

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 plan for) Case No. U-13623-R
the seven-month period ended October 31, 2003.)
_____)

At the April 20, 2004 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. J. Peter Lark, Chair
Hon. Robert B. Nelson, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

Pursuant to the March 31, 2003 order approving a settlement agreement in Case
No. U-13623, Wisconsin Public Service Corporation (WPS Corp) filed an application, with
supporting testimony and exhibits, on January 9, 2004, seeking a reconciliation of its gas cost
recovery (GCR) revenues and expenses for the seven-month period ended October 31, 2003.

Pursuant to due notice, a prehearing conference was held on March 23, 2004 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 underrecovery of \$144,701 during the seven-month plan period ended October 31, 2003, which reflects the accrual of interest and includes a rolled-in underrecovery of \$137,938 from the previous GCR reconciliation. The parties agree that the net underrecovery should be rolled into WPS Corp's current GCR plan in accordance with its standard refund procedures. The parties also agree that proposed tariff Sheet No. G6.49, as set forth in Attachment 1 to the settlement agreement, has been revised solely to reflect a change in terminology used in the Gas Daily Price Guide and should be approved.

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, 1999 AC, 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 underrecovery balance of \$144,701 into its current gas cost recovery plan pursuant to its standard refund procedures.
- C. Revised tariff Sheet No. G6.49, attached as Attachment 1 to the settlement agreement, should be approved.
- D. Wisconsin Public Service Corporation shall file, within 30 days, a revised tariff sheet essentially the same as Attachment 1 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/ J. Peter Lark

Chair

(S E A L)

/s/ Robert B. Nelson

Commissioner

By its action of April 20, 2004.

/s/ Mary Jo Kunkle

Its Executive Secretary

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

Chair

Commissioner

By its action of April 20, 2004.

Its Executive Secretary

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 reconciliation of its gas cost recovery plan)	Case No. U-13623-R
for the 7-month period ending October 31, 2003.)	
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)	

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 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 March 31, 2003 Order Approving Settlement Agreement in Case No. U-13623, WPS Corp filed on January 9, 2004, 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 7-month period ended October 31, 2003, and to roll-in to its current GCR plan a net underrecovery.

2. On February 20, 2004, 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 the Administrative Law Judge Daniel E. Nickerson, Jr., on March 23, 2004.

4. The parties agree that during the 7-month GCR period ended October 31, 2003, WPS Corp underrecovered a net total of \$144,701 from its Michigan gas customers which is inclusive of the roll-in of the net underrecovery of \$137,938 from the previous GCR reconciliation in Case No. U-13221-R. Interest calculated in the amount of \$1,428 is also included in the net total. In accordance with its standard roll-in refund methodology approved in Case No. U-10491-R, the parties propose that WPS Corp roll-in the total underrecovered amount of \$144,701 into its current GCR plan.

5. The parties also agree that revised tariff sheet No. G6.49, attached hereto as Attachment 1, which has been revised to solely reflect a change in terminology used in the Gas Daily Price Guide, is reasonable and should be approved.

6. 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).

7. The Staff certifies 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.

8. This settlement agreement has been made for the sole and express purpose of reaching compromise among the positions of the signatory parties without prejudice to their rights to take new and/or different positions in other proceedings not related to the enforcement of the settlement agreement. All offers of settlement and discussions relating to this settlement agreement shall be considered privileged as provided in MRE 408. The parties understand that if

the Commission approves this settlement agreement without modification, neither the parties to this settlement agreement nor the Commission Staff shall make any reference to or use of the settlement agreement or the order approving it as a reason, authority, rationale or example of taking any action or position or making any subsequent decision in any other cases or proceeding; however, such reference or use may be made to enforce the settlement agreement and order.

9. The parties agree to waive Section 81 of the APA, MCL 24.281, as it applies to this proceeding, if the Commission approves this settlement agreement without modification.

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

11. Each party agrees not to appeal or otherwise contest any Commission order accepting and approving this settlement agreement without modification.

WISCONSIN PUBLIC SERVICE CORPORATION

Dated: 3/23 2004

By: Sherrill A. Wellman
One of its Attorneys

Harvey J. Messing (P23309)
Sherrill A. Wellman (P38989)
LOOMIS, EWERT, PARSLEY,
DAVIS & GOTTING, P.C.
232 S. Capitol Avenue, Suite 1000
Lansing, MI 4893

MICHIGAN PUBLIC SERVICE COMMISSION
STAFF

Dated: 3/23, 2004

By: Kristin M. Smith
Its Attorney

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

Gas Transportation Service	Natural Gas
Continued from Sheet No. G6.48.	
<p>c. When, in the Company's sole discretion, a <u>force majeure</u> 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.</p> <p>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.</p> <p>e. All gas costs from the Monthly Balancing Service will be reflected in each annual Gas Cost Recovery Reconciliation.</p>	
<p>3. <u>Indexed Price</u>: The Indexed Price per therm of gas commodity for a given month will be equal to the "Index" for "ANR Pipeline, ML 7", as listed in the <u>Gas Daily Price Guide</u> 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.</p>	
<u>DAILY BALANCING SERVICE</u>	
<p>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.</p> <p>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.</p> <p>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.</p> <p>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:</p>	
<p>a. <u>Percent Difference From Adjusted Scheduled Delivered Quantity</u></p> <p>>0.0% up to 25.0%</p> <p>>25.0%</p>	<p><u>Rate Per Therm</u> (See Sheet G6.58 for current effective rates)</p>
Continued to Sheet No. G6.50.	

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

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