

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)
MICHIGAN CONSOLIDATED GAS COMPANY)
for ex parte approval of price changes to gas)
purchase contracts with MVW Limited Partnership,)
Mask Oil LLC, Hersee Corp., and Fuehauf Antrim)
Limited Partnership.)
_____)

Case No. U-13465

At the February 5, 2003 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Laura Chappelle, Chairman
Hon. David A. Svanda, Commissioner
Hon. Robert B. Nelson, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On July 25, 2002, Michigan Consolidated Gas Company (Mich Con) filed an application, pursuant to Section 10 of 1929 PA 9, as amended, MCL 483.110, seeking approval of a price change resulting from the termination and replacement of its June 2, 1979 contract with MVW Limited Partnership (MVW), Mask Oil LLC (Mask), Hersee Corp., and Fruehauf Antrim Limited Partnership (FALP), a June 15, 1979 gas purchase contract with MVW, Mask, Hersee, North American Land and Oil (NML&O), and Rana Energy Company (Rana), and a September 6, 1983 ratification agreement with FALP¹.

¹NML&O and Rana are not parties to the price change agreements for which Mich Con seeks Commission approval in this case. The interests of NML&O and Rana in gas that may continue to be covered by the June 15, 1979 contract are not subject to the Commission's findings in this case.

Pursuant to due notice, a prehearing conference was held on October 3, 2002 before Administrative Law Judge Barbara A. Stump. Mich Con, MVW, Mask, Hersee, and the Commission Staff participated in the proceedings.

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

The settlement agreement, attached as Exhibit A, provides that the new price resulting from the termination and replacement of each of the respective gas purchase contracts and the ratification agreement, which is equal to the Michigan-Mich Con City Gate Monthly Index as published in Gas Daily (subject to a minimum of \$2.50 and maximum of \$10.00 per unit purchased) effective January 1, 2002 through December 31, 2005, is just and reasonable and should be approved by the Commission.

The Commission FINDS that:

- a. Jurisdiction is pursuant to 1909 PA 300, as amended, MCL 462.2 et seq.; 1929 PA 9, as amended, MCL 483.101 et seq.; 1919 PA 419, as amended, MCL 460.51 et seq.; 1939 PA 3, as amended, MCL 460.1 et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; and the Commission's Rules of Practice and Procedure, as amended, 1992 AACRS, R 460.17101 et seq.
- b. The settlement is reasonable and in the public interest, and should be approved.
- c. The new price contained in each of the November 1, 2001 contracts, equal to the Michigan-Mich Con City Gate Index as published in Gas Daily (subject to a minimum of \$2.50 and a maximum of \$10.00 per unit purchased) effective January 1, 2002 through December 31, 2005, is just and reasonable, and should be approved.

THEREFORE, IT IS ORDERED that:

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

B. The new gas purchase price, which is equal to the Michigan-Mich Con City Gate Index as published in Gas Daily (subject to a minimum price of \$2.50 and a maximum price of \$10.00 per unit) for gas purchased by Michigan Consolidated Gas Company under its November 1, 2001 contracts with MVW Limited Partnership, Mask Oil LLC, Hersee Corp., and Fuehauf Antrim Limited Partnership, is approved effective January 1, 2002 and shall remain in effect until further order of this Commission.

C. Further filings shall each be in a new docket.

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/ Laura Chappelle
Chairman

(S E A L)

/s/ David A. Svanda
Commissioner

/s/ Robert B. Nelson
Commissioner

By its action of February 5, 2003.

/s/ Dorothy Wideman
Its Executive Secretary

B. The new gas purchase price, which is equal to the Michigan-Mich Con City Gate Index as published in Gas Daily (subject to a minimum price of \$2.50 and a maximum price of \$10.00 per unit) for gas purchased by Michigan Consolidated Gas Company under its November 1, 2001 contracts with MVW Limited Partnership, Mask Oil LLC, Hersee Corp., and Fuehauf Antrim Limited Partnership, is approved effective January 1, 2002 and shall remain in effect until further order of this Commission.

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MICHIGAN PUBLIC SERVICE COMMISSION

Chairman

Commissioner

Commissioner

By its action of February 5, 2003.

Its Executive Secretary

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of
**MICHIGAN CONSOLIDATED
GAS COMPANY** for approval, pursuant
to 1929 PA 9, as amended, of price changes
to gas purchase contracts with MVW Limited
Partnership, Mask Oil LLC, Hersee Corp. and
Fruehauf Antrim Limited Partnership.

MPSC Case No. U-13465

STIPULATION AND SETTLEMENT AGREEMENT

Michigan Consolidated Gas Company ("MichCon"), the Michigan Public Service Commission Staff ("Staff"), and MVW Limited Partnership, Mask Oil LLC and Hersee Corporation (collectively "MVW"); the "Parties" to this proceeding, stipulate as follows:

1. On July 26, 2002, MichCon filed an Application pursuant to Section 10 of 1929 PA 9 as amended, MCL 483.110, seeking *ex parte* approval of a price change resulting from the termination and replacement of its June 2, 1979 contract with MVW Limited Partnership, Mask Oil LLC, Hersee Corp. and Fruehauf Antrim Limited Partnership ("FALP"), a June 15, 1979 gas purchase contract with MVW, Mask, Hersee, North American Land and Oil ("NML&O") and Rana Energy Company ("Rana")¹, and a September 6, 1983 Ratification Agreement with FALP².

¹ NML&O and Rana are not parties to the price change agreements for which MichCon seeks Commission approval in this case. The interests of NML&O and Rana in gas that may continue to be covered by the 6/15/79 Contract are not subject to this Stipulation and Settlement Agreement and are not subject to the Commission's findings in this case.

² FALP did not intervene in this matter.

2. MichCon has submitted proof of service and an affidavit of publication indicating that it mailed and published notice of the matter in accordance with the applicable rules.

3. Administrative Law Judge Barbara A. Stump conducted a prehearing conference on October 3, 2002 at which MichCon provided the proof of service referenced in Paragraph 2 above. MichCon and Staff appeared through their respective counsel and Administrative Law Judge Barbara A. Stump granted the petition to intervene of MVW Limited Partnership, Mask Oil and Hersee Corporation. The hearing was completed without further scheduling as the matter was to be resolved by way of settlement.

4. By separate agreements, (Base Contract for Short-Term Sale and Purchase of Natural Gas with attached Special Provisions and Exhibit "A" Transaction Confirmation for Immediate Delivery), each dated November 1, 2001, ("11/01/01 Contracts") between MichCon and MVW, MichCon and Mask, MichCon and Hersee, and MichCon and FALP (seller or sellers), agreement was reached to, among other things, terminate, and replace their existing Gas Purchase Contracts.

5. In its Application, MichCon represented that effective January 1, 2002, the price of gas pursuant to each of the 11/01/01 Contracts would be the Michigan-MichCon City Gate Monthly Index as published in *Gas Daily* subject to a minimum price of \$2.50 per unit purchased, and a maximum of \$10.00 per unit purchased ("New Prices").

6. The delivery point under each of the 11/01/01 Contracts is MichCon-Kalkaska, and each seller is responsible for all costs incurred up to the delivery point which costs include but are not limited to severance taxes, privilege fees, compression,

CO₂ processing, transportation, and any other add-ons. In addition, to the extent gas is subject to CO₂ treating, the price is payable on the volumes delivered to MichCon after CO₂ processing (post shrinkage).

7. MichCon and MVW represent that the New Prices for which Commission approval is being requested are the product of good-faith negotiations and arms length bargaining between MichCon, MVW, FALP, Mask, and Hersee.

8. MichCon asserts that the New Prices are just and reasonable based on the current physical Michigan-MichCon City Gate Index pricing and because it is in line with the historical range of MichCon City Gate Index prices published in the *Gas Daily* for the past two years.

9. MichCon and MVW represent that the New Prices being requested by MichCon which, are effective from January 1, 2002 through December 31, 2005, are, in the context of this settlement, just and reasonable, and Staff does not contest that representation.

AGREEMENT

In view of the foregoing, and pursuant to Section 78 of the Administrative Procedures Act of 1969, as amended, (1965 PA 306, § 78, MCL 24.278) the Applicant, MVW, and the Commission Staff hereby agree to the following terms and support the issuance of a Commission Order approving the agreement.

10A. The Parties seek Commission approval of the New Price set in the 11/01/01 Contracts, as set forth in MichCon's application in this matter and agree that a Commission order may be entered approving the New Price.

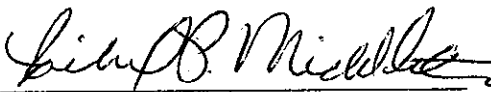
10B. Settlement of this matter will reduce the time and expense of the Commission, its Staff, MVW, Mask, Hersee, and MichCon. The Parties waive the provisions of Section 81 of 1969 PA 306, as amended and further agree not to appeal or otherwise contest a Commission order approving this Settlement Agreement without modification.

10C. This Settlement Agreement is the result of compromise and agreement among MichCon and MVW, and does not prejudice the rights of any of the Parties to take different positions in other proceedings.

10D. Each provision is dependent upon the others. Failure to comply with any provision of the Settlement Agreement constitutes failure to comply with the entire settlement. Commission approval of this Settlement Agreement constitutes approval of the New Price, as may be necessary, pursuant to Act 9. If the Commission rejects, conditions or modifies this Settlement Agreement or any provision of this Settlement Agreement, the entire Settlement Agreement may be withdrawn by MichCon or Staff, and if withdrawn the Settlement Agreement shall not constitute any part of the record of this proceeding or be used for any other purpose.


10E. This Settlement binds and inures to the benefit of the MichCon and MVW and their successors and their assigns. The Settlement Agreement is governed by, and will be construed and enforced in accordance with the laws of the State of Michigan.

Michigan Consolidated Gas Company

By: 
Richard P. Middleton, Esq. (P41278)
Michigan Consolidated Gas Co.
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Detroit, MI 48226
Its: Attorney

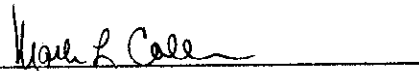
Dated: 12/16/02

**Michigan Public Service
Commission Staff**

By: 
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Dated: 12-18-02

MVW Limited Partnership, Mask Oil LLC and Hersee Corporation

By: 
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Its: Attorney

Dated: 12-12-02

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