

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)
PENINSULAR GAS COMPANY for authority)
to implement a gas cost recovery plan and) Case No. U-12616
factors for calender year 2001.)
_____)

At the June 5, 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

OPINION AND ORDER

On September 29, 2000, Peninsular Gas Company (Peninsular) filed an application, with supporting testimony and exhibits, requesting approval of its gas cost recovery (GCR) plan and factors for the 12-month period ending December 31, 2001. Pursuant to due notice, a prehearing conference was held on November 2, 2000 before Administrative Law Judge George Schankler. Peninsular and the Commission Staff (Staff) participated in the proceedings. Based on a settlement agreement entered into by the parties, the Commission issued an order on December 4, 2000 authorizing Peninsular to implement a uniform GCR factor of \$0.58388 per hundred cubic feet (ccf) for calendar year 2001.

On April 10, 2001, Peninsular filed a petition to reopen the record and amend its maximum GCR factor, as allowed under MCL 460.6h(10); MSA 22.13(6h)(10).

Pursuant to due notice, a second prehearing conference was held on June 1, 2001 before Administrative Law Judge Barbara Stump. Peninsular and the 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 2001 plan year. 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 2001 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 \$0.75176 per ccf for the billing months of June through December 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 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 April 10, 2001 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 \$0.75176 per hundred cubic feet for the billing months of June through December 2001.

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 E A L)

/s/ Laura Chappelle
Chairman

By its action of June 5, 2001.

/s/ David A. Svanda
Commissioner

/s/ Dorothy Wideman
Its Executive Secretary

/s/ Robert B. Nelson
Commissioner

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 April 10, 2001 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 \$0.75176 per hundred cubic feet for the billing months of June through December 2001.

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

Chairman

By its action of June 5, 2001.

Commissioner

Its Executive Secretary

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Suggested Minute:

“Adopt and issue order dated June 5, 2001 granting Peninsular Gas Company’s petition to reopen, approving the second settlement agreement, and revising the maximum gas cost recovery factor to be charged for the billing months of June through December 2001, as set forth in the order.”