



201 N. Washington Square • Suite 810
Lansing, Michigan 48933

Telephone 517 / 482-6237 • Fax 517 / 482-6937 • www.varnumlaw.com

Eric J. Schneidewind

ejschneidewind@varnumlaw.com

April 17, 2013

Ms. Mary Jo Kunkle
Michigan Public Service Commission
6545 Mercantile Way
P.O. Box 30221
Lansing, MI 48909

Re: Case No. U-17131

Dear Ms. Kunkle:

Attached for paperless electronic filing is the Direct Testimony of Michael P. Haugh On Behalf of the Retail Energy Supply Association. Also attached is a Proof of Service indicating service on counsel.

Thank you for your assistance in this matter.

Very truly yours,

VARNUM,^{LLP}

Eric J. Schneidewind

EJS/mrr

cc: ALJ
parties

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the Application of)
Michigan Consolidated Gas Company)
For approval of a Gas Cost recovery Plan,)
5-year Forecast and Monthly GCR Factor for)
The 12-months ending March 31, 2014, and)
For approval to implement a Reservation)
Charge applicable to Gas Customer Choice)
Suppliers)

Case No. U-17131

Direct Testimony

Of

Michael P. Haugh

On Behalf of

The Retail Energy Supply Association

1 **Q1. WHAT IS YOUR NAME AND BUSINESS ADDRESS?**

2 **A1.** My name is Michael P. Haugh. My business address is 30300 Telegraph Road, Suite 350,
3 Bingham Farms, Michigan 48025.

4

5 **Q2. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 **A2.** I am employed by Just Energy as Manager of Market Relations.

7

8 **Q3. ON WHOSE BEHALF ARE YOU TESTIFYING?**

9 **A3.** On behalf of the Retail Energy Supply Association (“RESA”).

10

11 **Q4. WHAT IS RESA?**

12 **A4.** RESA is a non-profit trade association of independent corporations that are involved in
13 the competitive supply of electricity and natural gas¹. RESA and its members are
14 actively involved in the development of retail and wholesale competition in electricity
15 and natural gas markets throughout the United States.

16

¹ RESA’s members include: Champion Energy Services, LLC; ConEdison *Solutions*; Constellation NewEnergy, Inc.; Direct Energy Services, LLC; GDF SUEZ Energy Resources NA, Inc.; Hess Corporation; Integrys Energy Services, Inc.; Just Energy; Liberty Power; MC Squared Energy Services, LLC; Mint Energy, LLC; NextEra Energy Services; Noble Americas Energy Solutions LLC; NRG, Inc.; PPL EnergyPlus, LLC; Stream Energy; TransCanada Power Marketing Ltd. and TriEagle Energy, L.P.. The comments expressed in this filing represent the position of RESA as an organization but may not represent the views of any particular member of RESA.

1 **Q5. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

2 **A5.** I have a Bachelor of Science in Business Administration from The Ohio State University.

3

4 **Q6. HAVE YOU COMPLETED ANY COURSE OF STUDY OR ATTENDED ANY**
5 **PROFESSIONAL SEMINARS?**

6 **A6.** Yes, I have attended the National Association of Regulatory Utility Commissioners Annual
7 Regulatory Studies Program, also known as “Camp NARUC”. In addition I have attended many
8 conferences and seminars throughout my years working in the energy industry.

9

10 **Q7. CAN YOU DESCRIBE YOUR EMPLOYMENT HISTORY?**

11 **A7.** Yes, I have over 17 years working in the energy industry with experience in wholesale and retail
12 energy trading, risk management, natural gas purchasing and scheduling and regulatory affairs. I
13 started with Enron Energy Services in 1995 as an Energy Trader and then moved on to American
14 Electric Power Energy Services in 1998 where I worked in Risk Management and Wholesale
15 Energy Trading. In January 2004 I went to work for MidAmerican Energy Services as a Senior
16 Product Manager. In October of 2004 I began work as a Senior Regulatory Analyst with the Ohio
17 Consumers’ Counsel (“OCC”). I left the OCC in September 2007 and joined Integrys Energy
18 Services as a Regulatory Affairs Analyst. I joined Just Energy in 2009 and have held the position
19 of manager of Regulatory Affairs before becoming Manager of Market Relations in 2011.

20

21 **Q8. WHAT ARE YOUR RESPONSIBILITIES IN YOUR CURRENT POSITION WITH JUST**
22 **ENERGY?**

1 **A8.** I am responsible for monitoring, advocating and defending all regulatory, legislative and
2 operation activities in Michigan, Ohio, Indiana and Illinois. My responsibilities are for all
3 products and services Just Energy provides in those states.

4
5 **Q9. HAVE YOU PREVIOUSLY TESTIFIED BEFORE A REGULATORY AGENCY?**

6 **A9.** Yes, I have testified in the following cases before the Public Utilities Commission of Ohio:

7 *Monongahela Power Company, Case No. 04-1047-EL-ATA*

8 *American Electric Power Company, Case No. 05-376-EL-UNC*

9 *Dayton Power and Light Company, Case No. 05-276-EL-AIR*

10 *Dominion East Ohio Company, Case No. 05-474-EL-ATA*

11 *Dominion East Ohio Company, Case No. 05-219-GA-GCR*

12 *Columbia Gas of Ohio, Case No. 05-221-GA-GCR*

13 *Duke Energy Ohio, Case No. 03-93-EL-ATA*

14 *American Electric Power, Case No. 07-63-EL-UNC*

15

16 **Q10: ARE YOU PRESENTING ANY EXHIBITS?**

17 **A10:** Yes, I am presenting the following Exhibit:

18 Exhibit RESA-1 (MH-1) MichCon Response to RESA Discovery Question RESA/DG1.1

19

1 ***Q11. WHAT DOCUMENTS HAVE YOU REVIEWED IN THE PREPARATION OF YOUR***
2 ***TESTIMONY?***

3 ***A11.*** From the current case I have reviewed the Application filed by the Michigan Consolidated Gas
4 Company (“MichCon”), the testimony of James A. Brunell and Eric W. Clinton and all discovery
5 served by RESA upon MichCon. I also reviewed parts of the other filed testimony.

6

7 ***Q12. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?***

8 ***A12.*** My testimony addresses MichCon’s proposed Supplier of Last Resort (“SOLR”) Reservation
9 Charge.

10

11 ***Q13. WHAT IS YOUR RECOMMENDATION FOR THIS PROCEEDING?***

12 ***A13.*** First, the Michigan Public Service Commission (“MPSC” or “Commission”) should deny the
13 Reservation Charge proposed by MichCon. Second, if the MPSC does approve the Reservation
14 Charge it should not be charged directly to suppliers. Finally, if the Commission approves the
15 Reservation Charge, Gas Customer Choice (“GCC”) Suppliers should have control over all
16 pipeline capacity purchased on behalf of their customers.

17

18 ***Q14. WHAT IS MICHCON PROPOSING IN THIS CASE?***

19 ***A14.*** MichCon is proposing a new charge to GCC Suppliers called the Reservation Charge. This
20 charge allocates a portion of pipeline capacity charges to GCC Suppliers.

21

1 ***Q15. WHAT IS MICHCON’S RATIONALE FOR THIS NEW CHARGE?***

2 ***A15.*** MichCon Witness Brunell states that MichCon feels it must purchase firm pipeline capacity for
3 100% of its customer load whether the customers are being served through the Gas Cost
4 Recovery (“GCR”) or by a GCC Supplier. MichCon contends its pipeline capacity purchases on
5 behalf of the GCC customers are to provide a “back-up” in the case of a supplier default. Witness
6 Brunell goes on to state GCC Suppliers should be billed for the Reservation Charge because it is
7 easier to bill GCC Suppliers than customers, to avoid customer confusion and to reduce customer
8 complaints.

9

10 ***Q16. DO YOU BELIEVE THIS CHARGE SHOULD BE APPROVED BY THE COMMISSION?***

11 ***A16.*** No, it should not be approved. GCC Suppliers either purchase firm capacity into the MichCon
12 citygate or purchase firm natural gas commodity already delivered to the citygate, as is required
13 per the MichCon natural gas tariffs.² As a result of MichCon’s capacity purchases GCC
14 Customers are being double charged for capacity. The Reservation Charge should not be
15 approved because the capacity purchases for GCC Customers are duplicative and unnecessary. In
16 addition to denying this charge the Commission should instruct MichCon to discontinue the
17 practice of purchasing firm capacity for the GCC Customers.

18

19 ***Q17. HAS MICHCON EXPERIENCED A GCC SUPPLIER DEFAULT IN THE PAST FIVE***
20 ***YEARS?***

21 ***A17.*** No, in response to discovery MichCon stated it has not had a supplier default in the last five
22 years. Exhibit RESA-1 (MH-1).

² Section F 1.7 of the MichCon Natural Gas Tariffs

1 **Q18. IF MICHCON DISCONTINUES PURCHASING FIRM CAPACITY FOR GCC**
2 **CUSTOMERS WILL IT STILL BE ABLE TO PROVIDE SOLR SERVICE TO THOSE**
3 **CUSTOMERS?**

4 **A18.** Yes, there are a variety of ways to manage a supply portfolio without purchasing double capacity
5 for customers. First, there are credit requirements placed upon all GCC Suppliers³ which are in
6 the case of a supplier default, These requirements could be adjusted to include capacity and
7 commodity. Additionally MichCon could request each GCC Supplier to release that Supplier's
8 firm capacity or firm supply rights to MichCon in the instance of that Supplier defaulting.
9 Another option which is permitted in Ohio, Indiana, New York and some other states is that the
10 utilities release capacity to Suppliers then have the ability to recall it in the instance of default.
11 There are a number of ways to avoid this situation; the customer should not be forced to pay
12 twice for pipeline capacity just because they choose another Supplier.

13

14 **Q19. WHO IS MICHCON PROPOSING TO BILL FOR THE RESERVATION CHARGE?**

15 **A19.** MichCon is proposing to bill GCC Suppliers for this charge.⁴

16

17 **Q20. WHAT IS MICHCON'S REASONING FOR BILLING SUPPLIERS?**

18 **A20.** Mr. Brunell states MichCon is proposing to bill GCC Suppliers because in doing so it will not
19 lead to any new line items on customers' bills, SOLR is a supply function and should be
20 recovered through the commodity portion of a customer's bill, it is easier to administer,

³ Section F1.4 of the MichCon Gas Tariffs

⁴ J. A. Brunell testimony at page JAB-12 line 17.

1 minimizes chances for billing errors, and it will reduce the number of calls to its customer service
2 center and the PSC customer service center.⁵

3
4 ***Q21. IF THE COMMISSION WERE TO APPROVE THE PROPOSED RESERVATION CHARGE***
5 ***SHOULD GCC SUPPLIERS BE BILLED FOR THIS SERVICE?***

6 ***A21.*** No, the customer should be billed directly. A basic regulatory principal is that cost allocation
7 should follow cost causation. In this instance the capacity is purchased for the customer and
8 should be billed to the customer directly by the entity which purchased it. MichCon is asking
9 GCC Suppliers to take on a cost they neither incurred nor caused. As to Mr. Brunell's reasons for
10 billing GCC Suppliers directly it appears as though MichCon is looking for the easiest way to
11 pass this through without having to explain to customers why their commodity rates are
12 increasing. If the charge is allocated to GCC Suppliers those companies would incur the same
13 issues Mr. Brunell is concerned about including: increased calls into their call centers, possible
14 changes to prices, billing errors for GCC Suppliers doing their own billing and calls into both the
15 PSC and MichCon call centers if a customer's price increases.

16
17 ***Q22. IS THERE ANY OTHER REASON GCC SUPPLIERS SHOULD NOT BE DIRECTLY***
18 ***BILLED THE RESERVATION CHARGE?***

19 ***A22.*** Yes, in my experience GCC Suppliers enter into contracts with customers for fixed terms, which
20 can be up to five years. Just Energy follows this practice. If the contracts do not include this
21 charge and/or do not allow the Supplier to recoup the additional cost then the GCC Supplier will

⁵ J. A. Brunell testimony at page JAB-13 lines 1-12

1 be liable for these costs which it neither incurred nor accounted for when entering into the
2 original contract.

3 ***Q23. IF THE RESERVATION CHARGE IS APPROVED BY THE COMMISSION WHO***
4 ***SHOULD CONTROL THE PIPELINE CAPACITY?***

5 ***A23.*** Assuming the Commission accepts my proposal in Q18 above, MichCon should release the
6 capacity to the Supplier who will manage it on behalf of the customer. In addition MichCon
7 should release any other assets purchased by MichCon for GCC Customers; this would include,
8 but not be limited to any pipeline storage or transportation. The reason for this is because if the
9 customer is paying the Reservation Charge then the customer should have access to the capacity
10 which is being purchased through this charge. Essentially the entity paying the charge should
11 have access to it and the Supplier representing the customer should be able to manage it on behalf
12 of the customer.

13

14 ***Q24. PLEASE DISCUSS YOUR OVERALL CONCLUSIONS.***

15 ***A24.*** First, MichCon's proposed Reservation Charge is unnecessary because there has not been a GCC
16 Supplier default in recent years and suppliers already have enough capacity to fulfill GCC
17 customer needs as required by MichCon's tariffs. Secondly, if the Commission does decide to
18 grant MichCon the right to charge the Reservation Charge it should not be charged directly to
19 GCC Suppliers. MichCon's claim that it is easier to charge GCC Suppliers does not justify the
20 charge. The capacity is being purchased for the GCC customers and should be charged directly
21 to the GCC customers. Finally, if the Commission agrees to the reservation charge GCC
22 Suppliers should have access to the pipeline capacity and control it on behalf of its GCC
23 customers.

1 ***Q25. DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?***

2 ***A25.*** Yes, it does. However I reserve the right to incorporate new information that may subsequently
3 become available through outstanding discovery or otherwise.

MPSC Case No.: U-17131
Respondent: E. W. Clinton/Legal
Requestor: RESA-1
Question No.: RESA/DG-1.1
Page: 1 of 1

Question: During the past five years, how many times have Alternate Gas Suppliers abandoned customers or failed to meet customer supply requirements during the heating season?

Answer: DTE Gas objects for the reason that the request is unduly vague and incapable of answer in its present form since it is unclear as to what is meant by the term "abandoned customers." Subject to such objection, and without waiver thereof, DTE Gas would answer as follows: Alternative Gas Suppliers (AGS) routinely terminate customers from the Gas Choice program by submitting cancellation requests via a daily electronic file. DTE Gas has no means of knowing whether any of these cancellations are due to an AGS "abandoning" a customer. However, if the word "abandoned" means that the supplier has stopped tendering gas supply across the board for all customers, then this situation has not occurred in the last five years. No supplier has failed to meet its heating season supply requirements during the past five years.

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
MICHIGAN CONSOLIDATED GAS COMPANY)
for approval of a gas cost recovery plan, 5-year)
forecast, and monthly GCR factor for the 12)
months ending March 31, 2014 and for approval to)
implement a Reservation Charge applicable to gas)
customer choice suppliers.))
_____)

Case U-17131

PROOF OF SERVICE

STATE OF MICHIGAN)
) ss.
COUNTY OF INGHAM)

Monica Robinson, the undersigned, being first duly sworn, deposes and says that she is a Legal Secretary at Varnum LLP and that on the 17th day of April, 2013, she served a copy of the Direct Testimony of Michael P. Haugh on Behalf of the Retail Energy Supply Association upon those individuals listed on the attached Service List by email at their last known addresses.

Monica Robinson

SERVICE LIST U-17131

ALJ

Sharon L. Feldman

feldmans@michigan.gov

(Discovery: Proof of Service Only)

Michigan Consolidated Gas Co.

David Maquera

Richard Middleton

maquerad@dteenergy.com

middletonr@dteenergy.com

Office of the Attorney General

Michael E. Moody

moodym2@michigan.gov

MPSC Staff

Patricia S. Baron

Lauren D. Donofrio

baronep@michigan.gov

donofriol@michigan.gov

Interstate Gas Supply, Inc.

John Dempsey

Brandon Hubbard

jdempsey@dickinsonwright.com

bhubbard@dickinsonwright.com

Michigan Community Action Agency Association

Don L. Keskey

donkeskey@publiclawresourcecenter.com

Lakeshore Energy Services, LLC

William J. Wolter

wwolter@wolterlaw.com

Residential Ratepayer Consortium

David L. Schaltz

dshaltz@sbcglobal.net