

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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| In the matter of the application of) | |
| PENINSULAR GAS COMPANY for a reconciliation) | |
| of its gas cost recovery revenues and expenses for) | Case No. U-12616-R |
| the 12-month period ended December 31, 2001.) | |
| _____) | |

At the August 20, 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 March 28, 2002, Peninsular Gas Company (Peninsular) filed an application, with supporting testimony and exhibits, requesting approval of its gas cost recovery (GCR) revenues and expenses for the 12-month period ended December 31, 2003.

Pursuant to due notice, a prehearing conference was held on May 10, 2002 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, Peninsular overrecovered \$97,477.43, including interest, during its 2001 GCR plan year. The settlement agreement provides that Peninsular should be authorized to roll this overrecovery into its current GCR plan.

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 AACRS, 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 roll into its 2002 gas cost recovery plan an overrecovery of \$97,477.43, which arose during its 2001 plan year

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 E A L)

/s/ Laura Chappelle
Chairman

By its action of August 20, 2002.

/s/ David A. Svanda
Commissioner

/s/ Dorothy Wideman
Its Executive Secretary

/s/ Robert B. Nelson
Commissioner

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
PENINSULAR GAS COMPANY for a gas) Case No. U-12616-R
cost recovery reconciliation proceeding for the)
12-month period ended December 31, 2001.)
_____)

SETTLEMENT AGREEMENT

As provided in Section 78 of the Administrative Procedures Act of 1969 ("APA"), MCL 24.278, and the Rules of Practice and Procedure Before the Commission, 2000 AC, R 460.17333, Peninsular Gas Company ("Peninsular Gas" or the "Company") and the Michigan Public Service Commission Staff ("Staff") have reached an agreement and hereby stipulate as follows:

1. Pursuant to Section 6h(12) of 1982 PA 304 ("Act 304"), as amended, MCL 460.6h(12), Peninsular Gas filed with the Michigan Public Service Commission ("Commission") on March 28, 2002, an application, supporting testimony, and exhibits seeking to reconcile its gas revenues and costs for the 12-month period ended December 31, 2001.

2. In its application, testimony and exhibits, Peninsular Gas represented that its GCR revenues exceeded its gas costs for the 12-month period ended December 31, 2001.

3. On April 1, 2002, the Commission's Executive Secretary issued a Notice of Hearing directing Peninsular Gas to mail a copy of the Notice to all cities, incorporated villages, townships and counties in its service area and directing Peninsular Gas to publish the Notice in daily newspapers of general circulation throughout its service area by April 26, 2002.

4. Peninsular Gas complied with the Executive Secretary's directives and submitted the requisite Affidavit of Mailing and Proof of Publication during the prehearing conference held before Administrative Law Judge George Schankler on May 10, 2002.

5. The parties agree that the Company's GCR revenues exceeded its gas costs for the 12-month period ending December 31, 2001, by \$134,655.06. Also, the parties agree that interest accrued on the overrecovery in the amount of (\$37,177.62) as of January 1, 2001. Accordingly, a total overrecovery of \$97,477.43 should be rolled into the Company's 2002 cost of gas pursuant to its standard refund procedures. See Attachment A.

6. The parties believe 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 the Commission and the parties would otherwise devote to this matter.

7. This final Settlement Agreement is intended to be a final disposition of all contested issues in this case and is a final determination of the amount to be recovered in this case. The Staff certifies that this final Settlement Agreement is just, reasonable and in the public interest. Accordingly, the parties join in respectfully requesting that the Commission grant its prompt approval.

8. The Settlement Agreement has been made for the sole and express purpose of reaching a compromise among the positions of the signatories without prejudice to their rights to take new and/or different positions in other proceedings. All offers of settlement and discussions relating to this Settlement Agreement shall be considered privileged under MRE 408. If the Commission approves this Agreement without modification, neither the parties to this Agreement nor the Commission shall make any reference to or use of this Agreement or the Order approving it as a reason, authority, rationale or example for taking

any action or position or making any subsequent decision in any other case or proceeding, provided, however, such reference to use may be made to enforce the Settlement Agreement and Order.

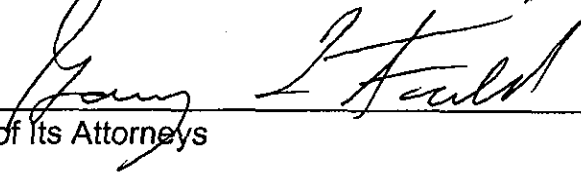
9. This Settlement Agreement is not severable. Each provision of the Agreement is dependent upon all other provisions of the Agreement. Failure to comply with any provision of the Agreement constitutes failure to comply with the entire Agreement. If the Commission rejects or modifies this Agreement or any provision of the Agreement, the Agreement shall be withdrawn and shall not constitute any part of the record of this proceeding or be for any other purpose.

10. Each party agrees not to appeal, challenge or contest the refund approved by the Commission in this case if it is the result of any Order of the Commission in this proceeding accepting and approving this Settlement Agreement without modification.

11. The parties agree to waive Section 81 of the APA as it applies to the issues resolved by this Settlement Agreement.

PENINSULAR GAS COMPANY

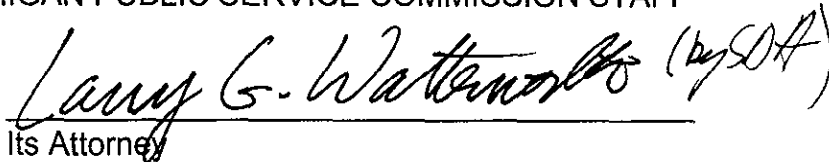
Dated: July 26, 2002

By: 
One of Its Attorneys

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MICHIGAN PUBLIC SERVICE COMMISSION STAFF

Dated: July 21, 2002

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