

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)	
CONSUMERS ENERGY COMPANY for a)	
reconciliation of its gas cost recovery revenues)	Case No. U-13916-R
and expenses for the 12-month period ended)	
March 31, 2005.)	
_____)	

At the April 25, 2006 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. J. Peter Lark, Chairman
Hon. Laura Chappelle, Commissioner
Hon. Monica Martinez, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On June 30, 2005, Consumers Energy Company (Consumers) filed an application, with supporting testimony and exhibits, seeking reconciliation of its gas cost recovery (GCR) revenues and expenses for the 12-month period from April 2004 through March 2005.

Pursuant to due notice, a prehearing conference was held on September 7, 2005 before Administrative Law Judge James N. Rigas (ALJ). The ALJ granted leave to intervene to Attorney General Michael A. Cox and the Residential Ratepayer Consortium. The Commission Staff also participated in the proceedings. Subsequently, the parties submitted a settlement agreement resolving all issues in this case.

According to the terms of the settlement agreement, attached as Exhibit A, the parties agree that, for purposes of resolving this 2004-2005 GCR reconciliation case, Consumers should credit

\$1,923,649 to its GCR customers using the roll-in method set forth in Rule B10.2 of Consumers' gas tariff. The parties state that Consumers underrecovered the cost of gas in the 2004-2005 GCR year in the amount of \$598,562 and owes \$2,522,211 in interest accrued during that year to customers. Thus, the \$1,923,649 amount results from offsetting Consumers' underrecovery by the accrued interest owed. According to the settlement agreement, the calculation also includes a refund to GCR customers, using the roll-in method, of \$96,821 of Kansas *ad valorem* tax refunds received by Consumers during the GCR period. The parties further agreed that issues regarding discrepancies between gas volumes nominated by Delta Energy Corporation and billed by that company should be addressed in Consumers' next reconciliation case, Case No. U-14403-R. The parties also agreed that any concerns about storage operation constraints and the method used to forecast calendar month sales should be deferred until Consumers' next GCR plan case.

The Commission FINDS that:

- a. Jurisdiction is 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.*
- b. The settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

- A. The settlement agreement, attached as Exhibit A, is approved.
- B. Consumers Energy Company is authorized to roll the net refund balance of \$1,923,649 into its 2005-2006 gas cost recovery plan year pursuant to the roll-in method described in its tariff Rule B10.2.

C. Recognition of discrepancies between gas volumes nominated and billed by Delta Energy Corporation in 2003 and 2004 shall be considered in Consumers Energy Company's next gas cost recovery reconciliation case, Case No. U-14403-R.

D. Concerns about storage operation constraints and the method used to forecast calendar month sales shall be deferred until Consumers Energy Company's next gas cost recovery plan case.

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/ J. Peter Lark
Chairman

(S E A L)

/s/ Laura Chappelle
Commissioner

/s/ Monica Martinez
Commissioner

By its action of April 25, 2006.

/s/ Mary Jo Kunkle
Its Executive Secretary

C. Recognition of discrepancies between gas volumes nominated and billed by Delta Energy Corporation in 2003 and 2004 shall be considered in Consumers Energy Company's next Gas Cost Recovery reconciliation case, Case No. U-14403-R.

D. Concerns about storage operation constraints and the method used to forecast calendar month sales shall be deferred until Consumers Energy Company's next Gas Cost Recovery plan case.

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

Chairman

Commissioner

Commissioner

By its action of April 25, 2006.

Its Executive Secretary

Exhibit A

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the Matter of the Application of)
CONSUMERS ENERGY COMPANY)
for a Reconciliation of Gas Cost Recovery Costs) Case No. U-13916-R
and Revenues for the 12-Month Period)
April 2004 – March 2005)
_____)

SETTLEMENT AGREEMENT

Pursuant to MCL 24.278 and Rule 333 of the Rules of Practice and Procedure before the Michigan Public Service Commission (“MPSC” or “Commission”), the undersigned parties agree as follows:

1. On June 30, 2005, Consumers Energy Company (“Consumers Energy” or the “Company”) filed an application seeking a reconciliation of its Gas Cost Recovery (“GCR”) revenues and expenses for the 12-month period April 2004 – March 2005. The Company filed testimony and exhibits in support of its positions concurrently with its application.

2. The initial prehearing conference in this proceeding was held on September 7, 2005 before Administrative Law Judge James N. Rigas. The parties to the case are Consumers Energy, the Commission Staff, Attorney General Michael A. Cox (“Attorney General”) and the Residential Ratepayer Consortium (“RRC”).

3. Consumers Energy filed testimony and exhibits supporting full recovery of the cost of gas incurred by Consumers Energy for gas sold to its customers for the April 2004 through March 2005 GCR year. Consumers Energy calculated that during the 2004-2005 GCR year it experienced a cumulative under-recovery in the cost of gas sold totaling \$655,300. Consumers Energy proposed offsetting this under-recovery with accrued interest owed to

customers of \$2,511,145, resulting in a refund obligation of \$1,855,845. It proposed refunding this amount to customers using the roll-in methodology described in the Company's tariff Rule B10.2. Consumers Energy stated that the calculation of this refund obligation included a refund to GCR customers, using the roll-in methodology, of the \$96,821 Kansas *ad valorem* tax refunds that Consumers Energy received during the GCR year.

4. Staff filed testimony and exhibits in which it calculated that Consumers Energy experienced a cumulative under-recovery during the GCR year of \$597,535, which the Staff subsequently corrected to \$598,562. Staff indicated that this calculation reflected two adjustments that were identified during Staff's audit. Staff calculated accrued interest owed to customers during the GCR year in the amount of \$2,522,211, resulting in a refund obligation of \$1,923,649.

5. One of Staff's adjustments related to its position that Gas Customer Choice Supply Equalization Charge revenues should be reported and included in GCR reconciliations. The parties agree that those revenues, if any, should be included in future GCR reconciliation cases.

6. Staff, in its filing, indicated that there were certain discrepancies between gas volumes nominated by Delta Energy Corporation and billed by Delta Energy in 2003 and 2004 which Consumers Energy was attempting to resolve with Delta Energy. Since there had not yet been a final resolution of this matter, Staff proposed deferring recognition of the Delta discrepancies until the next GCR reconciliation case, Case U-14403-R.

7. In testimony sponsored by Mr. Ralph E. Miller, the Attorney General expressed concern about storage operation constraints and the method used to forecast calendar month

sales. The parties agree that this question will be addressed in the GCR plan filing for the 2007-2008 GCR plan year.

8. For purposes of settlement, the undersigned parties agree that Staff's calculation of the refund obligation should be adopted and that Consumers Energy should credit \$1,923,649 to its GCR customers using the roll-in methodology set forth in Rule B10.2 of Consumers Energy's gas tariff. The parties further agree that issues related to discrepancies between Delta Energy Corporation's invoices and nominations in 2003 and 2004 should be deferred until Consumers Energy's next GCR reconciliation case, Case No. U-14403-R.

9. This settlement is entered into for the sole and express purpose of reaching a compromise among the parties. All offers of settlement and discussions relating to this settlement are, and shall be considered, privileged under MRE 408. If the Commission approves this Settlement Agreement without modification, neither the parties to this Settlement Agreement nor the Commission shall make any reference to, or use, this Settlement Agreement or the order approving it, as a reason, authority, rationale, or example for taking any action or position or making any subsequent decision in any other case or proceeding; provided, however, such references may be made to enforce or implement the provisions of this Settlement Agreement and the order approving it.

10. This Settlement Agreement is based on the facts and circumstances of this case and is intended for the final disposition of Case No. U-13916-R. So long as the Commission approves this Settlement Agreement without any modification, the parties agree not to appeal, challenge, or otherwise contest the Commission order approving this Settlement Agreement. Except as otherwise set forth herein, the parties agree and understand that this Settlement

Agreement does not limit any party's right to take new and/or different positions on similar issues in other administrative proceedings, or appeals related thereto.

11. This Settlement is not severable. Each provision of the Settlement Agreement is dependent upon all other provisions of this Settlement Agreement. Failure to comply with any provision of this Settlement Agreement constitutes failure to comply with the entire Settlement Agreement. If the Commission rejects or modifies this Settlement agreement or any provision of the Settlement Agreement, this Settlement Agreement shall be deemed to be withdrawn, shall not constitute any part of the record in this proceeding or be used for any other purpose, and shall be without prejudice to the pre-negotiation positions of the parties.

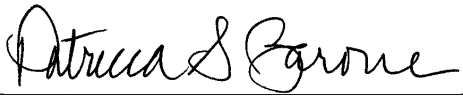
12. The Staff certifies this Settlement Agreement is reasonable and in the public interest.

13. The parties agree to waive Section 81 of the Administrative Procedures Act of 1969 (MCL 24.281), as it applies in this proceeding, if the Commission approves this Settlement Agreement without modification.



14. For the convenience of the Commission, the parties have attached, as Exhibit 1, a proposed form of order which is acceptable to the parties.

WHEREFORE, the undersigned parties respectfully request the Commission approve this Settlement Agreement and make it effective in accordance with its terms by final order.

MICHIGAN PUBLIC SERVICE
COMMISSION STAFF

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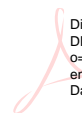
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