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April 30, 2001

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

Re: Case No. U-12752
(GCR Plan Case 2001-2002)

Dear Ms. Wideman:

Enclosed for filing in the above-captioned case are an original and four copies of the "**Rebuttal Testimony of Michael J. Shore**" and associated exhibits. Also enclosed for filing are an original and four copies of the "**Supplemental Testimony of Elizabeth A. Curtis.**" The Supplemental Testimony addresses changes which have occurred in two FERC proceedings since Ms. Curtis' original testimony was filed. These documents were also filed electronically as part of the Commission's Electronic Filings Program. I have also enclosed a Proof of Service.

Sincerely,

Richard Chambers

H. Richard Chambers

CC: Hon. James N. Rigas, ALJ
Parties per Attachment 1
to Proof of Service

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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	)	
Authorization of Gas Cost Recovery	)	Case No. U-12752
Factors for the 12-Month Period	)	
April 2001 – March 2002	)	
	)	

REBUTTAL TESTIMONY

OF

MICHAEL J. SHORE

ON BEHALF OF

CONSUMERS ENERGY COMPANY

April, 2000

Q Please state your name.

A Michael J. Shore.

Q Are you the same Michael Shore who previously filed testimony in this proceeding?

A Yes.

Q What is the purpose of your rebuttal testimony?

A I will present the Company's rebuttal positions with respect to certain positions taken by witnesses for the various intervenors in their filed direct testimony. My rebuttal will be in two parts. In Section 1 I will present rebuttal on two positions taken by all or most of the witnesses for the other parties. In Section 2 I will provide rebuttal to specific positions taken by the witnesses.

Q Are you sponsoring any exhibits?

A Yes, I am sponsoring the following exhibits:

Exhibit A-__(MJS-10)	Natural Gas Supplies and Requirements
Exhibit A-__(MJS-11)	NYMEX Natural Gas Prices

Q Were these exhibits prepared by you or under your direction and supervision?

A Yes.

<u>SECTION 1</u>

Q What is your first general rebuttal position?

A Each of the intervenors takes issue with the Company's market-based pricing approach and each in their own way suggests some method aimed at stabilizing prices over time. While the Company understands how alternative purchasing methods could promote price stability, we are concerned with the apparent failure to recognize the timing issues associated with these methods. The use of fixed price contracts (as opposed to contracts with index-based pricing) can, under some conditions, provide a certain degree of price stability. However, such an approach will always yield pricing that is, at different times, both above and below what would have been produced relying strictly upon market-based pricing. This is especially so during periods of highly volatile price movements, such as has been the case over the past year .

This presents some difficult issues in GCR review proceedings, which are restricted to reviewing purchases for a specified 12-month period, rather than on a longer-term basis. That is, relying upon a fixed price contracting purchasing strategy may well produce lower costs than would a market-based purchasing strategy for a particular GCR period, while the same fixed price approach would produce higher than market costs during a different GCR period. While the last decade saw fixed price contracts contribute to price stability and lower costs, it was not merely the reliance upon a mechanical approach to making fixed price contracts that yielded that result. More important was the timing of those fixed price commitments relative to what ultimately happened to market prices. In addition, relying upon a fixed price contract strategy when market price volatility was $2-$3 per Mcf provided a better opportunity to achieve price stability. The current market volatility of $5-$10 per Mcf introduces an even greater risk that a mechanical buying approach will not produce either lower overall costs or the greater price stability that the intervenors say they desire. All parties must recognize that, under current market conditions, buying all or some portion of the Company’s gas requirements under fixed price contracts will not produce the price stability that had been achieved historically, and will inevitably result in overall costs that exceed market-based prices at least some of the time.

Q Can you be more specific?

A To be specific, Mr. Miller's proposed mechanical fixed price contracting strategy may well produce lower overall costs during this GCR period than the index-based contract strategy proposed by the Company *if market prices generally increase over this period.* That strategy will produce higher costs, however, if market prices tend to decrease over the same period. In addition, however such a strategy turns out for this GCR period, it might produce the opposite result during the following GCR period. My basic point is this: for the reasons expressed in my direct testimony, the Company concluded that following a market price-based purchasing strategy made the most sense for its customers. If the Commission believes that an alternative purchasing approach is preferable, however, Consumers Energy will of course act to implement that alternative strategy. Whatever approach is followed, however, must be followed on a long-term basis in order to achieve consistent pricing and regulatory results.

Q Mr. Sharkey states that "Consumers has distinguished itself, in the past, with its long term fixed price approach to gas buying." How would you respond to Mr. Sharkey's characterization of the approach used in the past?

A Mr. Sharkey is correct when he indicates that in the past Consumers used a long-term fixed price strategy. However, it is important to understand that this was the result of the conditions which existed at the time. The approach which Consumers has used in the past and continues to use is a methodical approach, not a mechanical approach. It is critical that the approach used take into consideration current conditions.

Q Please explain.

A As I mentioned earlier, using an approach which locks in long-term purchases in a high market will not result in the lowest prices in the future. If prices go down, then GCR customers will end up paying prices that are higher than the short-term amounts. I believe that the prices will come down when production increases sufficiently to match demand. At this time I cannot predict precisely when that will be. I do not believe that it would be prudent to implement a strategy which shifts too quickly to long term purchases under current conditions. It may be appropriate in the next few months to begin to lock in 10 to 20% of remaining supply needed for following twelve months at fixed prices. If prices continue to moderate we would look for opportunities to lock in prices on additional portions of the remaining supplies.

Q What is your second general rebuttal position?

A Each of the intervenors except the RRC has taken a position opposing the market volatility component. Each of them has suggested that it is not necessary. With the NYMEX futures contracts for the GCR period trading at $5.68 at the time we received the intervenors' filed testimony compared to the $5.17 used in our original filing, our calculated GCR cost would be $5.04 compared to the $4.69 calculated in the original filing. I have attached to this testimony as Exhibit A-____ (MJS-10) and Exhibit A-____ (MJS-11) the documents that support this higher GCR cost level. Exhibit A-__(MJS-10) updates information provided on Exhibit A-__(MJS-1). Exhibit A-__(MJS-11) updates information provided in Exhibit A-__(MJS-4). That $0.35/Mcf differential, if not recognized, would result in a $75 million undercollection over the entire GCR period.

Q Should the positions of the witnesses opposing the $1.00 market volatility component be rejected?

A Yes. The current market is not a stable market. Market conditions remain volatile. This is illustrated by the increase in the market price of gas between the time when my initial testimony was filed and currently. If the factor had been set at $4.69 then Consumers Energy would have been placed in an underrecovery situation. The market volatility component would allow the Company to adjust the factor to reflect fluctuations on a more real time basis. This will avoid shifting costs into a future period for recovery and is consistent with the goal expressed in the Case No. U-12550 consensus that efforts should be made to reflect market fluctuations on a more real time basis. The current estimated GCR cost of $5.04 per Mcf is below the $5.686 per Mcf maximum factor that the Company proposed. Consequently, the implemented factor can be adjusted by the Company to avoid an underrecovery situation.

Q What factor should be used if the Commission does not approve the $1.00 market volatility component?

A If the Commission does not adopt the $1.00 market volatility component and the resulting factor of $5.686 per Mcf then the Commission should set the fixed factor at not less than $5.04 per Mcf. This is the minimum amount that would be warranted for the plan year based on conditions when the intervenors filed their testimony.

<u>SECTION 2</u>

Q Do you have rebuttal regarding the Staff testimony of Mr. Sharkey?

A Yes, I do. At pages 8 and 9 of his testimony, Mr. Sharkey discusses the possible "... use of contingent GCR factors..." and suggests that "... no such proposal was made here...."

In fact, on page 17 of my direct testimony, lines 7 through 16, I did discuss a NYMEX derived adjustment mechanism that is conceptually similar to what Mr. Sharkey describes and indicate that while the market volatility component approach would be preferable, a monthly adjustment tracking changes in the NYMEX price would be reasonable. That testimony when linked to my direct testimony on page 14, lines 2 and 3, describes a NYMEX derived contingent factor that could be tied to specified future events as Mr. Sharkey suggested. Mr. Sharkey's statements at page 8, line 11 that "The other alternatives have not been discussed in the testimony...," and at page 9, lines 12 and 13 that "... no such proposal was made here..." ignores the discussion set forth at page 17 of my direct testimony.

Q Mr. Sharkey states at page 9 of his testimony that Staff would support a volatility factor as described in Case No. U-11145. Did the Commission describe development of a particular factor in Case No. U-11145?

A No. In that case the Commission provided only a conceptual approach. It did, however, provide additional guidance in Case No. U-11445.

Q What approach did the Commission describe in Case No. U-11145?

A In its August 13, 1997 Opinion and Order, the Commission stated that in a proper case MichCon could propose and the Commission could approve contingent GCR factors that were tied to specific future events.

Q Did the Commission subsequently approve a contingent factor for MichCon?

A Yes. In its April 14, 1998 Opinion and Order in Case U-11445 (which has a similar number but was a different case) the Commission approved contingent factors based on the relationship between NYMEX prices and GCR factors. It authorized MichCon, on a quarterly basis, to adjust the authorized GCR factor upwards or downwards by 9.4 cents for every 10 cent change in the quarterly average NYMEX price from the level used in calculating the GCR factor in that case.

Q Would quarterly adjustments be appropriate under current conditions if a similar approach were used for Consumers Energy?

A No. If a contingent factor were used for Consumers Energy, then the Company should be allowed to adjust the factor monthly above the base amount to reflect changes in the market price. The market is much more volatile than at the time of Case No. U-11445 and the fluctuations are greater. Restricting changes to quarterly would allow potentially large underrecovery amounts to occur which could not be recovered during the GCR year.

Q Would use of the 9.4 cents for every 10 cent change ratio adopted in Case No. U-11445 be the appropriate ratio to use in this case if a contingent factor were adopted?

A No. The effect of changes in the NYMEX prices on Consumers Energy's gas supply costs is slightly smaller than that of MichCon in Case No. U-11445. The difference between the price of NYMEX futures contracts at the time of the original filing of $5.17 and the more recent price of $5.68 reflects a differential of $0.51. The effect of this change on the GCR cost is an increase from $4.69/Mcf to $5.04/Mcf, or a differential of $0.35. This is consistent with the ratio of $0.50 to $0.35 that I mentioned in my initial testimony. Thus, a change of $0.07 cents in the cost of gas factor for every $0.10 cents change in the NYMEX price of gas should be used if a contingent factor is adopted.

Q Mr. Sharkey suggests that a $1.00 cap on changes in the factor could be used in addition to use of a contingency relationship. If a contingency factor were used, would a cap of $1.00 on changes on the factor be appropriate?

A No. The use of a ceiling would be inconsistent with the use of a contingent factor. The changes in the NYMEX price create a ceiling tied to the NYMEX. The Commission did not impose a ceiling in Case No. U-11445. Imposing a $1.00 ceiling on adjustments would unnecessarily create a risk of underrecovery.

Q Please summarize your position regarding use of a contingency factor.

A I disagree with Mr. Sharkey's conclusion that the $1.00 market volatility component should be rejected. As I discuss in my initial testimony, this is not intended to be a contingency factor. Rather it is intended to be a component used in determining a fixed dollar amount per unit of gas, which is consistent with the statutory language. If the Commission prefers to use a contingency factor approach instead, then in the alternative I would support an approach which authorizes Consumers Energy, on a monthly basis, to adjust the authorized GCR factor upwards or downwards by 7 cents for every 10 cent difference between the monthly average NYMEX contract price of gas for the following month as compared with the assumptions used in calculating the GCR factor in this case. I propose that this approach be used if the Commission rejects the $1.00 market volatility component.

Q Do you have rebuttal regarding the testimony of Attorney general witness, Mr. Miller?

A Yes, I do. At page 9, lines 10 through 14, Mr. Miller states, "I believe it was unreasonable for Consumers to have failed to arrange any new fixed price contracts for the GCR plan year during the months immediately preceding its commencement. It was especially unnecessary and unreasonable for Consumers to enter into a large number of new contracts with index-based pricing for terms beginning April 1, 2001..." I disagree with these conclusions.

Q Please discuss why you disagree.

A First, Mr. Miller apparently would have had the Company enter into fixed price contracts during the months "immediately preceding its commencement." He does not define what he means by "immediately preceding." Is that January? February? March? During the first quarter of 2001 the strip price for the GCR period was at or below $5.17 on only four days and at times exceeded $6.00. Second, his criticism of the index-based contracts fails to recognize the difference between the absolute need for physical supply and the price of that supply. As we look ahead to our supply needs during a period of tight supply and high demand knowing who and where our gas is coming from is as important as the price. Each and every one of the index-based contracts which the Company entered into with terms beginning April 1, 2001 can be converted to a fixed price if and when appropriate. The current high price of gas supports continuing to maintain flexibility as to price. While there is room for legitimate disagreement concerning price uncertainty, there should be no dispute concerning the need for a high degree of physical delivery certainty.

Q Are there other aspects of Mr. Miller's testimony that you wish to rebut?

A Yes, at page 10, lines 21 through 23, Mr. Miller states, "Further, by purchasing half of its GCR requirements under fixed price contracts with 12-month terms, Consumers is more likely to minimize its costs than if it relies on spot and index-based pricing as the Company is proposing." Mr. Miller's conclusion that the approach he suggests would be more likely to minimize costs is incorrect. Such an approach might serve to stabilize costs, but it could only serve to minimize costs if one assumes a period of fairly continuous rise in prices. Such a strategy could actually maximize costs during a period of falling prices. The Company has no argument with using fixed prices in an effort to provide stability and predictability as Mr. Miller suggests elsewhere in his testimony, but the "minimize" theory necessarily assumes a particular future pricing scenario which may have occurred in the recent past, but may not occur in the future. It is still likely that, at some point in the future, as supply rises to meet demand, prices will decrease.

Q Are there any other issues Mr. Miller raises which you wish to rebut?

A Yes. An additional area of rebuttal concerns Mr. Miller's position with respect to the Company's Panhandle contract. On the one hand, at page 25, lines 8 through 10, Mr. Miller states, "It is also important for Consumers to maintain a portfolio of interstate pipeline capacity to obtain a large fraction of its total GCR gas sales requirements from out-of-state gas supply sources, just as it does now." Then, at page 26, Mr. Miller raises several questions with respect to the necessity of the Panhandle contract. Mr. Miller would have Consumers maintain "... a portfolio of interstate pipeline capacity..." but apparently feels that portfolio can be assembled without capacity from our affiliated pipelines. From a practical standpoint, this is physically impossible. The 7-month Panhandle contract was awarded following requests for proposals from Panhandle and ANR. The Company was looking for firm capacity for summer injections as our storage inventory is the lowest in over 10 years. The Company did not feel comfortable with the "hit or miss" prospect of trying to meet our summer injection schedule with capacity release or interruptible transportation. In addition, the Company was looking to diversify somewhat from our already heavy reliance on Gulf Cost supplies. The Panhandle rate represents a significant discount from its maximum tariff rate and was less than the ANR proposal. We did not sign for one year as we are trying to evaluate the nature and extent of load losses associated with the Customer Choice Program and we are attempting to minimize stranded costs as we experienced during the Experimental Program. We are currently purchasing the same relative portion of our supply on Panhandle and Trunkline pipelines as we have historically. The right of first refusal issue that Mr. Miller raises is a straw man. If we had signed a one-year contract, the rate would have been higher than we negotiated for the 7-month contract. If we had included a right of first refusal on the shorter contract, we would have had to pay something for that right. Mr. Miller already is criticizing the 20-cent rate. On a final note, at the time the case was filed, we assumed a Customer Choice load of almost 40 Bcf, consistent with the levels in the Experimental Program at that time. The April 2001 enrollments represent only 20 Bcf of load and as a result, the Company faces a real prospect of requiring significant additional purchases. The Panhandle capacity only represents about 12 Bcf of incremental supply. We believe that not only is the transport capacity justified, but that the rate is reasonable when compared to alternatives. Further, the affiliate issue is not a legitimate issue. One year ago, we terminated 65,000 dth per day of capacity on Panhandle at a rate of $0.48 plus fuel when Customer Choice loads made such capacity unnecessary. Restoring that capacity for seven months at less than half the price in the face of the need for additional capacity is fully justified.

Q Mr. Sharkey takes the position that the Company "knew" there would be less migration to Gas Customer Choice than in the first year of the experimental program. Do you agree?

A No. The Company made a reasonable assumption for planning purposes. The Commission has been supportive of Gas Customer Choice. Assuming that the level would be consistent with the level in the Experimental Gas Customer Choice Program was a reasonable assumption.

Q Do you have any rebuttal with respect to ABATE witness, Mr. Gorman?

A Yes. At page 9, lines 15 through 23, Mr. Gorman basically states that underrecoveries can simply be "...trued up in the annual GCR reconciliation" and that the GCR factor adjustment of up to $1.00 per Mcf "... is not based on reasonable estimate[s] of future gas costs..." As noted earlier in my rebuttal testimony, current NYMEX forward prices would support a $5.04 GCR factor and if not allowed, would result in a $75 million under- collection. That magnitude of true-up in reconciliation would add $0.35 per Mcf to next year's factor and help defeat the very stability that Mr. Gorman advocates. Failure to establish a factor that is sufficient in today's market would result in underrecoveries and the possible need for a series of amended GCR filings.

The Commission has in the past indicated that it is appropriate to try to minimize underrecoveries. Failure to keep some semblance of contact with changing market prices in today's market is not the same issue we have historically faced in GCR cases. The only way market volatility of this magnitude can be managed is with a tracker or contingent factor or through a succession of expeditiously processed amended GCR filings.

Q Do you have any rebuttal with respect to the Residential Ratepayers Consortium witness, Mr. Holewa?

A Yes. At page 8, lines 15 through 19 and page 9, lines 1 through 8, Mr. Holewa suggests a proposal for refunding "... from the $45.1 million excess revenue available from the first two years of fixed prices..." That refund is being accomplished through the one-month extension of the $2.8364/mcf price in the April billing month and a one-time credit to cost of gas.

Q Do you have any additional areas of rebuttal with respect to Mr. Holewa's testimony?

A Yes. At page 9, lines 12 through 15, Mr. Holewa recommends that "... the Company make a concerted effort to withdraw at least 82.3 Bcf from storage, even if the weather is warmer than normal, in order to realize the $105 million in savings..." While the Company agrees that is a desirable recommendation, such a "concerted effort" cannot overcome the reality of weather. The Company has a winter weather planning range that can swing demand plus or minus 18 Bcf. While we always have a storage withdrawal plan, the variability of the weather has resulted in us actually hitting our end of season inventory target only about once in the last 10 years. Regardless of whether we actually withdraw 82.3 Bcf or not, the customers will ultimately see the benefit of the base gas transfer approved in Case No. U-12679. In fact, as Mr. Holewa points out, depending on where prices actually end up for this summer and next summer, the optimum economics of storage withdrawal change.

Q Does this conclude your rebuttal testimony?

A Yes.

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	)	
Authorization of Gas Cost Recovery	)	Case No. U-12752
Factors for the 12-Month Period	)	
April 2001 – March 2002	)	
	)	

EXHIBITS

OF

MICHAEL J. SHORE

ON BEHALF OF

CONSUMERS ENERGY COMPANY

April, 2000

Case No: U-12752
Exhibit: A-____(MJS-10)
Page: 1 of 1
Witness: M J Shore
Date: April 2001

NYMEX 04/10/01

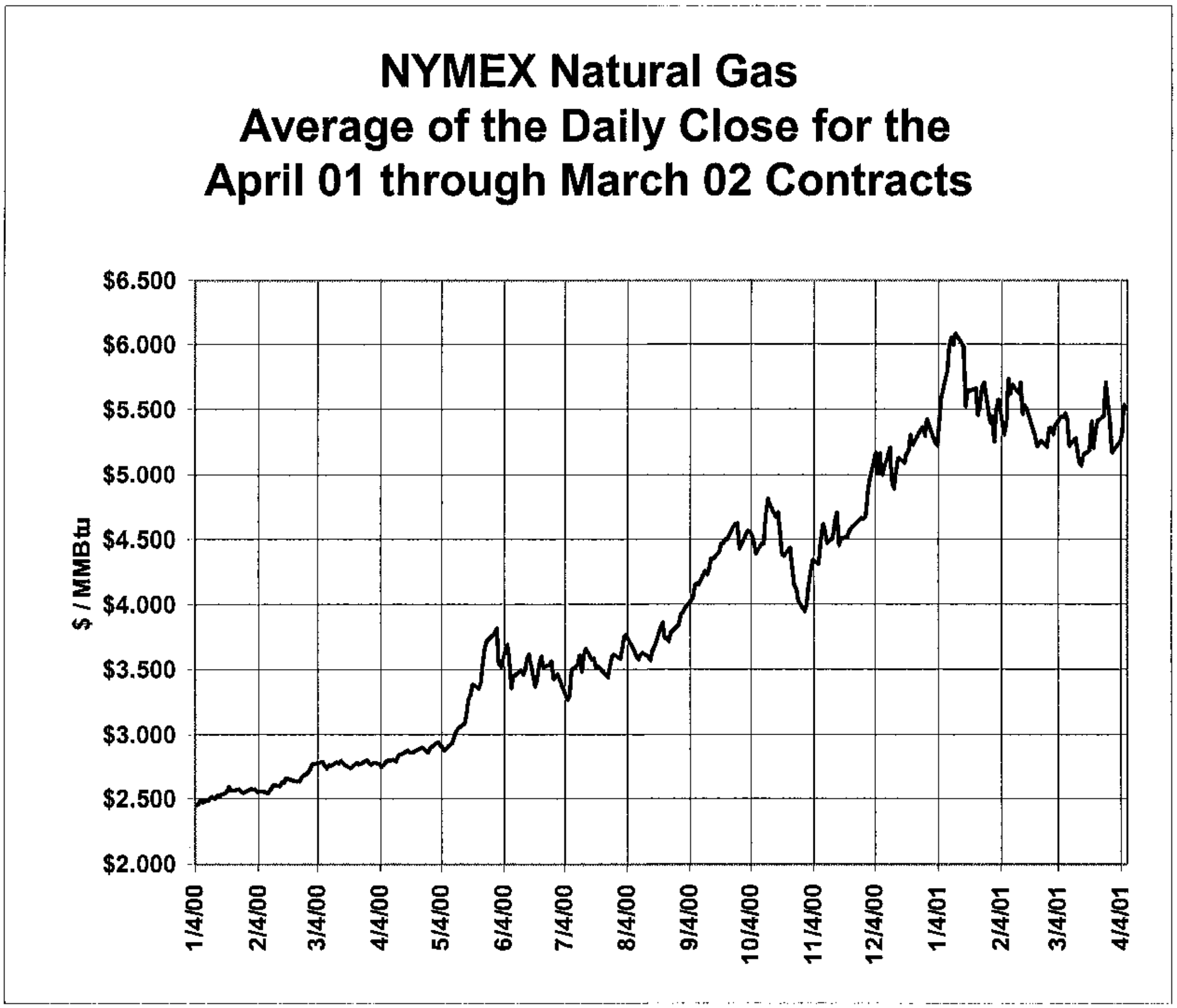
CONSUMERS ENERGY
ESTIMATED REQUIREMENTS, SUPPLIES, & COST OF GAS
ALL VOLUMES AT 14.65 DRY

Line No.	REQUIREMENTS MMCF	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01	Jan-02	Feb-02	Mar-02	Total
1	CALENDAR SALES	17,817	10,942	5,023	4,984	5,500	6,710	14,359	26,992	39,868	48,695	39,073	34,147	254,110
2	SYSTEM LOSS / GAIN	-16	-10	-4	-4	-5	-6	-13	-24	-35	-43	-35	-30	-225
3	GAS SOLD VOLUME	17,801	10,932	5,019	4,980	5,495	6,704	14,346	26,968	39,833	48,652	39,038	34,117	253,885
4	SALES - GCC	3,981	2,174	1,193	772	712	758	1,324	2,703	4,829	6,661	6,301	5,392	36,800
5	SALES - GCR	13,820	8,758	3,826	4,208	4,783	5,946	13,022	24,265	35,004	41,991	32,737	28,725	217,085
6	USE, LOSS, UNACCTD	18	58	111	110	112	87	4	3	17	58	71	19	669
7	TOTAL REQUIREMENTS	13,838	8,816	3,937	4,318	4,895	6,033	13,026	24,268	35,021	42,049	32,808	28,744	217,754
	CONTRACTS													
8	PG&E	565	584	0	0	0	0	0	0	0	0	0	0	1,149
9	PROGAS	2,546	2,631	2,546	2,631	2,631	2,546	2,631	2,546	2,631	2,631	2,376	2,631	30,977
10	DUKE	669	692	669	692	692	669	692	0	0	0	0	0	4,775
11	DELTA (INTRASTATE SUPPLY)	532	550	532	550	550	532	550	532	550	550	497	550	6,475
12	TOTAL CONTRACTS	4,312	4,457	3,747	3,873	3,873	3,747	3,873	3,078	3,181	3,181	2,873	3,181	43,376
13	NOT UNDER CONTRACT	16,241	16,780	16,814	17,372	17,372	16,814	17,372	12,774	13,198	16,608	11,921	9,788	183,054
14	MGS STORAGE FUEL	-9	-24	-20	-19	-19	-7	0	-49	-66	-55	-39	-31	-338
15	TOTAL - GCR	20,544	21,213	20,541	21,226	21,226	20,554	21,245	15,803	16,313	19,734	14,755	12,938	226,092
16	NET STORAGE - GCR	-6,706	-12,428	-16,634	-16,939	-16,362	-14,551	-8,219	8,435	18,677	22,284	18,025	15,775	-8,642
17	NORTHVILLE TRENTON	0	31	30	31	31	30	0	30	31	31	28	31	304
18	TOTAL SUPPLY	13,838	8,816	3,937	4,318	4,895	6,033	13,026	24,268	35,021	42,049	32,808	28,744	217,754
	CORE CUSTOMER STORAGE													
19	GCR INV. (BCF)	81.3	93.7	110.4	127.3	143.7	158.2	166.4	158.0	139.3	117.0	99.0	83.2	
20	GCC INV. (BCF)	-0.7	0.6	2.7	5.4	8.1	10.7	12.8	13.4	12.1	8.8	5.4	2.8	
21	COMBINED INV. (BCF)	80.7	94.4	113.1	132.7	151.8	168.9	179.3	171.5	151.4	125.9	104.4	86.0	

Line No.	COST OF GAS $000 CONTRACTS	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01	Jan-02	Feb-02	Mar-02	Total
22	PG&E	1,539	1,584	0	0	0	0	0	0	0	0	0	0	3,123
23	PROGAS	7,985	7,800	7,549	7,800	7,800	7,549	8,251	8,609	9,089	9,218	8,209	8,896	98,755
24	DUKE	1,757	1,806	1,757	1,806	1,806	1,757	1,806	0	0	0	0	0	12,495
25	DELTA (INTRASTATE SUPPLY)	1,705	1,761	1,705	1,761	1,761	1,705	1,761	1,705	1,761	1,761	1,591	1,761	20,738
26	TOTAL CONTRACTS	12,986	12,951	11,011	11,367	11,367	11,011	11,818	10,314	10,850	10,979	9,800	10,657	135,111
27	NOT UNDER CONTRACT	95,466	101,574	102,849	106,969	107,603	103,918	107,423	82,375	86,544	108,336	76,674	60,237	1,139,970
28	TOTAL - GCR	108,452	114,526	113,860	118,337	118,971	114,929	119,242	92,689	97,394	119,315	86,475	70,894	1,275,081
29	AVG - GCR	5.279	5.399	5.543	5.575	5.605	5.592	5.613	5.865	5.970	6.046	5.861	5.479	5.640
30	NET STORAGE - GCR	-35,403	-67,094	-92,202	-94,434	-91,707	-81,363	-46,132	33,609	74,415	88,785	71,817	62,852	-176,856
31	NOTHVILLE TRENTON	0	24	24	24	24	24	0	24	24	24	22	24	240
32	TOTAL COST	73,050	47,456	21,682	23,927	27,288	33,589	73,110	126,322	171,834	208,124	158,314	133,771	1,098,465
33	SYSTEM USES	94	316	617	616	629	486	21	18	84	286	343	89	3,598
34	COST OF GAS SOLD - GCR	72,956	47,140	21,065	23,312	26,659	33,103	73,088	126,303	171,749	207,838	157,971	133,682	1,094,867
35	AVG COST OF GAS SOLD- GCR	5.279	5.383	5.506	5.540	5.574	5.567	5.613	5.205	4.907	4.950	4.825	4.654	5.043

NYMEX NATURAL GAS PRICES
Average of Daily Close
April 2001 through March 2002 Contracts

Month	GCR 2001 Estimate 04-Dec-00 $/MMBtu	Contract Maximum $/MMBtu	Contract Minimum $/MMBtu	GCR 2001 Estimate 10-Apr-01 $/MMBtu
Apr-01	$5.705	$6.780	$2.359	$5.384
May-01	$5.280	$6.065	$2.333	$5.559
Jun-01	$5.210	$6.015	$2.347	$5.611
Jul-01	$5.170	$6.015	$2.358	$5.657
Aug-01	$5.125	$6.015	$2.364	$5.692
Sep-01	$5.095	$5.985	$2.374	$5.672
Oct-01	$5.070	$5.995	$2.404	$5.682
Nov-01	$5.153	$6.110	$2.532	$5.807
Dec-01	$5.235	$6.268	$2.657	$5.920
Jan-02	$5.230	$6.280	$2.684	$5.957
Feb-02	$4.995	$6.040	$2.582	$5.767
Mar-02	$4.745	$5.725	$2.477	$5.422
Average	$5.168	$6.108	$2.456	$5.678



S T A T E   O F   M I C H I G A N

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 Authorization of Gas Cost Recovery Factors for the 12-Month Period April 2001 – March 2002	)))))))	Case No. U-12752

SUPPLEMENTAL TESTIMONY

OF

ELIZABETH A. CURTIS

ON BEHALF OF

CONSUMERS ENERGY COMPANY

April, 2001

Q. Please state your name and business address.

A. Elizabeth A. Curtis, 212 West Michigan Avenue, Jackson, Michigan.

Q. Are you the same Elizabeth A. Curtis who previously submitted testimony in this case?

A. Yes, I am.

Q. Have any changes occurred since you filed your previous testimony?

Q. Yes. A settlement was reached in Trunkline's rate case, Docket No. RP96-129, and was approved by the FERC on April 12, 2001. Also, the FERC approved the abandonment of Trunkline's Line 100 in Docket No. CP00-114, on March 29, 2001.

Q. Please discuss the settlement reached in Docket No. RP96-129.

A. The settlement resolves all the outstanding issues in the case, including those subject to rehearing. The Field Zone to Zone 2 rate, including surcharges, is $0.3547/Mcf. This is approximately $0.06/Dth lower than the rate in effect prior to Trunkline's filing for the rate increase. The settlement resolves Trunkline's collection of residual Take-or-Pay amounts of at least $21 million, and, there is a two-year Rate Moratorium. Under this Moratorium, no rate increase can be put into effect until two years after the rates under the settlement become effective.

Q. Will the settlement affect the transportation rate paid by the Company?

A. No. Consumers will continue to pay the contract rate of $0.35/Dth, since it is lower than the maximum tariff rate under the settlement.

Q. Please explain the Take-or-Pay portion of the settlement in this docket.

A. In July 1991, The FERC approved a settlement reached in Docket No. RP91-54-000, (and other proceedings), which resolved the recovery of take-or-pay buyout and buydown costs on the Trunkline system. As part of that settlement, $24.7 million in costs were to be recovered through a volumetric surcharge over a five-year period. At the end of the five years, Trunkline was to file a final reconciliation between costs allocated to the surcharge and costs recovered. In its next general rate case after the reconciliation filing, the pipeline would then be permitted to include any unrecovered portion of the surcharge amount as a fixed cost component of its firm and interruptible rates, up to $11 million in principal. There was no limitation on the amount of interest that could be recovered.

Q. Was a reconciliation of these amounts filed by Trunkline?

A. Yes. On January 30, 1998, Trunkline filed its final reconciliation with a principal amount of $11.6 million. By the time the parties were in settlement negotiations in this docket, the interest amounted to over $10 million, and was increasing daily.

Q. How does this settlement resolve the issue?

A. Under the settlement in this docket, Trunkline will recover these take-or-pay dollars through a reservation surcharge over a five-year period, and will forego interest during the period that the surcharge is in effect. The settlement limits the amount of additional interest that Trunkline will recover to that incurred by the time the surcharge goes into effect. This is a substantial benefit to the Company.

Q. Please explain the Rate Moratorium under the settlement.

A. The Rate Moratorium ensures that any increase in Trunkline's rates will not become effective until at least two years after the rates under this settlement become effective.

Q. Is that an important feature of the settlement for Consumers?

A. Yes. The Company's current contract expires on October 31, 2002. According to the settlement, the earliest a Trunkline rate case filing could take effect is the Spring of 2003. Therefore, if Consumers extends its contract with Trunkline, the maximum tariff rate for service will still be at approximately the same level as the rate under our current contract while the Company and the pipeline are negotiating. This should assist the Company in keeping its transportation costs stable over a longer period of time.

Q. Does this conclude your testimony at this time?

A. Yes, it does.

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 Authorization of Gas Cost Recovery Factors for the 12-Month Period April 2001 – March 2002	)))))))	Case No. U-12752

PROOF OF SERVICE

STATE OF MICHIGAN)
) SS
COUNTY OF JACKSON)

Holly J. Allen, being first duly sworn, deposes and says that she is employed in the Legal Department of Consumers Energy Company; that she served an electronic copy (in PDF format) of (i) "**Rebuttal Testimony of Michael J. Shore**." along with associated exhibits and (ii) "**Supplemental Testimony of Elizabeth A. Curtis**" upon the persons listed in Attachment 1 hereto, at the e-mail addresses listed therein and by first-class mail at the addresses listed therein by depositing the same on April 30, 2001, in the United States mail in the City of Jackson, Michigan with first-class postage thereon fully paid.

Holly J. Allen

Holly J. Allen

Subscribed and sworn to before me this 30th day of April, 2001.

Sammie B. Dalton

Sammie B. Dalton
Notary Public, Jackson County, Michigan
My Commission Expires: 01/04/04

ATTACHMENT 1 TO CASE NO. U-12752

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