



**DIRECT TESTIMONY OF DONALD J. MAZUCHOWSKI**  
**CASE NUMBER U-14754**  
**PART II**

1 Q. What is your name and business address?

2 A. My name is Donald J. Mazuchowski, and my address is MPSC, 6545 Mercantile  
3 Way, Lansing MI, 48911.

4 Q. Have you previously testified in this matter?

5 A. Yes. I testified originally in this matter on May 10, 2006.

6 Q. What is the purpose of your testimony?

7 A. I will offer Staff's opinions and recommendations on the proper method to  
8 determine the amount Dominion overpaid for CO2 processing of Antrim gas.

9 Q. What is Staff's opinion of how the amount of overpayment is to be determined?

10 A. Staff's opinion is Dominion's overpayment of Antrim gas should be calculated  
11 only with gas that was originally under ASATT # 16 and its Commitment  
12 agreement, both of which are now expired. The overpayment amount should  
13 consist of costs in excess of Dominion's CO2 treatment cost of its Antrim gas to a  
14 2% CO2 content level instead of the imposed 0.75% CO2 content by MGAT.

15 Q. In Staff's opinion, should Dominion be compensated for CO2 treatment of gas  
16 that was dedicated under ASATT # 1 and its Dedication agreement?

17 A. No. The Commission intended for gas volumes under the Commitment  
18 agreement be used in determining overpayment costs. The Commission found the  
19 Dedication agreement was for the life of the reserves and still dedicated to MGAT  
20 for processing.

21 Q. Please explain.

22 A. The parties are interpreting the Commission orders of August 7 and November 8,  
23 2007 regarding the ordered reimbursement in two different ways. Dominion

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1 included gas from both the Dedication and Commitment contracts in its  
2 overpayment calculation. On the other hand, MGAT contends only the  
3 Commitment volumes should be used in the overpayment calculation. Staff has  
4 considered the Commission discussion portion of the orders regarding  
5 overpayment and compared that with the finding and ordering portions of the  
6 orders. Based on this review, Staff's opinion is overpayment calculation volumes  
7 should be gas volumes only from the Commitment agreement.

8 Q. Are the Dedication and Commitment agreements still in effect?

9 A. All parties agree that the Commitment agreement expired under its own terms.  
10 Staff's and MGAT's position is that the Dedication agreement is still in effect and  
11 the Commission order affirmed that.

12 Q. What type of transportation contracts are used to deliver the gas to market?

13 A. Originally, ASATT #1 was a transportation and treatment agreement for the  
14 Dedicated volumes and ASATT #16 was a transportation and treatment  
15 agreement for the Commitment volumes. These two contracts expired and both  
16 volumes were combined and transported under a new transportation agreement  
17 ASAT #62501 dated January 30, 2006 between MGAT and Dominion. I will  
18 refer to this agreement as the January 30, 2006 ASAT contract because it was  
19 described in this manner in the November 8, 2007 Commission order.

20 Q. What does the August 7, 2007 Commission's order state with respect to the issue  
21 of overpayment?

22 The first mention of overpayment is on Page 16 of the Commission's Order of  
23 August 7, 2007. The order in part states" ... Dominion, as a result of MGAT's

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1 discriminatory contract requirement, has overpaid for treatment of Antrim  
2 volumes produced from acreage that is no longer covered by the Dedication,  
3 including the acreage covered by ASATT # 16.” In Staff’s opinion, this statement  
4 should be interpreted that the Commission did not intend dedicated gas volumes  
5 to be relevant gas volumes to be used or factored into the overpayment  
6 calculation. Although, the findings and ordering portion of the order refer to  
7 “relevant gas volumes for reimbursement”, Staff’s opinion is that the  
8 Commission order refers to the Commitment agreement volumes not the  
9 Dedicated agreement volumes. No where in the order are the words overpayment  
10 of Dedicated volumes found or used in the same sentence or for any directive.  
11 Therefore, it is Staff’s opinion that Dedicated volumes were not intended to be  
12 utilized for overpayment calculation.

13 Q. What does the Commission Order dated November 8, 2008 state with respect to  
14 Commitment and Dedicated agreement volumes?

15 A. Again the Commission references the Commitment volumes when it states in  
16 discussing the history on page 5 that “...Commission found that , as a result of  
17 MGAT’s discriminatory contract requirement, Dominion has potentially overpaid  
18 for treatment of Antrim gas volumes produced from acreage covered by ASATT  
19 #16 and the Commitment letter, and that Dominion is entitled to reimbursement  
20 of the difference between the amount Dominion would have paid for treatment of  
21 the relevant gas volumes to 2% CO2 content and the amount Dominion paid for  
22 treatment of the relevant gas volumes to 0.75% CO2 during the time period  
23 between January 30, 2006 and the date of issuance of its order...” However, on

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1 page 6 the Commission also states that “Dominion should include gas volumes  
2 attributable to the January 30, 2006 ASAT. The Commission notes that, in  
3 proposed Exhibits DOM-121 and DOM-122, Dominion did not demonstrate how  
4 it arrived at the difference between the cost of treatment to 2% and the cost of  
5 treatment to 0.75%.” The Commission essentially repeated the words about the  
6 January 30, 2006 ASAT in the findings and ordering paragraphs of the order.

7 Q. In Staff’s opinion is there a difference in these two Commission orders regarding  
8 the volumes to be used for the ordered reimbursement?

9 A. In Staff’s opinion, since the Commitment volumes are included in the January  
10 30, 2006 ASAT transportation contract, there is no difference in the Commission  
11 directive. However, the first order never referenced the January 30, 2006 ASAT  
12 contract and only discussed the Commitment volumes while the second order  
13 discussed Commitment volumes but states to use the January 30, 2006 ASAT  
14 contract which includes the Commitment volumes as well as the Dedication  
15 volumes. Staff’s opinion is only Commitment volumes should be used in the  
16 overpayment calculation.

17 Q. What is staff’s opinion on the volumes both parties have supplied in their  
18 testimony to calculate the ordered reimbursement?

19 A. Referencing the January 30, 2006 ASAT contract in the second order and not the  
20 first order has caused both parties to include different volumes in their respective  
21 cases. Dominion has included volumes from both the Commitment and  
22 Dedication agreement while MGAT has included volumes from the Commitment  
23 agreement only. The January 30, 2006 ASAT includes gas from both the

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1 Commitment and Dedication agreements. Staff's opinion is both orders never  
2 intended or discussed that the ordered reimbursement or overpayment should  
3 include gas volumes subject to the Dedication agreement. Rather, the  
4 Commission specifically mentioned reimbursement for gas volumes subject to the  
5 Commitment agreement. Both Orders don't discuss overpayment of Dedication  
6 volumes but do specifically discuss reimbursing Commitment volumes.  
7 Dominion's volumes are a result of a literal interpretation of the findings and  
8 ordering portion of the second order and these Dedicated volumes were not  
9 intended for reimbursement.

10 Q. Based on the parties testimony, what volume should be used in the calculation of  
11 reimbursement?

12 A. MGAT provided an estimate of Commitment volumes. Dominion provided  
13 volumes that staff believes are incorrect because they contain volumes from both  
14 the Dedication and Commitment agreements. Dominion provided through its  
15 response to Staff's discovery, volumes which the staff has not had the time to  
16 adequately review. Therefore no reliable numbers have been presented to date.  
17 Dominion should submit Commitment volumes and their working interest in these  
18 wells and or projects if they desire a refund. These volumes should only be from  
19 the Commitment agreement. Once submitted, both parties and staff will be able  
20 to examine and determine the amount of overpayment.

21 Q. Why should the Dedication agreement volumes not be used in the overpayment  
22 calculation?

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1 A. The Commission didn't find that MGAT discriminated with respect to the gas  
2 volumes subject to the Dedicated agreement. It is true that Dominion had CMS  
3 treat the gas to 0.75% CO2 content but that was done at Dominion's erroneous  
4 assumption that the Dedicated gas was no longer dedicated to MGAT for CO2  
5 treating. MGAT and Dominion have a contract that stated the volumes were  
6 dedicated to MGAT for the life of the reserves which the Commission validated.  
7 MGAT was treating the Dedicated volumes to a CO2 level of 0.75% before the  
8 dispute but were willing to allow Dominion control of the gas for CO2 treating if  
9 they would treat to the same CO2 level of 0.75%. Unlike the Commitment gas  
10 which MGAT did not have the right to treat once the Commitment letter expired,  
11 they still had the right to use and treat the Dedicated gas. So Dominion even  
12 though it was contracted with MGAT took control of this gas and treated it just as  
13 MGAT had before them.

14 Q. What is Staff's opinion of MGAT's request to be reimbursed for the Dedicated  
15 gas that was not processed by MGAT because Dominion took control of it even  
16 though it was dedicated to MGAT?

17 A. Staff opinion is that MGAT released this gas to Dominion as long as Dominion  
18 treated it to a 0.75% CO2 content. Therefore, MGAT is not entitled to any  
19 reimbursement because they allowed Dedicated gas to be released voluntarily.

20 Q. Please summarize your testimony.

21 A. Dominion is entitled to a refund from overpayment of treating Antrim gas.  
22 The volumes used should be Commitment volumes included in the January 30  
23 ASAT agreement.

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1 |        Dominion must submit volumes for its gas from the original Commitment  
2 |        contract only if they would like a refund.  
3 |        MGAT is not entitled to be reimbursed for dedicated gas which MGAT had under  
4 |        contract but did not treat.

5 | Q.     Does this conclude your testimony?

6 | A.     Yes.

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of )  
Dominion Midwest Energy, Inc. and ) Case No. U- 14754  
Dominion Reserves, Inc., )

Complainants,

vs.

MichCon Gathering Company and )  
Michigan Consolidated Gas Company )

)

Respondents

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**PROOF OF SERVICE**

Sheila Muniz Aleshire, being duly sworn, deposes and says that on March 17, 2008, A.D., she served a copy of the attached Testimony, via email and by mailing copies thereof by first class mail, postage prepaid, or by inter-departmental mail, to the persons as shown on the attached service list.

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Sheila Muniz Aleshire

Subscribed to before me this  
17<sup>th</sup> day of March, A.D., 2008

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Notary Public Ingham County, Michigan  
My Commission expires August 16, 2011

**MPSC Case No. U14754**

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