



17 North Second Street  
12th Floor  
Harrisburg, PA 17101-1601  
717-731-1970 Main  
717-731-1985 Fax  
www.postschell.com

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Andrew S. Tubbs

atubbs@postschell.com  
717-612-6057 Direct  
717-731-1985 Fax  
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June 11, 2010

**BY E-FILE**

Rosemary Chiavetta  
Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor North  
P.O. Box 3265  
Harrisburg, PA 17105-3265

**RE: Marcellus Shale En Blanc Hearing on PUC Jurisdictional Issues**  
**Docket No. I-2010-2163461**

Dear Secretary Chiavetta:

Enclosed please find the original Written Statement of DTE Pipeline Company and Bluestone Pipeline Company of Pennsylvania in the above-referenced proceeding.

Respectfully Submitted,



Andrew S. Tubbs

AST/jl

Enclosures

cc: Jennifer Kocher, Office of Communications (*via e-mail*)

**COMMONWEALTH OF PENNSYLVANIA  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Marcellus Shale En Banc Hearing on :  
PUC Jurisdictional Issues : Docket No. I-2010-2163461

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**WRITTEN STATEMENT OF  
DTE PIPELINE COMPANY AND BLUESTONE PIPELINE  
COMPANY OF PENNSYLVANIA**

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My name is Christopher Zona, and I am the director of Business Development for DTE Pipeline Company (“DTE”). I have been employed by DTE since 2006 and my business address is One Energy Plaza, Detroit, Michigan. My written statement today is submitted in response to the Secretarial Letter issued by the Pennsylvania Public Utility Commission on May 20, 2010, scheduling an *en banc* hearing for June 16, 2010, to seek information from interested parties on the Commission jurisdictional issues related to Marcellus Shale development.

I applaud the Commission for holding an *en banc* hearing and soliciting input from all interested parties on the development of the Marcellus Shale in Pennsylvania and its potential impact on the Commission. These actions by the Commission send a strong signal to existing and proposed gathering companies of the Commission’s intent to establish a fair and consistent framework at the outset and, thereby, allow all gathering companies to establish business plans based upon a known regulatory scheme.

DTE is a wholly owned affiliate of DTE Energy, headquartered in Michigan that owns and manages partnership interests in several interstate natural gas pipelines that serve the Midwest and Northeast regions of the United States and Ontario, Canada that are subject to the regulatory jurisdiction of the Federal Energy Regulatory Commission. These pipelines include

the Vector Pipeline and the Millennium Pipeline. In addition, DTE and its affiliates have built and operated more than 2,600 miles of transmission pipeline and 840 miles of gathering system infrastructure in Michigan since the 1970s connecting to more than 6,000 production wells. Gathering services provided by DTE's affiliates are subject to the regulatory jurisdiction of the Michigan Public Service Commission ("MPSC").

Bluestone Pipeline Company of Pennsylvania, LLC is a recently formed wholly-owned subsidiary of DTE. Bluestone was formed by DTE as a Pennsylvania limited-liability company for the purpose of constructing and operating a natural gas gathering system in Susquehanna County, Pennsylvania, to gather and deliver natural gas supplies produced from Marcellus Shale formations to the Millennium Pipeline in Broome County, New York. Unlike gathering systems built for sole private use, Bluestone intends to contractually subscribe its capacity to third party producers through a combination of individual negotiations and/or awards via a public Open Season.

On April 16, 2010, DTE and Bluestone filed comments in this proceeding to respond to certain questions posed by the Commission. In those comments, DTE and Bluestone recommended that the Commission adopt safety regulations for Pennsylvania jurisdictional gathering company operations and facilities. However, DTE and Bluestone commented that the Commission's regulation of rates is unwarranted because of the availability of competitive alternatives to third-party producers, the commercial flexibility required to meet the needs of producers in differing stages of production maturity, and the fact that Bluestone will bear 100% of the risk for return of and return on its investment and for capacity renewals. There will be no mechanism to assure recovery of its costs of service or its investment. DTE and Bluestone further recommended that the Commission should not regulate siting of gathering pipelines,

given the large success of the siting and construction of natural gas pipelines in Pennsylvania without siting regulation. In addition to the Comments of DTE and Bluestone, I offer the following comments regarding the Commission's regulation of gathering systems.

DTE and Bluestone strongly support Commission regulation of the safety of jurisdictional Pennsylvania gathering and transportation facilities. I note that DTE's affiliates provide substantial gathering and transportation services in Michigan that are subject to the jurisdiction and safety regulation of the MPSC. The adoption and implementation of safety regulations in Michigan has proven that commission regulation provides a consistent framework and ensures that gathering facilities provide their service in a safe and reliable manner while stifling neither the growth of regional production nor the realization of the associated benefits to the Commonwealth. To the extent that the Commission adopts and implements safety requirements or regulations applicable to gathering systems, Bluestone commits to operate its facilities in a manner that will meet or exceed any such safety requirements or regulations. Further, Bluestone will commit to participate in the Pennsylvania One Call program. DTE believes that it is in the interest of all entities participating in the development of Marcellus Shale gas that all facilities and operations thereof be safe.

As noted in the Comments filed by DTE and Bluestone, Bluestone intends to contract its services to third party shippers, who are anticipated to be gas producers or perhaps gas marketers, for compensation and, therefore, believe that its gathering services in Pennsylvania will be subject to the regulatory jurisdiction of the Commission. Bluestone intends to file with the Commission an application for a certificate of public convenience in late 2010. DTE and Bluestone believe that a certificate of public convenience from the Commission will provide

important benefits that will facilitate the development of gas from the Marcellus Shale formations in Pennsylvania.

For gathering companies like Bluestone who are looking to develop, invest, and operate the infrastructure necessary to provide contractual gathering services to third-party gas producers and other shippers, as opposed to services for the need of a private shipper's sole use (gathering service not for public use), a regulatory environment that is consistent with the risks of such investment is critical in fostering further development of Marcellus Shale production. As exemplified in DTE's history of development, Bluestone will make every reasonable effort to work with landowners and local authorities in the development of such infrastructure to reduce any potential impact to the environment or other use of lands and generally to be a "good neighbor" in the communities where we have assets and where we conduct business.

At the same time, gathering and transportation companies providing a service to the public (that is, to third-party shippers) need to be able to rely on a consistent regulatory framework throughout the Commonwealth. Therefore, being treated as public utilities for this limited purpose will facilitate the rationale and efficient development of necessary infrastructure by providing an environment of regulatory certainty and consistency that is necessary to attract investment. Absent being treated as a public utility, there is a risk that inconsistent and perhaps irreconcilably conflicting local laws and ordinances will hamper development of the Marcellus Shale in Pennsylvania. Furthermore, it is also important to note that there is significant benefit to the public from Commission treatment of gathering companies as public utilities for these limited purposes. As a public agency focused on the overall benefit to the Commonwealth, the Commission and its processes afford its constituents a non-biased venue to ensure the concerns and needs have a voice in the determination of public necessity. Additionally, the Commission

provides a third party alternative for its constituents to identify any concern of safety or unsafe operating practice on an ongoing basis.

For these reasons, as well as those previously set forth in the Comments filed by DTE and Bluestone, I do not believe that it is necessary for the Commission to regulate rates for gathering systems or to regulate the siting of gathering pipelines. However, I do believe it is appropriate for the Commission to adopt safety regulations for Pennsylvania jurisdictional gathering and transportation company operations and facilities. Further, I believe that it is appropriate for gathering systems that intend to hold themselves out to the public, to apply for certificates of public convenience in order to facilitate the development of the Marcellus Shale in Pennsylvania.

This concludes my comments and I look forward to answering any questions that you may have.