MICHIGAN PUBLIC SERVICE COMMISSION

FILE U-12762

EXHIBIT NO. A-1

DATE 2/23/01 Merrill REPORTER

CASE NO: U-12762
WITNESS: D. M. Stanczak
EXHIBIT NO.: A-_____(DMS - 1)
PAGE NO.: 1 of 1

MICHIGAN CONSOLIDATED GAS COMPANY
IMPACT OF FIXED $2.95 ON SALES CUSTOMERS

Line		NYMEX Prices ($/Mcf) Actual (1) 1999 (A)	Actual (1) 2000 (B)	Estimated (2) 2001 (C)
1	January	$ 1.81	$ 2.34	$ 8.15
2	February	$ 1.75	$ 2.58	$ 8.00
3	March	$ 1.69	$ 2.56	$ 7.45
4	April	$ 1.85	$ 2.93	$ 4.70
5	May	$ 2.33	$ 3.11	$ 4.70
6	June	$ 2.20	$ 4.24	$ 4.70
7	July	$ 2.27	$ 4.54	$ 4.70
8	August	$ 2.57	$ 3.75	$ 4.70
9	September	$ 2.96	$ 4.64	$ 4.70
10	October	$ 2.61	$ 5.30	$ 4.70
11	November	$ 3.04	$ 4.62	$ 4.55
12	December	$ 2.17	$ 6.32	$ 4.55
13	12 Month Simple Average	$ 2.27	$ 3.91	$ 5.47
14	Estimated Interstate Transportation Cost	$ 0.40	$ 0.40	$ 0.40
15	Estimated GCR Price	$ 2.67	$ 4.31	$ 5.87
16	Fixed Price	$ 2.95	$ 2.95	$ 2.95
17	Difference	$ (0.28)	$ 1.36	$ 2.92
18	Throughput Volume (Bcf)	200	200	100 (3)
19	Lower/(Higher) Cost to Customers ($-million)	$ (56)	$ 272	$ 292
20	Additional Cost Reduction for Cashouts ($-million)	-	-	185 (4) 183
21	Total Lower/(Higher) Cost to Customers ($-million)	$ (56)	$ 272	$ 473 475
22	Lower Cost of Gas to Customers - Actual 1999-2000 ($-million)		$ 216	
23	Lower Cost of Gas to Customers - Including Estimated 2001 ($-million)			$ 689 691

(1) Actual 1999 and 2000 NYMEX prices reflect NYMEX 3-day averages

(2) NYMEX prices reflect estimate from MichCon's GCR Plan Case No. U-12766

(3) Anticipated throughput for 2001 reflects first quarter sendout only

(4) See Exhibit A-_________ (DMS - 2)

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MICHIGAN CONSOLIDATED GAS COMPANY
2001 FIXED PRICE GAS PURCHASE CONTRACTS

Line		Volume (MMDth) (A)	Average Contract Price (B)	NYMEX (1) (C)	Gross Value of Cash-outs ($-million) (2) (D)
1	April	6.5	$ 2.24	$ 4.70	$ 16
2	May	6.7	$ 2.23	$ 4.70	17
3	June	6.1	$ 2.21	$ 4.70	15
4	July	6.3	$ 2.21	$ 4.70	16
5	August	7.0	$ 2.22	$ 4.70	17
6	September	9.9	$ 2.31	$ 4.70	24
7	October	11.3	$ 2.30	$ 4.70	27
8	November	11.2	$ 2.30	$ 4.55	25
9	December	11.5	$ ~~2.45~~ 2.30	$ 4.55	~~24~~ 26
10	Total	76.5			$ ~~181~~ 183

(1) Estimated 2001 NYMEX prices reflect estimate from MichCon's GCR Plan Case No. U-12766

(2) (Column C - Column B) x Column A

MICHIGAN PUBLIC SERVICE COMMISSION

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EXHIBIT NO. A-2

DATE 2/23/01 Merrill REPORTER

CASE NO: U-12762
WITNESS: D. M. Stanczak
EXHIBIT NO.: A-_____(DMS - 3)

MICHIGAN CONSOLIDATED GAS COMPANY
EXAMPLE
REFUND CALCULATIONS

Line		Base Case (A)	Sensitivity 1 (B)	Sensitivity 2 (C)
1	GCR Cost of Gas Sold April - December 2001 ($-million)	$ 425	$ 468	$ 527
2	Gas Sold Volume April - December 2001(Bcf)	82	82	$\boxed{102}$
3	MichCon GCR Cost of Gas April - December 2001 ($/Mcf) (Line 1 / Line 2)	$ 5.17	$\boxed{\$\ 5.71}$	$ 5.17
4	Fixed Cost of Gas Price ($/Mcf)	$ 2.95	$ 2.95	$ 2.95
5	Difference ($/Mcf) (Line 3 - Line 4)	$ 2.22	$ 2.76	$ 2.22
6	Actual April - December 2001 GCR Send-Out (Bcf) (Line 2)	82	82	102
7	Gross Cost Increase ($-million) (Line 5 x Line 6)	$ 182	$ 226	$ 226
8	Cash-Outs ($-million) (Exhibit A-___(DMS-2)	$ 181	$ 181	$ 181
9	Potential Refund ($-million) (Line 7 - Line 8)	$ 1	$ 45	$ 45
10	January 1999 - March 2001 Gross Margin ($-million)	$ 45	$ 45	$ 45
11	Additional Refund - up to Gross Margin Amount ($-million)	$ 1	$ 45	$ 45

MICHIGAN PUBLIC SERVICE COMMISSION
FILE U-12762
EXHIBIT NO. A-3
DATE 2/23/01 Merrill REPORTER

RCEA012. With respect to Mr. McDonald's testimony at page 3 responding to the question on the upper half of the page, please identify the specific portions of the August 4, 2000 and October 13, 2000 Orders to which he refers.

Answer: Pages 4-5 and 7 of the August 4, 2000 Order as well as the general tone of the Order; page 2 of the October 13, 2000 Order as well as the general tone of the Order.

Respondent: Al McDonald

MICHIGAN PUBLIC SERVICE COMMISSION

FILE U-12762

EXHIBIT NO. A-4

DATE 2/23/01 Merrill REPORTER

RCEA013. With respect to Mr. McDonald's testimony at page 3 responding to the question on the lower half of the page:

a. Please explain why a MichCon customer would be confused if the marketing for Consumers Energy's customer choice program clearly indicates that it is available in Consumers Energy's service territory only.

b. Please explain why terminating MichCon's program in a low consumption month is beneficial to customers.

c. Please quantify what you mean by "competitive prices" at the bottom of page 3 and "low prices" at the top of page 4.

d. Please explain why MichCon and the marketers cannot lock in low prices now for the period starting January 2002.

Answer:

a. It has been Energy America's experience that its service center is inundated with calls from citizens/potential clients in any area where there are multiple utilities, split timing and/or programs with different offerings. It is my recollection for the collaborative hearings in U-12550 that this was also the experience of Consumers Energy, Michigan Consolidated Gas and the Michigan Public Service Commission. It has been Energy America's experience that citizens generally do not understand why their neighbor can participate in a certain program but they cannot, particularly if the program appears to be a "good deal."

b. Terminating the MichCon program in a low consumption month benefits customers because they will not feel the effects of the higher prices as much as they would if the higher prices took effect in a high consumption month, *i.e.*, it makes more sense for customers to have their gas bills double during a $30.00 month vs. a $300 month? Also, terminating MichCon's program during a period of low consumption gives the customer more time to understand the market situation, research their options, adjust their personal budgets, and make other arrangements before they experience a period of high prices and high consumption.

c. "Competitive" means that the price is competitive with respect to both Consumer's and MichCon's posted and/or proposed rates. "Low" is the price as compared to the market rate.

d. Because there are too many "unknowns" (*i.e.* customers, volumes, flow dates, storage, contract terms, program costs, program rules, sign dates, etc.), Energy America cannot engage in such a transaction at this time.

Respondent: Al McDonald

RCEA014. With respect to Mr. McDonald's testimony at the top portion of page 4, is it Mr. MacDonald's position that it is beneficial for MichCon's to pay higher gas costs in April-December 2001 to "soften" the transition to market rates? If the answer is "yes", please explain the benefit.

Answer: Assuming that the question should read "is it beneficial for MichCon's customers," my testimony at page 4 is that MichCon's proposal to refund a portion of its gas sales margin will have the effect of softening the transition from protected rates to market rates for customers. If MichCon's program runs its full course, however, there is no guarantee that MichCon will offer any transition assistance.

Respondent: Al McDonald

RCEA015. At the bottom of page 4 of Mr. McDonald's testimony, he states that:

"Many marketers have indicated that they will not solicit customers in Michigan until MichCon is operating".

a. If MichCon's Application in Case No. U-12726 is rejected by the MPSC, will Energy America solicit customers in Consumers Energy Company's service territory before January 2002?

b. Please identify the "many marketers".

c. Please explain why marketers will be forced to incur additional costs if MichCon's application is not granted.

Answer:

a. Objection. Assuming that the question should reference Case No. U-12762 and not U-12726, this information is proprietary, privileged and confidential. Moreover, the information requested is not relevant, nor is it reasonably calculated to lead to the discovery of admissible evidence. The request seeks information relative to issues which are beyond the scope of this proceeding. Finally, even if it is determined that this information is relevant, disclosure of the information would result in unfair prejudice. Without waiving its objection, Energy America has notified its customers of the upcoming changes to the Consumer's program. Energy America has also notified its customers that, should the customers choose to stay with Energy America, Energy America will remain in Michigan to serve the customer base.

b. Energy America cannot specifically identify the marketers. Energy America is aware of this information through the various collaborative hearings in U-12550.

c. Energy America would be forced to incur costs in April with respect to the Consumers' program and then again in January with respect to the MichCon program. There would be a loss of efficiency and economy of scale with respect to costs associated with advertising, marketing, printing, administration, mobilization, and staffing etc.

Respondent: Al McDonald

LAN01\ 75742.1
ID\ CMMA

MICHIGAN CONSOLIDATED GAS COMPANY'S
FIRST DISCOVERY REQUEST
TO THE RESIDENTIAL RATEPAYER CONSORTIUM

MPSC Case No. U-12762

Q-1: On page 19, lines 9-11 of his pre-filed testimony, Mr. Hollewa states, "Therefore, under the continuation of the $2.95 fixed-price scenario, it is impossible to decrement storage below 55 Bcf without jeopardizing the system integrity for Design Day purposes." Please provide the basis of this statement, include all workpapers, studies and analysis used to develop the 55 Bcf amount.

ANSWER: The 55 Bcf simply relates to the level below which storage must be withdrawn in order to achieve a decrement in 2001, and is based on the 55.1 Bcf shown in MichCon's response to RRC discovery question 57(g) for the end of 2000. It was assumed that the Company fills storage to a level of approximately 87 Bcf because it needs access to this quantity in order to meet colder-than-normal weather and design day in January. The Company's filing in Case No. U-12766 shows an inventory level of 65 Bcf for GCR and 21.6 Bcf for GCC. *See* also my response to MichCon discovery question 2.

Respondent: Frank J. Hollewa

MICHIGAN PUBLIC SERVICE COMMISSION

FILE U-12762

EXHIBIT NO. A-5

DATE 2-23-01 HJ REPORTER

MICHIGAN CONSOLIDATED GAS COMPANY'S FIRST DISCOVERY REQUEST TO THE RESIDENTIAL RATEPAYER CONSORTIUM

MPSC Case No. U-12762

Q-2: On page 20, lines 13-14 of his pre-filed testimony, Mr. Hollewa states, "In summary, my conclusion regarding the proposal for decrementing storage is that it is virtually impossible to decrement storage absent the termination of the GCR suspension." Please provide the basis for this statement, include all work papers, studies and analysis Mr. Hollewa used to develop this conclusion.

ANSWER: Use of the normal weather sendout profile from the 1988 GCR case (U-11455-R) shows that sendout for November and December would approximate 25.5% of the traditional sales customers' annual requirements. It was estimated that the division of 205 Bcf total sendout would be 193 Bcf for GCR and 12 Bcf for GCC resulting in normal sendout for November and December of 49.2 Bcf and 3.1 Bcf, respectively. The normal storage withdrawals of 19 Bcf would be approximately 17.9 Bcf and 1.1 Bcf respectively. The normal storage filling level of 87 Bcf was estimated to be 81 Bcf for GCR and 6 Bcf for GCC and would result in inventory levels of 63.1 Bcf and 4.9 Bcf respectively. To achieve an inventory balance below 55 Bcf, MichCon would have to limit its purchase of flowing gas to the 22.78 Bcf from fixed price contracts and withdraw the balance from storage. This would result in a storage balance of 54.5 Bcf (49.2 - 17.9 - 22.7 = 8.6 and 63.1 - 8.6 = 54.5). The storage balance of 54.5 Bcf plus 4.9 Bcf for GCC would equal 59.4 Bcf which is lower than any storage level in the past 17 years. The mid-month design day storage balance requirement is approximately 52 Bcf (Exhibit DMS-5, U-12766) versus the 49 Bcf (59.4 - 10.4 withdrawals) which would be available based on the above calculations. [The 10.4 is 50% of the 20.9 Bcf of normal withdrawals in January].

Respondent: Frank J. Hollewa

MPSC Case No: U-12762
Witness: Ralph E. Miller
Exhibit No: I-___(REM-1)

MICHIGAN CONSOLIDATED GAS COMPANY

Gas Commodity Prices To Be Charged to Customers
During the Last Nine Months of 2001
Under the Company's Proposed Plan for Early Termination of Its GCR Suspension

	MichCon's Base Case	Sensitivity Case A	Sensitivity Case B
NYMEX prices for last nine months of 2002	As in MichCon's GCR plan [see Exhibit A-___(DMS-2)]	Base Case plus 60 cents per Dth	Base Case plus $1.00 per Dth
GCR rate	$5.17	$5.77	$6.17
Cash-out credit	$0.91	$1.14	$1.30
Net gas commodity price charged to customers	$4.26	$4.63	$4.87

MICHIGAN PUBLIC SERVICE COMMISSION
FILE U-12762
EXHIBIT NO. I-6
DATE 2-23-01 JCS REPORTER

MPSC Case No: U-12762
Witness: Ralph E. Miller
Exhibit No: I-___(REM-2)

MICHIGAN CONSOLIDATED GAS COMPANY

Gas Commodity Prices To Be Charged to Customers
Under Alternative Program Designs
For the Cash-Out Credit and the Gross Margin Refunds

Assumptions

NYMEX prices for the last nine months of 2001 from MichCon's GCR plan
Cash-out proceeds of $181 million, as in Exhibit A-____ (DMS-2),
GCR rate of $4.60 for 2002

	MichCon's proposed program design	Alternative program design	
April -- December 2001			
GCR rate	$5.17	$5.17	GCR rate
Cash-out credit	$0.91	$1.81	Cash-out credit
Net gas commodity price	$4.26	$3.36	
January -- March 2002			
GCR rate	$4.60	$4.60	GCR rate
Cash-out credit	$0.91	$0.47	Gross margin refund
Net gas commodity price	$3.69	$4.13	
April -- August 2002			
GCR rate	$4.60	$4.60	GCR rate
Gross margin refund	$0.91		No further refunds or credits
Net gas commodity price	$3.69	$4.60	
September -- December 2002			
GCR rate	$4.60	$4.60	GCR rate
No further refunds or credits			No further refunds or credits
Net gas commodity price	$4.60	$4.60	

MICHIGAN PUBLIC SERVICE COMMISSION
FILE U-12762
EXHIBIT NO. I-7
DATE 2-23-01 JKS REPORTER

MPSC Case No: U-12762
Witness: Ralph E. Miller
Exhibit No: I-___(REM-3)

MICHIGAN CONSOLIDATED GAS COMPANY

Gross Margin Refund Requirements
Under Various Assumptions about Gas Costs for Last Nine Months of 2001

		Mr. Stanczak's Base Case, Corrected			Modified Base Case		
		GCR Sales (A)	GCC Volumes (B)	Total (C)	GCR Sales (D)	Total Volumes (E)	Sensitivity Case B (F)
1	GCR cost of gas, April - Dec. 2001 ($ mil.)	$425					
2	Throughput, April - Dec. 2001 (Bcf)	82	18	100	82	100	100
3	GCR rate ($/Mcf)	$5.17			$5.17		$6.17
4	Fixed gas cost price ($/Mcf)	$2.95			$2.95		$2.95
5	Difference	$2.22			$2.22	$2.22	$3.22
6	Gas cost increase ($ mil.) [line 2 * line 5]	$182				$222	$322
7	Cash-out credits (4 mil.) Allocated between GCR and GCC in proportion to throughput (line 2)	$148	$33	$181		$181	$258
8	Gross margin refund requirement ($ mil.) For GCC refund, assume 18/82 of the $34 mil. refund for GCR sales	$34	$7	$41		$41	$64

MICHIGAN PUBLIC SERVICE COMMISSION
FILE U-12762
EXHIBIT NO. I-8
DATE 2-23-01 jcs REPORTER

Q-4: Referring to page 34, lines 21-24 of his pre-filed testimony where Mr. Miller suggests that had MichCon's GCR not been suspended, MichCon s cost of gas would have been much closer to $2.95 than the inflated estimates presented in Exhibit A-___(DMS-1). Please provide an estimate of what MichCon s GCR price would have been. Provide a copy of any study, paper or document including work papers, generated, reviewed or compiled supporting this response.

Response:

Mr.°Miller has not prepared any such estimate beyond that stated in his testimony at page°34. Neither has he prepared any further studies or other documents on this topic. In forming the opinion cited in the question, Mr.°Miller reviewed the Company's filing and discovery responses in the present proceeding, and he also reviewed materials from prior MichCon GCR plan and reconciliation cases (1998 and earlier), as well as data on NYMEX prices. None of these materials is being provided, as MichCon is already in possession of all of them.

Respondent: Counsel and Ralph E. Miller

MICHIGAN PUBLIC SERVICE COMMISSION

FILE U-12762

EXHIBIT NO. A-9

DATE 2-23-01 JCS REPORTER

Q-5: Refer to page 12, lines 21-23 of Mr. Miller s pre-filed testimony. Please describe and quantify the alleged suffering that MichCon s customers have experienced due to MichCon fixed $2.95 per Mcf price. Please provide an estimate of what MichCon s GCR price would have been. Provide a copy of any study, paper or document including work papers, generated, reviewed or compiled supporting this response.

Response:

MichCon's customers suffered because most of them were required to pay MichCon's $2.95 price at a time when MichCon's purchased gas costs were substantially less than $2.95 per Mcf. Most of MichCon's customers had no choice about the $2.95 price because the Choice Program enrollment caps limited participation to only a fraction of MichCon's customers. One measure of the suffering is the $70 million difference — in MichCon's favor — between the $2.95 price paid by gas sales customers in 1999 and 2000, and MichCon's report of its actual purchased gas costs for those two years. Mr.˚Miller has not made a more precise estimate of what MichCon's GCR prices would have been, or prepared any documents relating to such an estimate, beyond that in his prepared testimony. See also the response to question 4.

Respondent: Counsel and Ralph E. Miller

Q-6: On page 33, lines 7-13 of his pre-filed testimony, Mr. Miller suggests that MichCon s customers actually paid $70 million more than they would have if MichCon s GCR was in effect during 1999 and 2000. Please provide analysis and work papers to support this statement. Include assumptions relative to MichCon s gas acquisition policies and practices had MichCon s GCR been in place during 1999 and 2000 that are inherent in Mr. Miller s analysis. Please provide an estimate of what MichCon s GCR price would have been. Provide a copy of any study, paper or document including work papers, generated, reviewed or compiled supporting this response.

Response:

See the response to the two preceding questions. MichCon itself has stated that its actual purchased gas costs in 1999 and 2000 were $70°million less than its gas cost recoveries at the $2.95 price, and if the GCR had remained in effect these over-collections would have been returned to customers.

Respondent: Counsel and Ralph E. Miller

Q-7: On pages 39-41 of his pre-filed testimony, Mr. Miller addresses a number of issues relative to the effect of MichCon s proposal on competition and marketer participation. Please provide support for these statements. Please provide an estimate of what MichCon s GCR price would have been. Provide a copy of any study, paper or document including workpapers, generated, reviewed or compiled supporting this response.

Response:

The statements on pages 39-41 are based generally on Mr. Miller's training and experience in economics, with specific reference to his expertise in the areas of industrial organization, market structure, and competition; his extensive experience with gas customer choice programs in several other states during the past half dozen years; and his knowledge and information about such activities nationwide. The question is too vague and general to be answered with greater precision. The second sentence of the question (relating to MichCon's GCR price) appears to be misplaced or copied from a preceding question.

Respondent: Counsel and Ralph E. Miller

Q-8: Has Mr. Miller ever marketed natural gas to industrial, commercial or residential customers? If yes, please provide a description of the types of activities that Mr. Miller engaged relative to such marketing efforts.

Response:

Mr. Miller has advised some industrial, commercial, and residential customers on how to acquire gas supplies, including making recommendations about marketers to be considered, but he has not actually served as the seller or as a representative of the seller in any such gas marketing transactions.

Respondent: Counsel and Ralph E. Miller

CASE NO: U-12762
WITNESS: W. G. ALDRICH
EXHIBIT NO.: S-___(WGA-1)
PAGE: 1 OF 1

MICHIGAN CONSOLIDATED GAS COMPANY
STAFF REVISED SAMPLE REFUND CALCULATION

LINE	DESCRIPTION	CORRECTED MICHCON BASE CASE	STAFF BASE CASE
1	GCR Cost of Gas Sold Apr-Dec 2001 ($-million)	$425	$425
2	Gas Sold Volume Apr-Dec 2001 (Bcf)	83	83
3	MichCon GCR Cost of Gas Apr-Dec 2001 ($/Mcf) (Line 1 / Line 2)	$5.09	$5.09
4	Fixed Cost of Gas Price ($/Mcf)	$2.95	$2.95
5	Difference ($/Mcf)	$2.14	$2.14
6	Actual Apr-Dec 2001 GCR Sendout (Bcf)	82	82
7	Actual Apr-Dec 2001 GCC Sendout (Bcf)	0	18
8	Gross Cost Increase ($-million) [Line 5 * (Line 6 + Line 7)]	$176	$214
9	Cash-Outs ($-million)	$181	$181
10	Potential Refund ($-million) (Line 8 - Line 9)	none	$33
11	January 1999 - March 2001 Gross Margin ($-million)	$66	$66
12	Additional Refund - up to Gross Margin Amount	none	$33

MICHIGAN PUBLIC SERVICE COMMISSION

FILE U-12762

EXHIBIT NO. S-10

DATE 2/23/01 Merrill REPORTER