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March 2, 2016

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

Re: MPSC Case No. U-17900

Dear Ms. Kunkle:

Enclosed herewith for filing in the above-referenced matter, please find the Direct Testimony of Daniel Dishno 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

JUH/ab  
Enclosures  
cc: All parties of record.

STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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**In the matter, on the Commission's own** )  
**motion, to consider revision of** )  
**CONSUMERS ENERGY COMPANY'S gas** ) MPSC Case No. U-17900  
**customer choice and end use transportation** )  
**programs and tariffs.** )  
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**DIRECT TESTIMONY OF DANIEL DISHNO**

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On behalf of the Retail Energy Supply Association

1 **I. INTRODUCTION AND PURPOSE OF TESTIMONY**

2 **Q. Please state your name and by whom you are employed.**

3 A. My name is Daniel (Dan) Dishno. I am employed by Interstate Gas Supply, Inc. (“IGS”)  
4 in the position of Director of Gas Supply- Central Division. My business address is 6100  
5 Emerald Parkway, Dublin, Ohio 43016.

6 **Q. Please describe your educational background and work history?**

7 A. I graduated from Ball State University in 1995 with a Bachelor of Science degree with an  
8 emphasis on business and marketing. I also have a Master’s of Business Administration  
9 degree from the University of Indiana. From 1997 until 2004, I worked at NiSource, a  
10 natural gas utility company, first in the Commercial and Industrial Sales division and  
11 later in the finance department. From 2004 to 2006, I worked as a gas buyer at NIPSCO,  
12 a natural gas utility in Indiana, which is owned by NiSource. At NIPSCO, my  
13 responsibilities included gas purchasing and managing pipeline and storage assets while  
14 ensuring a reliable source of natural gas to the city-gate. This experience allowed me to  
15 understand the complexities of a utility system and the procurement and asset  
16 management process required to ensure system reliability. From 2006 to 2009, I moved  
17 to Energy USA, an unregulated wholesale arm of NiSource. At Energy USA, I was  
18 responsible for managing pipeline and storage assets with the goal of arbitraging spreads  
19 to create economic value.

20 **Q. Please describe your work experience at IGS?**

21 A. From 2010 until now, I have worked at IGS as the Director of Gas Supply - Central  
22 Division. My responsibilities include overseeing the gas supply activities for IGS in the  
23 states of Michigan, Indiana, Illinois and California. As part of my job at IGS I have an

1 in-depth understanding of the utility systems and Choice programs for which I have  
2 responsibility. I am also familiar with the pipeline capacity assets, storage systems and  
3 wholesale natural gas markets in the states that I oversee.

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

5 A. I am filing testimony on behalf of the Retail Energy Supply Association (“RESA”).<sup>1</sup>

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

7 A. The purpose of my testimony is to respond to recommendations of Elizabeth Curtis filed  
8 on behalf of Consumers Energy Company (“Consumers”), recommendations of Sebastian  
9 Coppola filed in this proceeding on behalf of the Michigan Attorney General (“AG”),  
10 recommendations submitted by Frank Hollewa by the Residential Ratepayer Consortium  
11 (“RRC”), and recommendations submitted by Nora Quilico on behalf of the Michigan  
12 Public Service Commission Staff. As discussed below, I largely agree with the  
13 recommendations submitted by Consumers' witness Curtis. I largely disagree with the  
14 positions and recommendations submitted by the AG, Staff, and RRC.

15 **Q. Can you summarize the positions parties have taken in this case that you are**  
16 **responding to?**

17 A. Yes, I respond to the following recommendations:

- 18 • Proposals to make mid-month modifications to Alternative Gas Supplier (“AGS”)  
19 daily delivery obligations (“DDOs”) for gas customer choice (“GCC”) customers.

20 Some parties claim that mid-month modifications to AGS DDOs are necessary to

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<sup>1</sup> 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](http://www.resausa.org).

1 ensure that gas cost recovery ("GCR") customers do not bear undue costs as a result  
2 of under-deliveries to GCC customers. I dispute these claims and disagree that mid-  
3 month DDOs are necessary;

- 4 • Proposals to modify the calculation of the Supply Equalization Charge;
- 5 • The proposal to change the target range for monthly DDOs from plus or minus 10%  
6 of the customers expected average daily usage to plus or minus 30% of the customers  
7 expected average daily usage;
- 8 • The establishment of daily balancing for end use transportation ("EUT") customers;
- 9 • The establishment of monthly DDOs at 90% of average daily supply for normal  
10 weather for EUT customers during the months of January, February and March.

11 **Q. Has Consumers' witness Curtis already addressed many of the issues that the**  
12 **recommendations identified above are designed to address?**

13 A. Yes. Ms. Curtis identifies that Consumers has operated a GCC program for 15 years and  
14 an EUT program for 26 years. She further testifies that "Both of these programs have  
15 worked well, and the GCC Suppliers and marketers have operationally performed as  
16 expected." Curtis Direct, p. 3. She identifies that Consumers' Choice program has  
17 historically operated well using a base load delivery model in which suppliers delivery  
18 1/365 of their estimated delivery requirements, subject to a +/-10% monthly modification  
19 of the DDO. The only winter that GCC Suppliers allegedly under-delivered gas in  
20 relation to GCC customer consumption was the historically cold winter of 2013-2014.  
21 Ms. Curtis further identifies that Consumers began implementing a cold weather design  
22 factor to ensure that each "GCC Supplier provides a sufficient quantity of gas to serve its

1 customer loads during a design winter, and that deliveries for that design winter begin at  
2 the start of the GCC year through the base DDO increase.” Curtis Direct, p. 11.

3 Ms. Curtis further identifies that EUT tariff provisions provide appropriate  
4 economic disincentives to EUT customers for supply under-deliveries through the  
5 Unauthorized Use Charge. As such, Consumers did not plan to make modifications to  
6 the current tariff. Curtis Direct, p. 25. She also states that further tariff refinement  
7 requires daily metering, which is not a reasonable modification as it places additional and  
8 unnecessary expenses on EUT customers. Id.

9 Accordingly, Ms. Curtis states that further changes to the GCC and EUT  
10 programs—especially, requiring intra month modifications to DDOs—would  
11 fundamentally alter the structure of the Choice programs without a commensurate benefit  
12 relative to the change.

13 **Q. Do you agree with Ms. Curtis’ conclusions?**

14 A. Yes, I do. In my testimony, I further expound on the issues discussed by Ms. Curtis.

15 **II. IMPACT ON GCR CUSTOMERS OF THE GCC PROGRAM**

16 **Q. Are there proposals to modify Consumers’ GCC program in this proceeding?**

17 A. Yes, the AG witness Coppola and RRC witness Hollewa recommend modifying  
18 Consumers’ tariff to allow for modifications of DDOs mid-month. Further, Mr. Coppola  
19 and other parties make proposals to modify the GCC program which would  
20 fundamentally alter its design. I discuss in further detail the specific proposals made by  
21 parties in my testimony.

1 **Q. What is the justification cited by parties regarding proposals to modify the**  
2 **Consumers' GCC program?**

3 A. The premise behind many of the proposals made by parties in this proceeding is that  
4 allegedly Consumers must purchase extra gas for GCC customers during colder winter  
5 days which results in GCR customers subsidizing GCC customers. Specifically,  
6 Mr. Coppola examined Consumers' purchasing practices during the 2013/2014 winter in  
7 which there was the Polar Vortex. According to Mr. Coppola, AGSs were under-  
8 delivered during that winter. Further, according to Mr. Coppola, in the months of  
9 February and March 2014, Consumers' average purchase gas costs were higher than  
10 Consumers' weighted average cost of gas ("WACOG") for the year; thus, Mr. Coppola  
11 concludes GCR customers were negatively impacted during these months because of  
12 Consumers' purchases for GCC customers.

13 **Q. Is Mr. Coppola's assessment a balanced assessment of the operation of Consumers'**  
14 **GCC program?**

15 A. No. Mr. Coppola's assessment focuses exclusively on the 2013/2014 winter and ignores  
16 the long history of Consumers' GCC program. GCC suppliers have often benefitted  
17 GCR customers at times when GCC suppliers over-deliver gas supply in relation to GCC  
18 customer load pursuant to Consumers' DDOs.

19 **Q. Do AGSs often over-deliver to Consumers?**

20 A. Yes. Quite frequently DDOs established by Consumers *overestimate* GCC customer  
21 consumption ultimately resulting in AGSs over-delivering for GCC customers during  
22 most years. In fact, it is my understanding that the 2013/2014 Polar Vortex winter (the  
23 only winter cited by Mr. Coppola) is the only winter that AGSs were net under-delivered.

1 **Q. How do GCC customers benefit from GCC suppliers in years when Consumers’**  
2 **DDOs overestimate GCC demand?**

3 A. In years when the DDOs overestimate GCC demand, GCC suppliers deliver more gas to  
4 Consumers than GCC customers consume thereby reducing the level of spot purchases  
5 required to serve GCR customers. In order to do a true price-impact analysis one would  
6 have to also look at years of GCC over-deliveries, not just instances of under-deliveries.  
7 Thus, Mr. Coppola’s analysis is flawed because he is looking at what happened during  
8 two months in which we had extreme weather and unprecedented pricing, and ignores the  
9 history of the Consumers’ GCC program.

10 **Q. Are there other flaws in Mr. Coppola’s analysis?**

11 A. Yes. Consumers pays AGSs the AGS average billed price for the gas AGSs deliver to  
12 Consumers. Consumers then collects that price from GCC customers once that gas is  
13 consumed. In years when there are under-deliveries, Consumers still collects the AGS  
14 bill price from GCC customers for 100% of the gas consumed (even though Consumers  
15 has paid the AGS only for the gas delivered). At times, the AGS bill price is greater than  
16 Consumers’ WACOG. In instances when there are AGS under-deliveries and Consumers  
17 is collecting an AGS bill price that is higher than Consumers’ WACOG, the difference is  
18 credited to GCR customers, not AGSs. Thus, in these instances the GCR customers are  
19 getting a positive net benefit due to AGS under-deliveries.

20 **Q. Can you give a hypothetical example of this happening?**

21 A. Yes. For instance, assume customer A contracted with an AGS to receive gas at \$5 per  
22 MCF and that customer uses 100 MCF in the year. Also, assume that the AGS under-  
23 delivered based on the delivery schedule provided by Consumers so that the AGS only

1 delivered 97 MCF for that customer. Finally, assume the Consumers' WACOG was \$4  
2 an MCF. In that example, Consumers is supplying customer A with 3 MCF of gas at its  
3 WACOG of \$4 per MCF, but Consumers is collecting from the customer \$5 per MCF  
4 which is the AGS bill price. The incremental difference of \$1 per MCF is credited to the  
5 GCR, not to the AGS.

6 **Q. Can you please summarize the flaws in Mr. Coppola's analysis about the price**  
7 **impact of the GCC program on GCR customers?**

8 A. Yes. There are a number of reasons why Mr. Coppola's price impact calculations are  
9 flawed. First, Mr. Coppola should not be using the WACOG price to calculate the price  
10 differential between the price of the gas purchased by Consumers and the price paid by  
11 GCC customers; Mr. Coppola should have used the GCC customer billed price.  
12 Ultimately, Consumers collects the GCC billed price from GCC customers not the  
13 WACOG price. As I note above, Consumers retains the GCC billed price for any amount  
14 of under-delivered gas. An AGS is paid only on AGS deliveries, not GCC customer  
15 usage.

16 Second, Mr. Coppola's analysis focuses on the Polar Vortex which was the  
17 coldest winter in recorded history. Thus, Mr. Coppola only focuses on the months of  
18 February and March 2014 where spot gas prices were the highest. To truly do a GCR  
19 impact analysis, one would have to look at a span of multiple years. Like I noted above,  
20 in years when there are AGS under-deliveries and the AGS average billed price is above  
21 the WACOG, there is a positive net benefit to GCR customers because the GCR is  
22 credited with the difference between the AGS billed price and the WACOG price.

1           Finally, Mr. Coppola’s analysis is only focused on a year when AGSs are under-  
2 delivered. As I note above, AGSs typically over-deliver to Consumers. To do a true  
3 price impact analysis Mr. Coppola would need to account for any positive price impacts  
4 to the GCR that occur in years of over-deliveries.

5 **III. PROPOSED MODIFICATION TO THE DDO REQUIREMENTS**

6 **Q. Can you please explain how currently Consumers sets DDOs for AGSs?**

7 **A.** Yes. As Ms. Curtis explains, Consumers requires AGSs to make baseload deliveries  
8 throughout the year. Thus, AGSs deliver to Consumers’ city-gate each day an amount  
9 (determined by Consumers) that approximates AGS GCC customers’ aggregate average  
10 daily demand. Each month, Consumers provides AGSs with a DDO which is the amount  
11 of gas the AGS must deliver to Consumers each day during that month. The DDO is  
12 intended to approximate AGS GCC customers’ aggregate average daily demand. Per  
13 Consumers’ tariff, each month, Consumers has the flexibility to modify the DDO to an  
14 amount above or below (normally 90%-110%) of the AGS GCC customers’ aggregate  
15 average day demand if it appears that the AGS is over or under-delivered for the year.<sup>2</sup>

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<sup>2</sup> See Consumers' Tariff F1.G:

The Company will provide each Supplier with a monthly schedule of quantities for delivery of gas into the Company system on behalf of the Supplier's customers. The initial schedule will indicate volumes that the Supplier is required to deliver each day. This schedule will be updated by the Company on a monthly basis. For most Gas Customer Choice customers, scheduled daily volumes will not normally vary by more than plus/minus 10% from 1/365th of the estimated annual customer load to be served by the Supplier. *The Company will consider variances in deliveries up to +/-50% from 1/365th of the estimated annual customer load to be served by the Supplier for the delivery months of January - March, provided that the Supplier identifies the pools to be reviewed by the first business day of the month prior to the scheduled delivery. The Company will review no more than 5 (five) pools per Supplier per month, and any variance in delivery beyond +/-10% will be at the Company's sole discretion.* Scheduled daily volumes for Gas Customer Choice customers for electric peakers, greenhouses, grain dryers, asphalt plants and large new loads without historical load information may be determined by the Company on a different basis than set forth above. The Supplier shall be responsible for obtaining sufficient pipeline capacity to meet its delivery obligations.

1           However, once the DDO is set for the month, Consumers does not modify the AGS'  
2           DDO until the next month.

3   **Q.   Is it appropriate to modify DDOs for AGSs mid-month?**

4   A.   No. First as I explain above, when considering the totality of Consumers' GCC program,  
5           GCR customers are not subsidizing the GCC program so there is no basis for modifying  
6           the DDO tariffs for AGSs. Further, as Ms. Curtis notes, Consumers' GCC program was  
7           designed as a baseload delivery program; thus all of the rights *and obligations* afforded to  
8           AGSs were based on the premise that AGS deliveries would be baseload. Modifying  
9           DDOs would effectively take a baseload Choice program, and make it a program where  
10          AGSs must set their deliveries on a daily demand basis.

11 **Q.   Does Consumers assign storage assets to AGSs?**

12 A.   No. Consumers does not assign any of its storage assets to AGSs serving customers on  
13          its system.

14 **Q.   Given that AGS's are not assigned storage assets by Consumers, would it be  
15          appropriate to modify the baseload nature of the Consumers' Choice program?**

16 A.   No. Currently Consumers retains its storage assets, and the costs of those assets are paid  
17          for by all customers (both GCC and GCR) through distribution rates. I am aware of other  
18          states where there are Choice programs that require AGSs to deliver based on a  
19          temperature sensitive curve that varies daily, *but programs in those states assign storage*  
20          *assets to AGSs* that allow AGSs to manage daily changes in delivery schedules.  
21          Consumers' GCC program does not assign storage. All of the storage is kept by  
22          Consumers and storage costs are recovered through distribution rates (which GCC  
23          customers pay). Mr. Coppola's proposed modification would completely alter the

1 fundamental design of Consumers' GCC program by requiring AGSs to modify  
2 deliveries based on daily temperature demand. Without corresponding storage assets  
3 (which Consumers is able to use to address GCR demand fluctuations and to balance its  
4 system), it would be unreasonable for AGSs to be susceptible to last minute daily  
5 delivery modifications. The Commission thus should not change the GCC program in a  
6 vacuum (as Mr. Coppola proposes) without considering the other changes that would also  
7 be required to the GCC program in order to appropriately balance both GCR and GCC  
8 interests.

9 **IV. PROPOSED MODIFICATIONS TO THE SUPPLY EQUALIZATION CHARGE**

10 **Q. Can you please summarize Consumers' proposal with respect to the Supply**  
11 **Equalization Charge?**

12 A. Yes. Consumers proposes to eliminate the Pool A and Pool B distinction between GCC  
13 customers due to Consumers' recommendation to calculate an aggregate DDO for each  
14 AGS. Consumers recommends applying the Supply Equalization Charge ("SEC") in the  
15 aggregate using the average actual AGS bill price each month compared to Consumers'  
16 WACOG. If the AGS is under-delivered on a cumulative basis, and the average AGS bill  
17 price in the month is less than Consumers' WACOG, then the SEC is calculated by  
18 multiplying the price difference by the increase in the cumulative under-delivery for the  
19 month. Curtis Direct, p. 18.

1 **Q. Do you support Consumers' proposal to eliminate the Pool A and Pool B GCC**  
2 **customer distinction?**

3 A. Yes. Consumers' proposal is consistent with the way other utilities manage their Choice  
4 programs and is consistent with the change the Michigan Commission recently approved  
5 for the DTE Gas Choice program.

6 **Q. If the Commission does not approve the consolidation of Pool A and Pool B, do you**  
7 **support the recommendations put forth by the Attorney General's witness**  
8 **Mr. Coppola and the Commission Staff's witness Ms. Quilico with respect to the**  
9 **SEC?**

10 A. No, I do not for the reasons discussed below.

11 **Q. Can you please explain Mr. Coppola's proposal with respect to the SEC?**

12 A. Yes. In his testimony Mr. Coppola recommends a number of modifications to the way  
13 the SEC is calculated. First, Mr. Coppola recommends expanding instances when an  
14 AGS must pay the SEC. Second, Mr. Coppola would modify the SEC calculation in a  
15 way that would significantly increase the SEC price AGSs would have to pay.

16 **Q. How is the SEC different than the annual reconciliation for all AGS under-**  
17 **deliveries at the end of the gas season?**

18 A. The SEC is assessed on a monthly basis rather than an annual basis. Consumers has two  
19 types of Rate Pools; Pool A and Pool B. Pool A customers contain customers that were  
20 in the pool effective April 1. Pool B customers contain customers that joined the pool  
21 after April 1. Only Pool B customers are currently subject to SEC. Thus, if an AGS has  
22 a customer Pool B, the SEC is charged to the AGS in any month that the pool becomes

1 negative (under-delivered). Currently for all other AGS pools (Pool A), under-deliveries  
2 are reconciled at the end of the gas year, not monthly.

3 **Q. Would Mr. Coppola's changes expand the applicability of the SEC?**

4 A. Yes. Mr. Coppola proposes to modify the SEC so it would apply to all AGS under-  
5 deliveries, not just under-deliveries for Pool B customers added after April 1. Applying  
6 the SEC to all under-deliveries would significantly expand the SEC applicability and  
7 require a reconciliation for each month. Thus, AGS over-deliveries in future months  
8 would not be able to be taken into consideration when the monthly reconciliation is done.  
9 Also, Consumers currently determines delivery for each pool; the AGS should not be  
10 penalized for under-deliveries that they cannot control.

11 **Q. Would Mr. Coppola's proposed changes increase the SEC charge to AGSs?**

12 A. Yes. Currently the SEC charge is calculated by subtracting the GCC billed price from  
13 Consumers' WACOG. Therefore, if the AGS average billed price is below the WACOG,  
14 then the AGS must pay the incremental difference between the WACOG and the bill  
15 price multiplied by the AGS under-deliveries for all pools that the SEC is applicable.  
16 Mr. Coppola recommends changing the SEC calculation to utilize the highest average  
17 daily spot market price for the month instead of the WACOG. The highest average daily  
18 spot market price for the month will likely be higher than the WACOG, and oftentimes  
19 could be significantly higher than the WACOG. Ultimately using the highest daily  
20 average spot market price would result in a much higher SEC.

1 **Q. What would be the impact on AGSs and GCC customers if Mr. Coppola's changes**  
2 **to the SEC were adopted?**

3 A. Given that Mr. Coppola is proposing to significantly increase the SEC charge and expand  
4 the applicability of the SEC charge, Mr. Coppola's recommended modifications would  
5 significantly increase costs to AGSs and their customers.

6 **Q. Is Mr. Coppola's proposed changes to SEC reasonable?**

7 A. No. Mr. Coppola's change in the calculations of the SEC would result in an extremely  
8 punitive charge that in no way corresponds with costs to the GCR. The highest average  
9 daily spot price is often significantly higher than the average purchases of spot gas.  
10 Mr. Coppola's proposed SEC calculation assumes that all spot purchases for the GCC  
11 customers are made at the highest price day of the month. However, Consumers makes  
12 spot purchases on multiple days throughout the year for both GCC and GCR customers;  
13 thus it would be unreasonable to apply the highest spot price in the month only for GCC  
14 customers. For example, the average Gas Daily price at Consumers for February 2015  
15 was \$4.062/MMBtu. The highest price during the month was \$11.79/MMBtu.  
16 Calculating the SEC on the highest price of \$11.79/MMBtu is actually \$7.728/MMBtu  
17 above the monthly average. Calculating the SEC using the highest average daily spot  
18 price is clearly not a good indication of what Consumers would have paid for gas during  
19 the month.

20 **Q. What is your overall assessment of the Mr. Coppola's proposed changes to the SEC?**

21 A. AGSs have very limited control over their DDOs. Consumers sets the DDOs and AGSs  
22 deliver the gas. Mr. Coppola is effectively proposing to set an SEC in such a way that  
23 penalizes AGSs for something that is beyond their control. Further, Mr. Coppola's

1 proposed SEC in no way corresponds with the actual costs to the GCR and would be  
2 extremely punitive to GCC customers. Mr. Coppola's proposed changes would result in  
3 a significant, negative impact to AGSs increasing the risk and cost of supplying GCC  
4 customers, which ultimately would lead to higher prices paid by GCC customers.  
5 Further, Mr. Coppola's changes to the SEC would create a financial windfall to the GCR  
6 at the expense of the GCC program. For these reasons, Mr. Coppola's recommendations  
7 are unjust and unreasonable.

8 **Q. Could you please summarize Commission Staff witness Ms. Quilico's proposal with**  
9 **respect to the SEC?**

10 A. Yes. Ms. Quilico proposes applying the SEC to all under-deliveries regardless of  
11 whether the Commission approves the elimination of Pool A and Pool B. Quilico Direct,  
12 p. 8.

13 **Q. Do you support Ms. Quilico's recommendation?**

14 A. No. Ms. Quilico's recommendation is unjust and unreasonable for the same reasons I  
15 discuss above with respect to Mr. Coppola's SEC recommendations. It would be  
16 unreasonable to apply the SEC to all customers without eliminating the Pool A and Pool  
17 B distinction.

18 **V. PROPOSED MODIFICATIONS TO THE EUT PROGRAM**

19 **Q. What has Consumers recommended for its EUT program?**

20 A. In her testimony Consumers witness Curtis states that the EUT program has been in place  
21 for over 25 years, and, because the current EUT tariff provisions provide appropriate  
22 economic disincentives to EUT customers for supply under-deliveries through the

1 Unauthorized Use Charge, Consumers did not plan to make modifications to the current  
2 tariff. Curtis Direct, p. 25.

3 **Q. Do you agree with Ms. Curtis' recommendation?**

4 A. Yes. As Ms. Curtis explains, the current tariff language has proven effective in  
5 minimizing EUT under-deliveries in order to mitigate GCR gas costs under all types of  
6 weather conditions. Further tariff refinement requires daily metering, which is not a  
7 reasonable modification as it places additional and unnecessary expenses on EUT  
8 customers according to Ms. Curtis. Curtis Direct, pp. 25-27. She is correct in her  
9 conclusion regarding this point. Experience has shown that the current tariff has  
10 achieved an appropriate balance in this matter and further adjustment would harm that  
11 balance and create an unwarranted burden on EUT customers.

12 **Q. What does the Attorney General's witness, Sebastain Coppola, recommend?**

13 A. Mr. Coppola recommends that daily balancing be implemented for EUT customers.  
14 Coppola Direct, p. 26.

15 **Q. Do you support Mr. Coppola's recommendation?**

16 A. No. I don't support his recommendation and agree with Ms. Curtis that both the GCC  
17 and EUT programs have worked well and the GCC Suppliers and marketers have  
18 operationally performed as expected. Mr. Coppola proposes daily balancing without  
19 giving adequate consideration to other provisions of the EUT program. For instance,  
20 daily balancing requires daily metering. As explained in the testimony of Ms. Curtis,  
21 daily metering represents not only an additional expense, but a significant change in the  
22 design of the EUT program. This change has ramifications for storage and Unauthorized

1 Use Charges that Mr. Coppola has not addressed in his testimony but would be  
2 necessitated by the move to daily balancing.

3 **Q. Mr. Coppola suggests that since other Michigan gas utilities use daily balancing that**  
4 **it is appropriate for Consumers. Coppola Direct, p. 27. Do you agree?**

5 A. No. There are key distinctions between the Michigan EUT programs that differentiate  
6 what may be appropriate for each. The EUT programs for other Michigan gas utilities  
7 are fundamentally different. It is not reasonable to pick one attribute within one EUT  
8 program and compare to another. All aspects of the program need to be considered.

9 **Q. What does Mr. Frank Hollewa, witness for the Residential Ratepayer Consortium**  
10 **(“RRC”), recommend?**

11 A. Mr. Hollewa recommends the establishment of a monthly DDO at 90% of average daily  
12 supply for Normal weather for EUT customers during the months of January, February  
13 and March. Hollewa Direct, p. 19. His recommendation suffers a similar defect in that it  
14 does not address the totality of the EUT program, but instead modifies a single program  
15 attribute without consideration of how the program functions in its entirety.

16 **Q. Mr. Hollewa supports his proposal by arguing that 90% of average daily supply for**  
17 **Normal weather protects EUT customers against 10% WTN weather. Do you**  
18 **agree?**

19 A. No. Mr. Hollewa seems to suggest that a 10% change in weather translates to a 10%  
20 change in demand for each EUT transportation customer. Further, his analytics ignore  
21 that on a daily basis, imbalances are not always at the average nor are deviations always  
22 within 10%. Finally, his proposal restricts the use of the ATL to periods when weather

1 conditions are below Normal, whereas EUT customers pay for use of this storage asset  
2 100% of the time.

3 **VI. MODIFYING MONTHLY DDOs TO ALLOW FLUCTUATIONS PLUS OR**  
4 **MINUS 30%**

5 **Q. Do you agree that tariff changes are necessary to allow Consumers to modify**  
6 **monthly DDOs by plus or minus 30%?**

7 A. No. Staff witness Quilico proposes that Consumers' tariff be modified to allow  
8 Consumers to modify monthly DDOs by plus or minus thirty percent of the customers  
9 estimated average daily demand. While Ms. Quilico proposes that Consumers modify its  
10 tariffs to explicitly allow Consumers to modify DDOs by +/-30% during times of extreme  
11 weather, as a practical matter, Consumers is already able to adjust AGSs monthly DDOs  
12 by 30% or more. Specifically, Provision F1.G of the Consumers Tariff states "For most  
13 Gas Customer Choice customers, scheduled daily volumes will not normally vary by  
14 more than plus/minus 10% from 1/365th of the estimated annual customer load to be  
15 served by the Supplier." (emphasis added). Thus, the language in the tariff indicates that  
16 *normally* the monthly DDO's will not exceed 110% of the customers daily consumption;  
17 however the tariff currently already allows for flexibility to increase outside of the 10%  
18 in non-normal conditions.

19 **Q. Is your interpretation of the Consumers tariff consistent with Consumers' past**  
20 **practices?**

21 A. Yes. Consumers has historically increased DDOs in excess of 30% during colder than  
22 normal periods. For example, in March of 2014 and March of 2015, Consumers  
23 increased AGS DDOs by 150% due to the extremely cold weather conditions. Further,

1 no one has disputed Consumers right to do this in order to meet operational and reliability  
2 concerns. Thus, there is no need to make the additional changes to the Consumers tariff  
3 that Staff suggests.

4 **VII. CONCLUSION**

5 **Q. Does that conclude your testimony?**

6 **A.** Yes it does.

STATE OF MICHIGAN

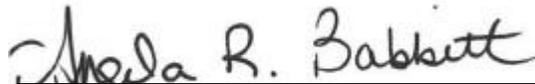
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the Commission's own )  
Motion to consider revision of )  
CONSUMERS ENERGY COMPANY'S )  
gas customer choice and end use )  
transportation programs and tariffs. )  
\_\_\_\_\_ )

Case No. U-17900

**CERTIFICATE OF SERVICE**

Angela R. Babbitt hereby certifies that on the 2<sup>nd</sup> day of March, 2016, she served the *Direct Testimony of Daniel Dishno* and this Certificate of Service on the persons identified on the attached service list via electronic mail.

  
\_\_\_\_\_  
Angela R. Babbitt

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