

1 Q Now, the 590 was the estimate of Mr. Bomar for the
2 entire area, right?

3 A That's right, and that's why I thought that it was
4 already included in there.

5 Q And the 15 million a day adjustment was an adjustment
6 by Mr. Kurmas to some of Mr. Kurmas' discussion about
7 take-away and throughput capacity; am I right?

8 A I'm not sure of where that 15 came from, but I heard
9 Mr. Russell talk about it on his cross, and I also
10 seen it in Mr. Kurmas' rebuttal testimony, I believe.

11 Q At this time, do you have a copy of Exhibit 1-175
12 with you?

13 A I believe I do.

14 Q If not, I can furnish you a copy. It's Mr. Russell's
15 Exhibit RMR-4?

16 A No, I don't have Mr. Russell's exhibits.

17 Q Okay. Take a moment here and look at my copy of
18 RMR-4, and in particular, the adjustment to the
19 Wilderness facility in the footnote that Mr. Russell
20 developed.

21 A Yes.

22 Q Now, based upon your review of that exhibit, and
23 based on what you recall about the circumstances that
24 were presented in the record, at this time can you
25 tell me whether or not you would agree that the 15

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1 million a day should be added to Mr. Bomar's estimate
2 of 590, or whether you don't know?

3 A Well, I believe that Mr. Bomar estimated everything,
4 but I guess, you know, it just raises some questions
5 whether it's in there or not.

6 Q We'll have to examine the rest of the record, you're
7 not sure?

8 A Yes.

9 Q Your numbers, however, began with Mr. Bomar's 590?

10 A Yes, they did.

11 Q Turn to page 16, line 8, of your prefiled testimony,
12 if you would? In connection with that testimony, Mr.
13 Smith asked you a question about producers having no
14 choice, and I believe you indicated in response to
15 him that you believe producers should have a choice.
16 Let me ask you a follow-up question. Even though you
17 believe that producers should have a choice, do you
18 also agree that we'd have to balance that need and
19 interest with the concern about avoiding the
20 duplication of facilities or developing excess
21 capacity?

22 A Yes, I do.

23 Q And yesterday, Mr. Smith asked you a question about
24 how much current Antrim gas can get to Great Lakes,
25 and you indicated -- or is getting to Great Lakes,

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1 about 15 to 20 million a day, and you indicated that
2 the receipt point on Great Lakes at the present time
3 was the Wilderness interconnect with Mercury. In
4 addition to that interconnect at the present time,
5 it's my understanding Antrim gas can get to Great
6 Lakes via the temporary service on the ANR 24-inch
7 line from South Chester; is my understanding correct?

8 A Yes, that's correct.

9 Q Would it also be true that to the extent Antrim gas
10 can get to Kalkaska via the wet header, that it could
11 effectively be delivered to Great Lakes via ANR from
12 Kalkaska to Deward?

13 A Yes, that's true.

14 Q I was not certain, but yesterday afternoon you and
15 Mr. Smith discussed the Staff's proposal diagrammed
16 in Exhibit S-210 to utilize Consumers' facilities to
17 move gas from the M-72 valve site to Kalkaska. And
18 you indicated that MichCon would pay for that service
19 as a vendored service, and I thought you indicated it
20 was included in the calculation by Ms. Devon of costs
21 of service. Could you clarify for me, in light of
22 your exhibit, S-209, how the costs from M-72 to
23 Kalkaska are included?

24 A Well, on S-209, I estimated a replacement cost for
25 12-inch pipe, new pipe, to be built between M-72 and

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1 Kalkaska just for calculating a number, for rate
2 purposes, but do not expect that Consumers would
3 charge the full value of a new pipeline for that
4 service. But just for a maximum to know that -- when
5 we calculated our rate at 7.3 cents, we know it won't
6 be any higher than that, it's a possibility that it
7 could be lower, but that would have to be worked out
8 between MichCon and Consumers Bower Company. So the
9 maximum rate under the Staff proposal, including a
10 brand new piece of pipe between M-72 and Kalkaska,
11 would be 7.3 cents, and Mr. Aldrich calculated, but
12 in fact could be a little bit lower based on whatever
13 rate Consumers would be willing and MichCon would be
14 willing to negotiate.

15 Q Okay. Now, basically, if we took the ratio of 7.6
16 million to 29.58 million shown on Exhibit S-209, that
17 ratio would give us a percentage of the 7.73 cents
18 identified by Mr. Aldrich attributable to
19 transportation service from M-72 to Ralkaska am I
20 correct?

21 A That might be one way to do it.

22 Q Would you agree that the 12-inch line from M-72 to
23 Ralkaska is currently in Consumers Power Company's
24 rate base, and there are applicable T-1, T-2 and
25 off-system tariff rates that Consumers Power would

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1 charge for movement of gas on that segment of its
2 system, depending on the circumstances?

3 Yes, there are rates that could be -- that Consumers
4 Power has that it could use.

5 If we were to take the ratio of 7.6 to 29.58,
6 multiply it by 7.73 cents, and compare that with the
7 applicable MPSC-approved, the Consumers Power
8 tariffs, would you expect that the product of the
9 equation I just gave you would yield a smaller cents
10 per MCF than the Consumers Power tariffs, or a
11 larger?

12 Probably smaller.

13 So the actual costs for transportation, if we used
14 MPSC-approved tariffs, from M-72 to Kalkaska might be
15 greater than that implicit in the Staff's
16 calculation?

17 They are greater, because I think the tariff for
18 off-system on Consumers Power is up to 15 cents.
19 And if in fact the gas was going to be delivered to
20 Consumers at M-72, and let's say moved to an end user
21 in some area of Consumers' service territory, then
22 the T-1 or T-2 rate would apply, and that's even
23 greater?

24 Yes.

25 JUDGE MACE: Mr. Erickson, my notes

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1 reflect that yesterday you estimated you'd be with
2 this witness approximately 30 to 60 minutes, and
3 we're past the 60-minute mark, now I'm wondering how
4 much more time it will take?

5 MR. ERICKSON: I have very little
6 more, Your Honor.

7 JUDGE MACE: Thank you.

8 P (BY MR. ERICKSON, CONTINUING) With regard this
9 morning to Exhibit S-208, Mr. Smith asked you about
10 the line relative to Saginaw Bay PDC gas, and you
11 indicated it would include volumes on Saginaw Bay
12 main line, would it also include PDC volumes on the
13 Comers Marsh line?

14 A Yes, it would.
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1 Q Just **two** more things, I've lost track of two things.

2 MR. ERICKSON: Could we **go** off
3 the record for a moment?

4 JUDGE MACE: **Off** the record.
5 (Whereupon, discussion
6 off the record.)

7 JUDGE MACE: Back **on** the record.

8 Q (BY MR. ERICKSON, CONTINUING) Mr. Mazuchowski, this
9 morning Mr. Smith asked you about **May** production and
10 Antrim transportation **off** the MichCon system in light
11 of Exhibit I-198, and you gave him a series of
12 numbers.

13 As you recall it, are there any
14 volumes identified in Exhibit 1-198 that would come
15 from areas outside the geographic area to be served
16 by the proposed Antrim Expansion Project? If you
17 don't **recall** --

18 A I think maybe just the Hunting and the Gage plant
19 **volumes** would **be** the only two **that** are not connected
20 to the wet header system. But basically, the . . .
21 Q They're in the area, but they're not connected, and
22 you already talked about **those two**.

23 A Yeah. But other than that, there would **be** no other
24 volumes that would be . . .

25 Q Okay.

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1 A Produced that wouldn't be able to come through this
2 system.

3 Q And in your prefiled testimony, as I recall it, you
4 indicated that the Staff was identifying a proposed
5 alternative physical facility, which we've discussed
6 at length. And as I recall also, you indicated that
7 at the present time the Staff didn't have a specific
8 recommendation relative to who should build that
9 alternative facility. Do you recall that part of
10 your testimony?

11 A Which alternative facility?

12 Q The Staff's alternative facility. As I recalled
13 it -- I can't seem to find it right now -- you had
14 testified that the Staff at the time of your prefiled
15 testimony had not determined who should build the
16 Staff's alternative system. Is my recollection
17 accurate, that there was that in your testimony?

18 A You mean the -- that's correct.

19 Q And yesterday, in response to Mr. Smith's question,
20 you indicated that at least from Goose Creek to M-72,
21 MichCon would build it.

22 Does that mean that since the
23 filing of your prefiled testimony you've changed
24 position, or does it simply mean that in the context
25 of this case MichCon would be the one to build it?

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1 A No, I think it was just a little slip of the tongue
2 there. I just -- in this case, I recommend that the
3 proposal would be built by MichCon. But that's not
4 to say that that's what, you know, our final position
5 would be. It would be what's in my testimony, that
6 we're offering this testimony as a proposal and we're
7 waiting for some response back from different
8 parties.

9 MR. ERICKSON: Your Honor, that
10 concludes my questions.

11 JUDGE MACE: Thank you. Mr.
12 Alsup?

13 CROSS-EXAMINATION

14 BY MR. ALSUP:

15 Q Mr. Mazuchowski, is there any part of the route of
16 the Staff's proposed pipeline that is not also
17 covered in the MichCon proposal with respect to
18 notice to landowners?

19 A Yes, there is a portion that I propose that isn't
20 covered by MichCon, which would be the Goose Creek to
21 M-72 portion.

22 Q All right. Have you considered how that problem
23 might be dealt with?

24 A Well, it just so happens that Consumers Power Company
25 has noticed all those landowners for the same

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1 pipeline that they have proposed and actually have
2 approval from the Commission.

3 So the only difference would be
4 which company would build the pipeline. But all
5 those parties have been noticed that a 20-inch
6 pipeline, just as I propose here, would be built and
7 is actually in fact certificated to be built by the
8 Commission, in 10527.

9 So I could just see an assignment
10 of that certificate to MichCon perhaps. I haven't
11 really, you know, thought about the way it would be
12 done. But they have in fact been noticed, so I don't
13 feel there's a notice problem.

14 Q You consider that that can serve as a remedy to the
15 notice problem?

16 A That would be one example. I think NER proposed the
17 same route there between Goose Creek and M-72. And
18 I'm not sure how we can handle, if MichCon was
19 actually the one building it, what we could do about
20 that, if that would help out in this instance.

21 That -- I don't consider it to be
22 a notice problem. I think we could work it out with
23 what's been noticed already. And the fact that
24 really, there hasn't been that many landowners, to my
25 knowledge there might only be -- aren't any

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1 landowners that objected in that portion between
2 Goose Creek and M-72.

3 Q Approximately what is that distance?

4 A 5.4 miles.

5 Q Do you have an idea of how many landowners would be
6 affected?

7 A It appears there's a lot of state land, so I'm not
8 sure there's that many.

9 Q All right. If you would turn to Page 5 of your
10 testimony, Line 7. The sentence that begins at Line
11 7 on Page 5 lists one of the benefits of the MichCon
12 application, and it states, "The proposed pipeline
13 facilities extends into an area without pipelines."

14 Now, what area does that refer
15 to?

16 A That refers to the Gustin pipeline portion.

17 Q Well, it's my understanding that you are recommending
18 that the Gustin pipeline not be built; is that
19 correct?

20 A That's correct. But just -- you know, this wasn't --
21 this was just kind of thrown together to -- I guess
22 thrown together isn't a good word. But this was put
23 together . . .

24 JUDGE MACE: Constructed.
25 Listed, and so on.

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1 THE WITNESS: I did this to . . .

2 JUDGE MACE: I know Staff never
3 throws together any testimony.

4 THE WITNESS: Just as a
5 comparison of what this pipeline did versus other
6 pipelines we were comparing at the time. And that
7 was -- and I guess it was something that could be a
8 benefit if there was reserves in that area.

9 You know, at the time we put this
10 together we weren't sure of the reserves in the
11 area. And that if those reserves are there, that
12 would be a benefit.

13 Q (BY MR. ALSUP, CONTINUING) But in any event, would
14 you agree that that's a benefit that the public
15 interest ought to do without at this point?

16 A Yes.

17 Q On that same Page 5, at Line 19, you're speaking of
18 the disadvantages of the MichCon application and
19 state that the AEP, or the Antrim Expansion Project,
20 did not maximize the use of existing facilities.

21 Is that a reference to using the
22 wet header and the Consumers Power 12-inch that
23 you're making, or are there other facilities that
24 you're also referring to in that statement?

25 JUDGE MACE: Well, it seems to me

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1 that Mr. Smith covered this topic pretty extensively
2 yesterday.

3 MR. ALSUP: Well, that's why --
4 he did cover it, Your Honor, to the extent of the wet
5 header and the 12-inch. But I don't know that it was
6 asked whether there are any other facilities that
7 that statement was referring to.

8 JUDGE MACH: All right.

9 THE WITNESS: It also referred
10 to -- if gathering lines were included, that didn't
11 include all the gathering lines.

12 Q (BY MR. ALSUP, CONTINUING) All right. On Page 6,
13 Line 7, there is a similar statement.

14 A I guess that's where I -- yeah, I did include it
15 there. I was looking to see if I had included it,
16 but I never had, so -- I never found it when I was
17 looking real fast. But yes, that's included right
18 there.

19 Q The gathering lines would be included?

20 A Into this line on Line 7, Page 6, is where actually
21 it is included specifically.

22 Q All right. In the list of these disadvantages, also
23 on Page 6 at Line 21, there is a reference to the
24 Antrim Expansion Project providing for the same
25 parties to expand the CO2 processing facilities which

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1 to date have not been reliable.

2 What does the term "same parties"
3 refer to?

4 A The owners of the existing CO2 processing
5 facilities. It's Antrim Limited Partnership, I
6 believe.

7 Q And who are those owners?

8 A Ultimately, it's MCN and CMS. There might be some of
9 their subsidiary companies that directly own them.

10 Q All right. If you will turn to Page 9 of your
11 testimony, and the answer beginning at Line 7. You
12 covered a good part, I believe, of what my question
13 has to deal with in your responses to Mr. Erickson.

14 But I want to understand the
15 Staff proposal and whether the Staff proposal is
16 suggesting that the 7.3 cent Mcf rate would include
17 the rate and the service that would need to be
18 negotiated between Consumers Power and MichCon for
19 the use of this 12-inch line.

20 A Well, the 7.3 cents does include the maximum rate
21 that the Staff feels should be included in -- for
22 that portion of the line. But as I stated before, I
23 think, you know, it could be cheaper perhaps.
24 Because Consumers really isn't using that line. So
25 it would have to be in negotiations between the

1 parties.

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2 And we didn't want to inject a
3 number that we thought was reasonable without that
4 negotiation actually occurring, or before that
5 negotiation has even occurred.

6 2 And so as I understand the Staff proposal, it is not
7 suggesting that this negotiated rate would be added
8 on to the 7.3 cents.

9 A No. Whatever is negotiated would perhaps be less
10 than what we've actually included in the
11 calculation. We included cost of service for a brand
12 new pipeline. But the pipeline's already been in
13 place, and so it makes sense to -- and if Consumers
14 doesn't have a need for it, then maybe the rate would
15 be lower than what we've actually included in our
16 cost estimate.

17 But just for -- so we could come
18 up with a number and it wouldn't -- and we could
19 assure the Antrim producers it shouldn't be any
20 higher than this, we estimated what it would actually
21 cost to build a pipe between those two points.

22 2 All right. On this same Page 9 at Line 24, there's a
23 question asked about design objectives of the Staff
24 proposal. Then on Page -- well, I guess it begins at
25 Lines 25 on Page 9 and then continues over to Page

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1 10. There is the statement that Staff's proposal
2 would provide for flexibility for expansion.

3 Now I understand that Mr.
4 Ericksor and you discussed how there would be, or you
5 identified an additional, I think it was 203 million
6 a day of flexibility. Do you recall that testimony?

7 A Yes, I do.

8 Q Is there any other flexibility for expansion that
9 this refers to, other than what you've already
10 discussed with Mr. Erickson?

11 A Yes, I -- you know, in light of or in the fact that
12 my facilities are considerably smaller than what
13 MichCon proposed, I feel that these are the most
14 reasonable amounts to build now. But if reserves
15 were developed in the future that were closer to what
16 Mr. Bomar projected, then they could come back and
17 file for additional segments that I haven't
18 recommended here.

19 So for instance, if all of a
20 sudden the Antrim producers found all those reserves
21 that they think are out there, then we could build a
22 Gustin pipeline. Or if so much gas that's probable
23 and potential arrived at Kalkaska, maybe the Kalkaska
24 to Woolfolk pipeline would be needed. But until that
25 time, I don't feel those are justified.

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1 2 Would another possibility of expansion be
2 compression?

3 A Well, I haven't included any compression that MichCon
4 has, and maybe that would be the way to go first,
5 would be to add compression at Ralkaska. Other
6 portions could -- it could be added at -- you could
7 optimize where you wanted to put the compression if
8 you knew how much gas was actually hitting the system
9 or where it was going to come from.

10 But until you know where it's
11 going to come from, it's hard to design compression,
12 except at Kalkaska.

13 2 All right. On this same Page 10 at Line 9, you
14 mention another design objective of Staff's
15 proposal. And that is to provide for the efficient
16 removal of CO2 from the gas.

17 What did you mean by the
18 term "efficient removal of CO2?"

19 A To try to, if feasible, isolate the amount of CO2 in
20 the pipelines from the Niagaran gas. And that's why
21 I recommended the 4.5 mile, or -- I think that -- the
22 portion of the Charlton pipeline that I recommended,
23 which I believe is 4.5 miles, which is 4.5 miles.

24 So, you know, by adding that
25 piece of pipe in, the reason for that piece of pipe

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1 was to isolate Antrim gas from Niagaran gas and to
2 keep it isolated until it got to South Chester so
3 that the removal of the C02 would be a little bit
4 easier because it would be concentrated.

5 Q All right. If you'll turn to Page 16 of your
6 testimony, and your answer that begins at Line 16.

7 A Yes.

8 Q In discussing the Gustin pipeline and related
9 facilities, you mention a cost of 66.6 million
10 dollars to transport 100 million cubic feet per day.
11 Have you made any type of review to determine whether
12 100 million would be available to the Gustin
13 pipeline?

14 A Yes, I have.

15 Q What are the results of that review?

16 A Well at this time, there is no volumes that I can
17 justify to be available for these pipelines.

18 Q Did you come up with an amount per day that you
19 thought would be available?

20 A I came up with no proven reserves in the area, so
21 there would be no proven volumes that I could
22 justify.

23 P All right. If you would turn to Page 18, the answer
24 that begins at Line 2.

25 A Line 2?

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1 Q Yes.

2 A Okay.

3 Q Staff's suggestion is that the needed CO2 treating
4 facilities should not be considered or taken into
5 account as a part of this proceeding. Is that a fair
6 statement?

7 A Yes.

8 Q Would you agree that the cost of CO2 treating is
9 significant?

10 A Yes.

11 Q Would you agree that the lack of CO2 treating in this
12 area has been a significant problem?

13 MR. O'CONNELL: Your Honor, I'm
14 going to object because I can't understand the
15 question. And so I don't have to repeat this line of
16 questioning later, when Counsel says "lack of CO2
17 treating in this area," is he talking about a
18 geographical area or some subject matter area?

19 (BY MR. ALSUP, CONTINUING) Geographical area, the
20 area to be serviced by the facilities that are the
21 subject of this proceeding.

22 A Yes.

23 In the past, has Staff recommended conditions to the
24 approval of the certification of pipeline facilities
25 based on the construction of CO2 treating facilities?

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1 A Yes, we have.

2 Q And has -- or have, I should say -- and have those
3 conditions included rate limits **for** the treating?

4 A In one case, **it** did.

5 Q **Is** there **a** reason why the Staff **is** not suggesting
6 such conditions in this proceeding?

7 A No. This is such a **big** proposal and there's **so** much
8 that was getting proposed and **so** many things that
9 were getting changed, that we really wanted to
10 isolate the pipelines to focus in on what was
11 needed. That is one reason why we recommended what
12 we did, I think that we **may** still **propose** that
13 perhaps, but currently we're not.

14 Q **All** right. On Line **23 of** this same Page **18**, you
15 state that MichCon will not be the owner of the
16 facilities, which I believe refers to the **C02**
17 treating facilities, does **it** not?

18 A Yes, **it** does.

19 Q Well in fact, isn't MichCon or one of its affiliates
20 **a** part of the partnership that is expected to
21 construct and operate the **C02** treating facilities?

22 A Well, **it's** a company that's related to MichCon under
23 the family of MCN companies. But **it is** not MichCon.

24 Q **All** right. If **you** will turn to Page 20. At Line **20**,
25 a question begins that asks whether Staff would

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1 include gathering costs of CMS and Saginaw Bay as a
2 part of the rate. And your answer that begins at
3 Line 23 says that it would not include them, and then
4 it gives some reasons which on Line 23 says that it
5 would be unfair since other gathering lines were not
6 included.

7 Other than the Spartan line, are
8 there any other gathering lines that transport gas
9 for third parties, and that would be except for
10 Spartan, CMS and the Saginaw Bay lines?

11 A There's the Terra-Hayes line.

12 Q The Terra-Hayes line?

13 A Yes.

14 Q All right. Are there any others?

15 A Maybe just one or two very minor ones that are built
16 with rates in them.

17 Q All right. Would it be fair to say that all of those
18 other gathering lines are producer lines where the
19 producers are transporting their own gas through one
20 of these four lines or some other transmission line?

21 A I guess I'd like to back up on that last question.
22 There's the MichCon and Consumers lines that are
23 transporting to third parties, in addition to the
24 Spartan pipeline.

25 Q All right. Well, if -- would Staff's objections be

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1 met if those lines that transport for third parties
2 were all included?

3 A Well I think in addition to just third-party lines,
4 there's just lines that the producers themselves have
5 to build. And, you know, some producers have
6 extensive pipelines that gather gas. And some of
7 these lines that are built by -- well the CMS line,
8 for instance, was actually -- in reality, it's more a
9 combination of a gathering/transmission line, but it
10 was certificated as a transmission line. So that
11 line is both really, it provides both functions. It
12 just happened the way the line laid out.

13 And even the Spartan line, to
14 some extent, is that way, even though it's more of a
15 transmission line. Because a lot of different
16 laterals are built to that line. Where the CMS line
17 hardly has any laterals built to it, because it was
18 almost designed to pick up gas as they built it.

19 But in addition to that, there's
20 producer owned lines that go right into the wet
21 header that aren't included either. So you would
22 have a situation where certain producers would hardly
23 have any gathering costs if two or three lines were
24 rolled in, and others would have, you know, a
25 gathering cost.

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MAZUCHOWSKI CROSS ALSUP

1 So to us, we felt that by rolling
2 them out was the fairest approach. Because then
3 it's -- those producers selected the areas they chose
4 to buy their acreage, and they knew that they were
5 going to have to pay some gathering cost, and that
6 was up to them to get their gas to a major line.

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MAZUCHOWSKI CROSS ALSUP

1 Q I see. All right. Other than the CMS, Saginaw Bay,
2 Terra-Hayes and Spartan lines, are any of these other --
3 do any of these other gathering lines have
4 transportation rates that have been set by the
5 Commission?

6 MR. ERICKSON: Your Honor, I believe
7 inadvertently Mr. Alsup has omitted Mr. Mazuchowski's
8 prior reference to Consumers Power which also has rates
9 set for transportation.

10 MR. ALSUP: I would include that in
11 the question then.

12 THE WITNESS: Did you include the
13 Terra-Hayes line also?

14 Q (BY MR. ALSUP, CONTINUING) I did. I included it.

15 MR. ERICKSON: You're talking about
16 only existing or certificated lines?

17 MR. ALSUP: Certificated lines.
18 You'll get them all in the question.

19 THE WITNESS: Well, in that respect
20 there's a certificated Mercury line that would connect
21 up to Consumers' system but not to this proposed MichCon
22 system.

23 But for the most part, those are the
24 lines that have rates, you know, that are significantly
25 -- that would be available to more than one or two

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1 producers.

2 Q (BY MR. ALSUP, CONTINUING) And those are the lines
3 that transport gas -- that was a bad question. Let me
4 start that over.

5 The lines that you have identified
6 as having rates are lines primarily used to transport
7 third party gas; is that correct?

8 A Yes.

9 Q And the other lines are those that were constructed by
10 producers to get their own gas to one of these other
11 lines; is that correct?

12 A Primarily, yes, or the wet header themselves.

13 Q All right. And would the problems that Staff has with
14 including those lines in the blanket rate in the same --
15 or postage stamp rate in the same way or sense that
16 MichCon has proposed, would those problems that Staff
17 has be resolved by including those lines with rates that
18 we have just discussed?

19 MR. ERICKSON: Your Honor, I'm going
20 to object to the form of the question on the grounds
21 that it would call for needless presentation of
22 cumulative evidence within the meaning of MRE 403.

23 I believe I covered this area on
24 cross-examination with Mr. Mazuchowski and he testified
25 previously that whether you rolled them all in or

MAZUCHOWSRI CROSS BURGESS

1 whether you rolled them all out, that would solve the
2 unfairness concerns.

3 MR. ALSUP: I'll withdraw the
4 question, Your Honor.

5 That concludes my cross-examination,
6 Your Honor.

7 JUDGE MACE: Mr. Burgess.

8 MR. BURGESS: I just have a few
9 questions, Your Honor.

10 CROSS-EXAMINATION

11 BY MR. BURGESS:

12 Q Good morning, Mr. Mazuchowski.

13 A Good morning.

14 This concerns the Wilderness interconnect with Great
15 Lakes, and early this morning during Mr. Smith's
16 cross-examination of you, you indicated that Mercury,
17 which is a separate corporation, owns the Wilderness
18 interconnect into the Great Lakes system, and I'd just
19 like to clarify your understanding of that interconnect.

20 One of the areas -- I'll continue
21 here -- the area of the Wilderness interconnect I
22 understand is a CO-2 processing facility; am I correct?
23 That's correct.
24 And then from the CO-2 processing facility, the Hayes
25 pipeline extends about three quarters of a mile to the

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MAZUCHOWSKI CROSS BERKEMEIER

1 Great Lakes pipeline and that pipeline is owned by
2 Mercury; am I correct?

3 A That's correct.

4 Q Then at the terminus of the Hayes 29 pipeline, that
5 pipeline attaches to metering facilities and the actual
6 piping into the Great Lakes system, and that meter and
7 the piping that attaches into the system, that's owned
8 by Great Lakes; am I correct?

9 A That's correct.

10 MR. BURGESS: Thank you, Your Honor,
11 those are all the questions we have.

12 JUDGE MACE: Okay. Ms. Dixon.

13 MS. DIXON: No questions, Your
14 Honor.

15 JUDGE MACE: Mr. Gallagher.

16 MR. GALLAGHER: No questions, Your
17 Honor.

18 JUDGE MACE: Mr. Berkemeier.

MR. BERKEMEIER: A few questions,
20 Your Honor.

21 CROSS-EXAMINATION

22 BY MR. BERKEMEIER:

23 Q If we could take a look at page 19 of your testimony,
24 Mr. Mazuchowski. Line 16 you mention or reference a
25 date of October 1, '94. Can you tell me what's the

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MAZUCHOWSKI CROSS BERKEMEIER

1 significance of that date?

2 A That's the date that a contract that Consumers has with
3 Mercury Exploration Company would become effective.

4 Q Okay. Mr. Smith had asked you a number of questions
5 dealing with the capacity of a 12 inch line. My
6 recollection was that you had indicated you had made
7 some calculations that showed what a 12 inch line would
8 be capable of handling. Do you recall?

9 A Yes, I do.

10 Q Okay. If we could take a look at Exhibit S-210, the
11 line that exists from M-72 to Kalkaska that's shown on
12 there is a 12 inch line; is it not?

13 A That's correct.

14 Q And you show 145 million cubic feet a day being handled
15 on that line; do you not?

16 A Yes, I do.

17 Q Okay. With respect to the questions that Mr. Smith had
18 asked you relative to the capacity of a 12 inch line,
19 capacity of any line would be dependent upon the input
20 or the delivery pressure into and the pressure at the
21 outlet pipeline; would it not?

22 A Those would be two of a few others also.

23 Q Okay. Mr. Smith yesterday had also asked you about
24 other instances in which the Staff had been instrumental
25 in proposing alternative pipeline proposals when faced

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1 with an application. Do you recall?

2 A Yes.

3 Q Was the original wet header the result of an alternative
4 proposal that came from Staff?

5 A Yes, it was.

6 MR. BERKEMEIER: I have nothing
7 further, Your Honor.

8 JUDGE MACE: Mr. Fields.

9 MR. FIELDS: Thank you, Your Honor,
10 just a few questions.

11 CROSS-EXAMINATION

12 BY MR. FIELDS:

13 Q Good morning, Mr. Mazuchowski.

14 A Good morning.

15 Q Am I correct that the Spartan Pipeline handles Prairie
16 Du Chien gas as well as Antrim gas?

17 A Yes.

18 Q Do you recall yesterday when Mr. Smith was referring you
19 to the issue of shipping oil well gas and how on the
20 smaller or the reduced proposal the Staff is
21 recommending, I believe you stated that you did not
22 envision circumstances where there would be a need to
23 ship oil or gas on the Antrim dry header. Do you recall
24 that line of questioning?

25 A Yes, I do.

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MAZUCHOWSKI CROSS FIELDS

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1 Q Did you intend to imply from that that you thought there
2 was a basis for prohibiting oil well gas from flowing on
3 the Antrim dry header?

4 A No.

5 Q You're just in general referring to that if the oil well
6 gas was in the proximity of the wet header and the dry
7 header, that the preference would be to flow it on the
8 wet system; am I correct?

9 A Yes.

10 Q If you'll turn to the bottom of page 8 of your
11 testimony, starting on line 23. Now that's the sentence
12 where you derive the 130 MMcf per day that would be
13 necessary to relieve the capacity problems if the wet
14 header was kept full. Do you see where I'm referring
15 to?

16 A Yes.

17 Q I gather from the rest of your testimony it's not your
18 position or contention that the wet header should be
19 kept full?

20 MR. O'CONNELL: Objection, Your
21 Honor. Where is Mr. Fields speaking to as to the rest
22 of the testimony that is not in Mr. Mazuchowski's
23 testimony?

24 MR. FIELDS: I think, Your Honor,
25 I'm specifically referring to on page 10, line 20 where

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1 Mr. Mazuchowski states that I propose a wet and a dry
2 system, and if you look at the volumes that Mr.
3 Mazuchowski proposes, he does not propose for the wet
4 header to be filled with Antrim gas.

5 JUDGE MACE: Well, I'll let Mr.
6 Mazuchowski answer the question. I'm sure he knows what
7 he's proposed here.

8 MR. O'CONNELL: Thank you.

9 THE WITNESS: The question --

10 JUDGE MACE: Do you need to have the
11 question repeated?

12 THE WITNESS: Yes.

13 MR. FIELDS: I can restate it if you

14 --

15 JUDGE MACE: Fine, why don't you do
16 that then.

17 2 (BY MR. FIELDS, CONTINUING) Based on the sentence at
18 the end of page 8 of your testimony, is it true that the
19 Staff's position is not that the wet header should be
20 kept full of Antrim gas?

21 A Our testimony doesn't -- my proposal does not keep the
22 wet header full. As depicted on Exhibit S-206, we've
23 projected volumes that would flow on the -- of Antrim
24 gas that would flow onto both pipelines, the Staff
25 proposed pipeline and the wet header. And the wet

MAZUCHOWSKI CROSS FIELDS

1 header volume specifically is shown on column 6.

2 Q Next if you'd turn to page 10 of your testimony, line
3 22?

4 A What page was that?

5 Q Page 10.

6 A okay.

7 Q Where you say Niagaran, would a better term be
8 non-Antrim?

9 A Yes.

10 Q And if you'd turn to the bottom of page 11 of your
11 testimony?

12 A Yes.

13 Q The last sentence, I take it from that sentence that in
14 developing the Staff's proposal, consideration was given
15 to getting the gas to market; am I correct?

16 A Yes.

17 Q And one last question, Mr. Mazuchowski. When you refer
18 to, during your cross-examination this morning, to
19 backhaul on the Great Lakes system, could that also
20 include exchanges?

21 A Yes, it could.

22 MR. FIELDS: No further questions,
23 Your Honor.

24 JUDGE MACE: Thank you. It's close
25 enough to noon that I think we can take our noon recess

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MAZUCHOWSKI CROSS SAGE

1 at this point.

2 I want to encourage you to discuss
3 this matter of briefs, the scheduling of briefs in this
4 case. However, I would prefer to take up that
5 discussion after we finish cross-examination of Mr.
6 Mazuchowski, so that we don't take up time that should
7 be devoted to cross-examination for that issue.

8 So we're adjourned until 1:30 then.

9 (Lunch recess taken at 12:00 p.m.)

10 (Hearing resumed at 1:32 p.m.)

11 JUDGE MACE: Okay. Let's go back
12 on the record, and I think the next person to cross
13 examine would have been Mr. Ault. But he doesn't seem
14 to be here. So we'll go to Mr. Sage.

15 Whoops. Mr. Ault, do you intend to
16 cross-examine this witness?

17 MR. AULT: I have no questions, Your
18 Honor.

19 JUDGE MACE: Thank you. Mr. Sage.

20 MR. SAGE: Thank you, Your Honor.

21 CROSS-EXAMINATION

22 3Y MR. SAGE:

23 2 Good afternoon, Mr. Mazuchowski.

24 1 Good afternoon.

25 2 On page 1, part 2 of your prefled testimony, you

MAZUCHOWSKI CROSS SAGE

1 indicated you had attended several or numerous meetings
2 with producers, the applicant and others. It's lines 24
3 to 26.

4 Do you see that?

5 A Yes.

6 Q In those meetings, were you advised as to what various
7 producers expected as to the number of wells that would
8 be drilled in the future as it relates to the Antrim
9 formation?

10 A Well, eventually they had -- in the early meetings, they
11 had numbers, and eventually it got drafted into a
12 document that was MOGA's estimate of reserves.

13 Q Okay. That was -- well, I'll get that -- maybe I
14 should do that now. Let me ask you --

15 May I approach the witness, Your
16 Honor.

17 JUDGE MACE: Yes.

18 MR. SAGE: Your Honor, I'm not going
19 to ask this to be marked because I want to make sure.
20 There's no sense in putting something extraneous in the
21 record.

22 JUDGE MACE: Right. We certainly
23 don't want that.

24 MR. SAGE: Touche.

25 Q (BY MR. SAGE, CONTINUING) Mr. Mazuchowski, I'm going

MAZUCHOWSKI CROSS SAGE

1 to hand to you a document that was marked in another
2 case and I'm going to apologize for the size of the
3 numbers. But it references North Wet Header System
4 Facilities Planning and Production Estimate.

5 Is this the document that you were
6 referring to regarding the MOGA group?

7 Yes, it is.

8 Okay. And let me ask you a couple more preliminary
9 questions, if I can, and then I'll see if it's
10 worthwhile putting it in.

11 Did you review this document and
12 arrive -- strike that.

13 My understanding is that you had
14 taken and did an independent study of reserves in this
15 case; am I correct?

16 I guess yesterday I'd said it was independent, but it
17 was dependent on the reserves that were, you know, were
18 shown by these applicant's here, by MichCon and NER.

19 NER, okay. And in the process in evaluating that, did
20 you look at any other documentation that you have in
21 your possession to determine the validity or reliability
22 of those figures?

23 Well, I looked at, you know, information that I usually
24 would look at and I looked at that document and looked
25 at some other information that I had.

MAZUCHOWSKI CROSS SAGE

1 MR. SAGE: I think what I'll do
2 then, Your Honor, if I may, is just have this marked.

3 JUDGE MACE: This will be 1-211.

4 MR. SAGE: Thank you.

5 (Exhibit 1-211 was marked for
6 identification by the court
7 reporter.)

8 Q (BY MR. SAGE, CONTINUING) Mr. Mazuchowski, do you have
9 a copy of 1-211 in front of you?

10 A No, I don't.

11 Q Here, let me get the document for you.

12 Now, in addition to reviewing, you
13 testified you reviewed NGC's proposed reserves, and
14 MichCon's proposed reserves, and if I understand it
15 correctly also in addition now, you have also reviewed
16 and looked at in analyzing those 1-211; am I correct?

17 A Yes.

18 Q And was there anything else that you reviewed when you
19 tried to determine the reliability of the numbers in
20 MichCon's proposal?

21 A Well, we've had other cases this year at the Commission
22 that dealt with Antrim reserves that I, you know, looked
23 at those, how those were derived and also GRI reports
24 and studies and have attended, you know, seminars on the
25 Antrim.

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1 Q Okay. And am I correct you've been with the Commission
2 Staff for at least, what, twelve years?

3 A Yes.

4 Q And in the process of doing that, you've been involved
5 in other pipeline cases, am I correct?

6 A Yes.

7 Q Than the ones that you are presently today, correct?

8 A Yes.

9 Q Now, in the previous cases you were involved in, did you
10 have to or did you make an estimate of reserves as it
11 relates to Antrim production -- no -- Antrim reserves?
12 That's it, Antrim reserves, in the previous cases?

13 A I have made reserve estimates, yes.

14 Q And do you recall which case that you made a reserve
15 estimate as to Antrim reserves?

16 A Actually it wasn't a pipeline case. It was the Spartan
17 Pipeline rate case that we had about a year ago.

18 Q Okay. And in doing that, were you looking at Antrim
19 reserves as it relates to be transported on the proposed
20 -- or on that Spartan Pipeline?

21 A In the vicinity of that pipeline.

22 Q Right. Okay. And I noticed in your direct testimony,
23 that you had some questions about the total proven
24 reserves that were offered by NGC and/or NER or NGC and
25 MichCon; am I correct?

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1 A Yes.

2 Q And did you ever arrive at any particular numerical
3 number of proven reserves that you felt were going to be
4 produced and transported on the proposed pipelines?

5 A Well, I adopted the MichCon numbers on the proven
6 reserves.

7 Q I'm sorry, okay.

8 A As part of my reserve estimate.

9 Q On page 2 of your prefiled testimony, this is all Part
10 2, Mr. Mazuchowski, you make the statement on line 12,
11 11 and 12, that it appears that the applicant has put
12 its ratepayers at risk for a pipeline proposal that
13 would not benefit them.

14 Do you see that?

15 A Yes.

16 Q And if I understand it, the portion regarding ratepayers
17 at risk was the fact you believe that the proposal by
18 MichCon may be overdesigned?

19 A Well, I think it goes to that and the proposal to put
20 the costs into their general next rate case.

21 Q Okay. That's fine. The question I have is regarding
22 the other portion of it, "will not benefit them."

23 Is it your testimony that once this
24 eight -- Let me do it this way. Is it your testimony
25 once -- strike that.

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1 If one of the companies, MichCon or
2 NGC would follow your recommendation, and construct a
3 pipeline as you have proposed, using all your
4 conditions, would that pipeline in your opinion benefit
5 MichCon's ratepayers?

6 A I don't believe so.

7 Q Is the reason why you don't believe so is the fact that
8 -- well, strike that.

9 What is your reason for not --

10 A Well, it's based on MichCon's testimony that they had
11 contracted in the near future for all the gas they
12 needed for their ratepayers. So that this pipeline
13 wouldn't benefit the ratepayers.

14 Q Okay. Is it your understanding then that MichCon does
15 not intend to buy Antrim gas being produced in Michigan
16 to use for its system sales to its ratepayers?

17 A I believe they testified to that. They might in the
18 future but they don't have no plans to buy that gas.

19 Q Now, if they did, assume for the moment if they did,
20 would this -- if your proposed pipeline was constructed,
21 would that benefit then the ratepayers?

22 A If they did, I suppose it would, if they got it at a
23 reasonable rate.

24 Q Right. Your concern is primarily the fact of MichCon's
25 statement that it says it's not going to buy Antrim gas,

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1 and therefore if this system is constructed it's not
2 going to benefit the ratepayer under those
3 circumstances?

4 A This was taken two or three times in the MichCon
5 testimony. They testified to those words. So I adopted
6 it and we made some conclusions based on that testimony.

7 Q Right. I believe you later in your testimony or I
8 believe in Ms. Devon's testimony the conclusions were
9 stated. I was just trying --

10 A Yes. She's really elaborated more on that than I have.

11 Q Okay. I'm somewhat confused, to be honest with you, as
12 it relates to the 12 inch pipeline that you are
13 referring to in your testimony, in both the prefiled and
14 cross-examination, and what I'm referring to is a line
15 from Goose Creek to Kalkaska which is presently a
16 Consumers Power line.

17 A From M-72 to Kalkaska?

18 Q I'm sorry, M-72.

19 A Yes.

20 Q I know you were asked the question more than once, and I
21 thought I had two different answers and I just want to
22 clarify it.

23 Do you know or have you estimated
24 what would be the physical capacity on that pipeline? I
25 know you've testified clearly as to what you think would

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1 be transported on it.

2 A A I haven't calculated the total capacity on the pipeline
3 except for the fact that on Exhibit S-210, it shows that
4 145 million would be able to flow between M-72 and
5 Kalkaska.

6 Q Q Right. At least that amount?

7 A A Yea.

8 Q Q But you haven't determined what would be the total
9 physical capacity on that pipeline; am I correct?

10 A A Well, based on my condition 145 million could flow. If
11 the pressure conditions changed at the beginning of the
12 inlet, there could be more or less.

13 Q Q Okay. On page 6 of your prefiled testimony, line 21, I
14 just want to make sure I understand it.

15 You were asked a question regarding
16 this. Is it your belief at the present time if CO-2
17 processing facilities are constructed, they'll be
18 constructed by the same party who operates -- or has
19 constructed the existing CO-2 facilities?
20 More than likely I believe that would happen.

MAZUCHOWSKI CROSS SAGE

1 Q Okay. And just **so** I'm clear, as far as the location
2 of the -- in your plan, as it relates to C02
3 facilities, **am** I correct that you're going to have
4 the facilities at South Chester and at South Hayes?

5 A Well, I placed one at South Hayes, and it could be
6 anywhere between South Hayes and South Chester, I
7 just didn't pick a location, but. I just drew one on
8 the map there. But you know, the location wasn't
9 known, but probably South Hayes would be a good
10 location.

11 Q If someone would recommend or suggest instead to move
12 that proposed -- let's say, the one proposed at South
13 Hayes to Kalkaska, would the Staff have any
14 objection?

15 A No.

16 Q Okay. If that occurred, the gas -- I mean, that
17 would be processed at Kalkaska, treated, I'm sorry,
18 and if gas would then -- strike that.

19 I also understood from your
20 testimony that in your proposed 20-inch line, it
21 would primarily be all dry gas; **am** I correct?

22 A Yes.

23 Q Okay. And if the condition -- strike that.

24 And then the existing wet header,
25 which is a 20-inch line, it would include -- you

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1 propose it could be transportation of both wet gas
2 and dry gas; am I correct?

3 A Yes.

4 Q And the volume of gas, dry gas, in that proposed
5 line, could go as high as 112 million per day; am I
6 correct?

7 A It could be higher than that, but it could -- you
8 know, I project 104 million a day based on the
9 projections that I came up with.

10 Q Okay. Now, in the existing -- in the situation of
11 the 20-inch dry line that you're proposing, if there
12 was only the plant, the existing plant at South
13 Chester, the CO2 plant, and the other plant was at
14 Kalkaska, am I correct that not all of the gas that
15 you proposed to be transported on your 20-inch dry
16 line would be treated for CO2 removal until it got to
17 Kalkaska?

18 A Perhaps. Depending on what the ultimate
19 configuration was built at South Chester. If
20 additional trains were added there, it just depends
21 what your size is at South Chester.

22 Q Presently today, what is the size or the capacity of
23 the CO2 plant at South Chester?

24 A Hundred and twenty million a day.

25 Q Correct. And my understanding is you estimate

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1 approximately 206 million a day to be transported on
2 that 20-inch dry line; am I correct?

3 A That's correct.

4 Q So presently today, not all of the gas will be
5 treated at South Chester for CO2 removal; am I
6 correct?

7 A That's correct.

8 Q Okay. But if it went to Kalkaska, then there would
9 be additional facilities, if one was placed there, it
10 could be removed at that point; am I correct?

11 A That's correct.

12 Q Under that scenario, would that raise any concern in
13 the Staff's or in your opinion as to any possible
14 problem on the wet header -- or I mean on the dry
15 system, sorry, with the CO2 not being treated until
16 it got to Kalkaska?

17 A I think if it was designed and operated correctly, it
18 could relieve our concerns, you know, it could be
19 operated correctly.

20 Q Okay.

21 A We wouldn't have any concerns.

22 Q Is your concern regarding the existing CO2 plant the
23 fact that there was substantial down time from the
24 day of operation?

25 A That's one of the them.

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1 Q What was the other concern?

2 A That there isn't enough -- that these companies
3 haven't been very prompt in designing the required
4 facilities that are needed.

5 Q Okay. On page 6, lines 10 through 12, and I've read
6 the sentence, maybe I'm the only one confused in the
7 room, I read the sentence at least three times. Can
8 you tell me what point you're trying to make in that
9 lines 10 through 12?

10 A On which page?

11 Q Page 6.

12 A That's just the shrinkage and the amount of CO2 that
13 would be removed from the gas.

14 Q Okay. Thank you. Now, on page 6, lines 24 through
15 26, one of your criticisms of the MichCon proposal is
16 that you state no interruptible service will be
17 offered until firm is contracted, and you say this
18 does not provide for non-discriminatory access to the
19 pipeline. Would you explain to me what you mean by
20 why that would not equate to non-discriminatory
21 access?

22 A It's just that it's a point of discrimination, I
23 guess.

24 Q Maybe -- I'm still a little confused. You have --
25 there's a proposal, I think, for interruptible and

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1 firm transportation; am I correct?

2 A Well, the proposal is that no interruptible service
3 will be offered until all firm is contracted.

4 Q No, I'm sorry. But ultimately -- or not ultimately,
5 but MichCon is offering or could offer both; am I
6 correct?

7 A They could, if the conditions were right.

8 Q Right. And is it your testimony that there should be
9 equal access by a firm customer and interruptible
10 customer to the proposed pipeline?

11 A Yes.

12 Q Okay. Would you now refer to your exhibit that's
13 been marked as S-206?

14 A Yes.

15 Q A few moments ago I had asked you some questions
16 regarding reserves, and my understanding is that you
17 responded by saying you've adopted the reserves, the
18 reserve calculations of MichCon; am I correct?

19 A I've adopted the firm, the proven reserve numbers.

20 Q Okay. Let me do this: Column 1, and we'll use year
21 2 in this instance, okay?

22 A Yes.

23 Q Column 1, if I understand it correctly, is a daily
24 peak delivery estimated by MichCon; am I correct?

25 A Yes.

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1 Q And Column 3 is the same number, correct?

2 A In that year it is.

3 Q Right. Now in that year, are you adopting MichCon or
4 did you come up with the same figure through a
5 different --

6 A Yeah, it is ironic, but I came up with the same
7 figure in a different manner.

8 Q Okay. That's fine. And when we talk about 510
9 million per day, that includes, at least under the
10 MichCon column, proved, probable and -- well, I guess
11 proved and probable; am I correct?

12 A I think it's proved, probable and potential, but let
13 me check. It's proved, probable and potential.

14 Q Okay. And so -- and you came up with the same figure
15 of 510 million per day, correct?

16 A It's not the same, it's proved, probable and
17 potential, that's how MichCon looked at it.

18 Q No, my understanding is, though -- first of all, the
19 question is you came up with the same figure, 510,
20 correct?

21 MR. ERICKSON: Your Honor, I'm
22 going to object to the form of the question because
23 it's misleading. The number is the same, but the
24 heading on the column indicates differences, and I
25 believe that therefore the question is misleading and

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1 mischaracterized as the exhibit.

2 MR. SAGE: Your Honor, I don't
3 think it is at all. I'm asking simply if the number
4 is the same, I used the term "figure," but I simply
5 want to make sure he came up with the same number or
6 figure.

7 JUDGE MACE: He can explain. If
8 there's a difference in the way it was arrived at,
9 and I think he already has for the record indicated
10 that it was calculated differently.

11 MR. SAGE: Right.

12 JUDGE MACE: So you really don't
13 even need to ask the question.

14 MR. SAGE: Well, it's a
15 foundational question, Your Honor, it's a
16 foundational question, because I wanted to ask the
17 next question.

18 JUDGE MACE: Go ahead.

19 Q (BY MR. SAGE, CONTINUING) Am I correct that you came
20 up with the same number?

21 A Yes.

22 Q Now, when you arrived at the 510, you arrived at 510
23 million per day based on proven reserves; am I
24 correct?

25 A Yes.

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1 Q Okay. And --

2 A Not the whole 510, though.

3 Q All right. Well, let me pursue that, that's fine.

4 A Okay.

5 P So when you arrived at the 510, then, if I understand
6 your response, then, includes proven, includes
7 probable, and it includes possible?

8 A Potential.

9 Q Potential. Correct?

10 A Yes.

11 Q Okay. Thank you. On page 8 of your prefiled
12 testimony, line 2, you use the word "matching," and
13 I'm trying to determine how you matched MichCon's
14 total 20-year reserve estimate of 2,605 Bcf. Can you
15 explain to me what you mean by matching in that
16 context?

17 A Well, these numbers on the -- the numbers on Exhibit
18 206 were deliverability numbers, and they were also
19 not including the off-system numbers, and so I wanted
20 to include the off-system gas as well as what MichCon
21 projected as their production rates, because they had
22 removed the off-system gas from their estimates. So
23 we calculated how much off-system gas they removed
24 and added it back in, that's how we came up with our
25 column 2.

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1 Q Okay. Since you are on -- you were on Exhibit S-206
2 at that point when you were making that comment?

3 A Yes.

4 Q Okay. And you're on that. Would you look at column
5 4 of the exhibit?

6 A Yes.

7 Q And maybe I've stated this before or it's somewhere
8 else in your testimony, but out of the volumes that
9 are listed under column 4, is that a particular
10 exhibit or somewhere in your testimony that would tell
11 me how much of those volumes are fuel and CO2?

12 A Well, we estimated that 135 million a day was off-
13 system, and we declined that number at the same rate
14 as we declined column 3, and so the fuel will be
15 what's left, fuel and CO2 shrinkage.

16 Q Okay. I apologize. You used 135 and I couldn't find
17 it in that column.

18 A Well, I don't have an exhibit that shows how they
19 come up with that.

20 Q Okay. All right. On that same exhibit, column 6, it
21 looked like at year 8 nothing's going to be
22 transported through the wet header, that's not your
23 intent, is it?

24 A No, it was just done to show the cheapest way to move
25 the gas under our proposal. It may be that way in

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1 year 8.

2 3 And the reason you say the cheapest way **is** the fact
3 **is**, if I understand it correctly, if **it** goes through
4 the wet header, there's some additional costs?

5 A Yes, **it** would avoid the Kalkaska processing charges.

6 P Okay.

7 A **If** those guys that own those plants would discount
8 them, maybe **gas** could flow on the wet header.

9 Q Okay.

10 A But **as it is**, with those costs that are known, the
11 cheapest way to flow **is** to load up our pipeline, and
12 then have the rest **of** the gas go on the wet header.

13 Q Now, in that context of the reference to zero, in
14 that column, does that take in consideration --
15 strike that.

16 In year 8 and year 9, **am I** correct
17 there will **still be** Niagaran or PDC gas being
18 transported through the wet header?

19 A Maybe.

20 Q Okay. Have you done a study as to whether **or** not
21 **that will be** reduced to zero?

22 A There probably would be some left, I imagine.

23 Q But your intent here **is** to demonstrate that the
24 Antrim gas will not be transported through the wet
25 header, but rather through your proposed pipeline?

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1 A These numbers starting from the far left are just
2 Antrim gas numbers, nothing else, every number on
3 here is just Antrim gas.

4 3 Okay. Now, would you go to Exhibit S-210, please?

5 A Yes.

6 2 Your schematic? Now, you've already testified that
7 if gas goes to the wet header, Antrim gas goes to the
8 wet header, it has to go through the KIF and through
9 the processing plants. Now, under your proposal of
10 your 20-inch line, once it gets to the Consumers
11 line, which goes from M-72 to Kalkaska, does it
12 likewise -- does that gas likewise go through the
13 Kalkaska plants?

14 A Once it gets to the Consumers line at Kalkaska or
15 M-72?

16 Q No, I'm sorry. Once your -- when the gas moves from
17 your proposed 20-inch line?

18 A Yes.

19 Q Down to Goose Creek and to M-72, now, once it goes on
20 M-72, it goes to the west on the existing 12-inch
21 Consumers line, correct?

22 A Correct.

23 Q Is that line connected to the Kalkaska plant?

24 A Well, currently that line's connected to the outlet
25 of the Amoco plant, but I envision this 145 million a

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1 day flow that I have shown here would be gas that
2 would not need to be -- would not have to go through
3 the processing plants because it's dry gas. So it
4 would be -- you'd have to have some minor pipeline
5 reconfiguration of the plant that would just place
6 this 145 million at the tailgate of the plants,
7 because it does not need to be processed, it's dry
8 Antrim gas.

9 Q And when you answered the question, you used the term
10 "outlet," it's currently connected to the inlet; am I
11 correct?

12 A No, no, currently it is connected to the outlet of
13 the Amoco plant, because it receives pipeline quality
14 gas to come onto Consumers' system. You know,
15 actually the flow would be the opposite way right
16 now, the little bit of gas that they may need.

17 Q But your intent is that -- if your proposal was
18 adopted or accepted by one of the companies, your
19 intent is to have this gas at 145 million per day to
20 basically circumvent the Kalkaska plant so it
21 wouldn't have to pay the KIF charge and wouldn't have
22 to pay the processing charge; am I correct?

23 A Yes.

24 Q Thank you. On page 9 of your prefiled testimony,
25 line 2 through 5, you refer to your Proposed Exhibit

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1 S-208, and you conclude that if the existing
2 pipelines that are available are utilized, there will
3 be no capacity problem downstream, downstream of
4 Kalkaska, correct?

5 A That's correct.

6 1 Now, do you have in front of you S-208?

7 h Yes.

8 a Your conclusion that you have reached regarding no
9 additional downstream capacity, is it based on the
10 volumes -- under the first category, Staff's expected
11 flow rates, the first set where it says 41 million,
12 325, 50 and 40, which I added up to be 456 million
13 per day, is that the --

14 A Which one?

15 Q I'm looking --

16 A Exhibit S-208.

17 Q Yeah, S-208.

18 A And do you want the minimum or Staff's or maximum
19 column?

20 Q I was looking under Staff's expected.

21 A Okay, and which numbers did you add up?

22 2 And I was referring to 41 million, 325 million, 50
23 million and 40?

24 4 Okay.

25 1 Because those would be volumes actually being

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1 transported; am I correct?

2 A Yes.

3 Q Okay. And so when you arrived at your conclusion
4 that there would be no necessity to have any
5 downstream additional capacity south of Kalkaska, you
6 were looking at using the figure 456 million per day;
7 is that correct?

8 A Well, 456 plus my adjustments for the markets and the
9 shrinkage.

10 Q So you would subtract that out, I'm sorry, yes.

11 A And also in that expected column, I added in
12 incremental Antrim volumes that could come in through
13 potential or probable reserves, the 57.

14 Q Okay. I just did quick numbers, I'm not very good at
15 math, but if you took the 456 I gave you, subtracted
16 25, which would be the markets and shrinkage, then
17 added 57, I came up with 488 million per day, is
18 that --

19 A That's correct.

20 Q Is that the figure you would use when you arrived at
21 your conclusion that there would be no necessity for
22 downstream of Kalkaska?

23 A I used the 938 and the 930, I guess.

24 Q The reason --

25 A Those are the numbers I used.

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1 Q But if you took the 450, which would be the addition
2 that you just added on, it a wash in both instances;
3 am I correct? You got 450 --

4 A Yes.

5 Q Pardon me?

6 A Yes.

7 B Okay. Now, on that same page, and you've been asked
8 some questions regarding this, and I'm not going to
9 try to repeat any of them, lines 14 through 16, there
10 was discussion regarding the rate that would be
11 allocated to the 12-inch line from M-52 to Kalkaska
12 plant, and you indicated how you arrived, at your rate
13 and included that in there. My concern is, and
14 someone alluded to this in the questioning,
15 presently, Mr. Mazuchowski, if someone would
16 transport on that line, assuming it was capable of
17 doing that, this 12-inch line?

18 A Yes.

19 Q Wouldn't they have to pay either the T-1 or T-2
20 existing tariff rate and/or off-system rate as in
21 Consumers' tariffs?

22 A Yes.

23 Q Okay. And am I correct, if it was non-system
24 movement, the T-1 rate's approximately 47 cents?

25 A But I believe that those rates -- yes.

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3 Q Okay. And I understand, and that's the reason I want
4 your next answer, because I want to make sure I
5 understand. My understanding is you took in
6 consideration of looking at that, deciding what it
7 would cost for a new pipe, arrived at a figure,
8 incorporated that in your calculation of the rate,
9 you came up with a total rate, not only for that
10 area, but for your total pipeline, of 7.3 cents; am I
11 correct?

12 A Yes.

13 Q And you did not, when you arrived at 7.3 -- let me do
14 this: How did you take in consideration the existing
15 T-1 and T-2 to arrive at your 7.3 cents that you did?

16 A Only indirectly in the fact that we project that cost
17 to be part of the 7.3 cents and it's a component of
18 the cost of service, whatever that worked out to be,
19 it would be in Ms. Devon's testimony, but we looked
20 at it in terms of that it should never be more than
21 the cost of service rate, and I believe that the T-1,
22 T-2 and off-system rates are negotiable. So this
23 would be a yardstick that would clearly be the
24 maximum rate that could be charged. And if, in case
25 those T-1 and T-2 and off-system rates weren't
flexible enough, then maybe we would have to look at
other alternatives.

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Q But your recommendation to the Commission, if someone would accept your proposal, is the fact that the maximum rate would be 7.3 cents?

A Yes.

Thank you. Now, when you use the term on that same page, I'm on page 9 at the very end, line 26, that your proposal -- at least you imply that your proposal's a conservative approach; am I correct? Which lines?

Line 26?

Yes.

And the only thing I want to be careful about in this one is in cross-examination earlier today, my understanding, and I think it was the Attorney General asking some questions, your proposal would result in some flexibility; am I correct?

Yes.

Okay. And taking in consideration that flexibility, it's still your opinion, clearly, if I'm understanding correctly, that your proposal is a conservative approach, economically and for efficiency purposes?

Yes.

okay. Would you refer to your Exhibit S-210 again, please, the schematic?