

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of	)	
<b>NORTHERN STATES POWER COMPANY-</b>	)	
<b>WISCONSIN</b> for authority to implement a gas	)	Case No. U-12241
cost recovery plan and factors for the 12-month	)	
period ending March 31, 2001.	)	
_____	)	

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 December 28, 1999, Northern States Power Company-Wisconsin (NSP-W) 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 March 31, 2001. Pursuant to due notice, the prehearing conference was held on February 16, 2000 before Administrative Law Judge James N. Rigas (ALJ). NSP-W and the Commission Staff (Staff) participated in the proceedings. Pursuant to a settlement agreement submitted by the parties, the Commission issued an order on April 24, 2000 approving NSP-W's plan as filed and authorizing NSP-W to implement a maximum GCR factor of \$0.4015 per therm for the 12-month period ending March 31, 2001.

On July 31, 2000, NSP-W 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).

Pursuant to due notice, a second prehearing conference was held on September 27, 2000 before the ALJ. As before, NSP-W and the Staff participated in the proceeding.

According to the petition and updated estimates provided by NSP-W, recent and unanticipated increases in market prices for natural gas have placed NSP-W at risk to experience a GCR underrecovery by the end of its 2000-2001 GCR plan period that could exceed \$1.8 million because NSP-W's approved GCR plan calls for the purchase of natural gas at prices that are indexed to the gas prices reflected in the NYMEX. NSP-W also represents that the estimated underrecovery reflects revisions to projected demand costs and the finalization of NSP-W's prior GCR period's underrecovery. The petition indicates that the effect of the potential underrecovery on an average residential customer could be as much as \$90.00. Additionally, 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 NSP-W'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 NSP-W to implement a revised GCR factor for the remainder of the plan year.

The parties have now entered into a second settlement agreement, attached as Exhibit A, in which they agree that NSP-W should be authorized to implement a revised GCR factor of \$0.6420 per therm for the billing months of October 2000 through March 2001.

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 AACCS, 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. Northern States Power Company-Wisconsin's petition to reopen is granted and the second settlement agreement, attached as Exhibit A, is approved.

B. Northern States Power Company-Wisconsin is authorized to charge a monthly gas cost recovery factor not to exceed \$0.6420 per therm for the billing months of October 2000 through March 2001.

C. Northern States Power Company-Wisconsin 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

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Chairman

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Commissioner

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Commissioner

By its action of September 28, 2000.

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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 Northern States Power Company-Wisconsin to implement a revised gas cost recovery factor for the billing months of October 2000 through March 2001, as set forth in the order.”