

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)
MICHIGAN CONSOLIDATED GAS COMPANY)
for a reconciliation of its gas cost recovery)
revenues and expenses for the 12-month period)
ended December 31, 1998.)
_____)

Case No. U-11455-R

At the September 7, 2001 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Laura Chappelle, Chairman
Hon. David A. Svanda, Commissioner
Hon. Robert B. Nelson, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On February 26, 1999, Michigan Consolidated Gas Company (Mich Con) filed an application seeking a reconciliation of its gas cost recovery (GCR) revenues and expenses for the 12-month period ended December 31, 1998. On July 6, 2000, the Commission issued an order authorizing that reconciliation. Among other things, the Commission ordered Mich Con to make an accounting adjustment related to the inter-period pricing of Mich Con's gas parking and loan activities. That adjustment resulted in a \$1.3 million refund liability payable to GCR customers. Mich Con refunded that amount to its GCR customers during August 2000.

On August 7, 2000, Mich Con filed a request for clarification of that portion of the Commission's order addressing the accounting adjustment. Mich Con's request noted that the adjustment had the unintended effect of repricing all exchange gas volumes, not just the exchange

gas volumes associated with gas parking and loan activities, and that Mich Con's refund liability should be reduced to reflect that fact. The Commission Staff responded to Mich Con's request by recommending that the Commission reopen the record in this case to give the parties an opportunity to verify the volumes in question. On October 6, 2000, the Commission issued an order granting reopening.

On February 28, 2001, Mich Con filed the testimony of its witness Jennifer C. Schmidt, in the reopened proceeding. Subsequently, the parties entered into a settlement agreement¹, attached as Exhibit A, in which they agree that a recalculation of Mich Con's refund liability for the 1998 GCR year to account for the inter-period pricing of parking and loan activities as ordered by the Commission results in an adjusted refund liability for the 1998 GCR year of \$978,024, or \$321,976 less than the \$1.3 million amount refunded by Mich Con to its GCR customers in August 2000.

The Commission FINDS that:

- a. Jurisdiction is pursuant to 1909 PA 300, as amended, MCL 462.2 et seq.; 1919 PA 419, as amended, MCL 460.51 et seq.; 1939 PA 3, as amended, MCL 460.1 et seq.; 1982 PA 304, as amended, MCL 460.6h et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; and the Commission's Rules of Practice and Procedure, as amended, 1992 AACS, R 460.17101 et seq.
- b. The settlement agreement is reasonable and in the public interest, and should be approved.

¹Although one party, the Association of Businesses Advocating Tariff Equity (ABATE), chose not to sign the settlement agreement, ABATE does not object to the settlement.

THEREFORE, IT IS ORDERED that:

A. The settlement agreement, attached as Exhibit A, is approved.

B. Michigan Consolidated Gas Company is authorized to include an adjustment of \$321,976, together with interest calculated at the utility's short-term borrowing rate from August 15, 2000, to the date of recovery, in the next refund or surcharge calculation submitted to the Commission.

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.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ Laura Chappelle
Chairman

(S E A L)

/s/ David A. Svanda
Commissioner

/s/ Robert B. Nelson
Commissioner

By its action of September 7, 2001.

/s/ Dorothy Wideman
Its Executive Secretary

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MICHIGAN PUBLIC SERVICE COMMISSION

Chairman

Commissioner

Commissioner

By its action of September 7, 2001.

Its Executive Secretary

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Suggested Minute:

“Adopt and issue order dated September 7, 2001 approving the settlement agreement and granting Michigan Consolidated Gas Company an adjustment in its refund liability for the 1998 gas cost recovery plan year, as set forth in the order.”