

**STATE OF MICHIGAN**

**BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION**

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In the matter of the application of	)	
<b>MICHIGAN GAS UTILITIES CORPORATION</b>	)	
for authority to increase retail natural gas rates.	)	Case No. U-15990
_____	)	

**APPLICATION**

MICHIGAN GAS UTILITIES CORPORATION (“MGUC”), requests authority from the Michigan Public Service Commission (“Commission”) to increase its rates for the sale and transportation of natural gas, and other relief, and in support thereof respectfully represents as follows:

**INTRODUCTION**

1. MGUC is a public utility engaged in the purchase, storage, transportation, distribution and sale of natural gas to approximately 166,000 customers in 147 communities in the Southern and Western portions of Michigan’s Lower Peninsula.

2. MGUC is a corporation organized under the laws of the state of Delaware, with its principal office located at 899 S. Telegraph Road, Monroe, Michigan 48161, and is authorized to transact business in the state of Michigan. MGUC is a subsidiary of Integrys Energy Group, Inc. (“Integrys”), which prior to February 21, 2007, was known as WPS Resources Corporation (“WPSR”). MGUC is a sister utility company to Upper Peninsula Power Company and Wisconsin Public Service Corporation, both of which are also regulated by this Commission. MGUC is also a sister utility company to, among others, Minnesota Energy Resources Corporation, The Peoples Gas Light and Coke Company, and North Shore Gas Company, none of which is regulated by this Commission. MGUC was acquired by WPSR from Aquila, Inc. on April 1, 2006 as authorized by the Commission’s

order in Case No. U-14657. Prior to its acquisition by WPSR, MGUC conducted business as “Aquila Networks – MGU”.

3. MGUC’s retail natural gas sales and transportation business is subject to the jurisdiction of the Commission 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.

4. In its last general rate case for retail natural gas service, Case No. U-15549, MGUC used a 2009 test year. A settlement was reached and approved by the Commission in its Order Approving Settlement Agreement dated January 13, 2009. This order granted rate relief of \$6.0 million annually, based on a 10.45% return on common equity, effective January 14, 2009.

5. MGUC’s rates established in Case No. U-15549 do not reflect the current costs of providing retail gas service, and MGUC requires further rate relief.

### **REQUESTED RELIEF**

6. For purposes of this case, MGUC has undertaken a complete examination of its investments, expenses and revenues based on a 2010 test year. Using a 2010 test year, and a return on common equity of 12.0%, MGUC calculates a rate revenue deficiency of \$8,444,435, or 4.5%. The key factors contributing to the revenue deficiency results include:

- a. Cost of Capital;
- b. Low margin revenue growth,
- c. Increased costs of customer service functions,
- d. Increased costs of employee benefits, and
- e. General inflation.

7. MGUC represents that in order to establish rates for natural gas service which are just and reasonable, it is essential that the Commission order an increase in natural gas base rates that will produce additional revenues on an annual basis of approximately \$8,444,435, or 4.5%.

8. MGUC represents that its present return on investment is and will be below that required by sound regulation; that MGUC's present natural gas rates and charges, if not increased, will produce increasingly inadequate natural gas revenues to MGUC and, thus, are unjust and unreasonable; that rate relief is required to permit MGUC to continue to achieve its goal of rendering adequate natural gas service to the public; and that rate relief, effective in the near future, is necessary to protect the rights of MGUC and to prevent it from being deprived of its property contrary to the Fourteenth Amendment of the Constitution of the United States of America and contrary to the provisions of the Constitution of 1963 of the State of Michigan.

#### **RATE DESIGN, TARIFF AND OTHER PROPOSALS**

9. MGUC's proposed rate increases by rate schedule are shown on Schedules F3.1 and F3.2 of Exhibit A-6 (DJT-1). These rates are designed to recover the revenue deficiency. Furthermore, in accordance with Order Point "D" of the Commission's January 13, 2009 Order Approving Settlement Agreement in Case No. U-15549, MGUC also requests the authority from the Commission to implement its proposed revenue "de-coupling" plan. This plan would help to stabilize MGUC's revenues from the impacts of weather, energy efficiency, and other factors.

10. MGUC also requests the authority from the Commission to implement its proposed Uncollectible Expense True-Up Mechanism ("UETM"), which would help to stabilize MGUC's uncollectibles expense. The Commission has approved a nearly identical mechanism in Case No. U-13898 for Michigan Consolidated Gas Company. Given the state

of the economy and MPSC rules regarding shut-off, approval of the UETM is reasonable and necessary.

11. In addition, MGUC proposes revisions to its tariffs to reflect the change in rates and to correct a typographical error.

#### **IMPLEMENTATION OF RATES**

12. In accordance with MCL 460.6a(1), if the Commission has not acted on the Company's application within 180 days of the filing, MGUC intends to implement interim rates for service rendered on and after January 1, 2010, up to the amount of the proposed annual rate request, through equal percentage increases applied to all rates.

#### **TESTIMONY AND EXHIBITS**

13. MGUC is filing herewith written testimonies, exhibits and work papers in support of the requested rate increase and related approvals requested herein.

14. MGUC represents that the proposals contained in this Application, testimonies, exhibits and work papers are just, reasonable and in the public interest.

WHEREFORE, Michigan Gas Utilities Corporation requests that this Commission:

- A. Set an early hearing date on this Application for rate relief;
- B. Find and determine that MGUC's existing rates and charges are unreasonably low, inadequate and should be increased;
- C. Authorize MGUC to file and make effective, at the earliest possible date, its proposed final rates and charges for the sale and transportation of natural gas;
- D. Authorize MGUC to file and make effective, at the earliest possible date, its proposed revenue "de-coupling" plan;
- E. Authorize MGUC to file and make effective, at the earliest possible date, its proposed Uncollectible Expense True-Up Mechanism; and
- F. Grant MGUC such other and further relief and authorizations as may be lawful and proper.

Respectfully submitted,

MICHIGAN GAS UTILITIES CORPORATION

Dated: July 1, 2009

By: \_\_\_\_\_

One of Its Attorneys  
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MICHIGAN PUBLIC SERVICE COMMISSION

CASE NO. U-15990  
Date: July 1, 2009

GENERAL APPLICATION FOR  
CHANGE IN GAS UTILITY RATES  
BEFORE MICHIGAN PUBLIC SERVICE COMMISSION  
CLASS A & B UTILITIES

COMPANY NAME: Michigan Gas Utilities Corporation

ADDRESS: 899 S. Telegraph Road, Monroe, Michigan 48161

TELEPHONE: AREA CODE (920) NUMBER 433-1502

COMPANY OFFICIAL TO BE CONTACTED  
PERTAINING TO RATE CASE MATTERS: David J. Kyto, PE, CMA

FILING DATE: July 1, 2009

TITLE OF AUTHORIZED OFFICER: Director - Rate Case Process

\* \* \* COMMISSION ONLY \* \* \*

DATE RECEIVED BY COMMISSION: \_\_\_\_\_

DOCKET NUMBER ASSIGNED: \_\_\_\_\_

RECEIVED BY: \_\_\_\_\_

DATE ACCEPTED: \_\_\_\_\_

ACCEPTED BY: \_\_\_\_\_

NOTIFICATION DATE(S): \_\_\_\_\_

SCHEDULED PRE-HEARING DATE: \_\_\_\_\_

**STATE OF MICHIGAN**

**BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION**

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**CERTIFICATION OF DAVID J. KYTO, PE, CMA**

David J. Kyto, PE, CMA, Director - Rate Case Process of Integrys Business Support, LLC, states that he has provided the data required pursuant to Rate Case Filing Requirements established by the Commission's Orders dated December 23, 2008 and February 20, 2009 issued in Case No. U-15895, and pursuant to these requirements, certifies the data so provided.



Dated: July 1, 2009

David J. Kyto, PE, CMA

