



Peninsular Gas to publish the Notice in daily newspapers of general circulation throughout its service area by April 28, 2004.

4. Peninsular Gas complied with the Executive Secretary's directives and submitted the requisite Affidavit of Mailing and Proof of Publication during the pre-hearing conference held before Administrative Law Judge Barbara A. Stump on May 12, 2004.

5. No persons sought to intervene at the May 12 prehearing conference. In lieu of setting a schedule, the Company and Staff agreed to hold a second prehearing conference on June 30, 2004. At the June 30, 2004 second prehearing conference, the parties stated on the record their intention to settle this case, and they stipulated to binding into the record the Direct Testimony of William March, and to enter Mr. March's exhibits into the record, as they had been pre-filed and without any changes thereto.

6. The parties agree that the Company's gas costs exceeded its GCR revenues for the 12-month period ending December 31, 2003, by \$619,069.65. The parties also agree that interest accrued on the underrecovery in the amount of \$22,795.33 as of January 1, 2004. The parties further agree that the Company received supplier refunds in 2003 totaling \$1,038.44. Accordingly, a total under-recovery of \$640,826.54 should be rolled into the Company's 2003 cost of gas pursuant to its standard refund procedures.

7. 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.

8. This 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. 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.

9. 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.


10. 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.

11. 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.

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

PENINSULAR GAS COMPANY

Dated: July 13, 2004


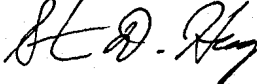
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MICHIGAN PUBLIC SERVICE COMMISSION STAFF

Dated: July 13, 2004

By:  

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