

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
PENINSULAR GAS COMPANY for authority)
to implement a gas cost recovery plan and)
factors for calendar year 2002.)
_____)

Case No. U-13102

At the February 25, 2002 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 September 28, 2001, 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 2002.

Pursuant to due notice, a prehearing conference was held on November 6, 2001, before Administrative Law Judge George Schankler. Peninsular and the Commission Staff participated in the proceedings.

Subsequently, the parties submitted a settlement agreement resolving all issues in this case. According to the terms of the settlement agreement, attached as Exhibit A, the parties agree that Peninsular's 2002 GCR plan, as revised, is reasonable and prudent, and that Peninsular should be authorized to implement a uniform GCR factor of \$0.44489 per hundred cubic feet for each of the billing months of January through December 2002.

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 AACCS, R 460.17101 et seq.
- b. The settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

- A. The settlement agreement, attached as Exhibit A, is approved.
- B. Peninsular Gas Company is authorized to incorporate a uniform gas cost recovery factor of \$0.44489 per hundred cubic feet in its 2002 monthly billings.
- C. Peninsular Gas Company shall file with the Commission, within 30 days, tariff sheets incorporating the gas cost recovery factor approved by 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.

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 February 25, 2002.

/s/ Dorothy Wideman
Its Executive Secretary

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PENINSULAR GAS COMPANY for)	
authority to implement a gas cost recovery)	Case No. U-13102
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SETTLEMENT AGREEMENT

As provided in Section 78 of the Administrative Procedures Act of 1969 ("APA"), as amended, MCL 24.278, and Rule 333 of the Commission's Rules of Practice and Procedure Before the Commission, 1992 AACS, R 460.17333, Peninsular Gas Company ("Peninsular") and the Commission Staff ("Staff") have resolved through discussion the contested issues in this case and agree as follows:

1. Pursuant to 1982 PA 304 ("Act 304"), Peninsular filed an application on September 28, 2001, together with supporting testimony and exhibits of William March, seeking approval of a Gas Cost Recovery ("GCR") plan and factors for the twelve months ending December 31, 2002, and a three-year forecast.

2. The testimony and exhibits of Mr. March set forth Peninsular's gas supply requirements, purchase sources and estimated costs for the plan period. Mr. March also sponsors the Company's three-year forecast of gas requirements, sources of supply and projections of gas costs.

3. Pursuant to due and lawful notice of hearing, a prehearing conference was held on November 6, 2001, before Administrative Law Judge George Schankler. The requisite Affidavit of Mailing and Proof of Publication were sponsored by Peninsular and admitted into the record without objection. There were no intervenors.

4. On October 3, 2001, Peninsular filed a revised page of its Application and a revised page of an exhibit.

6. All parties agree that Peninsular's GCR plan case is based on reasonable and prudent projections and the decisions underlying such plan are reasonable and prudent. All parties further agree that the GCR plan should be approved and Peninsular should be authorized to implement the uniform GCR factor of \$0.44489 per hundred cubic feet for the January 2002 through December 2002 billing months. Moreover, it is agreed that the three-year forecast filed by Peninsular, without inflation adjustments, meets the requirements of Act 304, and the decisions underlying the three-year forecast are reasonable and prudent as based upon present evidence.

7. This final Settlement Agreement is intended for final disposition of the issues of this proceeding, the parties join in respectfully requesting that the Commission grant prompt approval. The Staff certifies that this final Settlement Agreement is just, reasonable and in the public interest. Further, the parties agree that this settlement agreement will aid the expeditious conclusion of this case and will minimize the time and expense which the Commission and the parties would otherwise have devoted to this matter.

8. This Settlement Agreement has been negotiated for this case only and shall not be cited or used as precedent in any other proceeding except as necessary to carry out its terms. This Settlement Agreement has been made for the sole and express purpose of reaching a compromise among the positions of the parties in order to expedite the resolution of this case. All provisions of this Settlement Agreement are dependent upon one another and disapproval by the Commission of one provision constitutes disapproval of the entire agreement.

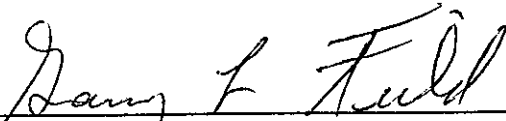
9. The parties agree not to appeal, challenge or contest the Commission's order accepting and approving this Settlement Agreement without modification. If the Commission does not accept this Settlement Agreement without modification, the agreement shall be withdrawn and

shall not constitute any part of the record in this proceeding or be used for any other purpose whatsoever.

10. The parties agree to waive Section 81 of the APA, as amended, MCL 24.231.

PENINSULAR GAS COMPANY

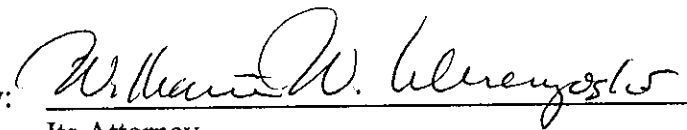
Dated: January 28, 2002

By: 
One of Its Attorneys

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Dated: January 29, 2002

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