

Subject: JV123 – Exchange Gas

1. The monthly activity reflected in JV123 includes “(Gain)/Loss from BTU Estimates”. When did MichCon begin to reflect this activity in JV123? What is the purpose of this line item and will there be, at some point in time, a resolution of/payment for the imbalance? Please explain. (i.e. February 2003 shows a “loss” of 205,877 as a result of BTU estimates – if my understanding is correct this is a balance owed to MichCon but will MichCon receive any volumes/dollars to recover this imbalance?)

Prior to accounting for this activity in JV123 were any gain/loss resulting from BTU estimates reflected in Lost and Unaccounted For volumes? Please explain.

Please explain how the monthly and cumulative volumes will be priced on an ongoing basis. (i.e. will they be priced as “typical imbalances”? will the cumulative balance be repriced every month? will the cumulative balance be repriced from one reconciliation period to another?)

- A. The monthly activity related to the “(Gain)/Loss from BTU Estimates” has been recorded as part of JV123 since March, 2001.

Purpose: All of the pipelines which interconnect to MichCon’s system are operated on a DTH basis. MichCon’s pipeline system is operated on an MCF basis. When a shipper want to schedule deliveries into MichCon’s system, they schedule and confirm their nominations (NOMs) with the interconnecting pipelines in DTHs. When deliveries are made into MichCon’s system a BTU must be determined in order to determine how many MCFs must flow in order to equal the NOM’d DTHs. Therefore estimated BTUs are derived and preposted for the various interconnecting points. Deliveries are made throughout the month and an actual BTU factor is determined once the month has been completed. The difference between the estimated and actual BTU gives rise to the gain/loss. The gain/loss is made up in subsequent months by adjusting the pre-posted BTU as necessary. However, since the pre-posted BTU is an estimate, each month should give rise to a new calculated gain/loss. There are no cash transactions occurring to settle these imbalances. Furthermore, the gains/losses can only be identified by points and cannot be identified with individual shippers. Once MichCon converts its’ pipeline to a DTH system, this line item will no longer be necessary.

Prior to March, 2001 this was not included in ~~Lost and Unaccounted For volumes~~ (this should say **Exchange gas volumes, not LAUF**). The reason for exclusion prior to March, 2001, was that its’ existence was unknown to MichCon’s Gas Accounting group and the Gas Nominations group was unaware that the item constituted an exchange which should have been communicated to Gas Accounting. (My first explanation was incomplete, prior to March, 2001 the majority of these transactions were not finalized until a final BTU was

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DATE 8-02-04 M. Schaefer REPORTER

posted. As a result the large gain & losses did not exist. For smaller transactions, estimated BTUS were used and small gains & losses would have existed, but were not reported to Gas Accounting. In March, 2001 the estimated BTUs started to be "pre-posted". Sorry for the confusion, but I am getting some of this 2nd & 3rd hand.)

The estimated LIFO rate is applied to the cumulative imbalance volume in January through November and the actual LIFO rate is applied to the cumulative imbalance volume in December. Each month the difference between the current month cumulative value and the prior month cumulative value is recorded as the current month activity. The pricing of this exchange item follows the same methodology applied to all other exchanges with the exception of "Loans and Parks".

1. Prior to March 2001 what Btu (estimated, actual or other) was used to do the conversion when deliveries were made into MichCon's system and how is the current approach different?

A. Prior to March, 2001, The BTU that was used was an estimated BTU. The current approach is not different. The difference is that now an imbalance is being recognized.

2. What is the purpose of the "Transportation & Exchange" statements? (I thought it was used to identify imbalances for both physical deliveries/receipts and "Btu imbalances")

A. These are transportation imbalances for specific suppliers.

3. What Btu (estimated, actual or other) was used to account for imbalances with shippers on the "Transportation & Exchange" Statement prior to March 2001 and how has this changed since March 2001? Does the same situation arise (i.e. estimated vs. actual Btu) when volumes are delivered for shippers off of MichCon's system?

A. The Transportation & Exchange report contains a mix of MCF and DTH imbalances. The DTH imbalances are converted using the ANR Willow BTU factor (actual). This is unchanged from a historical perspective.

4. Since the "Gain/Loss from BTU Estimates" were not identified or separately accounted for prior to March 2001 please explain why they were not "automatically" reflected on the Source & Disposition as part of the "plug" for S&D (i.e. LAUF volumes) since they were in effect either "lost" and/or unaccounted for?

A. Please see the revision to my previous explanation. I think that might clear this question up.

5. Please explain why MichCon believes it is appropriate to account for these volumes in Account 806, Exchange Gas, when the USOA description seems to implies a "known"/responsible party and that at some point in time gas will be received or delivered in satisfaction of the amounts receivable or deliverable by the responsible parties.

A. The settlement of the imbalance is made by adjusting the BTU estimates in the following month. While, the imbalance cannot be identified with a specific entity, it can be clearly identified with a specific pipeline.

6. Based on the information on Page "H" of JV123 I have calculated the following impact for the months of July & August - Please review and let me know if I have correctly reflected the activity as either a (Gain) or Loss and if I have corrected reflected the impact on monthly expense for Exchange Gas:

June = Cumulative Loss of 468,941 @\$4.95 = \$2,321,257

July = Cumulative Loss of 93,425 @ \$4.95 = \$462,453

therefore, July's Monthly Activity is a (Gain) of (375,516) which
increases Exchange volumes reported on the S&D by 375,516

and increases Exchange gas expense by \$1,858,804

August = Cumulative (Gain) of (330,614) @ \$4.95 = (\$1,636,539)

therefore, August's Monthly Activity is a (Gain) of (424,039) which
increases Exchange volumes reported on the S&D by 424,039

and increases Exchange gas expense by \$2,098,993

A. The calculations are correct.

Subject: Gains/Losses from Btu Estimates

(NOTE: Pursuant to Rebuttal Testimony filed by Jennifer Schmidt on July 20, 2004 and a conference call with Jennifer Schmidt and Peter Rynearson on July 23, 2004, Staff has the following questions)

1. On Page JCS-17-R the Company states that parties to the imbalances are all shippers at that point. Please define "shippers".

The term "shipper" encompasses any party moving or transferring title of gas at a receipt or delivery point. Shippers include brokers, marketers, suppliers, and producers. Collectively, these parties conduct off-system transportation, off-system storage, title transfer, and gathering related transactions on MichCon and its affiliates systems. Shippers also deliver gas to MichCon on behalf of MichCon's End User Transportation (EUT) customers. Shippers also include Gas Customer Choice (GCC) suppliers who deliver gas on behalf of customers who participate in the program. Finally, shippers also deliver purchase gas to MichCon that is used to supply GCR customers.

Also, provide an explanation why MichCon began using a pre-posted Btu factor in March 2001.

MichCon began posting some BTU's in 1998. This was done to assist those selling gas to End Users to be able to know definitively how many Mcf's their customer would be given. This helped the seller and End user better manage their supply.

MichCon began recording the cumulative imbalance at the point in 2001 in response to a critical investigation into causes for high levels of lost gas.. At this time, it was decided that MichCon would start to record the imbalance so it would not fall into lost gas.

2. Please identify under what situations/circumstances a marketer/supplier who provides gas to MichCon's GCR customers would be a potential party to these imbalances.

A shipper that brings gas to the citygate to sell to MichCon utilizes the posted BTU. In addition, gas purchased on the interstate pipelines is converted to Mcf based on the posted BTU at the point. In other words, all delivery transactions that occur at a "BTU" point on MichCon's system would contribute to this imbalance.

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DATE 08.02.04 M. Schroeder
REPORTER

Subject: Gains/Losses from Btu Estimates

3. Please identify under what situations/circumstances a marketer/supplier who provides gas to MichCon's GCR customers would not be a potential party to these imbalances. Also, identify what Btu factor would be utilized in these situations and briefly explain why the pre-posted Btu factor is not utilized.

A shipper who sells GCR supply to MichCon will not contribute to the imbalance if the gas is delivered at an Mcf measurement point (i.e. Kalkaska and other dry receipt points). These transactions are recorded on an actual basis without a posted BTU. Similarly, GCR gas bought off of Panhandle is recorded at the actual BTU

4. Please identify under what situations/circumstances a marketer/supplier who provides gas to MichCon's GCC customers would be a potential party to these imbalances.

This would occur when a GCC supplier delivers gas to MichCon at a city gate point or at an interconnect point with an interstate pipeline. This is because gas delivered at these points is converted from MMBtu to Mcf by applying the posted BTU factor.

5. Please identify under what situations/circumstances a marketer/supplier who provides gas to MichCon's GCC customers would not be a potential party to these imbalances. Also, identify what Btu factor would be utilized in these situations and briefly explain why the pre-posted Btu factor is not utilized.

A Choice supplier that delivers gas on MichCon's system at an Mcf point such as Kalkaska or other "dry" points would not impact this imbalance because no Btu conversion occurs at these points.

6. Please describe how MichCon modifies the pre-posted Btu factor to recoup these imbalances.

Based on projected flows and the previous month's actual BTU values, the pre-posted Btu for the upcoming month is modified to reduce any previous imbalances. When determining the pre-posted Btu, a range of reasonableness is maintained so that the BTU in a subsequent period is not grossly different from history.

Also, please explain how final Btu factors are determined. Are any final Btu factors an estimate? If yes, please explain when this would occur.

It might be helpful to distinguish between "final" posted BTU and "actual" BTU. The actual BTUs are based on official measurement provided by the point operator. Actual BTUs are posted on ConQuest at points where all measurement is handled in Mcf, such as Kalkaska and the Dry points.

Subject: Gains/Losses from Btu Estimates

In contrast, in cases where a pre-posted BTU is listed on ConQuest, the "final" BTUs at these points will not differ from the pre-posted value.

7. Could the pre-posted Btu factor actually increase the imbalance at a point if the Btu factor used to determine the "modifying" adjustment is not estimated correctly? If yes, has this occurred? Please explain.

Any change from the projected flow or estimated BTU has the effect of creating a new imbalance and can either negate or expound the best attempts to reduce a previous imbalance.

8. Are parties to these imbalances aware that the pre-posted Btu factor modifies prior imbalances at certain points? Please explain.

At the time this was put into place, shippers were made aware of our procedure via two Conquest postings (below). Any new shippers that inquire are given an explanation of the process.

Conquest Posting Dated 12/16/1997:

**** MCGC TO REVIEW POSTING BTU'S ****

MichCon (MCGC) is currently reviewing the possibility of posting estimated monthly Btu factors at the beginning of the month at the interconnects that enter its system in MMBtu, i.e. ANR Willow Run, PEPL River Rouge, Great Lakes Belle River, and Consumers Northville.

Currently MCGC posts the prior month Btu factors for nominations, then recalculates the Mcf when the actual Btu factors are received after the month. Due to this recalculation, contracts in Mcf (ie. end users) incur variances between the daily nominated and the monthly confirmed Mcf. If MCGC posts estimated Btu factors, no recalculation of Mcf is necessary after the month. The Mcf stay at the volume nominated and confirmed by MCGC on a daily basis. Customers do not have to wait until after the end of the month to know their final deliveries. Any volume difference between the actual and posted btu factors are tracked by MCGC and rolled into the next month's calculation to arrive at the estimated Btu for the following month.

Gas Nominations personnel have visited with both Great Lakes Gas Transmission and Union Gas to discuss their procedures on posting estimated Btu factors. Both companies have expressed that it has streamlined both their month end confirmation processes and their shippers'.

MCGC would like to get your opinion on this topic. Please e-mail David Reed (DREED) via ConQuest with your feedback or questions. You can also fax David at (313) 256-5890, or contact him directly at (313) 256-5262. Also let us know if you have had any

Subject: Gains/Losses from Btu Estimates

problems on other pipelines or LDCs that currently post Btu factors in advance.

Thank you in advance for your time and feedback in this matter.

This file can be downloaded at
EBB/PROD/PRIVATE/SHARED/POSTBTUS.TXT"

The response to the above posting was positive, so MichCon instituted the process with the posting of May 1998 business. The following posting advising shippers of the new process was posted on 04/21/1998:

******* MCGC To Begin Posting BTU'S *******

MichCon has completed its study of posting estimated BTU factors at the pipeline interconnects. We will be posting Btu factors through October, 1998 as a test period, then solicit your feedback at that time to see if the program is benefiting you. For the month of May, 1998, we will be using the following BTU factors:

1. Belle River (GLGT) --- 1.013 @14.73 PSI DRY
2. Columbus (ANR) --- 1.022 @ 14.73 PSI DRY
3. Detroit A (ANR) --- 1.017 @ 14.73 PSI DRY
4. Goose Creek (GLGT) --- 1.018 @ 14.73 PSI DRY
5. River Rouge (PEPL) --- 1.002 @ 14.73 PSI DRY
6. St. Clair (UNION) --- 1.026 @ 14.73 PSI DRY
7. S. Grand Rapids (ANR) --- 1.017 @ 14.73 PSI DRY
8. Willow Run (ANR) --- 1.025 @ 14.73 PSI DRY

These BTU Factors will not change at the end of the month. Any difference in actual Mcf's and Posted Mcf's will be carried forward and used to estimate the following month's BTU factor. We hope that this enables you to bill your MCF customers earlier because the MCF volumes will not change after the month of activity. We will still be posting actual BTU factors after the month for all Mcf locations on our system, ie. Kalkaska and Shell.

June 1998 Interconnect BTU's will be posted by May 20, 1998.

Please review the news item on ConQuest dated December 16, 1997 for more information.

Should you have any additional questions, please contact David Reed at (313) 256-5262. Thank you.

This file can be downloaded at
EBB/PROD/PRIVATE/SHARED/POST0598.TXT"

Feedback from the pilot program was positive, so MichCon has continued the process.

Subject: Gains/Losses from Btu Estimates

9. Since some parties have an opportunity to deliver/receive gas at various points on MichCon's system and each of these points have their own separately identified imbalances is there a way that a party could knowingly avoid paying an imbalance "owed" to MichCon (i.e. "short") from a prior month's point by changing to a delivery/receipt point that is "long" in the subsequent/current month? Please explain. If yes, is MichCon aware of any attempts to "game" the system?

As explained in question 6, MichCon does not post the adjustment factor nor the "actual" BTU value at the points that are impacted by the BTU conversion. Therefore, Shippers would not have the information necessary to game which ones were owed/short. Even if the Shipper obtained the actual BTU's in some other manner, the Shippers have no access to the cumulative imbalance to know whether MichCon would be raising or lowering the BTU factor.

10. Will the occurrence of "Gains/Losses from Btu Estimates" be eliminated if MichCon is authorized to convert its gas nominating and gas storage balance operations from an Mcf to an MMBtu basis (as requested in the Company's filing in U-14106)? If yes, please explain how MichCon proposes to recoup any remaining Btu imbalances at that point in time (i.e. after U-14106 becomes effective).

Yes, this will be eliminated. If MichCon's proposal is accepted as filed, MichCon would use an actual BTU to convert the EUT customers' consumption from ccf to therms for purposes of calculating their storage balances. MichCon will have to absorb any imbalance remaining at that time of conversion and accordingly has been watching closely to keep the amount of the imbalances as close to zero as possible.

Does MichCon believe that it has the authority to assign the remaining imbalances, at that point in time, to the current parties if necessary to resolve the imbalances? Please explain.

No.

11. Please provide references to MichCon's Tariff sheets that authorize the Company to recoup these imbalances especially since there is a distinct possibility that the party creating an imbalance will not be the party who repays/recoups (i.e. liable for) the imbalance in the subsequent month(s).

MichCon does not have tariff authority on this issue. MichCon believes this is an operational issue that is current industry practice and accepted by the Shippers. MichCon believes the benefits to the Shippers (as defined in Question 1) outweigh any small inequities.

RECEIVED
Michigan Public Service Commission

08240307

JUN 24 2004

DTE Energy, Inc.

2000 2nd Avenue
925 WCB
Detroit, MI 48226

REGULATED ENERGY
DIVISION

BILLING INVOICE

Bill to:

Michigan Consolidated Gas Company
500 Griswold
Detroit, MI 48226

Invoice No. DTE-08-2003
Invoice Date 22-Aug-03
Terms: Upon Receipt

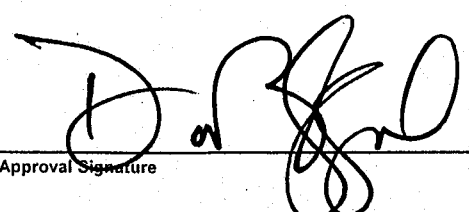
Attn: Paul Gelck

DESCRIPTION

To invoice you for build up activity for July 2003:

A/P Distribution on MCGC books debit #23415 \$ 16,512,675.69

Total Amount Owed To DTE Energy, Inc. \$ 16,512,675.69

CAJ 8/20/03

Approval Signature Date Signed 8-20-03

Cash Receipts Distribution on DTE Books:
Credit account #146001 700 S0003 with affiliate MCGC for \$ 16,512,675.69

Please direct inquiries to:

Kathleen Palmer
313-235-9045

WIRE INSTRUCTIONS

BANK ONE
72000326
MICHCON
498523

MICHIGAN PUBLIC SERVICE COMMISSION
FILE U-13549-R

EXHIBIT NO. S-31

DATE 8-02-04 M. Schroeder
REPORTER

CUST: 02948 LINE:01369 TRAN#:50012 DATE:08/28/2003
AMT: 25,612,675.69 USD T/C:DEBIT STATUS:N
BANK ONE A/C:00000000000498523 ENDPOINT A/C:0000000000160972
3ENDPOINT ABA:072000326 NAME: BANK ONE NA
PAYMENT DETAIL: BNF=DTE ENERGY /AC-1609723

A

+WIRE TRAN #:	50000	AMT:	2,450,000.00	USD D VERIFIED
+WIRE TRAN #:	50001	AMT:	1,830,000.00	USD D VERIFIED
+WIRE TRAN #:	50002	AMT:	420,000.00	USD D VERIFIED
+WIRE TRAN #:	50003	AMT:	1,682,662.72	USD D VERIFIED
+WIRE TRAN #:	50004	AMT:	26,941.69	USD D VERIFIED
+WIRE TRAN #:	50005	AMT:	178,817.27	USD D VERIFIED
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+WIRE TRAN #:	50010	AMT:	596,565.12	USD D VERIFIED
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+WIRE TRAN #:	50012	AMT:	25,612,675.69	USD D VERIFIED

MICHIGAN PUBLIC SERVICE COMMISSION

FILE U-13549-R

EXHIBIT NO. I-39

DATE 8-02-04 M Schroeder REPORTER

Case No.:	U-13549-R
Witness:	Frank J. Hollewa
Exhibit No.:	I- (FJH-1)
Page No.:	1 of 1

Case No: U-13060-R
 Witness: GH Chapel
 Exhibit No.: A- (GHC-8)
 Page No.: 1 of 1

Michigan Consolidated Gas Company
NYMEX and Published Market Index Prices (per Dth @ 1.025)
2002 (December '01 Update)

Line	Month	NYMEX Last Day (Col. 1)	NYMEX 3 Day Avg. (Col. 2)	MichCon (Col. 3)	ANR SE (Col. 4)	ANR SW (Col. 5)	Panhandle (Col. 6)	Chicago (Col. 7)	
1	January	\$2.56	\$2.79	\$2.71	\$2.49	\$2.49	\$2.49	\$2.70	A
2	February	\$2.01	\$1.98	\$2.10	\$1.95	\$1.89	\$1.90	\$2.05	
3	March	\$2.39	\$2.38	\$2.44	\$2.32	\$2.29	\$2.30	\$2.41	C
4	April	\$3.47	\$3.42	\$3.47	\$3.33	\$3.28	\$3.28	\$3.42	
5	May	\$3.32	\$3.34	\$3.51	\$3.31	\$3.18	\$3.18	\$3.44	T
6	June	\$3.42	\$3.35	\$3.46	\$3.31	\$3.06	\$3.02	\$3.37	
7	July	\$3.28	\$3.39	\$3.30	\$3.17	\$3.07	\$3.00	\$3.26	U
8	August	\$2.98	\$2.94	\$2.93	\$2.90	\$2.77	\$2.70	\$2.91	
9	September	\$3.29	\$3.29	\$3.28	\$3.18	\$2.98	\$2.97	\$3.20	A
10	October	\$3.69	\$3.64	\$3.74	\$3.60	\$3.33	\$3.34	\$3.67	
11	November	\$4.13	\$4.11	\$4.29	\$4.10	\$4.07	\$4.05	\$4.27	L
12	December	\$4.26	\$4.22	\$4.22	\$4.10	\$4.02	\$3.97	\$4.25	
13	January		\$3.62	\$3.75	\$3.45	\$3.45	\$3.45	\$3.76	
14	February		\$3.63	\$3.76	\$3.47	\$3.46	\$3.46	\$3.78	P
15	March		\$3.65	\$3.78	\$3.48	\$3.48	\$3.48	\$3.79	
16	April		\$3.27	\$3.38	\$3.14	\$3.12	\$3.12	\$3.31	
17	May		\$3.28	\$3.40	\$3.15	\$3.14	\$3.14	\$3.32	L
18	June		\$3.30	\$3.40	\$3.17	\$3.15	\$3.15	\$3.34	
19	July		\$3.31	\$3.42	\$3.18	\$3.17	\$3.17	\$3.35	
20	August		\$3.33	\$3.43	\$3.19	\$3.18	\$3.18	\$3.36	A
21	September		\$3.34	\$3.45	\$3.21	\$3.20	\$3.20	\$3.38	
22	October		\$3.36	\$3.46	\$3.22	\$3.21	\$3.21	\$3.39	
23	November		\$3.77	\$3.88	\$3.60	\$3.60	\$3.60	\$3.90	N
24	December		\$3.78	\$3.89	\$3.61	\$3.61	\$3.61	\$3.91	
25	January		(\$0.83)	(\$1.04)	(\$0.96)	(\$0.96)	(\$0.96)	(\$1.06)	
26	February		(\$1.65)	(\$1.66)	(\$1.52)	(\$1.57)	(\$1.56)	(\$1.73)	
27	March		(\$1.27)	(\$1.34)	(\$1.16)	(\$1.19)	(\$1.18)	(\$1.38)	V
28	April		\$0.15	\$0.09	\$0.19	\$0.16	\$0.16	\$0.11	A
29	May		\$0.06	\$0.11	\$0.16	\$0.04	\$0.04	\$0.12	R
30	June		\$0.05	\$0.06	\$0.14	(\$0.09)	(\$0.13)	\$0.03	I
31	July		\$0.08	(\$0.12)	(\$0.01)	(\$0.10)	(\$0.17)	(\$0.09)	A
32	August		(\$0.39)	(\$0.50)	(\$0.29)	(\$0.41)	(\$0.48)	(\$0.45)	N
33	September		(\$0.05)	(\$0.17)	(\$0.03)	(\$0.22)	(\$0.23)	(\$0.18)	C
34	October		\$0.28	\$0.28	\$0.38	\$0.12	\$0.13	\$0.28	E
35	November		\$0.34	\$0.41	\$0.50	\$0.47	\$0.45	\$0.37	
36	December		\$0.44	\$0.33	\$0.49	\$0.41	\$0.36	\$0.34	

Case No.: U-13549-R
Witness: Frank J. Hollewa
Exhibit No.: I-____(FJH-2)
Page No.: 1 of 5

MPSC Case No.: U-13060-R
Respondent: Chapel
Requestor: RRC
Question No.: RRMC1.8/8
Page: 1 of 3

Question: With regard to Mr. Chapel's testimony on Pages 24 and 25 re: Enron:

a. Please identify the quantities, price and term of the terminated contracts.

Answer: Following is a list of the quantities, prices, and terms of the terminated contracts between MichCon and Enron:

Purchase Point	Price	Period	Quantity (Dth/Day)
ANR/SE	\$2.295	Dec01	11,000
ANR/SE	\$5.255	Dec01	20,000
MichCon City Gate	\$4.69	Dec01	(18,000)
MichCon City Gate	\$5.895	Jan02-Mar02	50,000
MichCon City Gate	NYMEX + \$0.13	Apr02-Oct02	10,000
MichCon City Gate	\$3.395	Nov02-Dec02	20,000
ANR/SE	\$3.105	Nov02	10,000
ANR/SE	\$3.315	Dec02	10,000
MichCon City Gate	NYMEX + \$0.135	Jan03-Dec03	20,000
ANR/SE	NYMEX - \$0.175	Jan03-Dec03	10,000

MICHIGAN PUBLIC SERVICE COMMISSION
FILE U-13549-R
EXHIBIT NO. I-40
DATE 8-02-04 M. Schroeder REPORTER

Case No.: U-13549-R
Witness: Frank J. Hollewa
Exhibit No.: I-_____(FJH-2)
Page No.: 2 of 5

MPSC Case No.: U-13060-R
Respondent: Chapel
Requestor: RRC
Question No.: RRMC1.8/8
Page: 2 of 3

Question: With regard to Mr. Chapel's testimony on Pages 24 and 25 re: Enron:

- b. Please provide details regarding how the \$8.0 million was developed and explain why this booking was necessary.

Answer: Given the status of negotiations between DTE Energy and legal counsel representing Enron, the \$8.0 million dollar cost represented at the time it was initially booked, MichCon's best estimate of the booked cost of gas that MichCon would incur to settle the bankruptcy claims related to the referenced contracts . Under standard regulatory and GAAP accounting MichCon is required to book a liability once it is known and measurable. Once Enron's bankruptcy claim against MichCon was analyzed sufficient to meet the GAAP and regulatory accounting standards the expected liability was booked.

Case No.: U-13549-R
Witness: Frank J. Hollewa
Exhibit No.: I-____(FJH-2)
Page No.: 3 of 5

MPSC Case No.: U-13060-R
Respondent: Chapel
Requestor: RRC
Question No.: RRMC1.8/8
Page: 3 of 3

Question: With regard to Mr. Chapel's testimony on Pages 24 and 25 re: Enron:

c. Please provide any updates available on the current status.

Answer: Please see attached letter.

Case No.: U-13549-R
Witness: Frank J. Hollewa
Exhibit No.: I-_____(FJH-2)
Page No.: 4 of 5

HOGAN & HARTSON
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WWW.HHLAW.COM

July 10, 2003

Re: Enron Settlement Allocation

Dear Mr. Carey:

DTE Energy Company ("DTE") is in the process of finalizing a settlement with Enron Corp. (and among certain of their respective subsidiaries) arising from various contracts related to the delivery or forward delivery of energy or energy producing commodities. In connection therewith, you have requested our views concerning allocation of settlement amounts among certain DTE entities participating in this settlement. In particular, we have been asked to comment concerning appropriate values to assign with respect to claims for "mark to market" damages arising from the termination of gas supply contracts between Michigan Consolidated Gas Corp. ("MichCon") and Enron North America ("ENA").

We have been informed that MichCon had valued the potential mark to market claim in connection with the termination of these contracts at approximately \$13 million. In contrast, ENA informed us that it valued the mark to market damages in connection with these contract terminations at approximately \$16 million.

Enron's total valuation of its net claims against DTE entities was in excess of \$28 million, based upon its assignment of values as follows: \$2 million to the Clinton Energy settlement (as previously separately negotiated); \$16 million to mark to market damages associated with the MichCon contracts; and \$10 million for net Accounts Receivable. DTE's valuation of the claims was approximately \$23 million, with the principal differences being accounted for by a \$2 million lower amount for net Accounts Receivable, and a \$5 million lower amount for the MichCon mark to market claim.

WASHINGTON, DC

BERLIN BRUSSELS LONDON PARIS SUDAPST PRAGUE WARSAW MOSCOW BEIJING TOKYO

Case No.: U-13549-R
Witness: Frank J. Hollewa
Exhibit No.: I-____(FJH-2)
Page No.: 5 of 5

HOGAN & HARTSON LLP

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The total amount paid by all DTE entitles to all Enron entities in connection with the settlement will be \$18.3 million. Thus, the amount to be paid is below the total claim valuation of the parties by an amount ranging from \$5 to 10 million. \$2 million of the settlement amount is, as noted above, directly attributable to a previously negotiated, but not consummated, settlement of claims of an Enron affiliate, Clinton Energy. With respect to the remainder, it seems reasonable to us to apportion the savings ratably to the claims at issue. This would result in a claim valuation, attributable to the MichCon mark-to-market claim within a range of \$7 to 9 million. That range appears consistent with the rationale stated above.

It should be understood that assignment of specific risk, and therefore specific value, to litigated claims is extremely difficult. Particularly is that the case with respect to claims that are resolved by negotiation before any formal proceedings are commenced, and those that arise within the context of large Bankruptcy proceeding in which the claims are small in comparison to the assets of the Bankruptcy estate, and in which some of the issues are potentially the subject of litigation by others who may or may not be similarly situated to DTE. The comments and analysis reflected above must be considered in the context of these parameters.

Sincerely,



David Dunn

Patrick B. Carey, Esq.
DTE Energy Company
2000 Second Avenue
Detroit, MI 48226

Michigan Consolidated Gas Company
 12 Months Ended December 31, 2003
 Calculation of Over(Under) Recovery

Case No. U-13549-R
 Witness: Sims, Susan J.
 Exhibit No. S-41 (SJS-1)

Description	2003												Total
	January	February	March	April	May	June	July	August	September	October	November	December	
1 <u>Source of Gas (Mcf @ 14.65 dry)</u>													
2 Purchased Gas	13,297,215	14,830,244	14,630,739	17,664,713	18,271,925	15,313,097	17,812,198	18,980,611	16,582,407	19,724,621	13,159,072	13,613,634	193,880,476
3 Net (To) From Storage	<u>19,766,274</u>	<u>14,131,623</u>	<u>5,794,249</u>	<u>(2,875,599)</u>	<u>(5,983,879)</u>	<u>(11,105,374)</u>	<u>(14,378,551)</u>	<u>(14,197,965)</u>	<u>(11,992,349)</u>	<u>(8,009,950)</u>	<u>3,220,823</u>	<u>13,034,890</u>	<u>(12,595,808)</u>
4 Total Supply	33,063,489	28,961,867	20,424,988	14,789,114	12,288,046	4,207,723	3,433,647	4,782,646	4,590,058	11,714,671	16,379,895	26,648,524	181,284,668
5													
6													
7 <u>Less: Sales with No GCR Factor</u>													
8 Company Use	272,035	220,040	190,125	104,438	118,776	118,227	197,325	158,416	147,461	113,781	96,880	146,321	1,883,825
9 Lost and Unaccounted For	781,812	1,624,111	117,044	(544,116)	(671,947)	1,166,778	(489,765)	468,982	412,089	958,126	(669,009)	1,920,397	5,074,502
10 Gas-in-Kind Provision	<u>(289,307)</u>	<u>(263,500)</u>	<u>(230,874)</u>	<u>(165,248)</u>	<u>(194,238)</u>	<u>(247,520)</u>	<u>(237,866)</u>	<u>(214,508)</u>	<u>(193,541)</u>	<u>(255,724)</u>	<u>(193,432)</u>	<u>(251,793)</u>	<u>(2,737,551)</u>
11	764,540	1,580,651	76,295	(604,926)	(747,409)	1,037,485	(530,306)	412,890	366,009	816,183	(765,561)	1,814,925	4,220,776
12													
13 Total GCR Supply (Mcf)	32,298,949	27,381,216	20,348,693	15,394,040	13,035,455	3,170,238	3,963,953	4,369,756	4,224,049	10,898,488	17,145,456	24,833,599	177,063,892
14													
15													
16													
17 <u>GCR Cost of Gas Sold (\$)</u>													
18 Purchased	\$62,032,501	\$74,453,330	\$92,290,432	\$87,796,817	\$88,759,373	\$81,374,051	\$87,030,516	\$85,720,395	\$76,549,438	\$89,374,159	\$60,645,515	\$65,161,725	\$951,188,252
19 Net (To) From Storage	<u>96,974,425</u>	<u>69,330,518</u>	<u>28,426,903</u>	<u>(14,107,846)</u>	<u>(29,357,239)</u>	<u>(54,483,574)</u>	<u>(70,541,960)</u>	<u>(69,655,995)</u>	<u>(58,835,122)</u>	<u>(39,297,254)</u>	<u>15,801,534</u>	<u>63,949,885</u>	<u>(61,795,725)</u>
20 Total Cost of Gas Sold	\$159,006,926	\$143,783,848	\$120,717,335	\$73,688,971	\$59,402,134	\$26,890,477	\$16,488,556	\$16,064,400	\$17,714,316	\$50,076,905	\$76,447,049	\$129,111,610	\$889,392,527
21													
22													
23 <u>Less: Sales with No GCR Factor</u>													
24 Company Use	1,334,619	1,079,528	932,764	512,379	582,722	580,028	968,087	777,198	723,452	558,216	475,299	717,859	9,242,149
25 Lost and Unaccounted For	3,835,613	7,967,978	574,224	(2,669,463)	(3,296,609)	5,724,277	(2,402,814)	2,300,851	2,021,731	4,700,619	(3,282,195)	9,421,573	24,895,785
26 Gas-in-Kind Provision	<u>(1,419,356)</u>	<u>(1,292,745)</u>	<u>(1,132,681)</u>	<u>(810,716)</u>	<u>(952,942)</u>	<u>(1,214,347)</u>	<u>(1,166,984)</u>	<u>(1,052,388)</u>	<u>(949,523)</u>	<u>(1,254,596)</u>	<u>(948,988)</u>	<u>(1,235,310)</u>	<u>(13,430,575)</u>
27 SEC Revenue and Failure Fees		10,382	186,393	243,514		6,103	3,802	4	2,702	16	2,354	7	455,277
28	3,750,875	7,765,143	560,700	(2,724,286)	(3,666,830)	5,096,061	(2,597,908)	2,025,665	1,798,362	4,004,255	(3,753,530)	8,904,129	21,162,636
29													
30 GCR Cost of Gas Sold	\$155,256,050	\$136,018,705	\$120,156,635	\$76,413,257	\$63,068,964	\$21,794,416	\$19,086,464	\$14,038,735	\$15,915,954	\$46,072,650	\$80,200,580	\$120,207,482	\$868,229,891
31													
32													
33 <u>Less:</u>													
34 Prior Year GCR Over/(Under) Recovery	44,068,091												44,068,091
35 Enron Damages								(8,000,000)					(8,000,000)
36 90/10 Refunds									645,462	977,203	1,029,402		2,652,067
37													
38 Net Recoverable Costs	\$111,187,959	\$136,018,705	\$120,156,635	\$76,413,257	\$63,068,964	\$21,794,416	\$19,086,464	\$22,038,735	\$15,915,954	\$45,427,188	\$79,223,377	\$119,178,080	\$829,509,733
39													
40 GCR Revenues	<u>\$142,808,614</u>	<u>\$124,324,746</u>	<u>\$93,983,010</u>	<u>\$70,703,038</u>	<u>\$61,826,514</u>	<u>\$15,607,066</u>	<u>\$21,083,882</u>	<u>\$24,182,978</u>	<u>\$24,280,268</u>	<u>\$62,355,973</u>	<u>\$95,574,178</u>	<u>\$134,198,878</u>	<u>\$870,929,145</u>
41													
42 Over (Under) Recovery	<u>\$31,620,655</u>	<u>(\$11,693,959)</u>	<u>(\$26,173,625)</u>	<u>(\$5,710,219)</u>	<u>(\$1,242,450)</u>	<u>(\$6,187,350)</u>	<u>\$1,997,418</u>	<u>\$2,144,243</u>	<u>\$8,364,314</u>	<u>\$16,928,785</u>	<u>\$16,350,801</u>	<u>\$15,020,798</u>	<u>\$41,419,412</u>
43													
44 Average Annual Cost of Gas (Total Amount on Line 18 / Total Mcf on Line 2)													\$4.90605

MICHIGAN PUBLIC SERVICE COMMISSION

FILE U-13549-R

EXHIBIT NO. S-41

DATE 8-02-04 M. Schroeder REPORTER

Michigan Consolidated Gas Company
 12 Months Ended December 31, 2003
 Adjustment for (Gains) Losses from BTU Estimates

Case No. U-13549-R
 Witness: Sims, Susan J.
 Exhibit No. S-_____(SJS-2)

Description	2003												Total
	January	February	March	April	May	June	July	August	September	October	November	December	
1 Source of Gas (McF @ 14.65 dry)													
2 ANR Pipeline	0	(24,692)	(33,762)	3,373	18,462	37,103	61,310	20,183	(30,147)	(42,949)	(82,331)	4,979	(68,471)
3 Canadian Purchases-Great Lakes	899,199	833,157	855,760	913,781	907,407	879,322	914,220	920,977	886,625	918,538	894,354	936,384	10,759,724
4 Spot/Term Purchases	13,930,062	14,225,871	13,495,267	16,595,672	15,643,758	14,624,954	15,705,276	17,164,871	16,207,255	18,164,308	11,024,194	13,571,658	180,353,146
5 Intrastate	208,624	223,164	117,281	143,454	(90,263)	90,481	94,333	61,349	106,934	46,535	62,214	130,749	1,194,855
6 Exchange Gas	(1,740,670)	(427,256)	196,193	8,433	1,120,428	(318,763)	615,747	813,231	(588,260)	638,087	1,260,641	(1,030,136)	547,675
7 Reverse BTU (Gain) Loss	<u>118,387</u>	<u>5,913</u>	<u>(53,405)</u>	<u>116,714</u>	<u>153,450</u>	<u>46,305</u>	<u>(375,516)</u>	<u>(424,039)</u>	<u>(71,583)</u>	<u>8,290</u>	<u>(66,458)</u>	<u>89,871</u>	<u>(452,071)</u>
8 Exchange Gas - Adjusted	(1,622,283)	(421,343)	142,788	125,147	1,273,878	(272,458)	240,231	389,192	(659,843)	646,377	1,194,183	(940,265)	95,604
9 Other Purchased Gas - GCC					672,133		421,312			102			1,093,547
10 Less: (Gain) Loss from BTU Estimates	<u>118,387</u>	<u>5,913</u>	<u>(53,405)</u>	<u>116,714</u>	<u>153,450</u>	<u>46,305</u>	<u>(375,516)</u>	<u>(424,039)</u>	<u>(71,583)</u>	<u>8,290</u>	<u>(66,458)</u>	<u>89,871</u>	<u>(452,071)</u>
11 Total Purchased Gas	13,297,215	14,830,244	14,630,739	17,664,713	18,271,925	15,313,097	17,812,198	18,980,611	16,582,407	19,724,621	13,159,072	13,613,634	193,880,476
12													
13													
14 GCR Cost of Gas (\$)													
15 ANR Pipeline-Cost of Gas	\$2,605,798	\$3,021,605	\$2,429,060	\$2,370,380	\$3,528,336	\$3,222,377	\$3,343,165	\$3,105,583	\$2,888,052	\$2,742,336	\$2,104,476	\$2,575,987	\$33,937,155
16 ANR Refunds													0
17 Canadian Purchases-Great Lakes	4,936,046	4,919,275	7,322,100	4,808,100	4,555,154	4,738,146	4,622,060	4,381,819	4,218,408	3,907,626	4,422,597	4,743,151	57,574,482
18 Panhandle Eastern													0
19 Spot/Term Purchases	61,217,776	67,172,716	81,165,226	79,419,287	72,318,990	74,253,676	77,389,849	74,408,338	74,460,003	79,355,762	47,988,713	61,935,527	851,085,863
20 Intrastate	742,816	1,277,912	973,777	646,626	(382,162)	508,643	485,977	213,960	(1,750,802)	168,364	218,523	563,606	3,667,240
21 Other Purchased Gas Expense - GCC					2,678,973		1,790,724			504			4,470,201
22 Exchange Gas	(8,035,195)	(1,965,378)	592,567	(25,310)	5,300,504	(1,578,001)	3,048,269	3,918,964	(2,911,887)	3,158,531	6,240,173	(5,113,893)	2,629,344
23 Reverse BTU (Gain) Loss	<u>565,260</u>	<u>27,200</u>	<u>(192,298)</u>	<u>577,734</u>	<u>759,578</u>	<u>229,210</u>	<u>(1,858,804)</u>	<u>(2,098,993)</u>	<u>(354,336)</u>	<u>41,036</u>	<u>(328,967)</u>	<u>457,347</u>	<u>(2,176,033)</u>
24 Exchange Gas - Adjusted	(7,469,935)	(1,938,178)	400,269	552,424	6,060,082	(1,348,791)	1,189,465	1,819,971	(3,266,223)	3,199,567	5,911,206	(4,656,546)	453,311
25 (Gain) Loss from BTU Estimates	0	0	0	0	0	0	0	0	0	0	0	0	0
26 Total Purchased Gas	\$62,032,501	\$74,453,330	\$92,290,432	\$87,796,817	\$88,759,373	\$81,374,051	\$87,030,516	\$85,720,395	\$76,549,438	\$89,374,159	\$60,645,515	\$65,161,725	\$951,188,252

MICHIGAN PUBLIC SERVICE COMMISSION
 FILE U-13549-R
 EXHIBIT NO. S-42
 DATE 8.02.04 M. Schroeder
 REPORTER

Michigan Consolidated Gas Company
 12 Months Ended December 31, 2003
 Calculation of GCR Revenue

Case No. U-13549-R
 Witness: Sims, Susan J.
 Exhibit No. S-_____(SJS-3)

Description	January	February	March	April	May	June	July	August	September	October	November	December	Total
1 <u>GCR Sales (Mcf)</u>													
2 Rate Schedule Sales (Billed)	29,726,026	30,196,756	27,517,398	18,075,713	10,707,627	5,679,264	4,036,733	3,394,838	3,630,028	8,276,596	11,037,445	20,873,351	173,151,775
3 GCC Year 1 Settlement					4,425,047			425,642					4,850,689
4 Unbilled - Current Month	19,272,711	16,457,171	9,288,466	6,606,793	4,509,544	2,000,518	1,927,738	2,477,014	3,071,035	5,692,927	11,800,938	15,761,186	98,866,041
5 Unbilled - Prior Month	(16,699,788)	(19,272,711)	(16,457,171)	(9,288,466)	(6,606,793)	(4,509,544)	(2,000,518)	(1,927,738)	(2,477,014)	(3,071,035)	(5,692,927)	(11,800,938)	(99,804,643)
6 Total GCR Sales (Unbilled)	32,298,949	27,381,216	20,348,693	15,394,040	13,035,425	3,170,238	3,963,953	4,369,756	4,224,049	10,898,488	17,145,456	24,833,599	177,063,862
7													
8													
9													
10 <u>GCR Revenues (\$)</u>													
11 Billed GCR Revenues	\$123,773,083	\$137,205,842	\$126,779,835	\$82,971,692	\$48,918,659	\$26,295,656	\$19,941,962	\$19,119,427	\$20,864,648	\$47,280,094	\$63,403,349	\$114,624,080	\$831,178,327
12					\$22,502,769			\$1,905,214					\$24,407,983
13 Unbilled GCR Revenues-Current Month	\$88,172,653	\$75,291,557	\$42,494,732	\$30,226,078	\$20,631,164	\$9,942,574	\$11,084,494	\$14,242,831	\$17,658,451	\$32,734,330	\$64,905,159	\$84,479,957	\$491,863,980
14 Unbilled GCR Revenues-Prior Month	(\$69,137,122)	(\$88,172,653)	(\$75,291,557)	(\$42,494,732)	(\$30,226,078)	(\$20,631,164)	(\$11,084,494)	(\$14,242,831)	(\$17,658,451)	(\$32,734,330)	(\$64,905,159)	(\$84,479,957)	(\$476,521,145)
15 Total GCR Revenue	\$142,808,614	\$124,324,746	\$93,983,010	\$70,703,038	\$61,826,514	\$15,607,066	\$21,083,882	\$24,182,978	\$24,280,268	\$62,355,973	\$95,574,178	\$134,198,878	\$870,929,145

MICHIGAN PUBLIC SERVICE COMMISSION
 FILE U-13549-R
 _____ EXHIBIT NO. S-43
 DATE 8-02-04 M. Schroeder REPORTER

Michigan Consolidated Gas Company
 12 Months Ended December 31, 2003
 Calculation of Interest

Case No. U-13549-R
 Witness: Sims, Susan J.
 Exhibit No. S-_____(SJS-4)

<u>Month</u> (a)	<u>Beginning Balance</u> <u>Over/(Under)</u> <u>Recovery</u> (b)	<u>Current Month</u> <u>Over/(Under)</u> <u>Recovery</u> (c)	<u>Current Month</u> <u>Average</u> (d) (c/2)	<u>Current Month</u> <u>Base for</u> <u>Interest</u> (e) (b+d)	<u>Interest</u> <u>Rate</u> (f)	<u>Monthly</u> <u>Interest</u> (g)	
1		\$44,068,091					
2	January 2003	\$44,068,091	(\$12,447,436)	(\$6,223,718)	\$37,844,373	11.500%	\$369,631
3	February	\$31,620,655	(\$11,693,959)	(\$5,846,980)	\$25,773,675	11.500%	\$227,373
4	March	\$19,926,695	(\$26,173,625)	(\$13,086,813)	\$6,839,883	11.500%	\$66,806
5	April	(\$6,246,930)	(\$5,710,219)	(\$2,855,109)	(\$9,102,039)	1.100%	(\$8,229)
6	May	(\$11,957,148)	(\$1,242,450)	(\$621,225)	(\$12,578,373)	1.120%	(\$11,965)
7	June	(\$13,199,598)	(\$6,187,350)	(\$3,093,675)	(\$16,293,273)	1.110%	(\$14,865)
8	July	(\$19,386,948)	\$1,997,418	\$998,709	(\$18,388,239)	0.890%	(\$13,899)
9	August	(\$17,389,530)	\$2,144,243	\$1,072,122	(\$16,317,409)	1.070%	(\$14,829)
10	September	(\$15,245,287)	\$8,364,314	\$4,182,157	(\$11,063,130)	1.070%	(\$9,729)
11	October	(\$6,880,973)	\$16,928,785	\$8,464,392	\$1,583,420	11.500%	\$15,465
12	November	\$10,047,812	\$16,350,801	\$8,175,401	\$18,223,213	11.500%	\$172,247
13	December	\$26,398,614	<u>\$15,020,798</u>	\$7,510,399	\$33,909,013	11.500%	<u>\$331,194</u>
14							
15	Total		\$41,419,412				<u>\$1,109,199</u>
16							
17							
18	Total Over Recovery plus Interest			<u>\$42,528,611</u>			

MICHIGAN PUBLIC SERVICE COMMISSION

FILE U-13549-R
 EXHIBIT NO. S-44

DATE 8.02.04 M. Schroeder REPORTER