

LOOMIS, EWERT, PARSLEY, DAVIS & GOTTING

A PROFESSIONAL CORPORATION  
124 W. ALLEGAN ST., SUITE 700  
LANSING, MICHIGAN 48933  
TELEPHONE: 517-482-2400  
FACSIMILE: 517-853-8671  
MGOLIVA@LOOMISLAW.COM

JACK C. DAVIS, P.C.  
KARL L. GOTTING, P.C.  
JAMES R. NEAL  
KENNETH W. BEALL  
MICHAEL G. OLIVA  
JEFFREY W. BRACKEN  
CATHERINE A. JACOBS  
MICHAEL H. RHODES  
JEFFREY L. GREEN  
JEFFREY S. THEUER

ELDONNA M. RUDDOCK  
KEVIN J. RORAGEN  
RICHARD W. PENNING  
THERESA A. SHEETS  
SARA L. CUNNINGHAM  
TRACEY L. LACKMAN  
ANNA ROSE STERN  
JAMES F. ANDERTON V  
TAMIKA A. HALE

PLUMMER SNYDER  
(1900-1974)  
GEORGE W. LOOMIS  
(1918-2007)  
HOWARD J. SOIFER  
(1949-2003)

QUENTIN A. EWERT  
WILLIAM D. PARSLEY  
TED S. ROZEBOOM  
OF COUNSEL

September 6, 2007

Ms. Mary Jo Kunkle  
Executive Secretary  
Michigan Public Service Commission  
6545 Mercantile Way  
P.O. Box 30221  
Lansing, MI 48909

**Re: Dominion Midwest Energy and Dominion Reserves, Inc. v. MichCon  
Gathering Company and Michigan Consolidated Gas Company,  
MPSC Case No. U-14754**

Dear Ms. Kunkle:

Enclosed for electronic filing on behalf of Complainants in the above captioned case is the **Testimony of Thad R. Shumway Regarding Damages and Testimony of Ray A. Barnhart Regarding Damages**. Also enclosed is a Proof of Service.

Should you have any questions, please kindly advise.

Very truly yours,

LOOMIS, EWERT, PARSLEY,  
DAVIS & GOTTING, P.C.

Michael G. Oliva

MGO:kmc  
Enclosures  
cc w/ enc.: Parties of Record  
Mark D. Eyster, A.L.J.



1 date of the Commission's Order. I am submitting this testimony to show the costs that  
2 the Complainants incurred as a result of the additional treating

3 Q. WHAT STEPS WERE NECESSARY TO REDUCE THE CO<sub>2</sub> CONTENT OF  
4 COMPLAINANTS' GAS FROM 2% to 0.75%?

5 A. In order to meet the 0.75% treating standard which MichCon Gathering had insisted  
6 upon, it was necessary for Complainants to take two steps: First, gas was pre-treated at  
7 the Wilderness-Chester plant, in which the Complainants have a partnership interest, to  
8 12.75% CO<sub>2</sub> content, rather than to 14% CO<sub>2</sub> content. Second, to the extent that gas was  
9 delivered to the former CMS Antrim Treating Plant - now the Michigan Pipeline and  
10 Processing Treating Plant - at a CO<sub>2</sub> content above 12.75%, CMS Antrim performed  
11 additional CO<sub>2</sub> removal to bring the gas to 12.75% CO<sub>2</sub> content. These two steps, added  
12 to the normal treating which CMS Antrim performing for Complainants, brought the final  
13 CO<sub>2</sub> content to 0.75% rather than 2%.

14 Q. WAS THE COST TO THE COMPLAINANTS OF TAKING THESE INITIAL STEPS  
15 TO TREAT GAS SHIPPED ON THE AEP TO 0.75% CO<sub>2</sub> CONTENT, RATHER  
16 THAN 2.%?

17 A. The total additional cost to Complainants was \$421,116.77, as summarized on Exhibit  
18 DOM-121.

19 Q. WHAT ARE THE COMPONENTS OF THE \$421,116.77 ADDITIONAL TREATING  
20 COSTS?

21 A. Michigan Pipeline and Processing invoiced Complainants \$143,880.87 in additional  
22 treating costs, over and above the charges which Complainants would have paid under

1 their Firm Gas Treating Agreement dated November 29, 2005 (Exhibit DOM-6). A copy  
2 of the Invoice is attached as Exhibit DOM- 122.

3 In addition, Complainants were compelled to use, rather than to sell to third parties, a  
4 portion of its capacity at the Wilderness Chester Plant in order to treat gas to 12.75%  
5 rather than 14%. The allocated portion of the Wilderness Chester Processing Fee which  
6 was attributable to the additional processing was \$45,619.55

7 Finally, the fuel cost required for the additional processing at Wilderness Chester was  
8 \$231,616.77. This represents Complainant's gas which was consumed at the Wilderness  
9 Chester Plant in order to treat the gas to 12.75% rather than 14%, in order that the final  
10 CO<sub>2</sub> content, after processing at the CMS Antrim/Michigan Pipeline and Processing  
11 Plant, would be 0.75% rather than 2%.

12 The detailed derivation of these additional costs from the CMS Antrim/Michigan Pipeline  
13 and Processing Plant, and from the Wilderness Chester Plant are explained in the  
14 testimony and exhibits of Thad Shumway, being filed simultaneously herewith.

15 Q. WHAT ARE THE COMPLAINANTS ASKING THE COMMISSION TO DO WITH  
16 RESPECT TO THESE COSTS?

17 A. Complainants are asking that the Commission order MichCon Gathering to reimburse  
18 Complainants the amount of \$421,116.77, plus interest.

19 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

20 A. Yes.

1 **TESTIMONY OF THAD R. SHUMWAY**  
2 **REGARDING DAMAGES**

3 **MPSC CASE NO. U-14754**

4 Q. PLEASE STATE YOUR NAME AND TITLE.

5 A. Thad R. Shumway, President, North Bay Energy, LLC

6 Q. PLEASE SUMMARIZE YOUR BACKGROUND.

7 A. Prior to forming North Bay Energy, which is an oil and gas marketing company, I was  
8 Director of Marketing for Quicksilver Resources, Inc. and also performed various  
9 consulting services for Quicksilver. Prior to joining Quicksilver, I was President of  
10 Cinnabar Energy Services & Trading LLC. Prior to that, I was a Business Development  
11 Manager for Carthage Energy Services. From 1989 to 1999, I was employed in various  
12 capacities relating to natural gas production, transportation and sales by CMS Energy.

13 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?

14 A. Yes. I have testified in MPSC Cases Nos. U-12342, a complaint by producers against  
15 rates on the AEP Pipeline; U-14672 a rate case involving the Thunder Bay Pipeline and  
16 U- 14821, a companion case to the instant case, involving Quicksilver and Terra's  
17 complaint against the Respondents over CO<sub>2</sub> treating on the AEP Pipeline.

18 Q. WHAT IS THE PURPOSE OF THE TESTIMONY WHICH YOU ARE NOW  
19 SUBMITTING IN THIS CASE?

20 A. The Commission's August 7, 2007 Order in this case ordered Complainants to file  
21 testimony and exhibits, within 30 days following issuance of the Order, showing the  
22 extent of the overpayment that they made as a result of treating gas transported on the  
23 AEP Pipeline to 0.75% CO<sub>2</sub> content, rather than 2% from January 30, 2006 through the

1 date of the Commission's Order. I am submitting this testimony to show the costs that  
2 the Complainants incurred as a result of the additional treating, including in particular the  
3 derivation of the costs summarized by Mr. Barnhart in his testimony relating to the  
4 additional treating performed at the Wilderness Chester Plant, which is operated by  
5 Quicksilver.

6 Q. WHAT STEPS WERE NECESSARY TO REDUCE THE CO<sub>2</sub> CONTENT OF  
7 COMPLAINANTS' GAS FROM 2% to 0.75%?

8 A. In order to meet the 0.75% treating standard which MichCon Gathering had insisted  
9 upon, it was necessary for Complainants to take two steps: First, gas was pre-treated at  
10 the Wilderness-Chester plant, in which the Complainants have a partnership interest, to  
11 12.75% CO<sub>2</sub> content, rather than to 14% CO<sub>2</sub> content. Second, to the extent that gas was  
12 delivered to the former CMS Antrim Treating Plant - now the Michigan Pipeline and  
13 Processing Treating Plant - at a CO<sub>2</sub> content above 12.75%, CMS Antrim performed  
14 additional CO<sub>2</sub> removal to bring the gas to 12.75% CO<sub>2</sub> content. These two steps, added  
15 to the normal treating which CMS Antrim performing for Complainants, brought the final  
16 CO<sub>2</sub> content to 0.75% rather than 2%.

17 Q. WHAT WAS THE COST TO THE COMPLAINANTS OF TAKING THESE INITIAL  
18 STEPS TO TREAT GAS SHIPPED ON THE AEP TO 0.75% CO<sub>2</sub> CONTENT,  
19 RATHER THAN 2.%?

20 A. The total additional cost to Complainants was \$421,116.77, as summarized on Exhibit  
21 DOM-121.

22 Q. WHAT ARE THE COMPONENTS OF THE \$421,116.77 ADDITIONAL TREATING

1 COSTS?

2 A. As Mr. Barnhart testified, Michigan Pipeline and Processing invoiced Complainants  
3 \$143,880.87 in additional treating costs, over and above the charges which Complainants  
4 would have paid under their Firm Gas Treating Agreement dated November 29, 2005  
5 (Exhibit DOM-6). A copy of the Invoice is attached as Exhibit DOM- 122. The detail, on  
6 a month-to-month basis beginning February 2006 through July 2006, of those charges is  
7 shown on page 2 of Exhibit DOM-121.

8 In addition, Complainants were compelled to use, rather than to sell to third parties, a  
9 portion of its capacity at the Wilderness Chester Plant in order to treat gas to 12.75%  
10 rather than 14%. The allocated portion of the Wilderness Chester Processing Fee which  
11 was attributable to the additional processing was \$45,619.55. This is shown on Page 3 of  
12 Exhibit DOM-121.

13 Finally, the fuel cost required for the additional processing at Wilderness Chester was  
14 \$231,616.77. This represents Complainant's gas which was consumed at the Wilderness  
15 Chester Plant in order to treat the gas to 12.75% rather than 14%, in order that the final  
16 CO<sub>2</sub> content, after processing at the CMS Antrim/Michigan Pipeline and Processing  
17 Plant, would be 0.75% rather than 2%. This is shown on Page 4 of Exhibit DOM-121

18 Q. What price did you assume for gas on Page 4 of Exhibit DOM-121?

19 A. I used the monthly Index Price published in the Inside FERC Market Report, under City  
20 Gate Prices, MichCon. That is a price at which producers can, and frequently do, sell gas  
21 transported on the AEP Pipeline.

22 Q. HAVE YOU INCLUDED INTEREST IN YOUR CALCULATIONS?

1 A. No. These costs are exclusive of interest.

2 Q, DOES THIS CONCLUDE YOUR TESTIMONY?

3 A. Yes.

MPSC Case No. U-14754

Exhibit DOM-121

***Summary of MichCon-Dominion Damages***

<b>CMS OOS charges:</b>	\$143,880.87
<b>Wilderness Chester Demand Fee:</b>	\$ 45,619.55
<b>Wilderness Chester Fuel Cost</b>	\$ 231,616.35
<b>Total Damages</b>	<b>\$421,116.77</b>

**CMS Antrim Gas, LLC  
Dominion OOS Charges**

<b>Volume @14.65</b>				
<b>Month</b>	<b>Monthly</b>	<b>Daily</b>	<b>CO2 %</b>	<b>OOS Fee</b>
2/1/2006	642,782	22,880	12.52%	\$0.00
3/1/2006	713,615	23,020	13.48%	\$8,074.71
4/1/2006	685,099	22,837	13.40%	\$6,855.06
5/1/2006	701,930	22,643	13.25%	\$5,264.48
6/1/2006	705,953	23,532	13.49%	\$8,143.74
7/1/2006	745,745	24,056	13.95%	\$14,676.25
8/1/2006	740,841	23,898	14.10%	\$16,702.27
9/1/2006	722,508	24,084	14.19%	\$17,591.52
10/1/2006	724,858	23,383	13.43%	\$7,571.00
11/1/2006	666,602	22,220	13.16%	\$4,010.64
12/1/2006	702,782	22,670	13.18%	\$4,466.80
1/1/2007	672,381	21,690	13.66%	\$9,657.76
2/1/2007	598,992	21,393	13.44%	\$6,381.17
3/1/2007	658,958	21,257	12.64%	\$0.00
4/1/2007	658,023	21,934	12.96%	\$1,966.10
5/1/2007	684,332	22,075	13.70%	\$10,313.13
6/1/2007	680,574	22,686	13.93%	\$13,174.60
7/1/2007	695,964	22,450	13.58%	<u>\$9,031.64</u>
<b>Total</b>				<b>\$143,880.87</b>

OOS Fee applies to CO2 in excess of 12.75%

$$\text{OOS Fee} = \text{Volume} * (\text{CO2\%} - 12.75\%) * (1.4 + 20 * (\text{CO2\%} - 12.75\%))$$

## Dominion Cost for Treating Co2 below 14% at Wilderness-Chester Plant

Volume @14.65

<u>Month</u>	<u>Monthly</u>	<u>Daily</u>	<u>Pre W/C CO2%</u>	<u>Post W/C CO2 %</u>	<u>Excess Co2 %</u>	<u>Excess Co2 Mcf</u>	<u>Co2 Rem. Rate/Mcf</u>	<u>Cost per Mcf</u>
2/1/2006	642,782	22,880	20.40%	12.52%	1.25%	8,035	\$ 0.732	\$ 5,885.06
3/1/2006	713,615	23,020	20.04%	13.48%	0.52%	3,698	\$ 0.677	\$ 2,502.22
4/1/2006	685,099	22,837	19.96%	13.40%	0.60%	4,085	\$ 0.650	\$ 2,654.48
5/1/2006	701,930	22,643	19.92%	13.25%	0.75%	5,264	\$ 0.678	\$ 3,568.11
6/1/2006	705,953	23,532	20.12%	13.49%	0.51%	3,567	\$ 0.677	\$ 2,415.12
7/1/2006	745,745	24,056	20.18%	13.95%	0.05%	373	\$ 0.672	\$ 250.49
8/1/2006	740,841	23,898	20.43%	14.10%				
9/1/2006	722,508	24,084	20.39%	14.19%				
10/1/2006	724,858	23,383	20.41%	13.43%	0.57%	4,132	\$ 0.732	\$ 3,023.61
11/1/2006	666,602	22,220	20.34%	13.16%	0.84%	5,625	\$ 0.693	\$ 3,897.56
12/1/2006	702,782	22,670	20.13%	13.18%	0.82%	5,778	\$ 0.707	\$ 4,085.67
1/1/2007	672,381	21,690	20.36%	13.66%	0.34%	2,299	\$ 0.652	\$ 1,499.52
2/1/2007	598,992	21,393	20.79%	13.44%	0.56%	3,340	\$ 0.637	\$ 2,127.47
3/1/2007	658,958	21,257	20.05%	12.64%	1.25%	8,237	\$ 0.707	\$ 5,821.48
4/1/2007	658,023	21,934	20.07%	12.96%	1.04%	6,861	\$ 0.677	\$ 4,645.87
5/1/2007	684,332	22,075	18.38%	13.70%	0.30%	2,066	\$ 0.464	\$ 958.53
6/1/2007	680,574	22,686	20.20%	13.93%	0.07%	457	\$ 0.617	\$ 281.94
7/1/2007	695,964	22,450	20.36%	13.58%	0.42%	2,931	\$ 0.683	\$ 2,002.42
								\$45,619.55

Treating Charge = \$69,122 per Month



MPSC Case No. U-14754

Exhibit DOM-122

**MPP Antrim Gas LLC**  
 30078 Schoenherr Suite 150  
 Warren MI 48088

SOLD TO:

<b>Dominion E &amp; P, Inc</b> <b>16945 Northchase Suite 1750</b> <b>Houston, TX 77060</b>
--

INVOICE NUMBER  BILLING DATE <b>August 24, 2007</b> DUE DATE <b>September 4, 2007</b> BILLING PERIOD <b>Feb 2006-July 2007</b>
--

Meter	DESCRIPTION	AMOUNT
	Out of Spec Services February 2006 through July 2007 Volumes delivered in excess of 12.75%	\$148,425.15
	<b>TOTAL</b>	<b>\$148,425.15</b>

Questions concerning this invoice? Please call:  
 Frank Murray  
 586-445-2300

**MAIL PAYMENT TO:**  
**MPP Antrim Gas LLC**  
**30078 Schoenherr Suite 150**  
**Warren, MI 48088**

**REMIT:**  
**MPP Antrim Gas LLC**  
**LaSalle Bank NA**  
**ABA 071000505**  
**Acct. # 5801004713**

**THANK YOU FOR YOUR BUSINESS!**

**STATE OF MICHIGAN**  
**BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION**

In the matter of the complaint of

**DOMINION MIDWEST ENERGY, INC**  
**and DOMINION RESERVES, INC.**  
**Complainants**

vs.

**MPSC NO. U- 14754**

**MICHCON GATHERING COMPANY and**  
**MICHIGAN CONSOLIDATED GAS COMPANY**  
**Respondents**

---

**PROOF OF SERVICE**

STATE OF MICHIGAN            )  
  ) ss.  
INGHAM COUNTY                )

Karen Culton, being duly sworn, deposes and says that on September 6, 2007, she served a copy of the **Testimony of Thad R. Shumway Regarding Damages and the Testimony of Ray A. Barnhart Regarding Damages** upon the attached service list by electronic mail.

---

Karen Culton

Subscribed and sworn to before me on  
the 6<sup>th</sup> day of September, 2007.

---

Jennifer L. Ottney  
Ingham County, Michigan  
Acting in the County of Ingham  
My commission expires: 10/02/10

**SERVICE LIST**  
**MPSC Case No. U-14754**

Commission Staff  
Emmanuel Odunlami (P66255)  
Attorney for Attorney General  
Michigan Public Service Commission  
6545 Mercantile Way, Ste. 15  
Lansing, MI 48911  
[odunlamie@michigan.gov](mailto:odunlamie@michigan.gov)

Richard J. Aaron (P35605)  
Attorney for Respondents  
Honigman Miller Schwartz and Cohn LLP  
222 North Washington Square  
Suite 400  
Lansing, MI 48933-1800  
[raaron@honigman.com](mailto:raaron@honigman.com)

Richard P. Middleton (P41278)  
Attorney for Respondents  
Michigan Consolidated Gas Company  
2000 2<sup>nd</sup> Ave #688WCB  
Detroit, MI 48226  
[Middletonr@dteenergy.com](mailto:Middletonr@dteenergy.com)

Mark D. Eyster, Administrative Law Judge  
Michigan Public Service Commission  
6545 Mercantile Way, Suite 7  
Lansing, MI 48911  
[mdeyste@michigan.gov](mailto:mdeyste@michigan.gov)

Jennifer Evans  
Case Coordinator, Case Management  
Michigan Consolidated Gas Company  
2000 2<sup>nd</sup> Ave  
Detroit, MI 48226  
[evansj2@dteenergy.com](mailto:evansj2@dteenergy.com)