

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)	
CMS GAS TRANSMISSION COMPANY)	
for a certificate of public convenience and necessity)	
to acquire, construct, own, and operate the Kalkaska)	Case No. U-15254
13/35 gas storage project in Kalkaska Township,)	
Kalkaska County, and for approval of natural gas)	
storage rates.)	
_____)	

At the August 21, 2007 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. Monica Martinez, Commissioner
Hon. Steven A. Transeth, Commissioner

OPINION AND ORDER

On March 28, 2007, CMS Gas Transmission Company (CMS) filed an application for a certificate of public convenience and necessity authorizing CMS to acquire, construct, own, and operate the Kalkaska 13/35 Gas Storage Project, comprised of the depleted Kalkaska 13 and Kalkaska 35 fields, a compressor facility in Section 23, and related facilities, all in Kalkaska Township, Kalkaska County, Michigan. A separate application was filed for the gas pipeline system serving this project (Case No. U-15291).

Pursuant to due notice, a prehearing conference was held before Administrative Law Judge James N. Rigas on May 23, 2007. At the prehearing conference, appearances were entered by CMS and the Commission Staff (Staff), and petitions to intervene submitted by Jordan Development, LLC and Merit Energy Company were granted. Jordan and Merit withdrew their

petitions on June 27, 2007. 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 Kalkaska 13/35 Gas Storage Project and related facilities will be developed in a manner consistent with the Michigan Gas Safety Standards. The parties further agree that CMS shall implement a monitoring and testing program consistent with industry standards and that CMS shall provide the Staff with reports regarding annual volumes injected and withdrawn, inventory data, and pressure data as well as reports regarding any problems with gas storage operations.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 CMS that authorizes it to acquire, construct, own, and operate the Kalkaska 13/35 Gas Storage Project in Kalkaska Township, Kalkaska County, Michigan.

The Commission FINDS that:

- a. Jurisdiction is pursuant to 1923 PA 238, as amended, MCL 486.251 *et seq.*; 1969 PA 165, as amended, MCL 483.151 *et seq.*; 1909 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.*; 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, attached as Exhibit A, is reasonable and in the public interest and should be approved.
- c. The public convenience and necessity will require CMS 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 Kalkaska 13/35 Gas Storage Project should serve the public convenience and necessity, and will meet the requirements of the Michigan Gas Safety Standards.

e. When constructed and operated in accordance with the record in this proceeding, the proposed Kalkaska 13/35 Gas Storage Project will be safe for development and operation of gas storage.

f. CMS should be authorized to charge prevailing rates for storage services from this gas storage project pursuant to the tariff filed in the record as Exhibit A-2.

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 CMS Gas Transmission Company to acquire, construct, own, and operate the Kalkaska 13/35 Gas Storage Project in Kalkaska Township, Kalkaska County as described in the application and subject to the terms and conditions of the settlement agreement and the requirements of Section 2, 1923 PA 238, as amended, MCL 486.252.

C. CMS Gas Transmission Company shall file, within 30 days, tariff sheets consistent with Exhibit A-2 of the record in this case.

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/ Monica Martinez

Commissioner

/s/ Steven A. Transeth

Commissioner

By its action of August 21, 2007.

/s/ Mary Jo Kunkle

Its Executive Secretary

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MICHIGAN PUBLIC SERVICE COMMISSION

Commissioner

Commissioner

By its action of August 21, 2007.

Its Executive Secretary

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the Matter of the Application of CMS
Gas Transmission Company, a Michigan
corporation, for a Certificate of Public
Convenience and Necessity to acquire,
construct, own and operate the Kalkaska
13/35 Gas Storage Project in Kalkaska
Township, Kalkaska County, Michigan,
and for approval of natural gas storage rates.

Case No. U-15254

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SETTLEMENT AGREEMENT

On March 28, 2007, CMS Gas Transmission Company (“CMS” or “Applicant”), filed an application for a certificate of public convenience and necessity (“Application”) authorizing CMS to acquire, construct, own and operate the Kalkaska 13/35 Gas Storage Project (“Kalkaska 13/35”).

On April 24, 2007, the Michigan Public Service Commission (“Commission”) issued its Notice of Hearing. CMS presented affidavits of mailing and proof of publication of the Notice of Hearing.

At the May 23, 2007, prehearing, appearances were entered on behalf of CMS, the Commission Staff (“Staff”), Jordan Development, LLC (“Jordan”) and Merit Energy Company (“Merit”) and the Petitions to Intervene of Jordan and Merit were granted. Jordan and Merit withdrew their interventions on June 27, 2007. The Applicant’s pre-filed 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.*

2. The Kalkaska 13/35 Gas Storage Project will be comprised of two existing depleted gas reservoirs, the Kalkaska 13 field and the Kalkaska 35 field, located approximately 3 miles apart in Kalkaska Township, Kalkaska County, Michigan which will be operated as an integrated gas storage project. It is estimated that the development of Kalkaska 13/35 will create an incremental 20.5 Bcf of total storage capacity, of which approximately 18.4 Bcf will be classified as working gas capacity and 2.1 Bcf as base gas capacity.

3. The maximum stabilized wellhead pressure for the Kalkaska 13 and Kalkaska 35 fields will be increased in three phases.

a. Kalkaska 13 – In Phase I, the maximum stabilized wellhead pressure will match the field's discovery pressure of 3000 psig, which corresponds to a field pressure gradient of 0.54 psi per foot. In Phase II, the maximum stabilized wellhead pressure will increase to 3500 psig, with a corresponding field pressure gradient of 0.62 psi per foot. In Phase III, the maximum stabilized wellhead pressure will increase to 4000 psig, with a corresponding field pressure gradient of 0.70 psi per foot. After each phase, Applicant will report to Staff.

b. Kalkaska 35 – In Phase I, the maximum stabilized wellhead pressure will match the field's discovery pressure of 3110 psig, which corresponds to a field pressure gradient of

0.54 psi per foot. In Phase II, the maximum stabilized wellhead pressure will increase to 3550 psig, with a corresponding field pressure gradient of 0.62 psi per foot. In Phase III, the maximum stabilized wellhead pressure will increase to 4025 psig, with a corresponding field pressure gradient of 0.70 psi per foot. After each phase, Applicant will report to Staff.

4. Storage capacity will also be increased in three phases.

a. Kalkaska 13 – In Phase I, Kalkaska 13 will have a total storage capacity of 12.3 Bcf, of which 11.2 Bcf will be classified as working capacity and 1.1 Bcf classified as base gas capacity. In Phase II, the total capacity will be increased to 14.4 Bcf, of which approximately 13.3 Bcf will be classified as working gas capacity and 1.1 Bcf classified as base gas capacity. In Phase III, the estimated total capacity will be increased to 16.0 Bcf, of which approximately 14.9 Bcf will be classified as working gas capacity and 1.1 Bcf classified as base gas capacity.

b. Kalkaska 35 – In Phase I, Kalkaska 35 will have a total storage capacity of 3.7 Bcf, of which 2.7 Bcf will be classified as working capacity and 1.0 Bcf classified as base gas capacity. In Phase II, the total capacity will be increased to 4.2 Bcf, of which approximately 3.2 Bcf will be classified as working gas capacity and 1.0 Bcf classified as base gas capacity. In Phase III, the estimated total capacity will be increased to 4.5 Bcf, of which approximately 3.5 Bcf will be classified as working gas capacity and 1.0 Bcf classified as base gas capacity.

5. As more fully set forth in the record, Applicant has secured or will secure all the required permits for the well pads and compressor station.

6. Applicant and Staff have agreed that the Storage Field Boundary for the Kalkaska 35 Field is expanded to include the SE 1/4 of the NE 1/4 of Section 35, T27N, R8W, Kalkaska Township, Kalkaska County, Michigan.

7. Applicant has filed a separate application for the pipelines associated with this gas storage project (U-15291).

8. The record shows that the Kalkaska 13/35 Gas Storage Project and related facilities will be developed in a manner consistent with Michigan Gas Safety Standards.

9. The storage services available from Kalkaska 13/35 are to be sold under Applicant's tariff at the prevailing rates pursuant to the tariff filed as Exhibit No. A-2.

10. Applicant has prepared a written environmental impact report ("EIR") for this 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.

11. Applicant's testimony and exhibits detail monitoring and testing programs consistent with industry standards which will be followed as part of operations at the Kalkaska 13/35 Gas Storage Project. CMS 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") and will include BTEX monitoring as long as the storage field produces detectable levels of BTEX in any liquids production.

12. The Staff agrees that the proposed Kalkaska 13/35 Gas Storage Project will serve the public convenience and necessity and if constructed and operated as proposed, will be operated in a safe and reliable manner. Staff has approved the proposed compressor station sound limit (70 dBA at the property line and 45 dBA at 1/4 mile from the property line) as an exception to Staff's typical standard only because of the remote nature of the location of the compressor station.

13. The parties recommend that the Commission find that the type of construction for the Kalkaska 13/35 Gas Storage Project as described in the record should be approved, that the Commission should find the Kalkaska 13/35 Gas Storage 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 Kalkaska 13/35 Gas Storage Project.

14. 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.

15. 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.

16. 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.

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

Respectfully submitted,

MIKA MEYERS BECKETT & JONES PLC
Attorneys for CMS Gas Transmission Company

Dated: August 8, 2007

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MICHIGAN PUBLIC SERVICE COMMISSION
STAFF

Dated: August 8, 2007

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