

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 issuance of a certificate of public convenience)
and necessity authorizing applicant to acquire,)
construct, own, and operate a natural gas storage)
facility and a transmission pipeline in Washington)
Township and Shelby Township, Macomb County,)
Michigan.)
_____)

Case No. U-15149

At the June 12, 2007 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. J. Peter Lark, Chairman
Hon. Monica Martinez, Commissioner

OPINION AND ORDER

On February 12, 2007, Washington 10 Storage Corporation (Washington 10) filed an application for a certificate of public convenience and necessity authorizing it to acquire, construct, own, and operate the Shelby 2 natural gas storage field (Shelby 2) and to construct and operate a 4.5 mile, 20-inch natural gas transmission pipeline connecting Shelby 2 to the Washington 10 Compressor Station (Shelby 2 pipeline).

On March 27, 2007, the Commission issued its Notice of Hearing and a prehearing conference was held on April 19, 2007, before Administrative Law Judge Mark D. Eyster. Washington 10 presented proof of publication of the Notice of Hearing. Appearances were entered on behalf of

Washington 10 and the Commission Staff (Staff). Subsequently, the parties entered into a settlement agreement resolving all issues in this case.

Under the terms of the settlement agreement, attached as Exhibit A, the parties agree that the Shelby 2 storage facility, the Shelby 2 pipeline, and related facilities will be developed in a manner consistent with the Michigan Gas Safety Standards. The parties further agree that Washington 10 shall implement a monitoring and testing program consistent with industry standards and that Washington 10 shall provide the Staff with reports regarding annual volumes injected and withdrawn, inventory data, and pressure data as well as reports regarding any problems with gas storage operations. The parties agree that a certificate of public convenience and necessity should be issued to Washington 10 that authorizes it to acquire, construct, own, and operate a natural gas storage facility and to construct, own, and operate the Shelby 2 pipeline in Washington Township and Shelby Township, Macomb County, Michigan.

The Commission FINDS that:

- a. Jurisdiction is pursuant to 1919 PA 419, as amended, MCL 460.51 *et seq.*; Section 2 of 1923 PA 238, as amended, MCL 486.252; 1929 PA 9, as amended, MCL 483.101 *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.*; MCL 24.201 *et seq.*; and the Commission's Rules of Practice and Procedure, R 460.17101 *et seq.*
- b. The settlement agreement, attached as Exhibit A, is reasonable and in the public interest and should be approved.
- c. The public convenience and necessity will require Washington 10 to acquire property or property interests for use as a natural gas storage field as depicted in the record.
- d. If constructed and operated in accordance with the record in this proceeding, the proposed

gas storage field, gathering system, and pipeline should serve the public convenience and necessity, and will meet the requirements of the Michigan Gas Safety Standards.

e. The map, route, and type of construction of the Shelby 2 pipeline should be approved.

f. When constructed and operated in accordance with the record in this proceeding, the proposed gas storage field will be safe for development and operation of gas storage.

g. Washington 10 should be authorized to charge its currently authorized rates for storage services from this storage field.

THEREFORE, IT IS ORDERED that:

A. The settlement agreement, attached as Exhibit A, is approved.

B. A certificate of public convenience and necessity is granted authorizing Washington 10 Storage Corporation to acquire, construct, and operate the Shelby 2 storage field, gathering system and Shelby 2 pipeline in Washington Township and Shelby Township, Macomb County, Michigan.

C. The map, route, and type of construction of the Shelby 2 pipeline as described in the record are approved.

E. Within 60 days after construction, Washington 10 Storage Corporation shall file a completion report including pressure test data and a map of the Shelby 2 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 E A L)

/s/ J. Peter Lark
Chairman

/s/ Monica Martinez
Commissioner

By its action of June 12, 2007.

/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

Chairman

Commissioner

By its action of June 12, 2007.

Its Executive Secretary

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the Matter of the Application of Washington)	
10 Storage Corporation for Issuance of a)	
Certificate of Public Convenience and Necessity)	
Authorizing Applicant to acquire, construct,)	
own, and operate a natural gas storage facility)	Case No. U-15149
and a transmission pipeline in Washington)	
Township and Shelby Township, Macomb)	
County, Michigan)	

SETTLEMENT AGREEMENT

On February 2, 2007, Washington 10 Storage Corporation (“Washington 10” or “Applicant”), filed an application for a certificate of public convenience and necessity (“Application”) authorizing Washington 10 to acquire, construct, own and operate a natural gas storage field (Shelby 2) and to construct, own, and operate a pipeline connecting Shelby 2 to the existing Washington 10 Compressor Station (the “Expansion Project”).

On March 27, 2007, the Michigan Public Service Commission (“Commission”) issued its Notice of Hearing. Washington 10 presented affidavits of mailing and proof of publication of the Notice of Hearing.

At the April 19, 2007, prehearing, appearances were entered on behalf of Washington 10 and the Commission Staff (“Staff”). The Applicant’s prefiled testimony and exhibits were admitted into the record by stipulation of the parties. Based on the record and discussions in this matter, the parties have entered 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. Applicant is a Michigan corporation incorporated pursuant to 1923 PA 238, as amended, MCL 486.251 *et seq.*, and 1972 PA 284, MCL 450.1101 *et seq.* Applicant owns and operates the existing Washington 10 ("W10") Storage Field, which was originally certificated in Case No. U-10424.

2. The new Shelby 2 Storage Field will be comprised of an existing gas reservoir located approximately 4.5 miles south of the Washington 10 Compressor Station in Shelby Township, Macomb County, Michigan. It is estimated that the development of Shelby 2 will create an incremental 10.4 Bcf of total storage capacity, of which approximately 8.1 Bcf will be classified as working gas capacity and 2.3 Bcf as base gas capacity.

3. The maximum stabilized wellhead pressure for Shelby 2 will be increased in three phases. In Phase I, the maximum stabilized wellhead pressure will match the field's discovery pressure of 1,311 psig, which corresponds to a field pressure gradient of 0.52 psia per foot. In Phase II, the maximum stabilized wellhead pressure will increase to 1,585 psig, with a corresponding field pressure gradient of 0.63 psia per foot. In Phase III, the maximum stabilized wellhead pressure will increase to 1,811 psig, with a corresponding field pressure gradient of 0.72 psia per foot. After each phase, Applicant will report to Staff.

4. Storage capacity will also be increased in three phases. In Phase I, Shelby 2 will have a total storage capacity of 7.2 Bcf, of which 4.9 Bcf will be classified as working capacity and 2.3 Bcf classified as base gas capacity. In Phase II, the total capacity will be increased to 8.9 Bcf, of which approximately 6.6 Bcf will be classified as working gas capacity and 2.3 Bcf

classified as base gas capacity. In Phase III, the estimated total capacity will be increased to 10.4 Bcf, of which approximately 8.1 Bcf will be classified as working gas capacity and 2.3 Bcf classified as base gas capacity.

5. As more fully set forth in the record, Applicant has secured all the required municipal permits for the development of the well pad.

6. As explained in the record, the Expansion Project includes the construction of a 4.5 mile, 20" pipeline to interconnect Shelby 2 to Washington 10. The pipeline will be built on an existing right of way within the easements for the International Transmission Company Corridor. No additional compression or dehydration facilities will be required, thereby limiting the overall facilities required to complete the Expansion Project. The estimated cost to complete the Expansion Project is approximately \$35.6 million.

7. The record shows that Shelby 2, the interconnecting pipeline and related facilities will be developed in a manner consistent with Michigan Gas Safety Standards.

8. The storage services available from Shelby 2 are to be sold under Applicant's existing tariff at the prevailing rates.

9. Applicant has prepared a written environmental impact report ("EIR") for this Expansion Project, which is included in the testimony and exhibits in the record. As discussed in the EIR, all necessary permits and clearances required by State and Federal agencies have been or will be acquired, and there are no environmental issues related to the proposed pipeline route.

10. Applicant's testimony and exhibits detail monitoring and testing programs consistent with industry standards which will be followed as part of operations at the Expansion Project. Washington 10 shall carry out all proposed monitoring and reporting functions and agrees to provide Staff with annual volumes injected and withdrawn, inventory data and pressure data, as well as reports regarding any problems with storage operations including gas migration and wellbore integrity. The water monitoring program will also include a background sampling for benzene, toluene, ethyl benzene, and xylene ("BTEX").

11. The Staff agrees that the proposed Expansion Project will serve the public convenience and necessity and if constructed and operated as proposed, will be operated in a safe and reliable manner.

12. The parties recommend that the Commission find that the type of construction for the Expansion Project as described in the record should be approved, that the Commission should find the Expansion 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, and that the public convenience and necessity will be served by the Expansion Project.

13. 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.

14. 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.

15. 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.

16. 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: April 30, 2007

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