STATE OF MICHIGAN

MICHIGAN OFFICE OF ADMINISTRATIVE HEARINGS AND RULES

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of **Consumers Energy Company** for reconciliation of gas cost recovery plan (Case No. U-18151) for the 12-month period ended March 31, 2018.	)	Case No. U-20075

NOTICE OF PROPOSAL FOR DECISION

The attached Proposal for Decision is being issued and served on all parties of record in the above matter on July 22, 2019.

Exceptions, if any, must be filed with the Michigan Public Service Commission, 7109 West Saginaw, Lansing, Michigan 48917, and served on all other parties of record on or before August 12, 2019, or within such further period as may be authorized for filing exceptions. If exceptions are filed, replies thereto may be filed on or before August 26, 2019.

At the expiration of the period for filing exceptions, an Order of the Commission will be issued in conformity with the attached Proposal for Decision and will become effective unless exceptions are filed seasonably or unless the Proposal for Decision is reviewed by action of the Commission. To be seasonably filed, exceptions must reach the Commission on or before the date they are due.

MICHIGAN OFFICE OF ADMINISTRATIVE HEARINGS AND RULES
For the Michigan Public Service Commission

Kandra K. Robbins

Digitally signed by: Kandra K. Robbins
DN: CN = Kandra K. Robbins email = robbinsk1@michigan.gov C = US O = MOAHR OU = MOAHR - PSC
Date: 2019.07.22 15:16:35 -04'00'

Kandra K. Robbins
Administrative Law Judge

July 22, 2019
Lansing, Michigan

STATE OF MICHIGAN

MICHIGAN OFFICE OF ADMINISTRATIVE HEARINGS AND RULES

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of	)	
Consumers Energy Company for	)	
reconciliation of gas cost recovery plan	)	Case No. U-20075
(Case No. U-18151) for the 12-month	)	
period ended March 31, 2018.	)	

PROPOSAL FOR DECISION

I.

PROCEDURAL HISTORY

On June 29, 2018, Consumers Energy Company, (also referred to as CECo or the Company) filed an application requesting initiation of a gas cost recovery (GCR) reconciliation proceeding and approval of its reconciliation determinations relative to the 12-month period from April 2017 through March 2018. In its filing, CECo asked the Commission to approve a cumulative over-recovery of $1,479,277 including interest through the end of the GCR year, to be refunded using the roll-in method described in the Company's tariff, Rule C7.2. The calculated amount reflected an over-recovery for the GCR period of $1,028,328 plus accrued interest owed by Consumers Energy to customers for the GCR period of $450,948.

On September 11, 2018, a pre-hearing conference was held before Administrative Law Judge Suzanne D. Sonneborn. Counsel appeared on behalf of CECo, the Michigan Public Service Commission staff (Staff); and the Attorney General for the State of Michigan

(Attorney General). At the pre-hearing conference, intervenor status was granted to the Attorney General and a schedule was adopted for this contested case.

On March 14, 2019, this matter was transferred to Administrative Law Judge Kandra Robbins. An evidentiary hearing was conducted on May 9, 2019. On June 6, 2019, briefs were filed by the parties. Reply briefs were filed on June 27, 2018 by CECo and Attorney General. Staff filed a letter advising that they would not be filing reply briefs. The record is found in two transcript volumes totaling 142 pages consisting of testimony of 6 witnesses and 37 exhibits.

II.

OVERVIEW OF THE RECORD

Below is an overview of the testimony of the witnesses and arguments of the parties.

A. Consumers Energy Company

Mr. Coker presented testimony addressing CECo's proposed refund plan for amounts over-recovered for the April 2017 through March 2018 GCR Plan year. Mr. Coker stated that the Company closely monitors its GCR costs and sales and adjusts the monthly Actual GCR Factor with the goal of eliminating either over- or under- recoveries for the Plan year. He stated that the GCR factor is determined each month based on the Company's forecasts of sales and gas costs. Each month forecasted sales and forecasted gas costs for the preceding month are replaced with actual revenues and costs. The cost-of-gas forecast for the remainder of the year is then updated.[1] His testimony was bound

[1] 2 Tr. p. 19

into the record without cross-examination. Mr. Coker sponsored one specific exhibit, Exhibit A-1. This exhibit shows the actual GCR Factor billed for each month during Plan year.

Ms. Amy Pittelkow, Principal Accounting Analyst for the Gas Fuel and Reconciliation Accounting Section of the General Accounting Department, testified concerning the overall accounting for Consumers Energy's 2017 to 2018 GCR year, and the amount of the over-recovery resulting from the operation of the Company's GCR Clause during that period, and identified the net amount included in the Company's liability account applicable to this proceeding. Ms. Pittelkow testified that the result of the reconciling of GCR costs with the GCR revenue and the refundable amounts for the GCR year is a total over-recovery of $1,028,328 out of a total GCR cost of gas sold of $568,248,659 or approximately 0.2%.[2] She explained the calculation of the GCR cost of gas, including the treatment of gas volumes injected into and withdrawn from storage and lost-and-unaccounted-for gas. She also explained the calculation of GCR revenues. Ms. Pittelkow sponsored three of the admitted exhibits.

Ms. Pittelkow sponsored Exhibit A-2, which is the Gas Cost Recovery Clause Reconciliation Report for the 12-month period ended March 31, 2018. She testified that the company's net over-recovery in Exhibit A-2 includes the 2016-2017 cumulative over-recovery of $2,350,716.[3]

---

[2] 2 Tr. p. 27
[3] 2 Tr. p. 30

She sponsored Exhibit A-3, which is the GCR Interest Calculation. It shows the $450,948 calculation of interest through March 31, 2018.[4] Ms. Pittelkow sponsored Exhibit A-4, which is the Summary of Principal Amount and Interest. Her testimony was bound into the record without cross-examination.

Mr. James P. Pnacek, Jr is a Senior Engineer in the gas operations and system planning section of Gas Management Services in the Energy Supply Department for Consumers Energy. Mr. Pnacek provided testimony concerning certain operational decisions made during the 2017-2018 GCR Plan year.

He provided testimony describing the summer operations, including the summer injection target, summer GCR purchases and summer purchase recommendations. Mr. Pnacek testified that updated summer plans are developed in late March to early May and then updated monthly through the fall.[5]

He provided testimony in regard to winter operations and planning involving peak day process, winter design load requirements, winter operating plans, and plan updates. He testified that an updated winter plan is developed in late August to early November. A normal winter plan, a design cold winter plan, and a design warm winter plan are developed at that time.[6] A normal winter plan is developed, using the sequential 4% probability weather technique and peak day designs, to determine a supply and storage dispatch strategy that covers a wide range of cold weather possibilities. The 4% probability

[4] 2 Tr. p. 33
[5] 2 Tr. p. 41
[6] 2 Tr. p. 41

method has been used by the Company for GCR planning purposes since the 2002-2003 winter.[7]

Mr. Pnacek testified that the Company makes monthly GCR purchase adjustments to account for factors such as normal sales deviations, revised corporate sales forecasts, revised GCR forecasts, and other factors that may affect GCR purchase capacity in a given month. This included planned, unplanned or extended facility outages, annual storage field pressure surveys, and revised third-party customer forecasts.[8]

Finally, he presented testimony regarding winter weather overview, comparison of the filed normal GCR plan to the normal winter operating plan, comparison of the filed normal GCR plan to booked actuals, storage field utilization, winter storage assessment, March purchase decision, and March storage assessment. He testified that the Company's decisions and actions resulted in safe and reliable supply for all customers. They were appropriate and reasonable for the actual weather conditions experienced. The Company's operational storage and purchase decisions were reasonable and prudent and in the best interests of its customers.[9]

Mr. Pnacek sponsored thirteen of the admitted exhibits. His testimony was bound into the record without cross-examination.

Mr. Michael H. Ross is the Director of Gas Supply within Gas Management Services. He is a Certified Management Accountant. Mr. Ross provided direct testimony to demonstrate that Consumers Energy's 2017-2018 Gas Cost Recovery expenditures were reasonable and prudent and consistent with the GCR Plan filed by the Company. He

[7] 2 Tr. p. 42
[8] 2 Tr. p. 53

addressed the GCR purchase requirements, gas purchases, asset management agreements and buy/sell revenue, capacity release, and transportation. Mr. Ross testified purchases were made using current or expected market factors to purchase supply consistent with the MPSC-approved gas purchasing guidelines, and resulted in reliable supplies at both reasonable and prudent costs at the time the purchases were made.

Mr. Ross testified that the Company's purchase requirements for April through October 2017 were 11 Bcf below Plan levels, and the November 2017 through March 2018 purchase requirements were 13.9 Bcf above normal weather Plan levels. The Company's winter plan was instrumental in allowing CECo to deliver natural gas to its customers safely, reliably, and at a reasonable and prudent price.[10]

Consistent with recent GCR Plan filings, the Company's purchasing strategy relied on limited amounts of fixed price purchases, and greater amounts of index priced purchases as testified by Mr. Ross. Lower fixed price purchases allowed greater access to declining prices if that trend continued, while taking advantage of prices that, compared to history, were favorable. Mr. Ross testified that the purchasing strategy provided a reasonable balance of helping to mitigate price volatility and price risk while helping to reduce the cost of gas if prices declined.[11]

Mr. Ross stated that the Company's GCR Plan took into consideration, among other things: (i) changes in supply and demand forecasts for natural gas; (ii) current and projected gas prices; (iii) the historic volatility of natural gas prices; and (iv) the goal of

---

[9] 2 Tr. p. 85
[10] 2 Tr. p. 91
[11] 2 Tr p. 91

securing reliable natural gas supply for customers that reduces exposure to price risk and price volatility.[12]

Mr. Ross sponsored eight of the admitted exhibits in his direct testimony and two exhibits in his rebuttal testimony, including GCR Plan Purchases, Gas Purchasing Strategy Guidelines, Quartile Fixed Price Triggers Guideline Analysis, Quartile Fixed Price Trigger Requirements and Purchases, GCR Purchases, AMA and Buy/Sell Revenue, Capacity Utilization, Summary of Firm and Interruptible Transportation Contracts, a Discovery Response, and Gas City Multi-month Purchases vs. REX/Putnam Monthly Purchases. His testimony was bound into the record without cross-examination.

B. <u>Attorney General</u>

The Attorney General presented the testimony of Sebastian Coppola, an independent energy business consultant. His testimony focused on the Company's intra-month gas purchases and the use of Multi-Month Fixed Gas Price Basis. He recommended that the Commission disallow $223,567 of gas costs for unexplained and unsupported intra-month gas purchases during May 2017 and $50,435 of gas costs for multi-month gas prices basis contracts entered in to in 2014 and 2016.

Regarding the intra-month purchases, Mr. Coppola testified that intra-month gas purchases are unusual and often associated with gas supply emergencies such as an interruption in gas deliveries from pipeline suppliers or unusually colder-than-normal weather. He testified May also is typically a storage injection month and any incremental gas demand could have been met by redirecting to the market area some of the gas supply

[12] 2 Tr. p. 91-92

normally scheduled for storage injections. He testified that the Company purchased 21,275,883 Dth of gas supply for May 2017. Of that total volume 6,610,000 DTH or 31% were intra-month purchases. He testified that as a result the Company incurred incremental gas costs of $223,567.[13]

Regarding the use of fixed-basis price purchases, Mr. Coppola testified that the Company entered into multi-month fixed-basis contracts for future years. The fixed-basis transactions locked in a component of the total future gas prices. The fixed-basis transactions locked in the basis differential in 2014 and 2016 for future years. Although such a price hedging program is permissible, the Company did not propose or discuses such a hedging program in the GCR Plan.[14]

Mr. Coppola sponsored four pre-filed exhibits including the cost of intra-month gas purchases, cost of 2016 Fixed-Basis gas purchases, cost savings of 2014 Fixed-Basis gas purchases, and Fixed-Basis quoted priced bids 2014-2016. In addition, as stipulated by the parties, six discovery responses were admitted as exhibits. His testimony was bound into the record without cross-examination.

C. <u>Staff</u>

Diane M. Martin, an auditor in the Act 304 Reconciliations section of the Energy Operations Division, testified on behalf of Staff. Ms. Martin testified that Staff reviewed the Company's filing for mathematical accuracy and performed analytical tests for reasonableness. She explained that purchase and transportation invoices were reviewed for accuracy, revenues and expenses related to the GCR were compared to the

[13] 2 Tr. p. 129
[14] 2 Tr. p. 133

Company's general ledger accounts, and that no discrepancies were found. Staff's audit confirms the Company's total principal and interest of $1,479,276 shown on Exhibit A-4, line 1 which is comprised of a cumulative over recovery of $1,028,328 calculated on Exhibit A-2 , line 40, and $450,948 of interest expense owed by the Company to its customers as shown on Exhibit A-3, line 12. Staff recommended that the Commission adopt the Company's $1,479,276 over-recovery, and order this amount to be rolled into the beginning balance for Consumers Energy's 2018-2019 GCR reconciliation.[15]

Ms. Martin's testimony was bound into the record without cross-examination.

D. <u>Rebuttal</u>

Mr. Ross presented testimony to rebut witness Sebastian Coppola's conclusions and recommendations for disallowances related to intra-month and multi-month gas purchases. Mr. Ross testified that contrary to Mr. Coppola's testimony, the intra-month transactions noted by Mr. Coppola were made to utilize storage injection capacity as it became available to ensure planned storage inventory targets would be achieved prior to the start of winter. The Company utilized day-ahead spot gas purchases at least as far back as 2011.[16] Spot gas purchases are typically utilized to leverage the flexibility lacking in term deals, when such flexibility is operationally necessary or beneficial such as in managing supply receipts or maximizing injection capacity to achieve storage inventory targets. Mr. Ross testified that day-ahead purchase reflects the cost of gas for next day

[15] 2 Tr. p. 118
[16] 2 Tr. p. 103

flow. No different supply-demand market fundamentals exist for next-day gas than exist for next month gas outside the different flow periods.[17]

Mr. Ross testified that the intra-month day-ahead spot gas purchases were done to maximize storage injection capacity only available during the second half of May. Due to the 2017 summer system maintenance and inspection outage levels, it was decided in May that utilization of this capacity would be necessary to meet the October 2017 storage inventory target as approved in the Company's GCR Plan filing. The Company's GCR Plan includes procurement of approximately 75% of all purchased supply within the summer months. The procurement and storage injection of these large gas volumes requires coordination with various system constraints including storage field survey and pipeline maintenance outages to utilize system capacity when available to ensure GCR Plan storage targets can be achieved prior to the start of winter.[18]

III.

DISCUSSION

CECo requests that the Commission find that the Company's gas purchases for the April 2017-March 2018 GCR year were consistent with its approved GCR Plan and that the decisions made, and costs incurred were reasonable and prudent. CECo requests that the Commission approve the reconciliation of revenues and amounts expenses as set forth in the Company's filing and CECo's proposal to refund its $1,479,276 net over-recovery to customers using the roll-in methodology contained in the Company's gas tariffs.

[17] 2 Tr. p. 104
[18] 2 Tr. p. 104

Staff recommended the Commission adopt the Company's $1,479,276 over-recovery. Additionally, Staff recommended that this amount be rolled into the beginning balance for Consumers Energy's 2018-2019 GCR reconciliation.

The Attorney General contends that the Commission should disallow $223,567 for the intra-month purchases made during the reconciliation period as not supported in the record. The Attorney General also contends that the Commission should disallow $50,435 pertaining to the fixed basis gas purchases and that the Company should be required to include any plans to potentially use fixed basis gas purchases or other hedging strategies in future GCR plans because of their potential to lock customers into gas prices years in advance. The two adjustments recommended by the Attorney General are discussed in Sections A and B below.

A. <u>Intra-Month Purchases</u>

The Attorney General recommends that the Commission disallow $223,567 for the intra-month purchases made during the reconciliation period in this case because they are not supported in the record. AG Initial Brief, p 5.

Mr. Coppola testified that CECo made intra-month gas purchases of 6,610,000 Dekatherm (Dth) during the month of May 2017 as disclosed during discovery.[19] Mr. Coppola contends that intra-month purchases are unusual and often associated with gas supply emergencies. Such purchases are usually made because gas demand cannot be fully supplied from scheduled gas purchases and from gas withdrawn from storage. He testified that the cost of intra-month gas purchases is typically higher than normally

[19] 2 Tr. p. 127

scheduled purchases due to the sudden need and unusual circumstances. Mr. Coppola testified that May is typically a storage injection month. Mr. Coppola testified that the Company made no mention in its filed direct testimony that it had made intra-month gas purchases and did not explain the reasons for any such purchases.[20]

Mr. Coppola testified that the Company made purchases for May on April 20 and 24, 2017 at total price of $3.10 per Dth. For the intra-month gas purchases for May, he testified that the Company paid on average between $3.13 and $3.14 Dth. He contends that the Company incurred additional gas costs of $223,567 based on this price difference.[21] The heating degree days provided by the Company show that for the month of May the Company experienced only approximately 7% colder-than-normal weather.[22]

CECo argues that the May intra-month day-ahead spot purchases were market based, executed to leverage storage assets and historically lower priced summer supplies, satisfied operational requirements and obligations to serve, and were executed at prudent and reasonable prices. CECo Initial Brief, p 13.

In rebuttal, Company witness, Mr. Ross testified that the intra-month gas purchases were made to utilize storage injection capacity as it became available to ensure planned storage inventory targets would be achieved prior to the start of winter.[23]

He testified that the May 2017 intra-month day ahead spot gas purchases were made to maximize injection capacity only available during the second half of May. Due to the 2017 summer system maintenance and inspection outage levels, it was decided in

---

[20] 2 Tr. p. 128
[21] 2 Tr. p. 129
[22] 2 Tr. p. 128
[23] 2 Tr. p. 103

May that utilization of this capacity would be necessary to meet the October 2017 storage inventory target as approved in the Company's GCR Plan filing. The Company's GCR Plan includes procurement of approximately 75% of all purchases supply within the summer months. Mr. Ross testified that the procurement and storage injection of these large gas volumes require coordination with various system constraints including storage field surveys and pipeline maintenance outages to meet storage targets prior to the start of winter.[24]

Mr. Ross testified that on page 5 of his direct testimony in Case No. U-18151, the Company's GCR Plan proceeding for the 2016-2017 GCR year, he summarized the Company's gas procurement strategy:

> "The Gas Supply Plan consists of a portfolio of supply containing primarily market priced natural gas contracts with provisions for fixed-price contracts should conditions warrant. In addition, the Plan provides for utilization of firm interstate pipeline transportation and firm citygate purchases. The Company will purchase its supply and employ its extensive underground natural gas storage assets to manage variances in customer demand and to take advantage of historically lower priced summer supplies. The Plan is subject to adjustments before and during the GCR period as a result of actual storage inventory levels, changes in weather and associated forecasts, changes in requirements, pipeline integrity compliance, and operations".

Further, he cited Consumers Energy's Gas Purchasing Strategy Guidelines from Case No. U-18151, Exhibit A-25 (MHR-1), which provides:

> "Consumers Energy's Gas Supply Department is responsible for securing adequate gas supplies to meet the needs of the Company's customers. It is responsible for securing needed supplies in a manner that satisfies operational and obligation-to-serve requirements at prudent and reasonable prices."

[24] 2 Tr. p. 104

Mr. Ross testified that the transactions were well within the Gas Procurement Guidelines laid out in the Company's GCR plan filing. The transactions were market based, executed to leverage storage assets and historically lower priced summer supplies, satisfied operational requirements and obligations to serve, and were executed at prudent and reasonable prices (GDD index). The purchases were not unusual in nature, were not by design fundamentally more costly, addressed a common operational requirement and were not made to meet unplanned customer demand as speculated by Mr. Coppola.[25]

He also disputed that the purchases were unusual stating that the Company has utilized day-ahead spot gas purchases at least as far back as 2011. He asserted that spot gas purchases are typically utilized to leverage the flexibility lacking in term deals, when such flexibility is operationally necessary or beneficial such as in managing supply receipts or maximizing injection capacity to achieve storage inventory targets.[26]

Mr. Pnacek testified that the Company made appropriate purchase and operating adjustments throughout the summer to ensure the proper progression towards the end of October inventory target as set forth in the GCR plan. He testified that about 1051 total pipeline outage days were actually experienced during the injection season. The Company was required to plan around 32 major pipeline outages related to the federally mandated Pipeline Integrity program. For the summer injection period, GCR purchases averaged 21.4 Bcf per month for April through August and 13.9 Bcf per month for

---

[25] 2 Tr. p. 106
[26] 2 Tr. p. 104

September and October. The primary objective of these purchases was to achieve the end of October inventory target.[27]

Mr. Ross testified that due to the reasons discussed above, including the alignment with the previously filed GCR Plan and the fact the Company had explained the substance behind similar transactions in prior GCR Reconciliation cases, the Company did not separately address these purchases in either the GCR Plan or Reconciliation. In his view, these transactions were reasonable and prudent expenditures, executed within the approved GCR Plan guidelines, to fulfill the ending injection inventory target set within the approved GCR Plan and were made to ensure the Company would meet its customer service obligations.[28]

In her brief, the Attorney General contends that Mr. Ross's explanations fail because the plan did not present or discuss intra-month transactions and it is the Company's responsibility to present in the reconciliation how actual purchases varied from the plan. AG Initial brief p. 3.

The testimony of Mr. Pnacek, the rebuttal testimony of Mr. Ross, as well as a review of the exhibits and the GCR Plan as approved in U-18151 indicate that the Company's Gas Procurement Guidelines were complied with. As a result, I find that the intra-month gas purchases were reasonable and prudent expenditures, executed within the approved GCR Plan guidelines, to fulfill the ending injection inventory target set within the approved GCR Plan, and were made to ensure the Company would meet its customer

[27] 2 Tr. p. 56
[28] 2 Tr. p. 106

service obligations. The Attorney General's request to disallow the proposed $223,567 costs associated with the purchases is rejected.

B. <u>Multi-Month Gas Price Basis Contracts</u>

The Attorney General requests that the Commission disallow $50,435 associated with multi-month gas price fixed purchases because they were not reasonable and prudent. Relying on Mr. Coppola's testimony as discussed above, the Attorney General objects to the multi-month fixed-basis-price contracts for future years the Company entered into in 2014 and 2016. The Attorney General argues that CECo did not propose or discuss such a hedging program in its GCR plan case, Case No. U-18151 contending the guidelines and testimony in that case refer solely to fixed price purchases under the Quartile Method. AG Initial Brief p. 5-6.

CECo disputes a disallowance is warranted citing Mr. Ross's rebuttal testimony reviewed above. CECO contends the Company disclosed these transactions in Exhibit A-28 of the plan case, and provided the Attorney General further information about these transactions in discovery Exhibit A-26. See 2 Tr 107 and Ex. A-26. It argues these market-based transactions were executed to provide summer delivery to leverage the Company's storage assets and historically lower priced summer supplies, satisfied operational requirements and obligations to serve by ensuring supply at a new receipt point, and were entered into at prudent and reasonable prices. CECO Initial Brief p. 14-1, citing 2 Tr. 108.

The basis differential is the component of the total gas price paid for gas supply to be delivered to a pre-determined location. It usually represents the discount or premium paid by the buyer of the gas in relation to an index price, such as the NYMEX closing price, determined at a later date.[29] Mr. Coppola testified that the Company revealed that from July 23, 2014 to September 25, 2014 and from May 2, 2016 to July 12, 2016, it entered into contracts with counterparties to purchase gas supply at a fixed basis differential for gas to be delivered between April 1, 2017 and October 31, 2017.[30]

Mr. Coppola testified that it appears that the Company entered into these contracts as part of a price hedging strategy to lock-in a component of the total future gas price. Although such a price hedging program is permissible, the Company did not propose or discuss such a hedging program in the GCR Plan Case No. U-18151.[31]

Mr. Coppola testified that he aggregated the fixed-basis gas purchases pertaining to the 2016 contracts for gas delivered during the months of April to October 2017. He compared the total price paid for the fixed-basis gas purchases to the total price that the Company paid for other purchases for each month to determine whether the fixed-basis purchases increased or decreased the cost of gas for the GCR year. Overall for 2016, he calculated the total incremental cost was $1,189,535. However, he calculated that the fixed-basis contracts for 2014 proved to be beneficial. The total price comparisons between fixed-basis purchases and other purchases made shows that these fixed-basis purchases decreased the cost of gas by $1,139,100. However, on a net basis the 2014 and 2016 fixed-basis gas purchases increased the cost of gas for the 2017-2018 GCR year by $50,435.[32]

---

[29] 2 Tr. p. 130
[30] 2 Tr. p. 130
[31] 2 Tr. p. 131
[32] 2 Tr. p. 133

Mr. Ross testified: “the Company’s GCR Plan purposefully avoids an overly prescriptive approach in terms of detailing at the transactional level the tactics by which market purchases will be made. It does outline in detail the specifics related to fixed price purchases, as these represent a deviation from the market-based approach. A detailed transactional plan would relegate the purchasing function to a mechanical exercise lacking flexibility to react to changing market or operational conditions assuming such a detailed GCR Plan could be executed as forecast”.[33]

Regarding the calculations underlying Mr. Coppola’s recommended disallowance, Mr. Ross testified that Mr. Coppola ignored the multi-month deals executed in January 2015 at the Gas City receipt point. If included, he asserted, Mr. Coppola’s methodology for calculating the proposed disallowance would instead show net customer savings.[34] CECo uses a balanced approach to procurement. CECo uses a multitude of transactions in securing the annual gas supply requirement. The transactions are made at different times, for different terms with different counterparties and using different market price mechanisms. The Company viewed these transactions as part of a balanced portfolio of supply that ensured historically favorable basis prices amid uncertain future market conditions.[35] These contracts only fixed the basis price. The majority of the price was still floating with the index.

[33] 2 Tr. p. 108
[34] 2 Tr. p. 111
[35] 2 Tr. p. 110

CECo has demonstrated by a preponderance of the evidence that the $50,435 pertaining to the multi-month purchases were consistent with the Company's approved GCR Plan filing and were reasonably and prudently incurred.

IV.

CONCLUSION

From the record as a whole, it appears that CECo's actual expenses for gas sold during the Plan year ending March 31, 2017 were incurred through reasonable and prudent actions not precluded by the Commission approved Plan.

CECo's requested calculated cumulative over-recovery of $1,479,277, including interest shall be adopted, with refunds using the approved roll-in treatment described in the Company's tariff, Rule C7.2. The calculated amount reflected an over-recovery for the GCR period of $1,028,328 plus accrued interest owed by Consumers Energy to customers for the GCR period of $450,948.

Any evidence and arguments not specifically addressed in this Proposal for Decision were deemed irrelevant to the findings and conclusions presented above.

MICHIGAN OFFICE OF ADMINISTRATIVE
HEARINGS AND RULES
For the Michigan Public Service Commission

Kandra K. Robbins

Digitally signed by: Kandra K. Robbins
DN: CN = Kandra K. Robbins email = robbinsk1@michigan.gov C = US O = MOAHR OU = MOAHR - PSC
Date: 2019.07.22 13:43:32 -04'00'

Kandra Robbins
Administrative Law Judge

July 22, 2019
Lansing, Michigan