STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the Matter of the Application of Consumers Energy Company for a Certificate of Public Convenience and Necessity to Render Natural Gas Service in Alabaster Township, Iosco County Michigan	))))))	Case No. U-12715

SETTLEMENT AGREEMENT

On November 15, 2000, Consumers Energy Company ("Consumers Energy") filed an Application in Case No. U-12715 requesting issuance of a Certificate of Public Convenience and Necessity ("Certificate") pursuant to MCL 460.501 et seq., MSA 22.141 et seq. ("Act 69") to render natural gas service in Alabaster Township, Iosco County, Michigan.

Pursuant to the Notice of Hearing, a prehearing conference in Case No. U-12715 was held before Administrative Law Judge George Schankler on January 9, 2001. At the prehearing conference, the Commission ("Staff") entered its appearance. No other utility or municipality appeared or participated in the proceeding.

Subsequent to the prehearing conference in this matter the parties discussed and resolved the issues in this case and, as a result, decided to resolve their differences by virtue of this Settlement Agreement ("Agreement"). This Agreement identifies the rights and obligations of the parties concerning the provision of natural gas service in Alabaster Township, Iosco County, Michigan, in accordance with Section 78 of the Administrative Procedures Act of 1969, MCL 24.278, MSA 3.560(178) and Rule 333 of the Commission's Rules of Practice and Procedure, R460.17333.

WHEREFORE, the parties agree as follows:

1. On July 10, 2000, the Alabaster Township granted Consumers Energy a non-exclusive franchise (Ordinance No. 1002) authorizing it to conduct a local gas business within the Township of Alabaster, Iosco County, Michigan. Provision of natural gas service by Consumers Energy to Alabaster Township, Iosco County, Michigan, will serve the public convenience and necessity.

2. An Act 69 Certificate shall be granted to Consumers Energy to provide natural gas service to customers in Alabaster Township, Iosco County, Michigan.

3. Construction and maintenance of the system must comply with the Michigan Gas Safety Standards and applicable Commission rules, and no newly constructed lines shall cross another utility's gas mains or service lines or parallel another utility's mains or service lines within a street or right of way.

4. Prior to constructing any extension of main within the township, Consumers Energy must give 30 days' written notice to the Commission's Competitive Services Section and Michigan Consolidated Gas Company, identifying the location of the proposed extension and a copy of the customer attachment program worksheet, if applicable, for the extension.

5. Consumers Energy will update quarterly the description of Territory Served in its Schedule of Rates Governing the Sale of Natural Gas Service to include new areas served under franchise or Act 69 Certificates.

6. The parties join in requesting the Commission to expeditiously issue an order approving this Agreement and issuing an Act 69 Certificate as provided in this Agreement. The Staff certifies that this Agreement is reasonable and in the public interest.

7. For the sole purpose of submitting this Agreement to the Commission the parties waive compliance with the provisions of Section 81 of the Administrative Procedures Act of 1969; MCL 24.281; MSA 3.560 (181).

Dated: January 31, 2001

CONSUMERS ENERGY COMPANY

By: _____
Raymond E. McQuillan (P24100)

Dated: January 23, 2001

STAFF OF THE MICHIGAN PUBLIC SERVICE COMMISSION

By: _____
David M. Gadaleto (P30163)