

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)
WASHINGTON 10 STORAGE CORPORATION)
for *ex parte* issuance of a certificate of public)
convenience and necessity authorizing applicant)
to increase the maximum stabilized wellhead)
pressure of its storage facility and for *ex parte*)
approval of applicant's construction and operation)
of a pipeline lateral in Macomb County, Michigan.)
_____)

Case No. U-14529

At the September 20, 2005 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 May 26, 2005, Washington 10 Storage Corporation (Washington 10) filed an application, with supporting testimony and exhibits, requesting a certificate of public convenience and necessity authorizing Washington 10 to (1) increase the maximum stabilized wellhead pressure of the storage field located in Washington Township and the Village of Romeo, Michigan, from 1,900 pounds per square inch gauge (psig) to 2,122 psig, and; (2) construct and operate a 2,200, foot 24-inch lateral pipeline. On August 16, 2005, the Commission issued its order in this case approving Washington 10's proposed pipeline and setting the portion of the application regarding an increase in the maximum stabilized wellhead pressure for hearing. On August 19, 2005, the Commission issued its Notice of Hearing.

Pursuant to due notice, a prehearing conference was held September 14, 2005, before Administrative Law Judge Sharon L. Feldman. Washington 10 and the Commission Staff participated in the proceedings.

Subsequently, the parties submitted a settlement agreement resolving all issues in this case. The parties waived Section 81 of the Administrative Procedures Act of 1969, 1969 PA 306, as amended, MCL 24.201 *et seq.*

According to the terms of the settlement agreement, attached as Appendix A, the parties agree that the proposed project will serve the public convenience and necessity and that the storage field is safe for the proposed increase in maximum stabilized wellhead pressure and operation of gas storage. The parties further agreed that Washington 10 had secured all required permits and that the construction of the project will comply with all applicable federal, state, and local laws, including the Michigan Gas Safety Standards.

The parties recommend that the Commission find that the type of construction for the project as described in the application, testimony, and exhibits of Washington 10 should be approved and that the Commission should find the project facilities will be constructed, maintained, and operated in a manner that meets and satisfies the requirements of the Michigan Gas Safety Standards and applicable Commission rules.

The Commission is persuaded that approval of the settlement agreement is in the public interest.

The Commission FINDS that:

a. Jurisdiction is pursuant to 1923 PA 238, as amended, MCL 486.251 *et seq.*; 1090 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.*; 1929 PA 9, as amended MCL 483.101 *et seq.*; 1969 PA 165, as

amended, MCL 483.151 *et seq.*; and the Commission's Rules of Practice and Procedure, as amended, 1999 AC, R 460.1701 *et seq.*

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

THEREFORE, IT IS ORDERED that the settlement agreement, attached as Appendix A, is approved.

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 September 20, 2005.

/s/ Mary Jo Kunkle
Its Executive Secretary

amended, MCL 483.151 *et seq.*; and the Commission's Rules of Practice and Procedure, as amended, 1999 AC, R 460.1701 *et seq.*

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

THEREFORE, IT IS ORDERED that the settlement agreement, attached as Appendix A, is approved.

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 September 20, 2005.

Its Executive Secretary

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the Matter of the Application of Washington
10 Storage Corporation for *Ex Parte* Issuance of
a Certificate of Public Convenience and
Necessity Authorizing Applicant to Increase the)
Maximum Stabilized Wellhead Pressure of its)
Storage Facility and for *Ex Parte* Approval of)
Applicant's Construction and Operation of a)
Pipeline Lateral in Macomb County, Michigan.)
_____)

Case No. U-14529

SETTLEMENT AGREEMENT

On May 26, 2005, Washington 10 Storage Corporation ("Washington 10") filed an application for, among other things, a certificate of public convenience and necessity authorizing Washington 10 to increase the maximum stabilized wellhead pressure of the storage field located in Washington Township and the Village of Romeo, Michigan from 1,900 psig to 2,122 psig. On August 16, 2005, the Michigan Public Service Commission ("Commission") issued its order in this case approving a request to construct and operate a lateral pipeline and setting for hearing the request to increase the maximum stabilized wellhead pressure of the storage reservoir. On August 19, 2005, the Commission issued its Notice of Hearing.

At the September 14, 2005 prehearing, Washington 10 presented proof of service of the notice of hearing and proof of publication. Appearances were entered on behalf of Washington 10 and the Commission Staff ("Staff"). Based on discussions in this matter, the parties have agreed to enter into this Settlement Agreement.

This Settlement Agreement is submitted pursuant to Section 78 of 1969 PA 306, MCL 24.278 and Rule 333 of the Commission's Rules of Practice and Procedure, R 460.17333. By this Settlement Agreement, the parties agree and stipulate as follows:

1. Washington 10 is a Michigan corporation incorporated pursuant to 1923 PA 238, as amended, MCL 486.251 et seq. and 1972 PA 284, as amended, MCL 450.1101 et seq.

2. Washington 10 owns and operates the Washington 10 storage field, which was originally certificated in Case No. U-10424 (Washington 10 Project). Washington 10's principal place of business is located at 12700 30 Mile Road, Washington Township, Michigan.

3. As part of its application, Washington 10 submitted detailed descriptions of the project location, geology, production history, reservoir characteristics, proposed facilities and engineering as contained in the direct testimony and exhibits filed with and appended to the application, all of which support this Settlement Agreement.

4. The storage field, which commenced service during the spring of 1999, is located in a Niagara Reef formation at an average depth of approximately 3,400 feet. The storage field currently has a certificated maximum stabilized wellhead pressure of 1,900 psig, with a pressured gradient of 0.63 psia per foot. Compression totals approximately 17,000 horsepower. The storage field currently has a total capacity of approximately 69 MMDth, consisting of a working gas capacity of 58.8 MMDth and a base or cushion of gas capacity of 10.2 MMDth. The maximum sustainable withdrawal rate is 720,000 dth per day. At present, the storage field contains 14 injection/withdrawal wells, 8 observation wells, and 6 wellpads.

5. Washington 10 proposes to increase the storage field's maximum stabilized wellhead pressure from the current level of 1,900 psig to 2,122 psig, which yields a pressure gradient of 0.70 psia per foot.

6. Washington 10 proposes to accomplish the maximum stabilized wellhead pressure increase by taking the following actions:

- a. Add one new storage/injection well at the location of Wellpad No. 1.
- b. Add one new storage/injection well to Wellpad No. 6, and convert one existing observation well in Wellpad No. 6 to storage/withdrawal.
- c. Add 3,000 psig wellheads to 3 observation wells and a 3,000 psig swab valve to one observation well.
- d. Construct new facilities at the site of the Washington 10 compressor station, including one additional dehydration tower, two new engine-compressor units and related facilities representing approximately 10,000 additional horsepower, one new water bath heater and metering.

7. All proposed facilities at the Washington 10 compressor station will be located within the present 18 acre fenced area located within the existing 65 acre site.

8. By increasing the storage field's maximum stabilized wellhead pressure to 2,122 psig, the result will be an increase in the storage field's total capacity to approximately 77 MMDth, which will increase the working gas capacity by approximately 7 MMDth, for a total 66 MMDth in working gas capacity. When this additional working gas capacity is added to the unutilized working gas capacity currently unavailable due to the lack of compression, Washington 10 will have available to it an additional 14 MMDth of high deliverability storage service. The expansion project will also increase base (cushion) gas by approximately 1 MMDth, for a total base gas of approximately 11 MMDth. The maximum sustainable withdrawal rate of the storage field is expected to increase by 200,000 Dth per day to 920,000 Dth per day.

9. The sound levels associated with the expansion project are designed to satisfy governmental sound limit requirements of 45 dBA at ¼ mile from the Washington 10 property line and 65 dBA at the Washington 10 property line.

10. Washington 10 has received the requisite environmental air permits for the expansion project.

11. Construction and operation of the facilities required to complete the expansion project will comply with applicable federal, state and local laws and regulations. Washington 10 also agrees to follow all applicable industry standards in constructing and maintaining the expansion project.

12. Washington 10 does not propose to change its existing rates for services.

13. After reviewing Washington 10's filing, the Staff agrees that the proposed project will serve the public convenience and necessity and that the storage field is safe for the proposed increase in maximum stabilized wellhead pressure and operation of gas storage.

14. The parties recommend that the Commission find that the type of construction for the project as described in the application, testimony and exhibits of Washington 10 should be approved and that the Commission should find the project facilities will be constructed, maintained and operated in a manner that meets and satisfies the requirements of the Michigan Gas Safety standards and applicable Commission rules.

15. This Settlement Agreement is without precedential effect and is intended only for the final disposition of the issues in this proceeding. The parties respectfully request the Commission grant approval of this Settlement Agreement. It is the opinion of the parties that this Settlement Agreement will be in the public interest, aid in the expeditious conclusion of this

case and minimize the time and expense which would otherwise have to be devoted to this matter by the Commission and the parties.

16. Each party agrees not to appeal, challenge or contest the certificate approved by the Commission in this case if it is the result of a Commission order accepting and approving this settlement agreement without modification.

17. If the Commission does not accept this Settlement Agreement without modification, this Settlement Agreement shall be withdrawn and shall not constitute any part of the record in this proceeding or be used for any other purpose.

18. The parties agree to waive Section 81 of 1969 PA 306, if the Settlement Agreement is approved by the Commission without modification.

Respectfully submitted,

WASHINGTON 10 STORAGE CORPORATION

By: _____

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Dated: September __, 2005

LANSING.235039.1

P R O O F O F S E R V I C E

STATE OF MICHIGAN)

Case No. U-14529

County of Ingham)

Patricia A. Fronta being duly sworn, deposes and says that on September 20th 2005, A.D. she served a copy of the attached Commission order by first class mail, postage prepaid, or by inter-departmental mail, to the persons as shown on the attached service list.

Patricia Fronta

Subscribed and sworn to before me
this 20th day of September 2005

Notary Public, Eaton County
Acting in Ingham, County, Michigan
My Commission expires June 5, 2007

SERVICE LIST FOR DOCKET # U – 14529 - CASE #
DATE OF PREPARATION: 09/21/2005

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