

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the Matter of the Application of)
CONSUMERS ENERGY COMPANY for)
approval of a price change under its)
January 1, 1991 gas purchase agreement)
with Delta Energy Corporation, as amended.)

Case No. U-12530

STIPULATION AND SETTLEMENT AGREEMENT

Consumers Energy Company ("Consumers") and the Michigan Public Service Commission Staff ("Staff") and Michigan's Attorney General ("AG"), the Parties to this proceeding, stipulate as follows:

1. That on July 18, 2000, Consumers filed an Application pursuant to Section 10 of 1929 PA 9, as amended, MCL 483.110, seeking approval of a price change under its January 1, 1991 contract with Delta Energy Corporation ("Delta"), as amended.

2. In its aforementioned application Consumers represented that effective as of January 1, 2001 the price of gas under its subject contract with Delta is scheduled to change from \$2.40 per MMBtu to \$3.25 per MMBtu for 2001-2003 ("New Price").

3. The aforementioned change in price for which Commission approval is being requested is also represented by Consumers as being the product of "extensive negotiations and arms-length bargaining" and the justness of reasonableness of this change is, Consumers submits, evidenced by the information contained in Exhibit B to its application which shows the New Price to be:

a. Consistently less than the price of gas available at Detroit, Michigan as reported by Bloomberg, during the May 12, 2000-June 30, 2000 time period.

b. Consistently less than the price of alternate fuels (No. 6 Oil, No. 2 Oil and Propane) available in Detroit, Michigan, as reported by Bloomberg during the April 7, 2000-June 30, 2000 time period.

c. Consistently less than the price of alternate fuels (Propane and No. 2 Oil) to be delivered during 2001 under contracts currently being traded on the NYMEX.

d. Within the range of prices for gas that is to be delivered during 2001 and 2002 under contracts currently (during the renegotiations and extending through June, 2000) being traded on the NYMEX. Such contracts call for delivery in Louisiana, however, not Michigan. There is no reasonable expectation for believing that gas available under NYMEX contracts would be less expensive than gas available under the Delta contract after such gas is transported from Louisiana to Michigan, considering the charges specified in the firm tariffs of the interstate pipelines that currently offer such a service.

4. Consumers submits that the justness and reasonableness of the New Price is further evidenced by an updated Exhibit B which it compiled to reflect additional market data made available by Bloomberg and NYMEX during July, August and the first part of September, 2000.

5. The Parties agree that the New Price of \$3.25 per MMBtu being requested by Consumers for the years 2001-2003, is, in the context of this Settlement, just and reasonable.

6. The Parties agree that the proposed Order Approving Stipulation and Settlement Agreement, attached hereto as Attachment A, should be adopted and issued by the Michigan Public Service Commission ("Commission") at the earliest practicable time.

7. It is also stipulated that:

- The Parties agree that this Settlement is reasonable and in the public interest, and will reduce the time and expense which otherwise would be devoted to this matter by the Commission and the Parties. The Parties agree to waive any rights under Section 81 of 1969 PA 306, as amended and agree not to appeal or otherwise contest a Commission order approving this Settlement without modification.
- This Settlement is the result of compromises among the Parties without prejudice to their rights to take different positions in other proceedings. All offers of settlement and discussions relating to the Settlement shall be considered privileged under MRE 408.
- The provisions of this Settlement are not severable. Each provision is dependent upon the others. Failure to comply with any provision of the Settlement constitutes failure to Comply with the entire Settlement. Commission approval of this Settlement constitutes approval, as may be necessary, pursuant to Act 9 of the price change. If the Commission rejects, conditions or modifies this Settlement or any provision hereof, this Settlement may be withdrawn by Consumers, the AG, or Staff and if withdrawn, the Settlement shall not constitute any part of the record of this proceeding or used for any other purpose.
- This Settlement binds and inures to the benefit of the Parties and their successors and their assigns. This Settlement is governed by, and will be construed and enforced in accordance with the laws of the State of Michigan.
- This Settlement may be executed in any number of counterparts, each to be considered to be an original, and all such counterparts executed and delivered

shall constitute and have the same force and effect as one and the same instrument.

CONSUMERS ENERGY COMPANY

Dated: 31 Oct, 2000

By: Francis X. Berkemeier
Francis X. Berkemeier
Attorney for Consumers Energy Company
212 West Michigan Avenue
Jackson, MI 49201

MICHIGAN PUBLIC SERVICE COMMISSION
STAFF

Dated: 10 / 31, 2000

By: Randy S. Waterworth
Its Attorney

ATTORNEY GENERAL

Dated: October 31, 2000

By: Donald E. Erickson
Its Attorney

**Bloomberg Natural Gas
Petroleum Product Prices
Detroit**

NYMEX NATURAL GAS FUTURES

Date	Natural Gas	No. 6	No. 2	Propane	Natural Gas		Propane		No. 2 Oil	
	City Gate	Oil	Oil		2001	2002	\$/Gal	\$/MMBtu	\$/Gal	\$/MMBtu
	\$/MMBtu	\$/MMBtu	\$/MMBtu	\$/MMBtu	\$/MMBtu	\$/MMBtu				
07-Apr-00	\$3.05	\$3.46	\$6.00	\$5.43	\$2.84	\$2.74	\$0.46	\$5.00	\$0.63	\$4.52
14-Apr-00	\$3.18	\$3.42	\$6.24	\$5.43	\$2.91	\$2.77	\$0.46	\$5.03	\$0.63	\$4.51
21-Apr-00	\$3.25	\$3.54	\$7.21	\$5.54	\$2.92	\$2.78	\$0.48	\$5.21	\$0.66	\$4.78
28-Apr-00	\$3.20	\$3.62	\$6.01	\$5.38	\$2.96	\$2.80	\$0.46	\$5.04	\$0.66	\$4.76
05-May-00	\$3.24	\$3.66	\$6.00	\$5.38	\$2.94	\$2.77	\$0.48	\$5.27	\$0.66	\$4.74
12-May-00	\$3.48	\$3.82	\$6.35	\$5.54	\$3.14	\$2.88	\$0.53	\$5.76	\$0.71	\$5.15
19-May-00	\$3.85	\$3.98	\$6.60	\$6.06	\$3.49	\$3.16	\$0.56	\$6.09	\$0.73	\$5.25
26-May-00	\$4.32	\$4.14	\$6.30	\$6.06	\$3.85	\$3.46	\$0.57	\$6.26	\$0.75	\$5.38
02-Jun-00	\$4.46	\$4.18	\$6.05	\$6.06	\$3.63	\$3.27	\$0.59	\$6.48	\$0.73	\$5.28
09-Jun-00	\$4.01	\$4.22	\$5.84	\$6.42	\$3.59	\$3.20	\$0.56	\$6.11	\$0.72	\$5.21
16-Jun-00	\$4.44	\$4.30	\$6.27	\$6.20	\$3.79	\$3.30	\$0.55	\$6.04	\$0.72	\$5.19
23-Jun-00	\$4.52	\$4.34	\$6.20	\$6.20	\$3.72	\$3.15	\$0.57	\$6.24	\$0.77	\$5.56
30-Jun-00	\$4.34	\$4.53	\$6.43	\$6.09	\$3.67	\$3.08	\$0.59	\$6.47	\$0.79	\$5.66
07-Jul-00	\$4.08	\$4.45	\$6.63	\$6.20	\$3.67	\$3.15	\$0.56	\$6.17	\$0.74	\$5.36
14-Jul-00	\$4.12	\$4.30	\$6.36	\$6.20	\$3.77	\$3.38	\$0.57	\$6.19	\$0.77	\$5.54
21-Jul-00	\$3.93	\$4.22	\$6.34	\$6.20	\$3.58	\$3.34	\$0.56	\$6.08	\$0.74	\$5.33
28-Jul-00	\$3.92	\$3.82	\$5.91	\$6.42	\$3.68	\$3.46	\$0.55	\$6.07	\$0.74	\$5.33
04-Aug-00	\$4.37	\$3.86	\$6.09	\$6.42	\$3.86	\$3.50	\$0.56	\$6.12	\$0.76	\$5.48
11-Aug-00	\$4.55	\$3.90	\$6.34	\$6.20	\$3.80	\$3.32	\$0.56	\$6.09	\$0.78	\$5.65
18-Aug-00	\$4.49	\$4.14	\$6.67	\$6.20	\$3.88	\$3.40	\$0.59	\$6.51	\$0.81	\$5.82
25-Aug-00	\$4.59	\$4.53	\$7.28	\$6.85	\$3.96	\$3.43	\$0.61	\$6.64	\$0.81	\$5.82
01-Sep-00	\$4.82	\$4.69	\$7.59	\$7.29	\$4.16	\$3.58	\$0.61	\$6.71	\$0.85	\$6.12
08-Sep-00	\$5.06	\$4.69	\$7.66	\$7.29	\$4.34	\$3.72	\$0.61	\$6.68	\$0.86	\$6.19
15-Sep-00	\$5.32	\$4.93	\$8.09	\$7.51	\$4.56	\$3.85	\$0.62	\$6.81	\$0.90	\$6.51
22-Sep-00	\$5.45	\$5.13	\$8.00	\$7.59	\$4.66	\$4.06	\$0.61	\$6.68	\$0.86	\$6.22

Note: NYMEX prices are the daily close. The Natural Gas prices are the averages for the 2001 and 2002 contracts, January through December.

Propane is the average of the forward contracts. Propane generally only has eight to nine months of contracts.

No. 2 Fuel Oil is the average forward 12 months. No. 2 Oil only has 18 months of contracts.

Converting from \$ per gallon to \$ per Million Btu 42 gallons per barrel and 3.836 and 5.825 million Btu per barrel where used for propane and No. 2 Fuel Oil respectively.

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the Matter of the Application of	)	
CONSUMERS ENERGY COMPANY for	)	
approval of a price change under its	)	Case No. U-12530
January 1, 1991 gas purchase agreement	)	
<u>with Delta Energy Corporation, as amended.</u>	)	

At the _____, 2000 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. John G. Strand, Chairman
Hon. David A. Svanda, Commissioner
Hon. Robert B. Nelson, Commissioner

ORDER APPROVING STIPULATION AND SETTLEMENT AGREEMENT

On July 18, 2000, Consumers Energy Company ("Consumers") filed an application pursuant to Section 10 of 1929 PA 9, as amended, seeking approval of a New Price under its January 1, 1991 gas purchase contract with Delta Energy Corporation ("Delta"), as amended.

Pursuant to due notice, a prehearing conference was held on September 28, 2000 before Administrative Law Judge George Schankler. Consumers, Michigan's Attorney General ("AG") and the Commission Staff participated in the proceedings.

A second prehearing was scheduled for October 31, 2000. In the interim, the parties submitted a Stipulation and Settlement Agreement ("Settlement") setting forth an agreement on the facts and resolving all issues in this case. The Settlement, attached as

Exhibit A, provides that the New Price of \$3.25 per MMBtu for the years 2001-2003, effective January 1, 2001, is just and reasonable and should be approved by the Commission.

The Commission FINDS that:

a. Jurisdiction is pursuant to 1909 PA 300, as amended, MCL 462.2 et seq.; 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 306, as amended, MCL 24.201 et seq.; and the Commission's Rules of Practice and Procedure, R 460.17101 et seq.

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

c. The New Price of \$3.25 per MMBtu for the years 2001-2003, effective January 1, 2001, is just and reasonable and should be approved.

THEREFORE IT IS ORDERED that:

A. The Settlement, attached as Exhibit A, is approved.

B. The New Price of \$3.25 per MMBtu for the years 2001-2003, for gas purchased by Consumers under its January 1, 1991 gas purchase contract with Delta, as amended, is approved effective January 1, 2001 and shall remain in effect until further order of this Commission.

C. Future filings shall each be in a new docket.

The Commission reserves jurisdiction and may issue further orders as necessary.

MICHIGAN PUBLIC SERVICE COMMISSION

Chairman

(S E A L)

Commissioner

Commissioner

By its action of _____, 2000.

Its Executive Secretary