

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)
WISCONSIN PUBLIC SERVICE CORPORATION)
for a reconciliation of its gas cost recovery)
revenues and expenses for the 12-month period)
ended March 31, 2002.)
_____)

Case No. U-12750-R

At the October 3, 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

OPINION AND ORDER

On June 27, 2002, Wisconsin Public Service Corporation (WPS Corp) filed an application,
with supporting testimony and exhibits, seeking a reconciliation of its gas cost recovery (GCR)
revenues and expenses for the 12-month period ended March 31, 2002.

Pursuant to due notice, a prehearing conference was held on August 14, 2002 before
Administrative Law Judge Daniel E. Nickerson, Jr. WPS Corp and the Commission Staff
participated in the proceedings.

At the prehearing conference, the parties submitted a settlement agreement resolving all issues
in this case.

According to the settlement agreement, attached as Exhibit A, WPS Corp experienced a net
GCR overrecovery of \$180,294 during the 2001-2002 plan year, including a supplier refund, a

rolled-in underrecovery from a previous GCR reconciliation, and interest. The parties agree that the total net overrecovery should be rolled into WPS Corp's current GCR plan in accordance with its standard refund procedures. Moreover, the parties agree that it is reasonable to adopt revised Tariff Sheet No. G6.49, which is appended to the settlement agreement as Attachment A and which reflects minor changes in the description of index prices.

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. Wisconsin Public Service Corporation shall roll the net overrecovery balance of \$180,294 into its current gas cost recovery plan pursuant to its standard refund procedures.
- C. Wisconsin Public Service Corporation shall, within 30 days, file with the Commission revised Tariff Sheet No. G6.49 substantially in the form attached as Attachment A to the settlement agreement.

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 October 3, 2002.

/s/ Dorothy Wideman
Its Executive Secretary

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

Chairman

Commissioner

Commissioner

By its action of October 3, 2002.

Its Executive Secretary

STATE OF MICHIGAN
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|--|---|--------------------|
| In the matter of the application of WISCONSIN |) | |
| PUBLIC SERVICE CORPORATION for |) | |
| reconciliation of the gas cost recovery |) | Case No. U-12750-R |
| revenues and expenses for the 12-month |) | |
| period ending March 31, 2002. |) | |
| _____ |) | |

SETTLEMENT AGREEMENT

As provided in Section 78 of the Administrative Procedures Act of 1969 ("APA"), as amended, MCL 24.278, and the Rules of Practice and Procedure Before the Commission, Rule 333, 1992 AACRS, R 460.17333, Wisconsin Public Service Corporation ("WPS Corp") and the Michigan Public Service Commission Staff ("Staff") have resolved through settlement discussions all of the contested issues regarding this proceeding and hereby agree as follows:

1. As directed by the Michigan Public Service Commission ("Commission") in its May 9, 1989 Order Approving Settlement Agreement (as amended by ERRATUM dated May 15, 1989), in Case No. U-9526, WPS Corp filed on June 27, 2002, an application, supporting testimony and exhibits seeking to reconcile, under the provisions of 1982 PA 304 ("Act 304"), its gas revenues and costs for the 12-month period ended March 31, 2002, and to roll-in to its current GCR plan a net GCR overrecovery inclusive of a supplier refund, the roll-in of the net underrecovery from the prior GCR reconciliation, and interest.

2. On July 16, 2002, the Commission issued its Notice of Hearing directing WPS Corp to mail a copy of the Notice to all cities, incorporated villages, townships and counties in its Michigan gas service area. Further, the Commission directed WPS Corp to publish

the substance of the Notice of Hearing in daily newspapers of general circulation throughout its Michigan gas service area.

3. Complying with the Notice of Hearing, WPS Corp submitted the requisite Affidavit of Mailing and Proof of Publication prior to the prehearing conference held before Administrative Law Judge Daniel E. Nickerson, Jr., on August 14, 2002. No persons sought to intervene.

4. The parties entered into settlement discussions and, as a result, the parties agree to the following:

- a. The Staff has reviewed WPS Corp's filings and does not dispute the reasonableness and prudence of WPS Corp's gas purchases.
- b. During the GCR period ended March 31, 2002, WPS Corp overrecovered a net total of \$180,294 from its Michigan gas customers which is inclusive of one refund received from ANR Pipeline Company and the roll-in of the net underrecovery from the previous GCR reconciliation in Case No. U-12240-R. Interest calculated in the amount of \$22,099 is also included in the net total. In accordance with its standard roll-in refund methodology approved in Case No. U-10491-R, WPS Corp proposes to roll-in the total overrecovered amount of \$180,294 into its current GCR plan.
- c. It is reasonable and prudent to adopt First Revised Sheet No. G6.49, MPSC Vol No. 4-Gas, attached to this settlement agreement as Attachment A. Sheet No. G6.49 reflects text revisions made necessary by changes to references in the Gas Daily Price Guide.

5. Proceedings in this gas cost reconciliation were conducted as a contested case as defined in Section 3(3) of the APA, MCL 24.203(3).

6. It is the opinion of all signatories 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 would otherwise have to be devoted to this matter by the Commission and all of the parties.

7. This settlement agreement is intended for a final disposition of this proceeding, and the parties join in respectfully requesting that the Commission grant prompt approval. The Staff certifies that this settlement agreement is just, reasonable, and in the public interest. 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 the 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.

8. The settlement agreement and order adopting same, and all offers of settlement and discussions are privileged and shall not be cited as precedent or used in any manner, nor be admissible, for any other purpose in connection with this proceeding or any other proceeding except to verify the contents of this settlement agreement.

9. All signatories agree to waive Section 81 of the APA, as amended, MCL 24.281, as it applies to the issues in this proceeding.

WISCONSIN PUBLIC SERVICE CORPORATION

Dated: Sept 9, 2002

By: Sherril A. Wellman
One of Its Attorneys
Harvey J. Messing (P23309)
Sherri A. Wellman (P 38989)
LOOMIS, EWERT, PARSLEY,
DAVIS & GOTTING, P.C.
232 S. Capitol Ave., Suite 1000
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MICHIGAN PUBLIC SERVICE COMMISSION STAFF

Dated: Sept. 10, 2002

By: Kristin M. Smith
Its Attorney
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Assistant Attorney General
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Lansing, MI 48911

WISCONSIN PUBLIC SERVICE CORPORATION

MICHIGAN

MPSC Vol No 4-GAS

1st Rev. Sheet No. G6.49
 Replaces Original Sheet No. G6.49
 Schedule GT-9

Gas Transportation Service

Natural Gas

Continued from Sheet No. G6.48.

- c. When, in the Company's sole discretion, a force majeure exists on the Company's distribution system, the rate for this purchase for all affected customers will be equal to the Annual Supply Backup commodity rate shown on Sheet No. G6.58.
 - d. The total Monthly Balancing credits for a Third Party Pool may be allocated among pool members by the Pool Administrator, and/or may be credited directly to the Pool Administrator.
 - e. All gas costs from the Monthly Balancing Service will be reflected in each annual Gas Cost Recovery Reconciliation.
3. Indexed Price: The Indexed Price per therm of gas commodity for a given month will be equal to the "Monthly Contract Index" "Index" for "Market Centers" "Upper Midwest" "ANR Pipeline, ML 7", as listed in the Gas Daily Price Guide for that month, divided by 10, and divided by the ANR-WPSC Pressure Base Correction shown on Sheet No. G6.58. All rate calculations will be rounded to the fourth decimal place.

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DAILY BALANCING SERVICE

- 1. The Daily Balancing Service is available to any customer or pool taking service under this rate schedule that desires to balance daily gas usage on the Company's system.
- 2. All customers taking service under this rate schedule, but not subscribing to alternate balancing services, such as ANR Pipeline Company's Market Balancing Service (MBS), must subscribe to the Company's Daily Balancing Service.
- 3. All customers using the Daily Balancing Service that are not members of a Third Party Pool will be placed in the Company Sponsored Pool.
- 4. For each Third Party Pool, on a daily basis, the difference between the entire pool's Adjusted Scheduled Delivered Quantity, including any nominated Annual Supply Backup, and the entire pool's actual usage will be divided into two blocks as defined below. The number of therms in each block will be multiplied by the respective rate for that block in accordance with the following table:

- a. Percent Difference From Adjusted Scheduled Delivered Quantity
- | | |
|-------------------|--------|
| >0.0% up to 25.0% | >25.0% |
|-------------------|--------|

Rate Per Therm
 (See Sheet G6.58 for current effective rates)

Continued to Sheet No. G6.50.

Issued: X-X-XX
 By W L Bourbonnais
 Manager-Rates and Econ Eval
 Green Bay, Wisconsin

Effective for Service
 On and After: 11-1-02
 Issued Under Auth. of
 Mich Public Serv Comm
 Dated: X-X-XX
 In Case No: U-12750-R