

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of )  
MICHIGAN CONSOLIDATED GAS COMPANY )  
for a reconciliation of its gas cost recovery revenues )  
and expenses for the 12-month period ended )  
December 31, 1997. )  
\_\_\_\_\_ )

Case No. U-11145-R

At the September 23, 1998 meeting of the Michigan Public Service Commission in Lansing,  
Michigan.

PRESENT: Hon. John G. Strand, Chairman  
Hon. John C. Shea, Commissioner  
Hon. David A. Svanda, Commissioner

**ORDER APPROVING SETTLEMENT AGREEMENT**

On February 27, 1998, Michigan Consolidated Gas Company (Mich Con) filed an application,  
with supporting testimony and exhibits, seeking reconciliation of its gas cost recovery (GCR)  
revenues and expenses for the 12-month period ended December 31, 1997.

Pursuant to due notice, a prehearing conference was held on April 8, 1998 before Administra-  
tive Law Judge Daniel E. Nickerson, Jr. Mich Con, the Commission Staff (Staff), Attorney General  
Frank J. Kelley, and the Residential Ratepayer Consortium participated in the proceedings.  
Subsequently, the parties submitted a settlement agreement resolving all issues in this case.

According to the terms of the settlement agreement, attached as Exhibit A, Mich Con experi-  
enced a net underrecovery of \$12,713,804, including interest, which was rolled into its 1998 GCR

plan. The settlement agreement further provides that Mich Con's refund notification tariff shall be modified effective January 1, 1999 to provide for notification to the Staff by January 15 of each year of pipeline or other supplier refunds received by Mich Con during the preceding calendar year. The settlement agreement goes on to state that Mich Con shall, for the first through third quarters of each year during the three year period of 1999 through 2001, provide the Staff and the parties to this case with quarterly net gas cost spread calculations prepared in the same manner and form as the annual net gas cost spread calculation approved by the Commission in its April 28, 1998 order in Case No. U-11682. Finally, the parties agree that in any future GCR reconciliation proceeding filed by Mich Con, its filing and supporting workpapers shall identify any affiliate transactions and include a demonstration that the prices and other terms and conditions of each affiliate transaction were reasonable and prudent as compared to the prices and other terms and conditions available from any non-affiliated entity for a similar transaction entered into at the same time.

The Staff certified that the settlement agreement is reasonable and in the public interest. Moreover, the parties waived the provisions of Section 81 of the Administrative Procedures Act of 1969, as amended, MCL 24.281; MSA 3.560(181).

The Commission FINDS that:

a. Jurisdiction is pursuant to 1909 PA 300, as amended, MCL 462.2 et seq.; MSA 22.21 et seq.; 1929 PA 9, as amended, MCL 483.101 et seq.; MSA 22.1311 et seq.; 1919 PA 419, as amended, MCL 460.51 et seq.; MSA 22.1 et seq.; 1939 PA 3, as amended, MCL 460.1 et seq.; MSA 22.13(1) et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; MSA 3.560(101) 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. Michigan Consolidated Gas Company shall amend its refund notification procedure, provide quarterly net gas cost spread calculations, and, in any future gas cost recovery reconciliation filing, identify and explain all affiliate transactions as provided for in the settlement agreement.

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; MSA 22.45.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ John G. Strand

Chairman

( S E A L )

/s/ John C. Shea

Commissioner

/s/ David A. Svanda

Commissioner

By its action of September 23, 1998.

/s/ Dorothy Wideman

Its Executive Secretary

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. Michigan Consolidated Gas Company shall amend its refund notification procedure, provide quarterly net gas cost spread calculations, and, in any future gas cost recovery reconciliation filing, identify and explain all affiliate transactions as provided for in the settlement agreement.

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; MSA 22.45.

MICHIGAN PUBLIC SERVICE COMMISSION

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Chairman

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Commissioner

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Commissioner

By its action of September 23, 1998.

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Its Executive Secretary

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Suggested Minute:

“Adopt and issue order dated September 23, 1998 approving the settlement agreement and requiring Michigan Consolidated Gas Company to amend its refund notification procedures, as set forth in the order.”