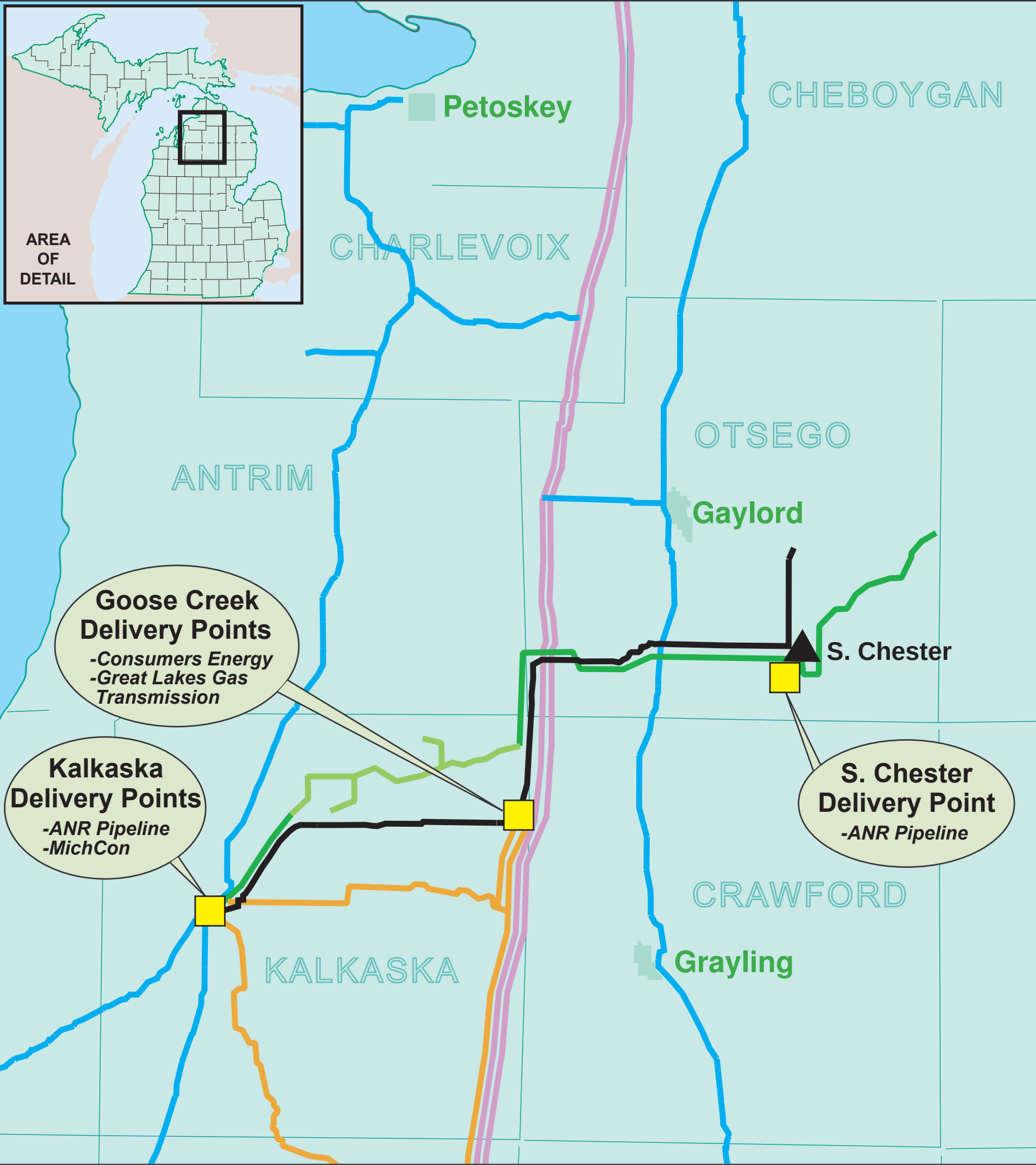






State of Michigan
John Engler, Governor

Department of Consumer & Industry Services
Kathleen M. Wilbur, Director

Case No. U-14821
Witness: T.F. Persells
Exhibit No: MGAT-2 (TFP-2)
Page: 1 of 2

MAY 06 1999

Public Service Commission

6545 Mercantile Way
R.O. Box 30221
Lansing, MI 48909-7721
Telephone: 517-334-6445
TTY: 517-373-7489

Commissioners

John G. Strand
John C. Shea
David A. Svanda

May 3, 1999

Mr. Dennis Lambert
Michigan Consolidated Gas Company
500 Griswold Street
Detroit, MI 48226

RE: Case No. U-10547

Dear Mr. Lambert:

Thank you for the recent presentation MichCon gave to the Commission Staff regarding the current CO₂ situation in northern Michigan. It is clear that improvements have been made in reducing the amount of time CO₂ levels exceeded the 2% threshold but the progress I thought the industry was making to acquire needed additional CO₂ removal capacity as a result of the meetings last fall and winter appear to be fading. This will only prolong the problem of periodically delivering high CO₂ levels at the Antrim Dry Header take-away points unless workable and timely curtailment actions are taken.

Staff has been informed that when MichCon reports CO₂ levels below the 2% threshold on an average daily basis, some take-away points record CO₂ levels above 2% within the 24 hour period. The Staff remains concerned that MichCon continues to deliver natural gas containing CO₂ levels above 2% at various take-away points from the Antrim Dry Header. While MichCon is currently reporting weekly with average daily CO₂ levels, you have acknowledged that CO₂ levels at Goose Creek and Kalkaska have exceeded the CO₂ threshold when interruptions are experienced at CO₂ treating plants, even though your weekly report may show average daily levels below 2%.

The Commission Order in Case No. U-10547 dated March 29, 1995 at page 41 states:

"The Commission finds that MichCon should monitor the CO₂ content of the gas in the Antrim Dry Header. Immediately upon becoming aware that the 2% threshold has been exceeded, MichCon shall notify the Commission in writing of the situation. The notice shall explain the reason for and the duration of the problem and shall provide details regarding the steps being taken to remedy the situation. Further, the notice shall indicate the location and volumes of gas being shut-in, and the destination and volumes of gas deliveries being curtailed."

Staff believes a major problem is not having sufficient CO₂ removal capacity. A reasonable and expected design should have a reserve margin in a manner similar to a well

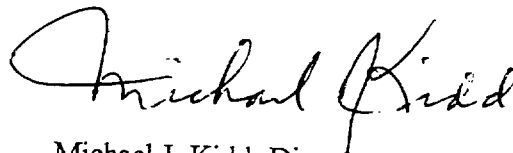
Page 2

designed electric system which provides for plant maintenance without disrupting your primary service. The purpose of the Commission approving the Antrim Dry Header pipeline system was to provide MichCon with the ability to deliver natural gas produced in the Antrim formation to the four take-away points identified in the application. However, the Commission conditioned that approval by limiting the CO₂ levels to 2% or less at those take-away points. The last sentence of the above quoted material regarding identifying volumes of gas curtailed would indicate that the Commission anticipated MichCon curtailing gas instead of delivering gas with CO₂ levels above 2%.

MichCon has not been submitting notices required in the order. MichCon should comply with the above referenced requirement by filing all notices with the Commission immediately upon becoming aware that any take-away point exceeds the 2% CO₂ threshold at any time.

If you have any questions regarding this request, please contact me at (517) 334-7164.

Sincerely,

A handwritten signature in black ink that reads "Michael Kidd". The signature is fluid and cursive, with the first name "Michael" and last name "Kidd" clearly distinguishable.

Michael J. Kidd, Director
Gas Division

CAPACITY AGREEMENT

THIS CAPACITY AGREEMENT is made as of the 18th day of April, 1995 by and between Michigan Consolidated Gas Company ("MichCon") and Antrim Limited Partnership ("ALP").

RECITALS

This Agreement was negotiated following termination of a CO₂ Treating Facility Agreement between MichCon and the Antrim Limited Partnership dated June 1, 1994. That agreement was terminated by the parties after testimony filed by the MPSC staff in Case No. U-10547 recommended that the operation of CO₂ treating facilities in Northern Michigan, originally included in the application for approval, be excluded from review by the MPSC.

The treating facilities owned by ALP at South Chester are capable of removing carbon dioxide from Antrim gas to be transported on the pipeline MichCon seeks authority to build in MPSC Case No. U-10547. It is anticipated that if the MPSC grants MichCon's application in Case No. U-10547, construction of the pipeline will be conditioned on MichCon having sufficient CO₂ treating capacity for the volumes of gas that will be moved on the pipeline.

ALP desires to sell and MichCon desires to purchase CO₂ treating capacity at the South Chester treating facilities.

Accordingly, the Parties agree as follows:

1. DEFINITIONS

1.01 "Affiliate" means any corporation, partnership or other entity which directly or indirectly controls, is controlled by, or is under common control of either party to this Agreement.

1.02 "Antrim Gas" or "Gas" means natural gas produced from the Antrim shale formation in Michigan.

1.03 "Antrim Gas Service Agreement" means those agreements between MichCon and shippers of Antrim Gas which require MichCon to transport and Treat dedicated volumes of Antrim Gas on the Pipeline.

1.04 "British thermal unit" ("Btu") means the amount of heat required to raise the temperature of one avoirdupois pound of water one degree fahrenheit at 60 degrees Fahrenheit. Btu will be measured on a dry basis.

1.05 "CO₂" means carbon dioxide.

1.06 "Commodity Rate" equals \$0.11/Mcf minus the Demand Rate.

1.07 "Demand Rate" at the time ALP obtains financing for the Treating Facility the demand rate will be fixed and set forth on the attached Exhibit A. It is the parties' intent that the Demand Rate will be \$0.07/Mcf. In the event that such a Demand Rate is insufficient for ALP to arrange project financing for the Treating Facility of \$15,400,000.00 at a rate of interest that does not exceed the lowest rate of interest, then being offered by NBD Bank, N.A. for similarly sized and secured projects, the Demand Rate will be increased by an amount sufficient to gain the above level of financing, but in no event may the Demand Rate exceed \$0.075/Mcf and MichCon will have the right, at its discretion, to accompany ALP to a financing entity to inquire into any Demand Rate that exceeds \$0.07/Mcf.

1.08 "Demand Volumes" means those volumes of Antrim Gas, shown on Exhibit B, on which the Demand Rate will be calculated.

1.09 "Firm Processing Date" means the latter of (i) the in-service date of the Pipeline; or (ii) November 1, 1995.

1.10 "Inlet Flange" means the interconnection of facilities of MichCon and/or third Parties and the Treating Facility at which point natural gas is received for Treating.

1.11 "Mcf" means one thousand cubic feet of gas at a base temperature of 60 degrees Fahrenheit and a base pressure of 14.65 pounds per square inch absolute (psia).

1.12 "Mcf/d" means Mcf's per day.

1.13 "MMBtu" means one million British thermal units.

1.14 "Overrun Rate" equals \$0.09/Mcf.

1.15 "Person" means an individual, a partnership, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, or a governmental entity (or any department, agency, or political subdivision thereof).

1.16 "Pipeline" means those facilities and operations set forth in MPSC Case U-10547 and as contemplated in Exhibit SEK-9 of such MPSC Case.

1.17 "Receipt Point" means the tailgate of the Treating Facility.

1.18 "Run Time Percentage" means (the actual quantity of CO₂ determined at the Inlet Flange minus the actual quantity of CO₂ determined at the Outlet Flange) divided by (the actual quantity of CO₂ determined at the Inlet Flange minus the estimated amount of CO₂ that would be present if the Treating Facility outlet CO₂ concentration were .75%).

1.19 "Shipper" is a Person who has entered into an Antrim Gas Service Agreement for the removal of CO₂ from and transportation of Shipper's Gas on the Pipeline.

1.20 "Shrinkage" means the volumetric gas stream loss associated with carbon dioxide removal at the Treating Facility together with the fuel actually experienced/used at the Treating Facility.

1.21 "Treat (or any form or tense of the verb)" means the actual removal of carbon dioxide from Antrim Gas at the Treating Facility so that the CO₂ concentration at the Receipt Point is .75%.

1.22 "Treating Capacity Fee" means the fee which MichCon pays to ALP for the Treating Facility Capacity as more fully described in Section 4 below.

1.23 "Treating Facility" means one or more carbon dioxide removal plants located in Section 10 of South Chester Township (T29N, R2W), Michigan owned and operated by ALP.

2. CAPACITY, DELIVERY AND REPORTING OBLIGATIONS

2.01 MichCon will use its best efforts to deliver or cause to be delivered to the Treating Facility 67% of all Antrim Gas dedicated to MichCon for CO₂ treatment and flowing on the Pipeline. However, the maximum total volume delivered to the Treating Facility may not exceed 260 MMcf/d.

2.02 Nothing in this Agreement prevents ALP from constructing additional capacity, however, MichCon is not obligated to contract for more than the 260 MMcf/d contemplated by this Agreement and ALP may sell such excess capacity to third parties at terms and conditions agreeable to ALP in its sole discretion.

2.03 MichCon shall nominate all quantities of Gas that will be Treated pursuant to this Agreement. Written nominations specifying the daily quantities of Gas to be Treated during each month must be submitted to ALP via fax as designated in Section 14.01 at least two business days prior to the first day of each month in which Gas will be Treated.

2.04 MichCon will deliver or cause to be delivered the Gas to the Inlet Flange, ALP will receive, Treat and redeliver the Gas, less Shrinkage, to MichCon's possession at the Receipt Point.

2.05 ALP must promptly report to MichCon any scheduled shut downs and non-routine occurrences at the Treating Facility.

2.06 ALP will have access to information available to MichCon regarding all volumes of Antrim Gas by receipt point dedicated for CO₂ treatment and flowing on the Pipeline 30 days after the end of each month for the term of this Agreement.

3. TREATING FACILITY PERFORMANCE WARRANTY

3.01 Subject to events of force majeure, in the event that the average Run Time Percentage is less than 94% for any calendar year including time allowed for shutdowns due to scheduled and routine repairs and maintenance and (i) as a result a Shipper cannot get its gas to market because its untreated gas would not be received, transported or exchanged by a designated downstream pipeline; and (ii) as a result of (i), MichCon must pay a penalty to Shipper under the Antrim Gas Service Agreement, then for each 1% deficiency below 94%, ALP must pay MichCon one cent for each MMBtu of gas that cannot reach its intended market.

3.02 Nothing contained in Section 3.01 herein shall be construed to be MichCon's sole remedy in the event of ALP's failure to perform under this Agreement.

4. TREATING CAPACITY FEE

4.01 The monthly Treating Capacity Fee is the sum of the following: (i) the Demand Rate multiplied times those volumes set out on Exhibit B; (ii) the Commodity Rate multiplied times those volumes actually Treated for the month; and, if applicable, (iii) the Overrun Rate multiplied times all volumes Treated at the Treating Facility in excess of those specified in Exhibit B.

4.02 On or before the 10th day of each calendar month, ALP must render a statement to MichCon for the Treating Capacity Fee to be calculated as provided in Section 4.01. MichCon must pay the Treating Capacity Fee by the 20th day of the month or within 10 days after receipt of the statement, whichever is later. All such payments must be made either: (i) by wire transfer directly to the bank account designated by ALP; or (ii) by check to the address designated by ALP in Section 14.01. All undisputed amounts due will bear an interest rate until paid, at an annual rate (which shall in no event be higher than the rate permitted by applicable law) equal to the prime rate published by Citibank, N.A. from time to time during the period from the date payment was due under this Section to and including the date the payment is received by ALP.

4.03 If MichCon disputes a statement, in full or in part, it may withhold payment of the disputed portion of the statement, but if the disputed portion is shown to be correct, MichCon must promptly pay the disputed amount plus interest as provided in Section 4.02.

4.04 MichCon and ALP have the right at all reasonable times to examine and audit the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, charge or computation made under any provision of this Agreement.

4.05 If at any time within 12 months after the close of any month, either Party finds that there has been an error in any statement charge or computation made pursuant to any provisions of this Agreement, and if it makes a claim therefore within 60 days from the date of discovery, if verified, the error will be corrected within 30 days.

5. TERMINATION AND SUSPENSION

5.01 This Agreement is effective on the Firm Processing Date and continues in effect until December 31, 2011.

5.02 ALP may suspend performance under this Agreement upon 30 days written notice to MichCon, if, for a period of 60 days, MichCon withholds any payments due under this Agreement for any reason other than a disputed bill as provided in Section 4.03.

6. POSSESSION AND RESPONSIBILITY

6.01 As between the Parties, MichCon is deemed in exclusive control and possession of the Antrim Gas and responsible for any damage or injury caused thereby prior to the time it is delivered to ALP at the Inlet Flange and from the time it has been redelivered to MichCon at the Receipt Point. Except as provided in Section 8.02 herein, ALP is deemed in exclusive control and possession of the Antrim Gas and responsible for any damage or injury caused thereby while it is in the Treating Facility, including any related pipe, valves or facilities owned by ALP.

7. RIGHTS TO CO₂ BYPRODUCT

7.01 MichCon assigns all interest, right and title, if any, that it has in CO₂ contained in the Antrim Gas to ALP.

8. WARRANTY/INDEMNIFICATION

8.01 As between the Parties, MichCon warrants that at the time it delivers Antrim Gas to the Inlet Flange it has the right to deliver the gas and that it will indemnify ALP, defend, and save it harmless from suits, action, debts, accounts, damages, costs, losses and expenses arising from or out of adverse claims of any and all persons to said gas or to royalties (except for royalties arising out of claims to the CO₂ removed hereunder from the Gas), taxes, license fees or charges thereon.

8.02 MichCon will indemnify ALP, defend, and save it harmless from all suits, action, debts, accounts, damages, costs, losses and expenses arising out of damage or malfunction to the Treating Facilities caused by Gas delivered hereunder by MichCon to the Treating Facilities that does not meet the quality specifications set forth in Exhibit C attached hereto. Provided; that this Section 8.02 shall not apply in the event that ALP knows that the Gas delivered hereunder does not meet the quality specifications set forth on Exhibit C and accepts such Gas.

9. LAWS, ORDERS, RULES AND REGULATIONS.

9.01 The performance by the Parties of their obligations as set forth in this Agreement is subject to all valid and applicable laws, orders, rules and regulations of any duly constituted authority having jurisdiction.

9.02 This Agreement is governed by the laws of the State of Michigan. In the event of any dispute arising under or by virtue of this Agreement or any difference of opinion between the Parties hereto concerning their rights and obligations under this Agreement, the Parties will attempt to resolve such dispute amicably by discussion and mutual accord. If the matter cannot be resolved within 90 days after discussion among the senior management of the Parties it must be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association and the following:

- (a) The arbitration panel will consist of three arbitrators, one arbitrator to be chosen by each Party, and the third arbitrator to be chosen by the other two arbitrators.
- (b) The arbitration hearing must be held in Detroit, Michigan on ten days' notice to the Parties.
- (c) No arbitration proceeding may consider a matter designated by this Agreement to be within the judgment or discretion of one Party and the arbitration proceeding may not revoke or revise any provisions of this Agreement.
- (d) The arbitrators have no authority to fashion a remedy that includes punitive damages.
- (e) An award rendered by the arbitrators is final and binding on all Parties to the proceeding.
- (f) Unless the arbitrators, for good cause shown, apportion the costs of the arbitration proceeding between the Parties, the arbitrators' award must direct the losing Party to pay the costs of the arbitration proceeding, including the arbitrators' bill for services, any amounts charged by the American Arbitration Association in connection with the arbitration proceeding, and any costs, internal charges and out-of-pocket expenses incurred by the prevailing Party in connection with the preparation for or conduct of the proceeding, including charges of attorneys for the prevailing Party, which attorneys may be employees of the prevailing Party.
- (g) In no event may either Party be required to arbitrate any dispute based on transactions or occurrences which occurred more than 24 months prior to the date of the demand for arbitration.

Judgment upon the award rendered by the arbitrators may be entered in any court located within the State of Michigan having jurisdiction thereof.

10. MEASUREMENT, SAMPLING AND ANALYSIS

10.01 The Gas delivered to ALP at the Inlet Flange must be measured, sampled, and analyzed in a manner consistent with industry standards.

11. GAS QUALITY

11.01 Antrim Gas (at base conditions of 14.65 psia and 60 degrees F) delivered at the Inlet Flange must meet the quality specifications set forth in Schedule A.

11.02 In the event the Gas delivered by MichCon at the Inlet Flange fails to meet the quality specifications of Exhibit C for a period of 48 consecutive hours, ALP must notify MichCon and thereupon may, at its option, refuse to accept delivery as long as the Gas fails to meet the quality specifications. Upon demonstration acceptable to ALP that the Gas being tendered meets the quality specifications of Exhibit C, ALP must resume taking delivery of Gas. In the event ALP does accept delivery of any Gas not in conformance with Exhibit C, the performance warranty provided in Section 3.01 is waived.

11.03 All Antrim Gas redelivered at the Receipt Point must have an H₂O content less than 7 lbs/MMSCF.

12. FORCE MAJEURE

12.01 Neither MichCon nor ALP will be liable in damages, or in any other remedy, legal or equitable, to the other for any act, omission or circumstances occasioned by or in consequence of any acts of God, strikes, lockouts, acts of the public enemy, wars, sabotage, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests, and restraints of rulers and peoples, civil disturbances, explosions, breakage or accident to machinery, lines of pipe, or CO₂ treating facilities or the necessity to make unscheduled shutdowns (for purposes of necessary maintenance, repairs, tests, or alterations to machinery, lines of pipe or CO₂ treating facilities), line freeze-ups, the binding order of any court of governmental authority which has been resisted in good faith by all reasonable legal means, or any other cause, whether of the kind herein enumerated, or otherwise, not within the control of the Party claiming suspension hereunder and which by the exercise of due diligence such Party is unable to prevent or overcome. A failure to settle or prevent any strike or other controversy with employees or with anyone

purporting or seeking to represent employees may not be considered to be a matter within the control of the Party claiming suspension.

12.02 Such causes or contingencies affecting the performance of this Agreement by either Party, however, do not relieve it of liability in the event of its concurring negligence or in the event of its failure to use due diligence to remedy the situation and remove the cause in an adequate manner and with all reasonable dispatch, nor do such causes or contingencies affecting the performance of this Agreement relieve either Party from its obligation to make payments of amounts then due thereunder, nor do such causes or contingencies relieve either Party of liability unless such Party gives notice and full particulars of the same in writing or by telefax to the other Party as soon as possible after the occurrence relied on.

13. NON-WAIVER OF FUTURE DEFAULTS

13.01 No waiver by either Party of any one or more defaults by the other in the performance of any provision of this Agreement may operate or be construed as a waiver of any future default or defaults, whether of a like or a different character.

14. NOTICE

14.01 Any notice, request, demand, statement or payment provided for in this Agreement must be sent to the Parties at the following addresses:

MichCon:

For Notices:

Manager of Supply Services
Michigan Consolidated Gas Company
500 Griswold Street, 26th Floor
Detroit, Michigan 48226
Tel. (313) 256-5541
Telecopy (313) 256-6416

For Billings:

Manager, Accounts Payable
Michigan Consolidated Gas Company
500 Griswold Street
Detroit, Michigan 48226

ALP:

Antrim Limited Partnership
c/o CMS Gas Transmission and Storage Company
330 Town Center Drive
Suite 1100
Dearborn, Michigan 48126
Tel. (313) 436-9414
Telecopy (313) 436-9225

14.02 Either Party may change its address under this Agreement by notice to the other Party. Unless otherwise provided, all notices given by one Party to the other must be sent by registered mail, overnight mail, telecopy or fax and will be effective upon receipt. Routine communications, including monthly invoices, will be considered as duly delivered when mailed by either registered, overnight or ordinary mail.

15. MISCELLANEOUS PROVISIONS

15.01 Neither Party may broker, assign, convey or transfer its interests under this Agreement without the prior written consent of the other. Either MichCon or ALP may, however, without relieving itself of its obligations under this Agreement, assign any of its rights and obligations under this Agreement to an Affiliate without obtaining written consent. ALP may also, without relieving itself of its obligations under this Agreement, assign any of its rights and obligations under this Agreement to a financial institution for purposes of obtaining financing for construction of Treating Facility without obtaining written consent.

15.02 The headings used throughout this Agreement are inserted for convenience of reference only and are not to be considered or taken into account in construing the terms or provisions nor are they to be deemed in any way to qualify, modify or explain the effect of any such provisions or terms.

15.03 Unless the context otherwise requires, words importing the singular include the plural and vice versa, and words importing gender include all genders.

15.04 This Agreement binds and inures to the benefit of the Parties and their respective successors and permitted assigns.

15.05 Any company which succeeds by purchase, merger, or consolidation to the properties, substantially as an entirety, of MichCon or ALP, as the case may be, is entitled to the rights and subject to the obligations of its predecessor in title under this Agreement.

15.06 This Agreement constitutes the entire Agreement between MichCon and ALP concerning the subject matter hereof. Any prior understandings, representations, promises, undertakings, Agreement or inducements, whether written or oral, concerning the subject matter hereof not contained herein have no force and effect. This Agreement may be modified or amended only by a writing duly executed by both Parties.

The Parties executed this Agreement as of the day and year first above written.

MICHIGAN CONSOLIDATED GAS COMPANY

By: Carl Crosby

Title: Senior Vice President

RECEIVED
AS TO FORM
KAC
5-23-95

ANTRIM LIMITED PARTNERSHIP
CMS Antrim Gas Company, its general partner

By: Karl Venturini

Title: VICE PRESIDENT

EXHIBIT A
DEMAND RATE

ALP and MichCon agree that for the term of this Agreement, the Demand Rate will be
____/Mcf.

MICHIGAN CONSOLIDATED GAS COMPANY

By: _____

Title: _____

Date: _____

ANTRIM LIMITED PARTNERSHIP
CMS Antrim Gas Company, its general partner

By: _____

Title: _____

Date: _____

EXHIBIT B
DESIGN ANTRIM SHALE PRODUCTION

<u>YEAR</u>	<u>DEMAND CHARGE VOLUMES</u> <u>MMcf/DAY</u>
Firm processing date - 12/31 1996	213
1/1 - 12/31 - 1997	250
1/1 - 12/31 - 1998	250
1/1 - 12/31 - 1999	250
1/1 - 12/31 - 2000	250
1/1 - 12/31 - 2001	237
1/1 - 12/31 - 2002	221
1/1 - 12/31 - 2003	204
1/1 - 12/31 - 2004	188
1/1 - 12/31 - 2005	173
1/1 - 12/31 - 2006	159
1/1 - 12/31 - 2007	146
1/1 - 12/31 - 2008	133
1/1 - 12/31 - 2009	121
1/1 - 12/31 - 2010	107

EXHIBIT C

QUALITY SPECIFICATIONS

Site General Location:

Site Elevation:

Ambient Temperature:

Inlet Gas Condition:

Maximum Allowable Working Pressure: 1070 Psig
Normal Pressure Differential: 40 Psig
Minimum Operating Pressure: 800 Psig
Temperature (Minimum): 30 °F
CO₂ Content (Maximum): 14.0%

Inlet Gas Quality:

1. The gas must be commercially free from dust, gum, gum-forming constituents and liquids and solids which may become separated from the gas under delivery conditions.
2. The gas may not contain anything which might adversely affect the safe and efficient operation of the Treating Facility.
3. The water content of the gas may not exceed 7 pounds per million cubic feet.
4. The gas may not contain oxygen.
5. The gas may not contain more than 1/4 grain of hydrogen sulfide per 100 cubic feet.
6. The gas may not contain any mercaptan sulfur per 100 cubic feet.

SAm

AMENDMENT #1
TO
CAPACITY AGREEMENT
dated April 18, 1995

WHEREAS, CMS Gas Antrim Company, a Michigan corporation and successor in interest to Antrim Limited Partnership ("CMS") and Michigan Consolidated Gas Company, a Michigan corporation ("MichCon") (collectively the "Parties") are parties to a certain Capacity Agreement dated as of April 18, 1995 ("Capacity Agreement") for the purchase by MichCon of CO₂ treating capacity at CMS's South Chester treating facilities; and

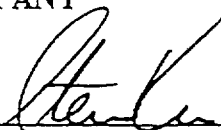
7th WHEREAS, pursuant to the terms of a certain Settlement Agreement dated as of March 1996 CMS and MichCon have agreed to execute this Amendment #1 to the Capacity Agreement.

NOW, THEREFORE, in consideration of the mutual promises, agreement and undertakings hereinafter set forth, MichCon and the Partnership agree as follows:

1. The following sections of the Capacity Agreement are amended in their entirety as follows:
 - (i) 1.06 "Commodity Rate" shall mean \$0.035 per Mcf.
 - (ii) 1.07 "Demand Rate" shall mean \$0.075 per Mcf.
 - (iii) 1.09 "Firm Processing Date" shall mean November 10, 1995.
 - (iv) 4.01 The monthly Treating Capacity Fee is the sum of the following: (i) the Demand Rate multiplied by those volumes set out on Exhibit B multiplied by the number of days in the month; (ii) the Commodity Rate multiplied by those volumes less than or equal to those volumes set out on Exhibit B that are actually Treated for MichCon for each day during the month; and (iii) the Overrun Rate multiplied by all volumes Treated for MichCon at the Treating Facility in excess of those specified in Exhibit B for each day during the month.
2. In all other respects, the Capacity Agreement remains in full force and effect. Subject to approval by NBD Bank N.A., this Amendment shall become effective as of November 10, 1995.

The Parties executed this Amendment as of the 7th day of March, 1996.

MICHIGAN CONSOLIDATED GAS
COMPANY

By: 

Its: Managing Director

CMS GAS ANTRIM COMPANY

By: 

Its: VICE PRESIDENT

Provisions Expired

Case No. U-14821

Witness: A.R. Lyle II

Exhibit No. MGAT-3 (ARL-1)

Page: 17 of 24

AMENDMENT #2
to
CAPACITY AGREEMENT (Dated April 18, 1995)

This second Amendment to the Capacity Agreement dated April 18, 1995 ("Capacity Agreement") is entered into effective January 1, 1997 between MichCon Gathering Pipeline Company ("MichCon Gathering"), a Michigan corporation, and CMS Antrim Gas Company ("CMS"), a Michigan corporation.

WHEREAS, Michigan Consolidated Gas Company ("MichCon") and Antrim Limited Partnership are parties to a certain Capacity Agreement, which agreement addresses various issues related to the treating of natural gas to remove carbon dioxide at the South Chester Treating Facility, as defined in the Capacity Agreement; and

WHEREAS, MichCon assigned its rights and duties under the Capacity Agreement to its affiliate, MichCon Gathering, effective January 1, 1997; and

WHEREAS, CMS, a successor in interest to Antrim Limited Partnership, and MichCon entered into a Settlement Agreement and Amendment #1 to the Capacity Agreement effective March 7, 1996; and

WHEREAS, the current demand for treating Antrim natural gas raises performance issues not addressed in previous agreements between MichCon and CMS;

NOW THEREFORE, in consideration of the mutual promises set forth in this second Amendment, the parties agree to modify and supplement the Capacity Agreement as follows:

1. The terms and conditions of the Capacity Agreement shall remain in full force and effect except to the extent modified by this second Amendment, which shall control to the extent its terms and conditions differ from those of the Capacity Agreement.
2. While the term of the Capacity Agreement described in Section 5.01 shall remain unchanged, the term of this second Amendment commences on January 1, 1997 and terminates on the first day of the calendar month following notice from CMS to MichCon Gathering that a fifth treating plant at the Treating Facility has commenced commercial operation, but in any event, shall terminate no later than July 1, 1997. ✓
3. As established by Exhibit B to the Capacity Agreement, overrun gas is gas tendered for treating at the Treating Facility in excess of 250 MMcf on any day. Any Gas in excess of 250 MMcf/d shall be established as flowing in the following sequence for purposes of Paragraph 4 below.
 - a) Gas for which CMS has executed Treating Agreements with Parties other than MichCon Gathering and Terra Energy Ltd. ("Third Party Gas").

- b) Gas tendered for treating by MichCon Gathering in excess of 250 MMcf/d ("MichCon Overrun Gas").

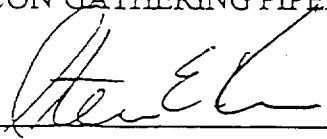
4. CMS shall Treat the first 250 MMcf/d and any MichCon Overrun Gas to a standard of 0.75% carbon dioxide content as required by Section 1.21 of the Capacity Agreement. During the term of this second Amendment, the actual removal of carbon dioxide from overrun gas attributable to Third Party Gas shall meet a standard as defined by the contracts between CMS and Third Parties, but, not to exceed a concentration of 2% carbon dioxide content regardless of the specifications in such third party agreements. The relative percentages of MichCon Overrun Gas and Third Party Gas comprising total Overrun Gas for purposes of this section shall be determined from the application of a formula assigning a 2% weighting to nominated volumes of Third Party Gas and a 0.75% weighting to all remaining volumes in the total projected throughput (280 MMcf/d) at the Treating Facility for that month's nominations for purposes of establishing the Treating Facility's treatment specifications for that month. For purposes of the calculation of CO₂ outlet specifications, Terra Energy Ltd. is specifically excluded from the definition of Third Party:

- a) Attachment 1 is an illustration of the type of computation that the parties will make each month for the proper application of the formula to determine the Treating Facility's outlet carbon dioxide specification for that month; and
- b) In order to verify the Third Party Gas, CMS shall provide MichCon Gathering with proof, satisfactory to MichCon Gathering, of the existence of the Third Party agreements and the CO₂ outlet specifications CMS is obligated to meet under such agreements.

5. The separate treatment of Terra Energy Ltd. from other third party producer gas for purposes of this second Amendment is done for convenience only and is not intended to serve as a precedent in any other context for either party to characterize the name of Terra Energy Ltd., including any issues relating to dedication of such gas.

The parties have caused this second Amendment to be executed in multiple counterparts, each of which shall be considered to be an original document, by their duly authorized representatives, effective as of the date first written above.

MICHCON GATHERING PIPELINE COMPANY

By: 

Printed Name: Steven E. Kurmas

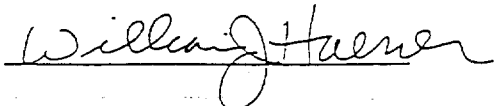
Title: President

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APPROVED
AS TO FORM

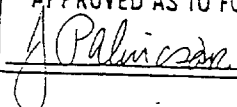
MC
12/19/97

CMS ANTRIM GAS COMPANY

By: 

Printed Name: William J. Haener

Title: President & CEO

APPROVED AS TO FORM


ATTACHMENT I

Example of Monthly CO₂ Outlet Specification Calculation

Estimated nominations for Third Party Gas -- 20,960 Mcf/d

Based on the above nominations, the outlet CO₂ would be calculated as follows:

MichCon capacity	250,000	@	.75%	=	1,875
Third Party Gas	20,960	@	2.0%	=	419
MichCon Overrun	<u>9,040</u>	@	.75%	=	<u>68</u>
	280,000 Mcf/d				2,362 Mcf/d

The outlet CO₂ limit (2,362 Mcf/d) divided by the nominated inlet gas volume (280,000 Mcf/d) provides the outlet CO₂ value of .84%.

AMENDMENT #3
to
CAPACITY AGREEMENT (Dated 18, 1995)

This third Amendment to the Capacity Agreement dated April 18, 1995 ("Capacity Agreement") is entered into effective July 1, 1997 between MichCon Gathering Company ("MichCon Gathering"), a Michigan corporation, and CMS Antrim Gas Company ("CMS"), a Michigan Corporation.

WHEREAS, Michigan Consolidated Gas Company ("MichCon") and Antrim Limited Partnership are parties to a certain Capacity Agreement, which agreement addresses various issues related to the treating of natural gas to remove carbon dioxide at the South Chester Treating Facility, as defined in the Capacity Agreement; and

WHEREAS, MichCon assigned its rights and obligations under the Capacity Agreement to its affiliate, MichCon Gathering, effective January 1, 1997; and

WHEREAS, CMS, a successor in interest to Antrim Limited Partnership, and MichCon entered into a Settlement Agreement and Amendment #1 to the Capacity Agreement effective March 1, 1996; and,

WHEREAS, CMS and MichCon Gathering entered into a Letter Agreement and Amendment #2 to the Capacity Agreement effective January 1, 1997 whose term expired July 1, 1997;

NOW THEREFORE, in consideration of the mutual promises set forth in this third Amendment, the parties agree to modify and supplement the Capacity Agreement as follows:

1. The terms and conditions of the Capacity Agreement shall remain in full force and effect except to the extent modified by this third Amendment, which shall control to the extent its terms and conditions differ from those of the Capacity Agreement.
2. The term of the Capacity Agreement described in Section 5.01 shall remain unchanged. The term of this third Amendment shall be effective July 1, 1997 and terminate concurrently with the Capacity Agreement.
3. CMS shall Treat the MichCon Gathering volumes established on Exhibit B to the Capacity Agreement ("Contract Volume") and any volumes tendered by MichCon Gathering in excess of the Contract Volume ("Overrun Volume") to a standard of 0.75% carbon dioxide content as required by Section 1.21 of the Capacity Agreement. During the term of this third Amendment, the actual removal of carbon dioxide from volumes of gas attributable to parties other than MichCon Gathering ("Third Party Volumes") shall meet a standard as defined by the contracts between CMS and parties other than MichCon Gathering ("Third Parties"), but, not to exceed a concentration of two percent (2%) carbon dioxide content regardless of the specifications in such Third Party agreements. The

relative percentages of MichCon Gathering Contract Volumes, MichCon Gathering Overrun Volumes and Third Party Volumes shall be determined from the application of a formula assigning actual contractual standards for the removal of carbon dioxide not to exceed a concentration of two percent (2%) weighting to nominated Third Party Volumes and a 0.75% weighting to all remaining volumes in the total nominated throughput at the Treating Facilities for purposes of establishing the Treating Facility's treatment specification for that month.

- a) Attachment 1 is an illustration of the type of computation that the parties will make each month for the proper application of the formula to determine the Treating Facility's outlet carbon dioxide specification for that month; and
- b) In order to verify the Third Party Volumes, CMS shall provide MichCon Gathering with proof, satisfactory to MichCon Gathering, of the existence of the Third Party agreements and the carbon dioxide outlet specifications CMS is obligated to meet under such agreements.

The parties have caused this third Amendment to be executed in multiple counterparts, each of which shall be considered to be an original document, by their duly authorized representatives, effective as of the date first written above.

CMS ANTRIM GAS COMPANY

By: William J. Haener

Printed Name: William J. Haener

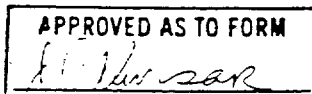
Title: President and CEO

MICHCON GATHERING COMPANY

By: William J. Wolter

Printed Name: William J. Wolter

Title: Vice President



ATTACHMENT 1

Example of Monthly Carbon Dioxide Outlet Specification Calculation

Estimated Third Party Volumes	=	55,900 Mcf/d
Estimated MichCon Contract Volumes	=	250,000 Mcf/d
Estimated MichCon Overrun Volumes	=	21,100 Mcf/d

Based upon the above nominations, the outlet carbon dioxide would be calculated as follows:

Third Party Volumes	=	55,900	@	2.00%	=	1,118
MichCon Contract Volumes	=	250,000	@	0.75%	=	1,875
MichCon Overrun Volumes	=	<u>24,100</u>	@	0.75%	=	<u>181</u>
		330,000 Mcf/d				3,174 Mcf/d

The outlet carbon dioxide limit (3,174 Mcf/d) divided by the nominated inlet gas volume (330,000 Mcf/d) provides the outlet carbon dioxide value of 0.96%.

**AMENDMENT #4 TO THE CAPACITY AGREEMENT DATED APRIL 18, 1995
BETWEEN MICHIGAN CONSOLIDATED GAS COMPANY AND ANTRIM
LIMITED PARTNERSHIP**

THIS AMENDMENT #4 to the Capacity Agreement dated April 18, 1995, as amended, is made by and between MichCon Gathering Company ("MichCon Gathering") and CMS Antrim Gas LLC ("CMS").

WHEREAS, Michigan Consolidated Gas Company ("MichCon") and Antrim Limited Partnership are parties to a certain Capacity Agreement dated April 18, 1995 as amended (the "Capacity Agreement"), which agreement addresses various issues related to the Treating of natural gas at the Treating Facility, and

WHEREAS, MichCon assigned its rights and obligations under the Capacity Agreement to its affiliate, MichCon Gathering Company, effective January 1, 1997; and

WHEREAS, CMS Antrim Gas LLC is the successor to the Antrim Limited Partnership; and

WHEREAS, MichCon Gathering and CMS are parties to Fuel Allocation and Oxygen Specification Agreements entered into with various shippers and receipt point operators ("FAOS Agreements") and desire to clarify and modify the gas quality provisions of the Capacity Agreement with respect to the permissible oxygen content;

Now therefore, MichCon Gathering and CMS agree as follows:

1. Paragraph 4 of Exhibit C to the Capacity Agreement is deleted and replaced with Exhibit B to the FAOS Agreements, which sets forth permissible oxygen content in gas delivered to the facilities of MichCon Gathering and CMS.
2. By the eighth day following the month of production, MichCon Gathering will provide to CMS the daily average of the actual monthly volumes of Third-Party Volumes.
3. CMS and MichCon Gathering agree that the Treating Surcharge, as defined in the FAOS Agreements, will be billed as follows:
 - a. CMS shall directly bill Third Parties that are party to the FAOS Agreements.
 - b. CMS shall compute the Treating Surcharge billed to MichCon Gathering by using the total volume of gas, in Mcf, delivered to the Inlet Flange of the Treating Facility less the Third Party Volumes
 - c. MichCon Gathering shall pay any invoices per the terms of Section 4 of the Capacity Agreement,

4. CMS submitted an invoice to MichCon Gathering dated February 17, 2003 referenced as an oxygen invoice in the amount of \$165,460.98. CMS hereby agrees to accept \$143,992.73 from MichCon Gathering and MichCon Gathering agrees to pay as payment in full for the oxygen invoice dated February 17, 2003.

Except to the extent modified by this Amendment #4, all terms and conditions of the Agreement shall continue in effect. Any capitalized term not defined in this Amendment #4 or referred to as defined in another agreement, shall have the meaning ascribed in the Capacity Agreement, or amendments thereto.

This Amendment #4 is executed by the parties' duly authorized representatives in multiple, original counterparts and shall be effective as of the effective date of Exhibit B to the FAOS Agreements.

MICHCON GATHERING COMPANY

By: Dennis A. Lambert

Title: Director

CMS ANTRIM GAS LLC

By: Kevin T. Miller

Its: VP