STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

*****

In the matter of the Application of	)	
THE DETROIT EDISON COMPANY	)	
to recover implementation costs for the	)	**Case No. U-12892**
period ended December 31, 2000	)	
	)	

QUALIFICATIONS AND TESTIMONY OF

NANCY G. KATSARELAS

July 31, 2001

QUALIFICATIONS OF NANCY G. KATSARELAS

CASE NO. U-12892
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. Whom are you employed by 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.

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 case and also assisted on large depreciation cases. I was frequently assigned to the Compliance Audit Section, which audited 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 reconciliation 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.

QUALIFICATIONS OF NANCY G. KATSARELAS

CASE NO. U-12892
PART I

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
Thumb Electric Coop.	U-8051-R	PSCR Reconciliation
Detroit Edison Company	U-7775-R	PSCR Reconciliation
Wolverine Power Supply	U-8052-R	PSCR Reconciliation
Detroit Edison Company	U-8020-R	PSCR Reconciliation
Ontonagon County REA	U-8281-R	PSCR Reconciliation
Wolverine Power Supply	U-8284-R	PSCR Reconciliation
Blue Water Beach Water Co.	U-8915	Rate Case
Alpena Power Company	U-8936	Rate Case
Wisconsin Public Service	U-8587-R	PSCR Reconciliation
Wolverine Power Supply	U-8543-R	PSCR Reconciliation
Northern States Power	U-8884-R	PSCR Reconciliation
Wisconsin Public Service	U-8882-R	PSCR Reconciliation
Fruitbelt Electric Co.	U-8889-R	PSCR Reconciliation
Indiana Michigan Electric	U-8905-R	PSCR Reconciliation

QUALIFICATIONS OF NANCY G. KATSARELAS

CASE NO. U-12892
PART I

Company	Case No.	Type
Consumers Power Company	U-9346	Rate Case
Detroit Edison Company	U-10103-R	PSCR Reconciliation
Wisconsin Electric Company	U-10183	Rate Case
Wisconsin Electric Company	U-11837	Rate Case
Detroit Edison Company	U-12359	Program Audit
Wisconsin Electric Company	U-12725	Rate Case

TESTIMONY OF NANCY G. KATSARELAS

CASE NO. U-12892
PART II

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

A. The purpose of my testimony is to describe the audit performed on the retail open access program costs for year ended December 31, 2000 and to present Staff's position relating to year-end costs.

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

A. Staff performed an on-site audit of the implementation cost for the twelve months ending December 31, 2000. The audit consisted of reviewing contractor invoices, company related labor and expense summaries, Internal Audit Reports, journal entries and the overall reasonableness of charges recorded on the company books and records relating to the open access program.

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

A. Yes. I would refer to Exhibit S-_____(NGK-1), titled, "Electric Choice Implementation Costs for twelve months ended December 31, 2000." The exhibit summarizes, on lines 1-6, the costs presented by Company witness Joseph McCormick, A-_____(JAM-1). Each category is made up of Company labor, Contractor and Consultant labor, and material, equipment and other costs. Also included are overhead charges.

Invoices support the sample of contractor billings, consultant labor, material and equipment expense. Staff sampled those invoices and found no material discrepancies.

All cost for the year 2000 were booked directly to account #186, a deferred asset account. They were not expensed and closed out to the income statement at year-end like normal operating expenses.

The equipment purchase for this program was deferred to the #186 account rather than booked to Plant accounts.

Q. Did you review DECO labor expense and determine if there was any non-incremental labor?

A. A schedule of company labor, prepared by the internal auditors, calculated the non-incremental labor percentage. For year ended December 31, 2000, the percentage of non-incremental labor was 29%.

The non-incremental labor is the portion of DECO labor that is recovered through base rates. The remaining portion of labor is new labor hired subsequent to the last DECO rate case, MPSC Case No. U-10102, January 21, 1994.
Company witness, Mr. Joseph McCormick, included non-incremental labor in his filed exhibit. Total DECO labor was $3,600,129 including $1,044,037 of non-incremental labor. The total company labor should be $2,556,092 when the non-incremental labor portion is removed.

Q. Are you recommending any disallowances?

A. Yes. I am recommending that $1,044,037 of non-incremental company labor be removed from the $27,360,033 implementation costs before carrying cost are computed. This disallowance is consistent with the Commission's findings in MPSC Case No. U-12359.

Q. Are you including carrying costs in your presentation?

A. Yes. Carrying cost are computed using the 7% rate authorized in MPSC Case No. U-12359. The company has computed carrying cost on a monthly basis. Staff recomputed carrying cost by first removing 29% of monthly labor from monthly expenses.

Q. What is the total Electric Choice Program Implementation cost Staff is supporting in the proceeding after making the above adjustments?

A. The total implementation cost for year ended December 31, 2000 should be approximately $27,225,289.

Q. Do you have any further comments to make regarding this matter?

A. Yes. I would like to mention that the scope of this audit did not include an evaluation of the electric choice program. The audit was performed on financial data only. The purpose of the audit was to determine if the amounts booked for implementation costs by Detroit Edison and presented by the Company witness, Mr. Joseph McCormick, are fair and reasonable.

Q. Does that conclude your testimony?

A. Yes.

DETROIT EDISON ENERGY CO.
Electric Choice Implementation Costs
for twelve months ending December 31, 2000

Case No: U-12892
Exhibit: S-_____(NGK-1)
Witness: N.G. Katsarelas

LINE	DESCRIPTION	Year 2000
1	Customer Transactions	3,861,804
2	Supplier Transactions	2,381,775
3	Communication & Education	1,057,555
4	Data Equipment Acquisition	5,843,977
5	Information Systems	14,214,922
	SUBTOTAL	27,360,033
	STAFF ADJUSTMENTS	
6	Carrying Costs (7%)	909,293
7	Adjustment for non-incremental labor	(1,044,037)
8	**ADJUSTED ELECTRIC CHOICE EXPENSE**	27,225,289

PROOF OF SERVICE

MICHIGAN PUBLIC SERVICE COMMISSION

JUL 31 2001

FILED

STATE OF MICHIGAN)

)

County of Ingham)

Case No. U-12892

Cindy Stephens, being duly sworn, deposes and says that on July 31, 2001, A.D. she served a copy of the attached Testimony and Exhibits, by mailing copies thereof by first class mail, postage prepaid or by inter-departmental mail, to the persons as shown on the attached service list.

Cindy Stephens

Subscribed and sworn to before me this 31st day of July A.D., 2001

Gloria Pearl Jones

Gloria Pearl Jones
Notary Public, Ingham County, Michigan,
My Commission Expires: June 5, 2003

GLORIA PEARL JONES
Notary Public, Ingham County, MI
My Commission Expires June 5, 2003

SERVICE LIST FOR DOCKET # U - 12892- CASE #
DATE OF PREPARATION: 07/31/2001

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