

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 accounting recognition and approval of)
depreciation rates for natural gas laterals and)
transmission assets associated with Guardian II)
Pipeline expansion project.)
_____)

Case No. U-15707

At the March 5, 2009 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Orjiakor N. Isiogu, Chairman
Hon. Monica Martinez, Commissioner
Hon. Steven A. Transeth, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On October 16, 2008, Wisconsin Public Service Corporation (WPS Corp) filed an application requesting accounting recognition and approval of depreciation rates for natural gas laterals and transmission assets associated with Guardian II Pipeline expansion project. According to the application, Guardian II Pipeline expansion project is approximately 80 miles of 30-inch pipe and 30 miles of 20-inch pipe from Ixonia, Wisconsin to Green Bay, Wisconsin, resulting in the addition of 205,245 dekatherms per day of interstate pipeline capacity for WPS Corp. As approved by the Public Service Commission of Wisconsin (PSCW), WPS Corp has constructed laterals from Guardian Pipeline to its market areas. WPS Corp represents that the proposed depreciation rates have been approved by the PSCW in Docket No. 6690-DG-100.

A prehearing conference was held on January 22, 2009, before Administrative Law Judge Mark E. Cummins. WPS Corp and the Commission Staff participated in the proceeding.

Subsequently, the parties submitted a settlement agreement resolving all the issues in this case.

According to the terms of the settlement agreement, attached as Exhibit A, the parties agree that for its natural gas laterals and transmission assets associated with Guardian II Pipeline, WPS Corp should be authorized to implement for accounting purposes the following depreciation rates, salvage, and cost of removal factors:

Transmission Account	Service Life Years	Net Salvage (%)	Depreciation Rate (%)
367	47	-17%	2.49%
369	38	-4%	2.74%

The parties further agree that WPS Corp should be authorized to record transmission communication assets in Account 397 along with distribution communication assets. The parties also agree that WPS Corp will seek ratemaking recognition of these new depreciation rates in a future WPS Corp Michigan natural gas general rate case. Finally, the parties agree that WPS Corp will file new complete gas and electric depreciation studies by June 30, 2010.

THEREFORE, IT IS ORDERED that:

A. The settlement agreement, attached as Exhibit A, is approved.

B. Wisconsin Public Service Corporation is authorized for accounting purposes to implement the depreciation rates, salvage, and cost of removal factors for natural gas laterals and transmission assets associated with Guardian II Pipeline expansion and to record transmission and distribution communication assets as set forth in the settlement agreement.

C. Wisconsin Public Service Corporation shall file complete gas and electric depreciation studies by June 30, 2010.

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

Orjiakor N. Isiogu, Chairman

Monica Martinez, Commissioner

Steven A. Transeth, Commissioner

By its action of March 5, 2009.

Mary Jo Kunkle, Executive Secretary

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
WISCONSIN PUBLIC SERVICE CORPORATION)
for accounting recognition of depreciation rates for the) Case No. U-15707
natural gas laterals and transmission assets associated)
with the Guardian II Pipeline.)

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, 1999 AC R 460.17333, 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. On October 16, 2008, WPS Corp filed its application with the Michigan Public Service Commission (“MPSC” or the “Commission”) seeking accounting recognition of depreciation rates for the natural gas laterals and transmission assets associated with the Guardian II Pipeline expansion project. As represented in the application, the Guardian II Pipeline expansion project is approximately 80 miles of 30-inch and 30 miles of 20-inch pipe from Ixonia, Wisconsin to Green Bay, Wisconsin, specifically resulting in the addition of 205,245 Dth/day of interstate pipeline capacity for WPS Corp. WPS Corp has, as approved by the Public Service Commission of Wisconsin (“PSCW”), constructed laterals from the Guardian II Pipeline to its market areas. WPS Corp represents that the proposed depreciation rates as set forth in the application, have been approved by the PSCW in Docket No. 6690-DG-100.

2. On December 30, 2008, the Commission's Executive Secretary issued a 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 service area. Further, WPS Corp was directed to publish the Notice of Hearing in daily newspapers of general circulation throughout its Michigan service area.

3. On January 8, 2009, pursuant to the Executive Secretary's December 30 directives, WPS Corp filed its direct case supporting its application, and consisting of the testimony and exhibit of David J. Kyto.

4. On January 22, 2009, a prehearing conference was held. Administrative Law Judge Mark E. Cummins presided over the proceeding. WPS Corp electronically submitted the requisite Affidavit of Mailing and Affidavit of Publication prior to the conference. WPS Corp and Staff participated in the proceeding. There were no intervenors.

5. Subsequent to the prehearing conference, the parties engaged in settlement discussions and have agreed that for its natural gas laterals and transmission assets associated with the Guardian II Pipeline expansion project, WPS Corp should be authorized to implement for accounting purposes the following depreciation rates, salvage and cost of removal factors:

Transmission Account	Service Life Years	Net Salvage (%)	Depreciation Rate (%)
367	47	-17%	2.49%
369	38	-4%	2.74%

The parties further agree that WPS Corp should be authorized to record transmission communication assets in Account 397 along with distribution communication assets. The parties also agree that WPS Corp will seek ratemaking recognition of these new depreciation rates in a future WPS Corp natural gas general rate case.

6. Finally, the parties agree that WPS Corp will file new complete gas and electric depreciation studies with the MPSC by June 30, 2010.

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

8. 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.

9. 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.

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

WISCONSIN PUBLIC SERVICE CORPORATION

Dated: January 30, 2009

Sherri A.
Wellman

Digitally signed by Sherri A.
Wellman
DN: CN = Sherri A. Wellman, C =
US, O = Miller Canfield
Date: 2009.01.30 16:13:13 -0500

By: _____

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MICHIGAN PUBLIC SERVICE COMMISSION STAFF

Dated: January 30, 2009



By: _____

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