

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)	Case No. U-13551
factors for calendar year 2003.)	
_____)	

At the May 2, 2003 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 SECOND SETTLEMENT AGREEMENT

On February 20, 2003, the Commission approved a settlement agreement between Peninsular Gas Company (Peninsular) and the Commission Staff (Staff) that authorized Peninsular to charge a gas cost recovery (GCR) factor of up to \$0.44768 per hundred cubic feet (Ccf) for the 12-month period ending December 31, 2003.

On March 28, 2003, Peninsular filed a petition to reopen requesting that its GCR factor be prospectively increased from \$0.44768 per Ccf to \$0.65300 per Ccf if the increased GCR factor becomes effective in April 2003 or to \$0.70530 per Ccf if the increased GCR factor becomes effective in May 2003. Peninsular alleged that an increased GCR factor is necessary in order to allow the utility to fully recover its 2003 GCR costs because its GCR factor is tied to market prices and the price of natural gas significantly increased subsequent to the filing of its 2003 GCR proceeding on September 30, 2002. No one filed an objection to Peninsular's petition to reopen.

On May 1, 2003, Peninsular and the Staff submitted a second settlement agreement. According to the terms of the second settlement agreement, attached as Exhibit A, the parties agree that Peninsular should be authorized to implement a revised uniform GCR factor of up to \$0.61200 per Ccf beginning the first billing cycle after issuance of this order.

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.; 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 second settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

- A. The second settlement agreement, attached as Exhibit A, is approved.
- B. Peninsular Gas Company is authorized to incorporate a uniform gas cost recovery factor of up to \$0.61200 per hundred cubic feet for each of the billing months of May through December 2003.
- 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 May 2, 2003.

/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 May 2, 2003.

Its Executive Secretary

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 the calendar year 2003.)

Case No. U-13551

SECOND SETTLEMENT AGREEMENT

As provided in § 78 of the Administrative Procedures Act of 1969 (“APA”), as amended, MCL 24.278, and Rule 333 of the Rules of Practice and Procedure Before the Commission, 2000 AC, 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 30, 2002, 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, 2003. After a prehearing conference, Peninsular and Staff entered into a settlement agreement which encouraged Commission approval of Peninsular’s plan as filed and supported adoption of a uniform GCR factor of \$0.44768 per hundred cubic feet for the period of January 2003 through December 2003.

2. On February 20, 2003, the Commission issued its Order Approving Settlement Agreement, approving Peninsular’s plan as filed and establishing a uniform GCR factor of \$0.44768.

3. On March 28, 2003, Peninsular filed, pursuant to MCL 460.6h(10), a Petition to Reopen its GCR Plan ("Petition"). In its Petition, Peninsular represented that since it filed its GCR plan with the Commission on September 30, 2002, there has been a significant, unanticipated increase in all gas prices. Peninsular represented that as a result of this unpredicted increase, Peninsular will experience an underrecovery, and that the recovery of interest in connection with the underrecovery will exacerbate the magnitude of the underrecovery. Peninsular represented that the anticipated underrecovery and the related interest burden to ratepayers would be minimized or entirely avoided if it were authorized to revise its uniform GCR factor for the remaining billing months for the GCR period. Peninsular therefore requested a revised uniform GCR factor of \$0.65300 per hundred cubic feet if authorized in April, or \$0.70530 if authorized in May.

4. Subsequent to the filing of the Petition, Peninsular and Staff engaged in settlement discussions and have agreed that:

- a. Peninsular's 2003 GCR plan should be reopened to reflect an increase in gas prices;
- b. Peninsular should be authorized to implement a revised uniform GCR factor of \$0.61200 per hundred cubic feet beginning the first billing cycle after the issuance of that order;
- c. All other terms and conditions of the settlement agreement as approved by the Commission's February 20, 2003, Order remain unchanged and in effect; and
- d. Peninsular's monthly purchase and sales figures will be subject to a review of reasonableness and prudence at the time of the reconciliation.

5. All the signatories are of the opinion that this settlement agreement will promote the public interest and will aid the expeditious conclusion of this case.

6. 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 and Peninsular agree that Commission approval of 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.

7. 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.

8. 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.

9. The parties agree to waive § 81 of the APA, as amended, MCL 24.231.

May 1, 2003
Dated: ~~April~~ 2003

PENINSULAR GAS COMPANY

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May 1
Dated: ~~April~~, 2003

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