

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)
MICHIGAN GAS UTILITES CORPORATION) Case No. U-15550
for approval of depreciation rates and practices.)
_____)

At the January 13, 2009 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Orjiakor N. Isiogu, Chairman
Hon. Monica Martinez, Commissioner
Hon. Steven A. Transeth, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On May 16, 2008, Michigan Gas Utilities Corporation (MGUC) filed an application with supporting testimony and exhibits requesting approval of revised depreciation rates and practices.

A prehearing conference was held on July 1, 2008, before Administrative Law Judge Daniel E. Nickerson, Jr., (ALJ). The Commission Staff participated in the proceeding, and the ALJ granted the petitions to intervene filed by Attorney General Michael A. Cox (Attorney General) and the Association of Businesses Advocating Tariff Equity (ABATE). The ALJ also granted the Attorney General's and ABATE's motions to suspend the schedule pending the company's compliance with the Commission's June 26, 2007 order issued in Case Nos. U-14292, U-14811, and U-14812. On August 26, 2008, the Commission reversed the ALJ's ruling and a second prehearing conference was held on September 11, 2008.

Subsequently, the parties submitted a settlement agreement, attached as Exhibit A, resolving all issues in this case. Under the terms of the settlement agreement, the parties agree that MGUC's existing depreciation rates and practices will not change at this time. The parties agree that, consistent with the directives in the Commission's June 26, 2007 order in Case No. U-14292 *et al.*, MGUC will file a new depreciation case on or before May 1, 2009.

After a review of the settlement agreement, the Commission finds that the 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 Gas Utilities Corporation's current depreciation rates and practices shall remain in effect.
- C. Michigan Gas Utilities Corporation shall file a new depreciation case on or before May 1, 2009 in accordance with the schedule established in the June 26, 2007 order in Case Nos. U-14292, U-14811, and U-14812.

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

Orjiakor N. Isiogu, Chairman

Monica Martinez, Commissioner

Steven A. Transeth, Commissioner

By its action of January 13, 2009.

Mary Jo Kunkle, Executive Secretary

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BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
MICHIGAN GAS UTILITIES CORPORATION) Case No. U-15550
for approval of depreciation rates and practices.)

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 the “Commission”), Michigan Gas Utilities Corporation (“MGUC”), the MPSC Staff (“Staff”), Attorney General Michael A. Cox (“AG”), and Association of Businesses Advocating Tariff Equity (“ABATE”) otherwise known as the parties to Case No. U-15550, agree as follows:

1. On May 16, 2008, pursuant to the directives in Case No. U-14881, MGUC filed its Application in this case, along with supporting testimony and exhibits, proposing to revise its depreciation rates and practices.
2. On June 5, 2008, the Commission’s Executive Secretary issued the Notice of Hearing in this case, scheduling a prehearing conference for July 1, 2008, before Administrative Law Judge Daniel E. Nickerson, Jr.
3. At the prehearing conference in Case No. U-15550, the petitions to intervene of the AG and ABATE were granted. ALJ Nickerson took up ABATE’s and the AG’s motions to suspend hearings until MGUC complied with the directives of the Commission’s June 26, 2007 Opinion and Order (June 26 Order”) in Case No. U-14292,

et al. In his ruling on the motions, ALJ Nickerson suspended the schedule in Case No. U-15550, pending the Company's compliance with the June 26 Order. Following the filing of emergency appeals by ABATE and MGUC, and responses to the appeals by MGUC, Staff and the AG, the Commission in its August 26, 2008 Order in this case reversed the ALJ's July 1 Ruling, specifically recognizing that MGUC is required to file another depreciation case on May 1, 2009 to conform to the June 26 Order.

4. On September 11, 2008, a second prehearing conference in this case was held and the schedule was set.

5. Thereafter, the parties engaged in settlement discussions, which have led to the agreement that MGUC's existing depreciation rates and practices will not change at this time. Instead, it is agreed that, consistent with the directives in the Commission's June 26 Order, MGUC will file a new depreciation case on or before May 1, 2009.

6. It is the opinion of the signatories hereto that this settlement agreement will aid in the expeditious conclusion of these proceedings, and will minimize the expense which would otherwise have to be devoted by the Commission and the parties.

7. This settlement agreement finally resolves this case and all provisions of the settlement agreement are dependent upon all other provisions. The parties also agree that this settlement agreement is integral to, and inseparable from, the settlement agreement reached in Case No. U-15549 and the parties urge the Commission to approve this settlement agreement on the same day as it approves the settlement agreement in Case No. U-15549. The parties agree that unless the Commission

simultaneously approves the settlement agreements in U-15549 and U-15550, both settlements shall be void.

8. This settlement agreement has been made for the sole and express purpose of reaching a compromise among the positions of the parties, without prejudice to their rights to take the same, new or different positions in other proceedings. All offers of settlement and discussions relating to this settlement agreement 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 of 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 or use may be made to enforce the settlement agreement and any order approving it.

9. The terms of this settlement agreement are not severable. If the Commission does not accept this settlement agreement without modification, unless the parties otherwise agree, in writing, this settlement agreement shall be deemed withdrawn and shall not constitute any part of the record in this proceeding or be used for any other purpose whatsoever.

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-15550. 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. 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.

Dated: December 18, 2008

MICHIGAN GAS UTILITIES CORPORATION

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Dated: December 18, 2008

MICHIGAN PUBLIC SERVICE COMMISSION
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Dated: December 18, 2008

ATTORNEY GENERAL MICHAEL A. COX

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Dated: December 18, 2008

ASSOCIATION OF BUSINESSES
ADVOCATING TARIFF EQUITY

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