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October 9, 2015

Ms. Mary Jo Kunkle
Executive Secretary
Michigan Public Service Commission
7109 W. Saginaw
Lansing, MI 48917

Re: MPSC Case No. U-17691

Dear Ms. Kunkle:

Attached herewith for filing, please find Retail Energy Supply Association's Initial Brief and Certificate of Service.

If you have any questions, please feel free to contact my office. Thank you.

Very truly yours,

Fraser Trebilcock Davis & Dunlap, P.C.

Jennifer Utter Heston

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Enclosures

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of DTE GAS COMPANY for approval of a Gas Cost Recovery Plan, 5-year Forecast and Monthly GCR Factor for the 12 months ending March 31, 2016	))))))	Case No. U-17691

INITIAL BRIEF OF
RETAIL ENERGY SUPPLY ASSOCIATION

Dated: October 9, 2015

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NOW COMES the Retail Energy Supply Association ("RESA")[1], by and through its attorneys, Fraser Trebilcock Davis & Dunlap, P.C., and pursuant to the schedule adopted by Administrative Law Judge Mark D. Eyster ("ALJ"), hereby respectfully submits this Initial Brief on DTE Gas Company's ("DTE's") application for approval of a gas cost recovery ("GCR") plan, 5-year forecast, and authorization of gas cost recovery factors for the 12-month period April 1, 2015 – March 31, 2016.

I. INTRODUCTION.

On December 30, 2014, DTE filed an application, testimony and exhibits seeking approval of its proposed GCR plan and authorization of GCR factors. DTE proposed a maximum base GCR factor of $4.07 per Mcf plus additional amounts based on a contingent GCR factor mechanism.[2] Additionally, DTE proposed a supplier of last resort ("SOLR") reservation charge of $0.29 per thousand cubic feet ("Mcf") to be billed to both GCR and gas customer choice ("GCC") customers.[3]

RESA is a broad and diverse group of retail energy suppliers who share the common vision that competitive retail energy markets deliver a more efficient customer-oriented outcome than a regulated utility structure. RESA members are licensed to sell natural gas to retail customers in Michigan as Alternative Gas Suppliers ("AGS"), including to customers in DTE's GCC program. As a result, RESA is keenly interested in DTE's proposed capacity

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[1] The comments expressed in this filing represent the position of the Retail Energy Supply Association (RESA) as an organization but may not represent the views of any particular member of the Association. Founded in 1990, RESA is a broad and diverse group of more than twenty retail energy suppliers dedicated to promoting efficient, sustainable and customer-oriented competitive retail energy markets. RESA members operate throughout the United States delivering value-added electricity and natural gas service at retail to residential, commercial and industrial energy customers. More information on RESA can be found at www.resausa.org.
[2] DTE's Application ¶ 2.
[3] *Id.*

reservation charge that GCC customers must pay to compensate DTE for the pipeline capacity that it holds.

RESA's expert Daniel Dishno reviewed the pipeline reservation charge put forth by DTE and identified several issues with the proposed charge. Mr. Dishno's examination shows that GCC customers are getting less benefit than GCR customers from the pipeline capacity that DTE holds while paying the same charge.[4] Mr. Dishno explains that GCR customers are getting significantly more value from DTE's capacity assets than GCC customers.[5] To address the inequity, Mr. Dishno presents a model that quantifies the value that GCR customers receive from the capacity assets that DTE holds. Using this information, Mr. Dishno recommends an adjustment to DTE's capacity reservation charge to reflect the reduced gas supply costs that GCR customers receive from the capacity assets that GCC customers do not receive under DTE's proposal.[6]

As proposed, DTE's reservation charge is unjust and unreasonable, and, if adopted, will harm GCC customers and the GCC program. For the reasons discussed below, DTE's proposed reservation charge must be adjusted. RESA requests that the Commission order RESA's proposed reservation charge adjustment and direct DTE to incorporate the adjustment in the development of any future capacity reservation charges.

II. DTE'S PROPOSED PIPELINE CAPACITY RESERVATION CHARGE IS UNJUST AND UNREASONABLE. THE COMMISSION SHOULD ADOPT RESA'S RESERVATION CHARGE ADJUSTMENT.

As proposed, GCC and GCR customers will pay the same reservation charge to cover the costs of DTE's firm pipeline capacity assets. GCC and GCR customers, however, do not

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[4] 4 Tr. 521.
[5] *Id.*
[6] 4 Tr. 522.

receive the same benefit from those capacity assets. As such, DTE's proposed reservation charge is unjust and unreasonable and should be rejected. If the Commission approves a reservation charge for DTE, the Commission should adopt RESA's recommended adjustment. RESA's reservation charge adjustment reflects the fact that GCC customers receive significantly less value than GCR customers from DTE's capacity assets.

A. The Commission has already determined that DTE's pipeline reservation charge is inequitable and inaccurate.

This is the latest in a series of recent cases involving DTE's reservation charge. DTE's reservation charge is intended to compensate DTE for acting as supplier of last resort ("SOLR") should an AGS fail to serve its customers or if GCC customers otherwise return to GCR service. The charge was first approved by the Michigan Commission for Michigan Consolidated Gas Company ("MichCon", predecessor to DTE Gas Company) in its April 15, 2014 order in Case No. U-17131, MichCon's 2013-2014 GCR plan proceeding.

In that proceeding, MichCon argued that a SOLR reservation charge was needed. DTE claimed that GCR customers were providing a subsidy to GCC customers through the GCR factor that paid for firm pipeline capacity used to provide SOLR protection to GCC customers.[7] AGSs, however, raised a number of concerns with DTE's proposal.

Of particular concern is the fact that GCC customers do not receive the benefit of DTE's pipeline assets as GCR customers. Mr. Dishno explains,

> The main benefit of holding pipeline capacity is having the ability to transport natural gas from point A to point B through the pipeline. Delivering supply from point A to point B allows DTE to capture a market spread value between two points on the pipeline, which ultimately lowers the average supply cost for GCR customers. Currently, DTE utilizes the pipeline assets it retains to transport gas for GCR customers to DTE's city-gate. Conversely, AGSs are responsible for delivering the gas to the city-gate for

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[7] *See*, Order dated April 15, 2014, MPSC Case No. U-17131, p. 4.

> GCC customers and thus GCC customers do not receive that same reduced supply costs from the Capacity Assets.[8]

Under DTE's reservation charge, GCC customers pay the same charge that GCR customers pay. However, the two classes of customers do not receive the same benefits.

Rather than impose a capacity reservation charge, AGSs proposed adopting a capacity assignment plan ("CAP"). As explained by RESA's witness, Mr. Daniel Dishno:

> A CAP would have assigned a portion of DTE's Capacity Assets to AGSs, and in exchange AGSs would have paid for the cost of the Capacity Assets to the pipeline directly thereby alleviating the need for GCC customers to pay the Reservation Charge. A CAP is very common to natural gas Choice programs and is a part of almost every other natural gas Choice program in the country outside the State of Michigan.[9]

In its April 15, 2014 order in Case No. U-17131, however, the Commission deferred ruling on a proposed CAP suggesting that more information should be presented in DTE's next GCR plan proceeding.[10]

The Commission again addressed the SOLR reservation charge in DTE's 2014-2015 GCR plan proceeding, Case No. U-17332. In that case, RESA and IGS proposed a more detailed CAP, which was largely supported by the Michigan Attorney General ("AG"). The judge in that proceeding, Judge Feldman, found that "requiring GCC customers to continue to pay the costs of pipeline capacity only used to serve those customers in the event of colder-than-normal conditions or supplier default is economically inefficient where an alternative capacity assignment program is feasible."[11]

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[8] 4 Tr. 524.
[9] 4 Tr. 522.
[10] *See*, Order dated April 15, 2014, MPSC Case No. U-17131, p. 14.
[11] *See*, Order dated April 23, 2015, MPSC Case No. U-17332, p. 9 quoting the ALJ's Proposal for Decision at pp 41-42.

In fact, Judge Feldman noted that DTE's reservation charge, as applied equally to both GCC and GCR customers, results in a subsidy by GCC customers to GCR customers. Quoting AG witness Ralph Miller, Judge Feldman explained:

> '[T]he newly established Reservation Charge tilts the playing field in favor of DTE Gas and its GCR program. GCC customers must pay the Reservation Charge for capacity that their commodity gas suppliers cannot use to serve them, and DTE Gas itself can use that capacity (paid for by GCC customers) to reduce its own cost of serving GCR customers. This tilting of the playing field is an unnecessary and inappropriate impediment to competition.'[12]

Thus, IGS, RESA, the AG and the judge in Case No. U-17332 all determined that DTE's capacity reservation charge was inequitable.

The Commission, however, ultimately determined not to implement the proposed CAP. The Commission determined that more information was needed:

> The Commission takes note of the ALJ's finding that the capacity acquired to meet the SOLR obligation may provide benefits to GCR customers that are not available to GCC customers. PFD, pp. 42-43. However, the Commission also notes that IGS and RESA failed to show the extent of any such inequity or that the CAP was a feasible and appropriate mechanism to attempt to remedy any inequity.[13]

The Commission, however, did take note of the judge's findings and stated that it seeks to ensure that the capacity reservation charge "is equitable and accurate."[14] The Commission stated the following:

> Going forward, the Commission seeks to ensure that the allocation of pipeline reservations costs and associated SOLR service is equitable and accurate. No party took issue with the amount of the reservation charge in this case. <u>The Commission expects the amount of the reservation charge to be reviewed in plan cases to make sure that it is appropriate based on actual operations and expenses, and is commensurate with the benefits afforded by SOLR service for both GCR and GCC customers</u>.[15]

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[12] *Id.*, quoting the AG's witness testimony at 5 Tr. 544.
[13] *Id.*, p. 13.
[14] *Id.*, p. 14.
[15] *Id.*, p. 14 (emphasis added).

Thus, the Commission acknowledged that DTE's allocation of capacity costs and level capacity reservation charge was not equitable or accurate. The Commission, however, did not believe that the record in Case No. U-17332 was sufficient to order a CAP.

DTE's proposed reservation charge in this case suffers from the same deficiencies previously found by several parties and Judge Feldman, and acknowledged by the Commission.

B. If the Commission approves a capacity charge for DTE, then the Commission should adopt RESA's reservation charge adjustment.

In light of the Commission's previous rulings, RESA presented substantial evidence in support of an adjustment to DTE's capacity reservation charge in this case. RESA's witness Mr. Dishno presents a capacity valuation model that quantifies the gas commodity savings that GCR customers receive from DTE's capacity assets.

As noted above, the main benefit of holding pipeline capacity is the ability to transport gas. Using its pipeline assets, DTE is able to source lower cost gas than what it would cost to procure gas at DTE's city-gate. The price differential between buying more remote gas and transporting it to DTE's city-gate via pipeline capacity assets, and the price of buying city-gate gas is the spread value. Mr. Dishno explains:

> Delivering supply from point A to point B allows DTE to capture a market spread value between the two points on the pipeline, which ultimately lowers the average supply cost for GCR customers.
> . . .
> Assume that gas at Hub A is trading at $5.00 per MCF and gas at Hub B (which is the ultimate delivery point) is trading at $5.50 per MCF. Any entity holding pipeline capacity between Hub A and Hub B can purchase gas at Hub A and deliver it to Hub B and realize a 50 cent per MCF savings (less variable costs) rather than purchasing it at the Hub B delivery point. In DTE's case, DTE is able to utilize the Capacity Assets to purchase gas at points along its pipeline pathway that are cheaper than the DTE delivery points.

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> Thus DTE is able to realize this price differential (less variable costs) to reduce the overall supply costs for GCR customers."[16]

Thus, capacity assets can provide financial benefits to entities that hold that pipeline capacity.

Mr. Dishno observes that DTE uses its capacity assets to reduce its cost of gas for GCR customers, however this same benefit is not available to GCC customers. Mr. Dishno testifies:

> DTE relies on both city-gate spot market purchases and transportation via pipeline assets to meet the gas needs of GCR customers. The major difference is that DTE is able to utilize the Capacity Assets to realize opportunities to purchase gas at lower cost points for GCR customers, but AGSs are not able to utilize this capacity to purchase gas for GCC customers, even though GCC customers are paying for the capacity. Under the Reservation Charge proposed by DTE, GCC customers will pay a pro rata share of the costs of the Capacity Assets, but do not receive a pro rata share of the benefits stemming from those Capacity Assets.[17]

At this time, GCC customers are subsidizing GCR customers through DTE's capacity reservation charge. To remedy this inequity, Mr. Dishno proposes that GCC and GCR customers be charged a different capacity reservation charge commensurate with the value that each class of customer receives from DTE's capacity assets.

To determine the value GCR customers receive from DTE's capacity assets, Mr. Dishno developed a capacity valuation model to identify the market spread value that DTE will realize from its capacity assets. Mr. Dishno's capacity valuation model was admitted into evidence in this case as Exhibit RES-1 (DDS-1). Mr. Dishno's model provides a conservative estimate of the pipeline spread value stemming from DTE's capacity assets.[18]

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[16] 4 Tr. 524.
[17] 4 Tr. 524.
[18] *See,* 4 Tr. 527. The model determines only the intrinsic value of the pipeline assets, not the extrinsic value.

Mr. Dishno's capacity valuation model uses DTE's pipeline data and market price information to determine the total value of DTE's capacity assets. Mr. Dishno began by using DTE's pipeline data reflected on Exhibits A-1 and A-9. Mr. Dishno explains:

> First, using DTE's Exhibit A-9, I identified all of the pipelines DTE has capacity under contract and the maximum daily quantity ("MDQ") DTE is able to flow on those pipelines. I then utilized DTE's Exhibit A-1 to get the total amount of gas DTE expects to flow for both GCC and GCR customers in the 2015-2016 gas year. With this information I was able to verify that DTE's pipeline reservation costs for the 2015-2016 year is approximately $42 million, which results in a levelized pipeline Reservation Charge of approximately 26 cents per MCF. This is consistent with DTE's calculation of its Reservation Charge, minus the additional costs DTE included for new parking service.[19]

Thus, the pipelines, the level of contracted capacity, and the forecasted amount of gas that DTE plans to procure during the gas year included in the model is all information provided by DTE.

Mr. Dishno then determined the projected pipeline spread value for each contract using published forecasts and information obtained from market brokers. Mr. Dishno testifies:

> From a combination of publicly available data and utilizing broker contacts, I was able to determine the market price for gas at each receipt point and each delivery point for all of the pipeline pathways held by DTE for the 2015-2016 gas year. For the months of April, May and June 2015, I used the actual final close prices at each of the pipeline points because those prices have already settled. For the months of July 2015 through March of 2016, I utilized futures prices to determine the market prices for each pipeline point. For each pipeline pathway, I then calculated the Pipeline Spread Value per MCF for each month out of the year. I did this by subtracting the market value of gas at the receipt points on the pipeline from the market value of gas at the delivery point on that pipeline. I also took into account additional variable costs required to deliver gas through each pipeline pathway. Once I identified the per MCF Pipeline Spread Value, I multiplied that

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[19] 4 Tr. 528.

> by DTE's total monthly MDQ on each pipeline pathway. Finally, I added up the Pipeline Spread Value for each pipeline pathway to get a total amount of $13,353,414 of reduced GCR supply costs because DTE utilized its Capacity Assets to ship gas for GCR customers. These calculations are shown on Exhibit RES-1 (DDS-1), pages 2 through 6.[20]

Mr. Dishno determined the total pipeline spread value by examining each pipeline capacity contract, using DTE's planned gas volumes to be transported along that pipeline, and identifying the market prices at each pipeline point. Mr. Dishno's calculations reflect actual data for the first three months of the GCR gas year, and projected data for the remaining nine months.

Mr. Dishno's model also incorporates DTE's variable costs when calculating each pipeline spread value. Mr. Dishno explains:

> When developing the model, I recognized that it is not just the commodity spread between the receipt point and delivery point that represents that Pipeline Spread Value on a particular pipeline path. There are also variable costs that the shipper of gas incurs in order to ship gas from one point to another on a pipeline. The shipper must pay a fuel charge (loss of gas) which represents the cost of fuel the pipeline incurs to move the gas physically through a pipeline. Also, the shipper must pay a commodity charge for every unit of gas flowing through the pipeline. Thus, in my model, I subtracted these additional costs from the pipeline market value to recognize that DTE would be incurring these costs to ship gas for GCR customers.[21]

Thus, the model used to determine DTE's pipeline spread values includes DTE's variable costs to transport gas along each pipeline to arrive at a reasonable estimate of the value that GCR customers will receive from DTE's pipeline assets during the gas year.

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[20] 4 Tr. 528-529.
[21] 4 Tr. 529.

Using the pipeline spread values determined for each of DTE's pipelines, Mr. Dishno then calculates revised capacity charges for GCR and GCC customers.[22] In so doing, Mr. Dishno allocates a pro rata share of the total pipeline spread value to both GCR and GCC customers based on sales volumes. The result is a lower capacity reservation charge for GCC customers, and a higher capacity reservation charge for GCR customers. The higher capacity reservation charge for GCR customers, however, is offset by the commodity value that GCR customers receive from DTE's capacity assets.[23]

The evidence shows that GCR customers receive benefits from DTE's capacity assets that GCC customers do not. Thus, it is patently unjust and unreasonable for GCC and GCR customers to pay the same capacity charge. RESA's witness recommends an adjustment to DTE's capacity charge to reflect the commodity savings afforded only GCR customers. RESA recommends a forecasted reservation charge of $0.179 per Mcf for GCC customers and $0.285 per Mcf for GCR customers.[24]

C. DTE's criticisms of RESA's capacity valuation model are without merit and should be rejected.

In rebuttal, DTE took issue with several aspects of RESA's proposed capacity reservation charge adjustment. Many of DTE's remarks can be characterized as refinements to projections Mr. Dishno used in his model when actual data was not available. To the extent DTE's criticism of Mr. Dishno's projections are valid (which they are not), actual data will ultimately become available after DTE makes deliveries for each gas year, and the reservation charge calculations can be trued-up based on actual delivery data.

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[22] 4 Tr. 529-530.
[23] 4 Tr. 530.
[24] 4 Tr. 532.

More importantly, however, DTE's criticisms do not undermine the fundamental soundness of Mr. Dishno's proposal. The undeniable fact remains that there is value derived by GCR customers due to DTE's capacity holdings that is not shared with GCC customers. It is possible to quantify that value and adjust the capacity reservation charge accordingly consistent with the Commission's intent to ensure that the capacity reservation charge "is equitable and accurate."[25]

1. DTE's assertion that GCR customers receive no value from DTE's capacity assets defies logic and contradicts DTE's own testimony.

DTE's witness Lawshe claims that Mr. Dishno's model "grossly overstates" the benefits GCR customers receive from DTE's capacity assets.[26] Mr. Lawshe claims that once adjustments are made to Mr. Dishno's capacity valuation model, the value that GCR customers receive from DTE's pipeline holdings is "effectively diminished to zero or less."[27] Mr. Lawshe's claims, if true, would bring into question the reasonableness and prudence of DTE's decisions to acquire pipeline capacity. DTE's self-serving claims are without merit and are contradicted by DTE's own testimony in support of its decision to acquire NEXUS pipeline capacity.

Despite Mr. Lawshe's assertion to the contrary, it is simply not logical that DTE's pipeline assets provide little to no value. Mr. Dishno explains why Mr. Lawshe's assertion is without merit:

> Mr. Lawshe's claims are not credible because if DTE were actually receiving limited or negative value for delivering gas through the pipeline assets which DTE holds, any economically rational actor would not utilize those assets to deliver gas. Rather, that actor would simply purchase gas at a lower cost at the delivery point where it is available. If DTE must flow a minimum amount of gas

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[25] Order dated April 23, 2015, MPSC Case No. U-17332, p. 14.
[26] 4 Tr. 343.
[27] 4 Tr. 348.

> on certain pipelines that land at the city gate at a price higher than where the city gate price is trading, then DTE should be acting prudently to minimize the gas flowing on such paths to ultimately ensure it is maximizing the value of the capacity assets.[28]

It is unlikely that a prudent utility would choose to pay more for gas supply using pipeline holdings than the price it could acquire gas delivered at its city-gate. If DTE's pipeline assets truly provide limited or negative value to GCR customers, then there are fundamental prudence issues that should be cause for concern.

Further evidence that DTE's pipeline holdings provide gas commodity value is DTE's own witness testimony in support of its NEXUS pipeline contract. Mr. Dishno observes DTE's conflicting stances, and testifies as follows:

> In this proceeding DTE proposes to include the NEXUS pipeline into its pipeline capacity mix. To support this proposal, in his rebuttal testimony Mr. Lawshe goes into great detail explaining the future benefits of adding NEXUS pipeline capacity to DTE's portfolio mix. He explains NEXUS capacity will allow DTE to reduce the commodity cost that GCR customers will pay because the sizable basis differential between Marcellus Shale region and the MichCon City Gate. Thus, Mr. Lawshe's testimony with respect to its NEXUS pipeline proposal indicates that: A) despite Mr. Lawshe's contradictory statements, the pipeline assets DTE holds are designed to reduce the cost of gas supply for GCR customers, and B) this gas cost reduction benefit will become significantly greater as the NEXUS capacity is added to the mix. With its NEXUS proposal DTE is proposing to increase its pipeline capacity costs (and its corresponding Reservation Charge) to further reduce the gas supply costs of the GCR. Because GCC customers will be required to pay for an allocated share of this capacity, the current inequity between the value GCR and GCC customers receive from DTE's pipeline capacity will only be exacerbated unless the Commission adopts my recommended adjustment to the SOLR Reservation Charge.[29]

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[28] 4 Tr. 543.
[29] 4 Tr. 537-538.

In support of its NEXUS contract, DTE goes into great detail about how the capacity will permit DTE to source lower cost gas. Yet, in response to Mr. Dishno's capacity valuation model, DTE claims that its capacity holdings provide limited or even negative value. DTE's testimony is patently contradictory.

2. DTE's concerns with the accuracy of the predictive model are unfounded. DTE's actual pipeline spread values will be determined during the reconciliation process.

This is a GCR plan proceeding. As a plan proceeding, parties are necessarily making predictions about the future. Those predictions may or may not ultimately prove valid. Nevertheless, predictions are based upon the data available at the time the predictions are made. Once the GCR year is complete, the utility must file a reconciliation proceeding, and reconcile projected costs and revenues included in the plan to actual costs and revenues. As such, concerns about the accuracy of Mr. Dishno's predictive model do not undermine the value of the model. Mr. Dishno explains why DTE's concerns are unfounded:

> Mr. Lawshe largely challenges the model's ability to predict the forecasted intrinsic value of DTE's pipeline assets. However, Mr. Lawshe misses the intent of the model I created. The model is designed to forecast the intrinsic value of DTE's pipeline assets at a point in time for a specific gas year and use the value as an initial adjustment to the Reservation Charge. The actual value received from the pipeline assets can be determined at the end of the gas year and will be adjusted and reconciled with the forecasted value. Any variance would then be added or subtracted to the next gas year's Reservation Charge adjustment. Therefore, while Mr. Lawshe may doubt my inputs to set the initial, forecasted reservation charge for GCR and GCC customers, the fact remains that the Commission will be able to do an after-the-fact analysis to determine whether GCR customers receive more or less value than what my model predicts and the Reservation Charge would then be reconciled and adjusted after the final pricing numbers are known.[30]

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[30] 4 Tr. 536-537.

DTE can reconcile the predicted pipeline spread value with the actual pipeline spread value once known.

Many of DTE's criticisms of Mr. Dishno's model are, in fact, refinements to the models assumptions and inputs. For instance, DTE's witness Lawshe states that Mr. Dishno overstated DTE's utilization of its pipeline capacity.[31] Mr. Dishno projects that DTE will utilize all of its capacity during the gas year. Regardless, DTE's actual pipeline utilization will be known during the reconciliation process.

Furthermore, DTE witness Lawshe claims that Mr. Dishno's data, such as projected prices, are based on unverified sources and that DTE may acquire gas below city-gate prices.[32] Mr. Lawshe's criticism is without merit. Again, during the reconciliation process, DTE will know the price it paid for gas, its variable costs to transport gas, and the city-gate price DTE would have paid for city-gate gas at the time of the purchase, to determine the actual pipeline spread value.

Importantly, differences in projections do not undermine the validity of Mr. Dishno's capacity valuation model. DTE's concerns are not bases for rejecting Mr. Dishno's proposed adjustment.

3. As adjusted by DTE, the capacity valuation model forecasts a $3 million benefit to GCR customers. At a minimum, the Commission should adjust the capacity reservation charge to reflect this benefit.

Despite all of Mr. Lawshe's adjustments, Mr. Lawshe's data predicts that DTE's pipeline assets will have a $3 million, or $0.02 per Mcf, pipeline spread value for GCR customers. Thus, even DTE's witness's evaluation shows an inequity between GCR and GCC customers that the Commission should acknowledge and address. At a minimum, the

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[31] 4 Tr. 345.
[32] 4 Tr. 346-347

Commission should order this adjustment to DTE's capacity reservation charge. Mr. Dishno explains ordering some adjustment to the reservation charge is important:

> What is important is that the Commission recognize that GCR customers receive a benefit from DTE's pipeline capacity that is not currently shared with GCC customers. It is patently unjust and unreasonable for GCC customers to pay the same SOLR Reservation Charge as GCR customers, but not receive the same benefits derived from that capacity. Even if the Commission accepts Mr. Lawshe's assertion that the projected value of the pipeline capacity for GCR customers is only $0.02 during the 2015-2016 GCR year, then the Commission should order that SOLR Reservation Charge adjustment, subject to reconciliation, and direct DTE to perform the SOLR Reservation Charge adjustment calculation as part of its GCR plan application going forward.[33]

Even if one accepts DTE's representation that its pipeline holdings provide little value today, the value of DTE's pipeline assets will change over time. This is especially true if one believes DTE's testimony in support of its 15-year NEXUS pipeline contract. Recognizing and addressing the reservation charge inequity between GCR and GCC customers, no matter how small it may currently be, is an important step that the Commission should make.

4. <u>Conclusion</u>.

RESA's model is a reasoned and reasonable method for determining the commodity cost savings that GCR customers receive from DTE's capacity assets. While parties may question the model's assumptions and inputs, they do not detract from the fundamental principle that there is a commodity price benefit derived from DTE's capacity assets.

The Commission should evaluate DTE's comments in context. RESA's proposed capacity reservation charge adjustment would be to DTE's detriment. DTE's GCR costs are currently subsidized by GCC customers, which makes DTE's commodity service more

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[33] 4 Tr. 542-543.

competitive. DTE has a vested interest in maintaining the status quo despite repeated demonstrations that the existing capacity reservation charge is inequitable and inaccurate.

III. CONCLUSION AND PRAYER FOR RELIEF.

For all the reasons explained in the preceding sections of this Initial Brief, RESA respectfully requests that the Honorable Administrative Law Judge issue a proposal for decision recommending that the Commission approve RESA's capacity reservation charge adjustment.

Respectfully submitted,

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STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of	)	
DTE GAS COMPANY for approval of a	)	
Gas Cost Recovery Plan, 5-year Forecast	)	Case No. U-17691
and Monthly GCR Factor for the 12 months	)	
ending March 31, 2016	)	
______________________________________	)	

CERTIFICATE OF SERVICE

Angela R. Babbitt hereby certifies that on the 9th day of October, 2015, she served Retail Energy Supply Association's Initial Brief and this Certificate of Service on the persons identified on the attached service list via electronic mail.

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