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June 19, 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 Initial Brief of Energy Michigan, Inc. 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

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

INITIAL BRIEF

OF

ENERGY MICHIGAN, INC.

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Contents

I.	INTRODUCTION.....	1
II.	ARGUMENT.....	2
	A. Staff’s Cost of Service Study and Rate Design Impose an Unfair Burden on Transportation Customers.....	2
III.	CONCLUSIONS AND PRAYER FOR RELIEF.....	3

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INITIAL BRIEF OF ENERGY MICHIGAN, INC.

I. INTRODUCTION

This Initial Brief is filed on behalf of Energy Michigan, Inc. (“Energy Michigan”) by its attorneys, Varnum LLP. Failure to address any issues or positions raised by other parties should not be taken as agreement with those issues or positions.

In this proceeding, Mr. Paul Wilken presented Rebuttal Testimony on behalf of Energy Michigan. Mr. Wilken has had a long career in the energy business, including over 20 years with Consumers Energy and its parent and affiliates. For more than the past 20 years he has been working with gas transportation customers as their supplier representative or consultant. This work included rate analysis to determine the best rate mix for each customer’s facility. See Exhibit EM-1 for Mr. Wilken’s professional resume. In his Rebuttal Testimony and Exhibits in this case he addressed Staff’s testimony which supported the Staff’s Cost of Service Study (“COSS”) and rate design. He found that Staff’s COSS imposes an unfair burden on the Transportation class customers, while Consumers Energy’s COSS Version 2 produces a rate structure that is more equitable to the Transportation class.

II. ARGUMENT

A. Staff's Cost of Service Study and Rate Design Impose an Unfair Burden on Transportation Customers.

Mr. Wilken testified in response to Staff's COSS that it would result in an unfair burden on the Transportation class customers. As noted in his resume, Mr. Wilken has spent the last 20 plus years assisting these customers with their gas supply and rate issues. Drawing on that long experience with pricing for gas transportation services, Mr. Wilken notes that there have been significant increases in the rates for this customer class in just the last five years over Consumers Energy's cases U-17643, U-17882, U-18124, U-18424, and U-20322. To illustrate this effect he provides the example in Exhibit EM-2 of how the Michigan Sugar Company ("MSC") has been affected by these increases, noting that the cumulative impact is an estimated \$1,153,473 per year, which is an increase of 55% in less than 5 years. See 3Tr 368 and Exhibit EM-2. If Staff's proposed COSS were adopted, Mr. Wilken estimates that it would result in an increase of 93% in less than six years for the Michigan Sugar Company, and be an increase of 25% over their current rates. See *id.* and Exhibit EM-3.

Mr. Wilken notes that the effects of this cost burden, while focused on Transportation class customers, are not borne alone, in practical fact, by those we often think of as Transportation class customers. Thus, in the case of the Michigan Sugar Company, it is a cooperative owned by approximately 900 farmers who live and work in the local area. 3 Tr 369; see also, <https://www.michigansugar.com/>. The price increases for this business are thus borne directly by local farmers in the form of increased costs for the processing of the beets they grow, meaning, ultimately, reduced revenue for the beets they produce.

If the price increases faced by these customers were comparable to those faced by others of Consumers Energy's customers, then there would perhaps be no argument that the Staff's

proposed increases are unfair. However, Mr. Wilken provides in Exhibit EM-4 a comparison of the rates for Consumers Energy's General Service and Residential Sales customers, which shows that applying Staff's COSS would lead to an average increase of 52% over this same five-year period. Contrasting that with the 93% increase faced by the Michigan Sugar Company as a Transportation customer under the Staff's proposed COSS highlights why Mr. Wilken believes that the Staff's COSS imposes an unfair and disproportionate burden on this customer class.

III. CONCLUSIONS AND PRAYER FOR RELIEF

WHEREFORE, Energy Michigan hereby respectfully requests that the Commission accept Consumers Energy's Cost of Service Study, version 2, as the basis for the rate design and reject Staff's proposed Cost of Service Study, for the reasons set forth herein.

Respectfully submitted,

Varnum LLP
Attorneys for Energy Michigan, Inc.

June 19, 2020

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