

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)	
MICHIGAN CONSOLIDATED GAS COMPANY)	
for <i>ex parte</i> approval of the sale and excess system)	Case No. U-14800
gas supply and related accounting changes resulting)	
from enhancements made to its gas storage system.)	
_____)	

In the matter of the application of)	
MICHIGAN CONSOLIDATED GAS COMPANY)	
for approval of a gas cost recovery plan, 5-year)	Case No. U-15042
forecast and monthly GCR factor for the 12-months)	
ending March 31, 2008.)	
_____)	

At the August 21, 2007 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. Monica Martinez, Commissioner
Hon. Steven A. Transeth, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On August 23, 2006, Michigan Consolidated Gas Company (Mich Con) filed an application with supporting testimony and exhibits requesting *ex parte* approval of the sale of excess system gas supply and related accounting changes resulting from enhancements the company is making to its natural gas storage system.

Pursuant to due notice, a prehearing conference was held on October 17, 2006 before Administrative Law Judge James N. Rigas (ALJ). At the prehearing conference, the Commission Staff (Staff) entered its appearance and the ALJ granted petitions to intervene filed by Attorney

General Michael A. Cox (Attorney General), the Residential Ratepayers Consortium (RRC), and the Michigan Community Action Agency Association (MCAAA). The petition to intervene filed by the National Energy Marketers Association was denied.

On December 7, 2006, the RRC filed a motion to consolidate this case with Mich Con's gas cost recovery (GCR) plan case, Case No. U-15042, which was to be filed shortly thereafter. On December 14, 2006, the RRC's motion to consolidate the cases was granted.

Pursuant to 1982 PA 304, MCL 460.6h *et seq.* (Act 304), on December 28, 2006, Mich Con filed its application, testimony, and exhibits in Case No. U-15042, requesting approval of a GCR plan and factors for the 12 month period ending March 31, 2008. Pursuant to due notice, a prehearing conference was held on February 8, 2007 before Administrative Law Judge Daniel E. Nickerson, Jr. Mich Con, the Staff, the Attorney General, the RRC, and the MCAAA participated in the proceedings, and a schedule for the consolidated cases was set. Subsequently, the parties were able to reach a settlement of all issues in both dockets.

Under the terms of the settlement agreement, attached as Exhibit A, for the issues in Case No. U-14800, the parties agree that: a) Mich Con shall make a total decrement of 17 billion cubic feet (Bcf) to its gas storage balance, with 7.2 Bcf of the decrement allocated to native base gas and the remainder to working gas; b) GCR customers shall receive a financial benefit from the 9.8 Bcf working gas decrement on December 31 in the year the decrement is made;¹ c) Mich Con shall account for the decrement to working gas using its annual "last in first out" (LIFO) method, with the LIFO cost reflected in the December withdrawals of the year the decrement is made; d) accounting adjustments shall be made to reflect the working gas decrement; e) Mich Con should

¹The storage decrement provides a benefit to GCR customers because it replaces a corresponding quantity of gas purchases that are expected to have a higher cost than the storage book cost of \$4.70 per thousand cubic feet (Mcf) for the working gas.

be granted the authority to sell 3.6 Bcf of native base gas from the date the Commission approves the settlement agreement until December 2009, with Mich Con retaining the profits from the sale; and the revenues, cost basis, and taxes shall not be included in Mich Con's next general rate case filing;² f) Mich Con shall make accounting adjustments to reflect the actual jurisdictional rate at the time the 3.6 Bcf of native base gas is sold; g) GCR customers shall receive the financial benefit of using the 3.6 Bcf of native base gas as a source of supply in December 2007 at a cost of \$.32 per Mcf plus tax and fees; h) Mich Con shall not file a general rate case before January 2009 unless there are unanticipated changes in tax law, legislation, or accounting standards; i) Mich Con shall use income from the sale of the native base gas to provide funding for residential energy efficiency programs for low income and other residential customers in the amount of \$500,000 in 2008 and \$625,000 in 2009.

Regarding the issues in Case No. U-15042, the parties agree that: a) Mich Con shall implement a maximum uniform GCR factor of \$8.49 for the remainder of the 2007-2008 GCR period; b) for the 2007-2008 GCR plan year, the GCR factor should be adjusted quarterly, with symmetry and the New York Mercantile Exchange increase used to calculate the quarterly adjustment should be capped at \$3.00 per million British thermal units (MMBtu); c) Mich Con's proposed gas purchasing strategy described in its application and testimony is reasonable and prudent subject to certain modifications described in the settlement agreement; d) Mich Con shall complete and file a survey and report in its 2008-2009 plan case that addresses whether or not the loss in sales volumes that the company has experienced over the past few years are a result of higher prices or the result of permanent conservation measures undertaken by its customers; e) Mich Con shall

²Base gas is the minimum volume of gas required in a gas storage field to maintain sufficient pressure to operate the field and recover the working gas. "Native" base gas is base gas that existed in the field at the time the gas storage field was originally certificated and developed.

review its heat load factors to determine the appropriate approach to forecasting GCR load for its 2008-2009 plan case; f) Mich Con shall file a storage utilization study that includes the analysis set forth in Attachment 2 to the settlement agreement; g) Mich Con's operating plan for November 2007 through March 2008 shall be modified as shown in Attachment 1 of the settlement agreement; h) the price limit method proposed by Mich Con shall be removed from the 2007-2008 GCR plan and the parties shall collaborate to arrive at a similar mechanism for the 2008-2009 plan case; and i) Mich Con shall provide a detailed study of specific elements affecting its GCR cost of gas, its GCR rate level, and base rate costs from April 2002 through March 2007.

The Commission FINDS that:

- a. Jurisdiction is pursuant to 1909 PA 300, as amended, MCL 462 *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. Michigan Consolidated Gas Company is granted the accounting authority necessary to implement the provisions of the settlement agreement.
- C. For the 2007-2008 gas cost recovery period, Michigan Consolidated Gas Company is authorized to implement a base gas cost recovery factor of \$8.49 per thousand cubic feet, subject to a capped quarterly adjustment, and implement the gas supply plan set forth in the record in Case No. U-15042 as modified by the settlement agreement.

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 E A L)

/s/ Monica Martinez
Commissioner

/s/ Steven A. Transeth
Commissioner

By its action of August 21, 2007.

/s/ Mary Jo Kunkle
Its Executive Secretary

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

Commissioner

Commissioner

By its action of August 21, 2007.

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 of a Gas Cost Recovery Plan,) Case No. U-15042
5-year Forecast and Monthly GCR Factor)
for the 12 months ending March 31, 2008)

In the matter of the Application of)
Michigan Consolidated Gas Company for)
Ex Parte Approval of the Sale of Excess) Case No. U-14800
System Gas Supply and Related Accounting)
Changes Resulting from Enhancements made)
to its Gas Storage System)

SETTLEMENT AGREEMENT

As provided in Section 78 of the Administrative Procedures Act of 1969 (“APA”), as amended, MCL 24.278, and Rule 333 of the Commission’s Rules of Practice and Procedure, 2000 AC, R 460.17333, and supported by the Commission’s own policy towards settlement of contested issues, Michigan Consolidated Gas Company (“MichCon”), the Michigan Public Service Commission Staff (“Staff”), the Michigan Attorney General (“AG”), the Residential Ratepayer Consortium (“RRC”) and the Michigan Community Action Agency Association (“MCAAA”) (hereafter, collectively referred to as the “Parties”) have resolved through settlement discussions all issues before the Commission in the above captioned cases and agree as follows:

1. MichCon filed its application for ex parte approval of the sale of excess system gas supply and related accounting changes resulting from enhancements made to its gas storage system on August 23, 2006. MichCon filed the testimony and exhibits of Jennie A. Aud, William L. Johnson, Fred W. Metzger and Mark W. Stiers in support of its application on October 17, 2006.

2. On September 26, 2006, the Commission's Executive Secretary issued a notice of hearing directing MichCon to mail a copy of the notice to all cities, incorporated villages, townships and counties in its service territory. Further, MichCon was directed to publish the notice of hearing in daily newspapers of general circulation throughout MichCon's service territory. Complying with these directives, MichCon filed the required affidavits of mailing and proofs of publication demonstrating compliance with the Commission's notice requirements with the Commission's Executive Secretary on October 16, 2006.

3. On October 17, 2006, a prehearing conference was held. Administrative Law Judge James N. Rigas presided over the proceeding. MichCon, Staff, AG, RRC, and MCAA participated in the proceeding.¹

4. On December 14, 2006 ALJ James N. Rigas heard and granted RRC's Motion to Consolidate Case No. U-14800 with MichCon's soon to be filed 2007-2008 GCR Plan Case, Case No. U-15042.

5. As required by MCL 460.6h et. seq. ("Act 304"), on December 28, 2006, MichCon filed its Application in Case No. U-15042, together with the supporting testimony and exhibits of George H. Chapel, Barbara J. Goodwin, W. Bernard Kramer, Jennifer C. Schmidt, and Mark W. Stiers, seeking approval of a Gas Cost Recovery ("GCR") plan and factors for the twelve months ending March 31, 2008.

6. On January 17, 2007, the Commission's Executive Secretary issued a notice of hearing directing MichCon to mail a copy of the notice to all cities, incorporated villages, townships and counties in its service territory. Further, MichCon was directed to publish the notice of hearing in daily newspapers of general circulation throughout MichCon's service territory. Complying with these directives, MichCon filed the required affidavits of mailing and

¹ The Petition to Intervene filed by the National Energy Marketers Association was denied.

proofs of publication demonstrating compliance with the Commission's notice requirements with the Commission's Executive Secretary on February 7, 2007.

7. On February 8, 2007, a prehearing conference was held. Administrative Law Judge Daniel E. Nickerson, Jr. presided over the proceeding. MichCon, Staff, AG, RRC, and MCAAA participated in the proceeding.

8. Subsequent to the prehearing conference Staff and Intervenors filed testimony and exhibits in both cases and MichCon updated its U-14800 testimony and exhibits and filed rebuttal testimony and exhibits related to both dockets. After the prehearing and before the date scheduled for hearing the Parties engaged in settlement discussions. As a result of these settlement discussions, the Parties have reached agreement on all issues before the Commission in the above captioned cases.

9. In its Application in Case No. U-14800 MichCon asked the Michigan Public Service Commission ("Commission") to provide the Company with the authority necessary to sell, at prevailing market rates, 4 Bcf of Native Base Gas.² According to MichCon's application the native base gas is currently held in the Belle River Mills Storage field and will become available for sale as a result of a planned permanent gas storage decrement made possible through the addition of new gas storage facilities that will enhance the operational profiles of the Company's West Columbus and Belle River Mills gas storage fields.

Specifically, MichCon states that it intends to invest a combined total of \$76.4 million in new facilities at its Belle River Mills and West Columbus gas storage fields. By making the storage field investments at West Columbus and Belle River Mills storage fields, MichCon maintains that previously inaccessible gas will become available for cycling. Further the

² Base gas is the minimum volume of gas required in a gas storage field to maintain sufficient pressure to operate the field and recover the working gas. "Native" base gas is base gas that existed in the field at the time the gas storage field was originally certificated and developed.

Company asserts, the storage field improvements at the Belle River Mills facility will allow even deeper cycling of that field providing MichCon access to 4 Bcf of native base gas. To access this previously unavailable native base gas MichCon proposes to make, in total, a 17 Bcf decrement to its system-wide gas storage accounts.

10. With respect to the issues before the Commission in Case No. U-14800, the Parties agree and stipulate that:

a. MichCon shall make a total decrement to its gas storage balance of 17 Bcf. 7.2 Bcf of the 17 Bcf decrement shall be to native base gas and 9.8 Bcf shall be to working gas.

b. The parties agree that GCR customers will receive the benefit of the 9.8 Bcf decrement to working gas. The Plan included in Attachment 1 reflects a 9.8 Bcf decrement to GCR working gas attributable to the Eastside storage by December 31, 2007. Due to variances from the Plan, including weather, sendout and market variances, and GCC migration, the actual decrement achieved may be more or less than 9.8 Bcf at December 31, 2007. Any difference in the decrement achieved from the 9.8 Bcf decrement planned shall be planned to occur by the following year end. The benefit will be provided at December 31 in the year the decrement is made. MichCon will account for the decrement using the same Annual LIFO method it would use for any storage decrement occurring for any reason with the LIFO cost reflected in the December withdrawals of the year the decrement was made. Account 164.1 – Working Gas Inventory will be relieved of the Annual LIFO book cost of the decremented volumes, which is estimated to be \$46.1 million for 9.8 Bcf at an estimated average book cost of \$4.70 per Mcf, and Account 808.1 – Cost of Gas will be charged a corresponding amount. The storage decrement provides a benefit to GCR customers because it displaces a corresponding quantity of gas purchases that are expected to have a cost higher than the storage book cost of \$4.70 per Mcf.

c. The parties agree that the Company should be granted the authority to sell 3.6 Bcf of Native Base Gas from the date the Commission issues an Order approving this Agreement through December 2009. MichCon shall retain the profits from the sales of 3.6 Bcf of native base gas. The revenues, cost basis, and severance tax associated with this sale shall not be included in MichCon's next general rate filing. Assuming a sales price of \$9.00 per Mcf resulting in gross proceeds of \$32.4 million, MichCon will record a \$1.1 million reduction in Plant Account 117 a related severance tax liability in account 236 for \$1.9 million resulting in a pre-tax gain of approximately \$29.3 million recorded in Account 421.1.³

d. GCR customers shall receive the benefit of 3.6 Bcf of native base gas as a source of gas supply in December 2007 at a cost of \$0.32 per Mcf plus applicable severance tax and privilege fees. This 3.6 Bcf of native base gas will be purchased gas and its cost will be included in the purchased cost of gas. As part of the purchased cost of gas, the native base gas will be used in calculating the jurisdictional rate for the 2007-2008 GCR plan year. To reflect the gas as available for sale to GCR customers MichCon will record a reduction to its Plant Account 117 for \$1.1 million while recording an estimated severance tax liability in Account 236 for \$1.9 million⁴ with a corresponding charge to the purchased cost of gas Account 803.

e. For accounting purposes, any portion of the Company's 3.6 Bcf of native base gas produced from the Belle River Mills storage field that has not yet been sold will retain, until sold, the same value and character it had prior to production.

f. MichCon shall be subject to a moratorium on a general rate case filing until January 2009. MichCon may use a test year ended no earlier than June 2008 instead of a

³ The actual amounts recorded in these accounts will reflect the actual jurisdictional rate at the time the gas is sold.

⁴ This value assumes a jurisdictional rate of \$9.00 per Mcf. The actual amount recorded in this account will reflect the actual jurisdictional rate at the time the gas is sold.

calendar year 2008 test year. MichCon agrees not to seek interim rate relief in any general rate case filing in calendar year 2009. The Parties agree to the extent practicable support, a case schedule proposed by MichCon that is designed to process the case such that a Commission Order would be expected prior to December 15, 2009, or within 340 days if MichCon makes the filing after January 10, 2009.

g. The rate filing moratorium discussed in paragraph 9e. of this Agreement can be set aside if there are unanticipated changes in tax law, legislative action or new authoritative accounting pronouncements promulgated by the Financial Accounting Standards Board that will affect MichCon's annual net income, weather normalized if applicable, by more than \$5 million prior to 1/1/2009. If such changes occur, MichCon or other interested persons would have a right to seek a limited issue rate case to adjust rates to reflect the effect of such changes. This provision does not establish that a change will occur. Rather it gives the Parties a right to seek such a change, if necessary. Any change would be subject to all applicable procedural and statutory requirements, including any applicable requirements for notice and opportunity for hearing.

h. MichCon shall provide incremental funding for residential energy efficiency programs for low-income and all other residential customers of \$500,000 in 2008 and \$625,000 in 2009, which will include programs intended to provide energy efficiency measures that help customers find ways to permanently reduce their energy consumption. Such funds will come from the sale of the Company's 3.6 Bcf of base gas. The program shall be administered and funded by MichCon without Commission oversight as to the programs provided or the use of the funds. As part of its next rate case, MichCon further agrees to propose more permanent funding for residential energy efficiency programs for low-income and all other residential customers. ,

Currently MichCon estimates the more permanent programs would be funded at approximately \$8 to \$10 million, which will include programs intended to provide energy efficiency measures that help customers find ways to permanently reduce their energy consumption.

11. With respect to issues before the Commission in Case No. U-15042 MichCon's plan case for the 2007-2008 GCR period, the Parties agree and stipulate:

a. MichCon should, contemporaneous with Commission approval of this settlement agreement, implement a maximum uniform GCR factor of \$8.49 per Mcf for the remainder of the 2007-2008 GCR plan period.

b. For the 2007-2008 GCR Year, the parties agree that MichCon's base GCR factor should be set at \$8.49 per Mcf subject to a quarterly adjustment, with symmetry, and that the "NYMEX Increase" used to calculate the quarterly adjustment is capped at \$3.00/MMBtu. However, in no event, will the ceiling price decrease below the base factor. The parties reserve their right to support or challenge the reasonableness and prudence of MichCon's actual gas supply costs in MichCon's U-15042-R gas cost reconciliation case.

c. It is reasonable and prudent for MichCon to implement the gas purchasing strategy for the 2007-2008 GCR plan year as described in the pre-filed testimony and exhibits of MichCon witnesses Mr. Chapel and Ms. Goodwin in this case, subject to the modifications and amendments described in this Agreement.

d. MichCon will complete and file in the 2008-09 GCR Plan Case a survey that addresses whether the loss of sales volumes experienced in the past few years is temporary, in response to higher gas prices, or the result of permanent conservation measures taken by customers. The Company agrees to preserve the results of the survey and will provide them to the parties to this case. The customer survey sample size shall be sufficient to achieve a 95%

confidence level. Staff will assist in reviewing the survey questions drafted by the Company and the sampling method that is employed.

e. The Company will review its heat load factors to determine the appropriate approach for forecasting GCR load for the 2008-09 GCR plan case.

f. MichCon will file a storage utilization study as part of the Company's 2008-09 GCR plan case. The storage utilization study shall include the analysis set forth in Attachment 2 to this Agreement.

g. The operating plan for November 2007 through March 2008 shall be modified as shown in Attachment 1 to this Agreement to use 59.8 Bcf of cycleable storage in normal weather and 3.6 Bcf of native base gas, leaving a 5 Bcf reserve for CTN and 3.2 Bcf of non-cycleable working gas in storage. The modified plan contained in Attachment 1 results in lower winter flowing supplies and greater storage cycling than contained in MichCon's original filed plan. Under certain circumstances, these changes may necessitate some incremental daily spot purchases to meet peak day requirements.

h. In its GCR plan filings for 2008-2009 and 2009-2010, MichCon will plan to use 68 Bcf of cyclable storage capacity for the combined GCR and GCC storage for Operational Years 2008-2009 and 2009-2010 increasing the targeted October 31st GCR GCC combined storage target to 71.2 Bcf reflecting the additional 3.2 Bcf of non-cycled working gas in storage that must be maintained by GCR customers associated with producing 7.2 Bcf of native base gas. The Parties are free to take whatever positions they wish on the most appropriate way to use this 68 Bcf of cycled storage capacity for the GCR and GCC storage operations in 2009 and 2010, including the quantity for CTN protection.

i. In the GCR plan proceeding for 2008-2009, any Party may propose that the storage capacity used for GCR and GCC customers change (up or down) from 68 Bcf beginning with the GCR plan year 2010-2011. The Company agrees not to oppose an increase above 68 Bcf on the grounds that GCR and GCC customers are not paying for more storage capacity in their base rates, but MichCon may oppose any proposed increase above 68 Bcf on any other grounds. MichCon may file in its general rate case to reflect changes in its utilization of gas storage capacity in its base rates. If the Company seeks a decrease below 68 Bcf in the GCR plan proceeding for 2008-2009 to be effective in 2010 to 2011 or later, MichCon also agrees not to oppose a request by any other party that it be required to file a general rate case in January 2009.

j. The Price Limit Method proposed by MichCon will be removed from the 2007-2008 GCR plan. The Parties agree to participate in good faith in a collaborative attempt to arrive at a mechanism of similar intent for inclusion in the 2008-2009 GCR plan case.

k. The Company will perform a study, more detailed than the discussion contained in the rebuttal testimony of MichCon witnesses Ms. Schmidt and Mr. Chapel, of the elements affecting its GCR cost of gas, its GCR rate level, and its base rate costs in the five-year period April 2002 through March 2007, and it will provide a copy of that study to the parties by December 15, 2007. The study will address at least the following specific topics: quantitative effect of Annual LIFO storage accounting; effect of the use of storage capacity for off-system sales instead of for GCR and GCC operations; fixed price gas purchase policies; and the other factors identified on page GHC-45 of Mr. Chapel's rebuttal testimony and Ms. Schmidt's rebuttal testimony.

12. This Settlement Agreement 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 considered privileged under MRE 408. If the Commission approves this Settlement Agreement without modification, neither the parties to the settlement 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.

13. This Settlement Agreement is based on the facts and circumstances of this case and is intended as the final disposition of Case Nos. U-14800 and U-15042. If the Commission approves this Settlement Agreement without modification, the undersigned parties agree not to appeal, challenge, or otherwise contest the Commission order approving this Settlement Agreement. Except as otherwise stated in this Settlement Agreement, the parties agree and understand that, this Settlement Agreement does not limit any party's right to take new or different positions on similar issues in other administrative proceedings, or appeals.

14. This Settlement Agreement is not severable. Each provision of this 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 this 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 not operate to prejudice the pre-negotiation positions of any party.

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

16. This Settlement Agreement may be executed in multiple counterparts.

WHEREFORE, the undersigned Parties respectfully request that the Commission approve this Settlement Agreement without modification, and make it effective, in accordance with its terms, by final order.

**MICHIGAN PUBLIC SERVICE
COMMISSION STAFF**

By: Patricia Barone 2007.07.30
16:18:19 -04'00'
Patricia Barone (P29560)
Assistant Attorney General
Public Service Division
6545 Mercantile Way Suite 15
Lansing, Michigan 48911

Dated: _____, 2007

**MICHIGAN CONSOLIDATED GAS
COMPANY**

By: _____
Its Attorney
Richard P. Middleton (P41278)
2000 2nd Avenue WCB 688
Detroit, Michigan 48226

Dated: _____, 2007

MICHIGAN ATTORNEY GENERAL

By: _____
Michael E. Moody (P51985)
Assistant Attorney General
P. O. Box 30212
Lansing, MI 48909

Dated: _____, 2007

**MICHIGAN COMMUNITY ACTION
AGENCY ASSOCIATION (MCAAA)**

By: _____
Don L. Keskey
Clark Hill PLC
212 E. Grand River Avenue
Lansing, MI 48906

Dated: _____, 2007

**THE RESIDENTIAL RATE PAYER
CONSORTIUM (RRC)**

By: _____
David L. Shaltz
2379 Woodlake Drive, Suite 480B
Okemos, MI 48864

Dated: _____, 2007

WHEREFORE, the undersigned Parties respectfully request that the Commission approve this Settlement Agreement without modification, and make it effective, in accordance with its terms, by final order.

**MICHIGAN PUBLIC SERVICE
COMMISSION STAFF**

By: _____
Patricia Barone (P29560)
Assistant Attorney General
Public Service Division
6545 Mercantile Way Suite 15
Lansing, Michigan 48911

Dated: _____, 2007

**MICHIGAN CONSOLIDATED GAS
COMPANY**

Richard P.
By: **Middleton** Digitally signed by Richard P. Middleton
DN: cn=Richard P. Middleton, c=US,
o=DTE Energy, ou=Legal,
email=middleton@dteenergy.com
Date: 2007.07.30 16:18:50 -04'00'

Its Attorney
Richard P. Middleton (P41278)
2000 2nd Avenue WCB 688
Detroit, Michigan 48226

Dated: _____, 2007

MICHIGAN ATTORNEY GENERAL

Michael Moody
By: _____ Michael Moody
2007.08.07
09:18:30 -04'00'
Michael E. Moody (P51985)
Assistant Attorney General
P. O. Box 30212
Lansing, MI 48909

Dated: _____, 2007

**MICHIGAN COMMUNITY ACTION
AGENCY ASSOCIATION (MCAAA)**

Don L. Keskey Digitally signed by Don L. Keskey
DN: cn=Don L. Keskey, c=US, o=Clark Hill
PLC
Date: 2007.08.07 11:45:09 -04'00'
By: _____
Don L. Keskey
Clark Hill PLC
212 E. Grand River Avenue
Lansing, MI 48906

Dated: _____, 2007

**THE RESIDENTIAL RATE PAYER
CONSORTIUM (RRC)**

By: _____
David L. Shaltz
2379 Woodlake Drive, Suite 480B
Okemos, MI 48864

Dated: _____, 2007

WHEREFORE, the undersigned Parties respectfully request that the Commission approve this Settlement Agreement without modification, and make it effective, in accordance with its terms, by final order.

**MICHIGAN PUBLIC SERVICE
COMMISSION STAFF**

By: _____
Patricia Barone (P29560)
Assistant Attorney General
Public Service Division
6545 Mercantile Way Suite 15
Lansing, Michigan 48911

Dated: _____, 2007

**MICHIGAN CONSOLIDATED GAS
COMPANY**

Richard P.
By: **Middleton** _____
Its Attorney
Richard P. Middleton (P41278)
2000 2nd Avenue WCB 688
Detroit, Michigan 48226

Digitally signed by Richard P. Middleton
DN: cn=Richard P. Middleton, c=US,
o=DTE Energy, ou=Legal,
email=middleton@dteenergy.com
Date: 2007.07.30 16:18:50 -04'00'

Dated: _____, 2007

MICHIGAN ATTORNEY GENERAL

By: _____
Michael E. Moody (P51985)
Assistant Attorney General
P. O. Box 30212
Lansing, MI 48909

Dated: _____, 2007

**MICHIGAN COMMUNITY ACTION
AGENCY ASSOCIATION (MCAAA)**

By: _____
Don L. Keskey
Clark Hill PLC
212 E. Grand River Avenue
Lansing, MI 48906

Dated: _____, 2007

**THE RESIDENTIAL RATE PAYER
CONSORTIUM (RRC)**

David L.
By: **Shaltz** _____
David L. Shaltz
2379 Woodlake Drive, Suite 480B
Okemos, MI 48864

Digitally signed by David L. Shaltz
DN: cn=David L. Shaltz, c=US,
o=David L. Shaltz Attorney at Law,
email=dshaltz@sbcglobal.net
Date: 2007.08.01 12:39:58 -04'00'

Dated: _____, 2007

**Settlement Agreement
MPSC Case Nos. U-14800
and U-15042**

ATTACHMENT 1

**Settlement Agreement
MPSC Case Nos. U-14800
and U-15042
Attachment 1**

EXHIBIT C
Attachment to Proposed Settlement Agreement
GCR / GCC Supply Plan

6/15/2007
MPSC Case No. U-15042

Normal Weather (07 - 08)				
	Supply		Storage	
	Total Supply	Avg / Day	Usage	Balance
October **				68,000
November	12,377	413	7,100	60,900
December *	16,044	518	12,030	48,870
January	14,023	452	17,173	31,697
February	13,031	449	14,136	17,561
March	<u>13,936</u>	450	<u>9,351</u>	8,200
Total	69,411	457	59,800	

CTN Weather (07 - 08)				
	Supply		Storage	
	CTN Supply	Total Supply	Avg / Day	Usage
October **				68,000
November	-	12,377	413	8,000
December *	900	16,944	547	13,430
January	2,803	16,826	543	21,370
February	3,836	16,867	582	14,500
March	<u>4,161</u>	<u>18,097</u>	584	<u>7,500</u>
Total	11,700	81,111	513	64,800

WTN Weather (07 - 08)				
	Supply		Storage	
	WTN Supply	Total Supply	Avg / Day	Usage
October **				68,500
November	-	12,377	413	6,100
December *	-	16,044	518	9,830
January	-	14,023	452	11,173
February	(1,500)	11,531	398	11,436
March	<u>(1,500)</u>	<u>12,436</u>	401	<u>8,251</u>
Total	(3,000)	66,411	437	46,800

* December supply includes 3.6 Bcf of sale of Native Base Gas to GCR customers and (0.4) Bcf reduction to flowing supply

** October 2007 Storage balance is 68 Bcf, however, October 2008 storage balance increases to 71.2 Bcf. GCR must maintain 3.2 Bcf more of GCR non-cycled working gas than contained in the original proposal (and 3.2 Bcf less base gas)

**Settlement Agreement
MPSC Case Nos. U-14800
and U-15042**

ATTACHMENT 2

**Settlement Agreement
MPSC Case Nos. U-14800
and U-15042
Attachment 2**

Storage Utilization Study

MichCon will perform a study to determine the “best” way of using storage in support of its GCR and GCC operations at each of the following levels of storage capacity assumed to be available for GCR and GCC operations:

- Approximately 60 Bcf
- Approximately 68-70 Bcf
- Approximately 80 Bcf.

The “best” way of using storage is the way that results in the lowest GCR cost of gas for serving the GCR loads for the period from April 2008 through March 2012 in the Company’s five-year forecast in Case No. U-15042, and under the gas price assumptions that MichCon used in that five-year forecast. The following requirements also apply:

- Storage use will not be constrained by the assumption that daily purchases must be 1/365th of annual requirements +/-10%. Instead, MichCon will plan that the normal weather monthly pattern of GCC supplier deliveries, expressed as a percentage of total annual GCC load, will be the same as the normal weather monthly pattern of GCR purchases in relation to total annual GCR load.
- MichCon will examine at least two different CTN protection plans at each assumed level of total storage capacity availability. One of the two required CTN protection plans shall dedicate only 5 Bcf of storage capacity to CTN protection, and the other shall dedicate 10 Bcf. MichCon is also encouraged to examine additional CTN alternatives.
- In examining each storage utilization plan, MichCon shall calculate the likely costs for normal weather loads and under each of the following assumptions for weather warmer or colder than normal: winter loads 8% less than normal weather loads, 4% below normal, 4% larger than normal, and 8% above normal. MichCon shall make appropriate assumptions about the way that load variations above or below normal weather loads are likely to affect monthly gas prices, and it shall provide support for those assumptions based on historical experience and any other factors MichCon deems important.
- At each level of total storage capacity availability, MichCon will provide operating plans for normal weather, CTN weather, and WTN weather.