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STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the Application of THE DETROIT EDISON COMPANY for authority to recover retail access program implementation costs incurred in 1999.	))))))	Case No. U-12359

QUALIFICATIONS AND TESTIMONY OF

NANCY G. KATSARELAS

MICHIGAN PUBLIC SERVICE COMMISSION

October 18, 2000

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QUALIFICATIONS OF NANCY G. KATSARELAS

CASE NO. U-12359
PART I

Q. Please state your name and business address.

A. My name is Nancy G. Katsarelas. My business address is 6545 Mercantile Way, Lansing, Michigan 48909.

Q. By whom are you employed and what is your position?

A. I am employed as an auditor with the Michigan Public Service Commission (MPSC). I am currently assigned to the Audit Section of the Electric Division.

Q. Please state your educational background and professional experience.

A. I graduated from Saginaw Valley State College in 1979 with a Bachelor of Business Administration degree majoring in accounting. I have attended courses on utility regulation, accounting and taxes as well as various management courses. Prior to coming to the Public Service Commission I was employed as a temporary staff accountant at Kruger and Balch CPA firm in Saginaw, Michigan. I have also been an equipment/records clerk at the Bay County Road Commission, secretary of Saginaw Valley State College Student Government Council, safe deposit/statement clerk at a Bank of America branch office and general office clerk at a car dealership and construction company and a temporary office clerk with an employment service.

In 1979 I was hired by this Commission as an auditor assigned to the Valuation and Depreciation Section of Technical Services Division. I was responsible for small telephone company depreciation cases. I also assisted on large depreciation cases. I was frequently assigned to the Compliance Audit Section which audited

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various Michigan utilities for overall compliance with the Uniform System of Accounts.

Early in 1982 I was transferred to the Electric Division, Audit Section. I have planned and performed audits of electric utilities serving Michigan customers in matters relating to rate increases and decreases, power supply cost recovery reconciliations and various special audits.

During my employment with the MPSC I have been a member of various Commission task forces including the Continuing Property Records Plan of Michigan Bell. I was also regional coordinator of the Michigan Insulation Outreach Program.

I am a Certified Public Accountant licensed in the State of Michigan.

Q. Have you ever testified before this Commission?

A. I have testified in or provided testimony for the following cases:

Company	Case No.	Type
Ontonagon County REA	U-6652	Rate/TIER
Southeastern Michigan	U-6698	Rate/TIER
Consumers Power Company	U-7512-R	PSCR Reconciliation
Oceana Electric	U-7973	Rate Case
Wolverine Power Supply	U-8115	Rate Case
Wolverine Power Supply	U-7872-R	PSCR Reconciliation
Ontonagon County REA	U-8049-R	PSCR Reconciliation

QUALIFICATIONS OF NANCY G. KATSARELAS

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1	Thumb Electric Coop.	U-8051-R	PSCR Reconciliation
2	Detroit Edison Company	U-7775-R	PSCR Reconciliation
3	Wolverine Power Supply	U-8052-R	PSCR Reconciliation
4	Detroit Edison Company	U-8020-R	PSCR Reconciliation
5	Ontonagon County REA	U-8281-R	PSCR Reconciliation
6	Wolverine Power Supply	U-8284-R	PSCR Reconciliation
7	Blue Water Beach Water Co.	U-8915	Rate Case
8	Alpena Power Company	U-8936	Rate Case
9	Wisconsin Public Service	U-8587-R	PSCR Reconciliation
10	Wolverine Power Supply	U-8543-R	PSCR Reconciliation
11	Northern States Power	U-8884-R	PSCR Reconciliation
12	Wisconsin Public Service	U-8882-R	PSCR Reconciliation
13	Fruitbelt Electric Co.	U-8889-R	PSCR Reconciliation
14	Indiana Michigan Electric	U-8905-R	PSCR Reconciliation
15	Consumers Power Company	U-9346	Rate Case
16	Detroit Edison Company	U-10103-R	PSCR Reconciliation
17	Wisconsin Electric Power Company	U-10183	Rate Case

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to describe the review performed and the results of that review presented as Staff's position relating to implementation costs of The Detroit Edison Company (DECO).

Q. Describe Staff's review of Electric Choice Implementation Costs.

A. Staff performed an on-site audit of the implementation cost for twelve months ending December 31, 1999. The audit consisted of reviewing contractor invoices, company related labor and expense summaries, Internal Audit Reports on this program for years 1998 and 1999, the overall reasonableness of charges recorded on the company books and records relating to the open access program and other data which discussed this program.

Q. Would you please discuss the Staff's finding and recommendation regarding Detroit Edison's implementation costs?

A. Yes. I would refer you to exhibit S-3 (NGK-1), titled "Electric Restructuring Implementation Costs for twelve months ended December 31, 1999." Lines 1-6 summarizes the cost presented by Company witness, Joe McCormick (A-1 (JAM-1)).

I have also included Mr. McCormick's Carrying Costs and his adjustment, which leads to Line 8, the total Detroit Edison Implementation Cost, which the Company is seeking to recover through this proceeding.

Lines 10-13 are Staff's adjustments which I will explain. On line 10 I have reversed

$521,524, which is an amount that MPSC Staff witness, G. Geml, adjusted in the 1998 Implementation Cost Case No. U-11956 and Mr. McCormick adjusted in his presentation in the current case. This amount is not relevant to the 1999 cost period.

On Line 10 my adjustment represents a percentage (37%) of DECO labor that has been determined to be non-incremental in nature. By non-incremental I mean that a certain percent of DECO labor is from a labor force already employed by Edison prior to the start-up of an Energy Choice Program and did not result from any additional expense to the company since their last major rate case (Case No. U-10102).

The percent of DECO labor determined to be non-incremental is 37% for 1999. This percentage is from a detailed study made by DECO's Internal Audit's Staff after performing an audit of the Implementation Program. The prior year (1998) had been 45%. These adjustments for non-incremental labor have been presented by Staff's Mr. Geml in Case No. U-12478, which is the securitization case before this Commission.

Line 11 is a reversal of DECO's carrying costs as presented by Company witness Mr. McCormick.

I have reversed this amount out as the computation included non-incremental labor. The company had computed this amount, on a monthly basis, and did not make an adjustment for non-incremental labor as they did not have an estimate of the amount

of labor during the year. The $1,962,412 is the cumulative carrying cost for the access program costs to date.

Line 12 is Staff's carrying cost with non-incremental labor removed (37%). I roughly computed 37% of the cumulative non-incremental labor for 1999. Ideally an estimate of non-incremental labor would be computed on a monthly basis, removed from the cumulative program costs and then a monthly carrying cost would be determined. Because DECO has yet to arrive at an estimate for non-incremental labor during the year, they have been unable to remove any portion of their own labor that would represent non-incremental labor. It would not be difficult for them to make an estimate, or use the prior years' actual percentage with a true up when the year is complete.

I have added Line 13 to show that there would be a slight difference in the result of using two different methods for calculating carrying cost. I have computed my cost on 12 months cumulative balance. Good account practices, performed by the company would use the beginning balance and half of the new additional costs to arrive at a base. To this base the ROR of 10.01% (pretax) would be applied. This line also explains any difference that would be noted between my presentation and the amounts for 1999 presented in the Securitization case before this Commission (Case No. U-12478).

Q. Does this conclude your testimony?

A. Yes, it does.