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Timothy J. Lundgren

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April 5, 2019

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

Re: MPSC Case No. U-20322

Dear Ms. Kale:

Attached for electronic filing in the above-referenced matter, please find the Direct Testimony and Exhibit of Paul Wilken on behalf Energy Michigan, Inc., as well as Proof of Service. Thank you for your assistance in this matter.

Very truly 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 of the application of)
CONSUMERS ENERGY COMPANY)
for authority to increase its rates for the)
distribution of natural gas and for other relief.)
_____)

Case No. U-20322

DIRECT TESTIMONY & EXHIBIT OF

PAUL WILKEN

ON BEHALF OF

ENERGY MICHIGAN, INC.

PAUL WILKEN
DIRECT TESTIMONY

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

2 A. Paul Wilken, 3420 Grove Lane, Auburn Hills, MI, 48326.

3

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

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

6

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

8 A. I have worked in the energy business since 1977, including over 20 years at Consumers
9 Power, Consumers Energy, or CMS Energy. For the last approximately 20 years, I have
10 worked with gas transportation customers as their supplier representative and/or
11 consultant. This work has included rate analysis to determine the best rate mix for each
12 customer's facility. See my resume attached as Exhibit EM-1 (PW-1).

13

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

15 A. No.

16

17 **Q. Are you sponsoring any exhibits?**

18 A. Yes, Exhibit EM-1 (PW-1) – Paul Wilken's Resume.

19

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

21 A. I am questioning the basis for the proposed 4,000,000 annual Mcf eligibility requirement
22 for a gas transportation customer to be on the XXLTL rate.

23

PAUL WILKEN
DIRECT TESTIMONY

1 **Q. Have you reviewed the testimony and exhibits filed by Consumers Energy in this**
2 **proceeding?**

3 A. Yes, I have. I have taken particular note of Consumers' proposed changes to the gas
4 transportation service tariff and the requirements for XXL service.

5
6 **Q. Do you agree with Consumers' proposals for that service?**

7 A. No, I do not. Based on my review of their proposal, it appears that they have failed to set
8 the minimum eligibility requirement in a way that reflects the economic breakeven point
9 between the XLT and XXL rates. The impact of this is substantial; a customer using
10 2,000,000 Mcf per year would pay approximately \$400,000 more per year on XLT than
11 they would on XXL.

12
13 **Q. Have you calculated the mathematical breakeven point?**

14 A. Yes, I have. See Table 1 – Economic Breakeven Point for Proposed Rate XXL shown
15 below. There, I show that the calculated breakeven point is 1,050,918 Mcf per year when
16 comparing the proposed XLT rate, with the 4% Authorized Tolerance Level (ATL)
17 option to the proposed XXL rate, and no Investment Recovery Mechanism (IRM)
18 surcharge. It is 1,087,962 Mcf per year when including the proposed 2020 IRM
19 Surcharges. I used the 4% ATL option for the XLT rate because that is the only ATL
20 option available to the XXL rate, as proposed.

21
22
23

**PAUL WILKEN
DIRECT TESTIMONY**

Table 1 – Economic Breakeven Point for Proposed Rate XXL T

Without IRM Surcharges:				
Mcf per Year	1,050,918			
	XLT @ 4% ATL		XXLT	
Customer Charge per Month	\$2,438.42	\$29,261.04	\$40,096.32	\$481,155.84
2020 IRM Surcharge per Month	\$0.00	\$0.00	\$0.00	\$0.00
Remote Meter Charge	\$70.00	\$840.00	\$70.00	\$840.00
Contiguous Meter Charge per Month	\$60.00	\$0.00	\$0.00	\$0.00
Energy Optimization Surcharge per Mcf	\$0.0111	\$11,665.19	\$0.0111	\$11,665.19
Distribution Charge per Mcf	\$0.6881	\$723,136.77	\$0.2581	\$271,241.97
		\$764,903.00		\$764,903.00
With Proposed 2020 IRM Surcharges:				
Mcf per Year	1,087,162			
	XLT @ 4% ATL		XXLT	
Customer Charge per Month	\$2,438.42	\$29,261.04	\$40,096.32	\$481,155.84
2020 IRM Surcharge per Month	\$424.13	\$5,089.56	\$1,722.87	\$20,674.44
Remote Meter Charge	\$70.00	\$840.00	\$70.00	\$840.00
Contiguous Meter Charge per Month	\$60.00	\$0.00	\$0.00	\$0.00
Energy Optimization Surcharge per Mcf	\$0.0111	\$12,067.50	\$0.0111	\$12,067.50
Distribution Charge per Mcf	\$0.6881	\$748,076.20	\$0.2581	\$280,596.52
		\$795,334.30		\$795,334.30

Q. Why is it important for the eligibility requirement to reflect the economic breakeven point?

A. To do otherwise simply forces a customer to pay the utility more for its service than it would otherwise need to. This needlessly raises costs for customers. If the utility has a rate structure in place under which it could serve the customer, and do so more inexpensively, but sets barriers in place in the way of arbitrary eligibility requirements, then it raises concerns that the rate is not designed to reflect the utility's cost of service, but rather to simply recover greater revenue for the utility. Therefore, I recommend that

PAUL WILKEN
DIRECT TESTIMONY

1 the rate XXLT eligibility requirement be set at something much closer to the actual
2 economic breakeven point as set forth above.

3

4 **Q. Does this conclude your Direct Testimony?**

5 A. Yes, it does.

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Case No. U-20322

EXHIBIT OF PAUL WILKEN

ON BEHALF OF

ENERGY MICHIGAN, INC.

EXPERIENCE

EXECUTIVE ENERGY SERVICES, LLC

Senior Energy Consultant, 2015-Present

- Retail Energy Sales in Michigan and Ohio

LAKESHORE ENERGY SERVICES, LLC

Senior Account Manager, Retail Sales, 2008-2015

- Retail Energy Sales in Michigan, Ohio and Illinois

CHARLEVOIX ENERGY TRADING, LLC

General Manager, 2006-2008

- Responsible for day-to-day operations of a Retail Energy Sales company
- Retail Energy Sales in Michigan, Ohio and Illinois

LAKESHORE ENERGY SERVICES, LLC

Account Manager, Retail Sales, 2003-2006

- Retail Energy Sales in Michigan, Ohio and Illinois

CMS MARKETING SERVICES AND TRADING COMPANY

Senior Corporate Account Manager, Retail Sales, 1997-2003

- Retail Energy Sales in Michigan, Ohio and Illinois

CONSUMERS POWER/CONSUMERS ENERGY COMPANY

Customer Account Representative, Gas Marketing, 1995-1997

- Managed the interface between the utility and their Gas Transportation customers

Electric Operations, 1988-1995

- Supervised the electric distribution dispatch operation
- Coordinated the electric preventative maintenance programs including tree trimming, circuit rehabilitation, street light routine replacement, underground equipment security and lightning protection improvements
- Responsible for resolving all electric outage related customer complaints
- Administered the clean-up process associated with PCB oil releases

Controller, Michigan Electric Power Coordination Center, 1984-1988

- Responsible for all aspects of managing the electric power supply for the Michigan Electric Coordinated Systems (MECS)

Power Controller, Transmission Operations, 1981-1984

- Coordinated the day-to-day operations of the electric transmission system including lines and substations
- Responsible for administering the switching and tagging procedures that were required for both routine and emergency work to be performed on the system

Technician, Electric Distribution, 1977-1981

- I held several different positions in the electric distribution area including mapping, right-of-way and electric distribution design

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Case No. U-20322

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 5th day of April, 2019, she served a copy of the Direct Testimony and Exhibit of Paul Wilken on behalf of Energy Michigan, Inc. 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-20322

Administrative Law Judge

Honorable Jonathan Thoits
Administrative Law Judge
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SERVICE LIST
MPSC CASE NO. U-20322

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