

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)	
CONSUMERS ENERGY COMPANY for)	
approval of a gas cost recovery plan and)	Case No. U-15454
authorization of gas cost recovery factors for the)	
12-month period April 2008 through March 2009.)	
_____)	

At the February 3, 2009 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. Orjiakor N. Isiogu, Chairman
Hon. Monica Martinez, Commissioner
Hon. Steven A. Transeth, Commissioner

ORDER

History of Proceedings

On December 27, 2007, Consumers Energy Company (Consumers) filed an application, with supporting testimony and exhibits, requesting approval of its gas cost recovery (GCR) plan and factors for the 12-month period ending March 31, 2009. Consumers' application was filed pursuant to Section 6h of 1982 PA 304 (Act 304), MCL 460.6h. In its application, Consumers requested authority to implement a base GCR factor of \$8.1651 per thousand cubic feet (Mcf) with authority to adjust that factor, on a quarterly basis, in accordance with changes in the New York Mercantile Exchange (NYMEX) prices for natural gas.

Administrative Law Judge Mark E. Cummins (ALJ) held a prehearing conference on February 7, 2008. The ALJ granted petitions to intervene filed by Attorney General Michael A. Cox (Attorney General), the Residential Ratepayer Consortium (RRC), and the Michigan

Community Action Agency Association (MCAAA). The Commission Staff (Staff) also participated in the proceedings.

An evidentiary hearing was held on July 15, 2008. All of the parties filed briefs on August 5, 2008 and, except for the MCAAA, the parties filed reply briefs on August 21, 2008. On October 29, 2008, the ALJ issued his Proposal for Decision (PFD) and on November 19, 2008, Consumers and the Attorney General filed exceptions to the PFD. On December 5, 2008, Consumers, the Staff, the Attorney General, and the RRC filed replies to exceptions.¹ The record consists of 222 pages of transcript and 42 exhibits received into evidence.

Positions of the Parties

Linda J. Clark, a Senior Business Support Consultant for Consumers, testified regarding Consumers' gas forecasting techniques and monthly forecasted volumes for different customer classes for the GCR plan year. 2 Tr 24-29; Exhibit A-1. Ms. Clark noted that in accordance with a settlement agreement in Case No. U-15041, Consumers agreed to review various parameters including those used to estimate gas sales, distribution of gas sales, and weather normalization. Ms. Clark testified that Consumers' forecasting models and methods have performed well in the past. According to Ms. Clark, "the annual absolute variance between the gas sales forecast and the weather normalized sales has been less than three percent for the years 2002 through 2005." 2 Tr 30. In 2006, the forecast was overstated by 4.1% because the forecast was prepared before the effects on consumption caused by hurricanes Rita and Katrina were known. As of the date

¹The RRC filed a motion to strike the Staff's replies to exceptions on grounds that it violated Rule 341(2) of the Commission's Rules of Practice and Procedure, 1999 AC, R 460.17341(2). The RRC argues that rather than replying to Consumers' exceptions, as the Staff's filing purports to do, the Staff's replies are in fact exceptions to the PFD. The Commission agrees, and the Staff's replies to exceptions shall be stricken.

Ms. Clark filed her testimony in 2007, the variance between Consumers' forecast sales and weather normalized sales was only 0.3%. 2 Tr 31.

Similarly, Ms. Clark testified that the monthly distribution of forecasted gas sales compared to actual weather normalized sales varied by more than one percent in only two of the 60 months between 2002 and 2006. Ms. Clark observed that weather normalized sales are not used in forecasting; instead Consumers uses actual heating degree days and actual sales as inputs to its regression models. According to Ms. Clark, for the most recent 11-year period, Consumers' factors used for forecasting and weather normalization have yielded consistent and accurate results. 2 Tr 31-32; Exhibit A-14.

Laura M. Collins, a Senior Rate Analyst for Consumers, testified regarding Consumers' proposed GCR factor for the GCR period. Ms. Collins testified that Consumers' proposed factor consisted of a base factor of not less than \$8.1651 per Mcf and an additional factor contingent on future events. Exhibit A-16. The contingent factor is calculated using the GCR ceiling price adjustment mechanism shown in Exhibit A-17. 2 Tr 36. Ms. Collins testified that Consumers ended its 2006-2007 GCR year with a slight overrecovery. 2 Tr 40.

David W. Howard, Consumers' Director of Gas Supply, testified that Consumers' GCR plan includes the gas purchasing strategy guidelines agreed to in the settlement agreement approved by the July 26, 2007 order in Case No. U-15041. According to Mr. Howard, the gas purchasing plan includes the fixing of prices on certain supply requirements by specific dates and quartile purchasing triggers. The plan also takes advantage of Consumers' storage facilities that permit summer gas purchases and allows for adjustments before and during the plan period due to changes in inventory levels and requirements, changes in weather, and pipeline integrity compliance. 2 Tr 55. Mr. Howard noted that the proposed plan was consistent with the

requirements of the settlement in Case No. U-15041, except for the elimination of gas purchase hedging guidelines. According to Mr. Howard, after review of the hedging guidelines, the company determined that the agreement to increase fixed-price coverage ratios has obviated the need for hedging.

Mr. Howard testified that the company is proposing to extend the gas purchasing guidelines and methods beyond the 2008-2009 plan year because Consumers' purchasing strategy has enabled the company to balance supply and price in a way that makes Consumers' prices some of the lowest in the country. Mr. Howard noted that by extending the guidelines, Consumers will be better able to stabilize prices from year to year. 2 Tr 56-57; Exhibit A-19.

Mr. Howard testified that Consumers' plan provides for a diversity of supply from Canada, Chicago, north Texas and Oklahoma, the Rocky Mountains, and the Gulf Coast. In the event there is a disruption at any of these sources, Consumers will have access to additional gas supplies.

Mr. Howard testified regarding Consumers' design and peak day requirements. According to Mr. Howard, Consumers uses a probability of 4% colder than normal (CTN) temperatures to calculate gas requirements, which protects the system for up to 12% more heating degree days than normal weather. Mr. Howard also explained the company's storage capacity and planned utilization of that capacity to meet normal and peak day requirements. 2 Tr 66-68; Exhibit A-27.

Mr. Howard testified that Consumers is proposing to continue the use of a quarterly price adjustment mechanism based on NYMEX prices. Mr. Howard testified that the mechanism is the same one approved in the settlement in Consumers' last GCR plan case, Case No. U-15041. 2 Tr 70; Exhibit A-17.

Mr. Ralph E. Miller, a consulting economist in the field of utility regulation, testified on behalf of the Attorney General. Mr. Miller testified that he understood Consumers' plan was to

have 90% of the company's planned normal weather winter purchases under contract by November 1, 2008, and that Consumers will only purchase additional volumes if needed to serve actual requirements that appear as the winter progresses. 2 Tr 170-171. Mr. Miller testified that it would be more appropriate if Consumers had no more than 75%–80% of its planned normal weather winter purchases under contract by November 1, 2008, to have greater flexibility to manage its purchases if the weather is warmer than normal (WTN). 2 Tr 171. Mr. Miller testified that Consumers should be required to present a WTN weather plan in its next GCR plan proceeding or that the Commission should issue a warning under Section 6h(6) of Act 304. Alternatively, the Attorney General proposed substitute language in Consumers' purchasing guidelines that the Attorney General argued would increase the company's flexibility by suspending the company's quartile purchases for November through March once the company reaches 80% of its normal weather purchase volume. Attorney General's initial brief, p. 4.

The RRC sponsored the testimony of Frank Hollewa, an independent energy consultant with Energy Planning and Engineering Consultants. Mr. Hollewa testified regarding Consumers' supply plan and storage utilization and the company's gas purchasing strategy guidelines. According to Mr. Hollewa, Consumers' plan for operating its storage in CTN weather is incomplete because the plan fails to address CTN weather that may occur in February and March. 2 Tr 188-189. Mr. Hollewa recommended that Consumers supplement its plan by providing additional information about the actual amount of gas storage available in the event of CTN weather in the later part of the heating season. Mr. Hollewa also recommended that Consumers' gas purchasing guidelines be revised to require Consumers to make quartile fixed price gas purchases as soon as possible after a price trigger is met and that fixed-price purchases be capped at 80% rather than 90%. 2 Tr 191-192.

In rebuttal, Lori M. Harvey, a Principal Engineer in Consumers' Financial and Strategic Planning Section, testified that Mr. Hollewa's claims were the result of a misunderstanding of the operational characteristics of Consumers' storage systems and of the company's planning process for storage use in CTN weather. 2 Tr 129-130. Ms. Harvey presented a model showing end-of-the-month storage inventories under different scenarios, noting that the model was used for planning purposes only and that actual storage use may deviate from the model depending on actual conditions. 2 Tr 125-127; Exhibit A-29.

Mr. Howard responded to the recommendation that fixed quartile purchases be completed as quickly as possible, rather than purchasing in a uniform manner throughout the month, noting that Mr. Hollewa's approach would preclude the company from taking advantage of downward price trends and could force the company to purchase higher priced gas if the price of gas rose before all of the gas could be purchased. 2 Tr 81.

In its initial brief, the RRC recommended that the Commission require Consumers to submit in its future GCR plan cases send-out results like those shown in Exhibit A-29 and that Consumers should include in its reconciliation proceeding an exhibit showing mid-month updates to the model that result in greater-than-anticipated gas volumes. Next, the RRC recommended that the Commission advise Consumers that its model inputs would be subject to review for reasonableness and prudence. The RRC also recommended that in future GCR plan filings, Consumers should be required to submit information on the variable cost per Mcf "for the use of compression relating to Base Load Field withdrawals to permit an examination of whether the Sendout Model optimizes on a least variable cost basis and minimizes the cost of gas to the GCR customers." RRC's initial brief, p. 12. Finally, the RRC recommended that the Commission require Consumers to present a study in its next GCR plan case to show whether there has been an actual decline in the number of

heating degree days (HDDs) in the past 30 years and explain why such a reduction is not applicable to CTN weather. The RRC also recommended that Consumers include a study comparing the effects of using the historical 30-year average instead of the most recent 30-year average versus the actual HDDs in its probability study and that the Commission should direct Consumers to evaluate whether the 90% cap on fixed-price purchases achieves superior results compared to a lower percentage and report the results of that evaluation as part of its next GCR plan filing.

In its initial brief, the Staff noted that Consumers has been using the same forecast model for 10 years and that Consumers' model has provided good results for the company and its customers. On that basis, the Staff indicated that the use of the model for planning purposes was reasonable and prudent. The Staff recommended that the Commission approve Consumers' 2008-2009 plan case as filed. However, the Staff noted that the contingent adjustment matrix was inconsistent with the filed plan. In its reply brief, Consumers notes that while the Staff apparently had some issue with the matrix, it chose not to file any testimony. Consumers asserts that, "The mechanism structure, the 'NYMEX Increase' amounts, and the fractional multipliers for each quarter are the same as those approved in Case No. U-15041, Consumers Energy's 2007-2008 GCR Plan case . . . The NYMEX dollar amounts have, of course, been updated." Consumers' reply brief, p. 46.

Proposal for Decision

The ALJ observed that the contested issues in this case were not of the type typically encountered in a GCR proceeding. The ALJ noted that there was no evidence submitted or argument made challenging Consumers' sales and transportation forecast or costs for the GCR plan year, nor was there any significant dispute regarding the computation of the base GCR factor or the use of a NYMEX-based adjustment mechanism. Therefore, the ALJ recommended that the Commission approve as reasonable and prudent these aspects of Consumers' filing. The ALJ also

recommended that the Commission accept the company's 5-year forecast, without issuing any Section 6h(7) warnings because there was no direct challenge to the forecast as presented.

The ALJ identified four contested issues in the case: 1) whether it is appropriate for Consumers to have 90% of its gas purchases locked in by November 1, 2008; 2) how rapidly quartile gas purchases should be made once a price trigger occurs; 3) whether Consumers' proposed use of its storage facilities is adequate in the event of CTN weather; and 4) whether it is appropriate for Consumers to continue to rely on a 4% probability of CTN weather.

The ALJ largely agreed with Consumers and the Staff and found that at least for the 2008-2009 plan year, placing 90% of the company's gas requirements under contract is reasonable and prudent. The ALJ agreed with Mr. Howard that this strategy has worked well in the past and provides reasonable balance and flexibility in the case of WTN or CTN weather. The ALJ recommended that the Commission reject the Attorney General's proposal to modify Consumers' gas purchasing strategy. The ALJ also agreed with Consumers that the Attorney General failed to provide adequate support for requiring the company to include a WTN plan in its subsequent GCR plan cases. Nevertheless, the ALJ did agree with the RRC that the 90% cap is an arbitrary number and noted that Consumers had admitted that the company had never examined the relative value of the 90% cap, compared to a lower cap, to its GCR customers. The ALJ further observed that such an examination could be done using historical data. The ALJ recommended that Consumers should perform an evaluation comparing the November 1 90% fixed contract cap to some lower cap for one or more GCR plan years and to include that evaluation in the company's next GCR plan filing.

The ALJ found Consumers' arguments persuasive on the issue of the timing of quartile gas purchases. The ALJ noted that it might not be possible for Consumers to purchase the entire

quartile volume in a given day because that quantity might not be available. Even if it were possible, the result of purchasing such a large volume of gas at one time could cause a significant increase in the price of gas. The ALJ also found that the RRC and the Attorney General had failed to provide evidence to support their respective positions on how Consumers' purchasing strategy could be improved.

The ALJ agreed in large part with the arguments presented by Consumers and the Staff regarding the management of the company's storage facilities. The ALJ rejected the arguments of the RRC, finding that Mr. Hollewa's analysis failed to take into account the integrated nature and operational limitations of Consumers' gas storage system. The ALJ also agreed with the Staff that Act 304 requires a determination of the reasonableness and prudence of Consumers' planned use of its storage in the company's plan case. He was persuaded that any deviations from the plan resulting from changes in gas prices or weather should be evaluated in the reconciliation proceeding. The ALJ agreed with the RRC and the Attorney General that Consumers should provide send-out model reports like those shown in Exhibit A-29 in subsequent reconciliation and GCR plan proceedings. According to the ALJ, these reports provide important information "regarding the storage utilization results arising from Consumers' proprietary send-out model, without which the utility's future GCR plans (as well as any unforeseen variations from its approved plans) cannot be fully assessed as to their reasonableness and prudence." PFD, p. 31.

The ALJ agreed with the RRC's recommendation that in its next GCR plan case, Consumers should include two weather related studies. The first study should evaluate whether there has in fact been a decline in the number of HDDs and should explain why this decline does not also affect CTN weather, and the second study should evaluate the effect of using 10% CTN for planning purposes and deferring additional purchases until actual and forecasted weather requires

additional purchases. According to the ALJ, the record reflects that Consumers' service territory has experienced a noticeable warming trend over the past 18 years and that this "coupled with the fact that at least some of the computer models necessary to conduct these studies appear to be proprietary in nature, supports making Consumers responsible for producing such studies." PFD, p. 36.

Exceptions and Replies

Consumers takes exception to the ALJ's four recommendations regarding the various studies to be submitted in future GCR plan proceedings. Specifically, Consumers argues that the ALJ erred in recommending that the company be required to evaluate the effect of using 90%, rather than 75% or 80%, as the cap on fixed-price purchases made prior to November 1 using data from one or more of its previous GCR plan years. Consumers argues that there is no record evidence that the 90% purchasing cap is unreasonable and that the record shows that an 80% cap would be detrimental to the interests of GCR customers. Consumers further argues that it should not be required to perform a study on behalf of an intervenor. Consumers reiterated that the 90% cap referred to 90% of the total annual gas supply and not simply winter supply as Mr. Miller presumed.

Next, Consumers argues that the ALJ erred in recommending that the company should submit, as a regular part of all future GCR plan and reconciliation case filings, storage utilization model results similar to those shown in Exhibit A-29. Consumers asserts that Exhibit A-29 was submitted as rebuttal evidence in this case and argues that unless the same issue arises in a future GCR plan proceeding, it is inappropriate to require such a filing in the future.

Consumers argues that the ALJ erred in adopting the RRC's recommendation that the company should include weather related studies in its next GCR plan case. According to

Consumers:

[T]he RRC has not established that the Company's methodology is unreasonable and needs adjusting. Second, Consumers Energy, in any event, presented evidence of studies and analyses in the present case that refutes the RRC's speculation. Third, to the extent the RRC and its witness wish to explore alternative approaches, the burden should be on them to do their own analyses. Fourth, there is no requirement in Act 304 that requires these additional studies. The Company should not be required to do the RRC's work for it."

Consumers' exceptions, p. 13.

Consumers argues that the evidence shows that its method for planning for CTN weather, using a 4% probability, is reasonable and has consistently worked well. Consumers adds that it has considered the effects of changing weather and weather trends in its planning and that the company undertakes monthly reviews during the heating season and makes any adjustments that are warranted. According to Consumers, the evidence supports a conclusion that a lessening of heating degree days overall does not necessarily mean that the probability of CTN weather has decreased.

Consumers takes exception to the ALJ's recommendation that the company should analyze the effect of using 10% CTN weather for planning purposes and deferring additional purchases until actual weather and forecasted weather dictate that such purchases should be made. According to Consumers, the 4% probability of CTN weather that it has used for 20 years provides the most accurate results. Consumers asserts that the company has assessed the effect of using the 10% additional degree day approach advocated by the RRC and concluded that its use in Consumers' service territory would be ill-advised. Likewise, the company argues that it has considered the risk of deferring additional purchases and found that doing so would be imprudent. Consumers argues that the RRC's evidence should be rejected because the analysis performed by Mr. Hollewa

involved a gas utility in the Washington D.C. metropolitan area with very different operational and load characteristics from those of Consumers.

The Attorney General takes exception to the ALJ's recommendation that Consumers' gas purchasing guidelines should not be revised in accordance with the language he proposed. The Attorney General continues to assert that the 90% cap on purchases does not provide sufficient flexibility in the case of WTN weather. The Attorney General also urges the Commission to require Consumers to purchase gas as soon as possible after a price trigger is hit on grounds that prices are more likely to stay the same, or to rise, than they are to fall. According to the Attorney General, Consumers' proposal to make uniform gas purchases throughout the month results in asymmetrical risk. In his replies to Consumers' exceptions, the Attorney General asserts that the studies recommended by the ALJ are not beyond the scope of an Act 304 proceeding, noting that under the Commission's broad ratemaking authority set forth in MCL 460.54, the Commission is empowered to require reports or data that are reasonably necessary for the proper performance of the powers and duties of the Commission.

Discussion

The parties do not dispute: 1) Consumers' forecast of sales and transportation volumes for the 2008-2009 plan year; 2) the utility's projected GCR costs for that period; 3) the computation of its base GCR factor; or 4) the appropriateness of Consumers' proposed contingent factor adjustment mechanism. Therefore, the Commission approves Consumers' projected 2008-2009 GCR plan and factors. In light of the Staff's observation regarding the contingent factor adjustment, the Commission finds that Consumers shall assure that in its future GCR filings, its fractional multipliers (which represent the portion of gas remaining to be purchased at index) are updated in the matrix.

The Commission also agrees with Consumers that the task of preparing quantitative analyses of data not necessarily germane to the utility's direct case in an Act 304 proceeding should not be made an ongoing utility responsibility. As Consumers noted, Exhibit A-29 was only prepared by Consumers as rebuttal to an intervenor's position. There is no indication in this record that a similar issue will arise in a future case. In the event that a similar issue does arise in a future proceeding, an intervenor may seek the necessary information from Consumers through discovery or obtain it from an independent source. Because intervenors in GCR reconciliations are permitted "[r]easonable discovery....before and during the reconciliation proceeding in order to assist parties and interested persons in obtaining evidence concerning reconciliation issues," an intervenor may always seek a determination from an administrative law judge during the course of the proceeding on the issue of whether it would be reasonable for the utility to provide the sought after information. MCL 460.6h(12). Therefore, at this time, the Commission rejects the ALJ's recommendation to require Consumers to perform these additional studies.

THEREFORE, IT IS ORDERED that:

A. Consumers Energy Company's gas cost recovery plan, including its gas purchasing strategy guidelines set forth in Exhibit A-19, is approved.

B. Consumers Energy Company is authorized to incorporate in its rates a base gas cost recovery factor of \$8.1651 per thousand cubic feet for the billing months of April 2008 through March 2009.

C. Consumers Energy Company is authorized to adjust its gas cost recovery factors quarterly, with symmetry, according to the contingency mechanism proposed in its application.

D. Consumers Energy Company's five-year forecast is accepted.

F. Within 30 days of the date of this order, Consumers Energy Company shall file with the Commission one set of tariff sheets substantially similar to those attached to this order as Exhibit A.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, under MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

Orjiakor N. Isiogu, Chairman

Monica Martinez, Commissioner

Steven A. Transeth, Commissioner

By its action of February 3, 2009.

Mary Jo Kunkle, Executive Secretary

EXHIBIT A

Case No.: U-15454
Hearing Date: 07/15/2008
Exhibit No.: A-17

Case No: U-15454
Exhibit: A-17 (LMC-3)
Witness: LMCollins
Date: December 2007
Page: 1 of 3

**M.P.S.C. No. 2 - Gas
Consumers Energy Company**

Original Sheet No. D-3.00

**QUARTERLY GAS COST RECOVERY (GCR) FACTOR
CEILING PRICE ADJUSTMENT (CONTINGENCY) MECHANISM**

The Gas Cost Recovery (GCR) Factors on Sheet No. D-2.00 may be increased on a quarterly basis, for the remaining months of the GCR Plan year, contingent upon NYMEX futures prices increasing to a level above that which was incorporated in the calculation of the authorized GCR ceiling prices.

The Company shall file with the Commission an updated Sheet No. D-2.00 at least 15 days before any increase in the GCR Factor ceiling price if a contingency calculation under the method described below results in an increase to the authorized GCR factors on Sheet No. D-2.00. The filing shall include all supporting documents necessary to verify the GCR factor increase.

Definitions:

(n) Number of months remaining in the GCR period.

NYMEX_{5-day Avg. n-Month Strip} Five-day average (the first five trading days of the NYMEX natural gas futures (n) month average strip Settlement prices (in \$/MMBtu).
 $(\sum_{j=1:5} [(\sum_{i=1:n} \text{NYMEX futures price}_i)/n]) / 5$

Step 1 Determine NYMEX 5-day Avg n-Month Strip for the number of months remaining in the GCR period.

Step 2 Determine the "NYMEX Increase" by subtracting the Plan NYMEX shown for the same period from the result for Step 1.

Step 3 Determine the "Contingent GCR Ceiling Price" using the following table on Sheet D-4.00.

(Continued on Sheet No. D-4.00)

**Issued XXXXXX by
J. G. Russell,
President and Chief Operating Officer,
Jackson, Michigan**

**Effective for service rendered on
and after**

**Issued under authority of the
Michigan Public Service Commission
dated XXXXX and
in Case No. U-XXXXX**

M.P.S.C. No. 2 - Gas
 Consumers Energy Company

Original Sheet No. D-4.00

**QUARTERLY GAS COST RECOVERY (GCR) FACTOR
 CEILING PRICE ADJUSTMENT (CONTINGENCY) MECHANISM**
 (Continued From Sheet No. D-3.00)

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
Plan NYMEX	\$7.8900/Mcf	\$8.0910/Mcf	\$8.3700/Mcf	\$8.6800/Mcf
n	12	9	6	3
Fractional Multiplier	0.6300	0.5860	0.5380	0.5000

<u>NYMEX Increase</u>	<u>Contingent GCR Ceiling Price</u>			
	<u>First Quarter</u> <u>\$/Mcf</u>	<u>Second Quarter</u> <u>\$/Mcf</u>	<u>Third Quarter</u> <u>\$/Mcf</u>	<u>Fourth Quarter</u> <u>\$/Mcf</u>
<\$0.05	\$ 8.1651	\$ 8.1651	\$ 8.1651	\$ 8.1651
<\$0.10	\$ 8.1966	\$ 8.1944	\$ 8.1920	\$ 8.1901
<\$0.15	\$ 8.2281	\$ 8.2237	\$ 8.2189	\$ 8.2151
<\$0.20	\$ 8.2596	\$ 8.2530	\$ 8.2458	\$ 8.2401
<\$0.25	\$ 8.2911	\$ 8.2823	\$ 8.2727	\$ 8.2651
<\$0.30	\$ 8.3226	\$ 8.3116	\$ 8.2996	\$ 8.2901
<\$0.35	\$ 8.3541	\$ 8.3409	\$ 8.3265	\$ 8.3151
<\$0.40	\$ 8.3856	\$ 8.3702	\$ 8.3534	\$ 8.3401
<\$0.45	\$ 8.4171	\$ 8.3995	\$ 8.3803	\$ 8.3651
<\$0.50	\$ 8.4486	\$ 8.4288	\$ 8.4072	\$ 8.3901
<\$0.55	\$ 8.4801	\$ 8.4581	\$ 8.4341	\$ 8.4151
<\$0.60	\$ 8.5116	\$ 8.4874	\$ 8.4610	\$ 8.4401
<\$0.65	\$ 8.5431	\$ 8.5167	\$ 8.4879	\$ 8.4651
<\$0.70	\$ 8.5746	\$ 8.5460	\$ 8.5148	\$ 8.4901
<\$0.75	\$ 8.6061	\$ 8.5753	\$ 8.5417	\$ 8.5151
<\$0.80	\$ 8.6376	\$ 8.6046	\$ 8.5686	\$ 8.5401
<\$0.85	\$ 8.6691	\$ 8.6339	\$ 8.5955	\$ 8.5651
<\$0.90	\$ 8.7006	\$ 8.6632	\$ 8.6224	\$ 8.5901
<\$0.95	\$ 8.7321	\$ 8.6925	\$ 8.6493	\$ 8.6151
<\$1.00	\$ 8.7636	\$ 8.7218	\$ 8.6762	\$ 8.6401
<\$1.05	\$ 8.7951	\$ 8.7511	\$ 8.7031	\$ 8.6651
<\$1.10	\$ 8.8266	\$ 8.7804	\$ 8.7300	\$ 8.6901
<\$1.15	\$ 8.8581	\$ 8.8097	\$ 8.7569	\$ 8.7151
<\$1.20	\$ 8.8896	\$ 8.8390	\$ 8.7838	\$ 8.7401
<\$1.25	\$ 8.9211	\$ 8.8683	\$ 8.8107	\$ 8.7651
<\$1.30	\$ 8.9526	\$ 8.8976	\$ 8.8376	\$ 8.7901
<\$1.35	\$ 8.9841	\$ 8.9269	\$ 8.8645	\$ 8.8151
<\$1.40	\$ 9.0156	\$ 8.9562	\$ 8.8914	\$ 8.8401
<\$1.45	\$ 9.0471	\$ 8.9855	\$ 8.9183	\$ 8.8651
<\$1.50	\$ 9.0786	\$ 9.0148	\$ 8.9452	\$ 8.8901
<\$1.55	\$ 9.1101	\$ 9.0441	\$ 8.9721	\$ 8.9151
<\$1.60	\$ 9.1416	\$ 9.0734	\$ 8.9990	\$ 8.9401
<\$1.65	\$ 9.1731	\$ 9.1027	\$ 9.0259	\$ 8.9651
<\$1.70	\$ 9.2046	\$ 9.1320	\$ 9.0528	\$ 8.9901
<\$1.75	\$ 9.2361	\$ 9.1613	\$ 9.0797	\$ 9.0151
<\$1.80	\$ 9.2676	\$ 9.1906	\$ 9.1066	\$ 9.0401

(Continued on Sheet No. D-5.00)

Issued XXXXX by
 J. G. Russell,
 President and Chief Operating Officer,
 Jackson, Michigan

Effective for service rendered on
 and after

Issued under authority of the
 Michigan Public Service Commission
 dated XXXXXX and
 in Case No. U-XXXXXX

M.P.S.C. No. 2 - Gas
 Consumers Energy Company

Original Sheet No. D-5.00

**QUARTERLY GAS COST RECOVERY (GCR) FACTOR
 CEILING PRICE ADJUSTMENT (CONTINGENCY) MECHANISM**
 (Continued From Sheet No. D-4.00)

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
Plan NYMEX	\$7.8900/Mcf	\$8.0910/Mcf	\$8.3700/Mcf	\$8.6800/Mcf
n	12	9	6	3
Fractional Multiplier	0.6300	0.5860	0.5380	0.5000

<u>NYMEX Increase</u>	<u>Contingent GCR Ceiling Price</u>			
	<u>First Quarter</u> <u>\$/Mcf</u>	<u>Second Quarter</u> <u>\$/Mcf</u>	<u>Third Quarter</u> <u>\$/Mcf</u>	<u>Fourth Quarter</u> <u>\$/Mcf</u>
<\$1.85	\$ 9.2991	\$ 9.2199	\$ 9.1335	\$ 9.0651
<\$1.90	\$ 9.3306	\$ 9.2492	\$ 9.1604	\$ 9.0901
<\$1.95	\$ 9.3621	\$ 9.2785	\$ 9.1873	\$ 9.1151
<\$2.00	\$ 9.3936	\$ 9.3078	\$ 9.2142	\$ 9.1401
<\$2.05	\$ 9.4251	\$ 9.3371	\$ 9.2411	\$ 9.1651
<\$2.10	\$ 9.4566	\$ 9.3664	\$ 9.2680	\$ 9.1901
<\$2.15	\$ 9.4881	\$ 9.3957	\$ 9.2949	\$ 9.2151
<\$2.20	\$ 9.5196	\$ 9.4250	\$ 9.3218	\$ 9.2401
<\$2.25	\$ 9.5511	\$ 9.4543	\$ 9.3487	\$ 9.2651
<\$2.30	\$ 9.5826	\$ 9.4836	\$ 9.3756	\$ 9.2901
<\$2.35	\$ 9.6141	\$ 9.5129	\$ 9.4025	\$ 9.3151
<\$2.40	\$ 9.6456	\$ 9.5422	\$ 9.4294	\$ 9.3401
<\$2.45	\$ 9.6771	\$ 9.5715	\$ 9.4563	\$ 9.3651
<\$2.50	\$ 9.7086	\$ 9.6008	\$ 9.4832	\$ 9.3901
<\$2.55	\$ 9.7401	\$ 9.6301	\$ 9.5101	\$ 9.4151
<\$2.60	\$ 9.7716	\$ 9.6594	\$ 9.5370	\$ 9.4401
<\$2.65	\$ 9.8031	\$ 9.6887	\$ 9.5639	\$ 9.4651
<\$2.70	\$ 9.8346	\$ 9.7180	\$ 9.5908	\$ 9.4901
<\$2.75	\$ 9.8661	\$ 9.7473	\$ 9.6177	\$ 9.5151
<\$2.80	\$ 9.8976	\$ 9.7766	\$ 9.6446	\$ 9.5401
<\$2.85	\$ 9.9291	\$ 9.8059	\$ 9.6715	\$ 9.5651
<\$2.90	\$ 9.9606	\$ 9.8352	\$ 9.6984	\$ 9.5901
<\$2.95	\$ 9.9921	\$ 9.8645	\$ 9.7253	\$ 9.6151
<\$3.00	\$ 10.0236	\$ 9.8938	\$ 9.7522	\$ 9.6401
≥\$3.00	\$ 10.0551	\$ 9.9231	\$ 9.7791	\$ 9.6651

Issued XXXXX by
J. G. Russell,
 President and Chief Operating Officer,
 Jackson, Michigan

Effective for service rendered on
 and after

Issued under authority of the
 Michigan Public Service Commission
 dated XXXXXX and
 in Case No. U-XXXXX