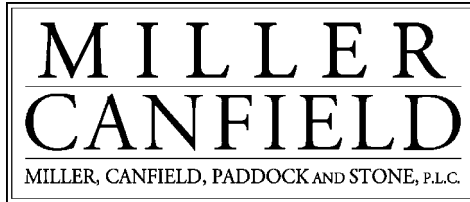


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June 19, 2006

Mary Jo Kunkle
Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way
Lansing, MI 48911

Re: MPSC Case No. U-14561 [paperless]

Dear Ms. Kunkle:

Enclosed for electronic filing is the Initial Brief of SEMCO Energy Gas Company, Michigan Gas Utilities Corporation, Northern States Power Company, d/b/a Xcel Energy, and Wisconsin Public Service Corporation. Also enclosed is a Proof of Service. If you should have any questions, please advise.

Very truly yours,

Sherri
Wellman

Sherri A. Wellman

Digitally signed by Sherri Wellman
DN: CN = Sherri Wellman, C =
US, O = Miller Canfield
Date: 2006.06.22 16:15:31 -04'00'

SAW/lab

cc: Donald Dahl
Annette Gardiner
Karl Hoesly

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own motion,)
to investigate the appropriateness of instituting a) Case No. U-14561
surcharge to assist in the funding of the)
Gas Technology Institute.)

PROOF OF SERVICE

STATE OF MICHIGAN)
)ss
COUNTY OF INGHAM)

Lisa A. Becker, being first duly sworn, deposes and says that on June 22, 2006, she served a true copy of the ***Initial Brief of SEMCO Energy Gas Company, Michigan Gas Utilities Corporation, Northern States Power Company, d/b/a Xcel Energy, and Wisconsin Public Service Corporation*** upon the attached service list by electronic mail.

Lisa Becker

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= Miller Canfield
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Lisa A. Becker

Subscribed and sworn before me
on this 22nd day of June, 2006.

Edith Loomis

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O = Miller Canfield
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Edith D. Loomis, Notary Public
State of Michigan, County of Ingham
My Commission Expires: December 5, 2006

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STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own motion,)	
to investigate the appropriateness of instituting)	
a surcharge to assist in the funding of the Gas)	Case No. U-14561
<u>Technology Institute.</u>)	

**INITIAL BRIEF OF SEMCO ENERGY GAS COMPANY, MICHIGAN GAS
UTILITIES CORPORATION, WISCONSIN PUBLIC SERVICE CORPORATION
AND NORTHERN STATES POWER COMPANY, A WISCONSIN CORPORATION**

SEMCO Energy Gas Company ("SEMCO Gas"), Michigan Gas Utilities Corporation ("MGUC"), Wisconsin Public Service Corporation ("WPS Corp") and Northern States Power Company, a Wisconsin Corporation, d/b/a Xcel Energy ("NSP-W") (collectively referred to as the "Natural Gas Companies"), pursuant to the schedule established in this proceeding, file this Initial Brief and represent as follows:

I. Background

On June 30, 2005, the Michigan Public Service Commission ("MPSC" or the "Commission") issued its Order Initiating Generic Proceeding and Notice of Hearing in Case No. U-14561 ("June 30 Order"). In its June 30 Order, the MPSC states that funding for the Gas Technology Institute ("GTI") research efforts had been through an energy surcharge applied to all natural gas transmitted through interstate commerce in the United States, and that, effective August 1, 2004, the Federal Energy Regulatory Commission discontinued the surcharge. The MPSC observes in its June 30 Order that GTI's research may now be funded with individual contributions from states or companies. To that end, the MPSC initiated this proceeding to explore state-wide

support and funding for GTI and consider a recovery mechanism. In its June 30 Order, the MPSC directed all Commission-jurisdictional natural gas companies to participate in this proceeding, and as such, SEMCO Gas, MGUC, WPS Corp and NSP-W filed their appearances in this matter. Consumers Energy Company (“Consumers”) and Michigan Consolidated also filed appearances. GTI, the Association of Businesses Advocating Tariff Equity and the Attorney General (“AG”) were granted intervention.

Following a prehearing conference and the consideration of other procedural matters, testimony was filed in this matter on behalf of GTI, the Commission Staff (“Staff”), Consumers and the AG. On June 1, 2006, the pre-filed testimony was bound into the record and exhibits were admitted into evidence. GTI’s witness, Ronald B. Edelstein, Staff’s witness, Susan Crimmins Devon, and the AG’s witness, Charles W. King, were cross-examined. The parties waived cross-examination of Consumers’ witness, Jill Mills Polich.

II. Past Commission Practice and Record Evidence Support Approval of Voluntary Funding of GTI Through Recovery In General Rates

The record evidence in this matter supports voluntary funding of GTI research projects at the individual election of the natural gas companies. 3 Tr 83, LL 10, 20 & 3 Tr 171, LL 9-12. Ms. Devon testifying on behalf of Staff, described the procedure for the natural gas companies to recover their voluntary costs of support of GTI from their ratepayers. In addition to describing the appropriate practices for accounting for costs of GTI research projects, Ms. Devon testified that rate recovery would be determined in future rate case proceedings. Specifically, Ms. Devon stated:

“Staff agrees, as did the Commission in its order of October 18, 2005 in this case, where the Commission stated that funding of GTI efforts

has been beneficial to ratepayers in the past. The Staff therefore recommends that the Commission continue to support funding of GTI's research efforts at the state level. The Commission [Staff] would express this support in future rate cases by approving a contribution from ratepayers, not to exceed a fixed amount equal to each individual utility's total gas throughput multiplied by \$0.0174 per Mcf. Thus, if a utility's rate case adjusted throughput was 10 million Mcf, the maximum annual contribution from ratepayers would be \$174,000; the actual ratepayer contribution would be requested by each of Michigan's gas utilities on a voluntary basis, and would be incorporated in the revenue requirements of the utility if approved by the Commission. After receiving Commission approval, each utility would decide on a project by project basis those GTI R&D activities that will benefit its ratepayers, and would transfer customer payments to GTI to help fund those R&D activities. Utilities will be required to provide support for R&D funding decision in future rate proceedings." 3 Tr 171, LL 1-16 (Emphasis added.)

This Staff approach to recovery of voluntary funding is consistent with past Commission practice for the recovery of other utility operating expenses. 3 Tr 172, LL 7-8. The Natural Gas Companies therefore support Ms. Devon's approach to rate recovery and voluntary funding of GTI research projects.¹

III. Relief

WHEREFORE, natural gas utilities should be allowed to recover in their base rates as operating expenses voluntary funding contributions to GTI research projects as selected by the utilities and determined by the utilities and the Commission in future rate case proceedings to be beneficial to their ratepayers.

¹ It is the opinion of the Natural Gas Companies that the Commission lacks the necessary jurisdiction and authority to require (or mandate) natural gas utilities to fund GTI. As discussed above, funding by the natural gas utilities, if any, is to be on a voluntary basis as determined by each natural gas company.

Respectfully submitted,
SEMCO ENERGY GAS COMPANY, MICHIGAN GAS
UTILITIES CORPORATION, WISCONSIN PUBLIC
SERVICE CORPORATION, AND NORTHERN
STATES POWER COMPANY, A WISCONSIN
CORPORATION

Sherri Wellman

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Dated: June 22, 2006

By:

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STATES POWER COMPANY, A WISCONSIN CORPORATION

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