

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)	
WISCONSIN PUBLIC SERVICE CORPORATION)	
for approval of the gas cost recovery plan and)	Case No. U-13623
factors for the 12-month period ending March 31,)	
2004.)	
_____)	

At the March 31, 2003 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. David A. Svanda, Commissioner
Hon. Robert B. Nelson, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On December 20, 2002, Wisconsin Public Service Corporation (WPS Corp) 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 March 31, 2004 and requesting approval to change its 12-month GCR plan year to a period running from November through October of each year.

Pursuant to due notice, a prehearing conference was held on February 12, 2003 before Administrative Law Judge Daniel E. Nickerson, Jr. WPS Corp 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 WPS Corp should be authorized to implement a GCR factor of \$0.59086 per therm for each

billing month beginning April 2003 through March 2004. The parties further agree that WPS Corp should be authorized to implement the GCR Factor Adjustment Mechanism as described in the settlement agreement. Additionally, the parties agree that WPS Corp's GCR plan and five-year forecast, as based on information submitted in this case, are reasonable and prudent. The parties also agree that WPS Corp's 12-month GCR plan year period should be changed to run from November through October of each year and that WPS Corp should file a new GCR plan no later than July 31, 2003 for the November 2003 through October 2004 year. Additionally, WPS Corp agrees to file the seven-month reconciliation (April through October 2003) for the instant GCR plan case no later than January 31, 2004. Finally, the parties agree that WPS Corp should be authorized to implement transportation charges of \$0.46612 per month per therm of demand for peak day backup (annual option), \$0.58860 per month per therm of demand for peak day backup (seasonal option), and a factor for annual supply backup of \$0.53045 per therm for the period April 2003 through March 2004. The factor for annual supply backup will be subject to adjustment under the GCR factor adjustment mechanism.

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, 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 is authorized to incorporate into its rates a uniform gas cost recovery factor of \$0.59086 per therm for the billing months of April 2003 through March 2004.

C. Wisconsin Public Service Corporation is authorized to adjust upward the uniform gas cost recovery factor on a quarterly basis by implementing the GCR Factor Adjustment Mechanism set forth in the settlement agreement.

D. Wisconsin Public Service Corporation is authorized to change its 12-month gas cost recovery plan period to run from November through October of each year. Wisconsin Public Service Corporation should file its gas cost recovery plan for the November 2003 through October 2004 year no later than July 31, 2003, and should file its reconciliation for this gas cost recovery plan no later than January 31, 2004.

E. Wisconsin Public Service Corporation is authorized to implement transportation charges of \$0.46612 per month per therm of demand for peak day backup (annual option), \$0.58860 per month per therm of demand for peak day backup (seasonal option), and a factor for annual supply backup of \$0.53045 per therm for the period April 2003 through March 2004. The factor for annual supply backup is subject to adjustment under the GCR Factor Adjustment Mechanism.

F. Wisconsin Public Service Corporation shall file with the Commission, within 30 days, tariff sheets incorporating the uniform gas cost recovery factor, the GCR Factor Adjustment Mechanism, and the transportation charges 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.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ David A. Svanda
Commissioner

(S E A L)

/s/ Robert B. Nelson
Commissioner

By its action of March 31, 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

Commissioner

Commissioner

By its action of March 31, 2003.

Its Executive Secretary

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)	
WISCONSIN PUBLIC SERVICE CORPORATION)	
for approval of the gas cost recovery)	Case No. U-13623
plan and factors for the 12 month period ending)	
<u>March 31, 2004 and related approvals</u>)	

SETTLEMENT AGREEMENT

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

1. As required by 1982 PA 304 ("Act 304"), on December 20, 2002, WPS Corp filed its application, together with the supporting testimony and exhibits of David J. Kyto, Cheri A. Graham, and P. Jon Wilems seeking approval of a Gas Cost Recovery ("GCR") plan and factors for the twelve months ending March 31, 2004 and a five-year forecast, and requesting authority to change the Company's 12-month GCR plan year period to November through October.

2. On January 14, 2003, the Commission's Executive Secretary issued the Notice of Hearing directing WPS Corp to mail a copy of the Notice of Hearing to all cities, incorporated villages, townships and counties in its Michigan gas service area and to all intervenors in Case No. U-13221. Further, WPS Corp was directed to publish

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

3. On February 12, 2003, a prehearing conference was held. Administrative Law Judge Daniel E. Nickerson, Jr. presided over the proceeding. WPS Corp submitted the requisite Affidavit of Mailing and Proof of Publication at the conference and both were received into the record without objection. WPS Corp and Staff participated in the proceedings. There were no intervenors.

4. Subsequent to the prehearing conference, the parties engaged in settlement discussions and have agreed as follows:

a. WPS Corp's 2003-2004 GCR plan, and the underlying decisions, are reasonable and prudent in light of present evidence and in compliance with Act 304 and should be approved by the Commission.

b. WPS Corp should be authorized to implement a uniform GCR factor of \$0.59086 per therm beginning April 2003 through March 2004. The GCR factor of \$0.59086 is reflective of significant, unexpected increases in the price of gas on the New York Mercantile Exchange. WPS Corp's tariff sheet, MPSC Vol No. 4 Gas, Sheet No. G7.10 reflects the uniform GCR factors as set forth herein, and is attached hereto as Attachment A.

c. WPS Corp should be authorized to adjust upward the uniform GCR factor on a quarterly basis by implementing the GCR Factor Adjustment Mechanism as described at MPSC Vol No. 4 Gas, Sheets No. G7.11 and G7.12, as attached hereto as Attachment B.

d. WPS Corp's five-year forecast, as filed, meets statutory mandates of Act 304 and should be accepted for filing. Furthermore, the decisions underlying

WPS Corp's five-year forecast are reasonable and prudent based upon present evidence.

e. WPS Corp should be authorized to change its 12-month GCR plan year period to November through October. WPS Corp will file a new GCR Plan no later than July 31, 2003, for the November 2003 through October 2004 plan and will file the reconciliation for the instant GCR plan case no later than January 31, 2003.

f. All issues relating to WPS Corp's 2003-2004 GCR plan are resolved by this settlement agreement.

g. WPS Corp should be authorized to implement the following transportation charges of: \$0.46612 per month per therm of demand for Peak Day Backup (Annual Option); \$0.58860 per month per therm of demand for Peak Day Backup (Seasonal Option); and factor for Annual Supply Backup equal to \$0.53045 per therm beginning April 2003 through March 2004. The factor for Annual Supply Backup shall be subject to quarterly adjustment under the GCR Factor Adjustment Mechanism. WPS Corp's tariff sheet, MPSC Vol No. 4 Gas, Sheet No. G6.58 reflects these transportation charges, and is attached hereto as Attachment C.

5. It is the opinion of all signatories that this settlement agreement will promote the public interest and will aid the expeditious conclusion of this case.

6. 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 agrees that this settlement 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.

7. This settlement agreement has been made for the sole and express purpose of settling this case, and all discussions relating hereto are and shall be privileged and shall not be used in any manner, or be admissible, for any other purposes in connection with this proceeding or any other proceeding, except as necessary to enforce the provisions hereof. This settlement agreement shall not constitute a precedent in any other case or proceeding except as necessary to carry out its terms.

8. All signatories waive Section 81 of the APA of 1969, as amended, MCL 24.231.

WISCONSIN PUBLIC SERVICE CORPORATION

Dated: 3-19, 2003

By: Sherri A. Wellman
One of its Attorneys
Harvey J. Messing (P23309)
Sherri A. Wellman (P38989)
LOOMIS, EWERT, PARSLEY,
DAVIS & GOTTING, P.C.
232 S. Capitol Avenue, Suite 1000
Lansing, MI 48933

MICHIGAN PUBLIC SERVICE COMMISSION
STAFF

Dated: 3-18, 2003

By: Kristin M. Smith
Its Attorney
Kristin M. Smith (P46323)
Assistant Attorney General
Public Service Division
6545 Mercantile Way, Suite 15
Lansing, MI 48911

WISCONSIN PUBLIC SERVICE CORPORATION
MICHIGAN

MPSC Vol No 4-GAS

22nd Rev. Sheet No. G7.10
Replaces 21st Rev. Sheet No. G7.10
Schedule GCRFM

Gas Cost Recovery Factors

Natural Gas

GAS COST RECOVERY FACTORS

The following Gas Cost Recovery ("GCR") Factors are authorized pursuant to the Gas Cost Recovery Clause:

First Quarter

April, 2003 \$0.59086 per Therm

May, 2003 \$0.59086 per Therm

June, 2003 \$0.59086 per Therm

Second Quarter

July, 2003 \$0.59086 per Therm

August, 2003 \$0.59086 per Therm

September, 2003 \$0.59086 per Therm

Third Quarter

October, 2003 \$0.59086 per Therm

November, 2003 \$0.59086 per Therm

December, 2003 \$0.59086 per Therm

Fourth Quarter

January, 2004 \$0.59086 per Therm

February, 2004 \$0.59086 per Therm

March, 2004 \$0.59086 per Therm

These GCR Factors are subject to adjustment pursuant to the GCR Factor Adjustment Mechanism on Sheet Nos. G7.11 and G7.12.

The adjusted GCR Factors per the GCR Factor Adjustment Mechanism are the maximum GCR Factors the Company may charge. The actual GCR Factor charged in any month may be less than the adjusted GCR Factor. Contact the Company or the Commission for the actual rates charged.

The Company will file by July 31, 2003 for maximum Gas Cost Recovery factors for November 2003 - October 2004. The Gas Cost Recovery Factor to be charged beginning April 2003 is authorized pursuant to §6(h)(9) of 1982 PA 304, as amended, MCL 460.6h et seq.

Continued to Sheet No. G7.11.

Issued: X-XX-03

By J F Schott
Ass't VP Regulatory Affairs
Green Bay, Wisconsin

Effective on and after
the first billing cycle of the
April 2003 billing month
Issued Under Auth. of
Mich Public Serv Comm
Dated: X-XX-XX
In Case No: U-13623

ATTACHMENT A

WISCONSIN PUBLIC SERVICE CORPORATION
MICHIGAN

MPSC Vol No 4-GAS

1st Rev. Sheet No. G7.11
Replaces Original Sheet No. G7.11
Schedule GCRFM

Gas Cost Recovery Factors

Natural Gas

Continued from Sheet No. G7.10.

GCR FACTOR ADJUSTMENT MECHANISM

R Pursuant to the Commission's order approving the Company's Gas Cost Recovery ('GCR') Plan for April 1, 2003 through March 31, 2004, Case No. U-13623, the GCR factors listed on Sheet No. G7.10 and the factor for Annual Supply Backup Service Commodity Charge listed on Sheet No. G6.58 may be increased on a quarterly basis, for the remaining months of such GCR Plan year, contingent upon NYMEX futures prices for natural gas increasing to a level above that which was incorporated in the calculation of the Commission approved GCR factor ceiling prices.

R At least 15 days, but no more than 30 days, before the beginning of each quarter, the Company shall file with the Commission updated Sheet Nos. G7.10 and G6.58, if the adjustment mechanism calculation results in increases to the existing factors. The filing shall include all supporting documents necessary to verify the factor increases, including a copy of the calculation and a copy of the NYMEX natural gas futures price sheet, for the closing date chosen by the Company, such sheet being an authoritative source used by the gas industry, along with any additional information necessary to verify the factor increases. The filing shall be incorporated in the GCR Plan docket, Case No. U-13623.

R Calculation Methodology:

The GCR factors listed on Sheet No. G7.10 and the factor for Annual Supply Backup Service Commodity Charge listed on Sheet No. G6.58 for each of the remaining months of the GCR Plan period shall be increased by \$0.0008 per therm for every \$0.01 per MMBtu increase in the NYMEX natural gas futures contract prices using the following formula:

New Factor = Original Factor + Adjustment

Adjustment = $0.080 \times (\text{NYMEX Avg. Futures Price} - \text{NYMEX Avg. Base Price})$

Definitions:

New Factor - New maximum GCR factor (\$/therm), or the new factor for Annual Supply Backup Service Commodity Charge (\$/therm).

Original Factor - Maximum GCR factor (\$/therm) or the factor for Annual Supply Backup Service Commodity Charge (\$/therm) approved by the Commission in its GCR Plan order.

Continued to Sheet No. G7.12.

Issued: X-XX-XX

By J F Schott
Ass't VP Regulatory Affairs
Green Bay, Wisconsin

Effective on and after
the first billing cycle of the
April 2003 billing month
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In Case No: U-13623

ATTACHMENT B

WISCONSIN PUBLIC SERVICE CORPORATION
MICHIGAN

MPSC Vol No 4-GAS

1st Rev. Sheet No. G7.12
Replaces Original Sheet No. G7.12
Schedule GCRFM

Gas Cost Recovery Factors	Natural Gas																				
Continued from Sheet No. G7.11.																					
<p>NYMEX Avg. Futures Price -</p>	<p>Simple average of the actual NYMEX monthly natural gas futures contract prices (\$/MMBtu) for the remaining (n) months of the GCR Period: $\Sigma(\text{NYMEX natural gas futures price})_i / n.$</p>																				
<p>NYMEX Avg. Base Price -</p>	<p>Simple average of the actual NYMEX monthly natural gas futures contract prices (\$/MMBtu) for the remaining (n) months of the GCR Period, as incorporated in the approved GCR Plan, $\Sigma(\text{NYMEX natural base price})_i / n,$ as shown below.</p>																				
<u>Data Input Values:</u>																					
<p>R</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Quarter</u></th> <th style="text-align: center;"><u>(n)</u></th> <th style="text-align: left;"><u>Remaining Months</u></th> <th style="text-align: right;"><u>NYMEX Avg. Base Price</u></th> </tr> </thead> <tbody> <tr> <td>1st</td> <td style="text-align: center;">12</td> <td>(Apr 2003 - Mar 2004)</td> <td style="text-align: right;">\$4.440 per MMBtu</td> </tr> <tr> <td>R 2nd</td> <td style="text-align: center;">9</td> <td>(Jul 2003 - Mar 2004)</td> <td style="text-align: right;">\$4.444 per MMBtu</td> </tr> <tr> <td>R 3rd</td> <td style="text-align: center;">6</td> <td>(Oct 2003 - Mar 2004)</td> <td style="text-align: right;">\$4.489 per MMBtu</td> </tr> <tr> <td>R 4th</td> <td style="text-align: center;">3</td> <td>(Jan 2004 - Mar 2004)</td> <td style="text-align: right;">\$4.516 per MMBtu</td> </tr> </tbody> </table> <p>R</p>	<u>Quarter</u>	<u>(n)</u>	<u>Remaining Months</u>	<u>NYMEX Avg. Base Price</u>	1st	12	(Apr 2003 - Mar 2004)	\$4.440 per MMBtu	R 2nd	9	(Jul 2003 - Mar 2004)	\$4.444 per MMBtu	R 3rd	6	(Oct 2003 - Mar 2004)	\$4.489 per MMBtu	R 4th	3	(Jan 2004 - Mar 2004)	\$4.516 per MMBtu	
<u>Quarter</u>	<u>(n)</u>	<u>Remaining Months</u>	<u>NYMEX Avg. Base Price</u>																		
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R 3rd	6	(Oct 2003 - Mar 2004)	\$4.489 per MMBtu																		
R 4th	3	(Jan 2004 - Mar 2004)	\$4.516 per MMBtu																		
<p>Original GCR Factor: \$0.51816/Therm</p> <p>N Original Annual Supply Backup Factor: \$0.45775/Therm</p> <p>N</p>																					
<u>Example Factor Calculations, Fourth Quarter:</u>																					
<p>R New GCR Factor = \$0.51816/Therm + Adjustment</p> <p>R New Annual Supply Backup Factor = \$0.45775/Therm + Adjustment</p> <p>R</p>																					
<p>Adjustment =</p> $0.080 \times [\Sigma(\text{NYMEX natural gas futures price})_i / n - \text{NYMEX Avg. Base Price}]$ $= 0.080 \times [(\text{NYMEX}_{\text{Jan}} + \text{NYMEX}_{\text{Feb}} + \text{NYMEX}_{\text{Mar}}) / 3 - \$4.516/\text{MMBtu}]$ <p>R</p>																					
<u>Authorization:</u>																					
<p>The Commission is authorized to approve GCR factor ceiling price adjustments contingent on future events, pursuant to §6(h)(6) of 1982 PA 304, as amended, MCL 460.6h et seq.</p>																					
<p>R This GCR Factor Adjustment Mechanism expires on at the end of the March 2004 billing month. This GCR Factor Adjustment Mechanism can be re-authorized on an annual basis in the Company's GCR Plan Proceedings.</p>																					

Issued: X-XX-XX

By J F Schott
Ass't VP Regulatory Affairs
Green Bay, Wisconsin

Effective on and after
the first billing cycle of the
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Issued Under Auth. of
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Dated: X-XX-XX
In Case No: U-13623

ATTACHMENT B

WISCONSIN PUBLIC SERVICE CORPORATION
MICHIGAN

MPSC Vol No 4-GAS

5th Rev. Sheet No. G6.58
Replaces 4th Rev. Sheet No. G6.58
Schedule GT-18

Gas Transportation Service	Natural Gas		
Continued from Sheet No. G6.57.			
<u>GAS TRANSPORTATION SERVICE - RATE SCHEDULE GT</u>			
	<u>Distribution</u>	<u>Take-or-Pay</u>	<u>Effective</u>
	<u>Charge</u>	<u>Rate</u>	<u>Rate</u>
	\$	\$	\$
<u>Cg-TM</u>			
Monthly Customer Charge*	--	--	147.50
Rate Per Therm	0.08514	0.00000	0.08514
<u>Cg-TL</u>			
Monthly Customer Charge*	--	--	212.00
Rate Per Therm	0.06214	0.00000	0.06214
<u>Cg-TSL</u>			
Monthly Customer Charge*	--	--	212.00
Rate Per Therm	0.03000	0.00000	0.03000
<u>PEAK DAY BACKUP SERVICE AND ANNUAL SUPPLY BACKUP SERVICE</u>			
Demand Charge - Per Therm of Demand Per Month (Annual Option)			\$0.46612
Demand Charge - Per Therm of Demand Per Month (Seasonal Option)			\$0.58860
Commodity Charge - City Gate Rate Per Therm**			\$0.53045
<u>ANR-WPSC PRESSURE BASE CORRECTION:</u>		(14.73/14.60) = 1.0089	
<u>DAILY BALANCING SERVICE</u>			
	<u>Floor</u>	<u>Ceiling</u>	<u>Effective</u>
<u>% Difference From Nomination</u>	<u>Rate Per Therm</u>	<u>Rate Per Therm</u>	<u>Rate Per Therm</u>
>0.0% up to 25.0%	\$0.0045	\$0.1216	\$0.0207
>25.0%	\$0.0457	\$0.1673	\$0.1333

R
R
I

*This charge includes a \$140.00 per month Administrative Charge.

**Rate at the Company's city gate. The transportation Distribution Charge corresponding to the customer's rate class (from above) must be added to calculate the effective rate for deliveries to the customer's meter. This rate is subject to adjustment pursuant to the GCR Factor Adjustment Mechanism on Sheet No. G7.11.

Issued: X-XX-XX
By J F Schott
Ass't VP Regulatory Affairs
Green Bay, Wisconsin

Effective for Service
On and After: 4-1-03
Issued Under Auth. of
Mich Public Serv Comm
Dated: X-XX-XX
In Case No: U-13623