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July 27, 2018

Ms. Kavita Kale  
Executive Secretary  
Michigan Public Service Commission  
7109 W. Saginaw Hwy.  
Lansing, MI 48917

RE: U-17941-R

Dear Ms. Kale:

Enclosed herewith for filing in the above-referenced matter, please find the *Direct Testimony and Exhibit of Brian Earhart* 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 counsel of record

STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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**In the matter of the application of DTE** )  
**GAS COMPANY for a Gas Cost Recovery** )  
**Reconciliation proceeding for the 12-months** ) MPSC Case No. U-17941-R  
**ending March 31, 2017** )  
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**DIRECT TESTIMONY AND EXHIBIT  
OF BRIAN EARHART**

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On behalf of the Retail Energy Supply Association

July 27, 2018

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

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

3 A. My name is Brian Earhart. I am employed by Interstate Gas Supply, Inc. (“IGS”) in the  
4 position Manager, Gas Supply & Risk. My business address is 6100 Emerald Parkway,  
5 Dublin, Ohio 43016.

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

7 A. I received a bachelor’s degree in business administration with a specialization in  
8 transportation and logistics from The Ohio State University in 2002. Immediately upon  
9 graduating I began my career in the energy field at IGS Energy where I have worked  
10 continuously for 16 years in various roles of increasing responsibility. In 2015 I was  
11 promoted to Gas Supply & Risk manager, a title I hold today. I am responsible for  
12 managing the scheduling and trading group for part of IGS’ service territory which  
13 includes all of Michigan, including DTE.

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

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

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

17 A. The purpose of my testimony is to address DTE’s proposed reconciliation of Reservation  
18 Charge costs applicable to gas customer choice (“GCC”) and gas cost recovery (“GCR”)  
19 customers. In its November 22, 2016 Order and January 31, 2017 Order Denying  
20 Rehearing in DTE’s GCR plan proceeding, MPSC Case No. U-17691, the Commission

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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 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 held that GCC customers should receive a 30% discount on DTE’s Reservation Charge  
2 costs.<sup>2</sup> In its January 31, 2017 Order Denying Rehearing in MPSC Case No. U-17691,  
3 the Commission made clear that it approved RESA’s proposed reconciliation of DTE’s  
4 Reservation Charge costs and revenues as reflected in Exhibit RES-1 in that case and  
5 “Example A” to DTE’s petition for rehearing.<sup>3</sup> In its May 30, 2018 Order in DTE’s  
6 2015-2016 GCR reconciliation case, MPSC Case No. U-17691-R, the Commission  
7 reaffirmed its prior orders and again approved RESA’s proposed reconciliation of DTE’s  
8 Reservation Charge costs and revenues.<sup>4</sup> DTE’s proposed reconciliation in this case fails  
9 to implement the Commission’s orders. Therefore, my testimony addresses DTE’s  
10 flawed proposed reconciliation and identifies an appropriate adjustment of the  
11 Reservation Charge paid by GCC customers for the 2016-2017 gas year.

12  
13 **II. BACKGROUND**

14 **Q. What is DTE’s Reservation Charge?**

15 A. DTE requested and received approval to establish a Supplier of Last Resort (“SOLR”)  
16 Reservation Charge to compensate DTE for pipeline capacity assets that DTE holds to  
17 serve GCR customers and allegedly to stand ready to meet its SOLR obligation for GCC  
18 customers. The costs associated with these capacity assets are recovered from both GCC  
19 and GCR customers through the Reservation Charge.

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<sup>2</sup> Order dated November 22, 2016, MPSC Case No. U-17691, p. 24; Order Denying Rehearing dated January 31, 2017, MPSC Case No. U-17691, p. 8.

<sup>3</sup> Order Denying Rehearing dated January 31, 2017, MPSC Case No. U-17691-R, p. 10. “Second, because the Commission approved of the adjustment that RESA recommended and proposed, it adopted RESA’s proposed calculation of the separate reservation charges, consistent with DTE Gas’ ‘Example A’ in its petition, which is found in Exhibit RES-1.”

<sup>4</sup> Order dated May 30, 2018, MPSC Case No. U-17691-R, p. 2. “The Commission finds the ALJ’s findings and conclusion regarding those issues to be well-reasoned and therefore adopts the ALJ’s findings, analysis, and conclusions on those issues.”

1 **Q. Can you please briefly describe the background of DTE’s Reservation Charge?**

2 A. Yes. In DTE’s 2013-2014 GCR case, Case No. U-17131, the Commission approved a  
3 Reservation Charge that amounted to approximately 26 cents per Mcf charged to all  
4 customers. However, in the 2013-2014 GCR case, the Commission left the possibility  
5 open to explore a capacity assignment program (“CAP”) in DTE’s next GCR proceeding.  
6 A CAP would have assigned a portion of DTE’s capacity assets to AGSs, and in  
7 exchange AGSs would have paid for the cost of the capacity assets to the pipeline  
8 directly thereby alleviating the need for GCC customers to pay the Reservation Charge.

9 **Q. Did RESA propose a CAP in DTE’s next GCR plan case?**

10 A. Yes. RESA and IGS recommended a CAP for DTE in DTE’s 2014-2015 GCR plan case,  
11 MPSC Case No. U-17332.

12 **Q. What was the outcome of RESA and IGS’s CAP proposal in the 2014-2015 DTE  
13 GCR Case?**

14 A. Ultimately the Commission declined to adopt the CAP proposal stating:

15 The Commission takes note of the ALJ’s finding that the capacity  
16 acquired to meet the SOLR obligation may provide benefits to  
17 GCR customers that are not available to GCC customers. PFD, pp.  
18 42-43. However, the Commission also notes that IGS and RESA  
19 failed to show the extent of any such inequity or that the CAP was  
20 a feasible and appropriate mechanism to attempt to remedy any  
21 inequity.<sup>5</sup>

22  
23 Further, the Commission stated:

24 Going forward, the Commission seeks to ensure that the allocation  
25 of pipeline reservations costs and associated SOLR service is  
26 equitable and accurate. No party took issue with the amount of the  
27 reservation charge in this case. The Commission expects the  
28 amount of the reservation charge to be reviewed in plan cases to  
29 make sure that it is appropriate based on actual operations and

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<sup>5</sup> Order dated April 23, 2015, MPSC Case No. U-17332, p. 14 (citation included in the original).

1 expenses, and is commensurate with the benefits afforded by  
2 SOLR service for both GCR and GCC customers.<sup>6</sup>

3  
4 **Q. Did RESA propose a CAP in DTE’s 2015-2016 GCR Plan case?**

5 A. No. While RESA maintains that a CAP is a reasonable and proven means to share pro  
6 rata capacity benefits and costs, RESA did not propose a CAP in that proceeding. Rather  
7 RESA took note of the Commission’s Order in DTE’s 2014-2015 GCR case noting that  
8 no party took issue with the amount of the Reservation Charge to ensure that it is  
9 equitable and accurate.

10 **Q. What did RESA propose in DTE’s 2015-2016 GCR Plan case, MPSC Case No.  
11 U-17691?**

12 A. RESA’s witness, Mr. Daniel Dishno, developed a model in that case to calculate the  
13 dollar value of the benefit GCR customers receive that is not received by GCC customers  
14 associated with the Reservation Charge. RESA recommended that the model be used to  
15 determine an appropriate adjustment to the Reservation Charge to ensure that the charge  
16 is equitable and accurate between GCR and GCC customers commensurate with the  
17 different benefits that each class of customer receives.

18 **Q. How do DTE’s capacity assets uniquely benefit DTE’s GCR customers?**

19 A. DTE retains all the rights to its pipeline reservation assets. The benefit of holding  
20 pipeline capacity is having the ability to transport natural gas from Point A to Point B  
21 through the pipeline. Delivering supply from Point A to Point B allows DTE to capture a  
22 market spread value, which ultimately lowers the average supply cost for GCR  
23 customers. Currently DTE utilizes most of the pipeline assets it retains to transport gas  
24 for GCR customers to the DTE distribution network. Conversely, AGSs are responsible

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<sup>6</sup> *Id.*

1 for delivering the gas to the DTE distribution network for GCC customers, thus GCC  
2 customers do not get the same benefit from the pipeline reservation assets as GCR  
3 customers. Charging GCC customers a Reservation Charge allows DTE to recoup  
4 demand charges while giving only GCR customers the benefit of the Point A to Point B  
5 market spread. GCC customers then pay for demand charges twice; once through the  
6 Reservation Charge to DTE and the other time to their AGS through the process of their  
7 AGS having to either procure its own capacity or purchase city-gate supply which is  
8 inclusive of pipeline transport charges.

9 **Q. Did the Commission adopt a Reservation Charge adjustment?**

10 A. Yes. In its November 22, 2016 Order in Case U-17691, the Commission stated the  
11 following:

12 Having reviewed the parties' arguments, the record, and the PFD,  
13 the Commission finds that the PFD's analysis is well-reasoned and  
14 adopts the PFD's recommendation to approve RESA's proposal.  
15 The Commission agrees with RESA's initial premise that GCR  
16 customers benefit from gas commodity cost savings that are not  
17 available to GCC customers thus placing GCC customers at a  
18 relative disadvantage. Though the exact amount of that benefit  
19 was disputed in this case, the record indicates that GCR customers  
20 do benefit to some degree. See, 4 Tr 343, 537. The Commission  
21 also agrees with RESA that the pipeline spread value resulting in  
22 gas commodity cost savings for GCR customers is separate from  
23 midstream revenues from arbitrage activity of buying gas at a  
24 lower price and selling it at a higher price. The Commission  
25 approves of RESA's proposal, which amounts to a discount for  
26 GCC customers of 30% of the reservation charge. The GCR  
27 customers will be responsible for the balance of the reservation  
28 charges. Using this 30% discount to the GCC customers resolves  
29 the complexities presented by RESA's proposed flat fee  
30 reservation charges.<sup>7</sup>  
31

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<sup>7</sup> Order dated November 22, 2016, MPSC Case No. U-17691 p. 24.

1 **Q. Did the Commission clarify how the Reservation Charge adjustment should be**  
2 **calculated?**

3 A. Yes. In its January 31, 2017 Order Denying Rehearing in Case No. U-17691, the  
4 Commission clarified that the two separate Reservation Charges should be calculated  
5 consistent with “Example A” in DTE’s petition for rehearing, which was consistent with  
6 RESA’s Reservation Charge calculation entered into evidence in that case as Exhibit  
7 RES-1.<sup>8</sup> The Reservation Charge adjustment calculation begins with a single, uniform,  
8 overall-average reservation rate based on total GCC and GCR sales and total pipeline  
9 reservation costs (net of credits). The ordered 30% discount is then applied to the  
10 overall-average reservation rate to establish a 30% discounted SOLR Reservation Charge  
11 for GCC customers. The capacity costs associated with the 30% discount are then re-  
12 allocated to GCR customers to establish a separate Reservation Charge for GCR  
13 customers. The costs recovered via the SOLR Reservation Charge applied to GCC  
14 customers and the Reservation Charge applied to GCR customers equals DTE’s total  
15 authorized pipeline capacity costs (net of credits).

16 **Q. Did the Commission clarify when the 30% discount would be effective?**

17 A. Yes. In its January 31, 2017 Order Denying Rehearing in Case No. U-17691, the  
18 Commission clarified that the 30% SOLR Reservation Charge reduction was to be  
19 effective beginning with the gas year ending on March 31, 2016. Specifically, the  
20 Commission stated:

21           With respect to the date the approved adjustment would become  
22           effective, RESA is correct that the Commission’s decision was for  
23           the 12-month GCR plan year period ending March 31, 2016, as  
24           noted in the order’s caption. **Accordingly, the effective date of its**  
25           **implementation would be the start of the GCR plan year, or**

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<sup>8</sup> Order Denying Rehearing dated January 31, 2017, MPSC Case No. U-17691, p. 10.



1           **April 1, 2015.** This cost allocation may be trued up during the  
2           GCR reconciliation proceeding for the 2015-2016 plan year.<sup>9</sup>

3  
4           Thus, the Commission ordered that the 30% discount be applied during the entire 2015-  
5           2016 reconciliation proceeding.

6   **Q. Did DTE propose a SOLR Reservation Charge reconciliation in its 2015-2016 GCR**  
7   **reconciliation case, MPSC Case No. U-17691-R, that complied with the**  
8   **Commission’s January 31, 2017 Order Denying Rehearing in DTE’s 2015-2016**  
9   **GCR plan case approving the “Example A” reconciliation methodology?**

10 A. No. DTE’s proposed SOLR Reservation Charge reconciliation in its 2015-2016 GCR  
11 reconciliation case did not comply with the Commission’s order.

12 **Q. Did you prepare a revised Reservation Charge reconciliation in MPSC Case No.**  
13 **U-17691-R to implement the Commission’s January 31, 2017 order for GCC**  
14 **customers?**

15 A. Yes. I testified in support of my proposed Reservation Charge reconciliation for GCC  
16 customers in that case. My Reservation Charge reconciliation followed the “Example A”  
17 methodology that was approved by the Commission in its January 31, 2017 order  
18 Denying Rehearing in MPSC Case No. U-17691-R.

19 **Q. Did the Commission approve your Reservation Charge reconciliation in DTE’s**  
20 **2015-2016 GCR reconciliation case, MPSC Case No. U-17691-R?**

21 A. Yes. The Administrative Law Judge (“ALJ”) in that case determined that my proposed  
22 reconciliation on behalf of RESA “most closely complies with the Commission directives  
23 from Case No. U-17691, is otherwise reasonable, and is adopted.”<sup>10</sup> No party took  
24 exception with the ALJ’s recommendation. In its May 30, 2018 Order, the Commission

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<sup>9</sup> *Id.* (emphasis added).

<sup>10</sup> Proposal for Decision dated March 16, 2018, MPSC Case No. U-17691-R, p. 6.

1 adopted the ALJ's findings and conclusions with respect to the Reservation Charge  
2 reconciliation.<sup>11</sup> My Reservation Charge reconciliation followed the "Example A"  
3 methodology that was approved by the Commission.  
4

5 **III. RESERVATION CHARGE RECONCILIATION**

6 **Q. Does DTE's proposed SOLR Reservation Charge reconciliation pre-filed in this**  
7 **2016-2017 GCR reconciliation case comply with the Commission's November 22,**  
8 **2016 Order and January 31, 2017 Order Denying Rehearing in DTE's 2015-2016**  
9 **GCR plan case in MPSC Case No. U-17691 and May 30, 2018 Order in DTE's 2015-**  
10 **2016 GCR reconciliation case in MPSC Case No. U-17691-R?**

11 A. No. DTE's proposed SOLR Reservation Charge reconciliation pre-filed in this case does  
12 not comply with the Commission's orders.

13 **Q. Have you prepared a revised Reservation Charge reconciliation to implement the**  
14 **Commission's orders for GCC customers?**

15 A. Yes. My proposed Reservation Charge reconciliation for GCC customers is shown in  
16 attached Exhibit RES-1 (BEA-1).

17 **Q. What is the April 2016 GCC Reservation Charge recovery beginning balance that**  
18 **you used in the first adjustment to DTE's 2016-2017 GCC Reservation Charge**  
19 **reconciliation?**

20 A. I used \$2,482,812 for DTE's beginning balance in this case. This number is the ending  
21 balance approved for DTE in DTE's previous GCR reconciliation case, MPSC Case No.  
22 U-17691-R.<sup>12</sup> The Commission issued its order in Case No. U-17691-R on May 30,

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<sup>11</sup> Order dated May 30, 2018, MPSC Case No. U-17691-R, p. 2.

<sup>12</sup> Order dated May 30, 2018, MPSC Case No. U-17691-R, p. 9, Ordering Paragraph C.

1 2018, and DTE filed revised exhibits in this case on June 18, 2018 reflecting this updated  
2 beginning balance. See, DTE's proposed Exhibit A-19 Revised, page 1 of 3, line 12,  
3 column b.

4 **Q. Please explain your proposed Reservation Charge reconciliation for GCC**  
5 **customers?**

6 A. My proposed GCC Reservation Charge reconciliation follows the "Example A"  
7 methodology authorized by the Commission in its January 31, 2017 Order Denying  
8 Rehearing in the 2015-2016 GCR plan case and reaffirmed by the Commission in its May  
9 30, 2018 Order in the 2015-2016 GCR reconciliation case. Specifically, as shown on  
10 Exhibit RES-1 (BEA-1), page 1 of 3, line A, I calculated DTE's total system sales by  
11 adding DTE's GCR volumes of 112,038,044 Mcf (as shown on DTE's Exhibit A-15  
12 Revised, page 1 of 2, line 7) to DTE's GCC volumes of 27,873,611 Mcf (as shown on  
13 DTE's Exhibit A-19 Revised, page 1 of 3, line 6). DTE's total reported GCC and GCR  
14 sales in 2016-2017 were 139,911,655 Mcf.

15 I then identified DTE's total incurred pipeline reservation costs net of credits,  
16 which were \$42,233,982 (Exhibit RES-1 (BEA-1), page 1 of 3, line C). This figure is  
17 from DTE's Exhibit A-16, page 1 of 4, line 12.

18 I then divided DTE's total pipeline reservation costs of \$42,233,982 by DTE's  
19 total system throughput of 139,911,655 Mcf, to derive a uniform, overall-average  
20 Reservation Rate of \$0.302 per Mcf (Exhibit RES-1 (BEA-1), page 1 of 3, line D). This  
21 is the rate that would have been necessary to recover DTE's capacity costs through a  
22 uniform charge applicable to both GCC and GCR customers.

1 I then discounted the overall-average rate by 30% to \$0.211 per Mcf to reflect the  
2 SOLR Reservation Charge that GCC customers should have paid to DTE based upon  
3 actual volumes of sales (Exhibit RES-1 (BEA-1), page 1 of 3, line E). Based upon actual  
4 GCC volumes multiplied by the discounted SOLR Reservation Charge, GCC customers  
5 should have paid \$5,889,785. In actuality, GCC customers paid \$6,723,427 in  
6 Reservation Charges in 2016-2017 (source: DTE's Exhibit A-19 Revised, page 1 of 3,  
7 line 11). Thus, GCC customers over paid DTE \$3,316,454 when considering the prior-  
8 period over payment of \$2,482,812.

9 **Q. What is the significance of the calculation reflected on your Exhibit RES-1 (BEA-1),**  
10 **page 1 of 3, line G.**

11 A. Line G of my Exhibit RES-1 (BEA-1), page 1 of 3, shows the total Reservation Charges  
12 as a percent of the Total Pipeline Reservation Cost (net of credits) for both GCC and  
13 GCR customers. These percentages are the annual allocated total pipeline cost  
14 responsibility for each class.

15 **Q. Did you produce a Reservation Charge reconciliation by month for GCC**  
16 **customers?**

17 A. Yes. Exhibit RES-1 (BEA-1), page 2 of 3, is a Reservation Charge reconciliation by  
18 month. This exhibit shows unbilled volumes by month for GCC and GCR customers  
19 from DTE's Exhibit A-19 Revised, page 1 of 3, and Exhibit A-15 Revised, page 1 of 2,  
20 respectively. Line 5 is DTE's reported Pipeline Reservation Costs (net of credits) by  
21 month from DTE's Exhibit A-16, page 1 of 4, line 12. I then apply the allocation  
22 percentages from my Exhibit RES-1 (BEA-1), page 1 of 3, line G, to DTE's reported  
23 Pipeline Reservation Costs (net of credits) on Line 5 to derive the Pipeline Reservation

1 Cost responsibility for each class based on the application of the new, discounted SOLR  
2 Reservation Charge. Line 14 shows the actual Reservation Charges collected from GCC  
3 customers each month during the 2016-2017 gas year from DTE's Exhibit A-19 Revised,  
4 page 1 of 3, line 11. Line 17 is the difference between the actual demand charges  
5 recovered from GCC customers (Line 14) and the demand charges that should have been  
6 recovered from GCC customers using the discounted SOLR Reservation Charge (Line 8)  
7 by month.

8 **Q. What was the total over-recovery of SOLR Reservation Charges from GCC**  
9 **customers in 2016-2017?**

10 A. The total over-recovery of SOLR Reservation Charges from GCC customers in 2016-  
11 2017 was \$3,316,454. DTE collected \$6,723,427 from GCC customers in 2016-2017,  
12 plus had a carry-forward balance of \$2,482,812, for a total recovery of \$9,206,239 from  
13 GCC customers. The GCC customers' share of DTE's actual pipeline reservation costs  
14 (net of credits) in 2016-2017 was \$5,889,785. The difference between \$9,206,239 in  
15 GCC reservation charge revenues and \$5,889,785 in pipeline reservation costs (net of  
16 credits) allocated to GCC customers is \$3,316,454.

17 **Q. Did you produce a revised interest calculation for the GCC Reservation Charge?**

18 A. Yes. Exhibit RES-1 (BEA-1), page 3 of 3, is a revised GCC Reservation Charge interest  
19 calculation modeled after DTE's GCC Reservation Charge interest calculation, as shown  
20 on Exhibit A-19 Revised, page 2 of 3.

1 **Q. Did you make any adjustments to DTE’s interest calculation?**

2 A. Yes. I made one adjustment to DTE’s proposed interest calculation. I updated the  
3 monthly balances to reflect the application of the 30% discounted SOLR Reservation  
4 Charge.

5 **Q. What is the total amount of interest for the 2016-2017 gas year?**

6 A. The total amount of interest accrued for the 2016-2017 should be \$264,627, as shown on  
7 my Exhibit RES-1 (BEA-1), page 3 of 3, line 14.

8 **Q. Based on your calculations, what is the total 2016-2017 Reservation Charge balance  
9 for GCC customers?**

10 A. When including interest for April 1, 2016 through March 31, 2017, the total over-  
11 recovered GCC SOLR Reservation Charge balance is \$3,581,081.

12 **Q. What do you recommend?**

13 A. I recommend that the Commission determine that the total over-recovered GCC SOLR  
14 Reservation Charge balance through March 31, 2017 is \$3,581,081.

15 **Q. Do you have any other recommendations?**

16 A. Yes. I recommend that the Commission explicitly order DTE to file a GCC Reservation  
17 Charge reconciliation that follows the Commission-approved “Example A” methodology  
18 in all future GCR reconciliation cases. Not only did DTE not file a GCC Reservation  
19 Charge reconciliation consistent with the Commission’s approved “Example A”  
20 methodology in this 2016-2017 GCR reconciliation case, DTE also did not file a GCC  
21 Reservation Charge reconciliation consistent with the Commission’s approved “Example  
22 A” methodology in DTE’s 2017-2018 GCR reconciliation case, MPSC Case No.  
23 U-20076. DTE filed its 2017-2018 GCR reconciliation case in MPSC Case No. U-20076

1 on June 20, 2018, which was three weeks after the Commission issued its May 30, 2018  
2 Order in DTE's 2015-2016 GCR reconciliation case, MPSC Case No. U-17691-R, again  
3 affirming RESA's GCC Reservation Charge reconciliation methodology approved in the  
4 Commission's January 31, 2017 Order Denying Rehearing in MPSC Case No. U-17691.  
5 Despite the Commission's repeated approvals of RESA's reconciliation methodology,  
6 and numerous opportunities for DTE to file reconciliations or revised reconciliations  
7 consistent with the approved methodology, DTE is continuing to refuse to comply.  
8 RESA is incurring costs to prepare, file, and support corrected GCC Reservation Charge  
9 reconciliations to implement and enforce the Commission's orders. RESA should not  
10 have to bear this expense. To be clear, RESA is not proposing that DTE be precluded  
11 from advocating whatever positions it so chooses in future GCR reconciliation cases.  
12 DTE, however, should be required to file a GCC Reservation Charge reconciliation that  
13 complies with the Commission's prior rulings approving the "Example A" methodology.

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

15 A. Yes, it does.

**DTE GAS COMPANY**  
**GCC RESERVATION CHARGE (RC) ADJUSTMENT CALCULATION**

Case No.: U-17941-R  
 Exhibit: RES-1 (BEA-1)  
 Witness: B. Earhart  
 Page: 1 of 3

Yearly

Gas Year April 2016 thru March 2017 True Up		GCR	GCC	Total
A	Total Sales (MCF)-Unbilled volumes	112,038,044	27,873,611	139,911,655
	Actual Demand \$ recovered via SOLR in 2016-2017	\$31,854,597	\$6,723,427	
	Prior Period Over (Under) Collection	-\$10,117,799	\$2,482,812	
B	<b>Total Dollars charged April 2016- March 2017</b>	<b>\$21,736,798</b>	<b>\$9,206,239</b>	
C	Pipeline Reservation Cost (net of credits)			\$42,233,982
D	Overall-Average Reservation Rate (Line C (Total) / Line A (Total))	0.302		
E	<b>Adjusted SOLR Reservation Charge for GCC (30% Discount)</b>	0.211		
F	What should have been collected when new rates applied	\$36,344,197	\$5,889,785	\$42,233,982
G	Reservation Charges as a % of Total	86.05%	13.95%	100.00%
H	<b>FINAL Over (Under) Recovery (Line B - Line F)</b>	<b>(\$14,607,399)</b>	<b>\$3,316,454</b>	



**DTE GAS COMPANY**  
**Reservation Charge Reconciliation**  
**For GCC Customers Only**  
**April 2016 through March 2017**

Case No.: U-17941-R  
 Exhibit: RES-1 (BEA-1)  
 Witness: B. Earhart  
 Page: 2 of 3

Line No.	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	
Line No.	Monthly		Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17		
1	GCC Sales (Unbilled)		2,868,568	1,420,668	747,366	668,037	694,685	737,987	1,627,396	2,749,056	5,282,516	5,135,525	1,935,338	4,006,469	27,873,611	
2	GCR Sales (Unbilled)		10,353,443	4,721,779	2,274,925	2,308,193	2,058,017	2,557,317	5,653,884	10,129,836	19,899,019	20,414,312	15,402,634	16,264,685	112,038,044	
3	Total		<b>13,222,011</b>	<b>6,142,447</b>	<b>3,022,291</b>	<b>2,976,230</b>	<b>2,752,702</b>	<b>3,295,304</b>	<b>7,281,280</b>	<b>12,878,892</b>	<b>25,181,535</b>	<b>25,549,837</b>	<b>17,337,972</b>	<b>20,271,154</b>	<b>139,911,655</b>	
5	Pipeline Reservation Cost (net of credits)		\$3,358,071	\$3,374,898	\$3,076,181	\$3,315,533	\$3,599,603	\$3,596,374	\$3,572,924	\$3,873,980	\$2,966,151	\$3,810,505	\$3,892,779	\$3,796,983	\$42,233,982	
8	Pipeline Reservation Cost w/new SOLR	GCC	\$468,303	\$470,650	\$428,992	\$462,371	\$501,986	\$501,536	\$498,266	\$540,250	\$413,648	\$531,398	\$542,872	\$529,512	\$5,889,785	
9	Pipeline Reservation Cost w/new SOLR	GCR	\$2,889,768	\$2,904,248	\$2,647,189	\$2,853,162	\$3,097,617	\$3,094,838	\$3,074,658	\$3,333,730	\$2,552,503	\$3,279,107	\$3,349,907	\$3,267,471	\$36,344,197	
10			<b>\$3,358,071</b>	<b>\$3,374,898</b>	<b>\$3,076,181</b>	<b>\$3,315,533</b>	<b>\$3,599,603</b>	<b>\$3,596,374</b>	<b>\$3,572,924</b>	<b>\$3,873,980</b>	<b>\$2,966,151</b>	<b>\$3,810,505</b>	<b>\$3,892,779</b>	<b>\$3,796,983</b>	<b>\$42,233,982</b>	
14	Actual Demand \$ recovered via RC		\$806,588	\$397,815	\$209,274	\$187,023	\$194,570	\$206,696	\$455,669	\$769,748	\$1,479,123	\$1,437,950	\$537,661	\$41,310	\$6,723,427	
17	Over (Under) Recovery	Carryover	\$2,482,812	\$338,285	(\$72,835)	(\$219,718)	(\$275,348)	(\$307,416)	(\$294,840)	(\$42,597)	\$229,498	\$1,065,475	\$906,552	(\$5,211)	(\$488,202)	\$3,316,454

**DTE GAS COMPANY**  
**GCC RESERVATION CHARGE (RC) INTEREST CALCULATION**  
**April 2016 through March 2017**

Case No.: U-17941-R  
 Exhibit: RES-1 (BEA-1)  
 Witness: B. Earhart  
 Page: 3 of 3

Line	Month	Beginning Balance Over/(Under) Recovery	Current Month Over/(Under) Recovery	Current Month Average	Current Month Base For Interest Accrual	Interest Rate	Interest (Revenue)/ Expense
		Col. 1	Col. 2	Col. 3 (Col. 2 * 50%)	Col. 4 (Col. 1 + Col. 3)	Col. 5	Col. 6 (Col. 4 * Col. 5 * days in month / 365)
1	3/31/16 Balance		\$ 2,482,812				
2	April	\$ 2,482,812	338,285	\$ 169,142	\$ 2,651,954	10.500%	22,887
3	May	2,821,097	(72,835)	(36,417)	2,784,679	10.500%	24,833
4	June	2,748,262	(219,718)	(109,859)	2,638,403	10.500%	22,770
5	July	2,528,544	(275,348)	(137,674)	2,390,870	10.500%	21,321
6	August	2,253,195	(307,416)	(153,708)	2,099,487	10.500%	18,723
7	September	1,945,779	(294,840)	(147,420)	1,798,359	10.500%	15,520
8	October	1,650,939	(42,597)	(21,298)	1,629,640	10.500%	14,533
9	November	1,608,342	229,498	114,749	1,723,091	10.500%	14,871
10	December	1,837,840	1,065,475	532,738	2,370,578	10.100%	20,335
11	January 17	2,903,315	906,552	453,276	3,356,591	10.100%	28,793
12	February	3,809,867	(5,211)	(2,605)	3,807,262	10.100%	29,498
13	March	3,804,657	(488,202)	(244,101)	3,560,556	10.100%	30,543
14	TOTAL		<b>\$ 3,316,454</b>				<b>\$ 264,627</b>
15	TOTAL OVER (UNDER) RECOVERY PLUS INTEREST			<b>\$3,581,081</b>			

Note: If the beginning balance for any month plus the current month average balance is positive, the interest rate utilized in Column 5 is the allowed rate of return of 10.5%  
 If the beginning balance plus the current month average balance is negative, the interest rate is the average short term borrowing rate for the current month.  
 The beginning balance is the ending balance from Exhibit A-19 Revised in Case No. U-17332-R

STATE OF MICHIGAN

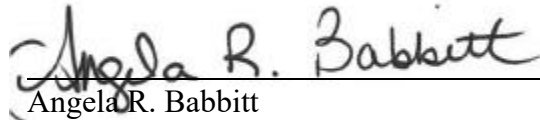
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of )  
DTE GAS COMPANY for a Gas Cost )  
Recovery Reconciliation proceeding for )  
the 12-months ending March 31, 2017 )  
\_\_\_\_\_ )

Case No. U-17941-R

**CERTIFICATE OF SERVICE**

Angela R. Babbitt hereby certifies that on the 27<sup>th</sup> day of July, 2018, she served the *Direct Testimony and Exhibit of Brian Earhart* and this Certificate of Service on the persons identified on the persons identified on the attached service list via electronic mail.

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

## **Service List for U-17941-R**

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