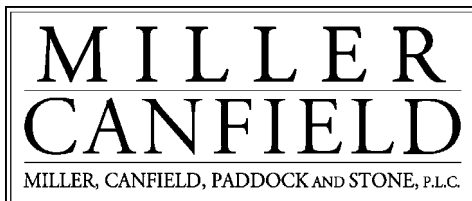


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June 30, 2006

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

Re: Michigan Gas Utilities Corporation
MPSC Case No. U-14941 [paperless]

Dear Ms. Kunkle:

Enclosed for electronic filing is the **APPLICATION AND REQUEST TO CONSOLIDATE OF MICHIGAN GAS UTILITIES CORPORATION**. Also enclosed for filing is a Proof of Service.

Very truly yours,

MILLER, CANFIELD, PADDOCK AND STONE

Sherri A.
Wellman

Digitally signed by Sherri A. Wellman
DN: CN = Sherri A. Wellman,
C = US, O = Miller Canfield
Date: 2006.06.30 14:44:02 -
04'00'

Sherri A. Wellman

SAW/als
Enclosure
cc w/ enc: Tom Mulloney
Leslie Nishida
Dave Tyler

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
MICHIGAN GAS UTILITIES CORPORATION)
for approval to roll-in an underrecovered amount from))
the 2005-2006 GCR plan period.)

Case No. U-14941

PROOF OF SERVICE

STATE OF MICHIGAN)
)ss
COUNTY OF INGHAM)

Edith D. Loomis, being first duly sworn, deposes and says that on June 30, 2006, she served a true copy of the ***APPLICATION AND REQUEST TO CONSOLIDATE OF MICHIGAN GAS UTILITIES CORPORATION*** upon the parties listed by electronic mail.

Stewart Binke
Dykema Gossett PLLC
201 Townsend Street, Suite 900
Lansing MI 48933

Edith Loomis Digitally signed by Edith Loomis
DN: CN = Edith Loomis, C =
US, O = Miller Canfield
Date: 2006.06.30 14:44:18 -
04'00'

Edith D. Loomis

Subscribed and sworn before me
on this 30th day of June, 2006.

Susan A. Crane Digitally signed by Susan A. Crane
DN: CN = Susan A. Crane, C = US,
O = Miller Canfield, OU = EVRG
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Susan A. Crane
State of Michigan, County of Ingham
My Commission Expires: July 3, 2012

LALIB:142794.1\000000-00000

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)	
MICHIGAN GAS UTILITIES CORPORATION)	
for approval to roll-in an underrecovered amount from)	Case No. U-14941
<u>the 2005-2006 GCR plan period.</u>)	

APPLICATION AND REQUEST TO CONSOLIDATE

Michigan Gas Utilities Corporation (“MGUC”) hereby files this application for authority to roll into its 2006-2007 costs of gas sold, and recover through its Gas Cost Recovery (“GCR”) rates, the final amount reconciled in MPSC Case No. U-14400-R. MGUC also requests, for administrative convenience, the consolidation of this case with Case No. U-14400-R. In support of these requests, MGUC respectfully represents to the Michigan Public Service Commission (“Commission”) as follows:

1. MGUC is a Delaware corporation that is authorized to transact business in Michigan. MGUC is a wholly owned subsidiary of WPS Resources. MGUC’s principal office is located at 899 South Telegraph Road, Monroeville, Michigan 48161. MGUC is a public utility engaged in the business of purchasing, storing, transporting, distributing and selling natural gas to the public in the lower peninsula of the state of Michigan. MGUC’s retail natural gas business is subject to the jurisdiction of the Commission.

2. Pursuant to an Asset Purchase Agreement (“APA”) dated September 21, 2005, between WPS Resources and Aquila Inc., d/b/a Aquila Networks—MGU (“Aquila”),

effective April 1, 2006, Aquila transferred its Michigan natural gas assets to WPS Resources.

3. In the November 10, 2006, Opinion and Order issued in Case No. U-14657 (“November 10th Order”), the Commission, among other things, authorized MGUC (formerly known as WPS Michigan Utilities, Inc.), at the closing of the sale pursuant to the APA, to commence natural gas services to the public in the former Michigan service territory of Aquila pursuant to the same rates, terms and conditions as set forth in Aquila’s current Rate Book (M.P.S.C. No. 1-Gas). Therefore, consistent with the APA, and the authorizations and directives of the November 10th Order, effective April 1, 2006, MGUC commenced natural gas service, and Aquila ceased natural gas service, in the then former Michigan service territory of Aquila.

4. Prior to the April 1, 2006 effective date, Aquila recovered the costs of gas sold from retail natural gas sales customers by means of a GCR clause in its rates schedule as authorized by the Commission pursuant to 1982 PA 304 (“Act 304”), MCL 460.6h, and implemented its clause pursuant a GCR plan for the 12-month period ending March 31, 2006. The APA recognized that during its ownership of the natural gas assets, Aquila would be collecting GCR revenues that would later be reconciled in a Commission proceeding, with that reconciliation amount being reflected in MGUC’s rates during MGUC’s ownership of the natural gas utility assets.

5. Pursuant to Sec. 12 of Act 304, MCL 460.6h(12), Aquila is filing by June 30, 2006 in Case No. U-14400-R a gas cost reconciliation of the 12-month period covered by its GCR plan ending March 31, 2006. As the gas utility which implemented the GCR

plan for that period, Aquila has first-hand knowledge of the gas decisions made during that time. The filing being made in Case No. U-14400-R consists of an application and direct testimony and exhibits which demonstrate that during the 12-months ending March 31, 2006 that the revenues collected were less than the booked cost of gas thereby resulting in an undercollection.

6. In accordance with the standard refund procedures and Sec. 14 of Act 304, MCL 460.6h(14), MGUC, as assignee and transferee of Aquila and, as the current gas utility providing natural gas services in the former Michigan service territory of Aquila, requests authorization to roll into its 2006-2007 GCR cost of gas sold, and thereby recover through its GCR clause (the former GCR clause of Aquila), the reconciled underrecovered amount approved in Case No. U-14400-R.

7. Because this application and the filing made in Case No. U-14400-R are interconnected and it is likely that issues and facts may be the same in both cases, for administrative convenience, MGUC also requests that this case and Case No. U-14400-R be consolidated for notice, hearing, decision and all other related purposes.

WHEREFORE, Michigan Gas Utilities Corporation respectfully requests that this Commission:

A. Consolidate this case with Case No. U-14400-R, and following notice of hearing, issue an order authorizing Michigan Gas Utilities Corporation to roll into its 2006-2007 GCR cost of gas sold and recover through its GCR clause the reconciled underrecovered amount approved in Case No. U-14400-R; and

B. Grant Michigan Gas Utilities Corporation such other and further relief as may be lawful and proper.

Respectfully Submitted,

MICHIGAN GAS UTILITIES CORPORATION

Dated: June 30, 2006

By: Sherri A. Wellman
One of Its Attorneys
Harvey J. Messing (P23309)
Sherri A. Wellman (P38989)
MILLER, CANFIELD, PADDOCK
AND STONE, P.L.C.
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Digitally signed by Sherri A. Wellman
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Date: 2006.06.30 14:44:55 -04'00'

Attorneys for Michigan Gas Utilities Corporation

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