

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of )  
MICHIGAN GAS UTILITIES for authority to )  
implement a gas cost recovery plan and factors )  
for the 12-month period ending December 31, 2001. )  
\_\_\_\_\_ )

Case No. U-12617

At the April 17, 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, Michigan Gas Utilities (MGU) 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. MGU self-implemented its proposed GCR factor of \$5.95 per thousand cubic feet (Mcf) beginning in January 2001.

Pursuant to due notice, a prehearing conference was held on October 30, 2000 before Administrative Law Judge Daniel E. Nickerson, Jr. (ALJ). MGU, Attorney General Jennifer M. Granholm (Attorney General), the Residential Ratepayer Consortium (RRC), and the Commission Staff (Staff) participated in the proceedings.

On February 2, 2001, MGU filed a revised GCR plan and a motion for a temporary order approving a revised GCR factor, pursuant to MCL 460.6h(8); MSA 22.13(6h)(8). According to

the motion, recent and unanticipated increases in market prices for natural gas have placed MGU at risk to experience a GCR underrecovery by the end of the 2001 plan year that could exceed \$29.9 million because MGU's GCR plan calls for the purchase of gas at prices that are largely indexed to gas prices on the spot market. The motion 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 MGU's short-term debt rate. The motion stresses that the potential underrecovery and the related interest burden may be minimized or entirely avoided if the Commission authorizes MGU to implement a revised GCR factor for the remainder of the plan year.

On February 23, 2001, a second prehearing conference was held before the ALJ. As before, MGU, the Attorney General, the RRC, and the Staff participated.

Subsequently, the parties entered into a settlement agreement, attached as Exhibit A, in which they agree that MGU should be authorized to implement a revised uniform GCR factor of \$6.84 per Mcf for the balance of 2001.<sup>1</sup> The parties also agreed that MGU should include a copy of a notice, prepared in a manner consistent with notice given in its past GCR plan cases, with one of the billings implementing the revised GCR factor. All parties reserved the right to support or challenge the reasonableness and prudence of MGU's 2001 GCR plan, propose different GCR factors, or support or challenge any element of MGU's five-year forecast.

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<sup>1</sup>The Attorney General and the RRC submitted statements of non-objection to the settlement agreement.

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 settlement agreement is reasonable and in the public interest, and should be approved.
- c. MGU's request for a temporary order approving a revised GCR factor should be granted, pursuant to the terms of the settlement agreement.

THEREFORE, IT IS ORDERED that:

- A. The settlement agreement, attached as Exhibit A, is approved.
- B. Michigan Gas Utilities is authorized to charge a monthly gas cost recovery factor not to exceed \$6.84 per thousand cubic feet for the balance of 2001.
- C. Michigan Gas Utilities 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/ Laura Chappelle  
Chairman

( S E A L )

/s/ David A. Svanda  
Commissioner

/s/ Robert B. Nelson  
Commissioner

By its action of April 17, 2001.

/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 April 17, 2001.

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Its Executive Secretary

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Suggested Minute:

“Adopt and issue order dated April 17, 2001 approving the settlement agreement and authorizing Michigan Gas Utilities to implement a revised gas cost recovery factor for the remainder of calendar year 2001, as set forth in the order.”