Consumers Energy

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December 6, 1999

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

RE: Case No. U-12227
(Request of Consumers Energy Company for Approval of a Proper Accounting and Ratemaking Treatment for a Pipeline Refund)

Dear Ms. Wideman:

I have enclosed, for filing, the original and 4 copies of Consumers Energy Company's "**Request for Approval of a Proper Accounting and Ratemaking Treatment of a Pipeline Refund.**" Also enclosed is a Proof of Service on the parties to Case No. U-11225R.

Very truly yours,

Frank R. Knox

CC: Hon. George Schankler, Chief ALJ
Michael Kidd, Director, Gas Division
Susan C. Devon, Gas Division
Parties to Case No U-11225R (See attached list)

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the Matter of the Request of CONSUMERS ENERGY COMPANY for Approval of a Proper Accounting and Ratemaking Treatment for a Pipeline Refund	)))))	Case No U-12227

REQUEST FOR PROPER ACCOUNTING AND RATEMAKING TREATMENT OF A PIPELINE REFUND

Consumers Energy Company ("Consumers Energy" or "Consumers") requests that the Commission decide upon the proper accounting and ratemaking treatment of a pipeline refund received by the Company in April 1998, stating:

1. The Commission on September 28, 1999 issued an Opinion and Order in Case No. U-11225R, the Company's 1997-98 GCR reconciliation case ("September 28 Order"). At pp 18-19 of that Opinion and Order, the Commission resolved an issue regarding prospective revisions to the reporting requirements of the Company's Standard Refund Procedure. See, also, the findings and ordering paragraphs at p. 23 of the September 28 Order. (The pages cited are attached as ATTACHMENT A.)

2. Pursuant to the September 28 Order, on October 19, 1999, Consumers Energy reported on a $691,589 refund from Panhandle Eastern Pipeline Company through Michigan Gas Storage Company ("MGSC") which was received on April 9, 1998. The refund related to claims regarding Kansas' ad valorem property tax which were litigated in FERC Docket

No. RP98-40-00. Attached (see ATTACHMENT B) to this Request is the Company's report to Mr. Joel Sharkey of the Gas Staff concerning the Panhandle-MGSCo refund.

3. At the time the subject pipeline refund was received, Consumers Energy's gas cost recovery (GCR) clause had been suspended pursuant to the December 19, 1997 Order Approving Application in Case No. U-11599. Because implementation of the Company's Standard Refund Procedure depended on an existing GCR process, the Company did not treat the situation under the Standard Refund Procedures (SRP). (ATTACHMENT C is the SRP in effect throughout 1998.) The subject amount was placed in account 804 as a credit to the cost of gas. Although such accounting treatment was consistent with either (i) refunding under the SRP or (ii) inclusion in the revenue sharing mechanism calculation approved by the Commission in the Case No. U-11599 Order, the Company did not notify Staff under the existing SRP and the Company planned to include the pipeline refund in the revenue sharing mechanism calculation.

4. The Company's GCR reconciliation case covering the 1997-98 GCR year (Case No.U-11225R) resulted in a Proposal for Decision from ALJ Theodora Mace in February 1999 which recommended that the subject amount be treated as a GCR refund item. The Company then accounted for the amount as an accrued liability (account 242) and, as a result, did not show the amount in the revenue sharing mechanism calculation in Case No. U-12034 when that case was filed on July 1, 1999.

5. Later in 1999, the Commission's September 28th Order caused the Company to move the Kansas ad valorem tax refund from the accrued liability account to a deferred credit account (account 253) pending a final decision on ratemaking/refunding treatment. The Commission's September 28th Order amended the existing SRP (see ATTACHMENT D for

the text) but it expressly declined to decide upon the proper treatment of the pipeline refund (at p. 19):

> "The Commission finds that the Staff's proposed revisions to the Standard Refund Procedure should be approved. In taking this action, the Commission need not decide how to dispose of any pipeline or supplier refunds that Consumers may receive during the GCR suspension period. However, it is also not necessary to foreclose a later decision on that issue, as Consumers argues." (Emphasis added.)

As noted, the net effect of the ALJ's and Commission's decisions was that the Company has booked the Kansas ad valorem tax refund tentatively as a deferred credit, awaiting a final ruling on the basic issue of whether the amount should be treated as a cost of gas credit or not.

6. On November 5, 1999, Ms. Susan Devon of the Gas Staff mailed her response (attached as ATTACHMENT E) to the Company's October 19, 1999 report (ATTACHMENT B). Despite the Commission's neutral treatment of pipeline or supplier refunds in its September 28th Order, Ms. Devon claimed that (i) the Company's October 19 report should have been mailed to the Commission no later than April 24, 1998; (ii) penalty interest and regular interest should be added to the principal amount of the Kansas ad valorem pipeline refund from April 24, 1998 through October 20, 1999; (iii) Consumers Energy must file a separate refund application for the principal amount; (iv) that application is required within 30 days of receipt of the Company's receipt of her letter (by approximately December 5, 1999). All of these matters were either not addressed or explicitly left open in the September 28th Order.

7. The Company disagrees with Ms. Devon's basic conclusions. The Company nevertheless, under protest, is filing this Request in an effort to provide a path toward determining the proper accounting and ratemaking treatment for these circumstances. This Request is offered to seek the Commission's ruling (i) on the proper accounting and ratemaking

for the subject pipeline refund amount and (ii) on whether the proper ratemaking treatment is an separate refund and, if so, the proper allocation and distribution of the refund amount, including interest.

8. Consumers Energy believes that the appropriate treatment would be to treat the subject amount as a credit to cost of gas and include such amounts in the revenue sharing calculation approved in Case No. U-11599. Without stating or implying agreement with Ms. Devon's assertions or the necessity for refunding, the Company states that if Ms. Devon's approach were adopted, the following amounts would result, assuming a March 2000 refund date:

Principal, ad valorem tax refund	$691,589.58
Interest[1] through March 15, 2000	163,796.00
Total	$855,385.58

9. There are significant issues to be resolved before the accounting and ratemaking/refund issues posed in this case can be settled. The Commission's Order in Case No. U-11225R prospectively resolved a question concerning the reporting requirements of the Company's Standard Refund Procedures but explicitly left open the question of "how to dispose of any pipeline or supplier refunds that Consumers may receive during the GCR suspension period." (September 28th Order, p. 19.) The Company seeks a ruling that the accounting for such amounts should result in crediting them to the cost of gas and thus including them in the Company's revenue sharing mechanism calculation.

10. Consumers Energy disputes many of the underlying assumptions and conclusions voiced in Ms. Devon's letter, and states as follows:

---

[1]Not including penalty interest.

a) Ms. Devon's conclusions are not consistent with the Commission's decision in its September 28th Order (p. 19) to leave open the issue of whether the ad valorem tax refund should be a credit to cost of gas. Ms. Devon's pronouncements on the necessity to file a separate application for refund and to include penalty interest are assertions unsupported by Commission authority.

b) Ms. Devon stated that the refund notification letter sent by the Company on October 19, 1999 was due no later than April 24, 1998. However, the Commission's September 28 order with respect to the Standard Refund Procedure was stated to be prospective (the MPSC's phrase, at p. 18, is "*Prospective* Revisions to the Standard Refund Procedure," emphasis added). The requirement cited by Ms. Devon for a report on out-of-period refunds was not a part of the Standard Refund Procedure until September 1999. The October 19, 1999 report of the Company was timely unless the Commission's September 28th order on point is found to be--in direct contradiction to the order itself--retroactive. Even if a refund were to be ordered, penalty interest would be inappropriate.

c) Ms. Devon's conclusions are premature. The Commission has not yet stated that the Kansas ad valorem tax refund is separately refundable. In April 1998, when the refund was received by Consumers, the Company no longer had a GCR process available through which to process refunds. The basic refund technique contained in the Standard Refund Procedures (SRF) was to accomplish supplier refunds to GCR customers through the use of a roll-in methodology applied to the GCR cost of gas. SRF, III.A. In addition, non-GCR customer refund liabilities were to be applied for at the Company's annual GCR reconciliation filing. SRF, III.B. Because these procedures were unavailable during the three-year suspension of the GCR process, the Company concludes that refunds should be treated as a cost of gas credit subject to the overall revenue-sharing mechanism embodied in Case No. U-11599, Order Approving Application of December 19, 1997.

d) The letter from Ms. Devon requests that within 30 days of the Company's receipt of her letter, the Company should file an application for accomplishing the refund, containing the refund methodology. Without intending to accept Ms. Devon's asserted conclusions as valid or timely, this filing constitutes the Company's application which (i) states the principal and interest amounts involved and (ii) proposes an appropriate methodology for the refund, if one is ordered.

11. In addition, the issues in this case involving accounting and ratemaking/refunding of historical refunds has another dimension, namely, a consideration of liabilities which arise from prior gas purchases. The Company now faces the risk of such assessments due to a number of fact situations including recalculations of delivered volumes and resolution of past period pricing disputes. It is fair and reasonable for the Company to expect the accounting and ratemaking/refunding treatment of both historic refunds and historic surcharges to be consistent. Appropriate treatment would require, during the 1998-2001 period, such refunds and surcharges both to be included in the revenue-sharing procedures set forth in Case No.U-11599.

12. Consumers Energy's Rates Department recommends that if the Commission orders a refund, the appropriate method for allocating and distributing the refund is as follows: the amount should be allocated and distributed to present customers by means of bill credits on the basis of customers' billed Mcf consumption in the second month (e.g., January 2000) prior to the month in which the refund distribution takes place (e.g., March 2000).

13. Approval of the relief sought in the Company's Request will not increase the rates and charges for any customer. Consumers Energy therefore respectfully asks the Commission to resolve the questions posed in this Request and issue an appropriate order without the time and expense of a public hearing.

REQUEST FOR RELIEF

Accordingly, Consumers Energy Company requests the Michigan Public Service Commission for (i) an order stating how historical refunds shall be accounted for during the time April 1998 through March 2001; (ii) if appropriate, an order stating that the refund amounts and allocation and distribution methodology set forth by the Company in this Request are proper for a March 2000 refund of the subject amount; and (iii) resolve the Company's requests and issue an appropriate order without the time and expense of a public hearing.

Respectfully submitted,

CONSUMERS ENERGY COMPANY

By: Dennis DaPra
Dennis DaPra

Dated: December 6, 1999

Frank R. Knox
Frank R. Knox (P16093)
Counsel

David A. Mikelonis, Senior Vice President
and General Counsel
Jon R. Robinson, Assistant General Counsel
Frank R. Knox, Attorney

Attorneys for Consumers Energy Company
Business Address:
212 West Michigan Avenue
Jackson, Michigan 49201
Telephone: (517) 788-2112

VERIFICATION

STATE OF MICHIGAN)
) SS
COUNTY OF JACKSON)

Dennis DaPra, being first duly sworn, deposes and says that he is Vice President and Controller of Consumers Energy Company; that he has executed the foregoing Request for and on behalf of Consumers Energy Company; that he has read the foregoing Request and is familiar with the contents thereof; that the facts contained therein are true to the best of he knowledge and belief; and that he is duly authorized to execute and file such Request on behalf of Consumers Energy Company.

Dennis DaPra
Dennis DaPra

Subscribed and sworn to before me this 6th day of December, 1999.

M Kathleen Bamm
M Kathleen Bamm
Notary Public, Jackson County, Michigan
My Commission Expires: May 5, 2001

ATTACHMENT A

Consumers accepted the Staff's modification, although it suggested a change. Consumers' suggestion was to use actual customer consumption data recorded two months prior to the refund month. Consumers explained that it does not have the capability to compute a refund based on customers' actual consumption in the month immediately preceding the refund month.

Consumers' proposal for returning the overrecovery to customers, as modified by the parties' suggestions, is acceptable. Thus, Consumers shall calculate individual refunds with reference to customers' actual consumption data recorded in a base period that includes the last billing month preceding the refund month by two months. As suggested by the Attorney General, the base period shall also include the minimum number of preceding billing months that is necessary to keep the refund from exceeding 20¢ per Mcf of actual customer usage. In order to capture some of the effects of weather–sensitive loads in computing the refunds, the Commission will require Consumers to defer the refund until the December 1999 billing cycle. This means that Consumers will calculate the individual refunds on the basis of each customer's historical usage during a base period consisting of at least the month of October 1999 (and probably September as well, in order to keep the refund amount from exceeding 20¢ per Mcf).

Prospective Revisions to the Standard Refund Procedure

In Exhibit S-47, the Staff proposed revisions to Consumers' Standard Refund Procedure. The revisions would require Consumers to notify the Staff of its receipt of pipeline or supplier refunds on an annual basis, replacing Consumers' current obligation to notify the Staff every time it receives a refund. The revisions also indicate that the procedure will be effective during the GCR suspension period.

Consumers does not object to streamlining the current notification. However, it objects to references in the revised procedure that are inconsistent with its own view that any pipeline or supplier refunds that it may receive during the GCR suspension period would not be subject to refund to its customers. Consumers claims that the December 19, 1997 order in Case No. U-11599 forecloses the possibility of it having to issue customer refunds for funds it receives during the GCR suspension period, even if a pipeline refund relates to periods prior to April 1, 1998. Consumers argues that the order provides the exclusive treatment for revenues related to the cost of gas, including pipeline refunds. Consumers adds that the earnings sharing mechanism in Case No. U-11599 provides a means of sharing revenues and, at the same time, gives the company an incentive to pursue potential refunds from interstate pipelines. In any event, Consumers says, the magnitude of pipeline refunds has declined considerably since the Federal Energy Regulatory Commission restructured the gas industry in the late 1980s. If the Commission were to reintroduce fully historical customer refunds, Consumers says, the passage of time since the events giving rise to the refunds and the expense of processing small customer checks and bill credits would erode the value of issuing customer refunds.

The Commission finds that the Staff's proposed revisions to the Standard Refund Procedure should be approved. In taking this action, the Commission need not decide how to dispose of any pipeline or supplier refunds that Consumers may receive during the GCR suspension period. However, it is also not necessary to foreclose a later decision on that issue, as Consumers argues.

<u>45-Day Reports</u>

Act 304 requires a gas utility to "file with the commission a detailed statement for that month of the revenues recorded pursuant to the gas cost recovery factor and the allowance for cost of gas

1998 should be approved as modified by this order. As shown in Attachment A to this order, the reconciliation, as approved, establishes that Consumers accumulated a net GCR overrecovery balance of $9,623,166, and a transportation customer refund balance of $33,402, inclusive of interest accrued through March 31, 1998.

c. Consumers' Standard Refund Procedure should be revised as proposed by the Staff in Exhibit S-47.

THEREFORE, IT IS ORDERED that:

A. The reconciliation of the revenues recorded pursuant to Consumers Energy Company's gas cost recovery factor with the amounts expensed and included in the cost of gas sold for the 12-month period ended March 31, 1998 is approved as modified by this order.

B. Consumers Energy Company shall return the overrecovery determined in this reconciliation, with interest, by issuing a refund to its gas cost recovery customers during the December 1999 billing cycle in accordance with the procedures set forth in this order.

C. Consumers Energy Company shall issue the refunds determined in this reconciliation, with interest, to its transportation customers in accordance with its Standard Refund Procedure.

D. Consumers Energy Company's Standard Refund Procedure shall be revised as set forth in Exhibit S-47.

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

ATTACHMENT B

Consumers Energy

A CMS Energy Company

212 West Michigan Avenue
Jackson, MI 49201-2277

Tel: 517 788 1206
Fax: 517 768 3345

Jack L. Timmerman
Director of General Accounting

October 19, 1999

Mr Joel Sharkey
Supervisor, Competitive Services Section
Michigan Public Service Commission
PO Box 30221
Lansing, MI 48909-7504

In its September 28, 1999 Opinion and Order in Case No. U-11225R, the Company's 1997-98 GCR reconciliation, the Commission revised Consumers Energy's Standard Refund Procedures (which were effective April 1, 1995) to require an annual notification of the receipt of pipeline or supplier refunds. The Company did not report refunds received between April 1, 1998 and today because of our belief that the Standard Refund Procedures effective April 1, 1995 were suspended on April 1, 1998 concurrent with the onset of the Gas Customer Choice program per the Order Approving Application issued December 19, 1997 by the Commission in Case No. U-11599.

The following is the only supplier refund received between April 1, 1998 and today:

- On April 9, 1998, Consumers Energy Company received a gas pipeline refund of \$691,589.58 from Michigan Gas Storage Company, which MGS had received from Panhandle Eastern Pipeline Company. This refund resulted from an order in FERC Docket No. RP98-40-00 issued September 12, 1996. (See attached for more details.)

Sincerely,

Jack L. Timmerman

CC: Susan Crimmins Devon, MPSC

BCC: CRBelknap, H-462B
TAHoffman, Lansing
FRKnox, M-1074
DMWarriner, M-900

CONSUMERS ENERGY COMPANY
GAS SUPPLIER REFUND

AMOUNT RECEIVED: $691,589.58

DATE RECEIVED: APRIL 9, 1998

SUPPLIER: MICHIGAN GAS STORAGE FROM PANHANDLE EASTERN PIPELINE COMPANY

REASON: REFUND OF KANSAS AD VALOREM TAX REFUNDS PER FEDERAL ENERGY REGULATORY COMMISSION DOCKET NO. RP98-40-000.

REFUND PERIODS: OCTOBER 1, 1983 TO JUNE 30, 1988

CONSUMERS NON OTHER SUPPLIER SALES CUSTOMER RELATED: $691,589.58

AMOUNT REFUNDABLE: ACCORDING TO THE REVENUE SHARING MECHANISM APPROVED AT PAGE 3 OF THE COMMISSION'S ORDER APPROVING APPLICATION OF DECEMBER 19, 1997 IN CASE NO. U-11599

ATTACHMENT C

CONSUMERS POWER COMPANY

STANDARD REFUND PROCEDURES

EFFECTIVE APRIL 1, 1995

Approved by the Michigan Public Service Commission
Opinion and Order in Case No U-10490, September 27, 1994

I. RECEIPT OF REFUNDS

A. SUPPLIER REFUNDS

Within 15 days after receipt of a supplier refund (other than a routine billing adjustment) Consumers shall provide written notification to the Commission Staff of:

1. The amount of the refund, including interest
2. Date received
3. Explanation of the reason for the refund
4. Period covered by the refund (historical refund period)

Additionally, if any portion of the refund is properly allocable to Non-GCR customers [see Part II.A. of these procedures], this amount, along with any calculations of deductions therefrom for Company Use and Lost and Unaccounted-For Gas, shall also be included in the written notification.

Failure of the utility to report the receipt of a refund to the Commission Staff in a timely manner shall result in an interest penalty of 50% over the normal authorized rate of return on common equity for the period of time that the utility fails to comply with the refund notification requirement.

B. GAS COST RECOVERY (GCR) PLAN RECONCILIATION

Over/(under)-recovery amounts arising from the annual GCR Reconciliation shall be reported in accordance with the provisions of 1982 PA 304.

C. PROPORTIONAL REFUNDS (90/10) AND MARYSVILLE-RELATED REFUNDS

The monthly refund liabilities incurred under 90-10 and Marysville-related refund provisions shall be reported annually in accordance with the governing Commission orders.

D. MIDLAND COGENERATION VENTURE-RELATED TRANSPORTATION AND STORAGE REVENUES

These shall be reported as required by the settlement agreements in Case Nos U-9101 and U-9822, approved by Commission orders of November 10, 1988 and June 19, 1991, respectively.

II. REFUND ALLOCATION

A. SUPPLIER REFUNDS

Gas supplier refunds shall normally be allocated in their entirety to GCR sales customers. Where appropriate, supplier refunds (particularly those pertaining to years prior to 1988) shall be allocated between GCR and Non-GCR customers on the basis of actual consumption during the historical refund period.

Deductions for Company Use and Lost and Unaccounted-For volumes may be made from the portion of the refund allocable to transportation customers based upon the actual percentages for Company Use and Lost and Unaccounted-For during the historical refund period.

B. PROPORTIONAL REFUNDS (90/10)

The monthly refund liability incurred under 90-10 refund provisions shall be allocated between GCR and Rate T-1 Non-GCR customers on the basis of thruput MCF volumes (excluding Rate T-2 volumes) for the prior GCR year, weighted for the class average revenue requirements per Mcf established in the last general rate case.

C. MARYSVILLE-RELATED REFUNDS

The monthly refund liability incurred for revenues generated through the employment of the Marysville facility for cavern storage and fractionation ventures shall be allocated between GCR and Rate T-1 Non-GCR customers on the basis of throughput Mcf volumes (excluding Rate T-2 volumes) for the prior GCR year, weighted for the class average revenue requirement per Mcf — supplemented, for GCR customers, by the average cost of gas sold — established in the last general rate case.

D. MIDLAND COGENERATION VENTURE-RELATED TRANSPORTATION AND STORAGE REVENUES

These amounts shall be allocated between GCR and Non-GCR customers according to the provisions of the Case No U-9822 settlement agreement approved by Commission order of June 19, 1991.

III. REFUND PASS-THROUGH

A. TO GCR CUSTOMERS [ROLL-IN METHODOLOGY]

All supplier refunds allocable to GCR customers shall be reflected as adjustments to the GCR Cost of Gas Supply in the month received and should be included in "Purchased and Produced." Adjustments to prior year's GCR under or over-recoveries and any Commission-ordered disallowances associated with a prior GCR period, along with all other refund liabilities except those governed by the Commission order of June 19, 1991 in Case No U-9822, will be reflected separately below the cost of gas sold line for the month of effect, in order that they may be included in the month-to-month rolling over/(under)-recovery balance for purposes of interest calculation, but without their affecting the costing of Company-Use and Lost & Unaccounted-for Gas.

The Company shall maintain records as to the source, amount, and timing of each roll-in component.

Interest shall be accrued on the month-to-month rolling over/(under)-recovery balance at the rates specified in 1982 PA 304. Interest on MCV-related transportation and storage revenue amounts shall be accrued in the manner specified by Commission order of November 10, 1988 in Case No U-9101.

B. TO NON-GCR CUSTOMERS [TRADITIONAL METHODOLOGY]

All Non-GCR customer refund liabilities shall be credited to a refund liability account to accrue interest until such time as these monies are authorized to be refunded. The interest rate for pipeline refunds, proportional (90/10) refunds, Marysville-related refunds, and unrefunded balances shall be Consumers' authorized rate of return on common equity. The interest rate for refunds of MCV-related transportation and storage revenues shall be that specified by the Commission order of November 10, 1988 in Case No U-9101.

Application for distribution of Non-GCR customer refund liabilities shall be included in Consumers' annual GCR reconciliation filing.

C. DISTRIBUTION OF MCV-RELATED TRANSPORTATION AND STORAGE REVENUE REFUNDS [AND NON-GCR CUSTOMER REFUNDS IN GENERAL]

1. Data Retention

Consumers shall maintain individual customer consumption data for a minimum period of four years. In addition, the last known address of each customer who has left Consumers' system shall be maintained for the same time period.

2. Refund Distribution Period

The refund distribution period shall correspond to the period used to allocate the refund liability except when the allocation period exceeds the 48-month retention period for individual customer consumption data.

In the event the refund allocation period covers time periods beyond the 48-month data retention period, a more current period for which data is available may be used as the refund distribution period.

When multiple refunds are being considered in the same refund proceeding, refund liability amounts allocated to each respective rate class may be aggregated and the sum distributed using the most logical refund distribution period.

3. Current Customers

Refunds shall be made to current customers based upon their consumption at any location in the Company's service territory during the refund distribution period. Bill credits shall appear as a separate line item on the bill and be identified as a refund. Rights to any portion of a refund shall not vest until a refund amount has been credited to a customer's bill or a refund check to a past customer is negotiated.

4. Past Customers

All past customers who had consumption during the refund distribution period shall be issued a refund check to their last known address, except that the utility is not required to issue refund checks to past customers who would receive $2.00 or less, those in arrears with the utility, or to customers whose checks were returned as undeliverable from previous refunds. Rights to any portion of a refund shall not vest until a refund amount has been credited to a customer's bill or a refund check to a past customer is negotiated. After 180 days, any returned or uncashed checks shall be transferred to the refund liability account to be refunded with interest in the next refund.

5. Customers in Arrears

Refunds made pursuant to these procedures will be applied against any past due amounts owing to Consumers. The amount, if any, in excess of the amount owed will be refunded in accordance with these procedures.

6. Refund Completion Reports

Six months after the completion of a refund distribution, Consumers shall submit a completion report to the Commission Staff showing the amount actually refunded as compared to the authorized refund amount and the date the refund was completed.

7. Unrefunded Balances

Any undistributed amounts remaining shall be rolled back into the refund liability account to accrue interest at Consumers' authorized rate of return on common equity until refunded to customers in the next refund distribution.

ATTACHMENT D

CONSUMERS ENERGY COMPANY
STANDARD REFUND PROCEDURE

I. RECEIPT OF REFUNDS

A. SUPPLIER REFUNDS

By April 15th of each year the Company shall notify the Michigan Public Service Commission Staff of any pipeline or other supplier refunds (other than a routine billing adjustment) received during the prior twelve months ended March 31st. [The Company's GCR Clause is suspended by Commission Order No. U-11599 for the period April 1, 1998 through March 31, 2001. During the period of suspension, the notification shall include an indication of which amounts are refundable to customers. During the suspension period, pipeline or other supplier refunds or charges shall be reflected as adjustments to the Cost of Gas Sold in the month received, unless the refunds or charges are applicable to periods prior to April1, 1998, and pursuant to Michigan Public Service Commission Staff review, become an issue in a proceeding before the Commission.] The notification shall be in the form of a letter, and include:

(1) The amount of each refund, including interest.
(2) Date each refund was received.
(3) Source and reason for each refund
(4) Period covered by each refund (historical refund period).

Additionally, if any portion of any pipeline or other supplier refund is properly allocable to non-GCR customers [see Part II.A. of these procedures], this amount, along with any calculations of deductions therefrom for Company Use and Lost and Unaccounted-For Gas, shall also be included in the written notification.

Failure of the Company to report a refund to the Michigan Public Service Commission Staff by the April 15th deadline shall result in an interest penalty of 50% over the normal authorized rate of return on common equity for the period of time that the utility fails to comply with the refund notification requirement.

ATTACHMENT E

State of Michigan
John Engler, Governor

Department of Consumer & Industry Services
Kathleen M. Wilbur, Director

Public Service Commissio

6545 Mercantile Wa
P.O. Box 3022
Lansing, MI 48909-772
Telephone: 517-334-644
TTY: 517-373-748

Commissioner

John G. Stran
John C. She
David A. Svanc

November 5, 1999

Mr. Francis Ernst, Jr.
Director of Rates
Consumers Energy Company
212 West Michigan Avenue
Jackson, MI 49201-2277

Dear Skip:

On October 20, 1999 I received a copy of Consumers Energy's refund notification letter reporting its April 9, 1998 gas pipeline refund of $691,589.58 from Michigan Gas Storage Company which MGS received from Panhandle Eastern Pipeline Company. Under the notification requirements of the Company's Standard Refund Procedures in effect on April 9, 1998, this refund notification letter was due no later than April 24, 1998. The refund procedures require that the penalty for failure to report in a timely manner is additional interest equal to 50% over the normal authorized rate of return on common equity for the period of time that Consumers Energy failed to report. Therefore, penalty interest on the MGS refund is applicable for the period April 24, 1998 through October 20, 1999.

Since there will be no GCR reconciliation case filed this year it will be necessary for the Company to file a separate refund application with the Commission for this refund. Please file an application with the Company's proposed refund methodology within 30 days of receipt of this letter. This refund is quite old and I would like to insure that this money is refunded to the customers without further delay. Please be sure to include the penalty interest in the calculations.

In the future, as I noted in my letter dated July 21, 1997, all future refund notifications and any issues or questions regarding refunds should be directed to me. Mr. Sharkey is no longer responsible for directing activities concerning refunds.

Sincerely,

Susan Crimmins Devon

Susan Crimmins Devon
Supervisor of Auditing and Tariff

cc: Mike Kidd, Director, Gas Division
Jack Timmerman, Director of General Accounting
Tim Hoffman, Director Regulatory Affairs

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the Matter of the Request of CONSUMERS ENERGY COMPANY for Approval of a Proper Accounting and Ratemaking Treatment for a Pipeline Refund	)))))	Case No. U-12227

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 a copy of the "**Request for Proper Accounting and Ratemaking Treatment of a Pipeline Refund**" upon the persons listed in Attachment 1 hereto, at the addresses listed therein by depositing the same on December 6, 1999, in the United States mail in the City of Jackson, Michigan with first-class postage thereon fully paid.

Holly J. Allen

Subscribed and sworn to before me this 6th day of December, 1999.

Sammie B Dalton

Sammie B. Dalton
Notary Public, Jackson County, Michigan
My Commission Expires: January 4, 2000

ATTACHMENT 1
SERVICE LIST - CASE NO. U-11225R

Administrative Law Judge

Honorable George Schankler
Chief Administrative Law Judge
Michigan Public Service Commission
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