

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of **WISCONSIN**)
PUBLIC SERVICE CORPORATION for)
reconciliation of the gas cost recovery)
revenues and expenses for the 12-month)
period ending March 31, 2001.)

Case No. U-12240-R

SETTLEMENT AGREEMENT

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

1. As directed by the Michigan Public Service Commission ("Commission") in its May 9, 1989 Order Approving Settlement Agreement (as amended by ERRATUM dated May 15, 1989), in Case No. U-9526, WPS Corp filed on June 27, 2001, an application, supporting testimony and exhibits seeking to reconcile, under provisions of 1982 PA 304 ("Act 304"), its gas revenues and costs for the 12-month period ended March 31, 2001, and to roll-in to its current GCR plan a net GCR underrecovery inclusive of a supplier credit, the roll-in of the net underrecovery from the prior GCR reconciliation, and interest.

2. On July 18, 2001, the Commission issued its Notice of Hearing directing WPS Corp to mail a copy of the Notice to all cities, incorporated villages, townships and counties in its Michigan gas service area. Further, the Commission directed WPS Corp to publish the substance of the Notice of Hearing in daily newspapers of general circulation throughout its Michigan gas service area.

3. Complying with the Notice of Hearing, WPS Corp submitted the requisite Affidavit of Mailing and Proof of Publication prior to the prehearing conference held before Administrative Law Judge George Schankler, on August 22, 2001. No persons sought to intervene.

4. The parties entered into settlement discussions and, as a result, the parties agree to the following:

- a. The Staff has reviewed WPS Corp's filings and does not dispute the reasonableness and prudence of WPS Corp's gas purchases.
- b. During the GCR period ended March 31, 2001, WPS Corp underrecovered a net total of \$1,230,465 from its Michigan gas customers which is inclusive of one credit received from ANR Pipeline Company and the roll-in of the net underrecovery from the previous GCR reconciliation in Case No. U-11876-R. Interest calculated in the amount of \$26,431 is also included in the net total. In accordance with its standard roll-in refund methodology approved in Case No. U-10491-R, WPS Corp proposes to roll-in the total underrecovered amount of \$1,230,465 into its current GCR plan.
- c. Starting April 2000, WPS Corp will account for "gross unbilled" sales in a given month at the following month's rate and "unbilled reversal" sales will be reversed at the current month's rate.

5. Proceedings in this gas cost reconciliation were conducted as a contested case as defined in Section 3(3) of the APA, MCL 24.203(3).

6. It is the opinion of all signatories that this settlement agreement will promote the public interest, will aid the expeditious conclusion of this case, and will

minimize the time and expense which would otherwise have to be devoted to this matter by the Commission and all of the parties.

7. This settlement agreement is intended for a final disposition of this proceeding, and the parties join in respectfully requesting that the Commission grant prompt approval. The Staff certifies that this settlement agreement is just, reasonable, and in the public interest. The parties agree 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.

8. The settlement agreement and order adopting same, and all offers of settlement and discussions are privileged and shall not be cited as precedent or used in any manner, nor be admissible, for any other purpose in connection with this proceeding or any other proceeding except to verify the contents of this settlement agreement.

9. 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: Oct 8, 2001

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