STATE OF MICHIGAN
CIRCUIT COURT FOR THE 30th JUDICIAL CIRCUIT
INGHAM COUNTY

IN THE MATTER OF:

Inergy Propane, LLC d/b/a Blue Flame Gas, DeCock Bottled Gas, Gaylord Gas, Lagasco Propane, McBride Oil & Propane, Northwest Energy, Petoskey Propane, Progas Propane, Pearl Gas and Quality Propane

Respondent.
_____/

No. 08-230-CP
Hon. Joyce Draganchuk

AG File No. 2008-3009855-A

ASSURANCE OF DISCONTINUANCE

MICHAEL A. COX
ATTORNEY GENERAL

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Dated Filed: March 26, 2008

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ASSURANCE OF DISCONTINUANCE

The Complainant is Mike Cox, Attorney General of the State of Michigan, on behalf of the People of the State of Michigan. The Respondent is Inergy Propane, LLC d/b/a Blue Flame Gas, DeCock Bottled Gas, Gaylord Gas, Lagasco Propane, McBride Oil & Propane, Northwest Energy, Pearl Gas, Petoskey Propane, Progas Propane and Quality Propane (Inergy).

This Assurance of Discontinuance/Settlement Agreement ("Assurance") concerns the resolution of alleged violations of the Michigan Consumer Protection Act (the "MCPA"), MCL 445.901 et seq. Inergy agrees not to contest (a) the authority of the Department of Attorney General to execute this Assurance; or, (b) any terms or conditions set forth herein.

The entry of this Assurance by Inergy is neither an admission of liability with respect to any issue dealt with in this Assurance nor is it an admission or denial of any factual allegations or legal conclusions stated or implied in this Assurance.

The Parties agree that the terms and conditions of the Assurance are fair, reasonable and consistent with the public interest and the doctrines of applicable law.

I. JURISDICTION AND VENUE

The Ingham County Circuit Court has jurisdiction over the subject matter of this action pursuant to MCL 445.905(1). The Court also has personal jurisdiction over the Respondent for the enforcement of this Assurance. Respondent waives all objections and defenses regarding jurisdiction and venue.

II. PARTIES BOUND

2.1 This assurance shall apply to and be binding upon Inergy, whether acting with or through officers, employees, representatives, agents, successors, or through any other corporation, assumed name or business entity. Inergy is responsible for compliance with the terms of the Assurance, and shall ensure that all retail facilities, officers, employees, representatives and agents acting on its behalf are in compliance with the terms and conditions of this Assurance.

2.2 The signatories to this Assurance certify that they are authorized to execute and legally bind the parties they represent.

III. DEFINITIONS

3.1 "Assurance" means this Assurance and any appendix hereto.

3.2 "Respondent" or "Inergy" means Inergy, whether doing business through any assumed name, or through officers, employees, representatives, agents acting on its behalf, or through any other affiliate, corporate or business entity.

3.3 "Parties" means the Complainant and Respondent.

3.4 "Complainant" means Mike Cox, Attorney General of the State of Michigan, on behalf of the People of the State of Michigan.

3.5 "Residential non-fixed price customers" means Inergy residential customers that at any time during the period from November 1, 2007 through February 29, 2008 received propane deliveries for which the prices were not pre-established by a long term contract.

3.6 All other terms shall have the meaning specifically defined in the MCPA.

IV. STATEMENT OF PURPOSE

In entering into the Assurance, the mutual objective of Complainant and Inergy is to resolve, without litigation, the alleged violations of the MCPA and the reimbursement of costs and expenses incurred by the Departments of Attorney General in investigating this matter and enforcing the MCPA.

V. IMPLEMENTATION OF COMPLIANCE MEASURES

5.1 Within 30 days of the effective date of this Assurance, Inergy shall provide written notice of the following options to all of its Residential non-fixed price customers:

Option A:

1. Inergy Residential non-fixed price customers may choose to obtain a new supplier and have their propane tanks pumped out and removed at no charge. Within 30 days of mailing of the written notice, the Inergy Residential non-fixed price customers electing this option must notify Inergy of their decision to

exercise this option to leave Inergy and represent to Inergy that the customer has made the necessary arrangements with a new supplier for a new tank and that service will commence with the new supplier no later than 30 days following the mailing of the written notice from Inergy. Inergy will use its best efforts to pump out and remove its tanks from the premises of the customer electing this option;

2. Residential non-fixed price customers electing to leave Inergy under this option shall receive a refund or, if a current balance is due and owing Inergy, a credit on their account for propane in the tank in an amount equal to the price paid; and

3. Residential non-fixed price customers electing this option will receive a refund or, if a current balance is due and owing Inergy, a credit for the amount they paid for propane delivered by Inergy and used by them during the period from November 1, 2007 through February 29, 2008. The amount of the refund or credit will be established by the difference between the prices per gallon such customers paid Inergy and the price of $3.40 per gallon.

Option B:

1. Residential non-fixed price customers who choose to remain with Inergy will receive a credit in an amount established by the difference between the amount they paid over $3.20 per gallon for propane Inergy delivered to them during the period of November 1, 2007 through February 29, 2008.

2. All Residential non-fixed price customers electing option B will remain subject to Inergy's published administrative charges for pump-outs, tank pick-up and re-stocking charges.

5.2 Inergy will offer an insurance capped price contract to all of its Residential non-fixed price customers for the time period of June 2008 through May 2009. The customers offered the insurance capped price contract will have 30 days from the date of mailing of the contract to accept the contract. The insurance capped price to be established by Inergy will be under $3.00 per gallon for the entire period of the contract. Under this option Inergy's published sign-up charge for the insurance capped price contract and its pump-out fee will be waived. Inergy's pick-up fee will remain.

5.3 This Assurance will not affect fixed price contracts Inergy has entered into with its customers. Inergy shall continue to honor the price terms contained in those contracts.

5.4 Former Inergy customers who were Residential non-fixed price customers and received delivery of propane from Inergy at any time from November 1, 2007 through February 29, 2008 and who had their tanks removed and/or pumped out shall be given a refund for any fees Inergy charged them for removal and/or pumping out of the tanks.

5.5 Former Inergy customers who were Residential non-fixed price customers and had their tanks removed and/or pumped out by Inergy will be given a refund for the amount paid in excess $3.40 per gallon for propane Inergy delivered to them during the period of November 1, 2007 through February 29, 2008.

5.6 Inergy shall provide the Attorney General with a written list of the names of all consumers provided notices within 35 days of the effective date of this assurance.

5.7 Inergy shall provide the Attorney General with an accounting of all individuals receiving a credit, refund or waiver of fees under this Assurance within six months of the effective date of this Assurance.

5.8 Within a reasonable time not to exceed six months of the effective date of this Assurance, Inergy will standardize its consumer contracts to clearly and conspicuously disclose all material terms, including:

- All fees, including how calculated and when they apply.
- Any minimum usage requirement.
- Whether per gallon prices increase if usage drops below a certain usage minimum and if so, how the minimum usage is calculated.

VI. REIMBURSEMENT OF COSTS AND EXPENSES

6.1 Within 30 days of the entry of this Assurance, Inergy shall pay the sum of $25,000.00 to the State of Michigan to reimburse the state for its legal, investigative and administrative expenses relating to historical compliance efforts directed at Inergy. This payment by Inergy is neither an indication of wrongdoing by Inergy nor does this payment constitute a penalty imposed by the State of Michigan on Inergy.

6.2 Payment shall be made by check payable to the "State of Michigan" and remitted to Jason R. Evans, Assistant Attorney General, Consumer Protection Division, PO Box 30213, Lansing, MI 48909. The check shall reference Inergy, Assurance of Discontinuance, No. 2008-3009855-A.

VII. CONSUMER REDRESS

7.1 Inergy shall provide consumers with the rights and remedies described in Section V.

7.2 Within 30 days of mailing of the notices, consumers must make a written election of whether they are going to stay with Inergy. The designation of election shall be mailed and consumers who fail to respond will be assumed to have elected to stay with Inergy.

VIII. DISPUTE RESOLUTION

8.1 The dispute resolution procedures of this Section shall be the exclusive mechanism to resolve disputes arising under this Assurance and shall apply to all provisions of this Assurance. Any dispute that arises under this Assurance shall in the first instance be the subject of informal negotiations between the parties. The period of negotiations shall not exceed

10 days from the date of written notice by any party that a dispute has arisen, but it may be extended by agreement between the parties. The period for informal negotiations shall end when Complainant provides a written statement setting forth its proposed resolution of the dispute to Inergy.

8.2 If the parties fail to resolve a dispute by informal negotiations, then the dispute shall be resolved in accordance with the resolution proposed by the Complainant unless, within 10 days after receipt of the Complainant's proposed resolution, Inergy files a petition for resolution with the Ingham Circuit Court setting forth the matters in dispute, the efforts made by the parties to resolve it, the relief requested, and the schedule, if any, within which the dispute must be resolved to insure orderly implementation of this Assurance.

IX. COVENANT NOT TO SUE BY COMPLAINANT AND RESERVATION OF RIGHTS

9.1 In consideration of the implementation of compliance measures and the reimbursement of the costs and expenses that will be made by Inergy under the terms of this Assurance, and except as specifically provided in this Section, Complainant covenants not to sue or to take administrative action against Inergy for Covered Matters.

9.2 "Covered Matters" shall include any liability to the State of Michigan for the following:

a. All claims for violations of the MCPA through the period from November 1, 2007 to February 29, 2008;

b. Payment of all civil penalties for violations of the MCPA through the period from November 1, 2007 to February 29, 2008; and

c. Reimbursement of costs and expenses incurred by the Department of Attorney General from November 1, 2007 to February 29, 2008.

9.3 The covenant not to sue set forth in this Section does not pertain to any matters other than those expressly specified in "Covered Matters" in paragraph 9.2. Complainant reserves, and this Assurance is without prejudice to, all rights against Inergy with respect to all other matters including, but not limited to, the following:

a. Any criminal liability;

b. Liability arising from a violation by Inergy of a requirement of this Assurance;

c. Liability for violations of the MCPA that occurred before November 1, 2007 or after February 29, 2008.

X. NOTICES

All notices, deliveries or other communications required or permitted hereunder shall be in writing and shall be deemed given when sent by facsimile transmission and confirmed by certified or registered mail (unless otherwise specified) addressed as follows:

a. If to Complainant:

Jason R. Evans
Assistant Attorney General
Consumer Protection Division
PO Box 30213
Lansing MI 48909

b. If to Inergy:

Inergy Propane, LLC
c/o CSC-Lawyers Incorporating Service (Registered Agent)
601 Abbott Rd., East Lansing, MI 48823

XI. GENERAL PROVISIONS

11.1 This Assurance is accepted and final upon signing by an assistant attorney general.

11.2 This Assurance shall not create any private rights or causes of action in any third parties.

11.3 No change or modification of this Assurance shall be valid unless in writing and signed by both parties.

11.4 Neither Respondent nor anyone acting on its behalf shall state or imply or cause to be stated or implied that the State of Michigan, the Attorney General, or any other governmental unit of the State of Michigan has approved, sanctioned, or authorized any practice, act, advertisement or conduct of the Respondent.

11.5 This document shall not be construed against the "drafter" because both parties participated in the drafting of this document.

11.6 As used herein, the plural shall refer to the singular and the singular shall refer to the plural and the masculine and the feminine and the neuter shall refer to the other, as the context requires.

11.7 Nothing in this Assurance shall limit the Attorney General's right to obtain information, documents or testimony from Respondent pursuant to any state or federal law, regulation or rule.

11.8 Any failure by any party to this Assurance to insist upon the strict performance by any other party of any of the provisions of this Assurance shall not be deemed a waiver of any of the provisions of this Assurance, and such party, notwithstanding such failure, shall have the

right thereafter to insist upon the specific performance of any and all of the provisions of this Assurance and the imposition of any applicable penalties, including but not limited to contempt, civil penalties and/or the payment of reasonable and appropriate attorneys' fees to the State related thereto.

11.9 If any clause, provision or section of this Assurance shall, for any reason, be held illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall not affect any other clause, provision or section of this Assurance and this Assurance shall be construed and enforced as if such illegal, invalid or unenforceable clause, section or other provision had not been contained herein.

11.10 Respondent will not participate directly or indirectly in any activity to form a separate entity or corporation which engages in acts prohibited in this Assurance or for any other purpose which would otherwise circumvent any part of this Assurance or the spirit or purposes of this Assurance.

11.11 This Assurance sets forth the entire agreement between the parties, and there are no representations, agreements, arrangements, or understandings, oral or written, between the parties relating to the subject matter of this Assurance that are not fully expressed in this Assurance.

11.12 Nothing in this Assurance shall be construed as relieving Respondent of its obligation to comply with all state and federal laws, regulations or rules, nor shall any of the provisions of this Assurance be deemed to be permission to engage in any acts or practices prohibited by such law, regulation or rule.

11.13 This Assurance does not extinguish, limit, or otherwise affect any private cause of action that any consumer may have against Respondent, whether arising under the MCPA or

other law. Further, nothing in this Assurance may prevent Respondent from raising any defenses it may have in any private right of action, including a claim of set-off for any restitution received under this order by a particular consumer.

XIII. APPLICABLE LAW

This Assurance shall be construed in accordance with and governed by the internal laws of the State of Michigan.

XIV. EFFECTIVE DATE

The effective date of this assurance is the date it is filed with the Ingham County Circuit Court.

XV. TERMINATION

If all substantive terms of this Assurance are met by Inergy this Assurance shall terminate on September 30, 2008 except that the requirements of Sections V, VIII and IX shall survive. The parties shall be allowed to reopen this Assurance for purposes of addressing any matters arising under Sections V, VIII or IX and this Court shall have continuing jurisdiction for such purposes.

Inergy Propane, LLC

Dated: 3/25/08

By: James A. Crosby

Its: PRESIDENT- MICHIGAN REGION

MIKE COX
Attorney General

Dated: 3/25/08

By:

Jason R. Evans (P61567)
Elizabeth Lippitt (P70373)
Assistant Attorney General
Consumer Protection Division
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Lansing, MI 48909
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