

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)	
BLUEWATER GAS STORAGE, LLC,)	
for authority to construct and operate a)	Case No. U-14023
natural gas pipeline in Macomb County.)	
_____)	

At the May 18, 2004 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. J. Peter Lark, Chair
Hon. Robert B. Nelson, Commissioner
Hon. Laura Chappelle, Commissioner

ORDER APPROVING APPLICATION

On February 6, 2004, Bluewater Gas Storage, LLC (Bluewater), filed an application, testimony, and exhibits pursuant to 1929 PA 9, as amended, MCL 483.101 et seq., (Act 9), requesting authority to construct and operate a natural gas pipeline in Ray Township, Macomb County, Michigan (Mich Con Interconnect Pipeline). The Mich Con Interconnect Pipeline will connect the Columbus 3 storage field to the Michigan Consolidated Gas Company Pipeline via the existing Bluewater Pipeline and the Vector Interconnect Pipeline, which is the subject of Case No. U-13926. The proposed Mich Con Interconnect Pipeline is located within Ray Township in Macomb County.

Pursuant to due notice, a prehearing conference was held before Administrative Law Judge Sharon L. Feldman on March 31, 2004. Bluewater and the Commission Staff 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 the requirements of Act 9 have been met, that the proposed construction, testing, and operation of the Mich Con Interconnect Pipeline will comply with the Michigan Gas Safety Standards, R 460.20101 et seq., that the rates proposed by Bluewater are just and reasonable, and that the proposed pipeline will serve the public convenience and necessity.

After reviewing the application, supporting testimony, exhibits, and the settlement agreement, the Commission finds that the Mich Con Interconnect Pipeline will serve the public convenience and necessity. The Commission therefore concludes that it should approve the settlement agreement and authorize Bluewater to construct and operate the proposed Mich Con Interconnect Pipeline.

The Commission FINDS that:

- a. Jurisdiction is pursuant to 1929 PA 9, as amended, MCL 483.101 et seq; 1919 PA 419, as amended, MCL 460.51, et seq; 1939 PA 3, as amended, MCL 460.1 et seq; 1969 PA 165, as amended, MCL 483.151 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.
- c. The map, route, and type of construction of the Mich Con Interconnect Pipeline should be approved.
- d. The proposed Mich Con Interconnect Pipeline is practicable in that it will provide an economic means of delivering natural gas to market.

- e. The Mich Con Interconnect Pipeline will meet the requirements of the Michigan Gas Safety Standards if constructed, tested, and operated as proposed.
- f. The Mich Con Interconnect Pipeline will serve the public convenience and necessity.
- g. The rates proposed in the application are just and reasonable.
- h. Upon approval of the rates contained in the application, the rates for the existing Bluewater Pipeline approved in the August 16, 2001 order in Case No. U-12670 should be cancelled.

THEREFORE, IT IS ORDERED that:

- A. The settlement agreement, attached as Exhibit A, is approved.
- B. Bluewater Gas Storage, LLC, is authorized to construct and operate the natural gas pipeline in Ray Township, Macomb County, Michigan as proposed in its application filed on February 6, 2004 and subject to the requirements of 1929 PA 9, as amended, MCL 483.101 et seq.
- C. The map, route, and type of construction of the natural gas pipeline described in its application are approved.
- D. The rates proposed in the application are just and reasonable.
- E. The rates for the Bluewater Pipeline approved in the August 16, 2001 order in Case No. U-12670 are cancelled.
- F. Within 60 days after construction, Bluewater Gas Storage, LLC, shall file a completion report including pressure test data and a map of the pipeline as constructed.

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
Chair

(S E A L)

/s/ Robert B. Nelson
Commissioner

/s/ Laura Chappelle
Commissioner

By its action of May 18, 2004.

/s/ Mary Jo Kunkle
Its Executive Secretary

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

Chair

Commissioner

Commissioner

By its action of May 18, 2004.

Its Executive Secretary

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the Matter of the Application of)
 Bluewater Gas Storage, LLC)
 for Authority to Construct and)
 Operate a Natural Gas Pipeline)
 in Macomb County.)

Case No. U-14023

SETTLEMENT AGREEMENT

On February 6, 2004, Bluewater Gas Storage, LLC ("BWGS") filed an Application in Case No. U-14023 pursuant to Act 9 of the Public Acts of 1929, as amended, MCL 483.101 *et seq* ("Act 9") and supporting testimony, requesting a certificate of public convenience and necessity to construct, own, and operate a natural gas pipeline in Ray Township, Macomb County, Michigan (the "MichCon Interconnect Pipeline").

The facilities which will ultimately be operated by Applicant include the Bluewater Gas Storage Field in Columbus and Wales Townships, St. Clair County, the existing 24 mile Bluewater Pipeline which Applicant has purchased from CMS Energy and four new pipelines and interconnects, the Field, Great Lakes, Vector and Michigan Consolidated Interconnect Pipelines, collectively which will be operated as the Bluewater Gas Storage and Transmission System ("Bluewater System"). The Field and Great Lakes Interconnect Pipelines were covered by a separate application U-13896 which was filed on October 3, 2003 and approved January 22, 2004. The Vector Interconnect Application U-13926 is pending before the Michigan Public Service Commission.

1. MichCon Interconnect Pipeline

The purpose of the MichCon Interconnect Pipeline will be to allow shippers on the Michigan Consolidated Gas Company Pipeline to deliver and receive gas from Columbus 3 Storage Field via the Bluewater Pipeline. The proposed MichCon Interconnect Pipeline will be located in the Northeast part of the Southeast quarter of Section 13, Township 4 North, Range 13 East, Ray Township of Macomb

County, Michigan. This location is approximately 11 miles southwest of the proposed Columbus 3 Compressor Station. The MichCon Interconnect Pipeline will consist of new pipeline 20 inches in diameter and a meter/regulation station.

Pursuant to the Notice of Hearing, a prehearing conference in Case No. U-14023 was held before Administrative Law Judge ("ALJ") Sharon L. Feldman on March 31, 2004. BWGS presented Proofs of Mailing of the Notice of Hearing and two Affidavits of Publication reflecting that a copy of the Notice of Hearing was published, by March 17, 2004, in a daily newspaper of general circulation in Macomb County on March 16, 2004, in the *Port Huron Times Herald*, in the *Macomb Daily News* on March 16, 2004 and in the *Michigan Oil and Gas News* on March 12, 2004. The three Proofs of Mailing of Notice of Hearing and three Affidavits of Publication were accepted by ALJ Feldman without objection. Proof of notice by mailing to the affected property owner was also presented. At the prehearing conference, the Michigan Public Service Commission Staff ("Commission Staff") entered its Appearance through attorney Kristin Smith. There were no other Appearances and no Petitions to Intervene in the proceedings.

Subsequently, the parties discussed and resolved the issues in this case and, as a result, have memorialized and incorporated their understanding into this Settlement Agreement ("Agreement"). This Agreement identifies the rights and obligations of parties concerning the construction, ownership, and operation of the MichCon Interconnect Pipeline in Ray Township, Macomb County, Michigan. This Agreement is filed pursuant to Section 78 of the Administrative Procedures Act of 1969, as amended, MCL 24.278, and Rule 333 of the Rules of Practice and Procedure before the Commission, R 460.17333.

WHEREFORE, the parties, through their respective legal counsel, agree as follows:

1. The right of way for the MichCon Interconnect Pipeline has been revised and expanded to extend south of the MichCon Pipeline. BWGS has requested an expanded right of way to extend south of the MichCon Pipeline because it has obtained through voluntary sale from the landowner, the required property rights. Processing of the expanded Application will eliminate duplication of this effort by Michigan Consolidated Gas Company at a later date thus expediting construction of the required facilities. Revised Exhibits A-1R (LL-1R) and A-4R

(MA-2R) are attached as Attachments A and B and are maps of the revised right of way which are substituted for the original Exhibits A-1 (LL-1) and A-4 (MA-2). A description of the revised right of way is attached to this Settlement Agreement as Attachment C. As with the original requested right of way, the new expanded right of way lies entirely within property owned by Rosemarie Dirjan and Melania Dijan who were noticed regarding this proceeding and who have subsequently, voluntarily, conveyed this interest to Bluewater Gas Storage, LLC. Because the new expanded right of way lies entirely within the property of a landowner who was noticed as to the original proceeding and because no other entity is required to be noticed regarding the expanded right of way, it is agreed that the original notice for this matter is effective and there is no need to re-notice the matter.

2. The requested certificate of public convenience and necessity to construct, own, and operate the MichCon Interconnect Pipeline in Ray Township, Macomb County, Michigan, as modified in paragraph 1 above, is in and will serve the public interest and should be granted.

3. BWGS and Commission Staff agree the map, route, and type of construction described in the Application, and supporting testimony as modified pursuant to paragraph 1 above based on conditions encountered should be approved.

4. All facilities will be constructed, maintained, and operated in a manner which meets and satisfies the requirements of the Michigan Gas Safety Standards and applicable Commission rules.

5. The MichCon Interconnect Pipeline will serve the public convenience and necessity.

6. The rates proposed by Applicant in Exhibit A-2 (LL-2) are just and reasonable. These rates, except for the Interruptible Service (IT) are the same rates approved July 8, 2003 in Case U-13776 for the Bluewater Gas Storage, LLC and have a range of \$0.00 to \$1.61 per Mcf plus 0 to 1.5% fuel, including storage and transportation. The service included under this firm tariff has been expanded to include both storage and transmission throughout the entire Bluewater System. The proposed IT rate is provided for customers desiring pipeline transportation without storage service and will be canceled when firm storage becomes available

in 2004. Simultaneous with approval of the rates proposed in this Application, the Commission will cancel the transportation service offered by Bluewater Pipeline pursuant to Case U-12670.

7. This Agreement is intended for final disposition of the issues in this proceeding and the parties hereto join in respectfully requesting the Commission to expeditiously issue an order approving this Agreement to approve the proposed rates for the Bluewater System which includes the MichCon Interconnect Pipeline as described above, to therefore cancel the transportation service offered by Bluewater Pipeline and to issue an Act 9 Certificate as provided in this Agreement. It is the opinion of the parties that this Agreement is in the public interest and represents a fair and reasonable resolution of this proceeding, will aid 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.

8. Each party to this Agreement agrees not to appeal, challenge, or contest the Act 9 Certificate approved by the Commission in this case if it is the result of a Commission order accepting and approving this Agreement without material modification.

9. For the sole purpose of submitting this Agreement to the Commission, the parties to the Agreement waive compliance with the provisions of Section 81 of the Administrative Procedures Act of 1969, as amended, MCL 24.281.

10. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original and all of which, when taken together, shall constitute one and the same document. The signature to any counterpart shall be deemed a signature to, and may be appended to, any other counterpart.

**MICHIGAN PUBLIC SERVICE
COMMISSION STAFF**

Dated: April 30, 2004

By: Kristin M. Smith
Kristin M. Smith
Attorney for Michigan Public
Service Commission Staff
Assistant Attorney General
Public Service Division
6545 Mercantile Way, Suite 15
Lansing, MI 48911
(517) 241-6680

BLUEWATER GAS STORAGE, LLC

Dated: April 28, 2004

By: E. J. Schneidewind
Eric J. Schneidewind (P20037)
The Victor Center, Suite 810
201 N. Washington Square
Lansing, Michigan 48933
(517) 482-6237

ATTACHMENT A
EXHIBIT A-1R (LL-1) REV. 1



LEGEND

-  PERMANENT EASEMENT
-  TEMPORARY EASEMENT

DETROIT EDISON EASEMENT

DETROIT EDISON

MICHIGAN EASEMENT

36" VECTOR PIPELINE (1000 PSIG MAOP) - MICHIGAN F LINE

36" MICHIGAN PIPELINE (1000 PSIG MAOP) - MICHIGAN E LINE

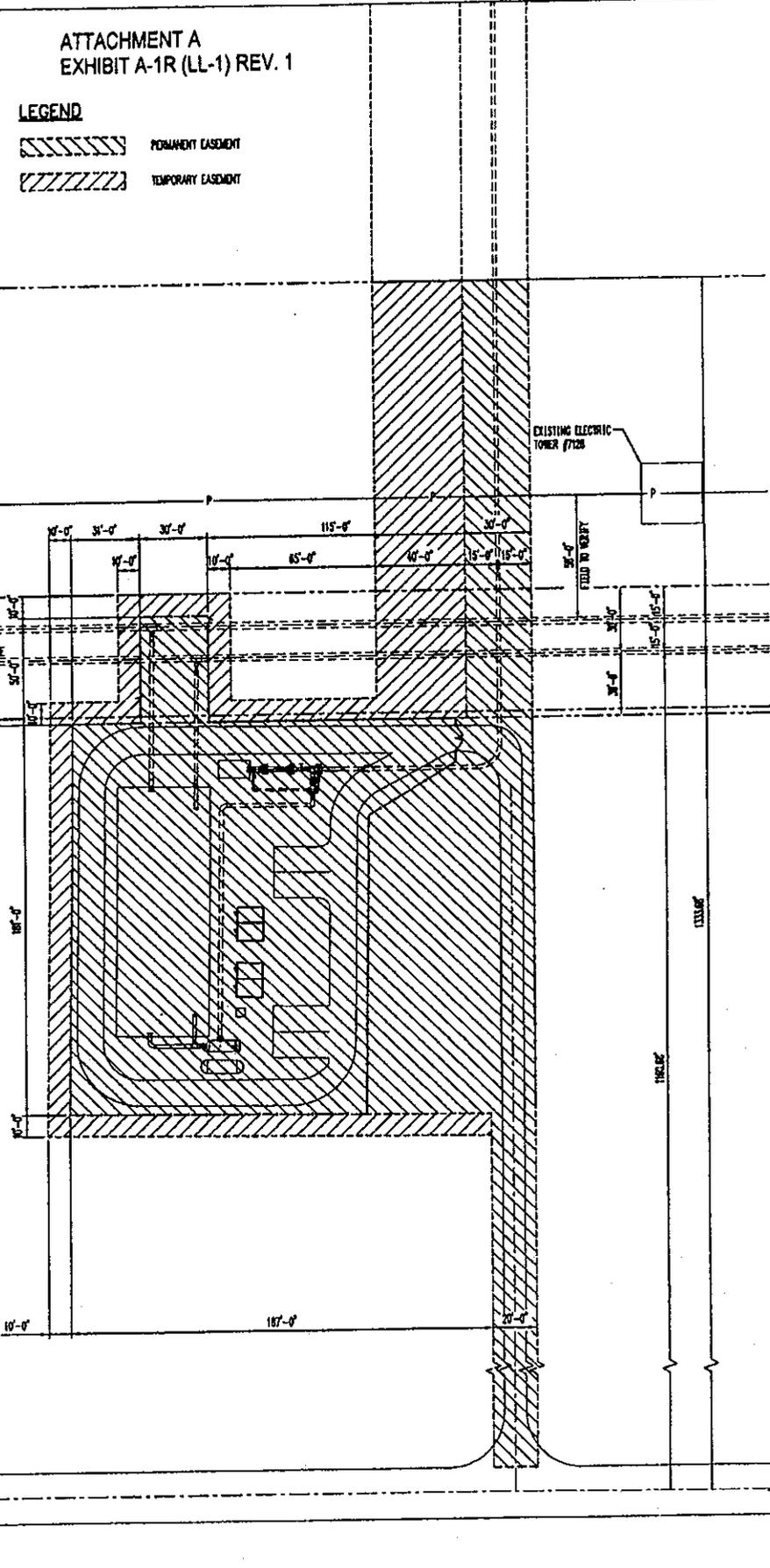
MICHIGAN EASEMENT

DETROIT EDISON EASEMENT

EXISTING ELECTRIC
TOWER #7128

FIELD TO RABBIT

PROPOSED
BLUEWATER-VECTOR & MICHIGAN
INTERCONNECT FACILITY
181'-0" X 207'-0"



ATTACHMENT B
EXHIBIT A-4R (MA-2) REV. 1

LEGEND

-  PERMANENT EASEMENT
-  TEMPORARY EASEMENT

DETROIT EDISON EASEMENT

DETROIT EDISON

MICHIGAN EASEMENT

36" VECTOR PIPELINE (1000 PSIG MAOP) - MICHIGAN F LINE

36" MICHIGAN PIPELINE (1000 PSIG MAOP) - MICHIGAN E LINE

MICHIGAN EASEMENT

DETROIT EDISON EASEMENT

EXISTING ELECTRIC POWER #7128

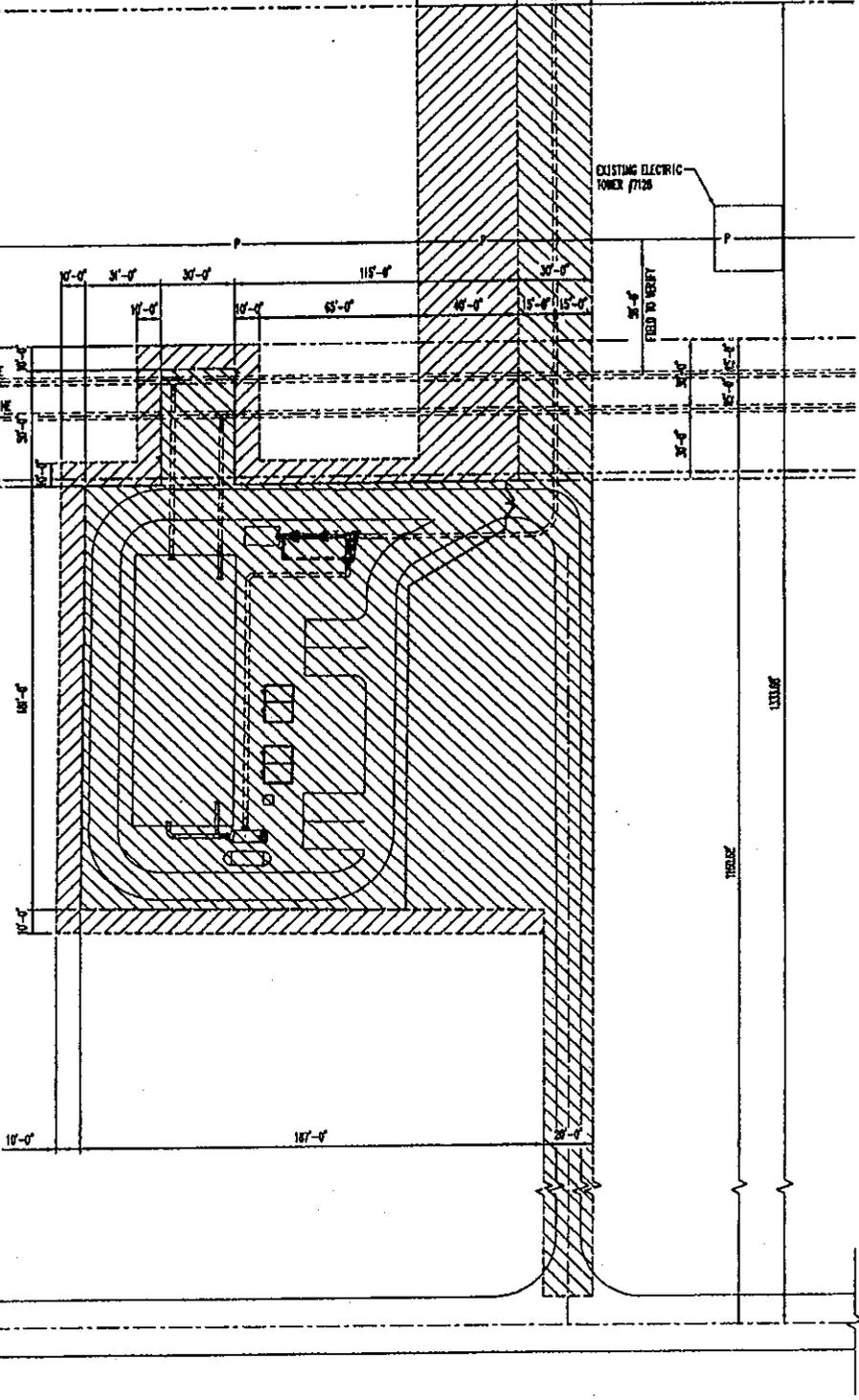
FIELD TO VEGETY

PROPOSED
BLUEWATER-VECTOR & MICHIGAN
INTERCONNECT FACILITY
181'-0" X 207'-0"

EXISTING

THRUWAY

0.20 MILE ROAD



Certificate of Survey

Prepared for: ELEXCO LAND SERVICES

PERMANENT EASEMENT FOR METER SITE

Part of the Southeast $\frac{1}{4}$ of Section 13, T.4N., R.13E., Ray Township, Macomb County, Michigan, more fully described as: Commencing at the Southeast corner of Section 13; thence S.87°19'22"W. 1352.57 feet along the South line of Section 13; thence N.1°54'25"W. 949.47 feet to the Point of Beginning of said easement; thence S.87°04'22"W. 207.00 feet; thence N.1°54'25"W. 181.00 feet; thence N.87°04'22"E. 31.00 feet; thence N.1°54'25"W. 60.00 feet; thence N.87°04'22"E. 30.00 feet; thence S.1°54'25"E. 60.00 feet; thence N.87°04'22"E. 146.00 feet; thence S.1°54'25"E. 181.00 feet to the Point of Beginning of said easement. Said parcel contains 0.9013 acres.

PERMANENT EASEMENT FOR INGRESS-EGRESS

An easement for ingress-egress being a part of the Southeast $\frac{1}{4}$ of Section 13, T.4N., R.13E., Ray Township, Macomb County, Michigan, more fully described as: Commencing at the Southeast corner of Section 13; thence S.87°19'22"W. 1352.57 feet along the South line of Section 13 to the Point of Beginning of said easement; thence continuing S.87°19'22"W. 20.00 feet along the South line of Section 13; thence N.1°54'25"W. 949.48 feet; thence N.87°04'22"E. 20.00 feet; thence S.1°54'25"E. 949.47 feet to the South line of Section 13 and being the Point of Beginning of said easement. Said easement contains 0.4359 acres.

TEMPORARY EASEMENT FOR METER SITE

Part of the Southeast $\frac{1}{4}$ of Section 13, T.4N., R.13E., Ray Township, Macomb County, Michigan, more fully described as: Commencing at the Southeast corner of Section 13; thence S.87°19'22"W. 1352.57 feet along the South line of Section 13; thence N.1°54'25"W. 936.47 feet to the Point of Beginning of said easement; thence S.87°04'22"W. 217.00 feet; thence N.1°54'25"W. 201.00 feet; thence N.87°04'22"E. 31.00 feet; thence N.1°54'25"W. 60.00 feet; thence N.87°04'22"E. 50.00 feet; thence S.1°54'25"E. 60.00 feet; thence N.87°04'22"E. 136.00 feet; thence S.1°54'25"E. 10.00 feet; thence S.87°04'22"W. 146.00 feet; thence N.1°54'25"W. 60.00 feet; thence S.87°04'22"W. 30.00 feet; thence S.1°54'25"E. 60.00 feet; thence S.87°04'22"W. 31.00 feet; thence S.1°54'25"E. 181.00 feet; thence N.87°04'22"E. 207.00 feet to the Point of Beginning of said easement. Said parcel contains 0.1687 acres.



David J. Little
Licensed Professional Surveyor
April 21, 2004



DAVID J. LITTLE
LICENSED LAND SURVEYORS
P.O. BOX 173, MARYSVILLE, MICHIGAN 49040
PHONE: (616) 364-5629

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