

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the rates, terms, and)	
conditions for retail customers of)	
THE DETROIT EDISON COMPANY for)	Case No. U-12489
to choose an alternative electric supplier.)	
_____)	

QUALIFICATIONS AND DIRECT TESTIMONY OF RICHARD A. POLICH
ON BEHALF OF ENERGY MICHIGAN

1 Q. Please state your name and business address.

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

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

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

6 Q. Please state your educational background.

7 A. I graduated from the University of Michigan in Ann Arbor in August of 1979 with a
8 Bachelor of Science Engineering Degree in Nuclear Engineering and a Bachelor of
9 Science Engineering Degree in Mechanical Engineering. In May 1990, I received a
10 Masters of Business Administration from the University of Michigan in Ann Arbor.

11 Q. Please describe your work experience.

12 A. In May of 1978 I joined Commonwealth Associates as a Graduate Engineer and worked
13 on several plant modification and new plant construction projects. In May 1979 I joined
14 Consumers Power Company as an Associate Engineer in the Plant Engineering Services
15 Department. In April of 1980 I transferred to the Midland Nuclear Project and

1 progressed through various job classifications to Senior Engineer. I participated in the
2 initial design evaluation of the Midland Cogeneration Plant. In July 1987 I transferred to
3 the Market Services Department as a Senior Engineer and reached the level of Senior
4 Market Representative. While in this department I analyzed the economic and
5 engineering feasibility of customer cogeneration projects. In July of 1992 I transferred to
6 the Rates and Regulatory Affairs Department of Consumers Energy as a Principal Rate
7 Analyst. In that capacity I performed studies relating to all facets of development and
8 design of the Consumers' gas, retail, electric and electric wholesale rates. During this
9 period, I was heavily involved in the development of Consumers Direct Access program
10 and in the development of Retail Open Access program. I also participated in the
11 development of the Consumers' revenue forecast.

12 In March 1998, I joined Nordic Electric as Vice President in charge of marketing
13 and sales. My responsibilities included all aspects of obtaining new customers and
14 enabling Nordic to supply electricity to those customers. In May 2000, my
15 responsibilities shifted to Operations and Regulatory Affairs. My responsibilities include
16 management of supply purchases, transmission services, information and technology
17 services and power supply scheduling. Regulatory Affairs responsibilities include over
18 seeing regulatory and legislation issues.

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

20 A. Yes I am.

21 Q. Have you previously testified before this Commission?

22 A. Yes. I presented testimony on five occasions on behalf of Consumers Energy. In the
23 remand phase of retail wheeling Case U-10143/U-10176 presenting the Consumers'
24 method for design of future retail wheeling rates, the Consumers proposed Special

1 Contract Rate Case U-10625 presenting methods to identify and qualify customers. I
2 presented testimony in the Consumers' Electric Rate Case proceeding U-10335. I
3 presented testimony in the initial phase of retail wheeling Case U-10143/U-10176 on the
4 proposed cost and rate of retail wheeling and in Case U-10685 the Consumers Energy
5 Electric Rate Case in November 1994. I presented testimony for Energy Michigan in
6 Cases U-11915 (Supplier Licensing), U-11956 (Detroit Edison True Up Case) and U-
7 12478 and U-12505 (the Detroit Edison and Consumers Energy Securitization Cases).

8 **PURPOSE OF TESTIMONY**

9 Q. Please describe the purpose of your testimony in this case.

10 A. The purpose of my testimony is to present a customer and Alternate Electric Supplier
11 (AES) view on the changes necessary to provide for a successful Retail Access Program.
12 We now have over three years of experience with customers being served by AESs. Over
13 the last five months, we have tried to expand the experimental programs to reach a
14 broader class of customers and have had limited success. The changes proposed by
15 Detroit Edison in this version of Retail Access Service Tariff (RAST) fail to address
16 many of the problems and barriers encountered by customers and AES. In addition,
17 DECo has proposed several changes which will increase costs or add other barriers to
18 participation. Through this testimony, we are proposing numerous changes to improve
19 the RAST so that DECo electric customers can experience true competition.

20 Q. Are you sponsoring any exhibits?

21 A. Yes. I am sponsoring Exhibits:

- 22 1. Exhibit EM- _____ (RAP-1) Revised Detroit Edison Retail Access
23 Service Tariff

- 1 2. Exhibit EM- _____ (RAP-2) Redlined Version of Revised Detroit
- 2 Edison Retail Access Service Tariff
- 3 3. Exhibit EM- _____ (RAP-3) Economic Impact of Detroit Edison Rate
- 4 Change
- 5 4. Exhibit EM- _____ (RAP-4) Economic Impact of ITC Rates
- 6 5. Exhibit EM- _____ (RAP-5) System Use Charge Rate Adjustment

7 Q. What are your concerns regarding the RAST and the DECo implementation of customer
8 choice?

9 A. The RAST proposed by DECo contains many provisions which limit customer
10 opportunities reduce customer benefits, increase customer risk, and cause increased
11 customer costs. Some of the provisions are subtle, and on the surface, do not appear to
12 represent a significant issue. But, in the power marketing environment, any provision
13 that adds complexity and impediments to implementation of Retail Access is harmful to
14 the success of the program. Any unnecessary provision or unjustified barrier will result
15 in increased cost to customers, both directly and indirectly from pass through of costs.
16 Michigan does not need to create a program with a bureaucratic process that slows down ,
17 scares, or prevents customer participation in the program. The program should be
18 constructed to provide customers switching electric suppliers the same convenience and
19 speed as DECo provides its full service customers moving to a new home or business.

20 The design of the RAST submitted in this testimony has been structured to
21 provide a clear description of intended rules and regulations governing Electric Choice.

22 **TESTIMONY SUMMARY**

23 Q. What are the key issues you will be addressing in your testimony?

1 A. Our first major issue regards the customer enrollment process and the time allotted for
2 DECo to switch customers. The process of customer enrollment includes completion of
3 contract requirements between customer and AES, supplier and customer release forms,
4 metering, telecommunications and customer eligibility and a host of other DECo steps
5 and requirements. The current RAST configuration provides DECO total discretion on
6 how, when, why and what requirements are necessary for a customer to participate in
7 Retail Access Service (RAS). If it takes DECo six months to switch a customer's service
8 to the AES, so what? There are no penalties or other negative implications for the utility.
9 Customers have been held up in switching to their AES for four months and longer due to
10 DECo's inability to finish some internal administrative procedure, completion of meter
11 work, switching billing systems, billing cycle timing, customer "cool down" period, lack
12 of telecommunications or some other excuse.¹ DECo should be required to switch a
13 customer into Retail Access Service upon commencement of the next billing cycle if the
14 RAS customer is enrolled 15 days prior to the start of the billing cycle. This issue will be
15 addressed in Mr. Schlansker's testimony.

16 Our second major issue regards the decision by DECo to define "Marketer"
17 responsibilities within this Tariff. As defined in RAST, the Marketer is an entity which
18 delivers power to the AES as a "wholesale supplier". In Case number U-11337, DECo
19 petitioned and was granted by the MPSC a decision which places transactions, rates and
20 services associated with Transmission Service under the jurisdiction of the Federal
21 Energy Regulatory Commission (FERC). The relationship between the Marketer and the
22 AES is a wholesale supply relationship, and is no different than other wholesale supply

¹ MPSC Staff Report on Investigation of Detroit Edison Company Retail Open Access Program Customer Enrollment and Supplier Support Systems and Processes December 2000.

1 relationships. Thus, this relationship as well as the Marketer: DECo relationship should
2 not be regulated under terms contained in the RAST. DECo already has a FERC
3 authorized Open Access Transmission Tariff (OATT) which provides all the necessary
4 terms, conditions, operating requirements and rates necessary to govern wholesale
5 transactions and the relationship between DECo and the Marketer. We are
6 recommending removal of all but a small portion of the RAST which refers to the
7 Marketer and the associated functions.

8 The third major area addressed is the method in which DECo penalizes AES's for
9 electric supply imbalances for non-interval metered or "Energy Only" metered
10 customers. As currently configured, DECo only supplies the AES a projected weather
11 normalized load profile for Energy Only customers. As currently proposed by DECo,
12 there is no opportunity for the AES to properly balance the load because; A) the meter
13 data is scattered across 20 billing cycles, B) the meter data cannot be provided until well
14 after the end of the billing cycle, C) the hourly weather normalization factors used by
15 DECo to develop the "actual" load profile are unknown by the AES and D) the AES will
16 not know the actual load profile until almost two months after it has occurred. DECo will
17 be responsible for determining the imbalance penalties and charge them accordingly.
18 DECo should be required to implement a load profile system similar to Consumers
19 Energy and those implemented in other states for Energy Only customers. If the AES
20 follows the forecasted load profile, then the AES will not incur any hourly OATT energy
21 imbalances.

22 The fourth category of items we will address discusses rate changes proposed by
23 DECo. These items should be rejected outright by the Commission since they are rate
24 increases. The first change proposed by DECo, is the increased Service Charge for Low

1 Voltage Distribution Service for customers larger than 300 kW which will raise rates
2 from 5% to almost 45%. The second rate change is the increase in System Use charge to
3 an energy only rate which increases costs for low voltage customers by as much as 90%.

4 Q. Are there major structural and language changes to the RAST you are recommending?

5 A. Yes. Review of DECo's proposed RAST revealed the need to rewrite the document
6 which we are presenting in Exhibit EM- _____ (RAP-1) The Michigan Public Service
7 Commission (MPSC) to consider as the final version of the Tariff.

8 In this draft, we address a large group of miscellaneous items, which individually
9 are minor but collectively represent a large portion of the RAST. These items are mainly
10 tariff structural and design flaws, all of which create unnecessary problems for the
11 suppliers, the customers and even DECo. Included in this category are the definition of
12 roles and responsibilities, types of technology and metering employed to implement the
13 program, customer class separation, billing functions, line loss calculations, application
14 of reactive power penalties, etc. The proposals we present will increase the chance of
15 successful customer participation with minimal impact upon DECo's operations.

16 Q. Will you be addressing transmission constraints on delivery of electricity to Michigan?

17 A. Yes. During the last several summers and into the foreseeable future, it has been and is
18 difficult for suppliers to obtain firm transmission service into Michigan. We are
19 proposing in this testimony that until the utilities have increased annual firm transmission
20 service into Michigan by 2,000 MW over Year 2000 levels, that customers be allowed to
21 return to bundled rates with a 15 day notice. In addition, customers should be able to
22 choose to return to RAS with a 15 day notice. The utilities should not be allowed to
23 monopolize the transmission system capacity and then to impose restrictive return to
24 service conditions upon the customers.

1 Q. Will you be addressing DECo's proposal for credit requirements to be imposed upon
2 AES or Marketers?

3 A. Yes. These requirements are another barrier to entry and discriminatory cost DECo is
4 using to restrict entry into the program. Existing bundled customers have only minor
5 credit requirements to initiate service and these are only imposed in the event of bad
6 credit ratings. DECo should not be allowed to use credit requirements as a barrier to
7 participation.

8 Q. What other issues are addressed in your testimony?

9 A. The last two issues I will address represent proposals to mitigate outside factors which
10 will impose unexpected economic impacts on the program. DECo has filed with FERC a
11 new OATT for the International Transmission Company (ITC) which will substantially
12 increase transmission costs without any increased investment or capital expenditures in
13 Transmission nor any additional benefits to Customers. DECo has stated that these new
14 rates represent equivalent rates to that of their retail customers. We are proposing that the
15 MPSC adjust DECo's System Use Charges so that retail customers switching to Electric
16 Choice are not penalized for choosing unbundled service.

17 The final issue concerns the deposits associated with capacity allocated through bidding
18 during the phase-in schedule. The initial concept of Bid Deposits presumed customers
19 would be able to quickly participate in the Retail Access Service program. As we are all
20 aware, this has been far from the truth due to numerous delays caused by lack of
21 transmission access, legislative actions, regulatory actions and utility delays. Many
22 customers and suppliers which participated in good faith in the bidding process now feel
23 the whole thing will be a windfall for the utilities. It is time for the MPSC to Order the

1 utilities to allow all successful bidders an option of retaining their capacity rights or
2 requesting full bid deposit refunds.

3 ENERGY METERED CUSTOMERS

4 Q. What is wrong with DECo's proposed method of defining electric deliveries to its system
5 to meet the load requirements of Energy Metered Customers?

6 A. There are many problems with DECo's proposal for supply and energy balancing for
7 Energy Metered Customers. First, the AES has customers scattered across 20 different
8 billing cycles and DECo has changed some of the customer billing cycles. Second, the
9 AES is supplied a Historic Load Profile that is weather normalized. Third, DECo will
10 assess energy imbalance penalties based upon an after the fact generated load profile.
11 Fourth, the AES will not know the actual energy imbalances until almost two months
12 after they occur. Fifth, the development of the profiles do not represent the class of
13 customers the AES may be serving. All of these issues translate into significant
14 economic penalties for the Customer, the AES, and their supplier.

15 Q. Why does the spread of customers across 20 billing cycles present a problem?

16 A. DECo will be calculating energy imbalances on a monthly basis. This guarantees that the
17 AES will need to prorate two months of bills to define the Customer's consumption on a
18 calendar month basis. Next the AES has to estimate the load profile for that customer.
19 Last it then needs to aggregate the profiles for all the customers for all 20 billing cycles
20 and consolidate this into a calendar month load profile. This results in estimate upon
21 estimate upon estimate, which will likely not equal DECo's estimate. Thus, energy
22 imbalances are guaranteed to occur regardless of how prudent and careful the AES is in
23 developing its estimated load profile.

24 A. Why does the weather adjusted Historic Load Profile (HLP) present a problem?

1 Q. The HLP is only a projected estimate from some previous period. The AES has no
2 knowledge of how DECo performs weather normalizations. The AES will not be able to
3 predict how much more electricity is consumed on a 90°F day with 90% humidity, than
4 on a 75° day with 60% humidity. Does DECo compensate for impacts of cloud cover,
5 wind velocity, etc. and if so how? What about varying weather conditions across its
6 service territory? This is another estimate which will generate energy imbalances for the
7 AES.

8 Q. When will the AES be provided an actual load profile?

9 A. In order for DECo to define the actual load profile, it will need the billing data from two
10 full billing cycles. This is needed because of the need to prorate a portion of each billing
11 cycle's energy consumption into the current calendar month to calculate the estimated
12 monthly consumption. They then need to distribute the estimated monthly energy
13 consumption over the estimated load profile. Thus, it could be 30 days after the end of
14 the calendar month before DECo has all the data. Assuming a few days to calculate the
15 data and generate the actual load profile, we are at close to 45 days before the bill is
16 issued. The AES then receives an energy imbalance bill based upon data never seen and
17 supplied almost 75 days after the first power for the period being billed, was supplied.
18 This again guarantees energy imbalances.

19 Q. What is the potential economic impact upon of DECo's proposed method of defining
20 energy deliveries for Energy Metered RAS Customers?

21 A. The main economic impact is upon the entity which contracts with DECo for
22 transmission services under the OATT. Since it is guaranteed under DECo's proposed
23 load following scheme that energy imbalances will occur for Energy Metered Customers,
24 the AES or their supplier will be responsible for settling the energy imbalances with

1 DECo under Schedule 4 of the OATT. Should the Power delivered be insufficient to
2 serve the load, DECo will be reimbursed for any energy imbalance at the following rates:

- 3 • Inside the 2 MW or 1.5% of Scheduled Transmission Service (Deviation
4 Band), the cost will be the DECo's incremental cost of Power.
- 5 • Outside the Deviation Band, the cost will be the higher of \$100/MWh during
6 on-peak or \$50/MWh during off-peak hours or 110% of DECo's
7 incremental cost of Power

8 Should the Power delivered be in excess of served load, DECo will provide a credit at the
9 following rates:

- 10 • Inside Deviation Band, the credit will equal 90% of DECo's decremental
11 cost of Power.
- 12 • Outside the Deviation Band, the cost will be the DECo's incremental cost of
13 Power

14 Under these rates, credit for over supplies of Power will be at a lower rate than charges
15 for under deliveries. A supplier, which is very diligent and schedules such that the over
16 and under deliveries match and are within the deviation band, would still owe DECo. In
17 the event the under deliveries exceed the deviation band, the amount owed for a 100 MW
18 load with only 5% under deliveries could exceed \$176,000 per month. If the supplier
19 attempts to avoid these cost by over supplying by 5% they will likely be credited for
20 excess deliveries at less than 50% of their cost of Power because DECo will calculate the
21 credit using a decremental cost, costing them. Being within 5% of DECo's actual load
22 curve when using a weather normalized proxy curve will be real tough for most AES.

23 Q. What is Energy Michigan's proposed solution to the load profile problem associated with
24 Customers metered with Energy Only meters?

1 A. Detroit Edison should utilize a method similar to Consumers Energy and that used in
2 other states for those customers with Energy Meters. Under this method, Detroit Edison
3 will provide a prospective hourly load profile for each AES based upon hourly load
4 profiles for each DECo rate class. Also, since DECo currently provides interruptible
5 residential service, load profiles for interruptible or managed AES loads should be
6 provided upon request. This load profile is developed using statistically based sample
7 metering installed, monitored and maintained by Detroit Edison, similar to that which the
8 utility uses for performing cost of service studies. The hourly load profiles will include
9 all transmission and distribution line losses. Under our proposal, the AES supply would
10 be in balance with supply if the Power deliveries match the hourly load profile provided
11 by Detroit Edison. Detroit Edison shall be allowed to adjust the prospective load profile
12 but must do so by 1:00 PM the day prior to the effective day of the change. This allows
13 the AES sufficient time to procure, schedule, and tag additional supplies.

14 At the end of each month, Detroit Edison would compare the actual Power
15 deliveries to the Energy Metered customer's actual consumption. Differences between
16 the two would be billed or credited to the appropriate party at a flat rate of \$50.00/MWh.
17 Should the AES's scheduled deliveries deviate from the provided load profile, the hourly
18 energy imbalance charges and credits will be at the rates contained in Schedule 4 of the
19 OATT and subtracted from the month end energy difference charge or credit.

20 **MARKETER ROLE**

21 Q. Why do you disagree with including provisions in the RAST which define roles and
22 responsibilities for the "Marketer"?

23 A. We oppose inclusion of Marketer roles and responsibilities in the RAST because their
24 function is strictly as wholesale supplier of electricity to the AES and transmission

1 Customers of DECo, which is already governed by FERC regulations. We are concerned
2 that addressing the Marketer role in RAST will create conflict, duplication, and additional
3 complexity for the Marketer when coupled with the FERC rules and regulations. The
4 FERC has already established rules, rights, responsibilities, codes of conduct, conditions
5 of service and licensing methods for Power Marketers. All transactions conducted by the
6 Power Marketer in Michigan on DECo's electric grid will be conducted at the
7 Transmission Service level. The cost for Transmission Service will be governed by the
8 rates contained in the FERC approved OATT. The MPSC in Order U-11337 established
9 the "jurisdictional" split between federal and state jurisdictions at the Transmission
10 Service level. It is not necessary to establish any more than a definition of the Marketer
11 as a FERC licensed Power Marketer in the RAST.

12 Q. Does the RAST contain language supporting your position on the marketer role?

13 A. Yes. In Section 1.3 of DECo's proposed Tariff, DECo states the Marketer is a FERC
14 authorized Power Marketer which is authorized to use transmission systems to move
15 power. The RAST further states the Marketer's role is as "Wholesale Supplier" which
16 delivers to the AES.

17 Q. Where does the RAST contain language which conflicts with FERC rules or DECo's
18 OATT?

19 A. Almost all the references to Marketer contain conflicts including Section 1.3, 1.4, 11.7,
20 17.1, 20, and 23-31. The first conflict arises in Section 1.3 where DECo includes a utility
21 as a defined marketer. Under the current FERC rules on code of conduct, utilities are
22 prevented from bundling and selling both generation and transmission service as a
23 wholesale transaction that would deliver the electricity to DECo's Transmission System.
24 In fact, DECo's inclusion of utility in the definition of Marketer appears to be a method

1 of circumventing FERC through a state regulated program to allow Edison to gain access
2 to Consumers Energy retail customers without going through a third party. If the MPSC
3 agrees to the definition that a Marketer includes utilities, then under Consumers' Retail
4 Open Access Program, DECo could serve Consumers' customers because Consumers
5 does not require an AES entity.

6 The second reference is Section 1.4, Definitions, which includes in the
7 definitions, brokers as a Marketing entity. Brokers are not licensed by FERC nor do they
8 purchase or take title to power. The definition of Marketer is also too inclusive; it could
9 include all entities along the transmission path and contract path from the point of origin
10 to the DECo Transmission System. This could imply that "Marketers", located far up
11 stream on the transaction path, are subject to Michigan regulation, which clearly would
12 not be true (except possibly for reciprocity).

13 In Subsections 11.2 and 17.1 and Sections 28, 29, and 31, DECo attempts to place
14 new failure to pay provisions on the Marketer. Since the Marketer is only using DECo's
15 Transmission Service, the only amounts the Marketer should be billed for are under
16 DECo's OATT. The OATT already contains rules governing billing, billing dispute
17 arbitration's, energy imbalance penalties, and defaults associated with Transmission
18 Service. Many of these RAST provisions are in conflict to the OATT and some are
19 duplicative.

20 In Section 23.4, DECo defines credit worthiness requirements which are not in
21 line with those it applies in the OATT. In Section 25.6, DECo requires the Marketer to
22 be responsible for all tagging requirements which it clearly cannot enforce under FERC
23 rules or NERC rules. The responsibility for tagging is up to the agreements between the
24 AES, their Power supplier, the Marketer, other entities along transmission path. Section

1 25.12 and 25.13, which address combining the RAST reservations with other tariff
2 reservations violate the Marketer's option to use Network Service under the OATT. In
3 addition, this is discriminatory since DECo can use network service to service all its retail
4 customers and wholesale customers. In Section 26, DECo defines only part of its
5 obligation to Marketers, ignoring others contained in the OATT. By agreeing to these
6 few items, DECo could interpret that the others are not required.

7 Q. Has DECo created new requirements of Marketers which are not included in DECo's
8 OATT and not required by the FERC?

9 A. Yes. First, in Subsection 14.5 and Subsection 23.6 of DECo's proposed RAST, a
10 Marketer is required to enter into an "Alternative Electric Supplier - Marketer Notice".
11 This is a contract which has not been seen before, is not part of this proceeding, and is a
12 new requirement in this tariff. DECo provides no explanation why it is necessary and
13 past experience with DECo requirements of this type have us very concerned about its
14 purpose. The relationship between a Marketer and an AES is governed by contracts
15 between the two entities and is of no business to DECo. We have seen many instances in
16 this program in which DECo uses requirements such as this to create a document which
17 imposes new requirements on both the AES and the Marketer. We have also successfully
18 operated for over two years in Consumers Energy's Direct Access Program and over a
19 year in DECo's program without this document. It is simply unnecessary and should be
20 removed from the RAST. There are enough controls already between the FERC, OASIS
21 scheduling, NERC tagging, MECS scheduling, and DECo's accounting to choke this
22 program as well as define the Marketer - AES relationship.

23 The Second set of new requirements requires Marketers to notify DECo of
24 "material adverse change in Marketer's financial condition." This goes way beyond a

1 need to know requirement and may violate certain reporting requirements for
2 corporations. DECo can address this issue in its credit requirements as allowed for under
3 its OATT.

4 Q. Does DECo propose new backup service requirements in the Marketer section?

5 A. Yes. In Subsection 23.3, 25.8, 25.9, and 25.10 the Marketer is required to obtain an
6 emergency energy supply source and is also required to contract for emergency backup
7 from DECo. It also requires payment for a minimum period of one hour (Subsection
8 25.8). It requires the Marketer to pay for the service if a Customer contracts for the
9 service (Subsection 25.10). How can a contract between a Customer and DECo obligate
10 a Marketer to pay for a service when the Marketer does not have a contract with the
11 Customer? If a Customer contracts for backup service, then the Customer incurs the
12 obligation, not the Marketer. Under the OATT, a Marketer is responsible for supplying
13 sufficient electricity to serve its loads or scheduled transactions. In the event loads do not
14 meet scheduled deliveries, then Schedule 4, Energy Imbalance Services provide DECo a
15 mechanism for charging for insufficient deliveries. The issue of imbalance charges has
16 been fully litigated at FERC and it appears DECo, failing to get its way at FERC is trying
17 to get the MPSC to require Marketers to buy services we don't need and don't want. The
18 MPSC needs to reject the backup service requirement.

19 Q. Where are the areas of RAST which are duplicative of the FERC regulations and DECo's
20 OATT?

21 A. While Subsections 1.3, 1.4, 2.2, 11.2, and 17.1 and Sections 20 and 23 through 31 don't
22 conflict with the FERC rules and regulations or DECo's OATT, they duplicate the
23 language or intent. The problem with duplication is that if the OATT changes or FERC
24 changes its rules, interpretations, and or regulations, conflicts will arise with the RAST.

1 The Power Marketer has to comply with the FERC since they are licensed under the
2 FERC, which could place them or DECo in violation of MPSC orders. We need to avoid
3 this type of potential conflict.

4 Q. Has the MPSC and the FERC already provided guidelines on the issue of which
5 governmental agency has jurisdiction over which electric services?

6 A. Yes. In MPSC Order U-11337, it was established that the MPSC has jurisdiction over
7 retail services and distribution services and the FERC has jurisdiction over transmission
8 and wholesale services. Transmission Service was defined to include all service at
9 voltages of 120,000 volts and above.

10 Q. Does addressing FERC jurisdictional services clarify Marketer operations under the
11 RAST?

12 A. No. In fact it makes Power Marketer operations more difficult and less defined because
13 we need to review both OATT requirements and RAST requirements to avoid conflicts
14 and ensure compliance.

15 Q. How do you propose to resolve this issue?

16 A. As shown in my Exhibit EM-____(RAP-1), I have deleted all references to Marketer,
17 except Subsection 1.4 where we define the Marketer and Section 11 which specifies the
18 Alternative Electric Suppliers responsibilities. In Subsection 1.4, we have reduced the
19 Marketer definition to be that of a FERC licensed Power Marketer. In Section 11, we
20 have included language which makes it the AES's responsibility to contract with a
21 marketer to arrange transmission service under DECo's OATT. In Section 22 we
22 propose to include Marketers in the class of suppliers which must meet the reciprocity
23 requirements. As can be seen, this proposal greatly simplifies the whole RAST and
24 eliminates the conflicts with FERC.

1 Q. Did you create a new definition under Subsection 1.4 for “Supplier”?

2 A. Yes. Since the Reciprocity requirements of PA 141 and previous MPSC decisions relate
3 to the source of the electric supply, this simplifies the discussion of reciprocity.

4 **LOW VOLTAGE DISTRIBUTION SERVICE**

5 **RATE CHANGES**

6 Q: What are the rate changes DECo has proposed for Low Voltage Distribution Service
7 Customers:

8 A: The first rate change is an increase in the Service Charge for customers with demands
9 greater than 300 kW or using interval demand meters. As shown in Subsection 8.7 of the
10 RAST, DECo has proposed to increase this charge from \$5.95/month to either \$36/month
11 for single phase customers or \$48/month for three phase customers. The second rate
12 change is the System Use Charge for customers with demands less than 300 kW and
13 using energy only meters. The old System Use Charge was a demand based rate of
14 \$3.42/kW per month and the new rate is an energy based charge of \$3.02/kWh. The
15 proposed charge by DECo will result in increased costs for many existing RAST
16 customers.

17 Q: What was the justification for the Service Charge rate increase provided in DECo’s case?

18 A: Mr. Bloch testifies that the Service Charge change was due to the need to recover the
19 costs of required metering and related billing system changes (page 14 of Mr. Bloch’s
20 testimony). Mr. Bloch testifies that these costs were not reflected in the March 8, 1999
21 version of the RAST. DECo then goes on to interpret the MPSC’s October 29, 1997
22 order in Case U-11454 to allow an increase in the Service Charge at a later date.

1 Q: Since the March 8, 1999 RAST was implemented, has DECo changed the metering
2 requirements for customers with demands greater than 300 kW and served at voltages of
3 480 volts or below?

4 A: No. In fact, the current RAST requires all customers participating in RAST to be
5 metered using meters capable of measuring and recording kW demands and kWh energy
6 on an interval basis, unless the customers elect the "Meter Waiver" provision. DECo also
7 reserved the right in the current RAST to require interval demand meters for any RAST
8 customers in the current tariff. Thus, all customers in the over 300 kW range are
9 currently required to have interval demand meters.

10 Q: What has been DECo's practice in implementing metering requirements for customers
11 participating in the RAST program?

12 A: DECo has been requiring all customers with estimated demands of approximately 20 kW
13 or more to install interval demand meters. In addition, DECo has required those
14 customers to install telephone lines to the meter to allow DECo to remotely retrieve the
15 meter data. DECo has also been shifting those customers participating in RAST into a
16 new billing system.

17 Q. Has DECo charged extra for interval demand metering on customers with demands of
18 more than 20 kW?

19 A. No. The proposed meter charges would be an increase over current practice!!

20 Q: What is the estimated economic impact of this proposed rate increase?

21 A: The proposed rate increase will increase costs for a low voltage distribution customer
22 between \$360 and \$504 per year. The overall percentage increases in DECo charges
23 could be as much as 35% for some of the smaller interval demand meter customers. In
24 Exhibit EM- _____ (RAP-3). I have calculated the electric costs, for a typical RAST

1 low voltage customer. This Exhibit shows that this will be a rate increase for all Retail
2 Access Customers.

3 Q: Why should the MPSC reject the proposed rate increase in Service Charges?

4 A: First, Section 10d of Public Act 141 mandates that all rates in effect as of May 1, 2000
5 shall remain in effect until December 31, 2003, unless reduced by the MPSC for
6 assigning securitize savings. The Proposed Service Charge is clearly a change in rates in
7 effect on May 1, 2000, and the charge is clearly a rate increase. Thus, the proposed
8 charge violates PA 141. The second issue is that DECo is not increasing the metering
9 requirements or creating a billing system not contemplated in March 1999. These tariffs
10 are the result of DECo filings subsequent to October 1997. In fact, most of those costs
11 were anticipated to be recovered through a separate case addressing implementation and
12 transaction costs. Third, this rate increase is substantial to many eligible customers and
13 will prevent them from participating in this program. Therefore, the MPSC should reject
14 DECo proposed Service Charge rate increase for low voltage customers.

15 Q: What is the justification DECo provides for changing to an energy based System Use
16 Charge for low voltage distribution service customers with energy only meters?

17 A: Mr. Bloch testifies that the change in methods for the collecting system use charge will
18 simplify billing, reduce administrative costs and simplify customer education. This intent
19 should lead to reduced Service Charge but a reduction was not proposed in this filing by
20 DECo.

21 Q: Why does Energy Michigan oppose this proposed energy based System Use Charge?

22 A: Energy Michigan applauds DECo for proposing something that could simplify this
23 program, unfortunately this proposal will significantly increase the costs for many
24 secondary customers. Page 3 of Exhibit EM-_____ (RAP-3) provides a comparison of

1 current and proposed system use charges for an existing RAST customer. The total
2 DECo charges for a 10kW Customer increase from \$45.57 per month to \$82.98, a rate
3 increase of over 82%. There is no justification for almost doubling the costs for this
4 customer. The MPSC should reject this proposal.

5 Q. What is Energy Michigan's proposal regarding the proposed revised Low Voltage
6 Customer Charges?

7 A. Energy Michigan proposes that the MPSC refuse these rate increases and order DECo to
8 utilize the charges contained in the original RAST.

9 **TERMINATION AND RETURN TO SERVICE**

10 Q. Why is Energy Michigan recommending revised return to service conditions?

11 A. The return to service provisions proposed by Detroit Edison are fair in a market in which
12 competition truly exists but does not work if the utility is monopolizing transmission
13 service. Marketers cannot obtain long term firm transmission service into Michigan at
14 this time. Detroit Edison and Consumers Energy have secured all of the service available
15 across the American Electric Power system into the State. Without access to such
16 transmission, Power suppliers cannot ensure reliable supplies to Retail Access
17 Customers. We need to provide the utilities an incentive to either share their
18 transmission capacity with power suppliers serving their retail customers or to resell the
19 transmission capacity to the power suppliers. Both of these can be accomplished with no
20 harm to the utility and no impact on the utilities ability serve.

21 Q. What is Energy Michigan's proposed for return to service?

22 A. We propose that DECo's Return to Service provision only apply once there is an increase
23 of 2,000 MW in the annual firm transmission capacity into the Detroit Edison/Consumers
24 Energy transmission grid which can be procured by non-utility Power suppliers

1 participating in RAS. Until this is accomplished, Retail Access Customers should be
2 allowed to return to full service under any rate for which they are eligible, provided
3 DECo is notified 15 days prior to the end of the current billing cycle. Returning
4 customers must remain on the full service rate for a minimum of three months, but can
5 switch back to RAS with 15 days notice. Once the annual firm transmission capacity is
6 increased by 2,000 MW, the customer must provide 15 days notice of return to service.

7 Q. What is the basis for tying the return to service to increased transmission capacity?

8 A. Increased transmission capacity is a provision required in PA 141. The utilities have
9 proposed to increase the capability to import Power from American Electric Power by
10 2,000 MW. This increased transmission capacity will significantly improve the ability of
11 suppliers to purchase the needed annual firm transmission service needed to ensure
12 delivery of Power all year long and allow suppliers to qualify for network service.

13 Q. Why would the utility be indifferent to this proposal?

14 A. As Detroit Edison has continued to maintain in several different forums, they are the
15 supplier in the event customer's supply sources fail or economic power sources are
16 unavailable. Without transmission service or Power supplies within Michigan,
17 Customers will not participate and Detroit Edison will end up with all of the retail load
18 this summer. Thus DECo must have sufficient Power to meet its total system load.
19 DECo could elect to allow Power Suppliers to wheel Power from out of state sources into
20 Michigan under their already reserved annual firm transmission capacity with no effect
21 upon their ability to supply native load. If it elects to sell or allow usage of its
22 transmission rights by a power supplier, then the actual power flows will not significantly
23 change and Detroit Edison is not harmed.

24

REVISED RETAIL ACCESS SERVICE TARIFF

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

- Q. Why do you feel it is necessary to provide a revised Retail Access Service Tariff?
- A. DECo’s proposed Tariff, as contained in Exhibit A-_____ (WJN-1), contains numerous instances of new rules, extraneous “information”, conflicting rules and other problems which make it impossible to simply adjust the language. DECo has introduced a complete rewrite of the Retail Access Service Tariff approved by the MPSC in Case No. U-11452. The proposed RAST contained in this case appears to put back on the table many of the old issues DECo lost in the previous MPSC rulings. DECo has also attempted to add new rules that will impede competition and increase the effort necessary to switch a customer to an AES. None of the new provisions resolve current problems and impediments to an effective, efficient, or fair program. We have attempted to clean up DECo’s proposed RAST by:
- * Deleting extraneous information that belongs in handbooks.
 - * Eliminating unnecessary provisions.
 - * Clarifying language so that the rules are clear and concise.
 - * Eliminating discriminatory policies.
 - * Adding back Customer options which DECo has eliminated.
 - * Addressing problems AESs have experienced in the last several months under DECo’s current administration of the RAST.
 - * Eliminating conflicting provisions.
 - * Proposing methods which simplify administration of RAST and customer bill calculations.
- Q. How do you propose to proceed with the discussion on the changes contained in Exhibit A-___ (RAP-1), Revised Retail Access Service Tariff?

1 A. The simplest method is to step through the red line version, as shown in Exhibit EM-
2 _____ (RAP-2), and address the individual changes. Reference to Section numbers in
3 this portion of the testimony pertain to this Exhibit only. Since we are the ones proposing
4 changes as opposed to the originators, we need to justify our changes. When changes
5 have been addressed elsewhere in the testimony, I will refer back to that area. Changes
6 which are clarifying and grammatical will not be discussed and are noted with an asterisk
7 in the right margin of the redline version of the RAST.

8 Q. Please describe your revisions to Section 1.

9 A. The proposed revision to Section 1 are as follows:

10 Subsection 1.0: The last portion of the final paragraph were deleted because it is
11 unnecessary and not always true. Many of the AESs currently serving retail loads on the
12 DECo system are acting as their own “Marketer”. A tariff should not contain language
13 which is only editorial in nature.

14 Subsection 1.1: The revised language simplifies the role of the customer into the entity
15 consuming the electric supply provided by the AES. DECo in its description includes
16 many customer requirements addressed elsewhere in the tariff.

17 Subsection 1.2: The revised language eliminated the DECo requirement that the AES
18 take title to the power. Nowhere in Public Act 141 is it required that the AES take title to
19 the power. There is no physical, accounting, administrative or financial reason for the
20 AES to actually procure services and take title to the power. The RAST provision
21 proposed by DECo would prevent a customer from contracting directly with an electric
22 supplier and requesting the AES to perform the scheduling function. Thus, our proposed

1 revisions increase the flexibility of the tariff and allow customers and AESs to establish
2 their own contractual arrangements.

3 Subsection 1.3: See my testimony concerning Marketer Role.

4 Subsection 1.4: The following changes to the Definition section are proposed:

- 5 1) Aggregator: This term is only used in Section 23.0
- 6 2) Alternate Electric Supplier: Language revised to be consistent with
7 Subsection 1.2.
- 8 3) Customer: Language revised to be consistent with Subsection 1.1.
- 9 4) Customer Service Capacity: The change adds the distribution system to
10 the equation since it could be more load limiting than the meter.
- 11 5) Demand: All demands are metered over a designated interval of time and
12 should not be allowed to be measured on an instantaneous basis.
- 13 6) Demand Conversion Table: The table should be made part of the tariff
14 and not changed as DECo desires.
- 15 7) Distribution Point of Receipt: This is the same as the Transmission Point
16 of Delivery. Removing the term reduces confusion.
- 17 8) Interval Demand Meters: Included the language changed to “and/or”
18 because DECo or their customer may desire to install meters capable of
19 measuring demands on an interval basis but not reactive demands.
- 20 9) Joint Open Access Transmission Tariff: Language is not necessary.
- 21 10) Marketer: Modified to be consistent with Section 1.3.
- 22 11) Transition Charge: Added language which notes the transition charge
23 must be approved by the MPSC.

1 12) Sink: This term is not used anywhere in this Tariff.

2 Q. Please describe your proposed revisions to Section 2.

3 A. The proposed revisions to Section 2 are as follows:

4 Subsection 2.1: Changed language to allow an AES to arrange power delivery as
5 discussed in Subsection 1.2. Also deleted reference to the Marketer as discussed in the
6 Marketer Role portion of my testimony.

7 Subsection 2.2: Changed reference to the Customer since this makes the transaction a
8 retail transaction governed by this tariff and added reference to the JOATT.

9 Subsection 2.3: Added language that keeps DECo from requiring past due amounts in
10 dispute or subject to litigation from being a requirement for Customer eligibility.

11 Subsection 2.4: An AES could very easily have more than one supplier providing Power
12 to the DECo transmission system to serve RAS Customers.

13 Subsection 2.5(a): Added this new section to require DECo to switch customers to RAS
14 as discussed in Mr. Schlansker's testimony.

15 Subsection 2.5(b): The language deleted is addressed elsewhere in the tariff.

16 Subsection 2.6.1: As written, this could require multiple meters at a strip mall to be
17 grouped into a single account. Thus, the provision is deleted.

18 Subsection 2.6.3: The Customer should not be responsible for rewiring costs if DECo
19 mandates a change in metering configuration. This could be used as a barrier to entry.

20 Subsection 2.7: Adds language which allows multi-resident residential loads to maintain
21 separate metering. As written by DECo, this provision would require the unnecessary
22 complete recovery of rewiring costs for an apartment house prior to eligibility. Deleted
23 mandatory separate meter charge because this could result in increased costs. As an

1 example, a residence on DECo's interruptible air conditioning rate would see two meter
2 charges even though there is only one customer.

3 Subsection 2.8.1: Clarifies that any meter changes are at DECo's cost, not the
4 Customer's or AES's cost.

5 Subsection 2.8.2: Language changes discussed in portion of testimony addressing Low
6 Voltage Distribution Customer Service and Cost.

7 Subsection 2.9: is discussed below.

8 Subsection 2.10.4: The language proposed by DECo would absolve them of any
9 imbalance penalties or extra power supply costs to the customer in the event of meter
10 errors. DECo should be required to live by the same imbalance provisions contained in
11 the OATT. Thus, if the customer purchases too much power, DECo reimburses the
12 customer at 110% of the customer's cost. If the customer is consuming DECo supplied
13 power, DECo is reimbursed at 90% of their incremental costs.

14 Q. Why did you choose to completely rewrite DECo's version of Section 2.9.1?

15 A. As we started to review DECo's actual practices regarding meter reading, billing cycles
16 and information requirements, it became less clear why all Internal Demand Meters need
17 to have remote read capability. DECo's decision to retain RAST customers on the same
18 billing cycle as they would be under bundled tariffs would allow DECo to continue to use
19 conventional meter reading systems. In reality, DECo only needs the meter data monthly
20 for bill preparation and establishing energy imbalances. This would allow for single
21 month end meter reading by DECo's meter readers in their standard routes.

22 The only past justification DECo has had for requiring remote meter reading
23 capability was to ensure the AES was in balance during critical periods. The theory was

1 that DECo could assess the AES's load, compare it to supply and request the AES to
2 increase its supply to the DECo system. If the AES does not comply, then DECo would
3 isolate the AES loads.

4 This theory works if the customer is a 5 or 10 MW company with isolation
5 devices operated off DECo's Supervisory Control and Data Acquisition System. It does
6 not work if the AES's load is due to 1,000 secondary loads of 25 kW. By the time DECo
7 obtains the data through MV-90, processes the information and determines the actual
8 load, it is likely the imbalance is hours old. If the AES is unable to increase supply,
9 DECo cannot isolate 1,000 secondary voltage customers spread around its service
10 territory. Thus, the requirement and reason for the requirement of remote meter reading
11 by DECo is not justified.

12 Experience with direct access programs in other states and even with Consumers
13 Energy has shown that meter reads are only necessary once a month. Thus, we are
14 proposing that remote meter reads for customers less than 1,000 kW be at the customer's
15 option. This allows the customer and the AES to decide if it benefits them to install
16 additional electronic data links if the costs are justified.

17 Q. What other changes are proposed for Subsection 2.9?

18 A. Subsection 2.9 should be revised to allow a broader choice of technology and tighten up
19 timeframes for meter reads in conjunction with customer switch of supplier. Also,
20 language is needed to ensure that DECo does not require additional customer
21 documentation to obtain meter data. RAST Section 2.9.2 should be deleted. The phrase
22 "analog telephone service" should be revised to the phrase "analog remote
23 communication links". Also, Section 2.9.4 should be revised so that Detroit Edison

1 should be required to read the meter on the effective date of the customer switch. In the
2 alternative, Section 2.9.4 should be deleted because Section 2.5 governs the date of
3 switch and Detroit Edison doesn't need five extra days for a meter read when for sales
4 customer transactions a final read is accomplished on the date of account switch in any
5 event.

6 Q. What are the reasons for proposed revisions in Section 4?

7 A. DECo included in its Availability of Service provisions language regarding bidding and
8 transition charges that are addressed in other sections. In addition, DECo includes a set
9 of Transition Charges of 1.25 ¢/kWh which has never been authorized by the MPSC.
10 Last, DECo appears to be again trying to charge AESs (assuming the word "Retailers"
11 refers to an AES) for the Transition Charge. This issue was settled in the recent MPSC
12 decision in Case U-12478 on securitization. In that case, the MPSC decided that the
13 customer will be billed for transition charges.

14 We propose to simplify the availability of service to only address how customers
15 are eligible for the period before December 31, 2001 (Section 4.1) and after (Section 4.2).
16 All other provisions are dropped and will be addressed elsewhere in the Tariff.

17 Q. What are the proposed revisions to Section 5, Term, Commencement of Service and
18 Return to Full Service?

19 A. The changes in this section are discussed in the Termination and Return to Service
20 section of my testimony and Mr. Schlansker's.

21 Q. What are the proposed revisions to Section 6, Billing and Payment?

22 A. The first major issue in Section 6 concerns DECo's continued interest in the "Complete
23 Billing" option. Under this option, DECo would directly bill the customer for both the

1 AES's charges and all DECo's charges. Should a customer select the Complete Billing
2 option, then DECo would establish a Complete Billing system for the AES and charge
3 the AES for the services in accordance with Section 16 of DECo's proposed RAST.

4 The Complete billing option is a competitive service which DECo can contract
5 with the AES, a customer group, Johnson Controls or any other entity desiring to receive
6 such service. Several companies offer this service today to their clients at a negotiated
7 fee. We feel that services which can be supplied by competitive sources do not belong in
8 a tariff. By including the DECo's Complete Billing option in the Tariff, the MPSC is
9 providing DECo a competitive edge. We feel this is discriminatory, goes against the
10 competitive intent of RAST and should be deleted from the Tariff. We recommend that
11 all references to Complete Billing be deleted from Section 6 and that all of Section 16 be
12 deleted.

13 Should the MPSC continue to support the Complete Billing option, the following
14 changes to Section 6 are still recommended:

15 Subsection 6.2 and 6.5: The DECo language fails to address items on the customer bill
16 which are in dispute. If a customer withholds a portion of payment due to billing
17 disputes, the amount applied to that category of amount due shall be reduced by the
18 disputed payment amount. Thus, if a customer disputes a \$20.00 DECo charge out of a
19 \$100.00 invoice in which DECo is due \$50.00 and the AES is due \$50.00, then DECo
20 will take only \$30.00 and send the rest to the supplier.

21 Subsection 6.3: This new subsection ensures customers maintain the right to have their
22 DECo bill sent to a third party. This provision currently exists in DECo's full service
23 Tariff.

1 Q. What are the proposed revisions to Section 7, Distribution Contract Capacity?

2 A. The only revision we are proposing concerns Subsection 7.2. We added a provision that
3 should DECo's distribution system be unable to supply sufficient power to meet the
4 customer's maximum demand, then the Distribution Capacity will be set at the maximum
5 amount DECo can deliver. This could happen at locations where customers have
6 dedicated substations.

7 Q. Are there proposed revisions to Section 8, Rates and Charges?

8 A. Yes. First, the changes in Low Voltage Distribution Service Charge and System Use
9 Charge are addressed in other sections of my testimony.

10 Subsection 8.2.2: Included the method of calculating maximum demand for Energy
11 Meters so that the System Use Charge in dollars per kW could be properly applied. The
12 proposed calculation of maximum demand billing determinates is consistent with DECo's
13 method of establishing cost allocation for distribution costs in full service rates and the
14 System Use Charge in the initial unbundling case.

15 Subsection 8.4: Included language which references MPSC Ordered adjustments to
16 transition charges in Case U-12478.

17 Subsection 8.8: Here DECo establishes a fixed power factor of 70% for Low Voltage
18 Distribution Customers. It is not uncommon for secondary service customers to have
19 power factors below 70%. The kVAR charge of \$3.50 could impose a significant cost
20 increase to these customers because they do not currently incur such costs. We propose
21 that DECo must demonstrate that the power factor is outside a 10% deviation band for
22 the voltage level the customer is served and for all DECo full service customers with

1 similar type of electric use. Otherwise, this provision increases rates for secondary
2 service RAST customers electing to use Internal Demand meters.

3 Q. What are your proposed revisions to Section 9, Liability and Exclusions?

4 A. Section 9.1 through 9.3 appear to exclude DECo's liability for all consequential damages
5 and limit total liability to the amount of an DECo billing during the month the claim
6 arose. This provision would in effect appear to exclude DECo liability for imbalance
7 penalties caused by DECo's faulty meters or administrative practices and also seems to
8 exclude liability of the sort envisioned by PA 141, Section 10c(1)(c) which would make a
9 customer or marketer whole for harm caused by an electric utility.

10 Note that current DECo rules for sales customers such as B-4, 11 allow up to
11 three years of adjustments for meter errors. DECo liability to RAS customers should be
12 the same as DECo liability to sales customers. These sections should be stricken.

13 Q. What are the proposed changes in Section 10?

14 A. The following revisions are proposed:

15 Subsection 10.1 This section is revised to be consistent with the new Subsection
16 "Insufficient Supply" of Exhibit EM-___(RAP-2).

17 Subsection 10.3" Changed the reference from "Customer, AES or Marketers" to "All"
18 because no one should be exempt from DECo's Protective Relaying Operating and
19 Telemetry Standards for Independently Owned Generation.

20 Q. What are your proposed revisions to Section 11, Alternate Electric Supplier?

21 A. The following revisions are proposed;

22 Subsection 11.2: Delete references to Marketers since this section deals with the default
23 of AESs.

1 Subsection 11.4: The termination language is broad and does not contain specific
2 standards. I recommend that a standard for termination of service equivalent to Detroit
3 Edison’s Tariff B 2.5(5)(a) be utilized. This standard provides “The Company will not
4 discontinue residential service unless written notice by first class mail is sent to the
5 customer or personally served at least 10 days prior to the date of proposed
6 discontinuance.” Notice shall be sent to the account name and address and to the address
7 where the service is provided, if different, etc. Use of the 10 day notice should be
8 mandatory and the notice should be allowed to be accomplished electronically.

9 Q. Why was Section 12 deleted?

10 A. See discussion on Credit Requirements elsewhere in my testimony.

11 Q. What are your revisions to Section 13?

12 A. Section 13 should be revised to allow an AES to conduct all business with customers on
13 an electronic basis including notices, contracts and credit checks if approved by the
14 customer.

15 Q. What are the proposed revisions to Section 14, Conditions Precedent to Customer
16 Enrollment and Service?

17 A. In Section 14, DECo attempts to prevent an AES from initiating enrollment until certain
18 steps are accomplished. In the past, this has led to significant delays in moving through
19 DECo’s administrative process. The changes we recommend to these sections are
20 discussed in Mr. Schlansker’s testimony.

21 Q. What are your concerns regarding RAST Section 15 Conditions Precedent?

- 1 A. Section 15.3 contains language requiring the AES to comply with “local law or
2 regulation”. This phrase should be deleted to ensure that DTE enforces only those
3 requirements authorized by its statutes for licensed AES entities.
- 4 Q. What are your concerns with RAST, Section 16?
- 5 A. The charges for Complete Billing appear to be excessive and based on Edison estimates.
6 Also, Section 16.3 (allocation of Partial Payments, etc.) should be deleted since it only
7 applies to DECo’s Complete Billing Proposal.
- 8 Q. What are your concerns regarding RAST Section 17 and 31 regarding dispute resolution
9 for AESs and marketers with Edison?
- 10 A. As drafted these provisions allow Detroit Edison to utilize arbitration after an attempt to
11 resolve disputes with an AES or marketer. I believe that the mechanism proposed by
12 Consumers Energy is superior and should be a model for the industry. That mechanism
13 allows up to 60 days for the company and AES or marketers to resolve disputes then the
14 matter may be taken to the MPSC. In the alternative, AESs or marketers may initiate
15 complaints at the MPSC. These mechanisms provide for more rapid and economical
16 resolution of issues than utilization of the Arbitration Association.
- 17 Q. What is your position regarding Real Power Losses covered in RAST, Section 19?
- 18 A. The Edison system of seasonal charges by voltage level is overly complex and may mask
19 rate increases as compared to levels utilized for sales customers. Sales customers and EC
20 customers should be subject to the same real power loss factors which are included in
21 DECo’s cost of service calculations for full service rates. Please note the new Section 19,
22 Load Profiling and Forecasting is discussed earlier in my testimony.
- 23 Q. Why was Section 20, Marketers, deleted?

- 1 A. See discussion on Marketer Role in this Testimony.
- 2 Q. With the deletion of the Marketer Role, how do you propose to assign the responsibility
3 for Real Power Losses and Reciprocity?
- 4 A. As shown in Revised Section 31 and revised Section 32, the responsibility for power
5 losses and energy losses and reciprocity can be assigned to the AES.
- 6 Q. What do you propose to do with the rest of the Marketer Section?
- 7 A. I propose Sections 23-31 be deleted for the reasons discussed in my Testimony on
8 Marketer Role.
- 9 Q. What are your concerns regarding Section 30, Representations and Warranties?
- 10 A. This section applies to marketers and contains many of the same flaws as the section
11 relating to Alternate Energy Supplier agency and liability. Section 30 has been amended
12 by Edison to remove language allowing a marketer to be designated as an agent of a
13 customer for purchase of transmission which appears to violate the Commission's ruling
14 in Case U-12272. Also, Section 30.4 contains language expressly excluding Edison's
15 liability for "make whole" damages allowed by PA 141. Edison's language would
16 exclude liability under PA 141, Section 10c(1)(c) which permits the Commission to make
17 parties whole for Edison's violations. Section 30 should be revised to allow a marketer to
18 be designated as an agent for a customer to purchase transmission and delete the liability
19 discussion in Section 30.4.
- 20 Q. What recommendations do you propose for the old Section 32, Bidding for Capacity
21 Prior to January 1, 2002?
- 22 A. Only that DECo eliminate the 180 day clause in Section 32.8 to be consistent with the
23 MPSC Orders.

INSUFFICIENT SUPPLY AND CURTAILMENT

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

Q. What are the concerns regarding DECo’s proposals for addressing energy imbalance charges and load curtailment?

A. We have two issues: First DECo can impose imbalance penalties on load profile supplies under the OATT and second, curtailment of customer loads are punitive and not consistent with FERC OATT or current DECo emergency procedures. The RAST should not include discriminatory provisions that would be applied at DECo’s discretion. The proposal shown in Sections 31 and 32 of the Redlined Tariff Exhibit EM-___(RAP-2) uses terms and conditions already being employed in other Midwestern states with customer choice.

Q. What is your concern with the curtailment provisions proposed by DECo in Section 16.0 of the RAST?

A. As written, DECo has complete discretion on when and how a customer could be curtailed due to insufficient supply of Power. This type of discretion places too much power in the hands of the utility and has not been adopted by any other states with customer choice programs. We are concerned that this provision ignores other criteria and mechanisms already existing which address supply imbalance problems, such as, the large energy imbalance penalties to suppliers failing to deliver sufficient energy to meet their load obligations contained in DECo’s OATT. Curtailment of RAS Customers should be consistent with when and why firm service customers are curtailed, otherwise RAS will be seen as a less reliable for of service which the utility can use to scare customers. The application of curtailment should be consistent with when DECo invokes its Emergency Electrical Procedures so that the application of curtailment does not

1 become discriminatory. Suppliers should be given adequate time to correct the situation
2 or verify that a insufficient supply problem actual exists before DECo can initiate
3 curtailment of customer loads. AES's which fail to provide sufficient Power during
4 system emergencies, should be at risk of losing their License. The curtailment provisions
5 contained in DECo's proposed RAST does not address any of these issues.

6 Q. Can DECo curtail consumption of RAS Customers of a specific AES under the current
7 method of providing distribution service?

8 A. No. To our knowledge, only those Customers with dedicated substations or current
9 installed remote isolation switches could be curtailed on an instantaneous basis. These
10 are mostly large customers in the above 3,000 kW range. For low voltage and the
11 majority of primary customers, this option is not practical. This is one of the reasons we
12 feel this provision would not be implemented even if included in the Tariff. If an AES
13 fails to ensure sufficient Power deliveries to DECo, and DECo cannot curtail the
14 consumption then DECo ends up supplying the load. The solution must provide a
15 mechanism, which invokes economic and other penalties on the AES and provides the
16 AES a method for defending itself from charges by the utility. If it is not practical to
17 curtail individual customers then an alternative solution is needed to address energy
18 imbalances.

19 Q. Why is it important to link implementation of Emergency Electrical Procedures to
20 provisions which go beyond economic penalties of the OATT for energy imbalances?

21 A. The issue of energy imbalances does not become critical unless the utility is in a situation
22 of insufficient Power to serve the total load connected to its transmission system. This
23 can occur in many ways, including an AES failing to provide sufficient supply, outages

1 of DECo's generators, interconnected utilities drawing on DECo's supplies, high Power
2 consumptions, etc. When DECo has sufficient Power supplies to meet its total system
3 load obligations and all energy imbalances, there is no need for curtailment because there
4 is no risk to system integrity. DECo can purchase additional capacity to meet its total
5 system obligations. If the additional purchased Power was due to insufficient supply by
6 an AES, DECo has mechanisms in its OATT, Schedule 4, to charge and penalize the AES
7 or its supplier for the insufficient deliveries of Power. It is only when Power supplies are
8 constrained DECo should become concerned about actual hourly deliveries of Power to
9 serve the RAS Customer loads assigned to an AES. Our proposal provides DECo the
10 tools to cause an AES to respond to energy imbalances caused by its insufficient Power
11 deliveries to the DECo distribution system.

12 Q. Do utilities experience imbalance problems between themselves that cannot always be
13 remedied immediately?

14 A. Yes. It is for this reason that a method of charging for imbalances has been implemented.
15 One of the things a utility cannot do is to curtail its neighboring utility in the event that
16 utilities imbalances become too large. There are various North American Electric
17 Reliability Council (NERC) rules and regulations that utilities need to follow and that can
18 impose enforcement action for violation of the NERC policies. When large imbalances
19 occur utilities call on each other to notify them of the problem and to work out methods
20 of alleviating the problem. The NERC policies allow interconnected utilities to get
21 energy imbalances back to within tolerance over a period of time. But it is not always
22 easy to find out who is causing the energy imbalance and in those cases, all the utilities
23 have to take steps to resolve the problems. In our proposal, we are asking for the same

1 considerations for the AES as utilities provide themselves. Granted, the AES does not
2 have operating reserves to draw upon but at the same time the AES or their supplier are
3 required to contract for Operating and Spinning Reserves under the OATT.

4 Q. What is your proposal for addressing insufficient Power supplies to serve an AES's
5 assigned load?

6 A. The focus of our proposal is on the use of economic penalties, linking to the Emergency
7 Electrical Procedures and the ability to curtail retail customers. Lets start off with the
8 fact that an AES should be responsible for ensuring adequate Power supplies are
9 delivered to the DECo distribution system. In a non-system emergency situation, DECo
10 already has methods, through the OATT, to impose significant economic penalties, so no
11 additional action is necessary. If an AES gets to far out of bounds or continually leans on
12 DECo, DECO can petition the MPSC to revoke their license. In a system emergency
13 situation, DECo must first determine that the AES's Power supplies are out of balance
14 with their total load by more than the OATT deviation band. Once this has been
15 determined, DECo can request the AES to correct the problem. Once the AES has been
16 notified of the problem, the AES has two hours to correct the situation. If the AES fails
17 to correct the situation, then DECo can invoke economic penalties under the OATT and
18 petition the MPSC to revoke the AES's license.

19 Q. Why should an AES be given two hours to correct insufficient Power delivery problems?

20 A. The AES needs this long to arrange for the power delivery to DECo's distributions
21 system. Many transmission systems require 45 minutes notice of change in power flows.
22 Additional power supplies may have to be procured. OASIS reservations needed to be
23 made and tags developed to schedule the power deliveries. The various notification and

1 approval processes associated with completing a Power supply transaction will require
2 could easily require two hours. The AES has to work through the systems set up by the
3 utilities to track, account and move the Power.

4 **ENERGY IMBALANCE RECONCILIATION AND PRICING**

5 Q. Why is it necessary to change the energy imbalance accounting and pricing from DECo's
6 current proposal?

7 A. The change in energy imbalance accounting and pricing is caused by the use of
8 prospective load profiles. Use of load profiles simplify the reconciliation of energy
9 imbalances. By establishing a prospective load profile for Energy Metered Customers for
10 each AES, the hourly energy imbalances for this portion of the AES's scheduled Power
11 deliveries are likely to be zero. Our proposal will allow DECo to use the OATT energy
12 imbalance provisions to charge for all energy imbalances.

13 Q. How does the use of the prospective load profile simplify the energy imbalance
14 calculations?

15 A. The prospective load profile allows the AES to schedule Power deliveries exactly (within
16 scheduling allowances) for each hour of the month. If the AES does so, then under our
17 proposal there would only be a total monthly energy imbalance. Hourly energy
18 imbalances don't exist because the AES matched the load profile provided by DECo.
19 Once DECo has all the billing data for the Energy Metered Customer necessary to prorate
20 the consumption into the appropriate calendar months, DECO can establish the total
21 monthly consumption for Energy Metered customers assigned to the AES. We propose
22 that a monthly energy imbalance be calculated by comparing this calendar month
23 consumption for Energy Metered Customers to the Power supplied under the load profile.

1 Any resulting energy imbalances would be charged or credited by DECo at a flat rate of
2 \$50.00/MWh.

3 Q. What happens if the hourly Power supply schedules do not match the load profile?

4 A. In this case, the difference between the hourly Power supply schedule and the load profile
5 would be calculated and energy imbalance charges or credits would be calculated
6 according to the OATT< Schedule 4 provisions.

7 Q. How would your proposal work if the AES also has Interval Demand Metered Customer
8 loads in addition to Energy Metered Customer loads?

9 A. If the AES has both Energy Metered and Interval Demand Metered Customers, then it
10 becomes a two-part process. First, it must be understood that an AES with both types of
11 customers, is allowed to and is responsible for, aggregating both types of load for the
12 purpose of developing its Power supply profile. With this in mind, our simplification in
13 the energy imbalance calculation is to assume the AES's Power supply schedule included
14 the prospective load profile for Energy Metered customers as provided by DECo, thus
15 assigning all hourly energy imbalances to the Interval Demand Meter load. As such, the
16 first part of the energy imbalance process uses the monthly energy imbalance calculation
17 for Energy Metered customers discussed above. The second part compares the
18 "calculated" scheduled Power supply for Interval Demand Meter load to DECo's
19 aggregated meter data for those Customers assigned to the AES. Any hourly energy
20 imbalances will then be credited or charged in accordance with the OATT, Schedule 4
21 provisions.

22 Q. Why should DECo be required to perform these reconciliations within 60 days?

1 A. This provides DECo with sufficient time to get two billing cycles in for the purposes of
2 allocating the Customers consumption into calendar months. Any more time than this is
3 unnecessary and the party responsible for energy imbalance should not have to wait any
4 longer than this.

5 Q. Are there any concerns with gaming of the prospective load profile provided by DECo
6 for Energy Metered Customer loads?

7 A. Gaming or creating load profiles which cause over delivery of Power by an AES during
8 high cost periods and under deliveries during low cost periods could cause financial harm
9 to the AES. It is for this reason that it is recommended that DECo keep its hourly
10 imbalances within three sigma deviation of actual sample metered data. This proposal
11 has to be consistent and supported by the use of rate class specific sample metering
12 capable of providing statistical accuracy of actual hourly consumption by the rate classes.
13 We feel a three sigma accuracy level will ensure both DECo and the suppliers are not
14 financially harmed by gaming the program. Of course, all data is subject to audit.

15 **ITC RATE ADJUSTMENT**

16 Q. What is the impact upon the Retail Access Service Program of DECo's proposed sale of
17 its transmission system to the International Transmission Company (ITC) and the
18 associated impacts of ITC increased transmission rates?

19 A. On January 1, 2001, DECo transferred transmission assets from Detroit Edison to the
20 International Transmission Company (ITC). On July 28, 2000 the International
21 Transmission Company applied for a rate increase related to transmission service
22 justifying that increase on the grounds that the asset base necessary to provide service had
23 been increased and presumably therefore the scope of service had increased. In this and

1 subsequent FERC filings, the ITC stated that the proposed rate increase will only be
2 applicable to new transmission customers. In the ITC's response to questions
3 concerning the definition of new customers, we were informed that former full service
4 Detroit Edison sales customers who elected to receive service under RAS would be
5 treated as new customers under ITC rates. Thus, RAS customers will be required to pay
6 the increased transmission rates and will see an increase in costs despite no change in
7 service levels. This also becomes discriminatory and a disincentive to customers
8 participation because DECo full service will not incur the same rate increases.

9 Q. Did DECo request a rate reduction for Michigan jurisdictional RAST service to reflect
10 the reduced assets and reduced scope of service provided?

11 A. No. DECo has not attempted to offset the federal increase with a Michigan jurisdictional
12 decrease. The effect of DECo's actions is to increase the price for transmission type
13 services to RAS customers while retaining the same level of costs to sales customers.
14 This impact is discriminatory, anticompetitive and arguably a violation of PA 141 and the
15 Commission's prior Orders. *Sec.10d(1)*.

16 Q. How does ITC justify treating Transmission Service to serve RAS loads as new service?

17 A. They argue that the purchaser of the Transmission Service, the AES or Power Marketer,
18 is not currently a transmission customer of DECo. Even though any RAS loads are
19 currently served by DECo transmission service, even though these loads are currently
20 included in the rate calculations of DECo's OATT, even though there is no real change in
21 transmission service requirements to serve existing DECo customers under RAS versus
22 full service, the increased transmission rates will apply. ITC could easily resolve this
23 problem by declaring that Transmission Service utilized to serve RAS customers is not

1 new Transmission Service and apply the current rate. Interestingly, Nordic Marketing's
2 Transmission Service to Carboloy under the DECo pilot program will remain on the old
3 tariffs.

4 Q. Why are RAS customers seeing the rate increase when they do not purchase the
5 Transmission Service?

6 A. Most AESs have included provisions in their contracts which allow rate changes of this
7 type to be passed on to the customers. This rate increase is significant and will be
8 included in current and future pricing to customers choosing to participate in RAS.

9 Q. How significant in the proposed Transmission Service rate increase?

10 A. We have estimated the rate increase to be close to 40%. In Exhibit EM-____(RAP-4) we
11 have compared the Transmission Service Bill for an actual customer served by Nordic
12 Electric, L.L.C. under DECo's pilot program. This customer is served using Monthly
13 Point-to-Point Firm Transmission Service. The annual increase in Transmission Costs is
14 estimated at \$82,644 using current DECo transmission rates versus ITC transmission
15 rates. This shows an increase of 39.8% in transmission service costs. Page 2 of the
16 Exhibit EM-____(RAP-4) contains the rates used in the comparison.

17 Q. What do you recommend to correct the situation?

18 A. I recommend that the Commission mandate a reduction in RAS High and Low voltage
19 Customer System Use Charges of an amount necessary to offset the transmission rate
20 increases at the federal level. The effect of this action would be to create level treatment
21 for RAS customers since it would reflect the reduced amount of service available to RAS
22 customers who pay the DECo System use charge after transfer of transmission assets to
23 the ITC. The net effect of my proposal would be to ensure the total for distribution

1 transmission charges assessed to the RAS customer is at the same levels which were in
2 effect when PA 141 was passed. An the alternative would be to require DECo to charge
3 existing Transmission Service rates on load used on the ITC to serve RAS customers.

4 Q. How were the charges in the System Use Charges calculated?

5 A. The reduction in System Use Charges had to be calculated differently for each service
6 class because of the difference in line losses. Distribution Rates are calculated and billed
7 using the billing determinates as metered by the customer's meter. The Transmission
8 Service is billing using billing determinates at the transmission level, prior to line loss
9 occurrences. Thus, the Transmission Service costs per metered billing determinate is
10 higher due to transmission and distribution line losses. To calculate the adjustment in
11 System Use Charge, the current DECo OATT rates for Schedule 1 and Schedule 7 were
12 added to the RAST System Use Charge to arrive at the subtotal on line 4 of Exhibit EM-
13 ____ (RAP-5). The Schedule 1 and 7 OATT Rates on line 2 and 3 were increased by the
14 average annual line losses for transmission and distribution shown on line 8. The new
15 System Use Charges on line 7 were calculated by subtracting the line loss adjusted ITC
16 OATT rates for Schedule 1 and 7 from the subtotal on line 4. This results in adjusted
17 System Use Charges that will negate the OATT rate increases proposed for the ITC.
18 Please note, this adjustment results in a negative System Use Charge for 12 kW and
19 above customer. These revised System Use Charges are included in Sections 8.6 and 8.7
20 of the revised RAST.

21 **CREDIT REQUIRMENTS**

22 Q. Do you have proposals regarding credit requirements?

1 A. The DECo credit requirements are excessive. DECo requires credit worthiness for
2 transmission charges equivalent to \$4,000/MW of capacity. Credit worthiness for energy
3 imbalance Schedule 4, OATT, is equal to the transmission credit requirement. Credit
4 worthiness for summer backup energy is \$30,000/MW and for non-summer months is
5 \$2,000/MW. *Discovery Response EMDE 1.11/11.*

6 DECo's credit requirements should be revised. First, there should be no credit
7 requirement for an AES since the Commission's decision in U-12478 requires customers,
8 not AES entities, to pay bid transition charges through 2001 and all transition charges
9 thereafter. Customers are also responsible for securitization charges and all local
10 distribution charges.

11 The marketer entity can be required to pay transmission or meet transmission
12 related credit charges. However, the marketer cannot be required to purchase emergency
13 energy service pursuant to the Commission's decision in Case U-12272. I propose that
14 transmission credit requirements be equivalent to two months of OATT charges for the
15 required transmission capacity. This amounts to \$5,000/MW of capacity based on a cost
16 of \$100/MW and 50 hours of imbalances. After 12 months of consistent good credit
17 history, credit requirements should be waived for a marketing entity until there is an
18 infraction of the rules. This proposal is consistent with treatment of sales customers who
19 often purchase millions of dollars worth of energy every year and obtain a waiver of
20 credit after 12 months of good history. I note that RAST Section 12.2 uses a two month
21 credit worthiness standard.

22 **BID DEPOSITS**

23 Q. Do you have any proposals regarding deposits made in the phase in period?

1 A. Yes. Given the DECo time delays in processing EC applications and the resulting
2 inability to commence service on a timely basis, many customers who wished to
3 commence service will not be able to do so. In such cases, I recommend the Detroit
4 Edison be required to return all paid deposits made where EC service has not commenced
5 and customers do not wish to commence service.

6 Q. Does this conclude your testimony?

7 A. Yes.