

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)
WISCONSIN PUBLIC SERVICE CORPORATION)
for a power supply cost recovery reconciliation) Case No. U-12613-R
proceeding for the 12-month period ended)
December 31, 2001.)
_____)

At the August 20, 2002 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Laura Chappelle, Chairman
Hon. David A. Svanda, Commissioner
Hon. Robert B. Nelson, Commissioner

OPINION AND ORDER

On March 29, 2002, Wisconsin Public Service Corporation (WPS Corp) filed an application, with supporting testimony and exhibits, requesting approval of its power supply cost recovery (PSCR) reconciliation for the 12-month period ended December 31, 2001. WPS Corp also requested reconciliation of an amount underrefunded for the 2000 PSCR reconciliation period.

Pursuant to due notice, a prehearing conference was held on May 10, 2002 before Administrative Law Judge George Schankler. WPS Corp and the Commission Staff participated in the proceedings. Subsequently, a settlement agreement was jointly sponsored by the parties to resolve all issues in the case.

According to the terms of the settlement agreement, attached as Exhibit A, WPS Corp overrecovered \$236,058, including interest, during 2001. Interest on the overrecovered amount for

the period of January 2002 through the midpoint of the billing month of October 2002 totals \$25,229. The underrefunded amount for 2000 of \$5,205, including interest, brings the total to be refunded to \$266,492. WPS Corp will implement a credit of \$0.01034 per kilowatt-hour in the billing month of October 2002.

The Commission FINDS that:

- a. Jurisdiction is pursuant to 1909 PA 106, as amended, MCL 460.551 et seq.; 1919 PA 419, as amended, MCL 460.51 et seq.; 1939 PA 3, as amended, MCL 460.1 et seq.; 1982 PA 304, as amended, MCL 460.6h et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; and the Commission's Rules of Practice and Procedure, as amended, 1992 AACRS, R 460.17101 et seq.
- b. The settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

- A. The settlement agreement, attached as Exhibit A, is approved.
- B. Wisconsin Public Service Corporation is authorized to implement a credit of \$0.01034 per kilowatt-hour on bills issued for its October 2002 billings for all standard tariff metered sales subject to the power supply cost recovery clause so as to refund the total overrecovered amount of \$266,492.
- C. Wisconsin Public Service Corporation shall file, within 30 days, four sets of tariff sheets reflecting the approved credit.
- D. Rights to any portion of this refund shall not vest until a refund amount has been credited to a customer's bill. The company shall file a report regarding the refund in accordance with its refund procedures.

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

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ Laura Chappelle
Chairman

(S E A L)

/s/ David A. Svanda
Commissioner

/s/ Robert B. Nelson
Commissioner

By its action of August 20, 2002.

/s/ Dorothy Wideman
Its Executive Secretary

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| _____ |) | |

SETTLEMENT AGREEMENT

As provided in Section 78 of the Administrative Procedures Act of 1969 ("APA"), as amended MCL 24.278, and Rule 333 of the Rules of Practice and Procedure Before the Commission, 1992 AACS, R 460.17333, Wisconsin Public Service Corporation ("WPS Corp") and the Michigan Public Service Commission Staff ("Staff") have resolved through settlement discussions the contested issues regarding this proceeding.

1. On March 29, 2002, WPS Corp filed with the Michigan Public Service Commission ("Commission") an application, with supporting testimony and exhibit, seeking authority to reconcile its power supply costs with its power supply revenues for the 12-month period ending December 31, 2001. Based on calculations, WPS Corp determined that power supply revenues exceeded power supply costs and requested to refund a net overrecovery including an underrefund of the 2000 reconciliation overrecovery plus interest, by applying a credit to its Michigan electric retail customer billings.

2. On April 5, 2002, the Commission's Executive Secretary issued the Notice of Hearing. As directed by the Executive Secretary, WPS Corp mailed and published the Notice throughout its Michigan electric service area and submitted the requisite proofs at the prehearing conference held on May 10, 2002.

3. Administrative Law Judge ("ALJ") George Schankler. presided over the prehearing conference. WPS Corp and the Staff participated in the proceeding. There were no intervenors.

4. Following Staff's audit of WPS Corp's books and records, the parties agree as follows:

a. The expenditures charged by WPS Corp for the cost of power supply were reasonably and prudently incurred for the 12-month period ending December 31, 2001. The purchase practices followed by WPS Corp comport with the 2001 PSCR Plan as reviewed by the Commission in Case No. U-12613 and were reasonable and prudent.

b. WPS Corp sold 298,405,317 Kwh subject to a Michigan PSCR billing factor during the 12-month period ending December 31, 2001.

c. WPS Corp collected \$4,400,113 in PSCR revenues, and had \$4,183,924 of power supply costs during the 12-month period ending December 31, 2001.

d. The difference between amounts collected and costs is \$216,189 and represents an overrecovery. Interest booked on monthly overrecoveries during the 2001 PSCR period totals \$19,869, thereby resulting in a total net overrecovery of \$236,058.

e. WPS Corp will implement a credit to refund this net overrecovery in the month of October 2002. Interest calculated from January 2002 through the mid-point of the October 2002 billing month totals \$25,229.

f. The overrecovery will be increased by adding an underrefund of the 2000 reconciliation overrecovery previously approved by the Commission in Case No. U-12124-R. The underrefund amount totals \$5,205, including interest calculated through the mid-point of October 2002, bringing the total amount to be refunded to \$266,492.

g. WPS Corp shall implement a credit of \$0.01034 per Kwh on bills issued for the billing month of October 2002 for all standard tariff metered sales subject to the power supply cost recovery clause so as to refund the overrecovered amount of \$266,492.

h. An overrefunded or underrefunded amount shall be carried forward, with interest, as an addition or offset to WPS Corp's future refund requirements in Account 253. Interest will be calculated in accordance with MCL 460.6j (16).

5. It is the opinion of all signatories that this settlement agreement will result in the expeditious conclusion of this case.

6. This settlement agreement is intended for a final disposition of this proceeding. Each signatory agrees not to appeal, challenge or contest the Commission's order accepting and approving this settlement agreement without modification. If the Commission does not accept the settlement agreement without modification, the agreement shall be withdrawn and shall not constitute any part of the record in this proceeding or be used for any other purpose whatsoever.

7. The settlement agreement and all offers of settlement and discussions are privileged and shall not be used in any manner, nor be admissible, for any other purpose in connection with this proceeding or any other proceeding except so as to prove the contents herein.

8. All signatories agree to waive Section 81 of the APA, as amended MCL 24.281, as it applies to the issues in this proceeding.

WISCONSIN PUBLIC SERVICE CORPORATION

Dated: July 16, 2002

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One of Its Attorneys
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MICHIGAN PUBLIC SERVICE COMMISSION STAFF

Dated: 7/18/02

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