

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
MICHIGAN GAS UTILITIES for authority to)
implement a gas cost recovery plan and factors)
for the 12-month period ending December 31, 2000.)
_____)

Case No. U-12122

At the September 28, 2000 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. John G. Strand, Chairman
Hon. David A. Svanda, Commissioner
Hon. Robert B. Nelson, Commissioner

OPINION AND ORDER

On September 30, 1999, Michigan Gas Utilities (MGU) filed an application, with supporting testimony and exhibits, requesting authority to implement a gas cost recovery (GCR) plan and factors for the 12-month period ending December 31, 2000. Pursuant to due notice, a prehearing conference was held on November 9, 1999 before Administrative Law Judge George Schankler (ALJ). MGU, Attorney General Jennifer M. Granholm (Attorney General), the Residential Ratepayer Consortium (RRC), and the Commission Staff (Staff) participated in the proceedings. Pursuant to a settlement agreement submitted by the parties, the Commission issued an order on June 19, 2000 approving MGU's plan as filed and authorizing MGU to implement a maximum GCR factor of \$3.81 per thousand cubic feet (Mcf) for the balance of 2000.

On August 11, 2000, MGU filed a petition to reopen its GCR proceeding and to amend its maximum GCR factor, as provided for by MCL 460.6h(10); MSA 22.13(6h)(10).

According to the petition, recent and unanticipated increases in market prices for natural gas have placed MGU at risk to experience a GCR underrecovery by the end of the 2000 plan year that could exceed \$16.8 million because MGU's approved GCR plan calls for the purchase of natural gas at prices that are largely indexed to the gas prices on the spot market. The petition points out that the effect of a GCR underrecovery of that magnitude will be exacerbated by the statutory requirement that GCR customers pay interest on the amount of the underrecovery at MGU's short-term debt rate. The petition stresses that the potential underrecovery and the related interest burden may be minimized or entirely avoided if the Commission authorizes MGU to implement a revised GCR factor for the remainder of the plan year.

Pursuant to due notice, a second prehearing conference was held on September 27, 2000 before the ALJ. As before, MGU, the Attorney General, the RRC, and the Staff participated in the proceedings.

The parties have now entered into a second settlement agreement, attached as Exhibit A, in which they agree that MGU should be authorized to implement a revised uniform GCR factor of \$5.30 per Mcf for the balance of 2000. The parties also agree that MGU should include a copy of the notice that is attached to the second settlement agreement with the first billings implementing the revised GCR factor. MGU also agrees to conduct and file with its 2001 GCR plan case a comprehensive peak day design study.

The Commission FINDS that:

a. Jurisdiction is pursuant to 1909 PA 300, as amended, MCL 462.2 et seq.; MSA 22.21 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.; 1982 PA 304, as amended, MCL 460.6h et seq.; MSA 22.13(6h) 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 petition to reopen should be granted.

c. The second settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

A. Michigan Gas Utilities' petition to reopen is granted and the second settlement agreement, attached as Exhibit A, is approved.

B. Michigan Gas Utilities is authorized to charge a monthly gas cost recovery factor not to exceed \$5.30 per thousand cubic feet for the balance of 2000.

C. Michigan Gas Utilities shall file, within 30 days, tariff sheets incorporating the gas cost recovery factor approved in this order.

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/ David A. Svanda

Commissioner

/s/ Robert B. Nelson

Commissioner

By its action of September 28, 2000.

/s/ Dorothy Wideman

Its Executive Secretary

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MICHIGAN PUBLIC SERVICE COMMISSION

Chairman

Commissioner

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By its action of September 28, 2000.

Its Executive Secretary

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Suggested Minute:

“Adopt and issue order dated September 28, 2000 granting the petition to reopen, approving the second settlement agreement, and authorizing Michigan Gas Utilities to implement a revised gas cost recovery factor for the remainder of calendar year 2000, as set forth in the order.”