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August 24, 2001

Ms. Dorothy Wideman
Michigan Public Service Commission
6545 Mercantile Way
P.O. Box 30221
Lansing, MI 48909

Re: Case No. U-12488

Dear Ms. Wideman:

Enclosed for filing in the above captioned matter please find the original and four copies of Energy Michigan's Replies to Exceptions. Also enclosed is the original Proof of Service indicating service on counsel.

Please date stamp one copy of the above entitled document for my records and return it in the self-addressed stamped envelope provided.

Thank you for your assistance in this matter.

Very truly yours,

VARNUM, RIDDERING, SCHMIDT & HOWLETT LLP

A handwritten signature in cursive script that reads "Eric J. Schneidewind".

Eric J. Schneidewind

EJS/mrr

cc: ALJ
parties

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)
to choose an alternate electric supplier)
_____)

Case No. U-12488

ENERGY MICHIGAN, INC'S REPLY TO EXCEPTIONS

TO THE PROPOSAL FOR DECISION

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ENERGY MICHIGAN, INC'S REPLY TO EXCEPTIONS
TO THE PROPOSAL FOR DECISION

I. INTRODUCTION

On August 13, 2001, Exceptions to the Proposal for Decision (PFD) in this matter were filed by Consumers Energy Company (Consumers or Consumers Energy), the Michigan Public Service Commission Staff (MPSC Staff or Staff) and Energy Michigan, Inc. (Energy Michigan). The Association Advocating Tariff Equity (ABATE) filed on August 14, 2001. These Replies address certain Exceptions filed by Consumers and MPSC Staff. Failure to reply to other Exceptions should not be construed as agreement or acceptance of the position stated in those Exceptions.

These Replies are set forth using the same issue numbers and titles used by the Administrative Law Judge in his PFD.

II. REPLY TO CONSUMERS ENERGY EXCEPTIONS

PFD Issue #8: 10 Day Cancellation (S-15, Sheet 14.00, Sec. 3.1C)

A. Consumers' Position

Consumers proposed language to implement the recommendation of the ALJ which would

give customers the unlimited right to cancel enrollments within 10 days.

B. Energy Michigan Reply

The ALJ's recommendation for a 10 day cancellation period was adopted as an anti-slamming measure. The PFD stated, "First, the Staff anti-slamming language would among other things provide customers with an absolute right to cancel an enrollment made by a retailer within a 10 day period." *PFD, p. 10, emphasis supplied.* Energy Michigan agrees that a 10 day period to cancel is justified to determine if slamming has occurred and, if so, to allow cancellation. This goal can be accomplished by modifying the second sentence in 3.1C to add the phrase "only if the customer has been slammed" at the end of the sentence which allows cancellation. The sentence would now read, "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 only if the customer has been slammed."

Without the limiting language proposed by Energy Michigan above, sophisticated customers would be able to use the language proposed by Consumers to obtain a binding bid from an AES but exercise the unconditional right to cancel the AES contract within 10 days if changed market conditions allow another AES to offer a better price or if Consumers offers retail service at a better price.

In the volatile energy markets, a 10 day fixed price quote cannot be held open by the AES with no obligation on the customer to purchase. Slamming can be prevented by the narrowing language proposed by Energy Michigan above. In the alternative, a three day cancellation should be provided only for unaggregated residential customers. *Energy Michigan Exceptions, p. 5.*

PFD Issue # 11: Customer Service Shut Off Exhibit S-15, Sheet F11.00, Sec. F2.7 and Sheet 16.00, Sec. F.3.5C;

PFD Issue #12: Return to Service Sheets 8.00 and 9.00, Sec. F2.5C; and

PFD Issue #17: Termination of Service Sheets 3.4, 4.0 and 14 Sec. F1.8, 2.1 and 3.1

Customer service shut off, return to service and termination of service are interrelated topics which must be considered as a whole rather than as separate issues. The final version of the Consumers ROA tariff must integrate these issues into one approach which provides a rational means of dealing with inevitable situations where AES customers fail to pay bills, ROA customers wish to return to retail service or AES entities voluntarily or involuntarily terminate service to customers. The MPSC Staff in their exception to PFD Issue # 11 has rightly called upon the Commission to review these issues and clearly specify the means by which they are to be resolved. *Staff Exceptions, p. 1.*

A. Consumers Position

Consumers has taken wildly inconsistent positions on shut off, return to service and termination of service.

The Consumers tariff Sec. F10 currently allows ROA customers to return to utility service with one month notice. Current law also allows, but does not require, Consumers to shut off AES customers who are terminated by the AES for failure to pay bills. *2000 PA 141, § 10t(4).*

In this case, Consumers has recommended new rules which literally prevent shut off of AES customers who are current paying Consumers bills for distribution service but are delinquent in paying the AES bill. *See Consumers proposed rule F3.5C(2), Exhibit S-15, Sheet 16.00 or Exhibit A-1, Sheet 10.00 proposed new rules F8B.* Consumers also proposed a change to provide that the Company is the only entity allowed to physically shut off service to a customer. *Exhibit S-15, Sheet 16.00, Sec F3.5C(1) or Exhibit A-1, Sheet 10.00, Sec. F8A.*

Consumers also proposes to change the return to service rule so that nine months notice are required instead of the current one month notice. If less than nine months notice are given the

customer is subjected to charges which can easily exceed market rates. *Exhibit A-1, Sheet 10.10, Sec. F10 or S-15, Sheets 8.00 and 9.00, Sec. F2.5C.*

Finally, regarding Issue #17 Termination of Service, Consumers opposes allowing customers or retailers the right to terminate ROA service on only one months notice. *Consumers Exception, re Issue #17, p. 12.*

Taken together, the Consumers position would allow an AES customer to refuse to pay the AES bill without shut off (since Consumers will not shut off service for failure to pay AES bills). The option for an AES to simply terminate service for failure to pay bills is eliminated even with 30 day notice. This is a proposal which, as Staff has observed, simply cannot work. *Staff Exceptions, p. 1.*

B. Energy Michigan Reply

Energy Michigan has offered a sensible, coordinated approach to service shut off, return to service and termination of service which is summarized below and may be found in its positions relating to those issues in the Energy Michigan direct testimony, Brief, Reply Brief. and Exceptions.

1. PFD Issue #11 Shut Off

While PA 141, § 10t(4) provides that a utility is not required to shut off service for non-payment of AES bills, the utility, as observed by Staff ,could agree voluntarily to perform this service. *Staff Brief, p. 14.* Staff's language providing for utility shut off of customers for failure to pay AES bills should be adopted. In the alternative, if Consumers will not voluntarily agree to shutoff delinquent AES customers the ROA tariff should clearly provide that ROA customers who do not pay AES bills may be returned immediately to Consumers by the AES since Consumers will not allow the AES to take action to collect its bills or prevent further abuse. *Energy Michigan Exceptions, p. 8.*

2. PFD Issue #17, Termination of Service

The Commission should adopt the recommendation of the ALJ which in turn adopted a Staff proposal to allow termination of ROA service on 30 days written notice by retailer or customer except where the customer has failed to pay AES bills and the Company will not enforce shut off. In the case of AES customer failure to pay bills, immediate return to Consumers should be allowed. Consumers should not be allowed to terminate service to an AES unless there is good cause shown. *Energy Michigan Exceptions, p. 10-11.*

3. Return to Service, PFD Issue #12

Energy Michigan can support the Staff proposal for a 30 day return to service notice and customer obligation to remain on retail service for 12 months where AES entities have a realistic opportunity to serve the market. However, unless or until transmission capacity available to AES entities is increased by 2,000 MW into Michigan, the Energy Michigan position should be adopted which provides for return to utility service on 15 days notice and the ability to leave utility service after 90 days. *See Energy Michigan Exceptions, p. 8-9.*

This comprehensive view of shut off, return to service and service termination issues is consistent, logical and fair to all parties concerned.

Reply to Consumers Exceptions Regarding Return to Service

Consumers bases its opposition to the ALJ recommendation adopting the Staff approach to return to service on six arguments.

Following are the Energy Michigan responses to Consumers six arguments:

1. Consumers Argument: Nine months of notice are needed to plan for new load.

Consumers Exceptions, p. 4-5.

Reply

If AES customers return to Consumers during summer peak periods, the generation or transmission capacity contracted by that AES to serve the returning customers would become available on the market to Consumers Energy or another supplier. Consumers would thus always be able to obtain the needed capacity to serve load on very short notice. Additional capacity to serve new loads during non-summer months is readily available.

Since Consumers currently serves literally all customer load but is short of capacity by about 1,000 MW, it has historically purchased large amounts of expensive power during the summer peak months¹. The current frozen base rates and PSCR factors of Consumers reflect the costs of purchasing 1,000 MW of power during the summer. When a customer leaves utility service for AES service, Consumers' average costs drop because expensive power purchases are reduced. If those AES customers return to utility service, Consumers will purchase needed power on competitive markets and its costs may rise back to the historic levels contained in the current rate structure.

2. Consumers Argument: The return to service policy needs to be harsh to encourage customers to stay with or select reliable AES entities. *Consumers Exceptions, p. 5.*

Reply

Consumers inconsistently wants to be harsh to its returning customers but denies an AES the ability to terminate service for failure to pay bills or have Consumers perform that

¹ Consumers 2001 Capacity Plan U-12702, Ex. 3. Note capacity shortage of 928 MW was predicated on 300 MW of load moving to ROA service. In reality, only 76 MW had migrated as of February 2001. *MPSC 2001 Report on status of competition.*

function. The AES is thus left with no remedy for unpaid bills other than to return the customer to Consumers.

Consumers conveniently advocates a return to service pricing mechanism which gives it the higher of tariff rates or its version of incremental costs. *Consumers Exceptions, p. 6.* In reality, this pricing approach is virtually guaranteed to enrich Consumers. During the September through May period, Consumers could charge retail rates which arguably over recover system cost because average retail rates include costs to serve during expensive summer periods. During the summer months, Consumers would charge its version of incremental costs which arguably recover above market costs also enriching Consumers, as explained below.

The Consumers method of calculating incremental costs is inaccurate and calculated to recover rate well in excess of costs. Consumers calculates all incremental costs as the cost of the most expensive single Mwh of power purchased to serve all load. Thus, if the average cost of 200 Mwh of purchases is \$70/Mwh but the highest single Mwh is \$100, Consumers bills all 200 MW at \$100/Mwh. The over recovery is \$30/Mwh. Consumers incremental cost pricing for return to service enriches the Company at the expense of the customer instead of encouraging the customer to select a reliable AES.

3. Consumers Argument: Customers can game the system by returning and leaving frequently. *Consumers Exceptions, p. 6.*

The Staff return to service concept requires customers to stay on retail service for a full 12 months. Consumers is hardly in a position to complain that a 12 month minimum term for return to service customers allows frequent gaming of the system. The ABATE variation of the Staff plan provides minimum terms of 12 months at tariff rates (Option 1) or three months at market rates (Option 2). Under Option 2 Consumers is not disadvantaged because customers who come back during high cost summer periods pay the full market rate

for power required to serve them. Under Option 1, Consumers is not disadvantaged because its current tariff rates fully recover the cost of native generation, long term power purchases and over 1,000 MW of high cost summer purchases. When customers leave the Consumers system, high cost purchases are reduced and Consumers over recovers. When customers return, if more summer power must be purchased the existing Consumers rates cover the cost of at least 1,000 MW of such capacity. Consumers will not be hurt unless returning customers exceed 1,000 MW. *See Consumers Energy Capacity Plans, 2000-2001*. Thus, both the Staff and ABATE return to service plans prevent “gaming”.

4. Consumers Argument: There is no evidence to support the return to service approach adopted in PFD. *Consumers Exceptions, p. 7*.

Reply

ABATE witness Phillips supported two options for return to service. These options are taken from a current Detroit Edison proposal. Option 1 supported by Mr. Phillips provides that customers may return but must take tariff service for a minimum of 12 months. *Phillips Tr 134-135*. Mr. Phillips also supported his proposal by noting that Consumers currently accepts new retail customers without complaining that this is an economic burden. *Id.* Presumably the existing Consumers rates are fully compensatory for such new customers. Customers returning from ROA service present the same economic condition as a new customer and should be treated in the same way. System gaming is prevented by a minimum term of 12 months in Option 1. Under Option 2, the shorter term of service which could theoretically allow gaming is accompanied by a requirement to pay market rates which would fully compensate Consumers.

The 30 day notice requirement is supported by current provisions in the Consumers ROA tariff which provide for 30 day notice. *See Consumers existing ROA Tariff, Sec. F10*. The testimony of Mr. Phillips and the position of the Staff appear to incorporate and support

the existing tariff provisions. The 30 day return provision which currently exists would be retained and thus need not be supported by additional testimony. Consumers has the burden of proof to change this provision and it has not carried the burden. In the alternative, the com could adopt Mr. Polich's 15 day notice proposal which is supported by testimony. *2 Tr 107-08*. The 12 month minimum term requirement which expires December 31, 2001 is supported for extension by the testimony of witness Phillips and the expert opinion of Staff witness Bailey. Thus there is substantial evidence on the record to adopt both the 12 month return provision and the 30 day notice requirement already contained in the Consumers tariff.

5. Consumers Argument: The 30 day return allocates risk away from the Alternate Electric Supplier and is unfair to Consumers during a rate freeze. *Consumers Exceptions, p. 10-11*.

Reply

It is Consumers who has aggravated the risk of AES customers returning to utility service. Consumers has opposed the right of an AES to obtain customer termination where the customer will not pay bills. *See Issue #11*. This gives the AES literally no remedy for bill collection other than to turn the customer over to Consumers. The primary reason that many customers will be returned to utility service is Consumers' own failure to provide reasonable collection measures to the AES.

Also, Energy Michigan witness Polich testified that another reason that customers cannot be served by AES entities and are returned to Consumers has been the unavailability of transmission capacity into Michigan. Lack of transmission capacity forced AES entities to terminate service and return customers in the fall of 2000. *2 Tr 107*. However, the Polich testimony proposed a more liberal return to service proposal (15 days notice and a minimum term of 3 months) only until and not beyond the time when transmission capacity into Michigan is expanded by 2,000 MW so that adequate power can be imported into the state

by AES entities. *Polich, 2 Tr 107-08*. If Consumers achieves expansion of import capacity into Michigan by 2,000 MW that is available to AES entities, it would not have to fear the liberalized return to service provision proposed by Mr. Polich in the interim. No transfer of risk would occur. It is only if the 2,000 MW commitment to expand transmission capacity is not met that Consumers would bear a long term burden from Mr. Polich's new return to service proposals. Unless Consumers believes that the transmission capacity into Michigan will not be increased by 2,000 MW, it should support or at the very least not object to Mr. Polich's proposals.

Finally, as noted above, Consumers has very little price risk from returning customers unless more than 1,000 MW of load returns. Consumers' current frozen rate structure includes the cost of about 1,000 MW of expensive summer purchased power. *See Consumers 2001 Capacity Plan*. When customers move from Consumers service to ROA service, Consumers reduces summer purchases and pockets the savings under frozen rates. When customers return, Consumers' windfall simply decreases. The Consumers proposal to charge returning customers a rate equal to the price of its highest cost single Mwh of purchases is designed to increase its over recovery of costs because the “highest Mwh” concept over recovers compared to using the average cost of purchases.

In conclusion, the Consumers return to service proposal transfers huge amounts of price risk away from Consumers and onto ROA customers.

6. Consumers has proposed a new return to service proposal. *Consumers Exceptions, p. 11*.

Reply

Consumers claims that a new return to service concept first proposed in its Reply Brief should be adopted. *Consumers Exceptions, p. 11*. Under this new proposal, customers

returning in non-summer months would provide only one month notice but customers returning during summer months would have to provide three to six months of notice.

In its Exceptions to Issue #18, Consumers castigated Energy Michigan for proposing tariff revisions in the context of a Reply Brief rather than through direct testimony and evidence. *Consumers Exceptions, p. 12*. In Issue #12, however, Consumers freely describes the advantages of its brand new return to service proposal which was first presented in the context of its Reply Brief. *Id.* Evidently, Consumers is not required to be consistent in these Exceptions!

On a more substantive note, it is probably no accident that the new Consumers proposal still enriches the utility particularly during the September through April time frame. In these off peak months, the utility average rate structure overcompensates Consumers because standard tariff rates include the cost of higher priced summer power purchases which are not used from September through May. Consumers' average system costs during September through April are less than its 12 month average costs.

Customers returning to Consumers service during the May through August summer months would end up paying full incremental prices defined by Consumers to be the highest cost Mwh purchased rather than the average cost of all Mwh purchased unless six months notice were given. These customers would pay a very high rate during the three to six month notice period and then drop to an average tariff rate during the remaining months. However, Consumers' average tariff rate would over recover since the customer had already paid incremental cost for the high cost summer months.

Consumers' new proposal should be rejected as a mechanism designed to produce revenues significantly greater than regulated service rates or actual costs.

Conclusion

Energy Michigan prefers its own proposal to allow a 15 day notice on return to service and a minimum term of not less than three months unless and until 2,000 MW of increased transmission capacity is made available to AES entities. Also, AES entities must be given the right to either terminate customers for failure to pay AES bills or be allowed to return customers immediately to Consumers if the utility will not allow shut off for non-payment of AES bills.

A second best alternative is the Staff proposal that customers would be able to return to utility tariff service for a term of not less than 12 months on 30 days notice. A 12 month minimum term policy has been supported by ABATE witness Phillips. The 30 day notice may be utilized because that is the current notice period in effect and the Commission could find that Consumers has provided no compelling reason to change that standard.

PFD Issue #17 Termination of Service

See page 5 above.

PFD Issue #18 Meter Errors, Billing Errors and Telephone Failures

(S-15, Sheet 3.20, Sec. F1.9, Sec. F2.6 and 3.5B(3))

A. Consumers Exception

Consumers excepts to two separate decisions of the ALJ:

1. The ALJ adopted the Energy Michigan proposal modifying Sec. 1.9 so that Consumers Energy would be liable for imbalance penalties or additional power costs caused by inaccurate meter reads. Consumers complains that this Energy Michigan proposal was not supported by testimony and was not mentioned until the Energy Michigan Reply Brief.

Consumers Exceptions, p. 12. Consumers claims that the additional power costs caused by inaccurate meters could not be calculated.

2. Consumers complains that the Law Judge should not have adopted Energy Michigan proposals revising rules F2.6 and F3.5B(3) to provide that, where Consumers bills for an AES entity services, partial payments made because of a billing dispute should be revised to reflect the fact that a portion of the payment was being withheld. For example, if a customer has a legitimate billing dispute with Consumers but no dispute with its AES entity the customer may decides to withhold 50% of its Consumers payment where Consumers is billing for the AES but remit 100% of the AES payment. In such a case, Consumers should remit 100% of AES billings to the AES and subtract the shortfall from amounts owed to Consumers.

B. Energy Michigan Reply

Consumers' criticism of Energy Michigan for presenting a proposal through a Reply Brief is extremely inconsistent. In its Exceptions, Consumers urges adoption of a proposal which it made for the first time in its Reply Brief regarding return to service notice, etc. *Consumers Exceptions, p. 11.*

1. Consumers also claims that additional power costs caused by meter errors could not be calculated. However, these situations occur where too much power is delivered (too little power would be addressed by pipeline penalties) and the utility buys that excess power from the AES at a lower cost than paid by the AES entity. In such cases, the measure of additional power costs would be the difference between the amount paid by the AES and the amount received by the AES from the utility at the end of the month. This simple concept could be used to calculate the additional costs caused by meter errors.

2. Finally, the Energy Michigan modifications to Sec. F2.6 and F3.5B(3) adopted by the

ALJ are relatively simple. Where a customer has no billing disputes, monies received by Consumers under the Complete Billing option first go to pay distribution costs and then to AES costs. However, where the customer disputes a portion of the Consumers bill, the total monies received from the customer should be used first to pay the undisputed portion of the Consumers bill and the balance should be used to pay AES costs. This is an extremely simple calculation. The feasibility of this proposal is proven by the fact that Consumers is perfectly comfortable with its own proposal to allocate all revenue first to distribution costs, next to AES bills, next to other Company charges, etc. If Consumers can deal with this level of complexity it should be able to change the order of priority as proposed by the ALJ.

For the reasons stated above, there is no practical or legal barrier to adoption of the Energy Michigan proposals regarding meter errors, billing errors and telephone errors.

PFD Issue #23: Curtailment (S-15, Sheet 12.00, Sec. 2.11)

A. Consumers Position

Consumers opposes the recommendation of the ALJ to adopt the Energy Michigan service curtailment procedures. The ALJ adopted the Energy Michigan two step process whereby:

1. Where a retailer is out of balance but Consumers possesses sufficient supplies of capacity, the retailer should be billed for power at current OATT Schedule 4 penalty rates.

Consumers objects on the grounds that the new system could be “gamed” by consistently delivering less than the scheduled amount of power. Consumers proposes that in those situations where it “believes” there is gaming, it should be permitted to bill the retailer or its customers the higher of standby service charges or the OATT Schedule 4 imbalance charges. *Consumers Exceptions, p. 14-15.*

2. Where a retailer is out of balance and energy supplies are not sufficient to serve all customers, Consumers should utilize mechanisms for imbalances that currently exist and are technically enforceable (i.e. customers possess requisite shut off equipment, etc.). Out of balance parties must correct the situation within two hours or less or face economic penalties and potential revocation of their retailer's license.

Consumers objects complaining that where there is insufficient power it should not have to interrupt non-AES customers if the AES supplier has caused the power shortage. *Id.* Where the AES supplier has not delivered sufficient power, Consumers proposed remedy is to charge the higher of standby rates (market plus 10%) or OATT penalty rates.

B. Energy Michigan Reply

1. Where a retailer is out of balance but there is enough power on the system to serve all customers, Consumers' proposal that it simply be allowed to curtail with no standards grants far too much latitude for Consumers to shut off service to its competitors. The Energy Michigan curtailment proposal is linked to existing OATT procedures and penalty provisions and thus uses an objective set of standards to deal with this issue. Consumers' proposal to charge the higher of standby service charges (market plus 10%) or the OATT Schedule 4 penalty charges is merely a device to provide Consumers with rates above the levels provided in federal transmission tariffs. There is no reason for this enrichment. The OATT penalty rates have been found by FERC to be sufficient incentive for retailers to avoid imbalances. Also, it is unreasonable to allow Consumers the latitude to invoke these higher penalties when it “believes” that there may be gaming but has no definite standards to reach such a conclusion.

2. Where a retailer is out of balance and there is insufficient power on the system to serve all customers, Consumers opposes the Energy Michigan proposal which invokes emergency curtailment procedures regardless of the party causing the shortage. Emergency

procedures are invoked only after the party in shortage is allowed two hours to correct the shortage and is assessed penalties. If the shortage is not corrected, the AES could lose its license.

It is true that under the Energy Michigan proposal if the shortage is caused by an AES whose customer does not have telemetry allowing curtailment, non-AES customers might have to be curtailed to correct the shortage. However, the opposite is true. If the shortage is caused by a Consumers power supply failure and the AES suppliers are delivering full power, the AES customers receiving full power could still be curtailed to correct the shortage caused by Consumers' inadequate retail power supply.

Under the Consumers proposal, shortages caused by an AES would result in AES cutoff but shortages caused by utility suppliers could also result in an AES curtailment. In other words, Consumers wants a shut off standard that works only one way: against the AES.

Finally, if the two hour notice to suppliers to correct shortage is unreasonable under the circumstances, Consumers could invoke Emergency Electrical Procedures. However, those procedures should be invoked for all customers not just AES customers.

III. REPLY TO MPSC STAFF EXCEPTIONS

PFD Issue #13: Dispute Resolution Procedures (S-15, Sheet 16.00, Sec. 3.6

A. Staff Position

Staff proposed a new dispute resolution rule using the American Arbitration Association to resolve disputes. Staff claims that procedures using the American Arbitration Association provide an efficient and effective means to resolve disputes without burdening the Commission's limited resources. *Staff Exceptions, p. 2.*

B. Energy Michigan Reply

The ALJ found that the record in this case does not adequately support the need for adoption of a dispute resolution procedure. He found that it has not been demonstrated that the Staff's new dispute resolution proposals presented are necessary to comply with Act 141 as required by the Commission. *PF*D, p. 20.

Energy Michigan opposed the Staff's alternate dispute resolution process on the grounds that use of the American Arbitration Association instead of the MPSC Staff or personnel would be more expensive, create delays and have a potential to introduce bias into the decision making process. For these reasons, the new dispute resolution procedure should not be adopted. *Energy Michigan Reply Brief*, p. 31.

PFD Issue #19 - Metering (S-15, Sheet 4.00, Sec. 2.2)

A. Staff Exceptions

Staff excepted to the ALJ's rejection of its proposed \$12 charge for manual reading of a meter. *Staff Exceptions*, p. 2. Staff claims that a manual read charge should be specified prior to the period during which the charge will be billed and that Consumers should file an application to establish this charge prior to its billing. *Staff Exceptions*, p. 2.

B. Energy Michigan Reply

Energy Michigan has concerns regarding the Staff meter read issue. Energy Michigan has recommended that telemetry requirements be waived for meter installations below 1,000 kW. *See Issue #31 and Energy Michigan Brief*, p. 9. In the case of the telemetry waiver, customers receiving ROA service would continue to have their meters read manually as was the case prior to receiving ROA service. Under these circumstances, there should be no additional manual meter read fees

since the manual read service being provided by Consumers would be roughly the same under ROA as it had been under retail sales where manual reads are provided because telemetry is not required. In these circumstances a \$12 fee per read or any other fee would be inappropriate and potentially cost prohibitive for smaller customers.

As a potential compromise of telemetry and related enrollment processing deadline issues, Energy Michigan offers the following proposal to speed processing:

1. Telemetry requirements for ROA customers would be waived for up to six months to speed processing and allow use of a 15 day processing deadline.
2. During the six month telemetry waiver period, manual reads would be provided at no additional cost.
3. By the end of the six month waiver, the ROA customer would be required to install telemetry as proposed by Consumers.

IV. CONCLUSION AND PRAYER FOR RELIEF

WHEREFORE, Energy Michigan respectfully requests that the Commission adopt a decision in this matter consistent with its Exceptions and Replies to Exceptions as more fully described above.

Respectfully submitted,

VARNUM, RIDDERING, SCHMIDT & HOWLETTLLP
Attorneys for Energy Michigan

August 24, 2001

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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)
to choose an alternate electric supplier)
_____)

Case No. U-12488

PROOF OF SERVICE

Eric J. Schneidewind, duly sworn, deposes and says that on this 24th day of August, 2001 he served a copy of Energy Michigan, Inc's Reply to Exceptions by e-mail and regular mail upon those individuals listed on the attached service list at their last known addresses.

Eric J. Schneidewind

Eric J. Schneidewind, Deponent

Subscribed and sworn to before me
this 24th day of August, 2001.

Monica Robinson

Monica Robinson, Notary Public
Clinton County, Michigan
Acting in Ingham County, Michigan
My Commission Expires: September 21, 2001

Service List

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