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November 7, 2018

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-20162

Dear Ms. Kale:

Attached for electronic filing in the above-referenced matter, please find the Direct Testimony and Exhibits of Alexander J. Zakem on behalf of Energy Michigan, Inc. Thank you for your assistance in this matter.

Sincerely yours,

VARNUM

Timothy J. Lundgren

TJL/kc
Enclosures
c. All parties of record.

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)	
DTE ELECTRIC COMPANY for)	
authority to increase its rates, amend its)	
rate schedules and rules governing the)	Case No. U-20162
distribution and supply of electric energy,)	
and for miscellaneous accounting authority)	
<hr/>)	

DIRECT TESTIMONY & EXHIBITS OF

ALEXANDER J. ZAKEM

ON BEHALF OF

ENERGY MICHIGAN, INC.

ALEXANDER J. ZAKEM
DIRECT TESTIMONY

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

2 A. My name is Alexander J. Zakem and my business address is 46180 Concord, Plymouth,
3 Michigan 48170.

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. Since January of 2004, I have been an independent consultant providing services to
10 various clients, including members of Energy Michigan.

11
12 From March 2002 to December 2003, I was Vice President of Operations for Quest
13 Energy, an alternative energy supplier in Michigan. My responsibilities included the
14 overall direction and management of Quest’s power supply to its retail customers. This
15 included power supply planning, development of customized products, negotiation with
16 suppliers, planning and acquiring transmission rights, and scheduling and delivery of
17 power. It also included managing risk with respect to market price movements and
18 variation of customer loads.

19
20 Prior to joining Quest, I was employed by Detroit Edison from 1977 to 2001, where from
21 1998 to 2001 I was the Director of Power Sourcing and Reliability, responsible for
22 purchases and sales of power for mid-term and long-term periods, planning for

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1 generation capacity and purchase power needs, strategy for and acquisition of
2 transmission rights, and related support for regulatory proceedings.

3
4 Additional experience, qualifications, and publications are provided in Exhibit EM-1
5 (AJZ-1).

6
7 **Q. Have you testified as an expert witness in prior proceedings?**

8 A. Yes. I have testified as an expert witness in several proceedings before the Michigan
9 Public Service Commission ("Commission"), on topics such as standby rates, retail rates
10 and regulations, recovery and allocation of costs and revenues, and the effects of rate
11 restructuring. I have also testified before the Federal Energy Regulatory Commission
12 ("FERC"). Case citations are provided in Exhibit EM-1 (AJZ-1). In addition, I have
13 participated in various Commission-sponsored workshops and stakeholder working
14 groups.

15
16 **Q. Are you sponsoring any exhibits?**

17 A. Yes. I am sponsoring the following exhibits:

- 18 • Exhibit EM-1 (AJZ-1): Qualifications
- 19 • Exhibit EM-2 (AJZ-2): Discovery Q&A, ELPCDE-2.34
- 20 • Exhibit EM-3 (AJZ-3): Attachment C, U-18255 Order 27Apr18
- 21 • Exhibit EM-4 (AJZ-4): Changes to Rider EC2 – Return to Full Service
- 22 • Exhibit EM-5 (AJZ-5): Changes to Rider EC2 – Reporting Meter Data
- 23
- 24

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

2 A. On behalf of Energy Michigan, I am addressing the following issues:

3

4 I. **Determination of “capacity cost”:** Previous Commission orders have
5 required power supply costs to be separated into two categories,
6 “capacity” and “non-capacity.” Under PA 341 of 2016 as interpreted and
7 ordered by the Commission, specific elements are to be included or
8 excluded from the capacity cost portion of power supply. In this
9 proceeding, DTE does not exclude the correct amount for “all energy
10 market sales” as previously defined and ordered by the Commission
11 specifically for DTE. Consequently, DTE’s proposed capacity charge is
12 contrary to the Commission’s previous orders and is incorrect. I will
13 explain the issue and recommend how the correction should be made.

14

15 This issue does not affect DTE’s requested revenue requirement. Rather,
16 it revises the split of power supply costs between capacity and non-
17 capacity.

18

19 II. **Revisions to DTE’s proposed changes to its Electric Choice tariff:**

20 A. DTE is proposing substantial changes to its Electric Choice tariff –
21 “Retail Access Service Rider – Rider EC2.” DTE is updating the rules for
22 an Electric Choice customer returning to Full Service from DTE, based on
23 current practices in the industry for acquiring capacity. These updates are

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1 generally well founded, yet there are some clarifications still needed to
2 accommodate both a customer and the utility.

3
4 B. In addition, the responsibilities of the utility as a distribution company
5 that delivers and meters energy to customers, to provide metered data to
6 both the customer and/or the customer's designated supplier should be
7 expressed in the tariff more clearly and with more specificity. I will
8 recommend a few revisions to the Commission.

9
10 **I. CALCULATION OF CAPACITY COST**

11
12 **Q. Please describe the element of capacity cost that you are addressing.**

13 A. I am addressing the determination of "all energy market sales." PA 341 of 2016 defined
14 specific elements that should be included or excluded from the calculation of a capacity
15 charge. The statute states:

16 (b) For the applicable term of the capacity charge, subtract all non-capacity-
17 related electric generation costs, including, but not limited to, . . . the projected
18 revenues, net of projected fuel costs, from all of the following:

- 19
20 (i) all energy market sales.
21 (ii) off-system energy sales.
22 (iii) ancillary service sales.
23 (iv) energy sales under unit-specific bilateral contracts.¹
24

¹ MCL 460.6w(3)(b), emphasis added.

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1 **Q. Has the Commission previously ruled on this issue for DTE Electric?**

2 A. Yes. The Commission ruled on the issue of “all energy market sales” in two previous
3 cases for DTE: (1) Case No. U-18248, order on November 21, 2017; (2) Case No. U-
4 18255, order on April 27, 2018.

6 **Q. Would you summarize the sequence of events in the past and present cases?**

7 A. (1) In Case No. U-18248, DTE proposed a “net” definition of “all energy market
8 sales,” quantifying a subtraction of \$49 million. The Commission rejected that
9 definition and ordered a subtraction of \$584 million.

11 (2) In Case No. U-18255, DTE proposed a “net” definition of “all energy market
12 sales,” quantifying a subtraction of \$44 million. The Commission rejected that
13 definition and again ordered a subtraction of \$584 million.

15 (3) For the third time, in this proceeding, Case No. U-20162, DTE is proposing a
16 “net” definition of “all energy market sales,” quantifying a subtraction of \$40
17 million. The Commission should reject that definition, again for the third time,
18 and order a subtraction of \$584 million, representing the projected revenues net of
19 projected fuel costs defined and required by PA 341 as determined by the
20 Commission.

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1 **Q. What exactly is the issue regarding “all energy market sales”?**

2 A. The issue is simply what “all energy market sales” means. The Midcontinent
3 Independent System Operator (“Midcontinent ISO” or “MISO”) operates an hourly
4 energy market and buys all energy injected into the MISO grid. At the same time, MISO
5 sells all energy extracted from the MISO grid. The issue is does “all energy market sales
6 mean “all sales only” or “sales net of purchases.” I will summarize, without rearguing
7 the entire issue that has already been argued and ruled upon twice.

8
9 In Case No. U-18248, DTE proposed that “all energy market sales” be netted against
10 purchases from the MISO grid. The Commission denied that proposal and ruled that “all
11 energy market sales” means *all* of generation output injected into MISO, stating:

12 DTE Electric offered deductions of \$49 million on an annual net net (net of
13 projected fuel costs, and net of total purchases or total losses) basis under Section
14 6w(3)(b). 3 Tr 210-213. However, the statute says nothing about making this
15 determination on an annual net net basis.

16
17 The statute says “subtract all non-capacity-related electric generation costs . . . net
18 of projected fuels costs, from all of the following: (i) All energy market sales.
19 (ii) Off-system energy sales. (iii) Ancillary service sales.” MCL 460.6w(3)(b).

20
21 The plain language of the statute provides no support for DTE Electric’s proposed
22 interpretation.²

² Case No. U-18248, order November 21, 2017, page 66, emphasis added.

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1 **Q. Why is the definition of “all energy market sales” important?**

2 A. The importance is that the correct definition of “all energy market sales” makes over a
3 half billion dollar difference -- \$544 million – in the amount of dollars in the capacity
4 cost category in this proceeding. DTE’s proposed capacity charge has been overstated by
5 \$544 million, about 38% overstated.

6
7 **Q. Would you explain?**

8 A. In Case No. U-18248, the Commission subtracted \$584 million from the category of
9 “capacity costs,” deeming instead that this amount should be included in the PA 341
10 (MCL 460.6w(3)(b)) statute’s subtraction of “all non-capacity-related electric generation
11 costs.” In its order, the Commission stated:

12 Mr. Jennings calculated energy market sales of \$1,369 million, and ancillary
13 service sales of \$16 million, offset by related fuel costs of \$801 million, for a total
14 of \$584 million to be deducted from the total capacity costs per Section 6w(3)(b).³
15

16 In this proceeding, DTE proposes to subtract only \$40 million⁴ – a difference of \$544
17 million compared to the \$584 million amount ordered by the Commission. DTE
18 acknowledges this in its answer to a discovery question, shown in Exhibit EM-2 (AJZ-2),
19 where DTE witness Mr. Lacey responded:

20 “The main difference in the proposed capacity charge as compared to the current
21 capacity charge is the capacity charge revenue requirement increased from \$1,188
22 million to \$1,950 million. The biggest reason for the increase is the reduction (for
23 net energy sales) decreased from \$584 million to \$40 million.⁵

³ Case No. U-18248, November 21, 2017 order, pages 67-68, emphasis added.

⁴ See DTE Exhibit A-29, Schedule S3, column (b), line 32. Amount \$40,337 (000).

⁵ Exhibit EM-2, (AJZ-2). Discovery question and answer ELPCDE-2.34, emphasis added.

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1 Therefore, with the correct definition for all energy market sales, DTE's proposed
2 calculated capacity charge would be \$1,406 million ($= \$1,950 - \544) instead of \$1,950
3 million. \$1,950 million overstates DTE's proposed capacity charge by 38.6%
4 ($= 1 - (\$1950 / \$1406)$).

5
6 **Q. Does the subtraction of \$584 million affect DTE's requested revenue requirement?**

7 A. No, it does not. Using the correct Commission-approved definition does not change or
8 reduce DTE's proposed revenue deficiency. Instead, the money ends up in the correct
9 category. Using the correct, Commission-approved definition of "all energy market
10 sales" reduces the capacity charge portion of power supply costs by \$540 million while
11 increasing the non-capacity-related portion of power supply costs by the same amount.
12 Consequently, DTE's proposed revenues stay the same.

13
14 **Q. Has the Commission affirmed the way "all energy market sales" should be**
15 **determined, subsequent to Case No. U-18248?**

16 A. Yes. In DTE's rate case, U-18255, in its April 27, 2018 order, the Commission included
17 Attachment C, "Capacity Charge Calculation." Attachment C is included as Exhibit EM-
18 3 (AJZ-3). The second line of this exhibit shows the subtraction of \$584 million for
19 "Proj 2017 Energy Sales Rev Net of Fuel costs." This is the same number as determined
20 in Case No. U-18248, and affirms the Commission's decision on how "all energy market
21 sales" should be determined.

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1 Note that for the calculation of the capacity portion of power supply costs, the PA 341
2 statute specifies, and the Commission has used, projected costs, which the Commission
3 will reconcile later. Thus, the Commission used the same projected number in Case No.
4 U-18255 that it used a few months earlier in Case No. U-18248.

5
6 **Q. How has DTE explained or justified its proposed determination in this proceeding**
7 **of “all energy market sales”?**

8 A. I could not find any explanation or justification for why DTE is determining “all energy
9 market sales” as energy sales net of purchases, contrary to the Commission’s previous
10 rulings. There are references in DTE’s filings that indicate that DTE may be
11 misinterpreting the Commission’s previous rulings or PA 341 itself.

12
13 **Q. Would you give some examples?**

14 A. There are two examples in the application itself in this proceeding. DTE references Case
15 No. U-18255 in paragraph 21 and Case No. 18248 in Request Q:

16 21. In 2016, the Michigan legislature passed and the Governor signed into law
17 2016 PA 341 which, in the part pertinent to this proceeding, amended MCL 460.1
18 *et seq.* by adding Section 6w (MCL 460,6w). Act 341 became effective on April
19 20, 2017 and directed the creation of a state reliability mechanism (“SRM”) and
20 capacity charge. DTE Electric is proposing the same methodology for the SRM
21 and capacity charge as proposed in Case No. U-18255.⁶

22
23 Q. Enter its Order approving a capacity charge based on the methodology
24 established in Case No. U-18248 and the capacity-related costs approved in this
25 proceeding.⁷
26

⁶ Case No. U-20162, Application, July 6, 2018, par. 21, page 6, emphasis added.

⁷ Case No. U-20162, Application, July 6, 2018, Request Q, page 8, emphasis added.

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1 First, what DTE *proposed* in Case No. U-18255 is irrelevant – what is relevant is what
2 the Commission *ordered*, and as clearly shown above in Attachment C to the
3 Commission order of April 27, 2018, the Commission ordered \$584 million to be
4 subtracted from capacity costs, not the \$44 million that DTE proposed in that case.

5
6 Second, the “methodology *established* in Case No. U-18248” effectively denied DTE’s
7 *proposal* in that case, and instead established \$584 million as the correct subtraction, also
8 as shown above. Thus, in its application, DTE proposes one method but requests the
9 Commission to approve a different method.

10
11 **Q. Are there other examples?**

12 A. The direct testimony of DTE witness Mr. Don M. Stanczak references PA 341 in
13 describing the testimony of DTE witness Ms. Kelly A. Holmes, as follows:

14 She will support power supply rates designed to include a capacity charge,
15 pursuant to the requirement on (*sic*) 2016 PA 341 and consistent with the
16 methodology used in Case No. U-18248 as instructed by the Commission in its
17 Order in U-18255.⁸
18

19 As explained above, the methodology that DTE *proposes* in this proceeding is
20 inconsistent with what the Commission *used* in Case No U-18248 and also does not
21 follow Attachment C of the Commission’s April 27, 2018 order in Case No. U-18255.

22

⁸ Direct Testimony, Mr. Stanczak, page 28, lines 9-12, emphasis added.

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1 DTE witness Mr. Derek M. Arnold states his understanding of PA 341 but places
2 responsibility for the decision regarding methodology on Mr. Stanczak:

3 Q. How did the Company calculated the projected 2018 energy sales revenue
4 net of projected fuels costs per Section 6w(3)(B) of Act 341?

5
6 A. Section 6w(3)(B) of Act 341 requires that the revenue, net of projected
7 fuel costs, from energy market sales, off-system energy sales, ancillary services
8 sales, and energy sales under unit specific bilateral contracts be subtracted from
9 the capacity charge.

10
11 To calculate the energy sales revenue net of projected fuel costs, first the revenue
12 associated with energy sales from the Company's generation resources was
13 determined, which is any excess generation sold into the MISO energy market
14 after serving the Company's bundled load.

15
16 I used this methodology at the direction of Company Witness Stanczak.⁹
17

18 Mr. Arnold omits the word "all" from the statutory requirement of "all energy market
19 sales," and he defines such sales as "excess generation," which the Commission explicitly
20 denied in Case No. U-18248, as shown previously. He places the decision on Mr.
21 Stanczak, who – as cited above – claims that such methodology is consistent with what
22 the Commission determined in U-18248 and U-18255, when in fact the Commission
23 explicitly denied that methodology in those cases.

24
25 DTE witness Mr. Thomas M. Lacey cites Mr. Arnold as the source of the "energy sales
26 net of fuel" number. Mr. Lacey cites cases U-18248 and U-18255. He addresses a
27 question of difference from previous cases, and acknowledges such a difference, but does
28 not give a reason for the difference:

⁹ Direct Testimony, Mr. Arnold, page 6, line 17, through page 7, line 1, emphasis added.

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1 Q. How is the calculation of energy sales net of fuel different from that
2 adopted by the Commission in Case No. U-18255?
3

4 A. I used the calculation of energy sales net of fuel supported by Company
5 Witness Mr. Arnold on his Exhibit A-29, Schedule S3. The Commission
6 reflected a \$584 million reduction for energy sales net of fuel in Case U-18255,
7 based on a calculation originally adopted in Case No. U-18248.¹⁰
8

9 The second sentence in this answer is true and is exactly what I have explained
10 previously. But it is neither an explanation for nor a justification of the *different*
11 calculation used by Mr. Arnold and directed by Mr. Stanczak.
12

13 **Q. Do the capacity cost and non-capacity-related cost determined from PA 341 and**
14 **previous Commission orders affect the design of rates?**

15 A. Yes. Capacity and non-capacity charges are presently specified separately in rates to Full
16 Service (“bundled”) customers, as well as being potentially applied to any Electric
17 Choice customers whose supplier does not demonstrate adequate capacity under PA 341.
18 So, *the reassignment of \$584 million is not a theoretical exercise*, but rather affects
19 prices. DTE asserts that one capacity charge should apply in all situations. There is not
20 one calculation for Full Service customers and a different calculation for Electric Choice
21 customers, according to DTE:

22 Q. Is the Company proposing to apply the same capacity charge to all of its
23 customers regardless of whether they are on choice or are bundled service
24 customers?
25

26 A. Yes. As required by 2016 Public Act 341 (PA 341), and as more fully
27 addressed by Company Witness Mr. Lacey, all customer classes will be allocated
28 the same amount of generation capacity costs and all similarly situation
29 customers, both Choice and bundled service will pay the same rate for generation

¹⁰ Direct Testimony, Mr. Lacey, page 21, lines 7-12, emphasis added.

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1 capacity. That is, all Choice and bundled service customers paying for capacity
2 will pay the same rate.¹¹
3
4

5 **Q. What is your recommendation to the Commission?**

6 A. DTE's proposed calculation of "all energy market sales" net of fuel is in contradiction to
7 what the Commission has ordered in two previous DTE cases. It is incorrect, and
8 therefore should fixed.
9

10 My recommendation to the Commission is first to start with Exhibit A-29, Schedule S3,
11 line 32, column (b). The number \$40,337 should be changed to \$584,478, which is the
12 number the Commission specified on Attachment C in Case No. U-18255 (shown in
13 Exhibit EM-3 (AJZ-3)) and originally determined in Case No U-18248 (as cited
14 previously).
15

16 Next, the Commission should direct DTE to carry through the consequences of the
17 change from \$40,377 to \$584,478 to all its other exhibits, in particular the calculation of
18 Capacity Revenue Requirement on Exhibit A-16, Schedule F1.5. Line 2 should be
19 changed from \$40,337 to \$584,478, resulting in Capacity Revenue Requirement on line 7
20 changing from \$1,950,031 to \$1,405,890.
21

¹¹ Direct Testimony, Mr. Stanczak, page 9, line 16-24, emphasis added.

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1 Finally, the consequences of these changes should be carried through to the final rate
2 design that the Commission orders in this proceeding, reflected in the final separate
3 charges for capacity and non-capacity.
4

5 **II. REVISIONS TO ELECTRIC CHOICE TARIFF – RIDER EC2**

6 **II-A Return to Full Service Rules**
7

8 **Q. Is DTE proposing to revise the “Return to Full Service” provisions in its tariff?**

9 A. Yes. The proposed revisions are to the section of the tariff labeled “Retail Access
10 Service Rider – Rider EC2.” In total, EC2 encompasses Sheet Nos. E-1.00 through E-
11 20.00. Current return to full service rules are on Sheet Nos. E-8.00 through E-12.00.
12

13 DTE’s proposed changes are shown in Exhibit A-16, Schedule F10, including sheet
14 numbers pertaining to return to full service. I will use DTE’s exhibit as a base and will
15 be proposing some changes to Sheet Nos. E-8.00, E-11.00, and E-12.00.
16

17 **Q. How does DTE explain the reasons for its proposed changes?**

18 A. DTE witness Mr. Timothy A. Bloch explains the reasons in pages 15 through 18 of his
19 testimony, quite clearly. Mr. Bloch describes how several structural items have changed
20 since the return to full service rules were initially developed and revised in the early years
21 of Electric Choice. He notes that PA 286 of 2008 established a cap of 10% on the
22 Electric Choice portion of the utility’s retail sales, that the Commission established

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1 procedures to implement this cap in Case No. U-15801, that the cap was reached by
2 December 2009, and that the switching between full service and Electric Choice has been
3 stable, with only a small number of customer returning to full service over the last eight
4 years.¹²

5
6 Mr. Bloch also cites PA 341 of 2016, which established a State Reliability Mechanism
7 (“SRM”), implemented by the Commission to set rules and procedures for demonstration
8 of capacity resources by suppliers in Michigan, both utilities and Alternative Electric
9 Suppliers (“AESs”). The requirements include annual demonstrations of sufficient
10 capacity for the next four years, and the implementation of an SRM capacity charge,
11 applied in specified circumstances, to avoid subsidies by one supplier to others.¹³

12
13 **Q. In summary, what is DTE proposing to change?**

14 A. DTE is proposing to simplify the return to service rules for non-residential customers by
15 changing the rules to be the same as for residential customers. Mr. Bloch explains:

16 The Company is proposing that the less restrictive existing Return to Full Service
17 provisions applicable to residential customers be implemented for all customers.
18 Non-residential customers that participate on Retail Access Service would no
19 longer be required to satisfy a two-year minimum stay on Retail Access Service
20 nor would they be subject to MPP [Market Priced Power] charges when they
21 return to Full Service.¹⁴
22

¹² Direct Testimony, Mr. Bloch, page 17, line 7-20.

¹³ Direct Testimony, Mr. Bloch, page 17, line 22, through page 18, line 15.

¹⁴ Direct Testimony, Mr. Bloch, page 16, lines 11-15, emphasis added.

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1 **Q. Do you agree with DTE’s proposed changes and the rationale for them?**

2 A. The rationale is accurate – times have changed as has the structure of the industry. As I
3 will explain below, however, in addition to what DTE has proposed for return to full
4 service, I believe some additional flexibility is needed for customers and some additional
5 protection for the utility.

6
7 **Q. What are the circumstances that prompt your revisions?**

8 A. In addition to what Mr. Bloch explained, the supply structure of the industry has changed
9 radically. The Midcontinent ISO began its energy market in April of 2005. At that time,
10 MISO began to dispatch all resources in its region to serve all loads in its region.
11 Individual suppliers – whether utilities or AESs – no longer “served” energy to their
12 customers. Instead, MISO dispatched virtually all energy resources to serve all
13 customers, and the responsibility for “serving” was translated from a physical
14 responsibility into a financial responsibility from supplier to MISO and into a financial
15 responsibility from customer to supplier – whomever that supplier was designated to be.

16
17 As part of the change to a regional market, the local utility became a “supplier of last
18 resort.” With the new energy market structure in MISO – centralized dispatch of all
19 resources to serve all loads – the customer will always receive energy. The questions are
20 which supplier does the customer pay, how much, and how much does the supplier pay
21 MISO? DTE, as provider of last resort, is no longer in the position of being able to refuse
22 to be a supplier to a customer, but nevertheless DTE is in a position of proposing how to

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1 charge which customers under which circumstances, under the approval of the
2 Commission.

3
4 In addition, in recent years MISO has instituted a requirement for capacity, which has
5 gone through several iterations. Currently, MISO has an annual auction for capacity. In
6 simple terms, suppliers are required to pay the auction price for an amount of capacity
7 sufficient to cover their forecasted share of the MISO forecasted peak. Thus, regardless
8 of the State Reliability Mechanism, all suppliers will have access to sufficient capacity
9 through MISO.

10
11 The import of such access to capacity is that when a customer switches from one supplier
12 to another, MISO will switch the financial responsibility for that customer's share of total
13 capacity from the old supplier to the new. Thus, when a customer "returns to full
14 service," there is no issue of the utility not having access to sufficient capacity – via the
15 MISO auction re-allocation – or to sufficient energy – via the MISO energy market. The
16 only question is price.

17
18 Consequently, with access to supply and with its responsibility as provider of last resort,
19 there is no such thing as the utility refusing service and therefore no such thing as
20 *enforcing* a minimum stay on Electric Choice when a customer switches from full service
21 to Electric Choice. DTE has recognized this by eliminating the existing two-year
22 minimum term on Electric Choice. Further, there is no "subsidy" of capacity when a
23 customers moves from full service to Electric Choice or from Electric Choice to full

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1 service – the MISO capacity is always there, and the old and new suppliers trade
2 responsibility for capacity at the MISO auction price.

3
4 **Q. What are your conclusions?**

5 A. There are two principles involved: (1) reasonable flexibility for customers in switching
6 suppliers and (2) reasonable protection for the utility as a supplier of last resort against
7 short-term “gaming” of energy costs by customers switching suppliers. “Gaming” could
8 occur if a customer can switch to Electric Choice for short period when market prices are
9 low and then switch back to full service when market prices are high.

10
11 The issues are, and have been since the beginning of Electric Choice:

- 12 1. *Flexibility* – in the form of minimum stays on Electric Choice or on full service
13 by the utility;
14 2. *Protection from short-term gaming* – in the form of a market priced component
15 for short stays by Electric Choice customers who return to full service.

16
17 These principles exist regardless of industry structure, yet the means for accommodating
18 them have changed and in fact, because of the MISO energy market and the MISO
19 capacity rules, have become simpler.

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1 **Q. What is DTE proposing for minimum terms on Electric Choice and return to full**
2 **service?**

3 DTE has proposed to eliminate the minimum stay on Electric Choice, adding flexibility
4 for the customer at no cost to the utility, as explained above. I agree with this change.

5
6 For return to full service, DTE is proposing a one-year minimum stay with no other short-
7 term option for the customer. DTE has eliminated pricing for a short-term return to full
8 service, and this reduces customer flexibility. I believe the current industry structure can
9 accommodate a short-term stay at no additional cost to the utility, even more simply than
10 the short-term option that DTE is eliminating.

11
12 **Q. What is your recommendation?**

13 **A.** I recommend that the Commission retain, in the EC2 tariff, the two options under current
14 section E4.3.B for (i) “Option 1 - 12 Month Service Commitment” and (ii) “Option 2 –
15 Short Term Service,” in a simplified way. To accommodate this, certain changes have to
16 be made, and these changes are minimal when applied to DTE’s proposal and to the
17 current EC2 tariff.

18
19 Exhibit EM-4 (AJZ-4) shows the propose changes, with notes. Briefly, there are two
20 spots to be changed.

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1 The first spot is DTE's proposed new paragraph E4.1¹⁵ I agree with DTE's proposal with
2 the addition of one phrase. The words "*subject to the provisions of Section E4.6*" should
3 be inserted at the end of paragraph E4.1, before the final period. Exhibit EM-4 (AJZ-4),
4 page 1 of 1, shows the edit.

5
6 The second spot is on Sheet Nos. E-11.00 and E-12.00. DTE has eliminated Section
7 E4.3.B, which extends over both pages. I propose that Section E4.3B should be retained.
8 It should be revised as follows:

- 9
- 10 - Section E4.3.B is retained and re-captioned "*E4.6.*" Section E4.3.A remains
11 deleted as proposed by DTE.
 - 12
 - 13 - The beginning phrase "Subject to the notice provisions of Section E5.3A" should
14 be removed. Section E5.3A does not exist in the tariff – it appears that the
15 reference should have been to E4.3A. Since DTE is eliminating E4.3A – which
16 elimination I agree with – this phrase is no longer meaningful and should be
17 deleted.
 - 18
 - 19 - Under subsection (ii) Option 2, the words "shall be based on visible indexes of
20 electricity market prices" should be changed to "*shall be based on the*
21 *Midcontinent ISO's Locational Marginal Price for the CPNode representing the*

¹⁵ DTE's proposed E4.1 is shown on Exhibit A-16, Schedule F10, Sheet No. E-8.00. That paragraph, with my change, is also shown in Exhibit EM-4 (AJZ-4), page 1 of 1.

ALEXANDER J. ZAKEM
DIRECT TESTIMONY

1 *DTE service area.*” The MISO Locational Marginal Price is now a standard, well
2 known, and transparent metric in the industry for energy prices. This simplifies
3 the determination of the Market Priced Power charge.

- 4
- 5 - Under subsection (iii), the words “Section E5.3” – another apparent previous error
6 – should be replaced by the words “*Section E4.6.*”

7

8 Exhibit EM-4 (AJZ-4), page 2 of 2, shows the edits.

9

10 The above two changes, which are minor changes to what has proven to work well in the
11 past, retain flexibility for the customer and protect the utility from gaming.

12

13 **II-B Changes to Access to Customer Meter Data Rules**

14

15 **Q. You have stated that you are also addressing the EC2 tariff relating to the**
16 **responsibilities of DTE Electric as a distribution company to provide metered data**
17 **to both the customer and/or the customer’s designated supplier. What is your**
18 **opinion?**

19 **A.** In the current EC2 tariff, DTE’s responsibilities to provide meter data should be
20 expressed more clearly and with more specificity. The current tariff is vague to the point
21 of difficulty in reasonably determining (a) what the standards are to which DTE must
22 perform and (b) whether DTE has reasonably met such standards.

ALEXANDER J. ZAKEM
DIRECT TESTIMONY

1 **Q Why are you addressing this issue at this time?**

2 A. There are several reasons:

3 a. ***Current Situation:*** There are data reporting obligations currently in the EC2
4 tariff, but they are vague.

5 b. ***Recent Updates:*** With recent updates to its metering and distribution system,
6 hourly data is now captured for all Electric Choice customers, according to DTE.

7 c. ***Timing:*** DTE has proposed revisions to the EC2 tariff based on current
8 circumstances and industry structure, so it is a logical time also to review and
9 revise the data reporting obligations.

10 d. ***Stability:*** Electric Choice has been in existence for 18 years, and the information
11 that DTE Electric gathers and that Electric Choice customers and AESs use is
12 well known.

13

14 **Q. Would you explain the context for the EDC's responsibility for data reporting?**

15 A. The context for clarifying DTE's responsibility is that DTE provides two services –
16 distribution and power supply. The former is structured by the 20-page EC2 tariff as a
17 cooperative effort among DTE, Electric Choice customers, and AESs. The latter is in
18 practice competition between DTE and AESs to be the power supplier to customers.
19 Thus, there can be potential conflicts between DTE's two roles of cooperation and
20 competition.

21

ALEXANDER J. ZAKEM
DIRECT TESTIMONY

1 **Q. What does this imply?**

2 A. As an Electric Distribution Company (“EDC”), DTE should provide the same services to
3 all distribution customers – whether a distribution customer is a “full service” customer
4 taking power supply service from DTE or is a “retail access service” customer taking
5 power supply service from an AES. And, the EDC function should provide the same
6 services to all suppliers using the distribution system -- whether the supplier of power is
7 part of DTE Electric or is an AES.

8

9 The principle of equal, non-discriminatory distribution services relating to data reporting
10 should be reflected in the EC2 tariff.

11

12 **Q. Is the EC2 tariff clear about DTE’s responsibilities for providing meter data to**
13 **Electric Choice customers and AESs?**

14 A. No. The EC2 tariff is not specific enough about DTE’s data reporting responsibilities
15 such that the Commission could decide whether or not DTE is providing equal, non-
16 discriminatory distribution services to Electric Choice customers and AESs. That is why
17 I am proposing additional specifics regarding data reporting in the EC2 tariff.

18

19 **Q. What factors have you considered in your proposed changes to the EC2 tariff?**

20 A. First, DTE as provider of distribution services is a monopoly – no other party can provide
21 these services. The EC2 tariff states:

22

ALEXANDER J. ZAKEM
DIRECT TESTIMONY

E1.3 DTE Electric Role

For Retail Access Service, DTE Electric is the provider of retail delivery service from the Point of Receipt to the Point of Delivery, distributing electric power with DTE Electric's service territory under the jurisdiction of the Commission.¹⁶

In particular, DTE is responsible for metering:

Metering equipment for Customers taking retail access service shall be furnished, installed, read, maintained and owned by DTE Electric¹⁷.

Second, Electric Choice customers – *i.e.*, those taking retail access service – are still customers of DTE Electric. They pay the same distribution rates as full service customers. They pay the same Nuclear Surcharge, Energy Waste Reduction Surcharge, and Low Income Energy Assistance Fund Factor. The same portion of Uncollectibles is included in their distribution rates, even the DTE Electric power supply uncollectibles.

Third, according to DTE's response on discovery, DTE's metering system collects hourly metered data for *all* Electric Choice customers:

“All Electric Choice customer meters may be integrated on an hourly basis.”¹⁸

Fourth, merely *collecting* data is not the ultimate objective of a data system. The objective is the ability to *extract* data in a timely, accurate, complete, and reasonably workable manner to provided information.

¹⁶ DTE Electric Tariff, Rider EC2, Section E1.3, emphasis in original.

¹⁷ DTE Electric Tariff, Rider EC2, Section E2.6.1.B.

¹⁸ DTE's answer to discovery question EMDE-1.2e.

ALEXANDER J. ZAKEM
DIRECT TESTIMONY

1 Fifth, AESs are also customers of the EDC. Customer energy use information must be
2 available to an AES to bill existing customers and/or to create an estimate of supply costs
3 for potential new customers.

4
5 **Q. What are your recommendations?**

6 A. The first recommended change is to Section E2.7.A. Exhibit EM-5 (AJZ-5), page 1 of 2,
7 shows the recommended changes, which will be explained here. The second sentence in
8 that section currently reads:

9 The Alternative Electric Supplier shall have direct access to meter data through
10 the same means as DTE Electric, once the Customer is enrolled, without any
11 further documentation or permission from the Customer.¹⁹

12
13
14 This sentence does not specify any standards or even guidelines on the timing, accuracy,
15 or the completeness of the meter data. It does not specify any obligations on DTE
16 Electric. Whether or not the “same means” is a reasonable approach is unknown – if
17 DTE has a \$100 million meter data base system, does the AES also have to have the
18 same? Whether or not the power supply and marketing functions of DTE have to use the
19 identical process to access meter data is unknown.

20
21 I recommend that the above sentence in Section E2.7A be expanded to:

22 *Regardless of meter type, DTE Electric shall provide the Alternative Electric*
23 *Supplier and the Customer with reasonable access to timely, accurate, and*
24 *complete meter data necessary for delivery, settlement, and billing of energy and*
25 *electricity services in usable computer form and equivalent to DTE Electric’s*
26 *ability to access such data, and without unreasonable delay, once the Customer is*
27 *enrolled, without any further documentation or permission from the Customer.*

¹⁹ DTE Electric EC2 Tariff, Section E2.7.A, emphasis added.

ALEXANDER J. ZAKEM
DIRECT TESTIMONY

DTE Electric shall inform the Alternative Electric Supplier and the Customer of any corrections made under Section E2.8 and shall provide such corrections at the same time that DTE corrects its own meter data.

Prior to a Customer being enrolled and with the Customer's permission, which may be either in writing or in electronic form, upon the Customer's request DTE Electric shall provide the Alternative Electric Supplier and Customer with reasonable access to accurate and complete historical meter data, or shall provide the requested data itself, in usable computer form equivalent to DTE's ability to access such data and without unreasonable delay.

Q. What are the advantages of the recommended change?

A. First, the standard specifies that DTE has to *do* something. Under the present wording, DTE has to do nothing, and the AES or Electric Choice customer has no basis for complaint. The Electric Choice customer or AES depends on the charity of DTE to address any problems with access to, timing, accuracy, and completeness of extracting meter data. DTE is a competitor of the AES. Data could be incomplete, delayed, in non-computer-readable form, *etc.*, and the tariff provides no way to determine if DTE has reasonably performed and no recourse if it perhaps has not.

The changed wording defines the principles under which the meter data is to be provided – the *desired outcome*. There is enough specificity that if the AES or Electric Choice customer disagrees with DTE Electric, that at least they can compile a clear complaint to DTE to resolve the issue, and if they can find no resolution then they can present a clear issue to Staff or the Commission.

ALEXANDER J. ZAKEM
DIRECT TESTIMONY

1 **Q. Why not specify exact timing, such as “within two days,” or specific formats, such as**
2 **“Excel readable”?**

3 A. Technology changes, technology improves, problems are solved, and so such specifics
4 could end up out of date, requiring a change in the tariff.

5
6 A durable EC2 tariff is a cooperative effort among DTE, AESs, and Electric Choice
7 customers. Some flexibility is needed to solve unanticipated situations, as long as the
8 principled outcomes are honored.

9
10 **Q. Are you proposing that DTE create different forms of access for different customers**
11 **or AESs based on the customer or AES systems?**

12 A. No, not at all. DTE should be able to have a standardized process for use by all provided
13 that the format and process of transmitting the required meter data are *readily usable* by
14 different systems. The ultimate goal is timely information in a format compatible for use
15 by the customer or AES. For example, providing monthly data in Excel array would be
16 “readily usable,” while providing data in a PDF format – essentially a picture of the
17 printed numbers rather than digital quantification – would not be “readily usable” without
18 manipulation or conversion by the customer or AES. Also, DTE could offer more than
19 one format if there is more than one format in common use for transferring data.

20
21 **Q. What is the second change to the EC2 tariff that you are recommending?**

22 A. The second change is to Section E18. Exhibit EM-5 (AJZ-5), page 2 of 2, shows the
23 recommend changes, which will be explained here. The Section E18.1 currently reads:

ALEXANDER J. ZAKEM
DIRECT TESTIMONY

1 At the option of the Marketer, DTE Electric will act as their Meter Data
2 Management Agent (MDMA) for their customer loads within DTE Electric's
3 service area. The Marketer is under no obligation to take this service from DTE
4 Electric.²⁰

5
6 I recommend adding two sentences to the end of this short paragraph, such that Section
7 E18.1, with the changes italicized below, will read:

8 At the option of the Marketer, DTE Electric will act as their Meter Data
9 Management Agent (MDMA) for their customer loads within DTE Electric's
10 service area. The Marketer is under no obligation to take this service from DTE
11 Electric.

12
13 *If the Marketer takes MDMA service from DTE Electric, then DTE Electric shall*
14 *provide the Marketer with the same data it reports to MISO at the same time it*
15 *reports such data to MISO and in usable computer form. If DTE subsequently*
16 *corrects the data it reports to MISO, then DTE Electric shall provide the*
17 *corrected data to the Marketer at the same time and shall identify which data,*
18 *including hourly meter readings, are being corrected.*
19

20 Again, the recommended changes create a standard of performance.

21
22 In addition, Sections E18.2 and E18.3 are also revised slightly, as shown in Exhibit EM-5
23 (AJZ-5), page 2 of 2, to make it clear that the reporting of hourly usage data depends on
24 the *availability* of hourly usage data, not solely on the type of metering. The desired
25 outcome is the objective, not the technology – as long as hourly data is available, that
26 data should be reported. Further, such reporting should be determined in the same way
27 for Electric Choice customers as for full service customers. Given DTE's assertion that
28 "All Electric Choice customer meters may be integrated on an hourly basis,"²¹

²⁰ DTE Electric EC2 Tariff, Section E18.1.

²¹ DTE's answer to discovery question EMDE-1.2e, cited previously.

ALEXANDER J. ZAKEM
DIRECT TESTIMONY

1 recommended changes to Sections E18.2 and E18.3 should present no difficulties for
2 DTE, while establishing a standard of performance for reporting meter data to MISO.

3
4 **Q. If DTE asserts it is already providing data in the manner described in your**
5 **recommended changes, should the EC2 tariff still be changed?**

6 A. Yes. First, if DTE is already performing satisfactorily, then the recommend changes
7 serve to codify what DTE is doing and make clear to all – DTE, customers, AESs, Staff,
8 and Commission – what is supposed to be done, a clear objective.

9
10 If DTE is not already performing satisfactorily, then Electric Choice customers and AESs
11 will have a standard of performance with which to compare DTE's performance to aid in
12 resolving difficulties with DTE regarding provision of customer metered data.

13
14 **Q. Does this conclude your Direct Testimony?**

15 A. Yes, it does.

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STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)	
DTE ELECTRIC COMPANY for)	
authority to increase its rates, amend its)	
rate schedules and rules governing the)	Case No. U-20162
distribution and supply of electric energy,)	
and for miscellaneous accounting authority)	
_____)	

EXHIBITS OF
ALEXANDER J. ZAKEM
ON BEHALF OF
ENERGY MICHIGAN, INC.

ALEXANDER J. ZAKEM

**46180 Concord
Plymouth, Michigan 48170
734-751-2166
ajzakem@umich.edu**

CONSULTANT – MERCHANT ENERGY AND UTILITY REGULATION

Provides strategies and technical expertise on competitive market issues, transmission issues, state and federal regulatory issues involving the electricity business, and associated legal filings. Scope includes the Midwest ISO Energy Market and Resource Adequacy, FERC proceedings on transmission and market tariffs, state rules for competitive supply, and negotiation of settlements.

PRIOR POSITIONS: Quest Energy, LLC – a subsidiary of Integrys Energy Services

Vice President, Operations

March 2002 to December 2003

Responsible for the planning, acquisition, scheduling, and delivery of annual power supply and transmission, to serve competitive retail electric customers.

- ***Power Planning*** -- Designed and negotiated customized long-term power contracts, to reduce power costs and exposure to spot energy prices.
- ***Transmission*** -- Revamped transmission strategy to reduce transmission costs.
- ***Load Forecasting*** -- Instituted formal short-term forecasting process, including weather normalization.
- ***Risk Management*** -- Developed summer supply strategy including call options to minimize physical supply risk at least cost. Instituted probabilistic assessment of forecast uncertainty to minimize transmission imbalance costs.
- ***Contract Management*** -- Negotiated and recovered liquidated damages for power supply contracts. Included cost of transmission losses into customer contracts.
- ***Operations Capability*** -- Expanded the Operations staff. Oversaw daily activity in spot market purchases. Instituted back-up capability, including equipment and processes, enabling the company to schedule and deliver virtually all power during the August 2003 blackout in the Midwest.

PRIOR POSITIONS : DTE Energy / Detroit Edison — 1977 to 2001

Director, Power Sourcing and Reliability

May 1998 to April 2001

Director of group responsible for monthly, annual, and long-term purchases and sales of power for Detroit Edison, including procuring power for the summer peak season.

- **Planning** -- Planned summer power requirements for Detroit Edison, including mix of generation, option contracts, hub purchases, load management, and transmission, which balanced and optimized physical risk and financial risk.
- **Contract Management** – Established decision, review, and approval process for evaluation and execution of power transactions, including mark-to-market valuation.
- **Execution** -- Executed summer plans, contracting annually for purchased power and transmission services. Directed negotiations for customized structured contracts to provide the company with increased operating flexibility, dispatch price choices, and delivery reliability.
- **Risk Management** – Developed an optimizing algorithm using load shapes to minimize corporate exposure to volatile power prices. Developed a hedging strategy to fit power purchases to the corporation's risk tolerance level.
- **Acquisitions** -- Team leader for acquisition of new peakers.
- **Settlements** -- Negotiated and settled liquidated damages claims.

Relevant prior positions within Detroit Edison

<u>Position</u>	<u>Organization</u>	<u>Time Period</u>
Director, Special Projects	Customer Energy Solutions	Apr 97 to May 98

Leader of several special projects involving the transformation of the corporation's merchant energy functions into competitive business units, including merger explorations and the start up of DTE Energy Trading (DTE's power marketing affiliate).

Directed filings to the Federal Energy Regulatory Commission to establish DTE Energy Trading as a power marketer and to gain authority for sales, brokering, and code of conduct. The FERC used DTE's flexible utility/affiliate code of conduct as precedent for rulings for other power marketers.

Director, Risk Management	Huron Energy (temp affiliate)	Jan 97 to Apr 97
----------------------------------	--------------------------------------	-------------------------

Leader of team responsible for competitive pricing of wholesale structured contracts and for acquiring risk management hardware and software to support risk management policy. Prepared Board resolutions to implement risk management policy.

Director, Contract Development Customer Energy Solutions Jan 96 to Dec 96

Leader of team that formulated a business strategy for the corporation in competitive power marketing. Team leader on project evaluating an existing steam and electricity contract, recommending and gaining Board approval for revamping the corporation's Thermal Energy business and strategy.

Project Director Executive Council Staff Jan 91 to Dec 95
& Corporate Strategy Group

Project leader for competitive studies, including business risk, generation pooling, and project financing in the merchant generation industry. Team member and/or team leader for analyses of merger and acquisition opportunities

Special Assignment Executive Council Staff Mar 90 to Dec 90

Special assignment related to long-term industry strategies and mergers and acquisitions.

Pricing Analyst Marketing / Rate Aug 82 to Mar 90

Developed, negotiated, and implemented an innovative standby service tariff. Testified as an expert witness in regulatory proceedings and in state legislative hearings.

Engineer Resource Planning Aug 79 to Dec 81

Member of the company's electric load forecasting team, responsible for SE Michigan energy and peak demand forecasting, and for risk analysis. Developed the company's first residential end-use forecast model.

PRIOR POSITIONS: Prior to DTE Energy

Lear Siegler Corporation, ACTS Computing division, systems analyst and programmer from January 1973 to July 1977.

EDUCATION: M. A. in mathematics, University of Michigan, 1972
B. S. in mathematics, University of Michigan, 1968

MILITARY: U. S. Army, September 1968 to June 1970.
Viet Nam service from June 1969 to June 1970.
Honorably discharged.

PROFESSIONAL: Member, Engineering Society of Detroit (1979-present)

PUBLICATIONS & PAPERS:

- "Competition and Survival in the Electric Generation Market," published in *Public Utilities Fortnightly*, December 1, 1991.
- "Measuring and Pricing Standby Service," presented at the Electric Power Research Institute's "Innovations in Pricing and Planning" conference, May 3, 1990.
- "Assessing the Benefits of Interruptible Electric Service," presented at the 1989 Michigan Energy Conference, October 3, 1989.
- "Principles of Standby Service," published in *Public Utilities Fortnightly*, November 24, 1988.
- "Progress in Conservation," a satirical commentary published in *Public Utilities Fortnightly*, October 27, 1988.
- "Comparing Utility Rates," published in *Public Utilities Fortnightly*, November 13, 1986.
- "Uncertainty in Load Forecasting," with co-author John Sangregorio, published in *Approaches to Load Forecasting*, Electric Power Research Institute, July 1982.

PREVIOUS TESTIMONY:

- Michigan Public Service Commission, U-20134
- Michigan Public Service Commission, U-18248
- Michigan Public Service Commission, U-18239
- Michigan Public Service Commission, U-18014
- Michigan Public Service Commission, U-17990
- Michigan Public Service Commission, U-17767
- Michigan Public Service Commission, U-17735
- Michigan Public Service Commission, U-17689
- Michigan Public Service Commission, U-17688
- Michigan Public Service Commission, U-17429
- Michigan Public Service Commission, U-17087
- Michigan Public Service Commission, U-17032
- Michigan Public Service Commission, U-16794
- Michigan Public Service Commission, U-16566
- Michigan Public Service Commission, U-16472
- Michigan Public Service Commission, U-16191
- Michigan Public Service Commission, U-15768.
- Michigan Public Service Commission, U-15744.
- Federal Energy Regulatory Commission, Docket No. EL04-135 & related dockets.
- Michigan Public Service Commission, U-12489.
- Michigan Public Service Commission, U-8871.
- Michigan Public Service Commission, U-8110 part 2.
- Michigan Public Service Commission, U-8110, part 1.
- Michigan Public Service Commission, U-7930 rehearing.
- Michigan Public Service Commission, U-7930.

MPSC Case No.: U-20162
Requestor: ELPC
Question No.: ELPCDE-2.34
Respondent: T. W. Lacey
Page: 1 of 1

Question: Refer to Exhibit A-16 Schedule F4. Provide a narrative discussion of what changes were made in the cost allocation and/or rate design process the resulted in the shifting of revenue collection from the non-capacity charge to the capacity charge in the proposed rate compared to the current rate.

Answer: The main difference in the proposed capacity charge as compared to the current capacity charge is the capacity charge revenue requirement increased from \$1,188 million to \$1,950 million. The biggest reason for the increase is the reduction (for net energy sales) decreased from \$584 million to \$40 million.

Attachments: N/A

Michigan Public Service Commission
DTE Electric Company
Capacity Charge Calculation

MPSC Case No.: U-18255
ATTACHMENT C

	<u>Total Electric</u>
CAPACITY COSTS DETERMINATION	
Net Production Costs Rev. Req.	\$ 3,114,014
Proj 2017 Energy Sales Rev Net of Fuel costs	\$ (584,478)
Less Fuel	\$ (1,109,464)
Less MISO Energy in PP	\$ (45,972)
Less Other Energy in PP	\$ (175,216)
Less Variable O&M	<u>\$ (19,264)</u>
Capacity Revenue Requirement	<u>\$ 1,179,621</u>
U-18248 Capacity Charge Demand	12,158 MW
Capacity Charge /MW-Year	\$ 97,024
Capacity Charge /MW-Day	\$ 265.82

Source: Attachment C to MPSC order on April 27, 2018, in Case No. U-18255

Changes to Retail Access Service Rider – Rider EC2

Return to Full Service

- I. DTE proposed revising Section E4.1. Energy Michigan agrees with this revision with the Energy Michigan changes shown below. See Exhibit A-16, Schedule F10, Sheet No. E-8.00.**

E4.1 Retail Access Service customers shall commence Retail Access service in accordance with their billing cycle and shall be required to remain on Retail Access Service for a minimum of one full billing cycle. Upon notice of termination of Retail Access Service as specified in Section E4.2, a Retail Access Customer taking Retail Access service may return to Company Full Service in accordance with their next bill cycle. A Retail Access Customer who returns to Company Full Service must remain on Company Full Service for a minimum of one year from the date of their return to Company Full Service *unless otherwise provided by Section E4.6.*

(continued)

II. DTE proposed eliminating existing Section E4.3.B. This section should be retained with Energy Michigan changes indicated below, and should be labeled Section E4.6. See Exhibit A-16, Schedule F10, Sheet Nos. E-11.00 and E-12.00.

E4.6

~~Subject to the notice provisions of Section E5.3A,~~ Customers that discontinue retail access service may return to DTE Electric Full Service under the following conditions:

(i) Option 1 12 Month Service Commitment

If the Customer commits to DTE Electric Full Service for a minimum of 12 months, then the Customer may take service under any tariff rate for which the Customer qualifies. Any returning Customer that commits to remain on full service for the subsequent 12 months and then fails to do so will be back billed for the higher of the tariff rate or market-based rate.

(ii) Option 2 Short Term Service

If the Customer chooses not to commit to DTE Electric Full Service for a minimum of 12 months, then the Customer may take service under any tariff rate for which the Customer qualifies, with the tariff rate modified as follows:

The Power Supply Cost Recovery component, both base and adjustment factor, in any an all energy prices of the tariff, shall be subtracted from the energy prices and the Market Priced Power charge shall be added to the energy prices. The Market Priced Power charge shall reflect the current market value of energy, shall be based on ~~visible indexes of electricity market prices~~ **the Midcontinent ISO's Locational Marginal Price for the CPNode representing the DTE service area** plus reasonable charges for transmission and losses, and shall be calculated according to methods approved by the Commission. The Customer shall be filled the higher of the applicable tariff energy prices or the Market Priced Power charge.

The Customer may at any time return to retail access service or agree to take DTE Electric Full Service for a minimum of 12 months.

(iii) Unless otherwise provided for and subject to other conditions in this Rider, a Customer may return to DTE Electric Full Service under the provisions of Section ~~E5.3~~ **E4.6** and subsequently go back to retail access service no more than once in any month.

Changes to Retail Access Service Rider – Rider EC2

Reporting Meter Data

I. Proposed changes to Rider EC2, Section E2.7, Sheet No. E-7.00:

E2.7 Meter Reading

- A. All Customers with Advanced Electric Meters shall have meter reading accomplished through a secure communication network to provide DTE Electric the metering data necessary to bill the customer and conform to required metering accuracy. ~~The Alternative Electric Supplier shall have direct access to meter data through the same means as DTE Electric, Regardless of meter type, DTE Electric shall provide the Alternative Electric Supplier and the Customer with reasonable access to timely, accurate, and complete meter data necessary for delivery, settlement, and billing of energy and electricity services in usable computer form and equivalent to DTE Electric's ability to access such data, and without unreasonable delay,~~ once the Customer is enrolled, without any further documentation or permission from the Customer.

DTE Electric shall inform the Alternative Electric Supplier and the Customer of any corrections made under Section E2.8 and shall provide such corrections at the same time that DTE corrects its own meter data.

Prior to a Customer being enrolled and with the Customer's permission, which may be either in writing or in electronic form, upon the Customer's request DTE Electric shall provide the Alternative Electric Supplier and Customer with reasonable access to accurate and complete historical meter data, or shall provide the requested data itself, in usable computer form equivalent to DTE's ability to access such data and without unreasonable delay.

(continued)

II. Proposed changes to Rider EC2, Section E18, Sheet Nos. E-19.00 and E-20.00:

E18 HOURLY USAGE DATA TO SUPPORT MISO SETTLEMENT

E18.1 Meter Data Management Agent

At the option of the Marketer, DTE Electric will act as their Meter Data Management Agent (MDMA) for their customer loads within DTE Electric's service area. The Marketer is under no obligation to take this service from DTE Electric.

If the Marketer takes MDMA service from DTE Electric, then DTE Electric shall provide the Marketer with the same data it reports to MISO at the same time it reports such data to MISO and in usable computer form. If DTE subsequently corrects the data it reports to MISO, then DTE Electric shall provide the corrected data to the Marketer at the same time and shall identify which data, including hourly meter readings, are being corrected.

E18.2 Hourly Usage Data for Customers With Advanced Electric or AMI Meter Reads *or Other Metering with Available Hourly Integrated Data*

Hourly usage will be the customer's actual measured usage for each hour increment as recorded by the Advanced Electric or AMI meter *or other meter*.

E18.3 Hourly Usage Data for Customers Without Advanced Electric or AMI Meter Reads *or Other Metering with Available Hourly Integrated Data*

Hourly usage data for Customers without Advance Electric or AMI meter reads *or other metering with available hourly integrated data* will be determined *in the same manner as for full service customers without such metering, including* through the use of CPNode profiles. For each CPNode, profiles are developed based on 12 months of historical hourly usage and temperature data to determine the load in kWh for every MW of enrolled capacity.

Residential customers electing to opt out of AMI metering installation *and without other metering with available hourly integrated data* will have *hourly usage data determined in the same manner as for full service residential customers without such metering, including* profiled data used for MISO energy market settlement.

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)	
DTE ELECTRIC COMPANY for)	
authority to increase its rates, amend its)	
rate schedules and rules governing the)	Case No. U-20162
distribution and supply of electric energy,)	
and for miscellaneous accounting authority)	
_____)	

PROOF OF SERVICE

STATE OF MICHIGAN)
) ss.
COUNTY OF INGHAM)

Kimberly J. Champagne, the undersigned, being first duly sworn, deposes and says that she is a Legal Secretary at Varnum LLP and that on the 7th day of November, 2018, she served a copy of the Direct Testimony and Exhibits of Alexander J. Zakem on behalf of Energy Michigan, Inc. and this Proof of Service upon those individuals listed on the attached Service List via email at their last known addresses.

Kimberly J. Champagne

SERVICE LIST
MPSC CASE NO. U-20162

Administrative Law Judge

Hon. Sally Wallace
Administrative Law Judge
Michigan Public Service Comm.
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Lansing, MI 48917
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