

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the Matter of the Application of)
Consumers Power Company)
for Authority to Recover Implementation)
costs, for approval of stranded cost true-) Case No. U-11955
up methodology, and for other relief)
_____)

In the Matter of the Application of)
The Detroit Edison Company)
for authority to recover retail access)
program implementation costs and for) Case No. U-11956
approval of a true-up mechanism in)
connection with the recovery of stranded)
costs)
_____)

QUALIFICATIONS AND DIRECT TESTIMONY OF RICHARD A. POLICH

1 Q. Please state your name and business address.

2

3 A. My name is Richard A. Polich. My business address is 2010 Hogback Road, Ann Arbor,
4 Michigan 48105.

5

6 Q. By whom are you employed and what is your present position?

7

8 A. I am employed by Nordic Electric as a Vice President.

9

10 Q. Please state your educational background.

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12 A. I graduated from University of Michigan in Ann Arbor in August of 1979 with a Bachelor of
13 Science Engineering Degree in Nuclear Engineering and a Bachelor of Science Engineering

1 Degree in Mechanical Engineering. In May 1990, I received a Masters of Business
2 Administration from the University of Michigan in Ann Arbor.

3
4 Q. Please describe your work experience.

5
6 A. In May of 1978, I joined Commonwealth Associates as a Graduate Engineer and worked on
7 several plant modification and new plant construction projects. In May 1979 I joined
8 Consumers Power Company as an Associate Engineer in the Plant Engineering Services
9 Department. In April of 1980 I transferred to the Midland Nuclear Project and progressed
10 through various job classifications to Senior Engineer. I participated in the initial design
11 evaluation of the Midland Cogeneration Plant. In July 1987 I transferred to the Market
12 Services Department as a Senior Engineer and reached the level of Senior Market
13 Representative. While in this department I analyzed the economic and engineering feasibility
14 of customer cogeneration projects. In July of 1992 I transferred to the Rates and Regulatory
15 Affairs Department of Consumers Energy as a Principal Rate Analyst. In that capacity I
16 performed studies relating to all facets of development and design of the Consumers' gas,
17 retail, electric and electric wholesale rates. During this period, I was heavily involved in
18 development of the Consumers Direct Access program and in development of the Retail Open
19 Access program. I also participated in the development of the Consumers' revenue forecast.

20
21 In March 1998, I joined Nordic Electric as Vice President in charge of marketing and sales.
22 My responsibilities include all aspects of obtaining new customers and enabling Nordic to
23 supply electricity to those customers. This includes overseeing metering and billing systems
24 used to bill Nordic customers and interaction with utility systems.

25
26 Q. Are you a registered professional engineer in the State of Michigan?

27
28 A. Yes I am.

1 Q. Have you previously testified before this Commission?

2

3 A. Yes. I presented testimony on five occasions on behalf of Consumers Energy. In the remand
4 phase of retail wheeling Case U-10143/U-10176 presenting the Consumers' method for
5 design of future retail wheeling rates, the Consumers proposed Special Contract Rate Case
6 U-10625 presenting methods to identify and qualify customers. I presented testimony in the
7 Consumers' Electric Rate Case proceeding U-10335. I presented testimony in the initial
8 phase of retail wheeling Case U-10143/U-10176 on the proposed cost and rate of retail
9 wheeling and finally, in Case U-10685 the Consumers Energy Electric Rate Case in November
10 1994. I also testified on behalf of Nordic Electric in Case No. U-11915 regarding voluntary
11 electric supplier licensing programs.

12

13 Q. Mr. Polich, what is the purpose of your testimony?

14

15 A. The purpose of my testimony is to present the position of Energy Michigan regarding whether
16 metering and billing functions should be limited to utilities or if third party suppliers should
17 have the option to provide metering and data type services.

18

19 Q. Please summarize your position.

20

21 A. It is Energy Michigan's position that metering and billing functions are critical to the
22 development of truly competitive markets. In the Open Access programs, the utilities have
23 chosen to use telemetering for data retrieval. This method of data gathering eliminates the
24 natural monopoly for electric metering and billing, creating the opportunity for competitive
25 supply of this service. Metering and billing functions should be performed by entities most
26 interested in providing the services the marketplace wants at the lowest cost. Consumers
27 should have a choice of provider for these functions. Utilities have stated they need to install
28 new billing and metering systems for the new re-regulated competitive electric market. The
29 cost of the new billing and metering systems, which includes return on and of capital and

1 expenses, will be paid for by the customers. In addition, the utilities are requiring customers
2 to install and pay for telephone lines to the meters for data retrieval. Since it is the customers
3 or the power marketers which will pay the costs of the new metering and billing systems, it
4 is important that the customers obtain the best value for these costs. If the utilities choose
5 to restrict access to the services, charge fees for data retrieval, cause metering and billing
6 system costs to be above market or restrict customer access to the program because the
7 service initiation costs and customer charges are too high, then the service should be setup
8 to be competitively supplied. It is our position that the following critical issues have to be
9 factored into any solution to the metering and billing supply/cost function:

- 10 • The supply of new metering and billing systems should be competitively bid. This will
11 ensure that costs the customers are charged for the service are minimal.
- 12 • Metering systems should utilize industry standard equipment and installations to
13 minimize expense and to maximize the availability of alternative technologies.
14 Proprietary technologies are unacceptable because it restricts the free market use of
15 electric data.
- 16 • Customers and their agents must have unrestricted access to meter data at all times
17 at no additional costs. The customer should be able to designate an agent which will
18 have unrestricted data access.
- 19 • Data supplied should include the billing determinants needed by and acceptable to the
20 customer or their agent.

21 22 Meter Data Availability - Detroit Edison

23
24 Q. Are there problems regarding current Detroit Edison proposed meter data availability?

25
26 A. Yes. First, Detroit Edison proposes to use meters with call out functions that can only dial
27 one number, which has to be Detroit Edison's own data collection system. This restricts
28 customers or their agents access to electric consumption data. Second, Detroit Edison will
29 only supply select meter data without charges. For example, on-peak and off-peak

1 consumption data based upon wholesale on-peak and off-peak hours (used by Detroit Edison)
2 will not be available. Third, customer hourly electric consumption data is only available if the
3 customer agrees to buy the data under a 12 month subscription. The cost of the 12 month
4 data subscription is \$180 per meter per year for hard copy or \$240 in the e-mail or disk
5 version. However, the data is provided only one time per month and is usually not available
6 until several weeks after the relevant billing month.

7
8 Q. What problems are created by Detroit Edison's use of read out only meters?

9
10 A. Detroit Edison is artificially restricting access to meter data needed by power marketers to
11 properly schedule electric supplies and causing power marketers to pay for additional services
12 to obtain meter data for billing customers for electric consumption. This artificially increases
13 the costs for open access and reduces availability of the service to customers. Coupling this
14 method of meter data retrieval with Detroit Edison's decision to only provide selected billing
15 determinates forces power marketers to consider the installation of redundant metering to
16 obtain the necessary electric consumption data. Detroit Edison's approach to metering results
17 in a significant and unnecessary cost increase for customer participation which will reduce
18 customer benefits and limits participation.

19
20 Q. What would be an appropriate solution to metering to eliminate the problems created by
21 Detroit Edison?

22
23 A. Detroit Edison has two choices; either install "dial-up" metering that allows a customer or
24 their agent to obtain the meter data as needed; or provide meter data to a customer or their
25 agent as needed via Internet or other easily accessible data link. Consumers Energy has
26 chosen to use metering technology which allows customer designated agents to poll meters
27 directly to obtain electric consumption data. This reduces power marketer energy imbalances,
28 reduces meter data collection costs and lowers the barriers to customer participation in the
29 program. We see no benefit to Detroit Edison's approach for the customer or the market.

1 Q. Should there be any charges for metering data?

2

3 A. No. The data belongs to the customer. There should be no charge for use of the data which
4 has already been developed for utility purposes. The data should be free and available to the
5 customer on an “at will” and “dial in” basis just as the distribution company uses the data
6 itself. Otherwise the distribution company gets a competitive advantage over competing third
7 party suppliers.

8

9 Consumers and Detroit Edison Meter Issues

10

11 Q. If the Commission will not order that new metering and billing systems be competitively bid
12 as recommended on page 4, what is a second best solution to the problems you have
13 discussed?

14

15 A. Open access customers should be allowed to select and install metering systems of their
16 choice which are compatible with utility data systems. Such customers should be allowed to
17 avoid utility charges as discussed late in my testimony.

18

19 Q. If customers are allowed to provide their own meters, how can compatibility with data
20 collection systems be assured?

21

22 A. The manufacturer of the data system used by Detroit Edison and Consumers Energy (the UTS
23 MV-90 system) has already specified a wide variety of meters which would be compatible
24 with that data system. Any one of these listed meters should be able to be used by customers.
25 In the future, it may be reasonable to designate a specific testing laboratory (Underwriters
26 Laboratory or a similar body) to test new equipment for compatibility with various utility data
27 systems. Only compatible equipment would be used by the customer under this concept.

28

29 Q. What other meter related issues should be addressed?

1 A. Customers or their electricity suppliers providing their own meters should be allowed to
2 install, test and maintain the meters. The customer or its suppliers should also be able to read
3 the meter data, validate and edit the data and provide the data to the serving utility in a
4 standard electronic format which can then be used by the utility for billing purposes?.

5
6 Q. What are the benefits to the customer if your metering and data proposals are adopted?

7
8 A. A customer who supplies and maintains his own metering and is allowed to provide the utility
9 and third party supplier with the data should be allowed to avoid the corresponding
10 unbundled monthly meter and data collection charges. This result can be accomplished if all
11 metering and data charges are unbundled and the customer supplying these services is allowed
12 to avoid the relevant charges.

13
14 The utility can avoid a significant expense or capital cost by letting customers install, service
15 and read their own meters. This option will minimize the cost of open access service to the
16 utility while providing that service to customers at a lower cost. Competition among
17 metering and data collection providers should help to restrain the costs of these services in
18 the future.

19
20 Q. What other utility actions would facilitate your recommendations?

21
22 A. Standard business operating rules for the competitive electric industry are currently under
23 development by industry trade groups. When such standards are finalized, Detroit Edison and
24 Consumers Energy should be directed to adopt the standard practices.

25
26 Q. What is your long term proposal to resolve metering and billing issues?

27
28 A. The Michigan Public Service Commission should order creation of an open access metering
29 and billing advisory group consisting of representatives of utilities, marketers and customers.

1 This group should have the responsibility for recommending long term programs to achieve
2 the lowest cost metering and billing service for all customers and to resolve disputes relating
3 to metering and billing.

4

5 Q. Does that conclude your testimony?

6

7 A. Yes.