



Jennifer M. Granholm
GOVERNOR

STATE OF MICHIGAN
PUBLIC SERVICE COMMISSION
DEPARTMENT OF LABOR & ECONOMIC GROWTH
ROBERT W. SWANSON
DIRECTOR

J. Peter Lark
CHAIRMAN

Laura Chappelle
COMMISSIONER

Monica Martinez
COMMISSIONER

June 9, 2006

Mr. Richard J. Aaron
Honigman Miller Schwartz & Cohn, LLP
222 N. Washington Sq., Suite 400
Lansing, MI 48933-1800

RE: FREEDOM OF INFORMATION ACT REQUEST

Dear Mr. Aaron:

On June 8, 2006, I received your payment of \$102.25 for the documents you requested in your hand-delivered letter dated June 7, 2006.

A review of agency files has been completed and the documents that we believe respond to your request are enclosed:

- 1) Transcripts in Case No. U-10547, Volume 15, 9/7/94, Page 2696 through Page 2932
- 2) Transcripts in Case No. U-10547, Volume 16, 9/8/94, Page 3933 through Page 3106

Sincerely,

A handwritten signature in black ink, appearing to read "Mary Jo Kunkle".

Mary Jo Kunkle
Executive Secretary

Enclosure(2)

2696 ¹²⁷ file

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application)
of MICHIGAN CONSOLIDATED GAS)
COMPANY for approval of the)
construction and operation of)
certain pipeline segments and)
related facilities (the Antrim)
Expansion Project) in Alcona,)
Alpena, Clare, Crawford, Kalkaska,)
Mecosta, Missaukee, Montcalm,)
Montmorency, Osceola and Otsego)
Counties, Michigan.)

Case No. U-10547
Volume 15

Proceedings held in the
above-entitled matter before Administrative Law Judge
Theodora H. Mace, on Wednesday, September 7, 1994, at
the Michigan Public Service Commission, 6545
Mercantile Way, Lansing, Michigan, commencing at or
about 9:05 a.m.

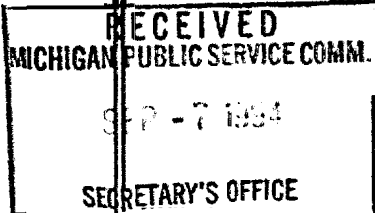
APPEARANCES:

DENNIS R. O'CONNELL, J.D. (P-24438)
500 Griswold
Detroit, Michigan 48226

Appearing on behalf of Applicant,
Michigan Consolidated Gas Company.

DONALD E. ERICKSON, J.D. (P-13212)
Assistant Attorney General
630 Law Building, Post Office Box 30212
Lansing, Michigan 48909

Appearing on behalf of Attorney
General Frank J. Kelley.



DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

1-original - file
3-copies Legal
Judge
Lec

LASER STOCK FORM FMU

THE CORBY GROUP 1-800-255-5040

2697

APPEARANCES: (CONTINUED)

FOSTER, SWIFT, COLLINS & SMITH, P.C.
BY: WEBB A. SMITH, J.D. (P-20718)
GLEN A. SCHMIEGE, J.D. (P-37112)
313 South Washington Square
Lansing, Michigan 48933-2193

Appearing on behalf of Shell Western E&P, Inc.

JOSH FIELDS & ASSOCIATES
BY: JOSEPH H. FIELDS, J.D. (P-37899)
2133 University Park Drive, Suite 600
Okemos, Michigan 48864

Appearing on behalf of Savoy Oil & Gas.

KENNETH J. BURGESS, J.D. (P-27675)
One Woodward Avenue, Suite 1600
Detroit, Michigan 48226

Appearing on behalf of Great Lakes
Gas Transmission Limited Partnership.

WILLIAM W. DERENGOSKI, J.D. (P-34242)
Assistant Attorney General
1000 Long Boulevard
Suite 11
Lansing, Michigan 48911

Appearing on behalf of the Michigan
Public Service Commission Staff.

JEFFREY D. VAN LEUWEN, J.D. (P-29046)
RICHARD ALSUP, J.D.
B992 East D Avenue
Post Office Box 366
Richland, Michigan 49083-0366

Appearing on behalf of Mackinaw Energy
Company, Spartan Intrastate Pipeline
System, and H.L. Brown, Jr.

LOOMIS, EWERT, EDERER, PARSLEY, DAVIS & GOTTING
BY: RODGER T. EDERER, J.D. (P-13100)
232 South Capitol Avenue
Suite 1000
Lansing, Michigan 48933

Appearing on behalf of NOMECO
Oil & Gas Company.

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

LASER STOCK FORM FMU

THE CORBY GROUP 1-800-255-5040

APPEARANCES: (CONTINUED)

VARNUM, RIDDERING, SCHMIDT & HOWLETT
BY: JACK D. SAGE, J.D. (P-34185)
171 Monroe Avenue NW
Suite 800
Grand Rapids, Michigan 49503

Appearing on behalf of Chevron USA, Inc.;
SRW, Inc.; Ward Lake Drilling, Inc.,
d/b/a Ward Lake Energy; and Wolverine Gas and
Oil Company, Inc.

LYNCH, GALLAGHER, LYNCH & MARTINEAU
BY: BYRON P. GALLAGHER, J.D. (P-13803)
555 North Main Street
Post Office Box 446
Mt. Pleasant, Michigan 48858-0446

Appearing on behalf of Amoco Production Company.

GARY L. WORMAN, J.D. (P-29297)
4131 Okemos Road
Suite 10
Okemos, Michigan 48864-3467

Appearing on behalf of Terra Energy.

JAMES A. AULT, J.D. (P-30201)
Post Office Box 351
East Lansing, Michigan 48826

Appearing on behalf of Miller Energy, Inc.,
and Muskegon Development Company.

FRANCIS X. BERKEMEIER, J.D. (P-24205)
212 West Michigan Avenue
Room M-1091
Jackson, Michigan 49201-9981

Appearing on behalf of Consumers Power Company.

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48409
(517) 393-1668

INDEX OF WITNESSES

WITNESSES:

PAGE:

TIMOTHY J. PHILLIPS
Direct Examination by Mr. Alsup 2700
Bound-In Direct Testimony (7 pages) 2702-2708
Cross-examination by Mr. Smith 2709
Cross-examination by Mr. Erickson 2717
Cross-examination by Mr. Burgess 2722
Cross-examination by Mr. Fields 2722
Cross-examination by Mr. O'Connell 2724
Cross-examination by Mr. Sage 2745
Cross-examination by Mr. Derengoski 2761
Redirect Examination by Mr. Alsup 2767
Recross-examination by Mr. O'Connell 2772
Excused 2774

WILLIAM G. ALDRICH
Direct Examination by Mr. Derengoski 2775
Bound-In Direct Testimony (5 pages) 2778-2782
Cross-examination by Mr. Erickson 2783
Cross-examination by Mr. Sage 2791
Cross-examination by Mr. O'Connell 2791
Excused 2795

SUSAN C. DEVON
Direct Examination by Mr. Derengoski 2796
Bound-In Direct Testimony (10 pages) 2798-2807
Cross-examination by Mr. Schmiede 2808
Cross-examination by Mr. Erickson 2812
Lunch Recess 2816
Cross-examination by Mr. Sage 2836
Cross-examination by Mr. O'Connell 2844
Recess 2856
Excused 2857

DONALD J. MAZUCHOWSKI
Direct Examination by Mr. Derengoski 2858
Bound-In Direct Testimony (27 pages) 2862-2888
Cross-examination by Mr. Smith 2889

INDEX OF EXHIBITS

EXHIBITS	MARKED	OFFERED	RECEIVED
S-203	2774	477	2795
S-204	2795	2797	2857
S-205 through S-210	2857	2888	

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

PHILLIPS DIRECT ALSUP

2700

Lansing, Michigan

Wednesday, September 7, 1994

9:00 a.m.

JUDGE MACE: Let's go on the record
in Case U-10547. We have witness Timothy Phillips first
on our agenda for this morning. I think he needs to be
sworn in. Why don't you go ahead and do that.

T I M O T H Y J. P H I L L I P S

after having been first duly sworn to tell the truth,
was examined under oath and testified as follows:

JUDGE MACE: Are you ready to begin?

MR. ALSUP: Yes.

JUDGE MACE: Go ahead.

DIRECT EXAMINATION

BY MR. ALSUP:

Q Please state your name for the record?

A Timothy J. Phillips.

Q Who are you testifying for here today?

A H.L. Brown, Jr. and Mackinaw Energy.

Q Have you caused to be filed seven pages of your direct
testimony in this case?

A Yes.

Q Do you have any changes that you would make to it at
this time?

A No, sir.

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

1 Q Do you adopt that as your testimony in this Case
2 U-10547?

3 A Yes, sir.

4 MR. ALSUP: Your Honor, we would
5 request that this testimony be bound into the record and
6 I would tender Mr. Phillips for cross-examination.

7 JUDGE MACE: Thank you. I'll bind
8 the testimony into the record at this point.

9 (The prefiled direct bound-in
10 testimony of Timothy J. Phillips,
11 consisting of 7 pages, is bound into
12 the record by the Court Reporter, as
13 follows:)

2702

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of MICHIGAN)
CONSOLIDATED GAS COMPANY for: approval)
of the construction and operation of certain)
pipeline segments and related facilities (the)
Antrim Expansion Project) in Alcona, Alpena,)
Clare, Crawford, Kalkaska, Mecosta, Missaukee,)
Montcalm, Montmorency, Osceola, and Otsego)
Counties, Michigan; authority to issue and sell)
securities; and, approval of appropriate)
depreciation rates.)

Case No. U-10547

DIRECT TESTIMONY
OF
TIMOTHY J. PHILLIPS

1 Q. What is your name and business address?
2

3 A. My name is Timothy J. Phillips. My business address is 300 West Louisiana,
4 P. O. Box 2237, Midland, Texas 79702.

6 Q. By whom are you employed and in what capacity?
7

8 A. I am employed by H. L. Brown, Jr. I have the title of Manager of Energy
9 Marketing. In this role, I am responsible for contract negotiations and
10 administration relative to the handling and sale of natural gas, oil and natural
11 gas liquids either produced by H. L. Brown, Jr. or bought, transported or
12 sold by an affiliate operated by Mr. Brown, such as Mackinaw Energy
13 Company ("Mackinaw").
14

15 Q. Please describe your formal education.
16

17 A. I received a Bachelor of Science Degree in Agriculture Economics in 1980 from
18 Texas A & M University. In 1982, I earned a Master of Business
19 Administration Degree from Texas A & M University.
20

2703

1 Q. Are you a member of any professional associations?

2
3 A. Yes. I am a member of the Natural Gas Society of the Permian Basin and the
4 Houston Natural Gas Association.

5
6 Q. Briefly describe your professional experience.

7
8 A. At December 28, 1981, I became employed as a petroleum landman by ARCO
9 Oil & Gas Company, a Division of Atlantic Richfield Corporation. I handled
10 matters relating to its properties located in Oklahoma, Texas, Arkansas,
11 Nevada, Oregon, and Offshore California. At January 21, 1987, I moved into
12 ARCO's natural gas marketing department and was responsible for direct sales
13 of natural gas to local distribution companies and industrial end users in the
14 Upper Midwest. I resigned from ARCO in August, 1988 to accept employment
15 with Delhi Pipeline Company, a subsidiary of Texas Oil & Gas Corporation.
16 While employed with Delhi, I was responsible for sales of Oklahoma natural gas
17 production to local distribution companies and industrial end users located on
18 the West Coast and in the Upper Midwest. I was also responsible for the
19 formulation of Delhi's project evaluations and marketing plans. I resigned
from Delhi in March, 1989 to assume my current position with H. L. Brown,
Jr.

22
23 Q. On whose behalf are you offering this direct testimony?

24
25 A. I am testifying on behalf of H. L. Brown, Jr. and Mackinaw, which have
26 intervened in this proceeding.

27
28 Q. Have you reviewed MichCon's Application and testimony filed in this
29 proceeding?

30
31 A. Yes, I have. I also am familiar with some changes in and developments to
32 MichCon's proposed Antrim Expansion Project which have taken place during
33 the course of the hearings.

34
35 e. What is the purpose of your testimony?

2704

1 A. The **purpose** of my testimony is to present the positions of H. L. **Brown, Jr.**
2 and Mackinaw, as transportation customers, regarding certain aspects of
3 MichCon's proposed Antrim Expansion Project.

4
5 Q. What is your first position?

6
7 A. MichCon should include transportation **on the Spartan** Intrastate Pipeline
8 System (the "Spartan Pipeline") **as a** Vendored Service in the Antrim
9 Expansion Project.

10
11 Q. What **is the basis** for this position?

12
13 A. To **fail to** do so would result in a hardship **on**, and I believe ~~rate discrimination~~
14 against, **producers** and other transporters tied into the Spartan Pipeline,
15 **which is located geographically** in the center of both **the northern Michigan**
16 **Antrim gas** activity and MichCon's Antrim **Expansion** Project. **Mr. Kurmas,**
17 **testified on MichCon's behalf that the Spartan Pipeline was an "integral piece",**
18 **of MichCon's comprehensive solution to the transportation of Antrim gas;** yet
19 **transportation on the Spartan Pipeline has not been included as a Vendored**
20 **Service in MichCon's proposal.**

21
22 **MichCon has included as Vendored Services under its blanket rate of 26.50**
23 **per Mcf the CMS South Chester pipeline and three pipelines in which Saginaw**
24 **Bay Company holds ownership interests and is the operator. This** will allow
25 **transporters tied into these pipelines to have their gas gathered, treated and**
26 **delivered to various potential gas markets by MichCon without the payment by**
27 **the transporters of additional transportation fees to such pipelines. However,**
28 **the Spartan Pipeline has not been included as a Vendored Service, but its**
29 **transporters would utilize the Spartan Pipeline to reach facilities comprising**
30 **the Antrim Expansion Project; therefore, such transporters would be required**
31 **to pay Spartan's transportation charge in addition to MichCon's 26.5¢ per Mcf**
32 **blanket rate. This will impose a hardship and a discriminatory rate impact on**
33 **transporters, such as H. L. Brown, Jr., Mackinaw, and others, who utilize**
34 **the Spartan Pipeline, when compared with other transporters who are able to**
35 **utilize the pipelines included in MichCon's proposal as Vendored Services.**

2705

1 Q. What rate impact to transporters of the Antrim Expansion Project would be
2 experienced by the inclusion of transportation on the Spartan Pipeline as a
3 Vendored Service?

4
5 A. Relying on Mr. Wolter's testimony that the Antrim Expansion Project will
6 transport about 510,000 Mcf per day by its second year and that the Spartan
7 Pipeline transports about 50,000 Mcf per day, I calculate that the rate impact
8 would be an incremental .8¢ per Mcf by including Spartan at .8¢ per Mcf, which
9 represents its weighted average transportation.

10
11 Q. What is your next position?

12
13 A. The Gustin Pipeline, together with the related CO₂ treating facilities, Taggart
14 compression facilities and ANR Agreements, would be too expensive to handle
15 the volumes of Antrim Gas for which they are designed.

16
17 Q. What is the basis for this position.

18
19 A. As I understand the testimony and exhibits presented by MichCon's
20 witnesses, the cost of service for Antrim gas transportation and treating
21 attributable to the Gustin Pipeline, the related CO₂ treating facilities, the
22 ANR Agreements, and the Taggart Compression facilities would be
23 approximately 57¢ per Mcf at a 100% system load factor. If handling gas at a
24 50% system load factor, the Gustin Pipeline related facilities and operations
25 would result in a cost of service of approximately \$1.14 per Mcf.

26
27 Q. How did you derive those rates?

28
29 A. Mr. McArthur testified on MichCon's behalf that the capital costs for the
30 construction of the Gustin Pipeline, the Hamilton-Taggart Pipeline and the
31 related metering and carbon dioxide removal facilities represented
32 approximately 40% of the total \$170 million capital cost of the facilities
33 comprising the Antrim Expansion Project. Assuming, as I believe, that such
34 Gustin Pipeline related facilities are similar in type to all of the facilities

2706

1 comprising MichCon's Antrim Expansion Project, the **components** of **cost** of
2 service for the Gustin Pipeline related facilities and operations **should**
3 generally be equal to **40%** of the total cost of service for the entire MichCon
4 Antrim Expansion Project.

5
6 The **substitution** by MichCon **of** the ANR Agreement and Taggart compression
7 facilities for. **the** Hamilton-Taggart Pipeline should **not change** these.
8 conclusions. Testifying during cross-examination, Mr. Kurmas stated that
9 the **costs** of the **ANR** Agreements and Taggart compression facilities were
10 approximately equal **to the** costs of the Hamilton-Taggart **Pipeline**. In
11 addition, Mr. Stanczak, in his Supplemental Testimony filed on behalf of
12 MichCon, testified that **replacing** the Hamilton-Taggart Pipeline with the **ANR**
13 Agreements **and Taggart** compression facilities would not change the cost of
14 service as originally proposed.

15
16 **Therefore**, the total cost of service for the Gustin Pipeline related **facilities**
17 and operations should **equal** about **40%** of the **total cost** of service of the entire
18 **Antrim** Expansion Project. To **obtain** the rates **per Mcf** attributable to the
19 Gustin Pipeline related facilities and operations, I took **40% of the** total second
20 year cost of service, as set forth on Exhibit A-152 (**DMS-11**), line 11, and
21 **divided** it by the yearly volumes attributable to the 95,000 Mcf per day
22 maximum capacity of the Gustin Pipeline. **This** calculation produces **574 per**
23 **Mcf**. The \$1.14 per Mcf was obtained in the **same** manner, but based on yearly
24 volumes equal to **50%** of the 95,000 Mcf per day.

25
26 **Q.** Do you consider the **26.5¢** per Mcf rate excessive?

27
28 **A.** **Yes.** The excessive costs **fairly** attributable to the Gustin Pipeline related
29 facilities and operations has a dreadful impact on the 26.5¢ rate per Mcf
30 MichCon proposes. Of the **510,000** Mcf per day total volumes to be transported
31 on the entire Antrim Expansion Project, a **maximum of 95,000** Mcf per day can

2707

1 be handled by the Gustin Pipeline related facilities, or approximately 18.6% of
2 the total volume attributable to the project. However, the costs attributable
3 to the Gustin Pipeline related facilities and operations represent approximately
4 40% of the total cost of service of the facilities and operations comprising the
5 Antrim Expansion Project. The Gustin Pipeline related facilities are,
6 therefore, cost prohibitive, even assuming full deliveries of 95,000 Mcf per
7 day for ten years, which is an unrealistic assumption.

8
9 Q. Why do you state that an assumption of 95,000 Mcf per day for the Gustin
10 Pipeline related facilities is unrealistic?

11
12 A. The evidence in this proceeding fails to support the existence of 95,000 Mcf
13 per day of proven gas reserves which will be available for transportation, or
14 could only be transported, on the Gustin Pipeline. In addition, even MichCon
15 projects the need for the transportation capacity of the Antrim Extension
16 Project to be at 510,000 Mcf per day for only four of its ten year life.

17
18 Q. Have you determined what the blanket transportation rate would be if the
19 Gustin Pipeline related facilities and operations are not included as a part of
20 the Antrim Expansion Project?

21
22 A. Yes. I estimate the blanket rate would reduce to about 18¢ per Mcf at the
23 proposed throughput volumes of 510,000 Mcf per day. However, even if all
24 of the 95,000 Mcf per day volumes attributed to the Gustin Pipeline are
25 removed from that total, which is being overly conservative, I estimate the
26 blanket rate would reduce to approximately 19¢ per Mcf.

27
28 Q. How did you derive those rates?

29
30 A. I reduced MichCon's total second year cost of service shown on Exhibit A-152,
31 line 11, by 40%, representing the deletion of the Gustin Pipeline related

2708

1 facilities and operations, and divided the resulting cost of service by the
2 yearly volumes attributable to 510,000 Mcf per day. This resulted in a 160 per
3 Mcf rate. By reducing the volumes to 415,000 Mcf per day, the rate becomes
4 19.7¢ per Mcf.

5
6 Q. What other positions have H. L. Brown, Jr. and Mackinaw taken in this
7 proceeding?

8
9 A. In the event that the Commission approves the Gustin Pipeline, we believe that
10 the pipeline should not parallel the Spartan Pipeline, but should originate at
11 Spartan's eastern terminus.

12
13 Q. What is the basis for this position?

14
15 A. As proposed, the Gustin Pipeline parallels the Spartan Pipeline for
16 approximately 8-9 miles. This represents approximately 20% of the total length
17 of the Gustin Pipeline. Construction of the paralleled portion of the Gustin
18 Pipeline would result in an unnecessary duplication of facilities that is
19 wasteful, and would result in transporters on the Antrim Expansion Project
20 incurring higher transportation costs. No evidence exists showing that
21 existing facilities cannot handle the volumes of gas to be transported from the
22 area. Further, MichCon witnesses have acknowledged that Spartan has
23 indicated a willingness to convert the eastern five miles of its system from
24 wet, two-phase service to single phase dry service in order to transport
25 Antrim gas in that segment.

26
27 Q. Does this conclude your testimony?

28
29 A. Yes, it does.

PHILLIPS CROSS SMITH

2709

JUDGE MACE: Mr. Smith.

MR. SMITH: Thank you, Your Honor.

CROSS-EXAMINATION

BY MR. SMITH:

Q Good morning, Mr. Phillips.

A Good morning, sir.

Q How are you?

A Very well, sir.

Q Good.

Would you agree that a flat rate for deliveries to all four markets, the four markets being Great Lakes, ANR, MichCon and Consumers Power with respect to the so-called gathering process is imperative in order to ensure market competition?

A Yes, sir.

Q At page 6, line 22 through 26 of your prefiled testimony, you say that even if all of the 95 thousand Mcf per day volumes were removed, that's being overly conservative. What do you mean by being overly conservative?

A Well, I believe that there are Antrim volumes that would be produced into that line, and already I don't feel that 95 million is there today. But taking out the full 95, I think would be overly conservative.

Q So that by use of that term, you are saying that you are

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

LASER STOCK FORM FMU

THE CORBY GROUP 1-800-265-5040

PHILLIPS CROSS SMITH

2710

1 trying to give the benefit of the doubt to the
2 petitioner when you're making your comment here?

3 A Yes, sir, that's correct.

4 Q Okay. Do you agree with the transport numbers that
5 have been utilized, I think 365 for the dry header and
6 50 for Saginaw Bay Lovells and 95 for the Gustin line?

7 A As proposed or --

8 Q Yes.

9 A Yes, sir.

10 Q Are you familiar with the SWEPI modified position or
11 maybe I should put it the MichCon position which SWEPI
12 has suggested modifications to?

13 A I've read that in Mr. -- I believe that was in Shell
14 testimony.

15 Q Mr. Russell's testimony?

16 A Mr. Russell, that's correct, Robert Russell.

17 Q And you know that in his testimony, he advocates
18 including the Spartan line as a rolled in or having that
19 rolled into the system?

20 A Yes, sir, as do we.

21 Q And would you agree that that provides a better way of
22 assuring the market competition?

23 MR. O'CONNELL: Your Honor, I'm
24 going to object. We just had testimony here that the
25 two parties at least on this issue are aligned and I

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

LASER STOCK FORM FMU

THE CORBY GROUP 1-800-255-5040

PHILLIPS CROSS SMITH

2711

1 don't see this being appropriate cross-examination.

2 JUDGE MACE: Mr. Smith.

3 MR. SMITH: I'm not aware of any
4 rule, Your Honor, that says that because somebody might
5 agree with another party that **you** can't ask him a
6 question about **it**.

7 JUDGE MACE: I'll allow **it** at this
8 point, but **it's** not --

9 MR. SMITH: I have no intention of
10 milking **it**, Your Honor.

11 JUDGE MACE: Very well.

12 MR. SMITH: Thank you.

13 THE WITNESS: I feel that the rolled
14 in rate is the **most** cost effective way for the producer
15 to get the **gas** to market in a least cost manner.

16 Q (BY MR. SMITH, CONTINUING) And that assures market
17 competition more **so** than if **it's** not rolled in, correct?

18 A Well, I don't know how we would define market
19 competition, but I think that **it** provides the least cost
20 method to get to market.

21 Q Okay. At page 5 and again at page 6 of your testimony,
22 **you** make a reference to throughput volumes of **510** Mcf
23 **per** day?

24 A Yes, sir, I **do**.

25 Q Would you define or describe --

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

LASER STOCK FORM FMU

THE CORBY GROUP 1-800-255-5040

MR. ERICKSON: You mean MMcf?

JUDGE MACE: Just a moment. Mr.

Erickson.

MR. ERICKSON: I thought that might have been misspoken. There was a reference in the question I thought to 510 Mcf as opposed to MMcf. I just wanted to clarify that that was --

MR. SMITH: Did I say 557 I'm sorry. I mean, 510,

THE WITNESS: 510 thousand Mcf, yes, sir.

Q (BY MR. SMITH, CONTINUING) Right, Would you define what that number refers to?

A I believe that that's the total projected volume of all of the Antrim gas to be moving through the wet header in the expansion of this project, the current wet header and also the proposed MichCon expansion,

Q Does that also include Antrim production which is off-system?

A Off-system that's not directly delivered into the wet header currently or --

P Off-system in the sense that it will not be delivered into the new dry header or that it will not go into the Saginaw Bay Lovells.

A No, sir, I don't believe so. I believe that's the total

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

PHILLIPS CROSS SMITH

2713

1 volume that would be able to be delivered into this
2 system.

3 Q All right. And by this system, are you including the
4 new proposed dry header, the Gustin line, and the
5 Saginaw Bay Lovells line?

6 A Yes, sir, I am.

7 3 So that any production that did not go through those
8 three lines that we've just identified, you have not
9 taken into consideration in terms of your 510 figure?

10 A That's correct.

11 Q Where did you get the 510 figure?

12 A I believe that was in the MichCon direct testimony.

13 Q Okay.

14 A As I recall,

15 Q Would it be fair to say that that's not some independent
16 judgment that you've made in terms of arriving at that
17 figure?

18 A No, sir.

19 Q That's a figure that you took from the either prior
20 testimony or prior filing?

21 A That's correct.

22 Q And is it fair to say that you've made no judgment as to
23 whether or not that's an accurate figure?

24 A Independent evaluation or judgment, no, sir, I have not.

25 Q Thank you. Would it be fair to say that in terms of new

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

LASER STOCK FORM FMU

THE CORBY GROUP 1-800-255-5040

PHILLIPS CROSS SMITH

2714

1 wells that you expect to be drilled in the east, that
2 you would anticipate them to produce something in the
3 area of 100 to 150 Mcf a day?

4 A The east being?

5 Q Alcona, Alpena, Oscoda, East Morency -- Montmorency.
6 I'm sorry.

7 A I believe that's possible but not having any proven
8 reserve data of wells drilled, then that would be
9 speculation but it's possible.

10 Q Have you reviewed the testimony of projected drilling in
11 the eastern area as I've just described it?

12 A Yes, sir, I have.

13 Q Do you have an opinion as to what future drilling will
14 take place?

15 A I think that based upon the activity that we've seen to
16 date, and the movement of the Antrim play from the west
17 to the east, that once we have the pipeline
18 transportation constraints resolved, that drilling
19 should resume.

20 Now as to whether or not those wells
21 will prove to be commercially productive, I don't know,
22 that would be speculation but I think the drilling would
23 in fact resume.

24 Q Do you expect the Spartan line to be loaded to capacity?

25 A Yes, sir.

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

LASER STOCK FORM FMU

THE CORBY GROUP 1-800-255-5040

PHILLIPS CROSS SMITH

2715

1 Q What is the capacity?

2 A Well, that's a very difficult question to answer, due to
3 we'd need to make some assumptions **of** on a stand alone
4 basis, as is today, without the Saginaw Bay Lovells
5 extension interconnect, and at a maximum operating
6 pressure of **1440 psi**, somewhere in the neighborhood of
7 **75 to 80** million a day.

8 Now we throw in the other factors,
9 we could come up with a lot **of** different scenarios, when
10 you add the Saginaw **Bay** Lovells extension which comes in
11 at the **midway** point.

12 Q All right. Let's assume **for** just a minute --

13 A okay.

14 Q -- that that connection **has** been made?

15 A Right .

16 Q **What** would the capacity be then?

17 A I don't know.

18 Q Okay. You've not done **any** studies to determine that?

19 A No, we have **not**.

20 Q Have you investigated possibilities **of** adding
21 compression upstream **of** the Lovells interconnect?

22 MR. O'CONNELL: Your Honor, I'm
23 going to object only as to the question that asks for
24 you. You being --

25 MR. SMITH: I'm sorry. I'll be

DOLMAN & ASSOCIATES, INC.
P.O. %OX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

LASER STOCK FORM FMU

THE CORBY GROUP 800-255-5040

PHILLIPS CROSS SMITH

2716

1 happy to change that, Your Honor.

2 MR. O'CONNELL: I mean, I'm looking
3 at Mr. Phillips' testimony and he's testifying on behalf
4 of H.L. Brown and Mackinaw, and the last series I've
5 heard is all about Spartan Pipeline. I don't know which
6 hat Mr. Phillips is wearing. Thank you.

7 MR. SMITH: Well, Your Honor, we're
8 looking at an entire system here and that's what the
9 applicant has presented to the Commission, to you and to
10 the Commission to take a look at it, and I think I'm
11 entitled -- I'm not going to go into it in great detail
12 but I think I'm entitled generally to go into that.

13 MR. O'CONNELL: I'll withdraw the
14 objection then with that condition.

15 Q (BY MR. SMITH, CONTINUING) Do you know if Spartan has
16 investigated the possibilities of adding compression
17 upstream of the Lovells interconnect?

18 A Yes.

19 Q Do you know what those possibilities are?

20 A No, sir, I do not.

21 Q Do you know that Spartan has investigated the
22 possibilities of looping its line so as to add
23 additional capacity?

24 A In a very preliminary manner, yes.

25 MR. SMITH: Thank you. That's all I

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

LASER STOCK FORM FMU

THE CORBY GROUP 1-800-255-5040

PHILLIPS CROSS ERICKSON

2717

1 have, Your Honor. Thank you very much, Mr. Phillips.

2 JUDGE MACE: Mr. Erickson.

3 MR. ERICKSON: Thank you, Your
4 Honor.

5 CROSS-EXAMINATION

6 BY MR. ERICKSON:

7 Q Good morning, Mr. Phillips.

8 A Morning, Mr. Erickson.

9 Q Mr. Phillips, let me take you back to page 6, lines 22
10 to 26 that you discussed a moment ago with Mr. Smith.
11 Do you have that?

12 A Yes, sir, I do.

13 Q As I understand your answer on lines 22 to 26, the
14 difference between your 16 cents per Mcf and your 19.7
15 cents per Mcf is the difference between the flow of 510
16 million cubic feet a day, and 415 million cubic feet a
17 day?

18 A That's correct.

19 Q And when you say you're being overly conservative, it
20 was my understanding that what you meant by that was
21 that you wouldn't expect that all of the flow would be
22 lost if the Gustin line wasn't built.

23 Could you clarify your position in
24 light of my understanding of what you said to Mr. Smith
25 earlier?

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

LASER STOCK FORM FMU

THE CORBY GROUP 1-800-255-6040

1 A Well, I believe that there are some volumes that could
2 be transported and those volumes if in fact the Gustin
3 line is not built **could flow** through Spartan **from** a
4 producer gathering line into Spartan.

5 When I **say** that being overly
6 conservative, that was taking out the full 95 thousand
7 Mcf per day. **In** essence what **I** was doing **is** giving
8 MichCon the full benefit **of** the doubt.

9 P **okay. Would you turn to page 3 of your prefiled**
10 **testimony?**

11 A Yes.

12 Q On line **16** through **18** you indicate or attribute a
13 **statement to Mr. Kurmas from** the testimony. Could you
14 **give us a** record reference to that **if you have it?**

15 A I don't have that.

16 Q **Okay. Turn to page 4 of your prefiled testimony, the**
17 **answer on lines 5 through 92**

18 A Yes, **sir.**

19 Q **I just want to be sure that I understand the math used**
20 **to develop the .8 cents per Hcf figure. As I understand**
21 **it you took 50 thousand Wcf per day flowing on Spartan,**
22 **multiplied that by some rate per Mcf times 365 to get an**
23 **annual cost, and then divided that annual cost by 510**
24 **million Mcf per day times 365?**

25 A **510 thousand Mcf a day.**

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

LASER STOCK FORM B10

THE CORBY GROUP 1-800-255-5040

1 Q Yes.

2 A That s corr ct.

3 Q What was the rate that you multiplied times the 50
4 thousand Mcf per day to calculate the dollars?

5 A Eight cents.

6 Q And as I understand it, this is just a nominal dollar
7 calculation without attempting to get into
8 sophistication of present valuing over a period of
9 years?

10 A That's correct.

11 Q And as I understand it, as the volume on Spartan went up
12 or down, assuming the other volumes transported didn't
13 change, there would be a direct -- *the* .8 cents would
14 not change?

15 A That's correct.

16 Q Well, I *guess* it would change some because the weighting
17 effect, if all you did was increase the total by the
18 Spartan volume increase, you'd be spreading the eight-
19 tenths of a cent?

20 A Over more volumes.

21 Q Over more volume?

22 A Mathematically, that's correct, but that's not what I
23 did here. All I did is take a point in time with 50
24 thousand a day, divided by the 510, to yield that ratio,
25 and multiplied by the rate of 8 cents to get .8.

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

PHILLIPS CROSS ERICKSON

2720

1 P Now as I understand it your testimony on page 5, lines
2 16 through 24 explain your calculation of the 57 cents
3 which also appears on page 4, line 23; am I correct?

4 A Yes, sir, you are.

5 P What would happen to your 16 cent or your 19.7 cent per
6 Mcf rate if we were to assume a change in total
7 throughput upward without a change in other than the
a variable costs?

9 A If the total volume increased?

10 Q Yes.

11 A And you did not have a change in the variable costs?

12 Q No. You did have a change in variable costs but no
13 increased fixed costs.

14 A Then I believe the rate would decrease.

15 P And vice versa if you decrease the volumes, under those
16 circumstances, the rate would increase?

17 A Yes, sir.

18 Q With regard to your testimony on page 7, lines 9 through
19 11, is that a reference to the portion of the Gustin
20 line which was proposed to be built in Rust Township of
21 Montmorency County?

22 A I don't know the specific township without looking at a
23 map, but it would be the eastern-most segment of the
24 Spartan line. I believe it was across --

25 Q You said eastern. Eastern-most segment would be over by

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

LASER STOCK FORM FMU

THE CORBY GROUP 1-800-255-5040

1 Harrisville *of* the -- oh, you said Spartan line, I'm
2 sorry.

3 A Of Spartan. It's the portion which crosses the Turtle
4 Lake Hunt Club.

5 Q So it's right on the boundary between Alpena County and
6 Montmorency County?

7 A That's correct.

8 MR. ERICKSON: Okay. I have no
9 further questions, Your Honor.

10 JUDGE MACE: Okay. Thank you. Mr.
11 Alsup. I'm sorry. You're -- I'm just looking at my
12 list here. Mr. Burgess.

13 MR. BURGESS: Thank you very much.

14 CROSS-EXAMINATION

15 BY MR. BURGESS:

16 Q I have a couple questions about the Great Lakes tap.
17 I'm just curious. Part of your testimony, it's on page
18 2, line 31 indicates that you're familiar with some of
19 the changes that have occurred in the proposals.

20 And the two questions I have really
21 are, do H.L. Brown and Mackinaw Energy support inclusion
22 of a tap and metering facilities into the Great Lakes
23 system as part of the Antrim system authorized by the
24 Commission?

25 A I wouldn't be averse to it per se.

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

1 Q And the other question I have is, similarly, would the
2 design of the system authorized be such in your point of
3 view that pressure should allow entry into any of the
4 delivery points?

5 A I think that would be logical, yes.

6 MR. BURGESS: Thank you, Your Honor.
7 That's all I have.

8 JUDGE MACE: Mr. Worman is not here
9 this morning. Mr. Gallagher.

10 MR. GALLAGHER: No questions.

11 JUDGE MACE: Mr. Fields.

12 MR. FIELDS: Thank you, Your Honor.

13 Just a few questions.

14 CROSS-EXAMINATION

15 BY MR. FIELDS:

16 Q Good morning, Mr. Phillips.

17 A Morning, Mr. Fields.

18 Q Am I correct that H.L. Brown does transport gas through
19 the Spartan Pipeline?

20 A Yes, sir.

21 Q Have you, and by that I mean, H.L. Brown, had
22 discussions with MichCon concerning possibly including
23 the Spartan Pipeline as a vendored pipeline
24 interconnecting with their Antrim Expansion Project?

25 MR. O'CONNELL: Objection, Your

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

1 Honor. If the question is, did H.L. Brown have
2 discussions, I would have no objection.

3 MR. FIELDS: I think that was the
4 question.

5 MR. O'CONNELL: I thought the
6 question said did H.L. Brown and Spartan have
7 discussions but --

8 MR. FIELDS: Well, if I did say "and
9 Spartan," we'll delete the "and Spartan". I don't
10 believe I did.

11 MR. O'CONNELL: Thank you.

12 JUDGE MACE: So do you understand
13 the question now?

14 THE WITNESS: Yes, ma'am.

15 JUDGE MACE: Can you answer it?

16 THE WITNESS: Yes, ma'am.

17 JUDGE MACE: Go ahead.

18 THE WITNESS: H.L. Brown, Jr. as a
19 gas transporter has not had discussions directly with
20 MichCon on providing vendored service.

21 MR. FIELDS: I have no further
22 questions, Your Honor.

23 JUDGE MACE: Okay. Mr. Ault.

24 MR. AULT: No questions.

25 JUDGE MACE: Our next cross examiner

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

PHILLIPS CROSS O'CONNELL

2724

1 would be Mr. Sage and then we'd go to Mr. Derengoski. I
2 guess I'm going to suggest that at this point we adjourn
3 until the prehearing conference they're involved with is
4 completed and they can come back.

5 The only other alternative would be
6 for you to go ahead and cross examine, Mr. O'Connell,
7 which would put you in the position of cross examining
8 earlier than the last position. It's up to you.

9 MR. O'CONNELL: Let me just offer
10 this, is that I'll proceed with cross-examination, if
11 there are any areas which are raised through Mr. Sage or
12 Mr. Derengoski's cross which I feel that I would need to
13 explore briefly, I'll raise that question and have you
14 make that determination.

15 JUDGE MACE: Okay. Go ahead.

16 MR. O'CONNELL: Thank you.

17 CROSS-EXAMINATION

18 BY MR. O'CONNELL:

19 Q Morning, Mr. Phillips.

20 A Morning, sir.

21 Q Sir, you state on the top of page 3 that you represent
22 H.L. Brown and Mackinaw's transportation customers.

23 My question is, does H.L. Brown
24 and/or Mackinaw have any financial or organizational or
25 business interest in the Spartan Pipeline?

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

LASER STOCK FORM FMU

THE CORBY GROUP 1-800-255-5040

1 A H.L. Brown, Jr. does, yes, sir.

2 Q And what is that interest?

3 A H.L. Brown, Jr. is the president of HLB, Inc. that is
4 the managing partner of the Spartan Intrastate Pipeline
5 System and operator of that system.

6 Q So H.L. Brown, is there a separate entity -- strike
7 that.

8 So in fact H.L. Brown, Jr. is
9 Spartan Pipeline?

10 A No, sir, that would be a mischaracterization.

11 Q H.L. Brown, Jr. is through a corporation the managing
12 partner and operator of the Spartan Pipeline?

13 A That is true.

14 Q So H.L. Brown, Jr. stands to have a direct financial
15 benefit if the Spartan Pipeline were to be rolled in as
16 the service in this proceeding, would you agree?

17 A In an indirect manner, yes.

18 Q Does either H.L. Brown, Jr. or Mackinaw have any current
19 Antrim production that is being transported?

20 A Yes.

21 Q Sir, I'd like to show you this Exhibit 1-198 which is
22 the May Maness report.

23 May I approach the witness, Your
24 Honor.

25 JUDGE MACE: Very well.

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

1 Q (BY MR. O'CONNELL, CONTINUING) Where on that is --

2 MR. ERICKSON: Your Honor, I'm going
3 to object to the form of the question on the grounds
4 that it hasn't been established that the Maness report
5 identifies all parties having an interest in the gas
6 being transported.

7 And I believe as a matter of record
8 and foundation we need to understand whether the Maness
9 report identifies all interested parties before we use
10 that as a document to imply anything regarding who has
11 interests or what all of the interests in Antrim gas
12 are.

13 MR. SMITH: Your Honor, I would join
14 the objection and I think that the Maness report is
15 being used out of context,

16 The Maness report as I understand it
17 identifies producers, and the question went to
18 transporters, As I recall the question it was, did
19 response was yes. So I'm not sure what the purpose of
20 use of the exhibit is.

22 JUDGE MACE: Mr. O'Connell.

23 MR. O'CONNELL: Those are two very
24 good series of questions, that if H.L. Brown and/or
25 Mackinaw are not represented on the Maness report, we'd

1 probably seek an explanation why.

2 JUDGE MACE: I'll allow the
3 questions and answers. There's an opportunity for
4 redirect if Mr. Alsup wants to explore and bring into
5 the record more information about the Maness report.

6 THE WITNESS: The Albert Loud
7 project listed under Shell Western E&P, Mackinaw Energy
8 purchases approximately 3,000 Mcf per day of the 5,600
9 Mcf represented on this report. Transports that gas
10 over to the Spartan line and also the MichCon wet header
11 system through a transportation agreement between
12 Mackinaw and MichCon.

13 Q (BY MR. O'CONNELL, CONTINUING) Fair enough. Thanks.

14 Now that was Mackinaw?

15 A Mackinaw Energy, yes, sir.

16 Q How about H.L. Brown, does H.L. Brown currently produce
17 any and/or transport Antrim gas?

18 A H.L. Brown currently only transports Prairie Du Chien
19 gas which holds leasehold rights with potential Antrim
20 production capability of holes that may be developed in
21 the future,

22 Q So the answer to my question is no?

23 A At this point in time, H.L. Brown, Jr. does not
24 transport any Antrim production on the wet header.

25 Q Thank you. Have you, Mr. Phillips, ever testified on

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

1 behalf of the Spartan Pipeline?

2 A Yes, sir, I have.

3 Q Are you employed by the Spartan Pipeline Company?

4 A No, sir. I'm employed by H.L. Brown, Jr.

5 Q Are you testifying on behalf of Spartan Interstate
6 Pipeline in this proceeding?

7 A No, sir, I'm not.

8 Q Do you manage in any way the affairs of the Spartan
9 Interstate Pipeline Company in your employment with H.L.
10 Brown, Jr.?

11 A Yes, sir, I do.

12 MR. O'CONNELL: Your Honor, I'm
13 going to move to strike testimony of Mr. Phillips
14 regarding his testimony on the -- regarding the Spartan
15 Pipeline system, beginning on page 3, line 7, through
16 page 4, line 9.

17 The reason is that Spartan was an
18 intervenor in this case, it subsequently withdrew. The
19 testimony as it's written and as I took it without any
20 ability to cross examine says that Mr. Phillips is here
21 as a gas transportation customer.

22 But there's an inexorable linkage
23 now between Spartan and this testimony, and now it comes
24 to light that this is really testimony on behalf of
25 Spartan which is not a party and in which Michigan

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

LASER STOCK FORM FMU

THE CORBY GROUP 1-800-255-5040

1 Consolidated did ask for at least some discovery on the
2 Spartan Pipeline, particularly its cost of service, and
3 it was responded that Spartan was not a party in this
4 case, and there was an objection.

5 So I believe that a motion to
6 strike, although it hadn't been submitted in writing
7 earlier, is appropriate at this time.

8 Thank you.
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

1 MR. ERICKSON: Your Honor, may I
2 speak in opposition as well as Mr. Alsup?

3 JUDGE MACE: Yes, after Mr.
4 Alsup.

5 MR. ALSUP: Your Honor, we
6 disagree with Mr. O'Connell's position on the face of
7 it. The testimony, on the face of it, asserts that
8 Mackinaw and H.L. Brown, Jr. transport gas in the
9 Spartan pipeline. The testimony says that if Spartan
10 is not included as a vendored service, then those
11 transporters, as gas transporters on Spartan, will be
12 required not only to pay the Spartan tariff, but will
13 also be required to pay the MichCon project tariff
14 of -- which is now being suggested at about 26 1/2
15 cents.

16 And so those transporters would
17 be required to pay 26 1/2 cents plus their zone rates
18 in effect on Spartan. So they would be obligated to
19 pay an additional 4 to 9 1/2 cents in addition to the
20 26 1/2, and it's suggested that those transporters on
21 the Spartan pipeline would suffer hardship and would
22 suffer what Mr. Phillips has described as a
23 discriminatory position because of these additional
24 transportation rates.

25 Those injuries being suggested by

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

2731

1 Mr. Phillips in his testimony are injuries that would
2 be suffered by those transporters. It has absolutely
3 nothing at all to do with the interests of Spartan.
4 It has to do with the interests of those transporters
5 and what additional rates they would be required to
6 pay, just as would all the other transporters on
7 Spartan, that those feeding into a vendored service
8 line would not be obligated to pay because of the
9 inclusion of those other lines in the MichCon
10 proposal.

11 JUDGE MACE: Does that conclude
12 your remarks?

13 MR. ALSUP: Yes, Your Honor.

14 JUDGE MACE: Mr. Erickson?

15 MR. ERICKSON: Your Honor, Mr.
16 O'Connell's motion to strike should be denied for two
17 basic reasons. Number one, it's untimely. Number
18 two, because there's absolutely no law to support the
19 motion.

20 The testimony is relevant. MRE
21 402 says relevant testimony comes in. Mr.
22 O'Connell's motion simply talks about some kind of a
23 benefit that Spartan may get. Spartan isn't
24 sponsoring the testimony. There may be a
25 relationship between those who are and Spartan.

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

2732

1 But that doesn't make it
2 inadmissible. I'm not aware of a single ruling by
3 the MPSC that says that a party who has a
4 relationship with somebody who is a nonparty can't
5 sponsor testimony that the nonparty might like to
6 have sponsored, so long as it's relevant. I'm not
7 aware of a single ALJ who has made such a ruling.

8 And furthermore, I believe that
9 under the Administrative Procedures Act, the
10 Commission's own rule regarding evidence, that we
11 have to at least apply basically the rules of
12 evidence to the extent they're practicable. And in
13 that light, the relevance of the testimony makes it
14 admissible.

15 And I think that Mr. O'Connell's
16 position is disingenuous. MichCon intervenes in
17 other parties' cases and puts in testimony that would
18 only relate to MichCon's benefit in its own case, and
19 that testimony is being offered because of its
20 *relevance* in the other case. And I think that we
21 can't have the Commission, without a single rule of
22 evidence, without a single case, without a single
23 decision of the Commission itself, that results in
24 the striking of relevant testimony because of some
25 perceived benefit to a nonparty.

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

1 And for the lack, the total lack
2 of any legal basis for the motion, as well as for the
3 fact that the relationship between H.L. Brown and
4 Spartan has been manifested -- in fact, if I recall,
5 Spartan initially was represented and admitted as an
6 Intervenor to this case. So the timeliness of the
7 motion also is defective. Because this isn't
8 something Mr. O'Connell needed to develop -- develop
9 testimony before he could make a basis for his
10 argument.

11 JUDGE MACE: Mr. O'Connell.

12 MR. O'CONNELL: Yes, Your Honor,
13 very briefly. We had requested, if you look at the
14 testimony there and particularly on the top of Page 4
15 where there's some assumptions about including the
16 Spartan pipeline, we asked for information regarding
17 the Spartan pipeline to perhaps counter that. And
18 that was a discovery question, and there was an
19 objection.

20 It was Discovery Question 4, and
21 it says -- and I quote -- "respondents object and
22 request seeking information from Spartan for the
23 reasons that Spartan is not a party to this
24 proceeding, and neither of the respondents is
25 authorized to provide such information."

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

1 My point here is that Mr.
2 Phillips is talking about Spartan pipeline. This
3 whole area of questioning goes to the Spartan
4 pipeline, as to why it should be in not just as a
5 vendored service but at a rate, and we couldn't go
6 behind it.

7 To me, this is Spartan pipeline
8 testimony. And under these circumstances, I agree
9 that it is not a customary or normal motion. And I
10 am not trying to establish any precedent or trying to
11 blindsides any party. I believe simply upon the facts
12 that were elicited on cross-examination, that under
13 the circumstances it's appropriate to strike this
14 testimony. Thank you.

15 MR. ALSUP: Your Honor, can I
16 respond to that?

17 JUDGE MACE: No, that's all. I'm
18 not going to strike the testimony. I'm concerned
19 about the timeliness of bringing a motion like this.
20 However I recognize that, Mr. O'Connell, you may have
21 been precluded from making such a motion in an
22 earlier time because Spartan was in the case at one
23 time, at least at the time when you would have filed
24 motions to strike.

25 Even though I'm allowing the

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1658

LASEP STOC < CDAM ITU

THE CORBY GROUP 1-800-255-5040

1 testimony into the record, it's only on the basis of
2 the lack of timeliness of your motion. I have -- I
3 myself have problems with the status of testimony
4 like this being brought in by a less than
5 independent, quote, "transporter." And I think it's
6 really of dubious benefit to the record, and I'm
7 not -- in allowing this testimony in, I'm not in any
8 sense agreeing with the arguments Mr. Erickson raised
9 about relevance and so on, because I think there's a
10 severe problem with standing to bring this kind of
11 testimony in.

12 It really does appear to me that
13 it's Spartan testimony brought in by another party.
14 But nevertheless, I think Mr. O'Connell has asked
15 enough questions in his cross-examination to bring
16 out what the problems with this testimony are, and
17 his motion is not timely. So I'm going to allow it
18 in at this point.

19 MR. O'CONNELL: Thank you.

20 JUDGE MACE: Do you have any more
21 cross of this witness?

22 MR. O'CONNELL: Yes.

23 JUDGE MACE: Go ahead.

24 Q (BY MR. O'CONNELL, CONTINUING) Sir, if you could
25 turn to the top of Page 4, Lines 5 through 9. There

1 you explain how you arrived at an eight-tenths of a
2 cent cost that you submit you would tack on or that
3 would be absorbed by MichCon in order to assimilate
4 the Spartan pipeline into its system. Do you see
5 that?

6 A Well, I think tack on --

7 MR. ALSUP: Your Honor, I object
8 to the form of the question. It assumes that MichCon
9 would be absorbing some cost. There's no foundation
10 in the record to establish that MichCon would absorb
11 any transportation cost.

12 MR. O'CONNELL: Well, let's go
13 back then.

14 Q (BY MR. O'CONNELL, CONTINUING) Line 7 through Line
15 8. You calculate the rate impact would be an
16 incremental eight-tenths of a cent, correct?

17 a Per Mcf, yes, sir.

18 Q All right. Who would pay that eight-tenths of an
19 Mcf?

20 A The transporter with a transportation contract with
21 MichCon.

22 Q Who would the transporter pay that to?

23 A MichCon.

24 Q So you're saying that under your scheme of things,
25 there would be a transportation contract with

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

LASER STOCK FORM FMU

THE CORBY GROUP 1-800-255-6040

PHILLIPS CROSS O'CONNELL

2737

1 Michigan Consolidated **for** a rate. And let's call it
2 25 cents.

3 MR. ALSUP: Your Honor, I object
4 to the **form of** the question. It assumes that Mr.
5 Phillips **is** suggesting some scheme for MichCon to
6 collect **fees**, and the scheme under which MichCon
7 would collect fees is spelled out in its own
8 application and evidence, **Your** Honor.

9 JUDGE MACE: Any response?

10 MR. O'CONNELL: I'm asking him
11 how **this** eight-tenths **of** a cent that he has in there,
12 who pays **it**, and how.

13 JUDGE MACE: Overruled.

14 THE WITNESS: It would **b**
15 integrated into the MichCon transportation rate **as** a
16 vendored service, **as** is the Saginaw Bay
17 transportation **and** the CMS transportation.

18 Q (BY MR. O'CONNELL, CONTINUING) And then in turn, you
19 would expect -- I'm sorry, **not** you -- Spartan would
20 expect payment **of 8 cents** per Mcf.

21 A Spartan would expect **8 cents** per Mcf for the
22 transportation service provided on the Spartan
23 pipeline.

24 Q Okay. **And** MichCon, under -- **as** you understand the
25 concept, **would be** paying that to Spartan, the 8

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

PHILLIPS CROSS O'CONNELL

2738

1 cents.

2 A That would be the rate for the vendored service, the
3 8 cents per Mcf. Yes, sir, that's correct.

4 Q Not the eight-tenths of a cent.

5 A No, sir. That would be the rate that would be
6 integrated into the overall Antrim transportation
7 rate that would be paid by an Antrim transporter
8 under the Antrim Expansion Project.

9 Q And there was no work papers or other calculations to
10 determine this, sir?

11 A NO. It's a simple arithmetic average, as I described
12 to Mr. Erickson,

13 Q Okay. And on Line 7, you assume 50,000 Mcf per day,
14 correct?

15 A Yes.

16 Q And if that -- strike that. Sir, are you a qualified
17 expert in establishing cost of service rates?

18 A I am not an expert witness in establishing cost of
19 service rates, but I've been in cost of service rate
20 proceedings and have supervised those that have
21 prepared them.

22 Q Is there a cost of service rate established currently
23 for the proposed rates that you suggest in your
24 testimony?

25 A On the Spartan pipeline?

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

PHILLIPS CROSS O'CONNELL

2739

1 Q Yes.

2 A Yes, sir. And those rates went into effect May or
3 June of last year, after a cost of service rate
4 proceeding.

5 Q Is there anything more current?

6 A I don't know how much more current you could get.

7 Q Well . . .

8 A Than a currently established cost of service rate
9 that was certificated and approved here at the
10 Commission.

11 Q In 1993.

12 A It would have been -- went into effect June of '93,
13 yes, sir, that's correct.

14 Q What would be the rates on that starting in 1995 on a
15 cost of service basis, assuming a ten-year levelized
16 rate?

17 A What they currently are is three zone rates of 4
18 cents, 7 1/2 cents, and 9 1/2 cents.

19 MR. O'CONNELL: Your Honor, I
20 wish the answer be stricken as not being responsive.
21 I asked what would be the levelized ten-year rates
22 for 1995 on a cost of service basis.

23 MR. ALSUP: Your Honor, I would
24 object to the question. Mr. O'Connell is now moving
25 beyond asking what are the Spartan rates. Mr.

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

LASER STOCK FORM FMU

THE CORBY GROUP 1-800-255-5040

PHILLIPS CROSS O'CONNELL

2740

1 O'Connell is now moving into an area where he is
2 attempting to analyze the Spartan rates and perform
3 another rate analysis for Spartan.

4 I would suggest that Spartan's
5 rates are not at issue in this proceeding, that any
6 inquiry into analyzing Spartan rates other than
7 understanding what rates have been set by this
8 Commission is beyond the scope of this U-10547. I
9 would suggest that this question is not relevant to
10 any issue in this proceeding and is therefore
11 inadmissible.

12 If for some reason a finding
13 should be made that there is relevance, I would
14 suggest that an inquiry into trying to re-establish
15 rates already set by this Commission for Spartan
16 would cause undue delay and waste of time and should
17 not be permitted under MER 403.

18 I would also suggest that the
19 ruling on this matter of looking into Spartan's rates
20 ought to be viewed in the same way that Your Honor
21 viewed the striking of some of Mr. Myler's testimony
22 where it was stated by Your Honor at Page 2081 of
23 this transcript that you did not regard this
24 testimony, that is, the testimony of Mr. Myler, to be
25 relevant, that the definition that Mr. Erickson cited

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

PHILLIPS CROSS O'CONNELL

2741

1 to you from at least one of the cases that he cited
2 in the case that simply isn't relevant for the reason
3 that "it isn't going to help throw light on the
4 merits of the issues related to this particular
5 application."

6 I would suggest, Your Honor, that
7 Mr. O'Connell's efforts to look behind rates set by
8 this Commission only last year is not relevant to any
9 issue in this case and will not throw light on the
10 merits of any issue in this case.

11 MR. O'CONNELL: Your Honor, with
12 that argument, with -- which basically says they're
13 pulling Spartan rates in any -- in an attempt to
14 investigate the details or come up with some
15 alternative rates, with that argument saying they
16 don't believe that that's an issue, or that's
17 irrelevant, I'll withdraw the question. Thank you.

18 Q (BY MR. O'CONNELL, CONTINUING) Mr. Phillips, in
19 cross-examination by Mr. Smith you suggested that
20 this rolled in rate concept is at least, in your
21 opinion, effective. Do you recall that?

22 A I think I said it's the most cost effective means.

23 Q Now you propose, however, rolling out the Gustin
24 pipeline in your testimony.

25 A I don't believe I understand the question, rolling

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

PHILLIPS CROSS O'CONNELL

2742

1 out.

2 Q Right. You propose that the Gustin pipeline segment
3 on the east side not be included in the overall
4 project, correct?

5 A I don't believe that at this point in time the
6 construction of the Gustin pipeline is warranted.

7 Q If it were warranted, would you believe it was cost
8 effective?

9 A If there were a need for the line and the costs were
10 substantiated and there was a need for it, yes, that
11 should also be a rolled in service.

12 P So you don't have, then, a basic concern or a basic
13 problem, as you state in your testimony, that in your
14 opinion that the Gustin pipeline represents 40
15 percent of the total cost of service but less than 10
16 percent of the total volumes. That's still okay, if
17 the reserves are there.

18 A I have a problem -- I think what I said, my point
19 being is that my problem is the fact that 40 percent
20 of the capital cost of this expansion project is
21 associated with the Gustin line and the associated
22 treating required for that for an area that has no
23 proven reserves at this time.

24 Q I'm asking you that -- but it's the proven reserves
25 aspect that causes you to propose to eliminate the

DOLMAN & ASSOCIATES, INC.
P.O. BOX. 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

PHILLIPS CROSS O'CONNELL

2743

1 Gustin pipeline, not the fact that it is 40 -- in
2 your opinion, 40 percent of the total cost of service
3 for 15, 20 percent of the volumes.

4 A My basic underlying problem is that you don't have
5 the proven reserves to warrant that line, which would
6 be 40 percent of a project that all of the
7 transporters would have to pay in order to provide
8 MichCon the ability to build a big loop into their
9 Alpena system so they can move gas multi-
10 directionally.

11 It's not a line that's designed
12 to take the gas to market currently. It's totally
13 speculative.

14 Q And Im just -- just so we're sure. If the 95,000 a
15 day were proven, you would not be proposing to
16 exclude that pipeline on the basis that it's -- of
17 its cost in relation to the total cost of service.

18 A Based upon a strict look at the cost, I would have to
19 say no. But I think that you would also have to
20 evaluate and investigate alternative means with which
21 to get those 95,000 Mcf per day to market.

22 Q And under the inclusion -- strike that.

23 MR. O'CONNELL: I think that will
24 conclude my cross-examination, Your Honor.

25 JUDGE MACE: Well, that still

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

PHILLIPS CROSS O'CONNELL

2744

1 leaves us in the position of waiting for Mr. Sage and
2 Mr. Derengoski to return. So we'll take a recess at
3 this point, and I'll return to my office, come back
4 at around quarter after ten to see how things are.

5 If those two individuals should
6 return to the hearing room before then, though, could
7 I ask you, Mr. O'Connell, to call my office, and I'll
8 return and we can begin again right away?

9 **MR. O'CONNELL:** Yes, absolutely.

10 **JUDGE MACE:** Okay. We're
11 adjourned .

12 (Whereupon, recess
13 taken at 9:57 a.m.)

14
15
16
17
18
19
20
21
22
23
24
25

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

PHILLIPS CROSS SAGE

2745

(Whereupon, proceedings
reconvened at 10:33 a.m.)

JUDGE MACE: Mr. Sage, you would
be the next cross-examiner. Just to bring you up to
date, we went through the whole list, and including
Mr. O'Connell. And so you and Mr. Derengoski are the
only two left to cross-examine this witness.

If you ask any questions that Mr.
O'Connell feels he might need to address, I may allow
him some additional opportunity for
cross-examination. So if you're ready.

MR. SAGE: I'm ready.

JUDGE MACE: Go ahead.

MR. SAGE: Thank you, Your Honor.
And I'd also like to thank Counsel for their
indulgence. I apologize for the delay.

CROSS-EXAMINATION

BY MR. SAGE:

Q Mr. Phillips, good morning.

A Good morning, Mr. Sage.

Q And since I don't know what questions have been
asked, I'm assuming everybody will object if I ask
them again, and I'll try not to do that. I haven't
got very many questions of you.

Basically, what I'd like to know

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

PHILLIPS CROSS SAGE

2746

1 is do you know what the capacity of the Spartan
2 pipeline is today? And I'm talking about design
3 capacity?

4 A All right. Currently, as designed, as is today, at a
5 maximum operating pressure, allowable operating
6 pressure of 1440, it's on the order of 74,000 Mcf per
7 day up to about 80,000 Mcf per day.

8 And then we talked a little bit
9 also about when you add in an interconnection, as the
10 proposed Lovells extension from Saginaw Bay, that
11 increases the capacity somewhat. Also, if you add in
12 the Gustin line. And there's a lot of different
13 scenarios you could run with different interconnects
14 taking gas off the system.

15 Q And when you say -- I have the impression that this
16 has already been asked and it's been gone into in
17 detail.

18 A Mr. Smith.

19 Q okay.

20 A We visited about it. But that's fine, go ahead.

21 JUDGE MACE: Well . . .

22 MR. SAGE: I don't think we could
23 convince Your Honor of that, so I'll try to make sure
24 I keep them very limited, is all I want to be able to
25 do.

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

PHILLIPS CROSS SAGE

2747

1 **THE WITNESS: Yeah.**

2 2 **(BY MR. SAGE, CONTINUING) When you say a pressure of**
3 **1440 psi, is that the design pressure?**

4 1 **That's the maximum allowable operating pressure of**
5 **the line.**

6 2 **Okay. And what is the -- can you give me what the**
7 **pressure is on the eastern terminus today?**

8 1 **The eastern terminus today, which would be the**
9 **Farrier Road compression facility, is currently**
10 **operating, it averages, I would say, about 1175.**

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

PHILLIPS CROSS SAGE

2748

1 Q And then **if** you would please give me, if you know today,
2 what is the pressure at the -- I'll **say** the western
3 terminus, i.e. when it goes into the **C0-2** plant, prior
4 to going into the **C0-2** plant?

5 A The corresponding maximum operating pressure of the wet
6 header, which is 1050.

7 3 And then **you** had indicated that **as it** relates to
8 interconnect, **if** the Saginaw Bay Lovells was
9 interconnected, have you **estimated** how much additional
10 volume? You said some additional volume could **be**.

11 A **No**, sir, we haven't **run any** hydraulic evaluation **of**
12 **that**.

13 Q **Okay. Am I correct** that gas goes into the Spartan
14 Pipeline **on various points along the pipeline**?

15 A **Yes, sir, that's correct.**

16 Q **Do you** know today **how many** laterals are connected to the
17 **Spartan Pipeline**?

18 A I believe **10 to 12**.

19 Q **Okay. And am I correct then as it relates to** those
20 particular laterals, the pressure at the point the
21 lateral enters into the Spartan Pipeline would **be**
22 **somewheres** between the 1075 and **1050** you've just
23 **testified to?**

24 A **Yes, sir, that's correct.**

25 **MR. ERICKSON: I believe you might**

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

1 have misspoke. You said 1075, I think. And I think
2 it's 1175.

3 MR. SAGE: I'm sorry. Thank you. I
4 did say 1075. 1175 and 1050.

5 THE WITNESS: 1050 and 1175, yes.

6 Q (BY MR. SAGE, CONTINUING) Thank you. Is there
7 anything that prohibits the Saginaw Bay Pipeline today
8 from operating at a pressure of 1440 psi?

9 A I don't know what their MAOP -- or their maximum
10 operating pressure is.

11 Q I must have said the wrong one then.

12 A You said Saginaw Bay.

13 Q Yes, I did and I didn't mean it. I'm sorry.

14 The Spartan Pipeline, is there
15 anything in particular that you can tell me which limits
16 it to 1440?

17 A That's the design specifications of the pipe from which
18 the pipeline is constructed.

19 Q Okay. Let me do it this way.

20 A Okay.

21 Q I see the problem with my question.

22 You indicated that it operates
23 between 1050 and 1175 a day?

24 A Right.

25 Q What prohibits it today from operating at 1440, if you

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

PHILLIPS CROSS SAGE

2750

1 know?

2 A Nothing other than compression horsepower of the
3 producers in the field putting gas into the line-

4 Q Okay.

5 A And also the constraining factor is that the wet header
6 is operating at 1050, and we are unable to move any
7 additional volumes through the Spartan line due to the
8 curtailments of the Antrim transportation volumes being
9 accepted into the wet header.

10 Q What would remedy the -- do you know, do you have a
11 solution to increase the 1050 that's on the wet header
12 that would permit you then to operate at 1440?

13 A Any or all of these proposed expansion projects
14 including the MichCon proposal here.

15 Q That would permit you then to operate at 1440
16 approximately?

17 A It could. I think we're looking at it a little bit -- a
18 little backwards.

19 If we were able to move more volume
20 into the wet header or an expansion of the wet header,
21 we might see a pressure drop on their proposed expansion
22 and correspondingly on the Spartan line.

23 So I think we might be able to move
24 more gas at a lower pressure. If the producers had
25 sufficient compressor capacity to move more gas into the

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

LASER STOCK FORM FMU

THE CORBY GROUP 1-800-255-6040

1 Spartan line, then we would see the Spartan line
2 pressure rise to 1440.

3 But at this time the producers have
4 found that that's inefficient because of the cost of
5 that additional compression and coupled with the
6 inability to even if they were able to get the gas into
7 Spartan, they can't move it into the wet header. The
8 wet header being the constraining factor.

9 Q Using the pressures of 1050 and 1175, what is the
10 maximum volume that could be transported on the Spartan
11 Pipeline today?

12 MR. ERICKSON: Your Honor, I'm going
13 to object at this point. Based on Your Honor's prior
14 rulings, I don't see anything in Mr. Phillips' testimony
15 that attempts to address the operating facets of the
16 Spartan system.

17 And it's my understanding that Your
18 Honor has concluded that that aspect of the questioning
19 is inappropriate, and I think we've gone beyond the
20 scope of the prefiled testimony. And for that reason,
21 questions along this line should be ended at this point.

22 JUDGE MACE: Mr. Sage.

23 MR. SAGE: Can I have a moment, Your
24 Honor? I was trying to find it.

25 what I was trying to do, Your Honor,

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668

PHILLIPS CROSS SAGE

2752

1 is to pursue the answer on page 4, lines 5 through 9,
2 which refer to what is being transported on the Spartan
3 Pipeline today which I believe he says is 50 million per
4 day, maybe, and I was trying to make sure that the 50
5 million he's referring to pertains to the pressures he's
6 just testified to.

7 **JUDGE MACE:** I'd like to have the
8 question repeated please.

9 (The record was read back by the
10 Court Reporter.)

11 **JUDGE MACE:** I'll allow the answer.

12 **THE WITNESS:** 50 thousand Mcf per
13 day.

14 **Q (BY MR. SAGE, CONTINUING)** Thank you. On page 3 of
15 your prefiled testimony -- strike that.

16 On page 3 of your prefiled
17 testimony, lines 28 through 35, you indicated that there
18 would be a hardship and it would be discriminatory for
19 shippers to have to pay your rate plus the 26 and a half
20 cents; am I correct? Is that summarizing it accurately?

21 **MR. O'CONNELL:** Well, Your Honor, I
22 just object to the question when it says "your rate",
23 because we've established, Mr. Sage, that Mr. Phillips
24 is not Spartan Pipeline. Mr. Phillips is H.L. Erown and
25 Mackinaw. So it's not --

DOLMAN & ASSOCIATES, INC.
P.O. BOX 26125 - LANSING, MICHIGAN 48909
(517) 393-1668