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June 25, 2019

Ms. Barbara Kunkel
Acting Executive Secretary
Michigan Public Service Commission
7109 West Saginaw Highway
P.O. Box 30221
Lansing, MI 48909

RE: Case No. U-20219 – In the Matter of the application of Consumers Energy Company for Approval of a Power Supply Cost Recovery Plan and for Authorization of Monthly Power Supply Cost Recovery Factors for the Year 2019.

Dear Ms. Kunkel:

Enclosed for electronic filing in the above-captioned case are **Redacted Version of the Rebuttal Testimony and Exhibits of Consumers Energy Company Witnesses Daniel S. Alfred, Kevin C. Lott, Stephen J. Nadeau, Angela K. Rissman, and Keith G. Troyer.** This is a paperless filing and is therefore being filed only in a PDF format. I have also enclosed a Proof of Service showing electronic service upon the parties.

Please note that **Exhibits A-23 (SJN-1) and A-24 (SJN-2) of Consumers Energy Company witness Stephen J. Nadeau** contain material which has been designated as confidential. The confidential versions are being filed under seal with the Michigan Public Service Commission.

Sincerely,

Robert W. Beach

cc: Hon. Sally L. Wallace, Administrative Law Judge
Parties per Attachment 1 to the Proof of Service

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the Matter of the application of)
CONSUMERS ENERGY COMPANY)
for Approval of a Power Supply Cost)
Recovery Plan and for Authorization of)
Monthly Power Supply Cost Recovery)
Factors for the Year 2019)
_____)

Case No. U-20219

REBUTTAL TESTIMONY

OF

DANIEL S. ALFRED

ON BEHALF OF

CONSUMERS ENERGY COMPANY

June 2019

DANIEL S. ALFRED
REBUTTAL TESTIMONY

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

2 A. My name is Daniel S. Alfred, and my business address is 1945 W. Parnall Rd, Jackson,
3 Michigan 49201.

4 **Q. Are you the same Daniel S. Alfred who previously submitted direct testimony in this**
5 **proceeding?**

6 A. Yes.

7 **Q. Are you sponsoring any exhibits with your rebuttal testimony?**

8 A. No.

9 **Q. What is the purpose of your rebuttal testimony?**

10 A. The purpose of my testimony is to rebut a portion of the direct testimony of the
11 Residential Customer Group's witness Geoffrey C. Crandall which was filed in this
12 proceeding. More specifically, I will address Mr. Crandall's suggestion at page 6 of his
13 direct testimony that Consumers Energy Company ("Consumers Energy" or the
14 "Company") has not reflected any savings in transmission costs due to the Tax Cuts and
15 Jobs Act of 2017 ("TCJA") in its current Power Supply Cost Recovery ("PSCR") Plan
16 case.

17 **Q. Have the benefits from the TCJA flowed back to PSCR customers in the form of**
18 **reduced transmission costs?**

19 A. Yes. During the spring of 2018 the Michigan Electric Transmission Company ("METC")
20 addressed the TCJA through resettled and reduced transmission costs during that time
21 period. In addition, the reduced transmission costs were carried forward into METC's
22 projected 2019 Attachment O rates filed with the Midcontinent Independent System
23 Operator, Inc. by September 1, 2018, and used in the calculation of my transmission costs

DANIEL S. ALFRED
REBUTTAL TESTIMONY

1 for this PSCR Plan case filing. Therefore, all TCJA transmission savings were reflected
2 during 2018 actual business and on a go-forward basis, and were reflected in this PSCR
3 Plan case filing.

4 **Q. Does this conclude your rebuttal testimony?**

5 A. Yes, it does.

STATE OF MICHIGAN
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Case No. U-20219

REBUTTAL TESTIMONY

OF

KEVIN C. LOTT

ON BEHALF OF

CONSUMERS ENERGY COMPANY

June 2019

KEVIN C. LOTT
REBUTTAL TESTIMONY

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

2 A. My name is Kevin C. Lott, and my business address is 1945 W. Parnall Road, Jackson,
3 Michigan 49201.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am employed by Consumers Energy Company (“Consumers Energy” or the
6 “Company”) as the Fuels Transportation & Planning Director in the Electric Supply
7 Operations Department.

8 **Q. Are you the same Kevin C. Lott who submitted direct testimony in this case?**

9 A. Yes.

10 **Q. What is the purpose of your rebuttal testimony?**

11 A. The purpose of my rebuttal testimony is to rebut the direct testimony of Geoffrey C.
12 Crandall on behalf of the Residential Customer Group (“RCG”) and explain why his
13 recommendation to renegotiate our existing coal transportation contracts as a result of the
14 2017 Tax Cuts and Jobs Act (“TCJA”) is not a reasonable and prudent course of action.

15 **Q. Are you sponsoring any exhibits with your rebuttal testimony?**

16 A. No.

KEVIN C. LOTT
REBUTTAL TESTIMONY

REBUTTAL OF RCG WITNESS CRANDALL

Q. On page 4, lines 13 through 16 Mr. Crandall states, “CECO may have a unique opportunity to renegotiate or require changes in its fuel or other supplier contracts to reflect the lower costs of fuel procurement due to the lowering of the supplier’s corporate taxes and costs charged to CECO’s PSCR customers.” Do you agree with Mr. Crandall’s assessment with regard to the Company’s existing coal transportation contracts?

A. No. The Company has four coal transportation contracts that are effective in 2019 and none of these contracts have provisions that afford the Company an “opportunity to renegotiate or require changes,” particularly regarding the already agreed-upon transportation service rates. There are no contractual grounds, nor other means by which to compel these service providers to renegotiate these contracts that have already been consummated and that are, in most cases, nearing the end of their multi-year term.

Q. Is there any risk associated with attempting to renegotiate these existing contracts with the counterparties?

A. Yes, there is a potential financial risk to the Company and our Power Supply Cost Recovery (“PSCR”) customers both in the short term and in the long term. In the short term, an attempt to alter or break an existing contract could have negative financial ramifications if construed as a breach of contract or as the Company defaulting on its contractual obligations. In the long term, there is a reputational risk that could have a financial impact in future bid solicitations and contract negotiations. For example, counterparties may associate uncertainty with Consumers Energy contracts and feel the need to account for potential future renegotiations by raising their prices; or they may be

KEVIN C. LOTT
REBUTTAL TESTIMONY

1 emboldened to approach Consumers Energy with price *increases* due to unforeseen
2 changes affecting their costs, despite already having an executed contract with firm
3 pricing.

4 **Q. Does the Company have any specific knowledge of its coal transportation**
5 **counterparties' cost savings attributed to the TCJA?**

6 A. No. Furthermore, while it is possible that the TCJA is a factor that could reduce coal
7 transportation costs, it also is possible that counterparties' overall cost to provide
8 transportation service has not decreased. Other cost components may have increased,
9 which may negate any cost decrease provided by the TCJA.

10 **Q. Are the Company's coal transportation counterparties obligated to share any**
11 **savings they may have realized from the TCJA?**

12 A. No.

13 **Q. If the Company's coal transportation counterparties' costs were to go down,**
14 **whether due to legislative changes or their own cost reduction efforts, how might**
15 **these savings be passed on to the Company's PSCR customers?**

16 A. By employing a competitive bidding strategy whenever possible, the Company incents
17 prospective bidders to offer pricing that can contend with the pricing of their competitors.
18 For this reason, if a bidder decides to offer pricing that does not account for its lower
19 costs, then it does so at the risk of not being awarded the business, particularly if the
20 cause of these lower costs could reasonably be expected to have a similar impact on their
21 competitors. In this way, the Company leverages market competition as a means of
22 obtaining lower prices from prospective bidders, effectively passing the counterparties'
23 cost savings on to our PSCR customers.

KEVIN C. LOTT
REBUTTAL TESTIMONY

1 **Q. Given the possibility that coal transportation market conditions could change**
2 **favorably for the Company's PSCR customers during the effective term of an**
3 **existing contract for coal transportation services, is it reasonable and prudent to**
4 **enter into multi-year contracts for these services?**

5 A. Yes. Since market conditions can change in either a favorable or unfavorable direction,
6 the Company's strategy for procuring coal transportation services for multi-year terms
7 minimizes price risk to our PSCR customers and protects them from price volatility in the
8 market. In addition to providing stability in pricing, establishing long-term transportation
9 contracts mitigates supply risk to our PSCR customers in the event that transportation
10 services become constrained.

11 **CONCLUSION**

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

13 A. The Company will continue to pursue opportunities to save our PSCR customers money
14 while protecting them from price volatility and supply uncertainty. The Company's
15 procurement strategy to competitively bid its long-term coal transportation contracts is
16 prudent and reasonable to that end. Honoring the contractual commitments that result
17 from this prudent and reasonable strategy is fundamental to the integrity of the
18 procurement process, as well as to sustaining the Company's relationships with its
19 counterparties, both of which help to ensure competitive pricing for coal transportation
20 services in future contracts.

21 **Q. Does this conclude your rebuttal testimony?**

22 A. Yes, it does.

STATE OF MICHIGAN
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Case No. U-20219

REBUTTAL TESTIMONY

OF

STEPHEN J. NADEAU

ON BEHALF OF

CONSUMERS ENERGY COMPANY

June 2019

STEPHEN J. NADEAU
REBUTTAL TESTIMONY

Q. Please state your name and business address.

A. My name is Stephen J. Nadeau, and my business address is 1945 W. Parnall Road, Jackson, Michigan 49201.

Q. By whom are you employed and in what capacity?

A. I am employed by Consumers Energy Company (“Consumers Energy” or the “Company”) as the Manager of Natural Gas Supply for Generation in Fossil Fuel Supply.

Q. Are you the same Stephen J. Nadeau who submitted direct testimony in this case?

A. Yes.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to rebut the direct testimony of Geoffrey C. Crandall on behalf of the Residential Customer Group (“RCG”), and explain why his recommendation to exclude lease costs associated with the Zeeland lateral pipeline is unfounded since the Michigan Public Service Commission (“MPSC” or the “Commission”) has previously deemed these costs recoverable. My rebuttal testimony also responds to Mr. Crandall’s positions that the Company has not justified the utilization of gas management services contracts and that the Company must take action to obtain cost reductions from fuel suppliers as a result of the Tax Cuts and Jobs Act of 2017 (“TCJA”).

Q. Are you sponsoring any exhibits with your rebuttal testimony?

A. Yes. I am sponsoring the following exhibits:

Confidential Exhibit A-23 (SJN-1) – SEMCO Pipeline Purchase Analysis; and

Confidential Exhibit A-24 (SJN-2) – Gas Management Services Analysis.

STEPHEN J. NADEAU
REBUTTAL TESTIMONY

1 **Q. Were these exhibits prepared by you or under your direct supervision?**

2 A. Yes.

3 **Zeeland Lateral Pipeline**

4 **Q. Beginning on page 7 of his direct testimony, Mr. Crandall states, “The Commission**
5 **in U-18142 adopted RCG’s position by adopting a partial disallowance of CECO’s**
6 **proposed Zeeland interconnection lease costs for the pipeline.” Is this statement**
7 **correct?**

8 A. No, this is a misrepresentation of the Commission’s findings in Case No. U-18142. In
9 Case U-18142 (the Company’s 2017 Power Supply Cost Recovery (“PSCR”) Plan case),
10 the Company had included a proposed recovery of \$1.0 million for the *purchase* of the
11 Zeeland lateral pipeline along with \$700,000 for the annual demand charge, both of
12 which RCG actually *supported* the recovery of. Specifically, RCG witness
13 William A. Peloquin indicated that “I support the \$1,700,000 annual cost of the SEMCO
14 Transportation Services Contract for 2017.” 2 TR 210. This was further confirmed on
15 page 4 of the Commission’s February 5, 2018 Order (“February 5 Order”) when the
16 Commission noted that “[t]he RCG argued in its initial brief that Consumers should
17 select Option A with the \$1 million purchase and the \$700,000 demand charge included
18 as a 2017 PSCR cost.” Therefore, RCG did *not* recommend a disallowance of these
19 costs, and the Commission did *not* adopt RCG’s position as Mr. Crandall states.

20 Contrary to Mr. Crandall’s claim, it was the Commission, in its February 5 Order
21 and subsequent July 24, 2018 Order Granting Rehearing and Clarification (“July 24
22 Order”) in Case No. U-18142, that disallowed \$1.0 million for the pipeline *purchase* (and
23 *not* the lease costs as stated by Mr. Crandall), stating that “such capital costs are better

STEPHEN J. NADEAU
REBUTTAL TESTIMONY

1 suited for recovery in a general rate case.” See February 5 Order, page 16. Furthermore,
2 the Commission made clear that “the \$700,000 demand charge associated with the
3 Zeeland lateral pipeline is not disallowed from Consumers Energy Company’s 2017
4 power supply cost recovery plan.” See July 24 Order, page 5.

5 **Q. On pages 7 through 8 of his direct testimony, Mr. Crandall also states, “[i]t is my**
6 **recommendation that the ALJ and Commission continue to recognize a**
7 **disallowance of the higher cost of CECO’s lease payments compared to the lower**
8 **costs incurred if CECO had exercised its option to purchase the pipeline.” Do you**
9 **agree with his recommendation?**

10 **A.** No. First of all, neither the Administrative Law Judge (“ALJ”) nor the Commission
11 recognized a disallowance of the lease payments in Case No. U-18142. Second,
12 Mr. Crandall’s assertion that lease payments have a higher cost compared to purchasing
13 the pipeline is incorrect. In fact, the February 5 Order in Case No. U-18142 states, “[t]he
14 ALJ found RCG’s analysis to be lacking based on its failure to factor in pipeline
15 operation and maintenance costs that would accompany the purchase.” See February 5
16 Order, page 13. The February 5 Order further goes on to state, “the Commission agrees
17 with the ALJ that a proper cost comparison of purchasing the pipeline and extending the
18 contract must include consideration of operation and maintenance costs...” See February
19 5 Order, page 15. Mr. Crandall’s position in this case is flawed as it continues to assert
20 conclusions from their “lacking” analysis and have been conclusively ruled by the
21 Commission to be incomplete.

STEPHEN J. NADEAU
REBUTTAL TESTIMONY

1 **Q. On page 8 of his direct testimony, Mr. Crandall also asserts that “CECO has failed**
2 **to explain with specifics how and if leasing the pipeline is more cost effective for**
3 **PSCR customers than purchasing the pipeline. CECO has failed to justify the**
4 **decision to extend the Zeeland interconnection pipeline lease as being reasonable**
5 **and prudent.” Do you agree with his assertion?**

6 A. No. In Case No. U-20068 (the Company’s 2017 PSCR Reconciliation case) I testified:

7 “The Company received a proposal from SEMCO to extend
8 the term of the agreement at a new, lower annual demand
9 charge. In evaluating the cost of ownership compared to
10 this new annual demand charge, the Company determined
11 it was more cost effective to forgo the purchase of the
12 pipeline and instead extend the transportation contract for
13 another five years and pay the lower annual demand
14 charge.” MPSC Case No. U-20068, 2 TR 275.

15 Therefore, the Company has justified the decision to extend the Zeeland gas
16 transportation agreement with SEMCO as being reasonable and prudent. In previous
17 cases RCG has tried and failed to show that purchasing the pipeline is more cost effective
18 than leasing it. RCG has provided no additional evidence in this case to show the
19 Company’s decision was incorrect.

20 **Q. Has the Company performed a cost-benefit analysis to determine the benefits of**
21 **continuing to lease the pipeline versus purchasing it?**

22 A. Yes. The results of that study, as provided in Confidential Exhibit A-23 (SJN-1) –
23 SEMCO Pipeline Purchase Analysis, showed that the Company will save PSCR
24 customers at least \$225,000 annually by continuing to lease the pipeline from SEMCO
25 for the years 2018 through 2022.
26

STEPHEN J. NADEAU
REBUTTAL TESTIMONY

1 **Q. Lastly, on page 8 of his direct testimony, Mr. Crandall testifies that, “CECO should**
2 **also provide evidence and substantiation of its decisions regarding utilization of the**
3 **Zeeland interconnection pipeline in the reconciliation applicable to this proceeding.”**
4 **What is your response to this statement?**

5 A. As explained above, the Company has established that extending the gas transportation
6 agreement with SEMCO is in its customers’ best interests and will save customers
7 money. Furthermore, to the extent that Mr. Crandall is arguing that the Company must
8 rationalize its use of the Zeeland lateral pipeline, not just the gas transportation agreement
9 with SEMCO, it should be noted that, outside of constructing a new lateral, there are no
10 other options available to the Company to transport gas to the Zeeland Plant. Currently,
11 the Zeeland lateral pipeline is the only pipeline supplying the quantities of gas needed for
12 generation to the Zeeland Plant. Therefore, there is no decision to make regarding
13 utilization of the Zeeland lateral pipeline if the Company wishes to continue to utilize the
14 Zeeland Plant to serve PSCR customers.

15 **Gas Management Services Agents**

16 **Q. Beginning on page 9 of his direct testimony, Mr. Crandall addressed the Company**
17 **gas management services contracts and stated, “I am recommending that the net**
18 **economic benefit of CECO’s use of these services be shown to be cost effective. This**
19 **has not yet been done. The Commission should not allow cost recovery if**
20 **justification is not provided by CECO during the reconciliation phase of this**
21 **proceeding.” Do you agree with Mr. Crandall’s statement?**

STEPHEN J. NADEAU
REBUTTAL TESTIMONY

1 A. No. It has been done, and the Company has shown the utilization of gas management
2 services contracts to be cost effective. For example, in Case U-20202 (the Company's
3 2018 PSCR Reconciliation case) I testified:

4 "The previous agreements for Zeeland, Jackson, and Karn
5 expired on October 31, 2018. Early in 2018, the Company
6 competitively bid for new gas management services
7 beginning on November 1, 2018. The Company then
8 evaluated the conforming bids received against what it
9 would cost the Company to perform similar services. The
10 lowest cost viable offers were selected and successor
11 agreements were negotiated with like or more favorable
12 terms than the earlier arrangements." MPSC Case No.
13 U-20202, Direct Testimony of Stephen J. Nadeau, page 5.

14 **Q. Has the use of gas management services agents ever been shown to be unreasonable**
15 **and imprudent?**

16 A. No. In prior PSCR cases, the Company has extensively supported its approach of using a
17 competitive bidding process to select gas management services agents and evaluating
18 those costs provided by bidders against the costs of providing the same services within
19 Consumers Energy. The Commission has found that the Company's use of gas
20 management services agents and gas management services contracts to procure gas for its
21 plants is reasonable. See MPSC Case No. U-17095, May 14, 2015 Order, page 7.

22 **Q. Has the Company's approach of utilizing gas management services changed in this**
23 **case?**

24 A. No. The Company has been utilizing such gas management services contracts ever since
25 it acquired the Zeeland and Jackson plants and the use of an agent for these facilities has
26 been covered in previous PSCR cases since that time. When selecting an agent, the
27 Company has gone through its competitive bidding process and compared those bids to
28 performing the same services within Consumers Energy, which again, has been

STEPHEN J. NADEAU
REBUTTAL TESTIMONY

definitively ruled by the Commission to be reasonable. The Company performed this same process in the most recent case with the gas management services contracts for the Jackson and Zeeland plants starting on November 1, 2018, and the results of this analysis, as provided in Confidential Exhibit A-24 (SJN-2) – Gas Management Services Analysis, justifying the use of a gas management services agent were provided to RCG in a recent confidential discovery response.

TCJA

Q. Beginning on page 6 of his direct testimony, Mr. Crandall states that “CECO is required to undertake actions and efforts to obtain cost reductions from fuel and purchase power and other suppliers reflecting CECO’s supplier cost reductions in this case emanating from the TCJA.” Are there additional efforts the Company could reasonably take to reduce natural gas and oil costs as a result of the TCJA?

A. No. As discussed in my direct testimony, the oil and a portion of the gas purchased for Karn Units 3 and 4 are purchased on a spot basis, with a portion of the gas for Karn Units 3 and 4 purchased under a gas management services contract with spot pricing terms. Gas for the Thetford combustion turbines is purchased from the Consumers Energy natural gas utility pursuant to Commission-approved tariffs. The oil and gas are purchased on a spot basis for these units because of the difficulty in accurately predicting the demand for these generally higher-cost units.

As discussed, for the Jackson and Zeeland plants, the Company uses gas management services contracts that were competitively bid and that became effective on November 1, 2018. The use of competitive bidding provides incentive to prospective bidders to offer pricing that can contend with the pricing of their competitors. If a bidder

STEPHEN J. NADEAU
REBUTTAL TESTIMONY

1 offers pricing that does not account for its lower costs, it does so at the risk of not being
2 awarded the business. The gas management services contracts do not provide the ability
3 to renegotiate the contracts to reflect the impact of the TCJA.

4 **Conclusion**

5 **Q. What is your recommendation?**

6 A. Mr. Crandall has failed to establish that neither the Company's costs to provide gas to the
7 Zeeland Plant through the Zeeland lateral pipeline nor the use of the gas management
8 services agent are unreasonable or imprudent. Therefore, the Commission should reject
9 his arguments as they are without basis.

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

11 A. Yes, it does.

A-23 (SJN-1)
IS CONFIDENTIAL AND BEING FILED
UNDER SEAL WITH THE MPSC

A-24 (SJN-2)
IS CONFIDENTIAL AND BEING FILED
UNDER SEAL WITH THE MPSC

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REBUTTAL TESTIMONY

OF

ANGELA K. RISSMAN

ON BEHALF OF

CONSUMERS ENERGY COMPANY

June 2019

ANGELA K. RISSMAN
REBUTTAL TESTIMONY

Q. Would you please state your name and business address?

A. My name is Angela K. Rissman, and my business address is 1945 W. Parnall Road, Jackson, Michigan 49201.

Q. By whom are you employed and in what capacity?

A. I am employed by Consumers Energy Company (“Consumers Energy” or the “Company”) as the Manager of Coal Procurement in Fossil Fuel Supply.

Q. Are you the same Angela K. Rissman who submitted direct testimony in this case?

A. Yes.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to rebut a portion of the direct testimony of Geoffrey C. Crandall on behalf of the Residential Customer Group (“RCG”). Specifically, I am rebutting his recommendation to re-examine the Company’s fuel (as directly related to coal) contracts and take requisite actions to downwardly adjust the costs resulting for those contracts as a result of the 2017 Tax Cuts and Jobs Act (“TCJA”).

Q. Are you sponsoring any exhibits?

A. No.

ANGELA K. RISSMAN
REBUTTAL TESTIMONY

REBUTTAL OF RCG WITNESS CRANDALL

Q. On page 4, lines 13 through 16 of his direct testimony, Mr. Crandall states, “CECO may have a unique opportunity to renegotiate or require changes in its fuel or other supplier contracts to reflect the lower costs of fuel procurement due to the lowering of the supplier’s corporate taxes and costs charged to CECO’s PSCR customers.” Do you agree with Mr. Crandall’s assessment with regard to the Company’s existing coal contracts?

A. No. As stated in my direct testimony starting on page 2, line 17, the Company routinely works to minimize the cost of coal and ensure adequate supply to meet customer demand through the employment of a consistent coal purchasing strategy. This risk-based strategy includes competitive solicitations as well as spot market purchases. There are no contractual provisions, nor other means by which to compel suppliers to renegotiate contracts once fully executed.

Q. Is there any risk associated with attempting to renegotiate these existing contracts with the counterparties?

A. Yes, there is a potential financial risk to the Company and our Power Supply Cost Recovery customers. The Company’s attempt to alter or break an existing contract could have a negative financial impact if it is determined to be a breach of contract or as the Company defaulting on its contractual obligations. There is also a reputational risk that could have a negative financial impact in future bid solicitations and contract negotiations, such as where counterparties associate uncertainty with Consumers Energy contracts and account for potential future renegotiations by raising their prices.

ANGELA K. RISSMAN
REBUTTAL TESTIMONY

1 **Q. Does the Company have any specific knowledge of its coal supplier counterparties’**
2 **cost savings attributed to the TCJA?**

3 A. No. While it is possible that the TCJA is a factor that could reduce coal supplier costs, it
4 is also possible that other coal supplier cost items have increased. As stated at page 3 of
5 my direct testimony, the Company layers its coal purchases in such a way that each year
6 the portfolio will consist of competitively bid contracts with various volumes, term
7 lengths, and prices. The Company’s coal purchasing strategy protects against fluctuating
8 costs and minimizes price risk to customers.

9 **Q. Are the Company’s coal supplier counterparties obligated to share any savings they**
10 **may have realized from the TCJA?**

11 A. No.

12 **Q. Is the re-negotiation of the Company’s coal contracts a cost-effective option?**

13 A. No. The contract terms do not have provisions which require contracting parties to share
14 in cost savings resulting from external impacts. Similarly, the Company is not
15 responsible for external impacts resulting in increased business operation expense of the
16 counterparty. A request to renegotiate a contract when conditions are favorable to the
17 Company would likely have a reciprocal effect with counterparties requesting the same
18 when conditions are favorable to them, thus negating the benefit of a reduced price risk to
19 customers that results from the Company entering into firm contracts.

20 **CONCLUSION**

21 **Q. What is your overall recommendation?**

22 A. The Company will continue its coal procurement strategy that minimizes price risk to
23 customers and protects them from price volatility, whether up or down, in the market. In

ANGELA K. RISSMAN
REBUTTAL TESTIMONY

1 addition to providing stability in pricing, procuring coal supplies in such a manner also
2 mitigates supply risk to our customers in the event coal supplies become constrained.

3 **Q. Does this conclude your rebuttal testimony?**

4 A. Yes, it does.

STATE OF MICHIGAN
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Case No. U-20219

REBUTTAL TESTIMONY

OF

KEITH G. TROYER

ON BEHALF OF

CONSUMERS ENERGY COMPANY

June 2019

KEITH G. TROYER
REBUTTAL TESTIMONY

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

2 A. My name is Keith G. Troyer, and my business address is 1945 W. Parnall Road, Jackson,
3 Michigan 49201.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am employed by Consumers Energy Company (“Consumers Energy” or “the
6 Company”) in the capacity of Manager of Supply Contracts in the Transactions and
7 Wholesale Settlements, Electric Contract Strategy Section of the Electric Grid Integration
8 Department.

9 **Q. Are you the same Keith G. Troyer who submitted direct testimony in this case?**

10 A. Yes.

11 **Q. What is the purpose of your rebuttal testimony?**

12 A. The purpose of my rebuttal testimony is to rebut the direct testimony of Geoffrey C.
13 Crandall, filed on behalf of the Residential Customer Group (“RCG”), and explain why
14 his recommendation to re-examine the Company’s Power Purchase Agreements (“PPA”)
15 and take requisite actions to downwardly adjust the costs resulting for those contracts as a
16 result of the 2017 Tax Cuts and Jobs Act (“TCJA”) is not a valid recommendation.

17 **Q. Are you sponsoring any exhibits with your rebuttal testimony?**

18 A. No.

19 **REBUTTAL OF RCG WITNESS CRANDALL**

20 **Q. Beginning at page 4 of his direct testimony, Mr. Crandall states, “There is no**
21 **explanation of actions taken in CECO’s U-20219 filing regarding what Consumers**
22 **Energy Company (CECO) has done to capture TCJA created PSCR savings for fuel**
23 **and purchased power in its PSCR factor or five-year PSCR Plan forecast.” Do you**

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1 **agree with Mr. Crandall's assessment of the Company's inaction with respect to**
2 **PPAs?**

3 A. No. The Company and its suppliers have entered into PPAs with an assumption that
4 certain factors, outside of the parties' control, may impact the future economics of the
5 PPA.

6 **Q. Has the Company attempted to renegotiate PPAs based on changes in the taxation**
7 **of suppliers since the enactment of the TCJA became effective?**

8 A. No. The Company has not entered into PPA negotiations with any of its suppliers
9 specifically as a result of the TCJA. There is no mechanism within the Company's PPAs
10 which would allow such negotiations. Furthermore, attempting to enter in to such
11 negotiations on this premise is not expected to result in any meaningful outcome for the
12 utility's customers, and if the Company were to initiate such negotiations and the
13 negotiations were successful, those actions may lead to a poor precedent for contract
14 negotiations moving forward.

15 **Q. Please explain why the Company does not expect the negotiations to result in a**
16 **meaningful outcome.**

17 A. The Company expects the TCJA to increase the revenue received by the Company's
18 suppliers. However, the suppliers are not expected to provide a portion of their increased
19 revenue to the Company without gaining additional value in return. The suppliers could
20 receive additional value in the negotiation through several provisions, including
21 increasing the contract rates or lengthening the contract term. However, if such
22 additional value could be achieved through the negotiation, either party would be
23 incentivized to have already begun contract negotiations regardless of the impact of the

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1 TCJA. Therefore, the Company does not anticipate that attempting to negotiate as a result
2 of the TCJA would result in any better outcome than negotiations prior to the TCJA.

3 **Q. Please explain why a successful negotiation may lead to a poor precedent for future**
4 **contract negotiations.**

5 A. If the Company has the authority or negotiating power to force its suppliers to convey all
6 or a portion of their additional revenue to the Company as a result of reduced tax rates, it
7 would be logical to assume that the reverse may also be true, meaning that the supplier
8 could force the Company to take on part of their tax liability when taxes rise. It would be
9 a poor outcome for the Company's customers if they were required to pay tax increases
10 simply because the supplier had a higher tax liability in future years. The Company and
11 its PPA suppliers entered into these contracts with an understanding that tax laws may
12 change during the term of the agreement and each party may be affected by these changes
13 which are outside of their control.

14 **Conclusion**

15 **Q. What is your overall recommendation?**

16 A. As described above, attempting contract renegotiation based on the increased revenue
17 afforded to suppliers as a result of the TJCA is not expected to result in a meaningful
18 outcome and may result in higher costs to customers in the future in the event that the
19 Company is successful in such renegotiations. Therefore, any recommendation to
20 attempt renegotiation on behalf of the Company due solely to any TJCA benefits awarded
21 to its suppliers should be rejected.

22 **Q. Does this conclude your rebuttal testimony?**

23 A. Yes, it does.

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the Matter of the application of)
CONSUMERS ENERGY COMPANY)
for Approval of a Power Supply Cost)
Recovery Plan and for Authorization of)
Monthly Power Supply Cost Recovery)
Factors for the Year 2019)
_____)

Case No. U-20219

PROOF OF SERVICE

STATE OF MICHIGAN)
) SS
COUNTY OF JACKSON)

Crystal L. Chacon, being first duly sworn, deposes and says that she is employed in the Legal Department of Consumers Energy Company; that on June 25, 2019, she served an electronic copy of the **Redacted Version of the Rebuttal Testimony and Exhibits of Consumers Energy Company Witnesses Daniel S. Alfred, Kevin C. Lott, Stephen J. Nadeau, Angela K. Rissman, and Keith G. Troyer** upon the persons listed in Attachment 1 hereto, at the e-mail addresses listed therein.

Crystal L. Chacon

Subscribed and sworn to before me this 25th day of June, 2019.

Melissa K. Harris, Notary Public
State of Michigan, County of Jackson
My Commission Expires: 06/11/20
Acting in the County of Jackson

ATTACHMENT 1 TO CASE NO. U-20219

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ATTACHMENT 1 TO CASE NO. U-20219

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