

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
PENINSULAR GAS COMPANY for approval)
of a gas cost recovery plan and factors for the)
12-month period ending December 31, 2000.)
_____)

Case No. U-12123

At the August 31, 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 27, 1999, Peninsular Gas Company (Peninsular) filed an application, 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 10, 1999 before Administrative Law Judge George Schankler (ALJ). Peninsular and the Commission Staff (Staff) participated in the proceedings. Pursuant to a settlement agreement submitted by the parties, the Commission issued an order on January 19, 2000 authorizing Peninsular to implement a uniform GCR factor of \$0.35669 per hundred cubic feet (ccf) for the 12-month period ending December 31, 2000.

On June 12, 2000, Peninsular filed a petition to reopen the record and to amend its maximum GCR factor, as provided for by MCL 460.6h(10); MSA 22.13(6h)(10).

Pursuant to due notice, a second prehearing conference was held on August 24, 2000 before the ALJ. Peninsular and Staff remained the only participants in the proceedings.

According to the petition to reopen, recent and unanticipated increases in market prices for natural gas have placed Peninsular at risk to experience a GCR underrecovery in the 2000 plan year that could total \$398,075 (without interest) because Peninsular's approved GCR plan calls for the purchase of gas at prices that are indexed to the gas prices reflected in the Inside F.E.R.C.'s Gas Market Report. The petition further noted that the effect of that underrecovery would be exacerbated by the statutory requirement that GCR customers pay interest on the underrecovery at Peninsular's short-term debt rate. The petition went on to state that the potential underrecovery and the related interest burden may be minimized or entirely avoided if the Commission authorizes Peninsular to implement a revised GCR factor for the remainder of the plan year.

Subsequent to the filing of the petition, the parties entered into a second settlement agreement, attached as Exhibit A, in which they agreed that Peninsular should be authorized to implement a revised GCR factor of \$0.53278 per ccf for the billing months of September through December 2000.

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. Peninsular Gas Company's June 12, 2000 petition to reopen is granted and the second settlement agreement, attached as Exhibit A, is approved.
- B. Peninsular Gas Company is authorized to charge a monthly gas cost recovery factor not to exceed \$0.53278 per hundred cubic feet for the billing months of September through December 2000.
- C. Peninsular Gas Company shall file, within 30 days, tariff sheets incorporating the revised 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 August 31, 2000.

/s/ Dorothy Wideman
Its Executive Secretary

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MICHIGAN PUBLIC SERVICE COMMISSION

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By its action of August 31, 2000.

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Suggested Minute:

“Adopt and issue order dated August 31, 2000 granting the petition to reopen and authorizing Peninsular Gas Company to implement a revised gas cost recovery factor for September through December 2000, as set forth in the order.”