

2872

MAZUCHOWSKI - PART II

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- 1                   - The AEP proposes to be comprehensive but does  
2                   not include Spartan pipeline in its gathering  
3                   scheme while other pipelines are included.  
4                   - MichCon prohibits oil well gas or non-Antrim  
5                   gas from transportation service on the AEP.

6 Q. Would you please identify Exhibit S-\_\_\_\_\_ (DJM-1).

7 A. Exhibit S-\_\_\_\_\_ (DJM-1) is an exhibit I prepared to  
8 demonstrate the range of reserves considered which  
9 MichCon and NER proposed. I used this as a starting  
10 point in the design of Staff's proposal. The first two  
11 columns of numbers are MichCon reserve and deliverability  
12 estimates, and the third and fourth columns are NER  
13 reserve and deliverability estimates in Case No. U-10580,  
14 which I am also providing testimony in to the Commission  
15 concurrently with the case. The exhibit demonstrates  
16 that two experts have a range of reserves forecasted  
17 between 2331 BCF and 2604 BCF.

18 Q. Please explain Staff Exhibit S-\_\_\_\_\_ (DJM-2).

19 A. The exhibit shows how Staff determined the total quantity  
20 of Antrim gas available for transportation on the Staff's  
21 proposed pipeline and the Wet Header. The numbers in  
22 Column 1 are the daily flowrates MichCon estimated to be  
23 transported by the AEP. These numbers can be found on  
24 Exhibit A-8, (RMB-7). The numbers in Column 2 are daily  
25 flowrates for all Antrim gas produced in Michigan  
26 including off system gas. These flowrates were

2873

MAZUCHOWSKI - PART II

8

1 determined by starting with 590 MMCFD as the peak  
2 flowrate and matching Mich Con's total 20 year reserve  
3 estimate of 2,605 BCF. Column 3 was calculated by  
4 multiplying Column 2 by 86.5% (50% of the probable  
5 reserves and 25% of the potential reserves). Column 4  
6 represents Antrim gas that will not be transported by  
7 Staff's proposed pipeline or the Wet Header as well as  
8 the amount of 00, removed as a result of treating.  
9 Column 5 represents the total throughput of Antrim gas  
10 for the Staff's proposed pipeline and the wet header  
11 (Column 3 less Column 4). The breakdown of Antrim gas  
12 flowing on the Wet Header and the Staff's proposed  
13 pipeline is shown in Columns 6 and 7, respectively.  
14 Annual throughput in BCF is shown for the wet header and  
15 the Staff's proposed pipeline in Columns 8 and 9,  
16 respectively.

17 Q. Would you please identify Exhibit S-\_\_\_\_\_ (DJM-3).

18 A. Exhibit S-\_\_\_\_\_ (DJM-3) is an exhibit I prepared to  
19 demonstrate the capacity of the existing pipeline systems  
20 that can transport Antrim gas to market, as well as, to  
21 calculate the incremental capacity needed to transport  
22 the maximum projected amount of Antrim gas to market.  
23 This exhibit demonstrates that if the Wet Header is full  
24 of the existing Niagaran and Antrim gas, a pipeline  
25 system capable of handling 130 MMCF/day is all that is  
26 necessary to relieve the capacity problems.

2874

MAZUCHOWSKI - PART II

9

1 Q. Would you please identify Exhibit E-\_\_\_\_\_ (DJM-4).

2 A. Yes. Exhibit S-\_\_\_\_\_ ( —4) is an exhibit I  
3 prepared that demonstrates that if existing pipeline  
4 systems downstream of Kalkaska are fully utilized no  
5 capacity problem exists at this time.

6 Q. Would you please identify Exhibit S-\_\_\_\_\_ (DJM-5).

7 A. Yes. Exhibit S-\_\_\_\_\_ (DJM-5) is the description of  
8 facilities needed and cost estimates for Staff's  
9 proposal. Staff has included the replacement cost for  
10 18.7 miles of 12 inch pipe to determine the maximum rate  
11 possible. Staff is proposing that the Consumers Power  
12 Company (Consumers) existing M-72 valve site to Kalkaska  
13 pipeline be utilized as part of the dry system to  
14 transport gas to Kalkaska. The rate for this  
15 transportation service would be negotiated between the  
16 parties-

17 Q. Please explain Staff Exhibit S-\_\_\_\_\_ (DJM-6).

18 A. Exhibit S-\_\_\_\_\_ (DJM-6) is a schematic showing  
19 Staff's proposed pipeline from South Chester to Kalkaska.  
20 Important flow and pressure information are also shown.  
21 Pipeline facilities operated by Consumers, Mich Con (Wet  
22 Header System), Great Lakes and ANR are also included on  
23 the schematic.

24 Q. What were the design objectives for your proposal?

25 A. - Because of the uncertainty of reserves, I felt  
26 that the proposal should be conservative with

2875

MAZUCHOWSKI - PART II

10

- 1 flexibility for expansion if necessary.
- 2 - To minimize environmental impacts.
- 3 - To be constructed and operated in a safe
- 4 manner.
- 5 - To meet the needs of the producers.
- 6 - To maximize the use of existing
- 7 gathering/transmission lines including the Wet
- 8 Header system.
- 9 - To provide for the efficient removal of CO<sub>2</sub>,
- 10 from the gas.
- 11 - To minimize the cost to transport Antrim gas
- 12 to market.
- 13 - To efficiently transport gas to market.
- 14 - To provide economically feasible access to the
- 15 four major pipeline transporters.
- 16 - To provide the producers with flexibility for
- 17 marketing their gas.
- 18 - To minimize compression required.

19 Q. Please describe your system-

20 A. I propose a wet and a dry system. The wet system

21 consists of the existing MichCon Wet Header system and

22 would transport all Niagaran gas and any Antrim gas not

23 capable of flowing on the proposed dry system. The dry

24 system from the north to the south would consist of the

25 4.5 miles of the Charlton pipeline starting at mile post

26 53.73 of MichCon's Wet Header system and connecting to

2876

MAZUCHOWSKI - PART II

11

1 the MichCon's Chester Antrim pipeline as shown on Exhibit  
2 A-13, page 3 of 15. The major segment would be 29 miles  
3 of 20 inch pipeline extending from the existing South  
4 Chester CO<sub>2</sub> treating plant in Otsego County to the M-72  
5 valve site in Crawford County. The last segment of the  
6 dry system would be to utilize Consumers Power Company's  
7 existing 12 inch pipeline from the M-72 valve site to  
8 Kalkaska. In addition, I am proposing access to Great  
9 Lakes at the Wilderness tap and to Consumers at the M-72  
10 valve site.

11 Q. How would this system operate?

12 A. The proposed dry 20 inch pipeline would transport Antrim  
13 gas with CO<sub>2</sub> concentrations of 2% or less from South  
14 Chester or the other proposed CO<sub>2</sub> plant locations. Any  
15 additional gas at South Chester or the other proposed CO<sub>2</sub>  
16 treating plants that is not transported on the dry system  
17 can be transported through the existing Wet Header  
18 pipeline. The dry system is capable of directly  
19 transporting 260 MMCF/day of dry gas to Consumers, Great  
20 Lakes, ANR, and MichCon pipeline systems without  
21 utilizing the Kalkaska processing plants. Antrim gas  
22 flowing through the Wet Header would flow through the  
23 Kalkaska Inlet Facility (KIF) and be processed at the  
24 Shell plant. Staff's proposal would significantly  
25 increase the amount of Antrim gas capable of reaching  
26 markets while maximizing the use of existing facilities.

2877

MAZUCHOWSKI - PART II

12

- 1 Staff's expected deliverability case projects between 20  
2 to 100 MMCF/day of Antrim gas would be transported on the  
3 Wet Header for 7 years after which all gas could be  
4 transported on the dry system.
- 5 Q. What did Staff use for its estimated operating expense?  
6 A. Staff estimated *that* MichCon's operating and maintenance  
7 expense of \$100,000 was reasonable for the Staff  
8 proposal.
- 9 Q. Have you evaluated MichCon's reserves and deliverability  
10 estimates for Antrim gas?
- 11 A. Yes. In addition, I have reviewed the information from  
12 Mr. Crawford's reserve information in Case number U-  
13 10580, a competing Antrim Pipeline and I am familiar with  
14 deliverability and reserve estimates that I have  
15 evaluated and calculated from past Antrim cases before  
16 the Commission.
- 17 Q. Do the reserve estimates cause you any concerns?
- 18 A. Yes. I believe that both estimates are reasonable in the  
19 sense that they have attempted to quantify a number that  
20 is extremely difficult to estimate. The Antrim formation  
21 is classified as an Unconventional Reservoir because it  
22 does not behave or produce normally. This makes it  
23 difficult to estimate reserves. MichCon's and NER's  
24 reserve estimate do not appear that different in total  
25 2604 and 2331 BCF, respectively. However, a comparison  
26 of the proven reserve numbers on Exhibit s-\_\_\_\_\_ (DJM-

2878

MAZUCHOWSKI - PART II

13

- 1 1), which should be similar, are actually very far apart.  
2 MichCon's estimate is 2080 BCF and NER's estimate is 1276  
3 BCF. In fact, MichCon has estimated two numbers for  
4 proven reserves, 1276 and 1490 BCF, which indicates the  
5 uncertainty in these numbers. The proven reserve  
6 estimate of both companies is based primarily on the rate  
7 of desorption, analogy with similar properties, and a  
8 production profile. These methods can give misleading  
9 and unreliable results initially. NER relied more on  
10 simulation while MichCon relied on the rate of  
11 desorption. I believe both estimates are reasonable  
12 approximations of this formation, if used with caution.  
13 In my opinion, MichCon's reserve estimate should be used  
14 as a maximum and NER's estimate should be used as a  
15 minimum.
- 16 Q. Is it possible to obtain pressure decline information  
17 from the Antrim formation?
- 18 A. In spite of what both companies said about the production  
19 data and decline information not providing useful  
20 information, until this information is used the reservoir  
21 data will always be suspect. The pressure information  
22 should be available from the producers but it has not  
23 been provided to the regulatory agencies and apparently  
24 not to MichCon or NER. It would be very useful to have  
25 flowing pressure over time and shut in bottom hole  
26 pressure data over time to use in conjunction with the

2879

MAZUCHOWSKI - PART II

14

- 1 production decline data. Until an analysis of this data  
2 is done, any reserve estimate performed should be used  
3 with caution.
- 4 Q. What is your opinion of the deliverability estimate of  
5 both companies?
- 6 A. I believe the MichCon estimate from Exhibit A-5, of 590  
7 MMCF/day, is overstated and NER estimate is understated.  
8 This opinion is based on my experience, my review of the  
9 limited production data and the difficulty in estimating  
10 the rate of desorption. The Antrim production for June  
11 1994 is higher than both NER and MichCon have projected  
12 for proven reserves and I believe production from the  
13 Antrim wells will increase at least 50 MMCF/day this  
14 year. MichCon has historically estimated its  
15 deliverability based on proven reserves only, which I  
16 believe is the proper method, even though in this case it  
17 would underestimate the deliverability initially. In my  
18 opinion, it is incorrect to expect that all the probable  
19 and potential reserves will actually produce into the  
20 pipeline, which is what both companies have projected.  
21 In addition, MichCon assumes new wells will produce at  
22 100-180 Mcf/day. In my opinion new wells will produce  
23 closer to the 100 Mcf/day rate because of the fact that  
24 currently over 3700 wells are averaging approximately 92  
25 Mcf/day.
- 26 Q. What has your experience been in reviewing MichCon's

2880

MAZUCHOWSKI - PART II

15

1 reserve and deliverability estimates?

2 A. Predominately MichCon's reserve and deliverability data  
3 has been overly optimistic. For example, in the last  
4 three major cases in which Mr. Bomar provided reservoir  
5 and deliverability information, his estimates were far in  
6 excess of what was actually produced. This difference is  
7 not necessarily due to incorrect estimates but the fact  
8 that the information upon which the estimates are based  
9 is limited or preliminary in nature, or based on analogy  
10 with other properties which never materialize.

11 Q. What conclusions can you draw from these reserve  
12 estimates?

13 A. A more accurate estimate of reserves capable of producing  
14 into the proposed pipeline and the Wet Header would be to  
15 take into account the uncertainty of the probable and  
16 potential reserves. Staff's estimate began with  
17 MichCon's reserve estimate of 2604 BCF and was modified  
18 using the uncertainty factors of 50% of the probable  
19 reserves and 25% of the potential reserves. This number  
20 is 1602 BCF over 20 years as shown on Exhibit S-\_\_\_\_\_  
21 \_\_\_\_\_ (DJM-2). This is the Staff's projection of the  
22 maximum expected production of Antrim gas.

23 Q. What is your opinion of the AEP facility design?

24 A. MichCon has grossly over designed the AEP project and  
25 thus has not provided the most efficient way to transport  
26 gas to market. MichCon's proposal to transport all

2881

MAZUCHOWSKI - PART II

16

1 incremental Antrim gas on the MichCon system causes  
2 excess facilities to be constructed. MichCon's AEP  
3 design fails to take into account the many existing  
4 pipeline facilities that have the capacity to transport  
5 Antrim gas to market in Michigan and elsewhere. It  
6 appears that MichCon has not considered the amount of  
7 incremental capacity that can be added to other systems  
8 at a cost less than what MichCon is proposing. In  
9 addition, if the MichCon proposal is constructed, for all  
10 practical purposes the producers would have no choice but  
11 to transport on the MichCon System.

12 Q. What is your opinion of the Gustin Pipeline, Taggart to  
13 Hamilton Pipeline, Gustin CO, treatment facility, Alpena  
14 compressor station modifications and the meter station  
15 facilities?

16 A. The cost of these proposed facilities is equivalent to  
17 approximately 66.6 million dollars to transport 100  
18 MMCF/day. This is a terribly inefficient method to  
19 transport east side Antrim gas and it would be a very  
20 risky investment in as much as there are presently no  
21 wells in this region capable of producing commercially  
22 that are not already served by a pipeline. Since there  
23 are no commercial wells in this region, any pipeline  
24 facility construction is premature and should not be  
25 approved.

26 Q. What is your opinion of the design of the 16 inch

2882

MAZUCHOWSRI - PART II

17

1 Kalkaska Tie Line?

2 A. This pipeline is also overdesigned and duplicative.  
3 MichCon should have considered using Consumers' 12 inch  
4 pipeline from the M-72 valve sits to Kalkaska. A more  
5 efficient way to transport the Antrim gas would be for  
6 MichCon to build their pipeline to the M-72 valve site,  
7 instead of Kalkaska, and utilize Consumers' 12 inch line  
8 for transportation to Kalkaska. In my opinion, Consumers  
9 could take 50% more gas than they are currently  
10 transporting from Kalkaska and deliver at least 127  
11 mmcf/day of dry Antrim gas, that would not need to be  
12 processed, to MichCon at Kalkaska. Using the Consumers  
13 pipeline would prevent 19 miles of unnecessary pipeline  
14 construction and associated environmental impacts as well  
15 as providing the Antrim producer with more compression at  
16 Kalkaska.

17 Q. What is your opinion of the Charlton pipeline?

18 A. MichCon did not justify the entire length of the Charlton  
19 pipeline, In response to Staff discovery question 2,  
20 Exhibit 1-125, Mr. Kurmas stated that specific Antrim  
21 projects have not been identified. Until MichCon can  
22 demonstrate that there are proven reserves and  
23 deliverability in this area and the producers are allowed  
24 to drill in the Pigeon River area, only the southern 4.5  
25 miles of this pipeline should be approved.

26 Q. What is your opinion of the proposed CO<sub>2</sub> treating

2883

MAZUCHOWSKI - PART II

18

1 facilities?

2 A. Staff believes that even though CO<sub>2</sub> treating facilities  
3 are necessary and must be considered for the design and  
4 operation of the pipeline they should be rolled out of  
5 the AEP project. The CO<sub>2</sub> facilities proposed by MichCon  
6 are over designed. MichCon stated that they would cause  
7 CO<sub>2</sub> plants to be constructed with the following  
8 capacities; 200 MMCF/day near South Chester or South  
9 Hayes, 100 MMCF/day at Gustin and 50 MMCF/day on the  
10 Saginaw Bay pipeline.

11 Currently, 120 MMCF/day of treating capacity exists at  
12 South Chester. The total capacity of the CO<sub>2</sub> treating  
13 plants will be 570 MMCF/day which is 60 MMCF/day in  
14 excess of what is required by MichCon's deliverability  
15 estimate of 510 MMCF/day.

16 Q. Why should MichCon roll out the CO<sub>2</sub> Treating facilities?

17 A. CO<sub>2</sub> treating is a function like dehydration, compression,  
18 and processing. All of which are required before a  
19 pipeline company will accept the gas for transportation.  
20 Currently, these functions are not regulated, with  
21 regards to rates, by the PSC, therefore, costs should not  
22 be included in the pipeline proposal.

23 In addition, MichCon will not be the owner of the  
24 facilities, MichCon does not receive the revenues  
25 generated from these facilities and it is ultimately the  
26 producer's responsibility to remove the CO<sub>2</sub> from their

2884

MAZUCHOWSKI - PART II

19

1 gas. If the producer fails to cause enough CO, treatment  
2 facilities to be constructed, their gas will and should  
3 remain shut in. Furthermore, the Staff expects MichCon  
4 to enforce the CO, specifications in its gas  
5 transportation and gas purchasing agreements, no matter  
6 who receives the approval to expand the existing pipeline  
7 system,

8 Q. What is your opinion of the Kalkaska-Woolfolk Pipeline?

9 A, The Kalkaska-Woolfolk pipeline is premature based on my  
10 analysis of the projected reserves and existing  
11 facilities (Exhibit S-\_\_\_\_\_ (DJM-2) and Exhibit S-  
12 \_\_\_\_\_(DMJ-4)) , These exhibits demonstrate that  
13 if Great Lakes transports 51 MMCF/day, there is no  
14 capacity problem. This only occurs under the maximum  
15 scenario which is not likely to occur. An alternative  
16 available about October 1, 1994 is to use the Consumers  
17 system which will be able to transport 165 MMCF/day.  
18 Currently Consumers is transporting approximately 100  
19 MMCF/day. With the addition of the Staff proposal of a  
20 20 inch pipeline built to the M-72 valve site, Consumers  
21 can transport up to 225 MMCF/day. The incremental 125  
22 MMCF/day is more than the 78 MMCF/day that MichCon  
23 anticipates from the Kalkaska-Woolfolk proposal. In  
24 Addition, less compression would be necessary to  
25 transport gas in this manner. Another option not  
26 considered is the possibility that some of this gas might

2885

MAZUCHOWSKI - PART II

20

1 go to the Blue Lake Gas Storage Field operated by ANR and  
2 owned in part by MCN. This would provide an option for  
3 a small portion of the gas. It seems likely that some  
4 gas will go into the storage field if the Antrim  
5 producers market their gas competitively.

6 Q. What is your opinion of the Kalkaska Compressor station  
7 modifications?

8 A. staff recommends that the compressor expansion be rolled  
9 out for the same reasons we recommended that CO<sub>2</sub> treating  
10 facilities be rolled out. In addition, the producers  
11 have requested interconnections with four pipeline  
12 companies, each of which has different pressure  
13 requirements, therefore, a producer should only have to  
14 pay for the compression used. For instance, in Staff's  
15 proposal, Consumers could take 151 MMCF/day of Antrim gas  
16 with minimal compression required and Great Lakes would  
17 be able to take gas without compression. Requiring all  
18 the producers to pay for MichCon compression they all do  
19 not use or need is not fair.

20 Q. What is your opinion of MichCon's proposal to include the  
21 gathering costs for transportation on CMS and Saginaw Bay  
22 Antrim pipelines?

23 A. I believe it is unfair since other gathering lines were  
24 not included which could thwart competition in the  
25 gathering of Antrim gas. Typically to transport gas to  
26 market producers need gathering pipelines, treating

2886

MAZUCHOWSKI - PART II

21

- 1 facilities, and transmission pipelines. The gathering  
2 pipelines only carry a fraction of the total amount of  
3 gas transported to market. Only including two of the many  
4 gathering pipelines, creates a situation where producers  
5 who have their own gathering lines are in effect  
6 subsidizing these two gathering lines which they do not  
7 use. MichCon's proposal to include CMS and Saginaw Bay's  
8 Antrim pipelines did not demonstrate any additional  
9 benefits besides the postage stamp rate, which is not  
10 available currently to the producer. Saginaw Bay,  
11 Spartan, and CMS are somewhat in competition with each  
12 other, thus rolling in the their annual cost of service  
13 prevents the natural market forces from determining a  
14 competitive rate.
- 15 Q. What is your opinion of MichCon's proposal to provide  
16 service on a first come, first serve basis?
- 17 A. Staff will not support the MichCon proposal unless they  
18 offer transportation services in a nondiscriminatory  
19 manner and prorate ratably if capacity is reached.
- 20 Q. Do you have any concerns with the commitments of the  
21 producers?
- 22 A. Yes. Producer support for such a project is minimal at  
23 best. MichCon stated many times in response to questions  
24 concerning design, rates and other important features,  
25 that it was done in such a manner because of producer  
26 demands in exchange for support. Yet, most of the

2887

MAZUCHOWSKI - PART II

22

1 producers failed to support these statements and only  
2 three of the fifteen most active producers have indicated  
3 they need applicant's pipeline. No producer has  
4 committed gas reserves to the proposal?, even contingent  
5 upon MichCon receiving approval by the MPSC.

6 Q. What does this indicate to the Staff?

7 A. That the producers have not decided what they want or  
8 need and that MichCon is not really ready to proceed in  
9 a timely manner. The Commission could approve this  
10 pipeline and MichCon would never get the support of  
11 enough producers. The division of producer support is  
12 clearly evident by the filing of the Heart Lake Pipeline  
13 proposal (U-10636) by a group of four producers. The  
14 uncertainty of the producers was brought out during cross  
15 by amount and type of questions, especially in the area  
16 of contract terms and conditions.

17 Q. Do you have any recommendations to the producers?

18 A. Yes. A significant number of producers should file their  
19 position with the Commission, possibly through a common  
20 source such as MOGA, or individually. The producers are  
21 clearly the most knowledgeable in regard to the reserves  
22 and deliverability. The producer should also negotiate  
23 signed contracts with the transporter before the  
24 transporter files an Act 9 application.

25 In the event that a capacity problem exists downstream  
26 from Kalkaska, the producers should select the company or

2888

MAZUCHOWSKI - PART II

23

1 companies to transport their gas to market before a  
2 pipeline filing to the MPSC is made. If the producers  
3 commit to a proposal with signed transportation contracts  
4 before it is presented to the Commission, it would  
5 minimize the time to render a decision.

6 Q. What are your conclusions?

- 7 A.           - If MichCon persists with the proposed  
8 application Staff will recommend not approving  
9 it to the Commission in its brief.  
10           - MichCon and the Intervenors should evaluate  
11 the Staff proposal or other alternatives that  
12 would accomplish the same objectives, perhaps  
13 reduce and optimize it further and respond in  
14 rebuttal testimony.  
15           - Intervenors should define what they want and  
16 are willing to support through signed  
17 transportation contracts.

18 Q. Does this conclude your testimony?

19 A. Yes.

MAZUCHOWSKI DIRECT DERENGOSKI

2889

1 JUDGE MACE: Mr. Smith.

2 MR. SMITH: Thank you very much,

3 Your Honor.

4 CROSS-EXAMINATION

5 BY MR. SMITH:

6 Q Good afternoon, Mr. Mazuchowski.

7 A Good afternoon.

8 Q Mr. Mazuchowski, on page 3 starting at line 15 of your  
9 prefiled testimony, you commence presentation of an  
10 alternative pipeline or alternative proposed pipeline,  
11 and my question to you in that regard is, has Staff ever  
12 proposed an alternative of this magnitude in any prior  
13 pipeline case?

14 A Probably not of this magnitude, no.

15 Q Has Staff ever proposed a change from the application or  
16 amended application that was filed by the applicant?

17 A Yes, we have proposed changes, yes.

18 P I beg *your* pardon?

19 A We have proposed changes in that.

20 Q All right. And in what cases have you proposed changes?

21 A In the Saginaw Bay Pipeline Case U-9199, which was their  
22 original pipeline between Bay City and Ralkaska, the  
23 Staff offered some alternatives for the applicant to  
24 consider.

25 We had also offered in the Jordan

MAZUCHOWSKI CROSS SMITH

2890

1 Valley pipeline -- I'm not sure it was actually  
2 alternative. We had offered some -- I think we offered  
3 some alternatives in Jordan Valley pipeline case.

4 Q Well, that case was settled, right?

5 A But we settled the case.

6 Q And the Saginaw Bay case was also settled?

7 A Right.

8 Q Right, okay. Any others that you can recall where  
9 Staff made changes that would cause a deviation from the  
10 application or amended application that was filed by the  
11 applicant, an Act 9 pipeline proceeding?

12 A No. We offer lots of them in a lot of cases but they  
13 all -- most of them get settled.

14 Q Would you agree that under Act 9, the responsibility for  
15 proposing a pipeline lies with the applicant?

16 A Yes.

17 Q In other words, what I'm getting at is the process isn't  
18 that an applicant comes in to Staff and says, you tell  
19 us what you want and we'll go out and build it. That's  
20 not the way it works, is it?

21 A Usually not, no.

22 Q And the process is that the applicant proposes a  
23 pipeline, and then Staff reviews it to determine whether  
24 or not in Staff's opinion it complies with the need to  
25 be reasonably safe and convenient and whether or not it

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2891

1 meets the appropriate Act 9 standard?

2 A Yes.

3 Q In your proposed testimony commencing on page 4, you  
4 talk about benefits of the MichCon application. Do you  
5 see that provision or that area of your testimony?

6 A Yes, I do.

7 Q Would you agree, Mr. Mazuchowski, that an additional  
8 advantage or benefit of MichCon's proposal is that  
9 MichCon has over 20 years of proven ability to operate  
10 the wet header?

11 A I believe I considered that in my first benefit.

12 Q Would you agree that an additional benefit is their  
13 proven ability to administer the mol balance program?

14 A I believe I included that. I'm not sure that's an  
15 additional benefit, I think it goes hand in hand with  
16 operating the pipeline.

17 Q Would you agree that the mol balance program that's  
18 utilized in the wet header is one of the more  
19 complicated accounting programs utilized with pipelines  
20 at least in the State of Michigan?

21 A It appears that way.

22 Q Probably the most complicated of any that you've worked  
23 with, isn't it?

24 A Yes.

25 Q And would you consider it a benefit that MichCon has

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2892

1 been able to keep people reasonably happy while  
2 administering the four party agreement, which is now a  
3 five party agreement between all the parties that  
4 operate the wet header and the processing plants and the  
5 KIF and the Saginaw Bay Pipeline?

6 A Again, I think it's included in my Number 1 criteria or  
7 on my list.

8 Q On page 5, line 15 and 16, you talk about the 16 inch  
9 Niagaran pipeline is being oversized.

10 Now, the 16 inch pipeline that  
11 you're talking about there is the new line that MichCon  
12 proposes which will replace the existing 20 inch wet  
13 header; is that correct?

14 A Yes.

15 Q And is it your testimony that in your opinion that the  
16 replacement line, the proposed 16-inch line, should be a  
17 proposed or replacement 12 inch line?

18 A I guess if the MichCon application was going to get  
19 built as proposed, that would be one of my  
20 recommendations.

21 Q Well, aren't you saying that one of the disadvantages is  
22 that the 16 inch which is the replacement to the wet  
23 header, that it's oversized?

24 A That's what I'm saying, but I mean, my whole testimony  
25 goes into a whole 'nother area. It doesn't even refer

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2893

1 back to the original application.

2 I mean, it's so modified that that,  
3 you know, that was just MichCon proposed a 16 inch and  
4 I'm saying that's, you know, overdesigned and --  
5 Q Okay. And you're saying that a 12 inch pipeline would  
6 be sufficient?

7 A Yes.

8 Q So that you would end up with a 12 under what you're  
9 saying is sufficient. I'm not saying under any  
10 proposal, but what you're saying is sufficient in your  
11 criticism or your list of disadvantages is that a 12  
12 inch pipeline could serve as the new wet header?

13 A That's correct.

14 Q Does the 16-inch line as suggested by MichCon allow  
15 MichCon to minimize the required compression at  
16 Kalkaska?

17 A It would minimize compression, yes.

18 P Thank you. Have you done any study to determine what  
19 the capacity would be of the 12 inch wet header that you  
20 suggested?

21 A Yes, I've done some preliminary analysis.

22 P What would the capacity of that 12 inch wet header be?

23 A I believe it could flow about 77 million a day.

24 Q I'm sorry, how much?

25 A It could flow dry gas 77 million a day of dry gas.

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2894

1 Q Okay. But it's not being designed as a dry gas  
2 pipeline, is it?

3 A No, it isn't.

4 Q okay. So what would be the capacity of the 12 inch  
5 line as a wet header?

6 A It would be about 15 percent less than that or so.

7 Q Would I be correct that you haven't done any specific  
8 study as to what the capacity would be for a wet header?

9 A That's correct.

10 Q I mean, a 12 inch wet header as we've been talking about  
11 it?

12 A Yes.

13 Q Okay. Now, switching from your criticism to your  
14 proposal, is it a correct understanding that what you're  
15 proposing is that the wet header would -- the current  
16 existing wet header would remain as is?

17 A You're talking about my proposal, not this little piece  
18 here?

19 Q Right. Moving away from what's your list of advantages  
20 and disadvantages.

21 A Okay. So your question is -- Yes, I would allow the  
22 wet header to remain in operation.

23 Q Okay. And am I correct in understanding that what --  
24 under your, the new proposal, the latest proposal that  
25 you have put in your testimony --

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2895

1 A The Staff proposal, yes.

2 Q -- that you would be proposing a 20 inch dry line that  
3 would parallel the existing wet header?

4 A That's correct, for part of the way between South  
5 Chester and Kalkaska.

6 Q From South Chester to where?

7 A M-72.

8 Q Okay. And that would be -- would that be shown by the  
9 straight line that we just drew on your Exhibit S-210?

10 A That would be shown by the solid line that starts at  
11 South Chester and goes through Goose Creek all the way  
12 down M-72.

13 Q And what I was referring to is the solid line that we  
14 just put in to correct the exhibit, that would be a part  
15 of the 20-inch line that you're talking about?

16 A That's correct.

17 Q The 20-inch line between Goose Creek and M-72, who would  
18 own that?

19 A MichCon.

20 Q Looking at that exhibit, the Consumers Power line that  
21 runs between Goose Creek and M-72, is that the existing  
22 line?

23 A Yes, it is.

24 Q And the under your proposal, is it that the new line  
25 approved in 10526, I think, or 10527, I get them

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2896

1 confused.

2 I think it's 527.

3 Okay. That line would not be constructed?

4 No, it won't need to be constructed under Staff's  
5 proposal in this case.

6 Okay. Thank you.

7 Or Consumers could build it. But I think the Staff  
8 proposed it to have MichCon build it in this case.

9 You're proposing in this case that the applicant build  
10 that 20-inch line between Goose Creek and M-72?

11 A Right.

12 Q As well as the line from South Chester to Goose Creek?

13 A Correct.

14 Q Okay. On page 5, line 19 of your testimony, you  
15 indicate that the Antrim proposal did not maximize use  
16 of existing facilities. Could you delineate for me  
17 which existing facilities were not utilized?

18 A I think, Number 1, would be the Consumers Power line  
19 between M-72 and Kalkaska.

20 I think also the other systems,  
21 other Antrim gathering lines that are out there right  
22 now that could be utilized such as the Jordan Valley  
23 pipeline, and the Mercury interconnect.

24 Jordan Valley and the Mercury interconnect; am I  
25 correct?

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2897

1 A Yes. Let me just review.

2 Q Any others?

3 A The Mercury Wilderness system which would be the Mercury  
4 system, the Jordan Valley.

5 Q Well, let me make sure I understand that you and I are  
6 on the same page, Mr. Mazuchowski.

7 By the Mercury Wilderness, are you  
8 talking -- is that the same as the Mercury interconnect?

9 A Well, there's more than just an interconnect. There's a  
10 pipeline and the interconnect there.

11 Q You're talking about the line that goes from the central  
12 processing facility to the Great Lakes pipeline?

13 A Well, that's the interconnect and then there's a  
14 pipeline system that goes between there and Goose Creek.

15 Q Goose Creek?

16 A That could be utilized.

17 Q All right.

18 A And there's the Jordan Valley as I said.

19 Q Right.

20 A And also I think MichCon has been transporting gas off  
21 the wet header system and onto their dry system which  
22 they have not factored in.

23 Q Anything else?

24 A Well, currently there's a new interconnection that, you  
25 know, just came into existence, but apparently that's

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2898

1 temporary, but that still could be utilized.

2 Q You're talking about the connection to the ANR 24 inch?

3 A The ANR interconnect, yes. And also I'm talking about  
4 the Great Lakes pipeline system.

5 Q Anything else?

6 A No.

7 Q What is the capacity of the Jordan Valley line?

8 A About 35 million a day.

9 Q And it's not currently in operation, correct?

10 A Correct.

11 Q It's under construction?

12 A That's true. I think the pipeline itself could carry  
13 more than 35 million a day, but you know, without --  
14 before it was in operation, I just used that number as  
15 a, you know, very conservative capacity number.

16 Q Okay. Who owns the Consumers line from M-72 to  
17 Kalkaska?

18 A Consumers.

19 I guess there's one more addition  
20 I'd have on that last question on capacity, would be  
21 Consumers Power pipeline system downstream of Kalkaska.

22 Q Is the Consumers line M-72 to Kalkaska currently being  
23 utilized?

24 A Not really. I mean, they use it but they have, you  
25 know, capacity in the system.

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1 Q Have you discussed use of that line with the owner as  
2 far as part of the overall Antrim problem?

3 A On U-10527, we discussed a lot of different  
4 possibilities and we had discussed a lot of their  
5 capacities.

6 Q Do you have any commitment from the owner as far as  
7 utilization of that line?

8 A Commitment that they would utilize it, or that I could  
9 use it for my design or --

10 Q That you could use it for your design?

11 A Well, we asked questions in that case what the capacity  
12 was and they told us what it was and --

13 Q No. I understand that you asked questions. I was  
14 around when you were asking some of them. But do you  
15 have any commitment from them as far as utilization of  
16 that line?

17 A No.

18 Q Thank you. You mentioned other Antrim gathering lines  
19 that were not considered. Which ones?

20 A Well, the Spartan system somewhat wasn't considered the  
21 same way as other pipeline gathering systems-

22 Q Would you agree that if the CMS line and the Saginaw Bay  
23 Lovells line and the -- I can't remember the name of it,  
24 the MichCon line that feeds into South Chester, that if  
25 those were to be rolled in, that Spartan also should be

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2900

1 rolled in?

2 A No. Now I think our position is they should all be  
3 rolled out.

4 Q I understand that's your position but would you agree  
5 that if some are rolled in, they should all be rolled  
6 in?

7 A I don't agree that they should be rolled in at all any  
8 more. So even if some should be rolled in, I would have  
9 to look at a whole different scenario.

10 Q Well, with all due respect, let's assume for a second  
11 that the Codssion didn't agree with you then, and  
12 said, we're going to at least roll one in, and asked you  
13 in your opinion if we roll one in, should we roll all  
14 four of them in?

15 A I think if someone asked me for my opinion, I'd say that  
16 all gathering lines should be rolled in, all MichCon  
17 gathering lines, all Consumers gathering lines and CMS  
18 and Spartan and any big producer lines, and you know,  
19 I'd hate to -- the reason why I think they should be  
20 rolled out is because I'm not sure how you'd make a fair  
21 determination on what producer lines should be rolled  
22 in.

23 Q So if some are rolled in, they should all be rolled in?

24 A Yes.

25 Q Okay. When you're talking about MichCon transporting

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**MAZUCHOWSKI CROSS SMITH**

**2901**

1 on its dry system, you're talking about the transport of  
2 Antrim gas on its dry system?

3 Would you refer to where you're talking about in my  
4 testimony?

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2902

1 Q No, when I asked you for the things that were not  
2 utilized, one of the things that you mentioned, at  
3 least that I wrote down, I thought I got it right,  
4 was MichCon's transmission onto its dry system?

5 A Oh, yes, referring to that, an interconnection off  
6 the Terra Hayes pipeline that has been transporting  
7 about 25 million a day of Antrim gas onto MichCon's  
8 dry system.

9 Q Okay- And are you suggesting that that is an option  
10 that could continue to be utilized?

11 A Yes, I am.

12 Q Okay. And the gas that is transmitted into the  
13 MichCon dry system off the Terra Hayes line is  
14 generally at about five percent CO2?

15 A Currently it is.

16 Q And that exceeds the MichCon dry system standards,  
17 correct?

18 A That's correct.

19 Q Are you suggesting that that 25 million cubic feet of  
20 gas a day could be treated someplace before it goes  
21 onto that system, or are you suggesting that the  
22 current operations simply be continued?

23 a No, I would anticipate that with the Jordan Valley  
24 pipeline coming into operation, that all that gas  
25 could be flowed through that Jordan Valley pipeline

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2903

1 C02 treater before it went back on at MichCon's  
2 system. So it could come on at two percent.  
3 Q So that if there's 25 percent or 25 million cubic  
4 feet a day, that then would go into the Jordan  
5 Valley, and assuming you were correct in your initial  
6 estimate of the 35 million cubic feet a day on the  
7 Jordan Valley line, that would result in a net  
8 available, or that at least we haven't accounted for  
9 here, of 10 million cubic feet a day on the Jordan  
10 Valley line, correct?

11 A Actually, I didn't include the 25 million a day in my  
12 estimate, that was something that I wasn't sure of at  
13 that time I did my testimony, but that would just be  
14 in addition to what I've included in my testimony, is  
15 more capacity that is available out there now.

16 Q I understand that you didn't include it, my point is,  
17 or my question is, if you put -- if you start with  
18 the premise in your testimony that you said that  
19 there was capacity on the Jordan Valley line, or will  
20 be, of 35 million a day, and if you put 25 that's  
21 currently going off the Terra Hayes through that  
22 system, that leaves a net of 19, right?

23 A But the stuff off MichCon's system comes off the  
24 Terra Hayes pipeline.

25 Q I understand, But you're going to put it through the

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1 Jordan Valley line, correct?

2 A But you could expand the plan, and so it could be an  
3 additional 25.

4 Q But currently, as it is planned, it's at 35, isn't  
5 it?

6 A That's correct.

7 Q Okay. So without expanding it or doing anything to  
a it, you'd have a net 10 left over that you and I, at  
9 least in our conversation here, haven't accounted  
10 for?

11 A I've accounted for it, I guess, in just the different  
12 spots.

13 Q Okay. At page 6, line 10, of your testimony, you  
14 talk about MichCon not considering the amount of C02  
15 that was removed by the processing plants that will  
16 not be transported on the downstream pipeline; do you  
17 see that provision?

18 A Yes, I do.

19 Q Doesn't Mr. Kurmas, in his Exhibit SEK-6, show the  
20 amount of gas that's been moved that won't need to be  
21 transmitted or transported downstream?

22 A In that exhibit, I see fuel shrinkage and markets, I  
23 never saw a number for the C02 removal.

24 Q Okay. So it's your understanding, then, that Mr.  
25 Kurmas has not accounted for the amount of C02

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2905

1 removed by the processing plants; is that correct?

2 A I believe he underestimated the amount, I think.

3 Q Do you think he estimated some amount and it just  
4 wasn't big enough or large enough?

5 A Yes.

6 Q How much did he underestimate?

7 A I estimate that shrinkage and fuel for CO2 removal is  
8 about 50 a day, and his number:, which includes 20  
9 million a day for markets, which I consider to be  
10 reasonable, subsequently has been changed in rebuttal  
11 testimony by MichCon. But they include -- if you  
12 subtracted the 44 -- 20 from the 44, that would leave  
13 24 for fuel and shrinkage. So I consider his number  
14 to be 24 versus my number of 50.

15 Q what -- I'm sorry, I couldn't understand and I  
16 apologize. You said your number for fuel and  
17 shrinkage was 50?

18 A Correct.

19 Q And you think Mr. Kurmas' number was what?

20 A Was 44, he estimated on Exhibit A-73, SEK-6, which at  
21 the time I wrote my testimony, included 20 million a  
22 day for local markets. So his number is 24 million a  
23 day for fuel and shrinkage.

24 Q Okay. So that your understanding is that his figure  
25 for fuel and shrinkage is 24, and you think that

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2906

1 understates it by 26?

2 A Yes.

3 Q Is it your understanding that the north terminus in  
4 about the northern six-tenths of a mile of the  
5 Charlton pipeline, that it goes into the Pigeon River  
6 Country State Forest?

7 A What was the length again going into the forest?

8 Q Approximately six or seven-tenths of a mile?

9 A Yeah, that's my understanding.

10 Q And do you understand that, as proposed, that  
11 pipeline would cross the Black River?

12 A Yes.

13 Q And do you understand that the State is contractually  
14 bound not to allow any crossings of the Black River,  
15 or any more crossings of it?

16 A There's an order, and I'd defer to the language in  
17 the order.

18 Q Okay. By the order, you're talking about the amended  
19 stipulation and consent order?

20 A Yes.

21 Q What is your understanding of what is to go into the  
22 Charlton pipeline as proposed, and when I'm talking  
23 about going into it, I'm talking about going into it,  
24 inside of the Pigeon River Country State Forest?

25 A I don't know, you know.

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2907

1 Q I feel better, because I don't know either. Is it  
2 your understanding that under the proposal that firm  
3 capacity or firm contracts would be the only thing  
4 offered until the pipeline was filled a hundred  
5 percent?

6 A Yes, that's my understanding.

7 Q And is it your understanding that the firm contract  
8 capacity would be offered to any shipper that sought  
9 it?

10 A Any shipper of Antrim gas.

11 Q Right, And that there would be no discrimination  
12 amongst shippers of Antrim gas seeking firm  
13 contracts; is that your understanding?

14 A Yes.

15 Q Now, you refer to the fact it would be offered to  
16 shippers of Antrim gas. Do you envision any  
17 circumstances where there would be a need to ship oil  
18 well gas on the Antrim dry header?

19 A Not under the Staff's proposal.

20 Q Well, do you envision any circumstance under  
21 MichCon's proposal where there would be a need to  
22 ship oil well gas on the dry wet header -- I mean, on  
23 the dry header, I'm sorry?

24 A Well, you know, it's hard to say about the Gustin  
25 portion of the original pipeline, there could be,

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2908

1 it's hard for me to forecast what additional drilling  
2 may bring.

3 Q All right. Let's exclude for my question the Gustin  
4 portion of MichCon's proposal. Do you envision any  
5 need to ship oil well gas on the remaining part of  
6 the proposal as MichCon made it?

7 A No.

8 Q Leaving aside the Gustin?

9 A Gustin?

10 Q Leaving aside the -- I mispronounced it.

11 A Gustin pipeline?

12 Q Thank you. Leaving aside the Gustin pipeline again,  
13 do you envision **any** circumstance where there would be  
14 a need to ship any non-Antrim gas on the Antrim  
15 **Expansion Project** pipeline?

16 A No.

17 Q And likewise, with *your* proposal, as you've set forth  
18 here, you don't envision *any* need to ship non-Antrim  
19 gas on the dry Antrim header, do you?

20 A No.

21 Q On page 7, line 16, you refer to two experts: do you  
22 see that provision?

23 A Yes.

24 Q Is one of those persons Mr. Bomar?

25 A Yes.

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1 Q And the other one is?

2 A Mr. Crawford, the NER witness.

3 Q Okay. You're aware that Mr. Crawford merely reported  
4 what somebody else had told him?

5 A Well, I guess it would be a Holditch report, then.

6 Q Okay.

7 Q Now, is it fair to say that you didn't do an  
8 independent reserve study yourself, that you looked  
9 at these others for purposes of your testimony?

10 A Well, I think by the time we ended up, we kind of  
11 came up with our own independent analysis.

12 Q Was your independent analysis; based upon what these  
13 experts had testified?

14 A I think we used their data as a starting point.

15 Q Are you relying upon the reserve estimates that were  
16 offered in 10580 as being true and accurate, or are  
17 you simply referring to them as an example of some  
18 different estimates for the same general area?

19 A I think that that estimate was accurate in that it  
20 attempted to estimate, you know, the Antrim reserves.  
21 I think it's so uncertain that that was a reasonable  
22 estimate.

23 Q Okay.

24 A Those reserves.

25 Q So you relied upon those estimates for the

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1 truthfulness or the validity of them as they were  
2 presented, as compared to simply looking at them as  
3 an example of different estimates?

4 A I don't understand your question.

5 Q Did you rely upon the estimates that Mr. Crawford  
6 presented in 10580 in order to formulate some of your  
7 opinions in this case?

8 MR. ERICKSON: Your Honor, I'm  
9 going to object, I believe the question really has  
10 been asked and answered. The original question was,  
11 "Did you rely on the estimates in U-10580 as true  
12 and accurate or simply say they were different?" The  
13 response from Mr. Mazuchowski was that he thought  
14 they were accurate and reasonable even though there  
15 was uncertainty. I think this is the same question  
16 with slightly different wording.

17 MR. SMITH: Your Honor, I asked him  
18 if he relied on it, he didn't answer that question.

19 MR. DERENGOSKI: Your Honor, I  
20 think that he did answer that question, I believe he  
21 stated that he relied on them as a starting point and  
22 later developed their own opinion on that.

23 JUDGE MACE: I'm going to sustain  
24 the objection.

25 Q (BY MR. SMITH, CONTINUING) What use did you make of

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2911

1 Mr. Crawford's estimates in Case 105801

2 A Well, I started out by comparing that estimate to the  
3 MichCon estimate to the producer estimate, and then  
4 had some numbers of my own from another case that I  
5 also compared and triad to determine the basis of  
6 where the different parties were coming from. I then  
7 tried to use what I knew was actually being produced  
8 and tried to come up with, and ultimately did come up  
9 with our own set of numbers.

10 Q Okay. On page 7 of your testimony, you refer to your  
11 Exhibit DJM-2, which I think is S-206?

12 A That's correct.

13 Q In S-206, in column 2, do these numbers include the  
14 wilderness volumes?

15 A Yes, they do.

16 Q Do they include the correction to MichCon's 590 total  
17 as covered in Mr. Russell's testimony?

18 A No, they don't.

19 Q While we're looking at your exhibits, would you be  
20 kind enough to look at your DJM-3, S-207?

21 A Yes.

22 Q Do you see the figure 45 millior cubic feet of gas a  
23 day for the east side Niagaran production?

24 A Yes.

25 Q Okay. Is that a net figure?

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2912

1 A Net of what?

2 Q Before shrinkage, fuel.

3 A No, that's a production number.

4 Q Okay. It's a --

5 A Gross number, I guess.

6 Q Okay. That would be the figure that you would expect  
7 as it would leave the lease and get into the pipeline  
a system?

9 A Yes.

10 Q Could you tell us the source of that figure?

11 A That was from MichCon presentation in the November/  
12 December of '93.

13 Q And if you would be kind enough to continue to your  
14 DJM-4, which I think is S-208. The figures on this  
15 exhibit, are they gross figures also?

16 MR. ERICKSON: May I inquire for  
17 clarification, when he talks about *gross*, is he  
18 **talking** now about gross production contrasted with  
19 flow after CO2 and fuel deductions? This seems to be  
20 a capacity **exhibit**, and I'm not sure the question in  
21 the context will be clear.

22 MR. SMITH: May I respond, Your  
23 Honor? Thank you. Yes. I mean, it's gross figure  
24 before you consider shrinkage, CO2 removal, in my  
25 question to this witness.

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2913

1 THE WITNESS: I think this is a  
2 net, a net number.

3 Q (BY MR. SMITH, CONTINUING) Okay. So that when you  
4 say west wet header volumes, at what point in the  
5 system does that 41 measure?

6 A I just -- I think, and I'm trying to -- let me refer  
7 for a minute to see where I got that number, 41. It  
8 looks like all these numbers would be, except for the  
9 shrinkage number *that* included for the Saginaw Bay on  
10 this exhibit, would be *gross* numbers.

11 Q Well, you think these *are gross* numbers?

12 A They *are gross* numbers.

13 Q Okay. Now, looking at west wet header volumes of 41  
14 million cubic feet a day?

15 A Yes.

16 Q That's the amount of gas that you would expect to be  
17 shipped on the west wet header in 1996, correct?

18 A That's correct.

19 Q Is any of that gas Antrim gas?

20 A No.

21 Q Okay. Of the east wet header volumes of 325, how  
22 much of that would you expect to be Antrim and how  
23 much will be non-Antrim? Let me back up for just a  
24 second

25 Is this assuming that the present

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2914

1 system would still be in effect?

2 A What do you mean?

3 2 When you say the east wet header volumes, you're  
4 talking about the current MichCon 20-inch line,  
5 correct?

6 A Yes.

7 3 Okay. Of the 325, then, how much of that would be  
a Antrim gas?

9 A Well, it would be 325 minus whatever the Niagaran  
10 1996 number was, which on the other exhibit was 45  
11 million a day, from Exhibit S-207.

12 Q Okay. Then the Saginaw Bay Antrim figure of 50, you  
13 expect all of that to be Antrim?

14 A That's correct.

15 Q Okay. Of the 40 on Saginaw Bay PDC, that's all  
16 non-Antrim, correct?

17 a That's correct.

18 Q Then the ANR contracted volume, if you look at that  
19 figure and you look at the figure down below in the  
20 area of downstream capacity available, that's really  
21 a wash, isn't it?

22 A Well, I think you could -- it is a wash based on  
23 numbers, but you could use that capacity for Antrim  
24 gas, if you wanted.

25 Q Okay. Is it available?

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2915

1 A If that's what ANR would contract with, it would be.

2 Q Is it currently available?

3 A I don't know.

4 Q As far as you know, that doesn't present any capacity  
5 available for Antrim gas currently, does it?

6 A As far as I know, yes.

7 Q Then you talk about minus 20 from markets. Is that  
8 the local markets to which we've referred earlier in  
9 this case?

10 A That's the local markets I'm referring to, yes.

11 Q And would that be Antrim or Niagaran gas, or could it  
12 be either?

13 A It wouldn't matter, it's just what the markets in  
14 that area would demand.

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2916

1 Q And then the five, which you've designated as  
2 shrinkage, what --

3 A That was specifically for the Saginaw Bay Antrim  
4 number.

5 Q Okay. So that's shrinkage of Antrim gas.

6 A Yes.

7 Q All right. And then the incremental Antrim volume  
8 under your expected flow rates of 15, where did you  
9 get that figure?

10 A That was based on -- the number Staff projected would  
11 be available for the pipeline, from DJM-206.

12 Q That's your DJM-2?

13 A Yes.

14 Q Okay. And explain for me, if you would, how you get  
15 to that figure. First of all, what year are you  
16 looking at?

17 A I'm looking at the ~~maximum~~ case, the largest number,  
18 which would be Years 2 through 5.

19 Q Okay. And how do you arrive at the 15?

20 A Let me take a minute and refigure this.

21 Q Sure.

22 A Well just looking at the number off Exhibit S-206,  
23 which the largest number there would be 364 under  
24 Column 5, Years 2 through 5.

25 Q Yes, sir.

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2917

1 A And without figuring the shrinkage **right** now, **if** you  
2 took the **364 and** then you added up, back on Exhibit  
3 **S-208 --** well, let me . . .

4 JUDGE MACE: We're going to take  
5 a ten-minute recess now, and maybe the witness can  
6 review **his** materials **so** that he can better answer  
7 your questions.

8 MR. SMITH: Thank **you**.

9 (Whereupon, recess  
10 taken at 3:55 p.m.)

11 (Whereupon, proceedings  
12 reconvened at 4:05 p.m.)

13 JUDGE MACE: Let's go back on the  
14 record. I took the liberty of talking with Mr.  
15 Mazuchowski during our break, and it appears that he  
16 needs more time to work with these numbers. We could  
17 go a couple of different ways.

18 If you have other **cross**, we could  
19 go to that. Or we could,, if you all believe that you  
20 could complete cross-examination of Mr. Mazuchowski  
21 tomorrow, we could **adjourn** now and begin tomorrow at  
22 nine. That would give him time to **resurrect** the  
23 information he needs to in order to answer your  
24 questions.

25 So those are a couple of options,

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1 and probably there are more. Mr. Smith?

2 **MR. SMITH:** Your Honor, I'll be  
3 happy to do whatever **you** think is best.

4 **MR. SAGE:** Whew, that's **safe**.

5 **MR. O'CONNELL:** The buck doesn't  
6 stop there.

7 **JUDGE MACE:** Well, you don't want  
8 to leave **it** in my hands **like** that.

9 **MR. SMITH:** Well, **I** will do  
10 whatever you think is best, except say no further  
11 questions.

12 **JUDGE MACE:** Okay.

13 **MR. SMITH:** If you want --

14 **JUDGE MACE:** Well, how much  
15 cross-examination do you think you have left of Mr.  
16 **Mazuchowski** besides this area that you're talking  
17 about now?

18 **MR. SMITH:** I probably have  
19 another 20 minutes or so of other things. But **I** do  
20 want to spend some t h e on his **DJM-4** and **DJM-2** in  
21 particular, and I could -- I'd be happy to tell him,  
22 you know, before we leave for tonight some of the  
23 areas I want to ask him questions on **so** that he could  
24 have that time to look at those **so** we won't catch him  
25 cold in the morning.

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2919

1 JUDGE MACE: Okay. Mr. Erickson,  
2 how much cross do you think you'll have?

3 MR. ERICKSON: I would say a half  
4 an hour to an hour, Your Honor.

5 JUDGE MACE: Mr. Alsup?

6 MR. ALSUP: I believe 30 to 45  
7 minutes, Your Honor.

8 JUDGE MACE: Mr. Burgess?

9 MR. BURGESS: At this point,  
10 Great Lakes has no cross.

11 JUDGE MACE: Mr. Woman?

12 MR. WORMAN: None.

13 JUDGE MACE: Mr. Gallagher?

14 MR. GALLAGHER: None.

15 JUDGE MACE: Mr. Berkemeier?

16 MR. BURGESS: Very little, Your  
17 Honor. It won't be more than five minutes, I  
18 wouldn't think.

19 JUDGE MACE: Mr. Fields?

20 MR. FIELDS: Probably 10, 15  
21 minutes at most, Your Honor.

22 JUDGE MACE: Mr. Ault had to  
23 leave. Mr. Sage?

24 MR. SAGE: About an hour, two or  
25 three. No, I'm just kidding.

1 JUDGE MACE: I'm marking that  
2 down. And Mr. O'Connell.

3 MR. O'CONNELL: Not in excess of  
4 an hour, closer to 45 minutes.

5 JUDGE MACE: Well, we'll go on  
6 tonight. I don't want to risk having to go over to  
7 another day.

8 So do what you can outside of  
9 this area to finish up, and then we'll quit.

10 MR. SMITH: Okay. Thank you.

11 Q (BY MR. SMITH, CONTINUING) Mr. Mazuchowski, let's  
12 shift our emphasis, if we could. And refer back to  
13 your prefiled testimony, if you would please, on Page  
14 9. I'm sorry, I've already asked you that question.

15 On Page 16, commencing at Line  
16 5. You indicate that it appears that MichCon has not  
17 considered the amount of incremental capacity that  
18 can be added to other systems, Is your reference  
19 there to the same thing that you told me before in  
20 response to not using existing facilities?

21 A Yes, it does.

22 Q I'm sorry?

23 A Yes.

24 Q Thank you. Continuing on in that same page, at Line  
25 8, you talk about if the Michigan -- if the MichCon

MAZUCHOWSKI CROSS SMITH

2921

1 proposal is constructed, for all practical purposes  
2 the producers would have no choice but to transport  
3 on the MichCon system. My question to you is do you  
4 believe that producers should have a choice to  
5 transport on the MichCon system or any other system?

6 A Yes.

7 Q And could you tell me how the plan that you propose  
8 provides for that?

9 A Provides for access to Consumers Power Company, Great  
10 Lakes Company, ANR.

11 Q Doesn't the MichCon --

12 A Company.

13 Q I'm sorry.

14 A It provides for access to the four markets that the  
15 producers have requested in their meetings with  
16 MichCon.

17 Q Doesn't the MichCon proposal do that?

18 A It didn't include that much gas going to Consumers  
19 Power Company, and it provided additional cost to go  
20 to Great Lakes and to -- to go to Great Lakes.

21 Q All right. So your criticism, then, of the MichCon  
22 proposal is not that it doesn't Access Consumers; it  
23 just doesn't provide for enough access to Consumers.

24 A It didn't provide the most efficient access to  
25 Consumers either.

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2922

1 Q And didn't provide enough.

2 A Correct.

3 Q Okay. On Page 18, at Line 16, you talk about rolling  
4 out CO2 facilities. Do you see that part of your  
5 testimony?

6 A Yes.

7 Q And you compare that to functions like dehydration,  
8 compression and processing. And my question to you  
9 is does your proposal intend to roll out all  
10 compression for all of the pipelines?

11 A No.

12 Q What compression would you not roll out under your  
13 proposal?

14 A I wouldn't roll -- well, the compression that  
15 producers have is already rolled out. But there is  
16 apparently some WichCon compression that's rolled in  
17 at Kalkaska that the producers don't have to pay for  
18 that I have just not affected either way, you know,  
19 in my proposal.

20 Q Would your proposal include providing compression  
21 service within your rate, your proposed rate for all  
22 gas once it is received into the pipeline as you have  
23 proposed it?

24 A Well based on my analysis, no additional compression  
25 would be required.

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2923

1 Q Okay, I'm not asking you that. There is currently  
2 some compression, isn't there?

3 A Yes.

4 Q On the line as you've proposed it?

5 A Yes. And my proposal would be neutral to the  
6 existing compression that's there. So however that  
7 compression is handled, which I'm not sure of, it  
8 would just remain the same.

9 Q Okay. And under your proposal, you would anticipate  
10 no new compression.

11 A Correct.

12 Q Do you know currently how much Antrim gas is being  
13 transported into the Great Lakes system?

14 A About 15 to 20 million a day.

15 Q And where does that enter the Great Lakes pipeline?

16 A At the Mercury Wilderness interconnection.

17 Q And as far as you know, that's the sole receipt point  
18 on the Great Lakes line for Antrim gas?

19 a Currently that is, yes.

20 Q Does Staff assume that peak total Antrim production  
21 would be 590 million cubic feet of gas a day?

22 a No.

23 Q what does Staff assume as the peak total Antrim  
24 production to be?

25 Would you prefer to wait and

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2924

1 answer that tomorrow?

2 A We use the 590 as the maximum number, but we don't  
3 expect it to be that high. We just showed that.  
4 With the numbers that the witnesses from MichCon and  
5 NER -- well, basically what MichCon came up with, we  
6 could use a lot less, another proposal that would be  
7 a lot less facilities needed.

8 Q Well, what does Staff assume the peak Antrim  
9 production to be?

10 A Well, if I was going to go by -- if I was going to  
11 guess what I expect the peak production to be, I  
12 would go based on a proven reserve number.

13 Q Excuse me. I don't want you to guess.

14 A Well, I think that's what all these are, is estimates  
15 that you come up with. You know, what all the  
16 proposals are is educated estimates of what the  
17 production is, would be.

18 Q Well, do you find guess as being the same as an  
19 estimate?

20 A Well, maybe guess is a little loose of a term-

21 Q So what then does Staff estimate peak Antrim  
22 production to be?

23 A That would be back to the -- what I was trying to  
24 figure out earlier, I guess.

25 Q Okay. We'll talk about that tomorrow?

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2925

1 A Yeah.

2 Q Okay. On Page 21 of your testimony, Mr. Mazuchowski,  
3 you make reference to Saginaw Bay, Spartan and CMS as  
4 being somewhat in competition with each other. Would  
5 you explain for me how you believe that Saginaw Bay  
6 and Spartan are in competition with each other?

7 A Pes. The Commission just approved a pipeline that  
8 Saginaw Bay proposed, and it's the Lovells pipeline  
9 which we've been talking about in this case, that  
10 will interconnect with the Spartan pipeline halfway  
11 in between South Chester and the Farrier Road  
12 interconnection approximately. So gas could flow  
13 either through Spartan or Saginaw Bay once the  
14 Lovells extension pipeline was built.

15 Q when you talk about Saginaw Bay in this context, do  
16 you mean Saginaw Bay Lovells, the pipeline that  
17 was --

18 A Yes, I do.

19 Q -- just certificated?

20 A Yea.

21 Q Okay. In what way do you believe that Saginaw Bay  
22 Lovells is in competition with CMS?

23 A Well, the CMS line and the gathering lines off of  
24 Spartan are very close to each other. And in fact  
25 the CMS line interconnects, or crosses, but -- and I

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2926

1 guess actually does interconnect with the Spartan  
2 line. So gas could flow on all three of those  
3 systems to market.

4 3 Are you aware of any out-and-out competition between  
5 those three lines to get shippers' gas?

6 A Well, yes.

7 Q I beg your pardon?

8 A Yes.

9 Q Okay.

10 A The two lines, between Spartan and CMS. And  
11 actually, between Saginaw Bay and Spartan.

12 Q And has that competition had any effect on rates?

13 A I believe it made Saginaw Bay come in with a very  
14 competitive rate when they filed their case, due to  
15 the Spartan pipeline.

16 Q You think that caused Saginaw Bay to come in with a  
17 lower rate?

18 A Yes. They came in with things that they don't  
19 normally provide in pipelines.

20 Q And by that, you would be what, referring to --

21 A The --

22 Q -- transportation and treatment for 10 cents from any  
23 point --

24 A Well specifically, the --

25 Q -- on the system to the Conners Marsh --

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1 JUDGE MACE: Mr. Mazuchowski,  
2 wait until he's done with his question.

3 I'm sorry, Mr. Smith. I  
4 interrupted, and I need to have you repeat your  
5 question.

6 MR. SMITH: Thank you, Your  
7 Honor.

8 Q (BY MR. SMITH, CONTINUING) By coming in with a lower  
9 figure, are you talking about offering to transport  
10 and treat gas that would flow on the Saginaw Bay  
11 Lovells line to Conners Marsh?

12 A Yes, I would be referring to how they rolled in the  
13 treating costs of the Saginaw Bay Lovells extension  
14 pipeline. And also, I guess, last year Spartan filed  
15 rates that were significantly lower than what they  
16 were charging producers, due to the CMS pipeline.

17 Q If the Consumers 12-inch line from M-72 to Kalkaska  
18 is utilized, as you have proposed, who would pay  
19 Consumers for the use of that line?

20 A I'd propose that MichCon would pay them,

21 Q In other words, that would be a rolled in, vendored  
22 service?

23 A Yes.

24 Q What would be the rate for the use of that line?

25 A That should be negotiated between MichCon and

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1 Consumers.

2 Q Have you included any cost for -- any cost increment  
3 when you considered the rate that MichCon would be  
4 able to charge?

5 A We didn't really do it that way. We did figure the  
6 cost of -- replacement cost of that pipe when Sue  
7 Devon figured the cost of service. But we didn't  
8 expect that to be the charge that -- what Consumers  
9 would charge MichCon for using that pipe because it's  
10 been so depreciated. But just as a point of  
11 reference to start out, we used that number as a  
12 maximum.

13 Q Well, you don't expect that MichCon will be able to  
14 use that pipeline for nothing, do you?

15 A No. That's why we've put a cost in there.

16 Q In your DJM-3, you refer to -- well, you're talking  
17 about off-system transportation. Do you have that,  
18 by the way? It's S-207.

19 A Yes, I do.

20 Q Okay- Under off-system transportation.

21 A Yes.

22 Q You say FPI's Gaylord system?

23 A Yes.

24 Q What is that?

25 A That's a small CO2 plant that's operated by FPI,

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2929

1 which is a small producer. It's known as the Gage  
2 plant.

3 Q Okay. That's where my confusion arose.  
4 That's . . .

5 On Page 22, toward the bottom of  
6 the page, you make certain recommendations. And at  
7 Line 22, one of those is that the producer should  
8 also negotiate signed contracts with the transporter  
9 before the transporter files an Act 9 application.  
10 Do you see that?

11 A Yes.

12 Q If that scenario occurred and you had producers and  
13 transporters negotiating contracts before any Act 9  
14 application was made, that would do one of two  
15 things, wouldn't it? It either would eliminate  
16 Staff's ability to come in and make drastic proposals  
17 for change, or it would mean that all those contracts  
18 would have to be renegotiated? Isn't that true?

19 A Depending on the wording of the contracts, I suppose.

20 Q I beg your pardon?

21 A I don't think so, depending on what the, you know,  
22 wording of the contracts were. I wouldn't think that  
23 the Staff would get taken out of it, I think it  
24 would show that -- that where the support is. And I  
25 didn't intend to mean that the Staff wouldn't be able

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2930

1 to make its recommendations.

2 It would just be that -- based on  
3 this record, there's hardly any support from the  
4 producers, yet there had been tons of cross on what  
5 the producers wanted and didn't want, and yet none of  
6 them hardly came in to show what they actually  
7 wanted. It's just an indication of support. It  
8 would just be something that we could use to factor  
9 into our decision making process.

10 It may or may not, in terms of  
11 how the contracts would have to be renegotiated, that  
12 would be depending on the wording of the contracts.

13 2 Has this ever been done before here in the Public  
14 Service Commission, where you've had a multiple  
15 producer or user of a pipeline where all the  
16 contracts have been negotiated ahead of time before  
17 filing for the Act 9 application or the Act 9  
18 certificate?

19 1 Well in terms of all, that's probably -- that's  
20 happened on any pipeline that was just represented by  
21 one company that needed their reserves to market.

22 But --

23 2 That's why I said multiple user pipeline.

24 1 Oh, okay. There has been cases where, you know, a  
25 substantial number of producers have supported an

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2931

1 application before it got filed at the Commission.

2 Q And when that's happened, hasn't there been a claim  
3 that that defeats competition?

4 A It might have been claimed, but . . .

5 Q Well, that's what was claimed in the Saginaw Bay case  
6 in regard to SWEPI's contract, wasn't it?

7 A Yeah.

8 MR. SMITH: Your Honor, I think  
9 that concludes my questions, except for the areas  
10 that we talked about,

11 JUDGE MACE: We'll adjourn now  
12 until nine o'clock tomorrow morning.

13 (Whereupon, proceedings  
14 adjourned at 4:29 p.m.)

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2932

STATE OF MICHIGAN     )  
                                  )     SS :  
COUNTY OF INGHAM     )

We, Shorthand Reporters and Notary  
Publics in and **for** the above county and state, do  
hereby certify that the foregoing scheduled  
proceedings were taken before **us** at the time and place  
hereinbefore set forth.

**We further** certify that the testimony then given was  
reported by us stenographically, **and** subsequently  
transcribed **with** computer-aided transcription, under our  
direction **and** supervision; and that the foregoing is a  
**full, true** and correct transcript of our original  
shorthand notes.

**IN TESTIMONY WHEREOF**, we have hereunto  
set our hands and notarial seals at **Lansing**, Ingham  
County, **Michigan**, this 7th day of September, 1994.

  
Renae Bradley (CSR-3977)

  
Mary Mae (QSR-4171)

  
Angela Mitchell (CSR-2151)

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