-16.00)

(Continued From Sheet No. F-15.00)

F3. RETAILER SECTION (Contd)

F3.5 Billing and Payment (Contd)

C. Shutoff of Service

- (1) The Company is the only entity allowed to physically shut off service to a Customer.
- (2) The Company will not shut off service to a Customer who is current on the Company's bill for distribution services or who has executed a settlement agreement with the Company but is delinquent on the Retailer's bill for Power supplied to the Customer unless shutoff is requested by the retailer.
- (3) Shutoff of service to a Customer for nonpayment of the Company's bill for distribution service or for any violation of the Company's tariffs shall be in accordance with the Company's Electric Rate Schedule and residential, commercial and industrial billing rules. The Company will provide written notice to the Retailer ten days prior to shutoff. The Company shall not be liable for any losses to the Retailer due to shutoff.

F3.6 Dispute Resolution Procedures

- ~~A. In the event the Retailer has a dispute over the implementation of Transmission Service provided under the Company's FERC Open Access Tariff, the Retailer shall provide the Company with a statement of the dispute and the Retailer's proposed resolution to the designated Company contact. The dispute shall be resolved using the dispute resolution procedures as described in the appropriate Company's FERC Open Access Tariff.~~
- ~~B. In the event the Retailer has a dispute over the implementation of the Company's Retail Open Access Service Program, the Retailer shall provide the Company with a statement of the dispute and the Retailer's proposed resolution to the designated Company contact. Upon receipt of the Retailer's statement of the dispute, the Company shall do the following:~~
- ~~(1) Acknowledge receipt of the Retailer's statement of dispute within five working days of receipt by the Company.~~
 - ~~(2) Investigate the dispute and attempt to resolve the dispute informally in a manner that is satisfactory to both parties within 30 days of initial receipt of the statement of dispute. The parties, in attempting to resolve the dispute, may employ telephone communication, personal meetings, on-site visits, or any other technique that is reasonably conducive to dispute settlement.~~
 - ~~(3) If the parties are able to settle the dispute informally, the Company shall provide the Retailer with a Dispute Resolution Report stating the dispute and the Company's Retailer's agreed-upon resolution within 30 days from the date the Retailer and the Company informally settled the dispute.~~
 - ~~(4) If the parties are unable to informally settle the dispute, the Company shall provide the Retailer with a Dispute Resolution Report stating the dispute and the Company's proposed resolution to such dispute within 30 days from the date the Retailer and the Company failed to informally settle the dispute. Upon receipt of the Dispute Resolution Report from the Company, the Retailer may choose to accept the Company's proposed resolution to the dispute or pursue the dispute formally with the Michigan Public Service Commission.~~
- (1) The Company will have no duty or obligation to resolve any complaints or disputes between or among Retailers, Capacity Owners, Alternative Electric Suppliers and Marketers or any combination thereof, related to but not limited to switching Retailers or Alternative Electric Suppliers, switching Marketers, termination of retail access service, Customer enrollment or Customer billing options.**
 - (2) In the event of a dispute between the Company and a Retailer, including but not limited to "Events of Default," the Parties shall attempt, in good faith, to resolve the dispute amicably and promptly. If the dispute is not resolved in five (5) business days, the Parties shall attempt to resolve the dispute by promptly appointing a senior representative of each Party to attempt to mutually agree upon a resolution. The two senior members shall meet within ten (10) business days. If the two senior**

representatives cannot reach a resolution within a 30-day period, the dispute may, on demand of either Party, be submitted to arbitration as provided in this section.

- (3) The dispute will be submitted for resolution in accordance with the American Arbitration Association (“AAA”) Commercial Arbitration Rules. The judgment rendered by the arbitrator may be enforced in any court having jurisdiction of the subject matter and the Parties.
- (4) The arbitrator may be determined by AAA.
- (5) The findings and award of the arbitrator shall be final and conclusive and shall be binding upon the Parties, except as otherwise provided by law. Any award shall specify the manner and extent of the division of the costs between the Parties.
- (6) Nothing in this Section shall restrict the rights of either Party to file a formal complaint with an appropriate regulatory agency regarding any issue the adjudication of which lies within the exclusive jurisdiction of the regulatory agency.

(Continued on Sheet No. F-17.00)

(Continued From Sheet No. F-16.00)

F3. RETAILER SECTION (Contd)

F3.7 System Operations

A. Real Power Losses

The Retailer is responsible for replacing Real Power Losses associated with the movement of Power. Refer to the applicable Retail Open Access Rate Schedule.

B. Scheduling for Power Delivery

(1) Schedules will be made as follows:

- (a) Weekly: The Retailer shall notify the Company, on or before 2:00 PM on the Thursday prior to the week being scheduled (or Wednesday if Thursday is a holiday), of the hourly Retail Open Access Service schedule for the following week.
- (b) Schedule Changes: The Retailer shall notify the Company, **electronically or by fax**, of any proposed change of schedule set forth in ~~A~~. B. (1) above at least twenty minutes in advance of the effective time of the schedule change. The Company may waive any part of the notice upon request if, in its judgment, operating conditions permit such waiver. The Company may, at its discretion, refuse to make schedule changes requested by the Retailer if such change cannot be reasonably accommodated.
- (c) Failure to Schedule: If a schedule is not received by 2:00 PM, Thursday for the following week (or Wednesday if Thursday is a holiday), the Company will assume zero for that week.
- (d) For the purpose of schedules a week shall consist of the time from 12:00 midnight Sunday to ~~12:00 midnight~~ **11:59** the following Sunday.

- (2) The Company shall accept any schedule requested unless, ~~in the Company's sole technical judgment~~, such scheduled delivery would jeopardize the reliability of the interconnected electrical network of which the Company is a part, or cause the Company to violate any operating rule, guideline, or procedure established by the North American Electric Reliability Council **or successor organizations**, the East Central Area Reliability Coordination Agreement or any regional reliability council to which the Company is subject, in which case the Company shall have the right to not accept such schedule request.

C. Specifications for Power Supply Schedules

- (1) Hourly scheduled Power supplied at the Point of Receipt from outside the Michigan Electric Coordination System shall be made in increments of one MW ~~as required by the Company's FERC Open Access Tariff.~~
- (2) Hourly scheduled Power supplied at the Point of Receipt from within the Michigan Electric Coordination System may be made in increments of one kW.

(Continued on Sheet No. F-18.00)

(Continued From Sheet No. F-17.00)

F3. RETAILER SECTION (Contd)

F3.7 System Operations (Contd)

D. Curtailment of Service

- (1) In the event the Retailer's sources of supply do not deliver Power to the Point of Receipt due to transmission constraints, the Company ~~has the right to~~ may curtail service.
- (2) ~~In the event the combined Power requirements of all service commitments exceed the Available Transfer Capability of a portion or all of the Company's Transmission System, the Power deliveries for those Customers affected by the constraint will be curtailed in accordance with the Company's FERC Open Access Tariff.~~
- (3) In the event the Company cannot move Power to the Point of Delivery, then the Emergency Electrical Procedures contained in Rule B 12. will apply to Customers taking service under Retail Open Access Service.

E. Retailers with Customers Without Demand and Energy Hourly Recording (Time-of-Use) Meters Retailers with Customers who do not have demand and energy hourly recording (Time-of-Use) meters shall comply with the following provisions:

- (1) Time-of-Use meters shall be installed on a sample set of Customers to achieve a statistically accurate sample rate of $80\% \pm 20\%$ on an hourly basis during the on-peak hours. Such sample set of Time-of-Use meters shall be furnished, installed, maintained and owned by the Company.
- (2) The hourly meter data from the sample set meters, along with historical customer usage history, will be used by the Company to generate and maintain load leading profiles for each Retailer. Load leading profiles will be provided by the Company to the Retailer by 2:00 PM Eastern Time on the Wednesday before the start of the next week (or Tuesday if Thursday is a holiday). The Company may adjust each profile by providing notice at least one and one-half hours in advance of the effective time of the schedule change. The load leading profiles shall be used by the Retailer to schedule Power deliveries to the Point of Receipt. Scheduling for Power Delivery, using the load leading profile, shall be in accordance with Rule F5.1.

(Continued on Sheet No. F-19.00)

(Continued From Sheet No. F-18.00)

F3. RETAILER SECTION (Contd)

F3.7 System Operations (Contd)

E. Retailers with Customers Without Demand and Energy Hourly Recording (Time-of-Use) Meters (Contd)

(3) Monthly and Hourly Energy Imbalances shall be determined as follows:

(a) Monthly Energy Imbalances:

(i) The Power consumed by the Retailer's Customers shall be determined as follows:

- The actual meter data will be used for those Customers whose meter read dates coincide with the Retailer's designated meter read date.
- A monthly consumption estimate will be used to determine Customer usage for those Customers whose meter read dates do not coincide with the Retailer's designated meter read date.

(ii) The total Retail Open Access Power consumption assigned to the Retailer shall be the sum of C.1(a)(i) and (ii) above, adjusted for Real Power Losses, for all the Retailer's Customers. This sum will be compared to the Retailer's actual monthly Power delivery to the Company's System. The difference between the total Retail Open Access Power consumption assigned to the Retailer and the Retailer's actual monthly Power delivery to the Company's System is the Retailer's Monthly Energy Imbalance.

(iii) Any monthly energy imbalances shall be subject to the Energy Imbalance Service Schedule in the Company's FERC Open Access Tariff as modified to reflect the use of load leading provides for Retail Open Access Service Customers. If the Retailer's monthly Power deliveries are more than the actual Power consumed by its Customers, the Company will pay the Retailer the average monthly Top Incremental Cost times the Monthly Energy Imbalance. If the Retailer's monthly Power deliveries are less than the actual Power consumed by its Customers, the Retailer shall pay the Company the average monthly Top Incremental Cost times the Monthly Energy Imbalance.

(b) Hourly Energy Imbalances:

(i) If the Retailer scheduled Power in accordance with the load leading profiles provided by the Company, then no hourly Energy Imbalance Charge shall occur.

(ii) If the Retailer did not schedule Power in accordance with the load leading profiles, an hourly Energy Imbalance Charge will apply. Any hourly energy imbalance shall be subject to the Energy Imbalance Service Schedule in the Company's FERC Open Access Tariff.

(4) The actual hourly Power consumption of those Customers without Time-of-Use meters is unknown. Thus, the Retailer is not providing total load following for those Customers being supplied Power by the Retailer; the Company is providing this service. As compensation to the Company for providing generation resources to meet unmetered supply versus consumption deviations, the Customer shall be charged a Profile Management Service Charge as set forth in the applicable Retail Open Access Rate Schedule.

(Continued on Sheet No. F-20.00)

(Continued From Sheet No. F-19.00)

F4. OPEN BID PROCESS AND ALLOCATION OF CAPACITY*

Open bids will be used to allocate capacity among bidders for the Retail Open Access Service program as authorized by the Michigan Public Service Commission and as provided in the Retail Open Access bid document. An independent bid administrator will conduct the open bid process.

Bids shall be submitted in one or more of the following three bid classes:

- A. Residential Customers,
- B. Residential and/or Small Secondary Customers with a Maximum Demand less than 20 kW, and/or
- C. Primary Customers and Large Secondary Customers with a Maximum Demand of 20 kW or more

No more than 150,000 kW will be allocated among the three bid classes in each of the five bid cycles. The total Maximum Demand of load offered for bid will not exceed 750,000 kW as of December 31, 2001. The Company will allocate capacity among the three bid classes as follows:

<u>Bid Class</u>	<u>1st Bid Due</u> September 20, <u>1999</u>	<u>2nd Bid Due</u> November 19, January 20, <u>1999</u>	<u>3rd Bid Due</u> March 20, <u>2000</u>	<u>4th Bid Due</u> <u>2000</u>	<u>5th Bid Due</u> November 20, <u>2000</u>	<u>Total</u>
Residential Set Aside	2,000 kW	2,000 kW	2,000 kW	2,000 kW	2,000 kW	10,000 kW
Residential and/or Small Secondary Set Aside	2,000 kW	2,000 kW	2,000 kW	2,000 kW	2,000 kW	10,000 kW
All Bid Classes	<u>146,000 kW</u>	<u>146,000 kW</u>	<u>146,000 kW</u>	<u>146,000 kW</u>	<u>146,000 kW</u>	<u>730,000 kW</u>
Total Bid	150,000 kW	150,000 kW	150,000 kW	150,000 kW	150,000 kW	750,000 kW

*Rule F4 terminates on December 31, 2001.

(Continued on Sheet No. F-21.00)

(Continued From Sheet No. F-20.00)

F4. OPEN BID PROCESS AND ALLOCATION OF CAPACITY (Contd)

Each bidder must complete the Retail Open Access bid document and submit their bid(s) to the independent bid administrator. Each bid must specify the bid class requested (Residential, Residential and/or Small Secondary with a Maximum Demand less than 20 kW, or Primary and Large Secondary with a Maximum Demand of 20 kW or more), the bid price (in cents per kWh), and the amount of capacity requested in that respective bid class. All bids will be ranked based on the bid price. If there is a tie among bidders for a block of capacity, a lottery will be held among those in the tie.

Each bid must contain a minimum bid amount of at least 5.000 per kWh and be for capacity greater than or equal to 1,000 kW. A bid deposit in the following amounts will be required and administered in accordance with the Retail Open Access bid document.

Residential	\$ 1,000 per 1,000 kW
Small Secondary Customers with a Maximum Demand less than 20 kW	\$1,500 per 1,000 kW
Primary Customers and Large Secondary Customers with a Maximum Demand of 20 kW or more	\$2,000 per 1,000 kW

Bid deposits from all successful bidders will be retained. All other bid deposits will be returned to the losing bidders by the independent bid administrator. The bid deposit, including interest calculated at the same rate used to calculate transition costs and commencing from the date of receipt by the Company, will be refunded to the successful bidder once service has commenced to at least 75% of the bid capacity award.

Prior to initiating Retail Open Access Service the successful bidder must be declared a Retailer or designate a Retailer to secure their Power. Within 60 days from the date the capacity was awarded to a successful bidder, the Retailer must **be designated**. Within 180 days from the date the capacity was awarded to a successful bidder, the Retailer must have obtained **all necessary governmental approvals**. If the Retailer fails to adhere to either one of these timetables, the Retailer **may forfeit** its capacity award and the bid deposit **may** be retained by the Company and applied toward transition costs. Within 180 days from the date the capacity was awarded to a successful bidder, the Retailer must have enrolled customers. Otherwise, the Retailer may forfeit the difference between the amount of capacity enrolled and the entire capacity awarded and the bid deposit may be retained by the Company and applied toward transition costs.

The independent bid administrator will then contact the next highest (but initially unsuccessful) bidder from that bid cycle where the capacity was awarded and offer the forfeited capacity to that bidder. If that bidder is not interested in participating, the capacity will be offered to the next highest bidder until a bidder commits to serving that capacity. Within 10 days, the bidder that is awarded the forfeited capacity shall pay the bid deposit, equal to the amount previously submitted by the initially successful bidder. The bidder shall **designate a Retailer** within 60 days from the date the capacity was awarded and shall obtain **all necessary governmental approvals** and enroll customers within 180 days from the date the capacity was awarded or **may** forfeit the right to that capacity. If no qualified bidders are interested in the forfeited capacity, it will be added to the next bid cycle for that bid class.

(Continued on Sheet No. F-22.00)

(Continued From Sheet No. F-2 1.00)

F4. OPEN BID PROCESS AND ALLOCATION OF CAPACITY (Contd)

Successful bidders may sell or assign awarded bid capacity to another entity as long as the capacity is assigned within the same bid class. The Company shall be notified of such transfer on a form provided by the Company. The administrative requirements set forth above will apply commencing with the new effective date of the capacity assignment.

The ~~Retailer shall pay a~~ Transition Surcharge through December 31, 2001 ~~is~~ equal to the winning bid price multiplied by the kWh consumption of ~~its group of~~ Customers. Beginning January 1, 2002, all customers shall be eligible to take Retail Open Access Service and will pay the Transition Surcharge established by the Michigan Public Service Commission and specified in the then existing Company's Electric Rate Schedule.

Bid deposits for successful bids which remain unused by December 31, 2001 shall be returned to the bidder by March 31, 2002. No interest shall be paid on the returned deposits.

RETAIL OPEN ACCESS RESIDENTIAL RATE ROA-R

Availability:

Subject to any restrictions, this rate is available to any residential Customer receiving service at a nominal voltage of less than 2,400 volts for:

- (i) delivery of Power from the Point of Receipt to the Point of Delivery,
- (ii) any usual residential use as defined in Rule B 13.3 A., Residential Usage and Rate Application,
- (iii) single-phase motors, provided the individual capacity of such motors does not exceed 3 hp, nor the total capacity of 10 hp, without the specific consent of the Company, and
- (iv) service within Company designated service areas.

Service under this rate must be separately metered.

Any Customer under this rate must utilize an Aggregator.

For those Customers that do not have demand and energy hourly recording (Time-of-Use) meters, all Retailers shall assume that each Residential Customer served under this rate has a Maximum Demand equivalent to 0.78 kW per hundred kWh of monthly use, using the month of maximum monthly consumption that occurred within the last 12 months.

Nature of Service:

Alternating current, 60-hertz, single-phase or three-phase, secondary voltage, the particular nature of the voltage in each case to be determined by the Company.

The Company shall not be required to, but may expand its existing facilities to make deliveries under this tariff. The Customer and/or Retailer shall be liable for any and all costs incurred as a result of an expansion of facilities made to make deliveries under this tariff.

Metering Requirements:

The load served under this tariff shall be separately metered by energy-only recording meters of billing quality. Such metering equipment shall be furnished, installed, maintained and owned by the Company.

The Customer may elect a demand and energy hourly recording (Time-of-Use) meter. Such metering equipment shall be furnished, installed, maintained and owned by the Company. The requesting Customer shall be required to pay the higher Customer Charge for all such metering equipment. When required, the Customer shall be responsible for the associated dedicated telephone line and other accompanying equipment and monthly fees.

(Continued on Sheet No. F-24.00)

RETAIL OPEN ACCESS RESIDENTIAL RATE ROA-R
(Continued From Sheet No. F-23.00)

~~Monthly Rate - Retailer~~

Transmission Service:

~~Subject to Rule F1.5 hereof, the charges for use of the Company's Transmission System subject to the jurisdiction of the FERC shall be in accordance with the Company's FERC Open Access Tariff.~~

Real Power Losses:

~~The Retailer is responsible for replacing Real Power Losses associated with the movement of Power. In addition to the Real Power Losses included in the Company's FERC Open Access Tariff, the Retailer is responsible for the Company's Distribution System's Real Power Losses of 9.81%.~~

General Terms and Conditions:

~~This rate is subject to all general terms and conditions shown on Sheet No. E-1.00.~~

Transition Surcharge:

~~Through December 31, 2001, the Transition Surcharge is established via the bid process as described in Rule F4., Open Bid Process and Allocation of Capacity, and will be billed to the Retailer. Thereafter, the Transition Surcharge is \$.0120 per kWh, or as subsequently ordered by the Commission.~~

Customer

Monthly Rate - Customer

Customer Charge:

\$8.74 per Customer with an energy-only recording meter, per meter location

\$19.00 per Customer with a Time-of-Use meter, per meter location

Distribution Service Charge:

\$.0198 per kWh

Reactive Power Supply Service Charge:

~~The Customer will endeavor to control its consumption of reactive power (kilovars) so that the power factor shall not fall lower than a lagging power factor of 0.80. If the Customer's power factor falls lower than 0.80, the Company has the right to be compensated for Reactive Power (Kilovar) Supply based upon a kilovar demand charge of \$.17 per kilovar.~~

Profile Management Service Charge:

~~The following charge applies to a Customer who does not have a Time-of-Use meter:
\$.0046 per kWh for all kWh consumed.~~

Customer Switching Service Charge:

\$5.00 each time a Customer switches from one Retailer to another. The Customer may switch Retailers at the end of any billing month by having their new Retailer give the Company at least 30 days written notice. The Customer Switching Service Charge shall not be applied for the initial switch to Retail Open Access Service or at the time the Customer returns to Company Full Service **or another retailer** because the Customer was Slammed by the Retailer.

General Terms and Conditions:

This rate is subject to all general terms and conditions shown on Sheet No. E-1.00.

(Continued on Sheet No. F-25.00)

RETAIL OPEN ACCESS RESIDENTIAL RATE ROA-R
(Continued From Sheet No. F-24.00)

Monthly Rate - Customer: (Contd)

Surcharges:

This rate is subject to the following surcharges:

Transition Surcharge:	Through December 31, 2001, the Transition Surcharge is established via the bid process as described in Rule F4., Open Bid Process and Allocation of Capacity, and will be billed to the Retailer. Thereafter, the Transition Surcharge is \$.0120 per kWh, or as subsequently shall be as ordered by the Commission. <u>If the Commission has not determined the amount of the transition charge by January 1, 2002 a transition charge of 0.5¢ per kWh will be implemented. Any over or under collection of transition charges will be adjusted on a customer specific basis within one billing cycle of the date the commission sets the 2002 transition charge.</u>
Implementation Surcharge:	(As established by the Commission.)
Nuclear Decommissioning Surcharge:	Palisades \$.000158 per kWh Big Rock \$.000930 per kWh
Securitization and Tax Charge:	(As established by the Commission.)

Minimum Charge:

The Customer Charge included in the rate.

Due Date and Late Payment Charge:

The due date of the Customer bill shall be 17 days from the date of transmittal. A late payment charge of 2% not compounded, of the unpaid balance, net of taxes, shall be assessed to any bill that is delinquent.

Retailer

Monthly Rate - Retailer

Real Power Losses:

The Retailer is responsible for replacing Real Power Losses associated with the movement of Power. In addition to the Real Power Losses included in the Company's FERC Open Access Tariff, the Retailer is responsible for the Company's Distribution System's Real Power Losses of 9.81%.

Reactive Power Supply Service Charge:

The Customer will endeavor to control its consumption of reactive power (kilovars) so that the power factor shall not fall lower than a lagging power factor of 0.80. If the Customer's power factor falls lower than 0.80, the Company has the right to be compensated for Reactive Power (Kilovar) Supply based upon a kilovar demand charge of \$.17 per kilovar.

Profile Management Service Charge:

**The following charge applies to a Customer who does not have a Time-of-Use meter:
\$.0046 per kWh for all kWh consumed**

General Terms and Conditions:

This rate is subject to all general terms and conditions shown on Sheet No. E-1 .00.

Term and Form of Contract:

All service under this rate shall require a written Retail Open Access Service Contract between the Company and a Retailer.

RETAIL OPEN ACCESS SECONDARY RATE ROA-S

Availability:

Subject to any restrictions, this rate is available to any nonresidential Customer receiving secondary service at a nominal voltage of less than 2,400 volts for:

- (i) delivery of Power from the Point of Receipt to the Point of Delivery,
- (ii) service where the Company elects to provide one transformation from the available primary distribution voltage to another primary voltage desired by the Customer, and
- (iii) service within Company designated service areas, and
- (iv) resale service in accordance with Rule B 13.4, Resale.

Service under this rate must be separately metered.

Any Customer whose monthly minimum Maximum Demand is less than 1,000 kW must utilize an Aggregator.

For those Customers that do not have demand and energy hourly recording (Time-of-Use) meters, all Retailers shall assume that each Secondary Customer served under this rate has a Maximum Demand equivalent to 0.70 kW per hundred kWh of monthly use, using the month of maximum monthly consumption that occurred within the last 12 months.

This rate is not available to General Service Company-Owned Streetlighting Rate L-3 or General Service Outdoor Lighting Rate L-4 Customers.

Nature of Service:

Alternating current, 60-hertz, single-phase or three phase, the particular nature of the voltage in each case to be determined by the Company.

When the service is three-phase, 3-wire, lighting may be included, provided the Customer furnishes all transformation facilities required for such purpose, and so arranges the lighting circuits as to avoid excessive unbalance of the three-phase load. When the service is single phase, or 4-wire, three-phase, the single-phase individual motor capacity shall not exceed 3 hp, nor the total single-phase motor capacity of 10 hp, without the specific consent of the Company.

The Company ~~shall not be required to, but may~~ expand its existing facilities to make deliveries under this tariff **pursuant to its tariffs for extension of facilities**. The Customer and/or Retailer shall be liable for any and all costs incurred as a result of an expansion of facilities made to make deliveries under this tariff.

(Continued on Sheet No. F-27.00)

RETAIL OPEN ACCESS SECONDARY RATE ROA-S
(Continued From Sheet No. F-26.00)

Metering Requirements:

The Customer with a Maximum Demand of less than 20 kW shall be separately metered by an energy recording meter, with or without maximum demand recorders, of billing quality. Such metering equipment shall be furnished, installed, maintained and owned by the Company.

The Customer with a Maximum Demand of less than 20 kW may elect to install a demand and energy hourly recording (Time-of-Use) meter. Such metering equipment shall be furnished, installed, maintained and owned by the Company. The requesting Customer shall be required to pay the higher Customer Charge for all such metering equipment. When required, the Customer shall be responsible for the associated dedicated telephone line and other accompanying equipment and monthly fees.

The Customer with a Maximum Demand of 20 kW or more shall be separately metered by a demand and energy hourly recording (Time-of-Use) meter of billing quality. Such metering equipment shall be furnished, installed, maintained and owned by the Company. The Customer shall be required to pay the higher Customer Charge for all such metering equipment. **When required,** the Customer shall be responsible for the associated dedicated telephone line and other accompanying equipment and monthly fees.

Monthly Rate - Retailer:

Transmission Service:

~~Subject to Rule F1.5 hereof, the charges for use of the Company's Transmission System subject to the jurisdiction of the FERC shall be in accordance with the Company's FERC Open Access Tariff.~~

Real Power Losses:

~~The Retailer is responsible for replacing Real Power Losses associated with the movement of Power. In addition to the Real Power Losses included in the Company's FERC Open Access Tariff, the Retailer is responsible for the Company's Distribution System's Real Power Losses of 9.81%.~~

General Terms and Conditions:

~~This rate is subject to all general terms and conditions shown on Sheet No. E-1.00.~~

Transition Surcharge:

~~Through December 31, 2001, the Transition Surcharge is established via the bid process as described in Rule F4., Open Bid Process and Allocation of Capacity, and will be billed to the Retailer. Thereafter, the Transition Surcharge is \$.0120 per kWh, or as subsequently ordered by the Commission.~~

Customer

Monthly Rate - Customer

Customer Charge:

\$27.00 per Customer with a Time-of-Use meter, per meter location

\$16.20 per Customer with an energy-only recording meter, or an energy and maximum demand recording meter, per meter location

(Continued on Sheet No. F-28.00)

RETAIL OPEN ACCESS SECONDARY RATE ROA-S

(Continued From Sheet No. F-27.00)

Monthly Rate - Customer: (Contd)

Distribution Service Charge:

\$4.78 per kW of Maximum Demand for a Customer with an energy and maximum demand recording meter or a Time-of-Use meter

\$.0209 per kWh for a Customer with an energy-only recording meter

Reactive Power Supply Service Charge:

The Customer will endeavor to control its consumption of reactive power (kilovars) so that the power factor shall not fall lower than a lagging power factor of 0.80. If the Customer's power factor falls lower than 0.80, the Company has the right to be compensated for Reactive Power (Kilovar) Supply based upon a kilovar demand charge of 5.17 per kilovar.

Profile Management Service Charge:

~~The following charge applies to a Customer who does not have a Time-of-Use meter:~~

~~\$.0048 per kWh for all kWh consumed.~~

Customer Switching Service Charge:

\$5.00 each time a Customer switches from one Retailer to another. The Customer may switch Retailers at the end of any billing month by having their new Retailer give the Company at least 30 days written notice. The Customer Switching Service Charge shall not be applied for the initial switch to Retail Open Access Service or at the time the Customer returns to **Company Full Service or another retailer because the Customer was Slammed by the Retailer.**

General Terms and Conditions:

This rate is subject to all general terms and conditions shown on Sheet No. E-1 .00.

Surcharges:

This rate is subject to the following surcharges:

Transition Surcharge: Through December 31, 2001, the Transition Surcharge is established via the bid process as described in Rule F4., Open Bid Process and Allocation of Capacity, and will be billed to the Retailer. Thereafter, the Transition Surcharge is ~~\$.0120 per kWh, or as subsequently shall be as~~ ordered by the Commission. **If the Commission has not determined the amount of the transition charge by January 1, 2002 a transition charge of 0.5¢ per kWh will be implemented. Any over or under collection of transition charges will be adjusted on a customer specific basis within one billing cycle of the date the commission sets the 2002 transition charge**

Implementation Surcharge: (As established by the Commission.)

Nuclear Decommissioning Surcharge: Palisades \$.000168 per kWh
Big Rock \$.000997 per kWh

Securitization and Tax Charge: ~~(To Be Determined.)~~ **(As established by the Commission.)**

(Continued on Sheet No. F-29.00)

RETAIL OPEN ACCESS SECONDARY RATE ROA-S
(Continued From Sheet No. F-28.00)

Monthly Rate .Customer: (Contd)

Minimum Charge:

For a Customer with an energy and maximum demand recording meter, or a Time-of-Use meter, the minimum charge shall be the Customer Charge and the Distribution Service Charge.

For a Customer with an energy-only recording meter, the minimum charge shall be the Customer Charge.

Due Date and Late Payment Charge:

The due date of the Customer bill shall be 21 days from the date of mailing. A late payment charge of 2% of the unpaid balance, net of taxes, shall be assessed to any bill which is not paid on or before the due date shown thereon.

Term and Form of Contract:

All service under this rate ~~shall~~ require a written Retail Open Access Service Contract between the Company and a Retailer.

All service under this rate ~~may~~ **shall** require a written Retail Open Access Service Contract, with a minimum term of one year, between the Company and a Secondary Customer with a Maximum Demand of 20 kW or more.

All resale service under this rate shall require a written Retail Open Access Service Contract, with a minimum term of one year, between the Company and a Customer.

Retailer

Monthly Rate - Retailer

Real Power Losses:

The Retailer is responsible for replacing Real Power Losses associated with the movement of Power. In addition to the Real Power Losses included in the Company's FERC Open Access Tariff, the Retailer is responsible for the Company's Distribution System's Real Power Losses of 9.81%.

Reactive Power Supply Service Charge:

The Customer will endeavor to control its consumption of reactive power (kilovars) so that the power factor shall not fall lower than a lagging power factor of 0.80. If the Customer's power factor falls lower than 0.80, the Company has the right to be compensated for Reactive Power (Kilovar) Supply based upon a kilovar demand charge of 5.17 per kilovar.

Profile Management Service Charge:

The following charge applies to a Customer who does not have a Time-of-Use meter:

\$.0048 per kWh for all kWh consumed

General Terms and Conditions:

This rate is subject to all general terms and conditions shown on Sheet No. E-1.00.

Term and Form of Contract:

All service under this rate shall require a written Retail Open Access Service Contract between the Company and a Retailer.

RETAIL OPEN ACCESS PRIMARY RATE ROA-P

Availability:

Subject to any restrictions, this rate is available to any Customer receiving primary service at a nominal voltage 2,400 volts or greater for the delivery of Power from the Point of Receipt to the Point of Delivery **and for resale service in accordance with Rule B 13.4, Resale.**

Service under this rate shall be separately metered.

Any Customer whose monthly minimum Maximum Demand is less than 1,000 kW must utilize an Aggregator.

Nature of Service:

Alternating current, 60-hertz, single-phase or three-phase, the particular nature of the voltage in each case to be determined by the Company.

The Company shall not be required to, but may expand its existing facilities to make deliveries under this tariff. The Customer and/or Retailer shall be liable for any and all costs incurred as a result of an expansion of facilities made to make deliveries under this tariff.

Metering Requirements:

The load under this tariff shall be separately metered by demand and energy hourly recording (Time-of-Use) meters of billing quality. Such metering equipment shall be furnished, installed, maintained and owned by the Company.

When required, the Customer shall be responsible for the associated dedicated telephone line and other accompanying equipment and monthly fees.

~~Monthly Rate-Retailer:~~

~~Transmission Service:~~

~~Subject to Rule F1.5 hereof, the charges for use of the Company's Transmission System subject to the jurisdiction of the FERC shall be in accordance with the Company's FERC Open Access Tariff.~~

~~Real Power Losses:~~

~~The Retailer is responsible for replacing Real Power Losses associated with the movement of Power. In addition to the Real Power Losses included in the Company's FERC Open Access Tariff, the Retailer is responsible for the Company's Distribution System's Real Power Losses as follows:~~

	<u>Meter Point</u>	
	<u>High Side</u>	<u>Low Side</u>
Primary	4.40%	7.78%
Subtransmission	1.74%	2.08%
Transmission	0.00%	0.33%

(Continued on Sheet No. F-3 1.00)

RETAIL OPEN ACCESS PRIMARY RATE ROA-P
(Continued From Sheet No. 30.00)

~~Monthly Rate - Retailer (Contd)~~

~~General Terms and Conditions:~~

~~This rate is subject to all general terms and conditions shown on Sheet No. F-1 .00.~~

~~Transition Surcharge:~~

~~Through December 31, 2001, the Transition Surcharge is established via the bid process as described in Rule F4., Open Bid Process and Allocation of Capacity, and will be billed to the Retailer. Thereafter, the Transition Surcharge is \$.0120 per kWh, or as subsequently ordered by the Commission.~~

Customer

Monthly Rate - Customer

Customer Charge:

\$115 per Customer Meter Location

Distribution Service Charge:

For a Customer taking Primary Service:	\$2.10 per kW of Maximum Demand
For a Customer taking Subtransmission Service:	\$.87 per kW of Maximum Demand
For a Customer taking Transmission Service:	\$.11 per kW of Maximum Demand

Substation Service Charge:

Where Subtransmission or Transmission Service is supplied to the Customer through Company-owned equipment, the following appropriate Substation Service Charge will apply:

For a Customer taking Subtransmission Service:	\$.73 per kW of Maximum Demand
For a Customer taking Transmission Service:	\$.76 per kW of Maximum Demand

Reactive Power Supply Service Charge:

~~The Customer will endeavor to control its consumption of reactive power (kilovars) so that the power factor shall not fall lower than a lagging power factor of 0.80. If the Customer's power factor falls lower than 0.80, the Company has the right to be compensated for Reactive Power (Kilovar) Supply based upon a kilovar demand charge of \$.17 per kilovar.~~

Customer Switching Service Charge:

\$5.00 each time a Customer switches from one Retailer to another. The Customer may switch Retailers at the end of any billing month if written notification is provided to the Company by the Customer or the new Retailer at least 30 days in advance. The Customer Switching Service Charge shall not be applied for the initial switch to Retail Open Access Service or at the time the Customer returns to **Company Full Service or another retailer because the Customer was Slammed by the Retailer.**

General Terms and Conditions:

This rate is subject to all general terms and conditions shown on Sheet No. E-1 .00.

(Continued on Sheet No. F-32.00)

RETAIL OPEN ACCESS PRIMARY RATE ROA-P
(Continued From Sheet No. 31.00)

Monthly Rate - Customer (Contd)

Surcharges:

This rate is subject to the following surcharges:

Transition Surcharge: Through December 31, 2001, the Transition Surcharge is established via the bid process as described in Rule F4., Open Bid Process and Allocation of Capacity, and will be billed to the Retailer. Thereafter, the Transition Surcharge is ~~\$.0120 per kWh, or as subsequently shall be as~~ ordered by the Commission. **If the Commission has not determined the amount of the transition charge by January 1, 2002 a transition charge of 0.5¢ per kWh will be implemented. Any over or under collection of transition charges will be adjusted on a customer specific basis within one billing cycle of the date the commission sets the 2002 transition charge**

Implementation Surcharge: (As established by the Commission.)

Nuclear Decommissioning Surcharge: **Palisades: \$.000144 per kWh**
Big Rock \$.000848 per kWh

Securitization ~~and Tax Charge:~~ (As established by the Commission.)

Minimum Charge:

The Customer Charge and the Distribution Service Charge.

Due Date and Late Payment Charge:

The due date of the Customer bill shall be 21 days from the date of mailing. A late payment charge of 2% of the unpaid balance, net of taxes, shall be assessed to any bill which is not paid on or before the due date shown thereon.

Term and Form of Contract:

~~All service under this rate shall require a written Retail Open Access Service Contract between the Company and a Retailer.~~

All service under this rate ~~may~~ **shall** require a written Retail Open Access Service Contract, with a minimum term of one year, between the Company and a Customer.

All resale service under this rate shall require a written Retail Open Access Service Contract, with a minimum term of one year, between the Company and a Customer.

Retailer

Monthly Rate - Retailer:

Real Power Losses:

The Retailer is responsible for replacing Real Power Losses associated with the movement of Power. In addition to the Real Power Losses included in the Company's FERC Open Access Tariff, the Retailer is responsible for the Company's Distribution System's Real Power Losses as follows:

	<u>Meter Point</u>	
	<u>High Side</u>	<u>Low Side</u>
<u>Primary</u>	<u>4.40%</u>	<u>7.78%</u>
<u>Subtransmission</u>	<u>1.74%</u>	<u>2.08%</u>
<u>Transmission</u>	<u>0.00%</u>	<u>0.33%</u>

Reactive Power Supply Service Charge:

The Customer will endeavor to control its consumption of reactive power (kilovars) so that the power factor shall not fall lower than a lagging power factor of 0.80. If the Customer's power factor falls lower than 0.80, the Company has the right to be compensated for Reactive Power (Kilovar) Supply based upon a kilovar demand charge of \$.17 per kilovar.

General Terms and Conditions:

This rate is subject to all general terms and conditions shown on Sheet No. F-I .00.

Term and Form of Contract:

All service under this rate shall require a written Retail Open Access Service Contract between the Company and a Retailer.

RETAIL OPEN ACCESS STANDBY RATE ROA-SB

Availability:

Subject to any restrictions, this rate is available on a best-efforts basis to a Retail Open Access Service Retailer or Customer with a monthly Maximum Demand greater than or equal to 1,000 kW ~~who has executed a Transmission Service Agreement with the Company.~~

Nature of Service:

Service under this rate is available on a best-efforts basis. The service is available only during periods when the Retailer's or Customer's source of generation is unavailable due to generator outage or transmission constraints. The Company is not required to build or purchase new capacity or interrupt firm customers to provide service under this rate.

This service is not available for the purpose of balancing energy due to scheduling of insufficient Power deliveries at the Point of Receipt. To the extent a Retail Open Access Service Retailer or Customer takes Standby Service in a manner inconsistent with the provisions of this rate, then the Retailer or Customer is required to reimburse the Company for all costs ~~or other detrimental impacts~~ resulting from such actions.

The Retailer's or Customer's contracted Power shall include all applicable Real Power Losses. The Retail Open Access Service Retailer or Customer must schedule and notify the Company of any Standby Power to be taken under this rate.

Standby Charge:

Retail market price for each hour of standby usage will be the **greater** of:

- (i) the Company's highest hourly incremental cost of any generation or purchases of Power **for that hour**, plus 10 percent, plus applicable transmission charges, **or**
- (ii) the highest hourly market sales price **for that hour**, plus 10 percent, plus applicable transmission charges.

General Terms and Conditions:

The terms, conditions, charges and surcharges of Retail Open Access Service, contained in Section F and in the Retailer's or Customer's contracted Retail Open Access **Rate ROA-R**, ROA-S or ROA-P, apply to Standby Power provided under this rate.

Due Date and Late Payment Charge:

The due date of the Retailer or Customer bill shall be 21 days from the date of mailing. A late payment charge of 2% of the unpaid balance, net of taxes, shall be assessed to any bill which is not paid on or before the due date shown thereon.

Term and Form of Contract:

All service under this rate shall require a written Retail Open Access Service Contract with a Retailer or Customer for a minimum term of one month with at least 30 days advance **written** notice. ~~The contract must be approved by an Officer of the Company or a duly authorized agent before it shall be binding on the Company.~~

Attachment B

Energy Michigan, Inc.

Case U-12488 Reply Brief

NORDIC MARKETING LLC

April 27, 2001

Joni M. Fixel
Director of
Power Supply
(734) 973-7700

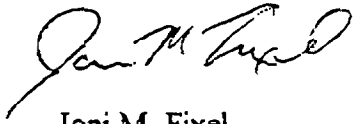
Mr. William Garrity
Consumers Energy
1945 West Parnall Rd.
Jackson, MI 49201

Nordic Marketing appreciates the Consumers Energy offer of up to 100 megawatts of firm transmission for June 1, 2001 through April 30, 2002. Unfortunately, Nordic must decline this offer because it requires capacity as of September 1, 2001. This makes the offer of transmission for 11 months beginning in June, impracticable for serving our customers

To better serve our customers Nordic is interested in purchasing transmission that is not limited to one customer delivery area and has rollover rights. While Consumers has offered Nordic competitive pricing for this transmission service, it would not be in our customer's best interest to purchase transmission for the remainder of this calendar year, without the ability to extend availability into further years. Nordic tries to serve its customers by offering the security that their energy will be available for their long term needs.

Again Nordic thanks Consumers Energy for this offer but is unable to accept it at this time.

Sincerely,



Joni M. Fixel

Response
mailed
May 1, 2001

Cc: W.Celio, MPSC