

STATE OF MICHIGAN
DEPARTMENT OF ATTORNEY GENERAL



MIKE COX
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May 25, 2006

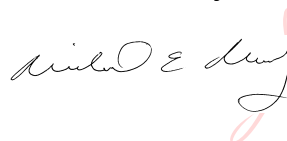
Ms. Mary Jo Kunkle
Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way
Lansing, MI 48911

Dear Ms. Kunkle:

RE: MPSC Case No. U-14717

Enclosed for filing in the above-captioned case please find the **Attorney General's Rebuttal Testimony**, together with a proof of service. This filing is being submitted electronically pursuant to the Commission's Paperless Electronic Filings Program.

Sincerely,

 **Michael E. Moody**
2006.05.25
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Michael E. Moody (P51985)
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Tobacco and Special Litigation Division
(517) 373-1123

MEM/wjc
Enclosures
c: All Parties

PROOF OF SERVICE - U-14717

The undersigned certifies that a copy of the **Attorney General's Rebuttal Testimony**, was served upon the parties listed below by mailing the same to them at their respective addresses with first class postage fully prepaid thereon on the 2nd day of May, 2006.

Wendy J. Cadwell

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STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the Application of
MICHIGAN CONSOLIDATED GAS COMPANY
for approval of Gas Cost Recovery Plan,
5-year Forecast and Monthly GCR Factor
for the period of April 2006 – March 2007

MPSC Case No. U-14717

**Rebuttal Testimony
And Exhibits**

of Ralph E. Miller

**On behalf of
Attorney General Michael A. Cox**

May 25, 2006

1

Prepared Rebuttal Testimony

2

Q. PLEASE STATE YOUR NAME, OCCUPATION, AND ADDRESS.

3

A. My name is Ralph E. Miller. I am an independent consulting economist. My office is at

4

5502 Western Avenue, Chevy Chase, Maryland 20815.

5

Q. HAVE YOU SUBMITTED OTHER TESTIMONY IN THIS PROCEEDING?

6

A. Yes. My direct testimony was filed on May 2, 2006.

7

Q. WHAT IS THE PURPOSE OF THIS REBUTTAL TESTIMONY?

8

A. I am responding to the direct testimony of Staff witnesses Robert G. Ozar and Nora B.

9

Quilico. My response addresses three topics. The first is Mr. Ozar's recommendations

10

about MichCon's commodity gas purchasing strategy. The second is the Staff's

11

recommended procedure for developing contingent GCR factors on a quarterly basis.

12

The third is Ms. Quilico's use of this procedure to develop Staff's recommended base

13

GCR factor of \$10.0106 per Mcf.

14

Q. IS YOUR REBUTTAL TESTIMONY ACCOMPANIED BY EXHIBITS?

15

A. Yes. I prepared Exhibits AG-12 and AG-13 to accompany this testimony.

16

17

Fixed Price Purchase Guidelines

18

Q. CAN YOU SUMMARIZE MR. OZAR'S POSITION ON MICHCON'S PROPOSED

19

COMMODITY GAS PURCHASING STRATEGY, AS YOU UNDERSTAND IT?

1 A. MichCon's proposed gas purchasing strategy includes two sets of fixed price purchase
2 guidelines. The long-term guidelines, based on Quarterly Indices, would govern fixed
3 price purchases for up to five complete GCR annual periods beyond the current GCR
4 annual period. The short-term guidelines, based on MichCon's proposed 21-day Moving
5 Average method, would govern fixed price purchases for supplies to be received within
6 the current GCR annual period.

7 Mr. Ozar recommends a third guideline, which for convenience I shall identify as the
8 Staff guideline. It would establish four fixed-price coverage targets for each GCR annual
9 period. The first target would be 15%-20% coverage at December 1 preceding the
10 beginning of the GCR annual period (which occurs at April 1). The second target would
11 be 25%-30% fixed-price coverage at the beginning of the GCR annual period on April 1.
12 The third and fourth targets would relate only to MichCon's to flowing supply during the
13 five winter months, November through March. These two targets would be 40%
14 coverage at July 1 and 50% coverage at November 1.

15 **Q. DOES MR. OZAR PROPOSE THE STAFF GUIDELINE AS A SUBSTITUTE FOR**
16 **EITHER OR BOTH OF THE COMPANY'S PROPOSED GUIDELINES, OR AS**
17 **AN ADDITIONAL REQUIREMENT?**

18 A. It appears to be an additional requirement, as indicated by Mr. Ozar at page 4 of his
19 testimony, lines 3-4. But at page 5, line 2, Mr. Ozar states that MichCon's guidelines
20 should be "reformulated", so there is perhaps a question on this point. My understanding
21 is that Staff's guideline is an additional requirement, because at page 6, lines 1-4, Mr.

1 Ozar indicates that MichCon can continue to use the Company's proposed guidelines in
2 addition to Staff's.

3 **Q. HOW DOES MR. OZAR'S POSITION ON MICHCON'S PROPOSED**
4 **COMMODITY GAS PURCHASING STRATEGY COMPARE TO YOUR**
5 **POSITION ON THE SAME TOPIC?**

6 A. It appears that we both support MichCon's proposal to use the Quarterly Indices method
7 as a long-term guideline for fixed price purchases extending as far as five GCR annual
8 periods into the future. The only apparent difference between our positions on the long-
9 term guidelines is that I recommended some technical modifications to specific details of
10 MichCon's proposed long-term guidelines, whereas Mr. Ozar did not address the details
11 of the Company's proposal.

12 We appear to disagree about the short-term guidelines, because Mr. Ozar would
13 apparently permit MichCon to use its proposed 21-Day Moving Average method as a
14 supplement to the Staff guideline, whereas I have opposed the 21-Day Moving Average
15 method and recommended that MichCon should instead continue using the Dollar Cost
16 Averaging method.

17 **Q. DO YOU HAVE A POSITION ON STAFF'S PROPOSED GUIDELINE?**

18 A. Yes. I can support Staff's proposed guideline as an acceptable guideline for short-term
19 fixed price purchases, replacing the existing Dollar Cost Averaging method. I would
20 make only one minor, but important, change. The 50% target for fixed price coverage

1 should be placed at October 15, not at November 1 as recommended by Mr. Ozar.

2 November 1 is too late because MichCon (and other gas utilities) have by then already
3 completed all of their monthly flowing gas purchases for November, including index-
4 based purchases. My understanding of the 50% target is that it is an advance purchase
5 requirement, and the last week of October is the normal time for making spot market
6 purchases for November, not a time for advance purchases.

7 I remain opposed to MichCon's proposed 21-Day Moving Average method for short-
8 term purposes, and I disagree with Mr. Ozar's apparent position that this method may
9 appropriately be used to supplement the fixed price purchases indicated by the Staff
10 guideline. I am not opposed in principle to additional short-term fixed price purchases,
11 but the 21-Day Moving Average method is not a good way to make those purchases, as I
12 explained in my direct testimony. MichCon remains free to make additional fixed price
13 purchases, subject to review in the GCR reconciliation proceeding, and it would also be
14 appropriate for MichCon or Staff or any other party to propose other guidelines that
15 would in appropriate circumstances permit more fixed price purchases than those
16 indicated by the Staff guidelines, which I understand to be minimum fixed price
17 coverage levels.

18

19 **Development of the Contingent GCR Factor**

20 **Q. WHAT IS THE NATURE OF YOUR RESPONSE TO STAFF ON THE**
21 **DEVELOPMENT OF A CONTINGENT GCR FACTOR?**

1 A. Staff witness Ozar recommends a “multi-input” contingency calculation. In explaining
2 the basis for this recommendation, he contrasts his multi-input calculation to the “current
3 One-Input GCR contingent factor calculation methodology” (page 6). But MichCon’s
4 proposed contingency mechanism is also a multi-input method, using essentially the
5 same concepts that Mr. Ozar has recommended here and in prior cases. MichCon has
6 altered the presentation of its contingency calculation to make its multi-input character
7 less apparent, but mathematically the Company uses the same approach as Staff.

8 Although MichCon also uses a multi-input contingency calculation, its implementation
9 of that calculation is different from Staff’s implementation. In choosing between the
10 Staff and Company contingency mechanisms, it is important to focus on these
11 implementation differences, rather than on the difference between a multi-input
12 contingency and a one-input contingency. My response to Staff’s contingency
13 calculations identifies these differences.

14 **Q. CAN YOU EXPLAIN THE MULTI-INPUT NATURE OF MICHCON’S PROPOSED**
15 **CONTINGENCY MECHANISM?**

16 A. The tariff sheet for MichCon’s proposed contingency adjustment (Exhibit A-23 (JCS-4),
17 page 2) indicates that each quarterly adjustment is based on a single “NYMEX Increase”
18 amount. But this single NYMEX Increase is calculated as a weighted average of as
19 many as five different NYMEX price strips. The weights for combining these different
20 NYMEX strips or price “events” (to use Mr. Ozar’s term from page 7 of his testimony)
21 are in Exhibit A-26 (JCS-7). In MichCon’s proposed contingency calculation for the

1 First Quarter, for example, the NYMEX Increase is a weighted average of four NYMEX
2 price inputs: the strip for January, February, and March 2006 (“JFM-06”), which has a
3 (negative) weight of –2%; the strip for April through December 2006 (AD-06), with a
4 weight of 58%; the strip for JFM-07, with a weight of 27%; and the strip for AD-07, with
5 a weight of 17%. These percentage weights are shown on line 11 of Exhibit AG-12, in
6 columns B, C, F, and G.

7 MichCon would multiply the weighted average NYMEX price increase based on these
8 four NYMEX events by 1.20 to calculate the contingent change in the GCR factor. The
9 result is mathematically the same as multiplying each of the weights by the fractional
10 multiplier of 1.20, and treating the four resulting products as the fractional multipliers
11 applicable to each of the four NYMEX price events or “inputs” to the contingency
12 calculation. MichCon’s proposed contingency for the first quarter is thus a four-input
13 contingency with fractional multipliers of –0.024 (1.20 times –0.02) for the JFM-06
14 NYMEX price change, 0.696 (1.20 times 0.58) for the AD-06 NYMEX price change,
15 0.324 for the JFM-07 NYMEX price change, and 0.204 for the AD-07 NYMEX price
16 change. The resulting four-input format for MichCon’s proposed first quarter
17 contingency is shown on line 12 of Exhibit AG-12.

18 **Q. HOW DOES MICHCON’S PROPOSED FOUR-INPUT CONTINGENCY FOR THE**
19 **FIRST QUARTER DIFFER FROM STAFF’S PROPOSED CONTINGENCY?**

20 A. One readily apparent difference is that Staff’s uses three price “events” — LIFO 2006,
21 Flowing gas supplies, and LIFO 2007 — instead of the four inputs (JFM-06, AD-06,

1 JFM-07, and AD-07) that MichCon uses. But this difference is more apparent than
2 substantive, because Staff's three inputs can easily be expressed in terms of the four
3 inputs that MichCon uses.

4 Line 13 of Exhibit AG-12 shows Staff's fractional multipliers for its first quarter
5 contingency, as taken from Exhibit S-2R (NBQ-2R). Line 14 shows the translation of
6 these fractional multipliers to MichCon's four price events. One-fourth of Staff's LIFO
7 2006 multiplier of -0.175 (or -0.0440) is associated with the NYMEX price changes in
8 first three months of 2006 (JFM-06), and three-fourths (or -0.131) is associated with the
9 remaining nine months of 2006 (AD-06). For Staff's flowing gas multiplier of 1.061 ,
10 which encompasses the 12-month period April 2006 through March 2007, three fourths
11 (or 0.796) is associated with AD-06 and the remaining one-fourth (or 0.265) with JFM-
12 07. The LIFO 2007 multiplier of 0.023 is similarly divided, with one-fourth (or 0.057) to
13 JFM-07 and three-fourths (or 0.173) to AD-07.

14 The -0.024 assigned from the LIFO 2006 multiplier to JFM-06 appears in column B on
15 line 14, and the 0.173 from the LIFO 2007 multiplier to AD-07 appears on the same line
16 in column G. The multiplier for AD-06 has two components because the period from
17 April through December 2006 is included in two of Staff's price events. The 0.665 on
18 line 14, column C, is the combination of -0.131 from the LIFO 2006 multiplier (as noted
19 above), and 0.796 from the flowing gas multiplier (also as noted above), for a net total of
20 0.665 . The 0.323 in column F on the same line 14 is similarly derived from the
21 fractional multipliers for flowing gas and for LIFO 2007. Lines 50-53 of Exhibit AG-12

1 show the formulas that I used to translate Staff's first quarter contingency to the four
2 NYMEX price event inputs that MichCon used in its proposed contingency calculations.

3 **Q. WHEN MICHCON'S AND STAFF'S FIRST QUARTER CONTINGENCY**
4 **ADJUSTMENTS ARE BOTH STATED IN TERMS OF THE SAME NYMEX**
5 **PRICE EVENTS, ARE THEY IDENTICAL TO EACH OTHER?**

6 A. No, but they are quite similar. Staff's multiplier for JFM-06 is -0.044, whereas
7 MichCon's is -0.024. Staff's multipliers are smaller than MichCon's for the NYMEX
8 price indexes applicable to April through December 2006 (column C) and April through
9 December 2007 (column G). The two multipliers for the first three months of 2007
10 (column F) are almost the same.

11 As shown in column L, a uniform increase of 10¢ per Dth in the NYMEX prices for all
12 24 months of 2006 and 2007 would yield an increase of 12.0¢ under MichCon's
13 proposed contingency, and 11.2¢ under Staff's.

14 **Q. DID MICHCON USE A MULTI-INPUT METHOD FOR ALL FOUR OF ITS**
15 **PROPOSED QUARTERLY ADJUSTMENTS?**

16 A. Yes. MichCon used a five-input method for its second and third quarter adjustments,
17 and a two-input method for its fourth quarter adjustment calculation. In Exhibit AG-12,
18 MichCon's percentage weights for the NYMEX price events in its quarterly adjustments
19 are on lines 21, 31, and 41, along with the fractional multiplier that MichCon applied to
20 the weighted average NYMEX price change in each quarter. I have translated this

1 information into a multi-input format on lines 22, 32, and 42. As in the first quarter, the
2 translation is simply to multiply each of the weights by MichCon's fractional multiplier
3 to obtain the fractional multipliers for the multi-input format.

4 I show Staff's fractional multipliers for the second, third, and fourth quarters on lines 23,
5 33, and 43. On lines 24, 34, and 44 I have restated Staff's fractional multipliers as
6 applicable to the NYMEX price events in MichCon's contingency calculations, so that
7 the Staff's fractional multipliers can be compared to the Company's.

8 **Q. ARE THERE IMPORTANT DIFFERENCES BETWEEN THE STAFF'S AND**
9 **MICHCON'S FRACTIONAL MULTIPLIERS IN SOME QUARTERS?**

10 A. Yes, there are important differences in the second and third quarter calculations. In
11 response to a uniform increase of 10¢ per Dth in the NYMEX prices for all 24 months in
12 2006 and 2007, MichCon's contingent adjustment to the GCR factor would be 12.0¢ per
13 Mcf in the second quarter, whereas Staff's would be only 9.1¢. In the third quarter,
14 MichCon's adjustment would be 10.0¢, whereas Staff's would be 6.0¢. The difference is
15 principally because Staff uses a smaller fractional multiplier for the July through
16 December 2006 NYMEX prices in the second quarter (column D), the October through
17 December 2006 prices in the third quarter (column E), and the JFM-07 prices in both
18 quarters (column F). These differences of three or four cents per Mcf for each 10¢ per
19 Dth change in the NYMEX are important, because they apply to each step of the matrix,
20 and they could be multiplied by 20 or 30 if the NYMEX prices increase by \$2 or \$3 per
21 Dth.

1 **Q. IS THERE A BASIS FOR CHOOSING BETWEEN STAFF’S AND MICHCON’S**
2 **PROPOSED MULTI-INPUT CONTINGENCY CALCULATIONS?**

3 A. Yes, the Staff’s calculations are much more appropriate than MichCon’s.

4 For the first quarter, the principal difference between Staff and MichCon is the
5 Company’s premature rounding error, which I pointed out in my direct testimony. In
6 Exhibit A-24 (JCS-5), page 1, the \$12.15 on line 8 is \$12.1542 before rounding to the
7 nearest penny. The \$12.27 on line 31 is \$12.2677 before rounding. The difference
8 between them is only \$0.1134, which is 113.4% of \$0.10, and that is the correct
9 percentage for MichCon to have entered on line 32. It yields a fractional multiplier of
10 1.13, or an increase of 11.3¢ for each 10¢ change in the NYMEX. That result is very
11 close to the adjustment of 11.2¢ using Staff’s calculations. Staff has thus avoided
12 MichCon’s major error resulting from premature rounding.

13 For the second and third quarters, Staff’s fractional multipliers are lower because they
14 reflect Staff’s recommended fixed price coverage targets, whereas MichCon’s
15 contingency calculations assume no fixed price purchases are made until after the
16 beginning of the third quarter. Staff’s contingency therefore reflects a much more
17 appropriate fixed price purchasing guideline than MichCon’s calculations.

18
19 **Staff’s Recommended Base GCR Factor of \$10.0106 per Mcf**

20 **Q. HOW DOES STAFF’S RECOMMENDED BASE GCR FACTOR COMPARE TO**
21 **THE ONE YOU RECOMMENDED IN YOUR DIRECT TESTIMONY?**

1 A. Staff's direct testimony recommends a base GCR factor of \$10.0106 per Mcf. This
2 amount is \$1.27 more than the base GCR factor of \$8.74 per Mcf that I recommended.

3 **Q. HAVE YOU BEEN ABLE TO DETERMINE THE REASONS FOR THE**
4 **DIFFERENCE?**

5 A. Yes. The principal difference is that Staff based its recommendation on the NYMEX
6 futures prices in mid-April, whereas I used the NYMEX futures prices in the first five
7 trading days of March. The NYMEX prices for April through December 2006 were
8 about 80¢ per Dth higher in mid-April than in the beginning of March, and the increase
9 in the NYMEX prices for 2007 was around \$1.20 per Dth. If I had used Staff's mid-
10 April NYMEX prices to calculate the base GCR factor in my Exhibit AG-2, the result
11 would have been \$9.85 per Mcf. This amount is only 16¢ per Mcf less than the
12 \$10.0106 per Mcf recommended by Staff.

13 A further 7¢ of the difference is due to Staff's omission of MichCon's over-recovery
14 from its calculations. Ms. Quilico notes at page 5 of her testimony that MichCon had an
15 over-recovery at March 31, 2006, and she correctly removes the \$0.6434 that MichCon
16 included in its filed factor to recoup the \$96 million under-recovery that the Company
17 projected in its original filing. But MichCon actually had an over-recovery of \$10
18 million at March 31, 2006, as indicated by the Company's 45-day report, and recognition
19 of that over-recovery would remove a further 7¢ per Mcf from Staff's recommended
20 base GCR factor.

1 The remaining difference of 9¢ per Mcf is due to the differences between MichCon's
2 contingency adjustment calculation procedure, which I used in my calculations, and
3 Staff's recommended contingency adjustment procedure.

4 **Q. NOW THAT YOU HAVE REVIEWED STAFF'S CONTINGENCY**
5 **ADJUSTMENT PROCEDURE, WHAT BASE GCR FACTOR DO YOU**
6 **RECOMMEND?**

7 A. In accord with my recommendation that Staff's multi-input contingency calculations are
8 more appropriate than MichCon's, I would use Staff's multi-input contingency
9 calculations to develop my recommended base GCR factor. When Staff's fractional
10 multipliers are applied to the NYMEX price differences between MichCon's original
11 filing and the March 2006 NYMEX prices that I used in my direct testimony, the result is
12 reduction of the base GCR factor by \$2.6353 per Mcf to reflect the NYMEX price
13 change. Exhibit AG-13 shows the way I calculated this reduction. It is 6¢ smaller than
14 the reduction of \$2.6987 that I calculated in Exhibit AG-2, using MichCon's contingency
15 adjustment procedure.

16 The base GCR factor should also be reduced by \$0.7116 per Mcf to reflect MichCon's
17 actual over-recovery instead of the Company's originally projected under-recovery, as I
18 explained in my direct testimony and showed in Exhibit AG-2. As shown in Exhibit
19 AG-13, the combination of these two reductions yields a base GCR factor of \$8.80 per
20 Mcf. This is the new base GCR factor that I now recommend.

1 If the Commission adopts Staff's recommended contingency procedure, the appropriate
2 "Plan NYMEX" prices to go with this recommended base GCR factor of \$8.80 per Mcf
3 are those based on the March 2006 NYMEX prices that I used to develop my
4 recommended base GCR factor of \$8.80 per Mcf. Those new "Plan NYMEX" prices are
5 shown in column (B) of Exhibit AG-13.

6
7 **Q. DOES THIS CONCLUDE YOUR PREPARED REBUTTAL TESTIMONY?**

8 A. Yes, it does.

Michigan Consolidated Gas Company

Comparison of Staff's and Company's Development of Multi-Input Contingent GCR Factor Adjustments

Comparison of Staff's and Company's Development of Multi-Input Contingent GCR Factor Adjustments												Effect of NYMEX Increase of 10¢/Dth in All Months (L)
		MichCon's Fractional Multiplier (A)	MichCon's Weight (%) or Fractional Multiplier for GCR Factor Change									
			JFM-06 (B)	AD-06 (C)	JulyD-06 (D)	OND-06 (E)	JFM-07 (F)	AD-07 (G)	LIFO-06 (H)	Flowing (J)		LIFO-07 (K)
10	First Quarter											
11	MichCon, per tariff	1.200	-2%	58%			27%	17%				\$0.12
12	Four-input format		-0.024	0.696			0.324	0.204				
13	Staff, per tariff								-0.175	1.061	0.230	\$0.112
14	Four-input format		-0.044	0.665			0.323	0.173				
15	KQ			3/4			1/4					
20	Second Quarter											
21	MichCon, per tariff	1.200	-1%	-9%	58%		32%	20%				\$0.12
22	Five-input format		-0.012	-0.108	0.696		0.384	0.240				
23	Staff, per tariff								-0.055	0.722	0.242	\$0.091
24	Five-input format		-0.014	-0.041	0.481		0.301	0.182				
25	KQ			n/a	2/3		1/3					
30	Third Quarter											
31	MichCon, per tariff	1.000	2%	6%		33%	37%	22%				\$0.10
32	Five-input format		0.020	0.060		0.330	0.370	0.220				
33	Staff, per tariff								0.021	0.324	0.255	\$0.060
34	Five-input format		0.005	0.016		0.162	0.226	0.191				
35	KQ			n/a		1/2	1/2					
40	Fourth Quarter											
41	MichCon, per tariff	0.600					64%	36%				\$0.06
42	Two-input format						0.384	0.216				
43	Staff, per tariff									0.281	0.387	\$0.067
44	Two-input format						0.378	0.290				
45	KQ						1					
50	Formula for expanded form		=0.25	=0.25	=KQ	=KQ	=KQ	=0.75				
51	of Staff's contingency		*LIFO-06	*LIFO-06	*Flowing	*Flowing	*Flowing	*LIFO-07				
52				+KQ			+0.25					
53				*Flowing			*LIFO-07					

Michigan Consolidated Gas Company

Calculation of Base GCR Factor Using Staff's Multi-Input Method
With March 2006 NYMEX Prices, As Recommended by Attorney General's Witness

	Plan NYMEX ~~~~~ (A)	NYMEX in March 2006 ~~~~~ (B)	NYMEX Change ~~~~~ (C)	Staff's Fractional Multiplier (for first quarter contingent factor) ~~~~~ (D)	Incremental Change to GCR Factor ~~~~~ (E)
January 2006	\$13.561	\$11.430			
February	\$13.641	\$8.400			
March	\$13.504	\$7.112			
April	\$10.934	\$6.702			
May	\$10.692	\$6.910			
June	\$10.724	\$7.102			
July	\$10.764	\$7.290			
August	\$10.807	\$7.431			
September	\$10.789	\$7.531			
October	\$10.843	\$7.649			
November	\$11.300	\$8.743			
December	\$11.761	\$9.750			
January 2007	\$12.144	\$10.437			
February	\$12.072	\$10.442			
March	\$11.769	\$10.247			
April	\$9.486	\$8.545			
May	\$9.249	\$8.365			
June	\$9.291	\$8.425			
July	\$9.335	\$8.500			
August	\$9.380	\$8.570			
September	\$9.379	\$8.596			
October	\$9.430	\$8.667			
November	\$9.925	\$9.301			
December	\$10.407	\$9.884			

<u>Averages</u>	<u>Adjustment to Base GCR Factor</u>				
CY 2006	\$11.610	\$8.004	(\$3.606)	(0.175)	\$0.6310
GCR annual	\$11.217	\$8.353	(\$2.864)	1.061	(\$3.0384)
CY 2007	\$10.156	\$9.165	(\$0.991)	0.230	(\$0.2279)
Total adjustment to base GCR factor for NYMEX price changes					(\$2.6353)
Adjustment for actual over-recovery position at March 31, 2006					(\$0.7116)
Total adjustment to base GCR factor					(\$3.3469)
MichCon's filed base GCR factor					\$12.1500
Recommended base GCR factor					\$8.8031

Exhibit AG-2