

# VARNUM

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Timothy J. Lundgren

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May 5, 2020

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

**Re: MPSC Case No. U-20650**

Dear Ms. Felice:

Attached for electronic filing in the above-referenced matter, please find the Rebuttal Testimony and Exhibits of Paul Wilken on behalf of 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/sej  
Enclosures  
c. ALJ  
All parties of record.  
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**STATE OF MICHIGAN**  
**BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION**

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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-20650**

**REBUTTAL TESTIMONY**  
**OF**  
**PAUL WILKEN**  
**ON BEHALF OF**  
**ENERGY MICHIGAN, INC.**

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

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

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

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

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

6 A. I have worked in the energy business since 1977, including over 20 years at Consumers  
7 Power, Consumers Energy, or CMS Energy. For the last approximately 23 years, I have  
8 worked with gas transportation customers as their supplier representative and/or  
9 consultant. This work has included rate analysis to determine the best rate mix for each  
10 customer's facility. See my resume attached as Exhibit EM-1.

11 **Q. Have you testified as an expert witness in prior proceedings before the MPSC?**

12 A. Yes. I testified as an expert witness in the Consumers Energy gas rate case, U-20322.

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

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

- 15 • Exhibit EM-1: Qualifications
- 16 • Exhibit EM-2 Michigan Sugar Company-Historical Rate Increases
- 17 • Exhibit EM-3 Michigan Sugar Company-Projected Rate Increase
- 18 • Exhibit EM-4 CE Sales Rates U-17197 vs Staff’s U-20650

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

20 A. On behalf of Energy Michigan, I am addressing Staff Witness Elaina M. Braunschweig’s  
21 testimony related to Staff’s Cost of Service Study (COSS) and rate design.

22

1 **Q. Do you think that Staff's COSS should be used as the basis for the rate design?**

2 A. No, I think that Consumers Energy's COSS Version 2 should be used for the basis of rate  
3 design because Staff's COSS would result in an unfair burden on the Transportation class  
4 customers.

5 **Q. Why do you think that Staff's COSS results in an unfair burden on the  
6 Transportation class customers?**

7 A. Because the Transportation rate class has already incurred a significant increase in their  
8 rates in just the last five years as a result of cases U-17643, U-17882, U-18124, U-18424  
9 and U-20322.

10 **Q. Do you have an example of this?**

11 A. Yes, Exhibit EM-2 shows the impact to Michigan Sugar Company (MSC). MSC  
12 currently has 3 XLT-Master, 6 XLT Contiguous, 1 ST-Master, 1 ST Contiguous and 6  
13 GS-1 Aggregate accounts served from Consumer Energy's gas system. Including the  
14 impact of the final order in case U-17643 on 1/13/15, the cumulative impact to MSC is an  
15 estimated \$1,153,473 per year, an increase of 55% in less than 5 years. This includes the  
16 reduction of an estimated \$156,502 per year as a result of the Federal Tax Law changes  
17 in 2018 and an additional reduction of an estimated \$202,782 per year by switching from  
18 6.5% Authorized Tolerance Level (ATL) to 4% ATL after U-18424 in 2018.

19 **Q. What do you estimate the impact to this customer would be if Staff's COSS and  
20 recommended rate design were approved in U-20650?**

21 A. Per Exhibit EM-3, I estimate it would result in additional annual costs of \$799,443,  
22 which is 25% over their current rates and would bring the combined total to \$1,952,916  
23 per year, an increase of 93% in less than six years.

1 **Q. Does this have any direct economic impact on what would otherwise be considered**  
2 **residential or small commercial account holders?**

3 A. Yes, it does. MSC is a cooperative and is owned by approximately 900 farmers. These  
4 price increases are borne directly by MSC's grower-owners in the form of reduced  
5 income for the beets they produce.

6 **Q. Is the 94% increase comparable to increases that other customer classes are seeing?**

7 A. No, as I show in Exhibit EM-4, the rates for Consumers Energy's General Service and  
8 Residential Sales customers would increase by an average of 52% over this same period,  
9 using Staff's recommended rates in U-20650. In my view, therefore, the burden on the  
10 transportation class is disproportionate under the Staff's COSS.

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

12 A. Yes, it does.

**EXHIBITS OF  
PAUL WILKEN  
ON BEHALF OF  
ENERGY MICHIGAN, INC.**

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## **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

## Michigan Sugar Company

### Annual Impact of Consumers Energy's Gas Rate Cases - Historical Impact

Case Number	Final Order Date	Estimated Annual Costs				Annual Impact	%	
		Old	New					
U-17643	01/13/15	\$2,101,650	\$2,209,908	\$108,258	5%			
U-17882	04/21/16	\$2,209,908	\$2,387,462	\$177,554	8%			
U-18124	07/31/17	\$2,386,884	\$2,975,975	\$589,091	25%			
Tax Credits	2018	\$2,975,975	\$2,819,474	(\$156,502)	-5%			
U-18424	08/28/18	\$2,819,474	\$2,813,382	(\$6,092)	0%	would have been +\$196,691 without switch to 4% ATL		
U-20322	09/26/19	\$2,816,115	\$3,255,123	\$439,008	16%			
			<b>Total</b>	<b>\$1,153,473</b>	<b>55%</b>			



## Michigan Sugar Company

### Annual Impact of Consumers Energy's Gas Rate Cases - With Projected

Case Number	Final Order Date	Estimated Annual Costs				Annual Impact	%	
		Old	New					
U-17643	01/13/15	\$2,101,650	\$2,209,908	\$108,258	5%			
U-17882	04/21/16	\$2,209,908	\$2,387,462	\$177,554	8%			
U-18124	07/31/17	\$2,386,884	\$2,975,975	\$589,091	25%			
Tax Credits	2018	\$2,975,975	\$2,819,474	(\$156,502)	-5%			
U-18424	08/28/18	\$2,819,474	\$2,813,382	(\$6,092)	0%	would have been +\$196,691 without switch to 4% ATL		
U-20322	09/26/19	\$2,816,115	\$3,255,123	\$439,008	16%			
U-20650*	TBD	\$3,255,123	\$4,054,566	\$799,443	25%	may be reduced to +\$743,964 (23%) with 2% ATL		
			<b>Total</b>	<b>\$1,952,916</b>	<b>93%</b>			

\*Using Staff's recommended rate design

## Summary of Consumers Energy's Gas Sales Rates

### Since U-17197 (1/13/15) vs Staff's Recommendation in U-20650

		End of U-17197	Annual \$		Staff U-20650	Annual \$	%
<b>Residential Rate A</b>							
Customer Charge per Month	1,594,772	\$10.50	\$200,941,272	1,657,215	\$12.75	\$253,553,895	
Income Assistance	93,500	(\$10.50)	(\$11,781,000)	69,000	(\$12.75)	(\$10,557,000)	
Income Assistance	0	\$0.00	\$0	12,000	(\$30.27)	(\$4,358,880)	
Energy Efficiency Surcharge per Mcf	149,960,000	\$0.2108	\$31,611,568	153,972,000	\$0.2603	\$40,078,912	
Distribution Charge per Mcf	149,960,000	\$2.6054	\$390,705,784	153,972,000	\$4.1671	\$641,616,721	
			<b>\$611,477,624</b>			<b>\$920,333,648</b>	<b>51%</b>
<b>Residential Multifamily Rate A-1</b>							
Customer Charge per Month	8,740	\$10.50	\$1,101,240	9,119	\$12.75	\$1,395,207	
Excess Peak	8,696,000	\$0.0360	\$313,056	7,706,000	\$0.0776	\$597,986	
Energy Efficiency Surcharge per Mcf	6,714,000	\$0.2108	\$1,415,311	6,188,000	\$0.2603	\$1,610,736	
Distribution Charge per Mcf	6,714,000	\$2.6054	\$17,492,656	6,188,000	\$4.1671	\$25,786,015	
			<b>\$20,322,263</b>			<b>\$29,389,944</b>	<b>45%</b>
			<b>Sub-Total Residential</b>			<b>\$949,723,592</b>	<b>50%</b>
<b>General Service - Rate GS-1</b>							
Customer Charge per Month	99,061	\$11.65	\$13,848,728	120,095	\$16.50	\$23,778,810	
Contiguous Account	8	\$0.00	\$0	52	\$14.00	\$8,736	
Energy Efficiency Surcharge per Mcf	20,323,000	\$0.1387	\$2,818,800	29,031,000	\$0.3067	\$8,903,808	
Distribution Charge per Mcf	20,323,000	\$2.1784	\$44,271,623	29,031,000	\$3.4374	\$99,791,159	
			<b>\$60,939,151</b>			<b>\$132,482,513</b>	<b>117%</b>
<b>General Service - Rate GS-2</b>							
Customer Charge per Month	27,367	\$18.70	\$6,141,155	9,704	\$82.98	\$9,662,855	
Contiguous Account	23	\$0.00	\$0	37	\$40.00	\$17,760	
Energy Efficiency Surcharge per Mcf	34,438,000	\$0.1387	\$4,776,551	26,853,000	\$0.3067	\$8,235,815	
Distribution Charge per Mcf	34,438,000	\$1.9590	\$67,464,042	26,853,000	\$2.6394	\$70,875,808	
			<b>\$78,381,747</b>			<b>\$88,792,238</b>	<b>13%</b>
<b>General Service - Rate GS-3</b>							
Customer Charge per Month	872	\$543.90	\$5,691,370	607	\$490.42	\$3,572,219	
Contiguous Account	52	\$0.00	\$0	32	\$80.00	\$30,720	
Energy Efficiency Surcharge per Mcf	10,607,000	\$0.1387	\$1,471,191	8,750,000	\$0.3067	\$2,683,625	
Distribution Charge per Mcf	10,607,000	\$1.0183	\$10,801,108	8,750,000	\$2.1505	\$18,816,875	
			<b>\$17,963,669</b>			<b>\$25,103,439</b>	<b>40%</b>
			<b>Sub-Total GS</b>			<b>\$246,378,191</b>	<b>57%</b>
			<b>Total Sales</b>			<b>\$1,196,101,782</b>	<b>52%</b>

**STATE OF MICHIGAN**

**BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION**

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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-20650**

**PROOF OF SERVICE**

STATE OF MICHIGAN )  
 ) ss.  
COUNTY OF INGHAM )

Sarah E. Jackinchuk, 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 May, 2020 she served a copy of the Rebuttal Testimony and Exhibits of Paul Wilken on behalf of Energy Michigan, Inc. upon those individuals listed on the attached Service List.

\_\_\_\_\_  
Sarah E. Jackinchuk

## SERVICE LIST MPSC U-20650

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