

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 a reconciliation of its gas	)	
cost revenue and expenses for the 12-month	)	Case No. U-12241-R
period ending March 31, 2001.	)	
_____	)	

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 AACRS, R 460.17333, Northern States Power Company - Wisconsin ("NSP-W") and the Michigan Public Service Commission Staff ("Staff") have resolved through settlement discussions 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-9297, NSP-W filed on June 28, 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 supplier refunds.

2. On July 13, 2001, the Commission issued its Notice of Hearing directing NSP-W 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 NSP-W 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 as modified by the August 9, 2001 Order for Adjournment, NSP-W submitted the requisite Affidavit of Mailing and Proof of Publication during the prehearing conference held before Administrative Law Judge Barbara Stump on August 13, 2001. No persons sought to intervene.

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

A. The Staff has reviewed NSP-W's filings and does not dispute the reasonableness and prudence of NSP-W's gas purchases.

B. During the GCR period ended March 31, 2001, NSP-W under-recovered a net total of \$532,428 from its Michigan gas customers which is inclusive of pipeline refunds and the roll-in of the net underrecovered balance from the previous GCR reconciliation. Interest calculated on this amount equals \$20,184 and when added to the GCR underrecovery results in a total GCR underrecovery of \$552,612. The parties agree to roll-in the total net underrecovered amount of \$552,612 into NSP-W's current GCR plan in accordance with its standard roll-in refund methodology approved in Case No. U-1049-R.

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 applied to the issues in this proceeding.

NORTHERN STATES POWER COMPANY -  
WISCONSIN

Dated: October 23, 2001

By: Sherr A. Wellman  
One of its Attorneys

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MICHIGAN PUBLIC SERVICE COMMISSION  
STAFF

Dated: 10/25, 2001

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