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Timothy J. Lundgren

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July 18, 2017

Ms. Kavita Kale
Executive Secretary
Michigan Public Service Commission
7109 W. Saginaw Highway
P.O. Box 30221
Lansing, Michigan 48909

Re: MPSC Case No. U-18239

Dear Ms. Kale:

Attached for electronic filing in the above-referenced matter, please find the Revised Direct Testimony of Lael E. Campbell on behalf of Energy Michigan Inc., as well as the Proof of Service. Of note, revisions were made to lines 17 and 18 on page 6 of the Testimony. Thank you for your assistance in this matter.

Sincerely yours,

VARNUM

Timothy J. Lundgren

TJL/kc

Enclosures

c. ALJ

All parties of record.

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own motion,)
to open a docket to implement the provisions of)
Section 6w of 2016 PA 341 for)
CONSUMERS ENERGY COMPANY'S)
service territory.)
_____)

Case No. U-18239

REVISED DIRECT TESTIMONY OF

LAEL E. CAMPBELL

ON BEHALF OF

ENERGY MICHIGAN, INC.

LAEL E. CAMPBELL
REVISED DIRECT TESTIMONY

1 **Q. Please state your name and business address.**

2 A. My name is Lael Campbell. My business address is 101 Constitution Avenue NW,
3 Washington DC 20001.

4
5 **Q. On whose behalf are you testifying in this proceeding?**

6 A. I am testifying on behalf of Energy Michigan, Inc. (“Energy Michigan”).

7
8 **Q. Please state your professional experience.**

9 A. I earned a Bachelor of Arts from Dickinson College in Carlisle, PA in 1994 and a Juris
10 Doctorate from Washington and Lee University School of Law in 1998. I have been with
11 Exelon and Constellation for over seven years. I currently serve as Director of Regulatory
12 Affairs for Exelon. Prior to my current role, I served as Assistant General Counsel with
13 Exelon where I was responsible for providing legal and regulatory support to Exelon
14 Generation’s wholesale trading and marketing business. Before that, I served as Senior
15 Regulatory Counsel for Constellation, supporting the regulatory activities of the
16 Constellation NewEnergy, Inc.’s, retail business, in addition to Constellation’s wholesale
17 market activities before state and Federal regulatory agencies across the country. My
18 previous experience prior to joining Constellation includes over five years as a Senior
19 Trial Attorney at the U.S. Commodity Futures Trading Commission, where I represented
20 the agency in numerous matters relating to physical and financial commodity markets,
21 including energy markets.

22

23

LAEL E. CAMPBELL
REVISED DIRECT TESTIMONY

1 **Q. What is the purpose of your testimony?**

2 A. On behalf of Energy Michigan, I am examining the concerns and flaws with Consumers
3 Energy's ("Consumers") ("the Company") proposal to directly bill customers for any
4 applicable state reliability mechanism ("SRM") charge and proposing that the SRM be
5 assessed to and handled by Alternative Electric Suppliers ("AES") in a manner that will
6 allow them to address customer impacts on a portfolio basis – consistent with utility and
7 MISO practice.

8
9 **Q. How does Consumers propose the SRM be billed and collected?**

10 A. The Company proposes that the AESs notify the company as to which specific customers
11 will be subject to the SRM charge, and the Company then proposes to directly bill each
12 of those customers the SRM charge.¹

13
14 **Q. Are there any faults with the Company's proposal to directly bill the SRM charge to**
15 **individual AES customers?**

16 A. Yes. The Company's proposal to bifurcate each customer of an AES into those subject to
17 the SRM and those not subject to the SRM by directly applying the SRM charge to the
18 customer is problematic. If an AES made a capacity demonstration showing either 100%
19 capacity or 0% capacity, perhaps that would not be a problem. But that will not
20 necessarily be the case. AESs manage their customers' needs, and the resources to meet
21 those needs, on a portfolio basis, no different than how the utilities manage a portfolio of

¹ Consumers Direct Testimony of witness Laura Collins.

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REVISED DIRECT TESTIMONY

1 resources to serve customers and do not designate specific resources to serve specific
2 individual customers. The statute envisions this portfolio approach as 6w(6) states that
3 “the capacity charge... must be paid **for the portion of load** taking service from the
4 alternative electric supplier not covered by... [capacity self-supplied by the AES]”
5 (emphasis added).

6
7 **Q. What effect would it have were AESs unable to manage capacity (and the resulting**
8 **charge) on a portfolio basis, and instead have to pick and choose customers who**
9 **would be charged the SRM from utilities?**

10 A. It would significantly diminish the benefits of customers’ participation in the retail open
11 access program. The capacity obligation under MISO’s tariff remains with the AES.
12 Eliminating the ability for the AES to manage the customer’s capacity as part of a larger
13 portfolio of resources and customers would be inconsistent with the MISO tariff and will
14 only serve to increase costs on customers subject to the SRM. It would also create an
15 additional competitive disadvantage for AES compared to the utilities, who have and will
16 continue to serve their aggregate load through a combined portfolio of generation
17 resources.

18
19 **Q. Do you have other concerns?**

20 A. Yes. Placing the SRM charge directly on the customers will place the customer at the
21 center of disputes related to the AES’s demonstration of capacity. Such disputes would be
22 better managed by the AES and the Company as those two entities would be more
23 knowledgeable of the capacity demonstration and SRM process. Allowing AESs to

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1 manage the SRM charge on a portfolio level puts AESs on equal footing with the utilities,
2 who spread capacity costs across their customer portfolio. Like a utility, then, the AES
3 can spread the SRM cost across its load base and not discriminate against individual
4 customers, some of whom would otherwise have to pay the SRM and some of whom
5 would not.

6
7 **Q. Does Energy Michigan have an alternative proposal for billing the SRM?**

8 A. Yes. The best way to address the issues raised above is to allow the AES to continue to
9 manage capacity costs for all of their customers by billing the SRM capacity charge to
10 the AES. However, let me emphasize that this is a practical solution and is not intended
11 to address any potential legal issues that might arise depending on how the charge is
12 assessed. In other words, this proposal is not an endorsement by Energy Michigan or its
13 members of the legality of any particular charge, it just proposes that any such charge
14 should be assessed in a manner consistent with utility and MISO practice for capacity
15 costs – i.e., on a portfolio basis.

16
17 **Q. Does PA 341 allow for or envision AES handling the assessed SRM?**

18 A. Yes. PA 341 requires that “the capacity charge must be applied to alternative electric
19 load”² but it envisions that the AES would pay the capacity charge. The law states
20 explicitly in section 6W(6) that it would, in fact, be the AES paying the capacity charge:
21 “Any electric provider that has previously demonstrated that it can meet all or a portion

² PA 341 Section 6W(3)

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1 of its capacity obligations shall give notice to the commission by September 1 of the 4
2 years before the beginning of the applicable planning year if it does not expect to meet
3 the capacity obligation and instead expects to pay a capacity charge”.³ Further PA 341 is
4 clear that that the capacity demonstration requirement is the responsibility of the AES.⁴ It
5 is consistent with the statute, then, for any charge that results from a capacity
6 demonstration of an AES to be assessed to an AES, which then applies it to its load.

7
8 **Q. How could this be accomplished?**

9 A. The utility’s Retail Open Access tariff terms and conditions could be amended, such that
10 AESs agreed, on a contractual basis, to pay the SRM for that portion of their load not
11 satisfied by the AES’ capacity demonstration.

12
13 **Q. How would the AES being assessed benefit customers?**

14 A. If the AES is assessed the capacity charge, the AES would continue to be able to manage
15 capacity for customers on a portfolio basis, allowing all of the AES customers to benefit
16 from an AES’s total portfolio of resources, instead of only requiring some customers to
17 bear the brunt of the SRM. ~~This allows ROA customers to be treated the same as the~~
18 ~~utility’s full-service customers. Like a utility, u~~Under this approach AESs can, if they
19 choose, reduce the impact of the SRM charge on customers by blending those costs with
20 other, potentially cheaper, assets in its capacity portfolio to meet its capacity obligations.
21 Furthermore, it places the responsibility for handling any potential regulatory disputes

³ PA 341 Section 6W(6), emphasis added.

⁴ PA 341 Section 6W(6)

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1 with the utility squarely with the AES instead of the customer, thus sparing the customer
2 potential litigation costs.

3

4 **Q. If the SRM is assessed to the AES, who would be responsible for the customer's**
5 **capacity obligation with MISO?**

6 A. The LSE's capacity obligation at MISO will stay with the AES for all of its load.

7

8 **Q. What price would AES be billed for the SRM?**

9 A. Because the AES will be responsible in the eyes of MISO for its customers' capacity
10 obligations, the AES will have to pay the Planning Resource Auction ("PRA") clearing
11 price for that load in each MISO annual auction. In order to avoid double billing for
12 capacity, the AES would be billed the SRM charge by the utility in an amount equal to
13 the SRM minus the PRA clearing price for the applicable delivery year.

14

15 **Q. Does this deprive the utility of the full SRM charge?**

16 A. No, the utility is selling its capacity into the PRA and receiving the PRA clearing price,
17 so when an AES pays the SRM less the PRA price it simply provides the utility with the
18 remaining funds so that the utility receives the full SRM amount for the capacity used to
19 serve the portion of AES load subject to the SRM.

20

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1 **Q. So is the utility billing the AES for the SRM capacity charge at the same time that**
2 **MISO is billing the AES for capacity?**

3 A. Yes. The billing for capacity by both MISO and by the utilities for the SRM amount,
4 should marry up as much as possible and occur during the same applicable delivery year
5 at the established capacity price for that year. Further, the amount an AES is billed by
6 the utility for the SRM should be apportioned to the AES's load the same way that MISO
7 does it, by looking at the Peak Load Contribution ("PLC") of the AES's load for that
8 delivery year (as established by MISO).

9

10 **Q. Does this conclude your testimony?**

11 A. Yes.

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_____)	

PROOF OF SERVICE

STATE OF MICHIGAN)
) ss.
COUNTY OF INGHAM)

Kimberly Champagne, the undersigned, being first duly sworn, deposes and says that she is a Legal Secretary at Varnum LLP and that on the 18th day of July, 2017, she served a copy of the Revised Direct Testimony of Lael E. Campbell on behalf of Energy Michigan Inc., as well as this Proof of Service upon those individuals listed on the attached Service List via email at their last known addresses.

Kimberly Champagne

SERVICE LIST
MPSC CASE NO. U-18239

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