

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the Matter of the Application of	)	
CONSUMERS ENERGY COMPANY for	)	
Approval of a Gas Cost Recovery Plan and	)	Case No. U-14716
Authorization of Gas Cost Recovery	)	
Factors for the 12-Month Period	)	
April 2006 – March 2007	)	
_____	)	

MOTION TO STRIKE TESTIMONY AND EXHIBIT OF
MCAAA WITNESS GEOFFREY CRANDALL

Consumers Energy Company (“Consumers Energy” or the “Company”) moves to strike the following portions of the prefiled testimony and exhibit of Michigan Community Action Agency Association (“MCAAA”) witness Geoffrey Crandall in Case No. U-14716:

- (i) Page 4, line 5 through page 5 line 2;
- (ii) Page 5, line 15 beginning with “In October 2005” through page 8 line 4;
- (iii) Page 8, line 14 through line 17;
- (iv) Page 9 line 6 beginning with “My experience” through line 8;
- (v) Page 9, line 17 beginning with “The Commission” through page 13, line 19;
- (vi) Page 14, line 1 through line 19;
- (vii) Page 14, line 22 through page 15, line 2; and
- (viii) Exhibit MCA-7 (GCC-2).

Attachment A to this motion is a copy of the prefiled testimony of Mr. Crandall on which the portions of testimony that Consumers Energy is seeking to strike are shown using strikeouts. In support of this motion to strike, Consumers Energy states as follows:

1. Michigan Rule of Evidence (“MRE”) 401 defines “relevant evidence” as follows:

“‘Relevant evidence’ means evidence having any tendency to make the existence of any fact that is of consequence to the

determination of the action more probable or less probable than it would be without the evidence.”

MRE 402 states, in part, that “Evidence which is not relevant is not admissible.”

2. Case No. U-14716 is Consumers Energy’s 2006-2007 Gas Cost Recovery (“GCR”) Plan case. It is being held pursuant to Section 6h of 1982 PA 304 (“Act 304”), MCL 460.6h. MCL 460.6h(3) requires gas utilities to file a “plan describing the expected sources and volumes of its gas supply and changes in the cost of gas anticipated over a future 12-month period.” MCL 460.6h(4) requires gas utilities to file “a 5-year forecast” along with its Gas Cost Recovery (“GCR”) plan. MCL 460.6h(4) also requires the 5-year forecast to include a gas utility’s “anticipated sources of supply” and “projections of gas costs.” In addition, the statute requires a description of “all relevant major contracts and gas supply arrangements entered into or contemplated between the gas utility and its suppliers.”

3. The portions of the proposed testimony of Mr. Crandall which are identified above should be stricken because they address matters that are irrelevant to a review of Consumers Energy’s 2006-2007 GCR factors and plan case. Those portions of testimony do not present substantive evidence addressing issues relevant to Case No. U-14716. The testimony Consumers Energy seeks to strike does not make the existence of a fact that is of consequence to the determination of this case more or less probable than it would be without the evidence.

4. Mr. Crandall states that the purpose of his testimony is to address the inadequacies of Consumers Energy’s “proposed GCR plan.” He continues that Consumers Energy’s “proposed GCR plan is inadequate because it fails to specifically include natural gas cost reduction strategies, i.e., demand management and usage reduction strategy in its long-range plan to acquire natural gas resources.” April 11, 2006 Testimony and Exhibits of Geoffrey C. Crandall, at 3. In the identified testimony, Mr. Crandall seeks to address matters irrelevant to

Consumers Energy’s proposed GCR plan which include: energy conservation, energy efficiency programs, purported unemployment statistics from the U.S. Bureau of Labor Statistics, non-payment charges, and various other matters that are not relevant to an Act 304 GCR Plan case proceeding. For example, at page 7 of his proposed testimony, Mr. Crandall discusses the Commission’s alleged responsibility “to ‘do all things necessary’ to prevent the waste of natural gas under Section 14 of 1929 PA 9.” He continues on page 7 of his testimony that “[t]he legislature empowered the Commission to reduce the wasteful use of natural gas which includes many things including energy conservation and energy efficiency strategies and programs.” Even if it assumed for purposes of argument that this statement is correct, it would not justify allowing Mr. Crandall’s testimony in this GCR Plan case. Act 9 is not relevant to a GCR plan case. Section 14 of 1929 PA 9, MCL 483.114 begins with the sentence:

“The commission shall have authority to prevent the waste of natural gas in producing operations and in the piping and distribution thereof and to make rules and regulations for that purpose.”

This is not the purpose of Section 6h of Act 304. Act 9 is a separate statutory enactment that predates Act 304 by over 50 years.

5. The scope of a GCR Plan case is clearly defined in MCL 460.6h. A GCR Plan case proceeding is limited in nature and does not provide a vehicle for parties to introduce issues that are not relevant. The focus of Section 6h of Act 304 is on the sources of natural gas, volumes of natural gas, and price of natural gas. In other words, the focus of Section 6h of Act 304 is on supply. The focus of Mr. Crandall’s testimony is on ways that need for supply can be reduced through energy efficiency and conservation programs. These subjects are not relevant to a GCR Plan case proceeding.

6. The lack of relevance of energy efficiency and conservation programs in GCR Plan cases has previously been decided by the Commission. The sections of testimony that Consumers Energy seeks to strike are, in large part, the same as or very similar to testimony of Mr. Crandall that was struck previously in GCR Plan case proceedings in Case Nos. U-14403, U-14401, and U-13060.

7. Administrative Law Judge Barbara A. Stump struck similar testimony of Mr. Crandall when offered by MCAAA in Case No. U-14403, Consumers Energy Company's 2005-2006 GCR Plan case. Judge Stump held:

“As the company has directly pointed out, his testimony is very similar to testimony that Mr. Crandall offered in MichCon's 2005-2006 GCR plan case, Case No. U-14401, as well as MichCon's 2002 GCR plan case, which was Case No. U-13060. In both these cases, the testimony was stricken. And in U-13060, the commission upheld the ALJ's ruling striking the testimony, finding that it does not have authority to force a utility to engage in energy efficiency and conservation programs.” Case No. U-14403 transcript, dated November 2, 2005, at page 51.

A copy of excerpts from the transcript which contain the ruling and show the portions of testimony that were stricken are attached as Attachment B. As shown by reference to transcript pages 112-120, the portions of testimony that Consumers Energy is seeking to strike in the current case are very similar, and in some instances identical, to testimony that was struck in Case No. U-14403. The conclusions of Judge Stump are equally applicable to the testimony of Mr. Crandall which is the subject of Consumers Energy's motion to strike in the instant case.

7. Case No. U-13060, which was referred to by Judge Stump in her ruling in Case No. U-14403, was also a GCR Plan case. In Case No. U-13060, Administrative Law Judge Daniel Nickerson also granted a motion to strike proposed testimony and exhibits of Mr. Crandall that sought to raise energy efficiency and conservation program issues. The

Commission upheld the decision to strike the testimony. At pages 31-32 of its March 12, 2003

Order the Commission stated:

“6. Stricken testimony

A. Energy efficiency and conservation programs.

The MCAAA attempted to introduce testimony in support of its position that the Commission should require Mich Con to ameliorate high gas costs to residential and low-income customers by adopting effective energy efficiency and conservation programs. The ALJ ordered the bulk of such proposed testimony stricken from the record.

In its exceptions, the MCAAA objects to the ALJ’s evidentiary ruling and urges the Commission to require Mich Con to lower its gas costs through implementation of effective energy efficiency and conservation measures.

In response, Mich Con states that the Commission has no authority under Act 304 to order Mich Con to conduct energy efficiency and conservation programs.

The Commission finds that the MCAAA’s exception lacks merit. It is well established that the Commission has no authority to force a utility to engage in energy efficiency and conservation programs against its wishes. Ford Motor Co v Public Service Comm, 221 Mich App 370; 562 NW2d 224 (1997).” March 12, 2003 Order, Case No. U-13060, pp. 31-32.

In Power Supply Cost Recovery Plan (similar to GCR Plan cases MCL 460.6j) Case Nos. U-14701 and U-14702, very similar testimony of Mr. Crandall was also stricken due to its irrelevance to the plan cases. The same conclusions would be applicable to MCAAA’s attempts to introduce similar testimony in the current Consumers Energy GCR Plan case.

9. Portions of the testimony identified above should also be stricken because, in addition to being irrelevant, they contain impermissible legal opinion regarding the applicability of various statutory requirements or hearsay. These would include page 4, line 23 through page 5 line 2, which contains legal opinion in the nature of argument related to Act 304, and

page 7 line 10 through page 8 line 4, which purports to address the legal scope of section 14 of 1929 PA 9 and purports to interpret duties placed on the Commission and parties. Mr. Crandall is not qualified to testify thereto in the form of an opinion or otherwise. Furthermore, such opinions will not assist the trier of fact to understand the evidence or determine a fact in issue, and thus are not proper subjects for expert testimony under MRE 702. Testimony at page 10, lines 4-6 in addition to being irrelevant, relies upon documents that the witness did not create. Hearsay is defined in MRE 801(c) in the following manner:

“‘Hearsay’ is a statement, other than one made by the declarant while testifying at the trial or hearing, offered in evidence to prove the truth of the matter asserted.”

MRE 802 states that “Hearsay is not admissible except as provided by these rules.” No hearsay exceptions are applicable to the specified testimony.

WHEREFORE, Consumers Energy respectfully requests that the Commission:

- (i) Strike the testimony and exhibit of MCAAA witness Geoffrey Crandall specified above on the grounds that such testimony is irrelevant, contains impermissible legal opinion, and/or contains inadmissible hearsay, and
- (ii) Provide Consumers Energy with such further relief as is just and reasonable.

Respectfully submitted,

CONSUMERS ENERGY COMPANY

Dated: May 24, 2006

By:

 Digitally signed by Rhonda M. Morris
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ATTACHMENT A

STATE OF MICHIGAN
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In the matter of the application of)
CONSUMERS ENERGY COMPANY)
for Approval of a Gas Cost Recovery Plan)
and authorization of Gas Cost Recovery)
Factors for the 12-Month Period)
April 2006-March 2007)
_____)

Case No. U-14716

**Testimony and Exhibits of
Geoffrey C. Crandall**

On Behalf of:

The Michigan Community Action Agency Association

April 11, 2006

1 **Q. What is your name and business address?**

2 **A. My name is Geoffrey C. Crandall. My business address is MSB Energy**
3 **Associates, Inc., 7507 Hubbard Avenue Suite 200, Middleton, Wisconsin 53562.**

4 **Q. On whose behalf are you testifying today?**

5 **A. I am testifying on behalf of the Michigan Community Action Agency Association**

6 **Q. Please describe your background and experience in the field of gas and**
7 **electric utility regulation.**

8 **A. I am a principal and the Vice President of MSB Energy Associates, Inc. I have**
9 **over 32 years of experience in utility regulatory issues, including resource**
10 **planning, restructuring, mergers, fuel, purchase power and gas cost recovery and**
11 **planning analysis, energy efficiency, conservation and load management impacts,**
12 **program design and other issues. I have provided expert testimony before more**
13 **than a dozen public utility regulatory bodies throughout the United States. I have**
14 **provided expert testimony before the United States Congress on several occasions**
15 **and have previously filed testimony on Power Supply Cost Recovery and Gas**
16 **Cost Recovery planning and reconciliation cases before the Michigan Public**
17 **Service Commission.**

18 **My experience includes over 15 years of service on the Staff of the Michigan**
19 **Public Service Commission (Commission). In my tenure at the Commission, I**
20 **served as an analyst in the Electric Division (Rates and Tariff section) involving**
21 **rate as well as fuel and purchase power cases. I also served as the Technical**
22 **Assistant to the Chief of Staff, supervisor of the energy conservation section**
23 **(involving residential and commercial energy efficiency programs). I also served**

1 as the Division Director of the Industrial, Commercial and Institutional Division.
2 In that capacity, I was Director of the Division that had responsibility for the
3 energy efficiency and conservation program design, funding, and implementation
4 of Michigan utility and DOE-funded programs and initiatives involving Industrial,
5 Commercial and Institutional gas and electric customers throughout Michigan.
6 In 1990, I became employed by MSB Energy Associates, Inc. and have served
7 clients throughout the United States on numerous projects related to system
8 planning, fuel, purchase power and gas cost recovery assessments, energy
9 efficiency and load management program development, electric restructuring,
10 customer impact analyses, and other issues. My vita is attached as Exhibit MCA-
11 6 (GCC-1).

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

13 **A.** The purpose of my testimony is to address several aspects of the applicant's
14 deficient and incomplete GCR plan filing. CECO's proposed GCR plan is
15 inadequate because it fails to specifically include natural gas cost reduction
16 strategies i.e., demand management and usage reduction strategy in its long-range
17 plan to acquire natural gas resources. In addition the proposed GCR factor is
18 unnecessarily high and should not be authorized for several reasons as is
19 described more fully in my testimony and the testimony of MCAAA witness
20 Mendl. MCAAA is recommending the following:

- 21 1) That the Commission not approve the GCR plan or factor as proposed by
22 CECO, but instead approve lower GCR gas costs based on the

1 methodology proposed by MCAAA witness Mendl as well as the
2 adjustments described in this testimony.

3 2) Vulnerable, low-income customers be held harmless and exempt from
4 upward adjustments to CECO's quarterly indexing mechanism.

5 ~~3) The applicant waive its disconnect, reconnect and collection fees for its~~
6 vulnerable, low income customers resulting from problems of non-
7 payment or, at a minimum, retain the temporary rule changes applied to
8 qualified low-income GCR customers that were put in place by the
9 Commission for the 2005-2006 heating period, until further modified by
10 Commission Order.

11 4) In order to reduce the GCR costs, the Commission direct the applicant to
12 immediately initiate a collaborative process to develop resource
13 displacement plans i.e., energy efficiency programs for GCR customers
14 especially vulnerable, low income customers and have them submitted as
15 an integral part of the subsequent GCR planning case.

16 **Q. Why does MCAAA believe it's important to participate in this case?**

17 **A.** MCAAA commends the Commission for establishing the U-14667 proceeding to
18 explore options for energy efficiency programs in Michigan for gas and electric
19 customers. MCAAA also appreciates the Commissions action in U-14347
20 establishing a Low Income and Energy Efficiency fund for CECO as well as its
21 ongoing efforts facilitating and administering the LIEE fund. This crucial
22 initiative has provided sorely needed funds to help many families and low-income
23 ~~customers to keep the lights and heat on in Michigan. Act 304 places a duty on~~

1 ~~the Applicant to formulate a reasonable five year natural gas resource plan as well~~

2 ~~places the duty and burden on the Applicant to minimize the cost of natural gas.~~

3 The Applicant is seeking authority from the Commission to impose steeply
4 increased costs on GCR, residential and vulnerable low-income customers for
5 their natural gas use. MCAAA is disturbed by the proposed GCR factor in view
6 of Michigan's current economic plight. Low-income GCR customers simply do
7 not have the ability to pay these enormously increased costs which are proposed.
8 MCAAA believes that a sound natural gas energy plan is crucial to the States
9 long-term economic condition as well as the overall quality of life of its citizens.

10 This is a unique proceeding where the Commission and interested parties (who
11 may be expected to pay for the gas resources selected) have their input and are
12 able to look forward five years and see what the choices exist. Forecasts and
13 expense projections include anticipated demand, employment, industrial
14 production, resource prices, competition as well as the anticipated customer needs
15 for the commodity during the upcoming period. ~~In October 2005, the~~

16 ~~Commission in its Order U 14667 indicated that "the Commission finds that a~~
17 ~~rational energy policy for Michigan must include efforts towards identifying and~~
18 ~~implementing practical, cost effective and achievable reductions in energy~~
19 ~~demand through energy efficiency programs"~~

20 **Q. Has the applicant developed and proposed in this case a long-range energy**
21 **plan that is in synch with the Commission's desire for a rational energy**

22 ~~policy which includes "efforts towards identifying and implementing~~

1 ~~practical, cost effective and achievable reductions in energy demand through~~
2 ~~energy efficiency programs”?~~

3 A. Absolutely not. After reviewing the applications and the testimony, discovery
4 responses and other relevant materials we believe that the Applicant has not
5 included significant options and technologies to manage customer demand or
6 usage reduction strategies. Therefore the proposed plan is not consistent with the
7 public interest, is flawed, deficient and therefore should be rejected by the
8 Commission. The applicant should include significant energy efficiency,
9 conservation and customer usage reduction strategies in its five-year plan as a
10 resource displacement to reduce GCR costs.

11 Q. Is it reasonable to assume that CECO could offer energy efficiency services
12 to its GCR customers to help reduce the GCR costs?

13 A. Yes. In the 1970's and 1980's Consumers offered its customers various programs
14 including the Customer Information Program, Michigan Residential Conservation
15 Services Program (MRCS), Zero Interest (ZIP) loan program for ceiling
16 insulation and vent dampers and the Below Market Loan programs for residential
17 efficiency improvements, the Michigan Business Energy Efficiency Program and
18 the Insulation Outreach Program. After extensive studies and evaluations that
19 were the subject of hearings in case U-8528, the Commission determined that the
20 MRCS and ZIP programs benefits exceeded their costs and were deemed to be
21 cost-effective. CECO terminated those programs and services. They are not
22 currently offered. The company over the years has demonstrated quite
23 conclusively that they have the capability to design, develop, implement and

1 ~~manage energy efficiency programs in a cost effective manner. The Applicant~~
2 should re-institute energy efficiency programs, offer them to their customers and
3 integrate the projected impact of those programs in its five-year GCR plan. More
4 recently in its Order U-14667 the Commission mentioned that CECO has very
5 extensive experience with energy efficiency programs beginning more than three
6 decades ago. The Commission in December 2005 has ordered that approximately
7 \$27,000,000 be designated annually for the Low Income and Energy Efficiency
8 Fund. CECO has a long history of providing substantial and cost effective energy
9 conservation and efficiency service to its customers.

10 **Q. Do you believe this is the proper forum to discuss the proposed GCR factor,**
11 **gas resource alternatives, planning and the expected acquisition of gas**
12 **supplies for GCR customers?**

13 **A.** Yes. This is clearly the proper forum to deal with the operational elements that
14 impact GCR customer costs and gas supply. In this application CECO seeks
15 authorization of a GCR factor in excess of \$11 with an opportunity to add an
16 additional \$3.50, subject to a 70% coefficient. If approved, GCR customers
17 would carry the burden to pay these costs. The Commission has an obligation and
18 duty to "do all things necessary" to prevent the waste of natural gas under Section
19 14 of 1929 PA 9. The legislature empowered the Commission to reduce the
20 wasteful use of natural gas which includes many things including energy
21 conservation and energy efficiency strategies and programs. The annual five-year
22 gas planning case is the forum wherein the Commission and interested parties
23 ~~have access to a process that has existed for several decades to examine gas~~

1 ~~utilities' plans to meet customer needs for the upcoming five-year period.~~

2 Forecasts include anticipated demand levels. This is not static, instead it is
3 influenced by numerous variables, including price, terms and the magnitude of
4 ~~customers who need the commodity during that five-year period.~~

5 **Q. Are there other important issues that the Commission should consider**
6 **regarding the new GCR factor proposed by CECO?**

7 **A.** Yes. The Commission should consider such factors as rate shock, ability of
8 customers to pay and options to moderate abrupt increases and high gas costs.
9 The Commission should ensure that there are some incentives and backstops in
10 place to remove or moderate gas cost increases and volatility, and provide more
11 certainty to the rate paying public with respect to gas costs. After all, gas
12 customers need a basis for planning their gas consumption and budgets for paying
13 for gas bills.

14 ~~Rate shock is also especially important when considering the rate impacts on low~~
15 ~~income customers who are already burdened by a disproportionate share of their~~
16 ~~income being spent on energy costs. Approximately 30% of Michigan residents~~
17 ~~fall below 200% of the Federal poverty guidelines.~~

18 **Q. Why is that relevant in this GCR case?**

19 **A.** CECO's low-income customers are GCR customers, and will be affected by the
20 price increases emanating from the contingent factor as well an adjusted upward
21 GCR factor. Impacts to low-income customers are relevant and must be
22 considered because CECO's contingent factor method creates an opportunity for
23 almost unlimited automatic increases in gas rates up to 70% of the proposed \$3.50

1 Mcf ceiling amount with no Commission consideration or review of the potential
2 impacts on low-income customers. CECO's proposal uses a contingent factor
3 coefficient of 70%, which means that the increase in the GCR is nearly three
4 quarters as large as the increase in NYMEX. A large unexpected rate increase
5 represents a large burden on residential customers, and especially low-income
6 customers. ~~My experience in other states suggests that regulatory bodies would~~
7 ~~strive to find alternatives which would smooth out moderate increases of~~
8 ~~large magnitude to prevent abrupt rate shock.~~

9 **Q. What might the Commission consider to mitigate rate impacts on low-income**
10 **customers?**

11 **A.** The Commission should exempt vulnerable low-income customers from
12 contingent factor increases. This would cap rates for low-income customers at the
13 base GCR. In so doing, the Commission in establishing the base GCR rate would
14 be giving full consideration to the special problems and burdens faced by low
15 income customers. This modification would help vulnerable low-income
16 customers by providing a locked-in rate to needy, qualified low-income customers
17 which would provide some relief and more certainty for such customers. ~~The~~
18 ~~Commission should require the company to implement aggressive communication~~
19 ~~procedures, such as billing inserts (with applications), to assist customers in~~
20 ~~applying for low-income programs such as LIHEAP, the Weatherization~~
21 ~~Assistance Program, or The Heat And Warmth Fund (THAW), etc.~~

1 ~~Q. What information do you have that would suggest the approval of the~~
2 ~~applicant's request would create a hardship for residential and low-income~~
3 ~~customers in Michigan?~~
4 ~~A. According to the U.S. Bureau of Labor Statistics (February 2006) Michigan~~
5 ~~unfortunately is experiencing a 6.6% unemployment rate. Of all the states only~~
6 ~~Alaska and Mississippi has higher unemployment levels than Michigan. With the~~
7 ~~high cost of automobile fuels currently and the corresponding softening of~~
8 ~~demand in the automotive market it's hard to tell how long these high levels of~~
9 ~~unemployment may last.~~
10 ~~If this application (as proposed) is approved this would most certainly result in~~
11 ~~rate shock to low income customers, especially those on fixed incomes. It would~~
12 ~~also have a significant adverse economic impact on many households in~~
13 ~~Michigan. This comes at a most inopportune time in Michigan when many~~
14 ~~households have their backs up against the wall economically, and when~~
15 ~~Michigan is experiencing continuing job losses, monetary losses in the~~
16 ~~automotive and related sections and an overall tough economy. Approval of this~~
17 ~~very significant increase by the applicant would impose severe hardships on a~~
18 ~~population that is experiencing very high unemployment and difficult economic~~
19 ~~conditions. Governor Granholm has issued a press release expressing her concern~~
20 ~~about the well being of vulnerable low-income customers and the potential impact~~
21 ~~of rising natural gas costs. In addition, she has issued Executive Order No. 2006-~~
22 ~~2, which acknowledges the hardships customers face resulting from increased~~
23 ~~energy prices.~~

1 ~~“Whereas, recent price shocks in the international and domestic~~
2 ~~energy markets have resulted in rising energy costs that have~~
3 ~~placed increased strain on Michigan businesses and citizens,~~
4 ~~especially low-income residents struggling to pay utility bills”.~~
5

6 In the Executive Order, the Governor directs the Chairman of the
7 Commission to prepare a proposed Energy Plan for the State of Michigan
8 by December 2006 that is to include:

9 “The appropriate use and application of *energy*
10 *efficiency*, alternative energy technology, and renewable
11 energy technologies shall be consistent with the goal of
12 assuring reliable, safe, clean and affordable energy”
13 (emphasis added)
14

15 Q. Has the applicant developed and proposed adoption of a reasonable and prudent
16 GCR forecast and plan?

17 A. No. In our review of the filing and in discussions with the Applicant, we have not
18 seen any effort by the Applicant to include demand management or usage
19 reduction strategies in meeting its resource needs over the upcoming five years.
20 The applicant should include energy efficiency, conservation and customer usage
21 reduction strategies in its five year GCR plan.

22 Q. **Have other utilities providing natural gas been offering energy efficiency and**
23 **conservation service to their customers?**

24 A. Yes. Energy efficiency services and energy conservation strategies and options
25 are being made available throughout the United States by gas utilities. I have
26 personally worked on a number of projects reviewing and suggesting modification
27 of various energy efficiency and conservation programs involving gas utilities.

1 ~~MCAAA Witness Kushler has described numerous electric and gas utility energy~~
2 efficiency programs in his testimony and exhibits in this proceeding. I found his
3 exhibit and description of programs in his testimony to be credible and useful.

4 **Q. What level and magnitude of energy efficiency and demand management**
5 **programs do you believe is plausible for Consumers customers?**

6 **A.** MCAAA Witness Kushler has identified on page 3 of his December 2003 study,
7 entitled *Responding to the Natural Gas Crisis: Americas Best natural Gas Energy*
8 *Efficiency Programs*, a number of exemplary gas utility programs. Some of these
9 have resulted in reductions in annual consumption by approximately 2%.

10 I believe that an achievable level of savings of 1% per year is reasonable in
11 CECO's service territory. Such a program could be designed, implemented and
12 managed by CECO. If implemented in a cost-effective manner it is my opinion
13 that the GCR gas costs would be less than proposed in this application. For
14 example, if an energy efficiency program having a 1% reduction in CECO's
15 load forecast for 2006-2007 was operated by Consumers, GCR gas costs would
16 be reduced from the proposed level. By using a cost-effective energy efficiency
17 program the 2006-2007, GCR cost reductions would have resulted in a savings to
18 GCR customers of approximately \$19,000,000 per year. (See Exhibit MCA-7
19 (GCC-2). The savings to GCR customers result from reduced gas consumption
20 efforts valued at \$3 Mcf which saves GCR costs at approximately \$8 per Mcf.

21 The GCR gas bills would be lower and therefore the costs to GCR customers
22 would be reduced by using energy efficiency to displace more expensive gas that
23 ~~included in CECO's plan and forecast. We are presenting this analysis in this~~

1 ~~case because we believe that gas savings opportunities are present and CECO has~~
2 an obligation and duty in accordance with Act 304 to pursue cost reduction
3 alternatives. If CECO had pursued a cost effective energy efficiency resource
4 program with its customers it would have demonstrated to the Commission and its
5 customers that it was doing all it could to mitigate natural gas costs.

6 Unfortunately this is not being done now by CECO and GCR prices are
7 unnecessarily high as a result. There is every reason to believe that CECO has the
8 capability to design, implement and manage a cost-effective energy efficiency and
9 energy conservation program for its customers. There are a plethora of examples
10 of current energy efficiency and conservation services and strategies that the
11 applicant could tailor for use with its customers.

12 **Q. Are there further actions the Commission should consider?**

13 **A.** Yes. The Commission should ensure that the applicant creates new initiatives for
14 weatherization and energy efficiency assistance to qualified low-income
15 customers, to assist low-income customers to reduce their energy burdens by
16 reducing their level of consumption and their bills. The Commission should
17 mandate that it develop programs in a collaborative manner similar to the U-9346
18 approach. Those programs should be developed and included in the next filing of
19 the GCR plan by the applicant.

20 **Q. What are your recommendations?**

21 **A.** I recommend the Commission find that Consumers proposed five year GCR plan
22 not be approved as filed and adjustments should be made consistent with the
23 recommendations of MCAAA Witness Mendl and this testimony.

1 ~~The Commission should require that Consumers immediately develop and initiate~~
2 a substantial energy efficiency/conservation program and offer it to its GCR
3 customers as a cost reduction strategy. This should be created by the Company in
4 conjunction with a collaborative working group made up of the Commission staff,
5 intervenors, customers and interested parties. The Commission should require
6 that CECO adopt a similar program development and implementation strategy it
7 used in the Consumers Power Company U-9346 docket to establish the optimal
8 design and phase-in schedule and overall implementation strategy.

9 The Commission should require the applicant to file a progress report
10 within six months of the date of the order in this case.

11 The Commission should require that the applicant establish energy
12 efficiency programs and strategies that will result in a new increment of 1%
13 savings of natural gas per year which is 5% for its GCR customers over the
14 upcoming five years as a cost mitigation strategy for GCR customers.

15 The Commission should require that the Applicant integrate this program
16 and expected impacts into its ongoing GCR planning activities. Also, the
17 Commission should require the Applicant to specifically integrate the projected
18 energy efficiency and conservation impacts in its next five-year GCR forecast,
19 ~~that's included in its next GCR plan application.~~

20 The Commission should require that vulnerable, low-income customers be
21 exempt and held harmless from the CECO QI indexing mechanism.

22 ~~The Commission should require the applicant to waive its disconnect, reconnect~~
23 ~~and collection fees for its vulnerable, low-income customers resulting from~~

1 ~~problems of non-payment or at a minimum make permanent the rule changes that~~

2 ~~were in effect for the 2005-2006 heating season.~~

3 Q. Does this complete your testimony?

4 A. Yes.

Geoffrey C. Crandall

Vice President and Principal

EDUCATION

B.S. in Business and Pre-Law, Western Michigan University, 1974.

Mr. Crandall has also completed courses at Michigan State University Graduate School, the University of Wisconsin-Madison and Wayne State University, in areas of federal taxation, accounting, management and the economics of utility regulation. Mr. Crandall also completed the examination for the National Conference of States on Building Codes and Standards Energy Auditor.

EXPERIENCE

Mr. Crandall joined MSB in January 1990. He specializes in residential and low-income issues, the impact of energy efficiency and utility restructuring on customers. Mr. Crandall has addressed issues related to energy efficiency and residential customers and utility restructuring in California, New York, Colorado, Iowa, and Michigan. He has analyzed and/or designed energy efficiency programs for residential customers in Michigan, Georgia, Wisconsin, Arizona, and New Orleans, and has conducted workshops on low-income restructuring and energy efficiency issues in over 20 states, including Washington, Hawaii, Nevada, Kansas, Michigan, Rhode Island, California, Virginia, and New Orleans. In the energy efficiency area, Mr. Crandall has analyzed and proposed modifications to utility demand-side programs in the states of Arizona, Georgia, Hawaii, Illinois, Maine, Michigan, Minnesota, North Carolina, Ohio, Pennsylvania, Utah, Washington State, California, Iowa, Montana, Colorado, Missouri, Virginia, Wisconsin, and Washington D.C.

Prior to joining MSB, Mr. Crandall was employed by the Michigan Public Service Commission from 1974 through 1989, where he served as the Director of the Demand-Side Management Division. He was responsible for the development, implementation and monitoring of government- and utility-sponsored demand-side management, energy-efficiency and conservation policies and programs. These activities involved customers in the residential, commercial, industrial and institutional sectors. He was responsible for both pilot and full-scale programs, and conducted demand-side program design and implementation. Mr. Crandall is familiar with marketing strategies, segmentation and market-penetration analyses, as well as the implementation of successful demand-side programs.

1 Mr. Crandall has dealt with a wide variety of regulatory issues beyond energy
2 conservation, including utility diversification, non-traditional regulatory concepts,
3 incentive regulation, utility billing practices, utility power plant maintenance and
4 management of plant outages.

5
6 Mr. Crandall served as Chair of the NARUC Energy Conservation Staff Subcommittee
7 from 1986-1989. He has lectured and made presentations to many groups on demand-
8 side programs and least-cost planning, including two NARUC-sponsored least-cost
9 planning conferences; the 1990 NARUC Regional Workshops on Least-Cost Utility
10 Planning in Newport, Rhode Island and Little Rock, Arkansas; the Wisconsin Public
11 Service Commission's Integrated Resource Planning Workshop; the 1988, 1989, and
12 1990 Michigan State University Graduate School of Public Utilities and the U.S.
13 Department of Energy.

14
15 Mr. Crandall has testified before the: United States Congress, Michigan Legislature,
16 Michigan Public Service Commission, North Carolina Utilities Commission, Public
17 Service Commission of the District of Columbia, Illinois Commerce Commission, Maine
18 Public Utilities Commission, Massachusetts Department of Public Utilities, Public
19 Service Commission of Hawaii, Minnesota Public Service Commission, Iowa Public
20 Service Commission, Georgia Public Service Commission, Public Utility Commission of
21 Ohio, Virginia Public Service Commission, Wisconsin Public Service Commission, and
22 the City Council of the City of New Orleans, Louisiana.

23
24 Mr. Crandall has written several articles published in the Public Utilities Fortnightly and
25 Electricity Journal, Natural Gas Magazine, and a number of proceedings for the Biennial
26 Regulatory Information Conference and the American Council for an Energy-Efficient
27 Economy.

28 29 30 **TESTIMONY**

31
32 Case No. U-5531, (8/77), Consumers' Power Company electric rate increase application.
33 Mr. Crandall served as the Staff Witness and recommended that the Applicant initiate the
34 Residential Electric Customers' Information program.

35
36 Case No. U-6743, (3/81), Michigan Consolidated Gas Company. Mr. Crandall served as
37 the Staff policy witness and recommended that the Commission approve a surcharge to
38 cover all reasonable and prudent costs associated with Applicant's implementation of the
39 Michigan Residential Conservation Services Program.

40
41 Case No. U-6819, (6/81), Michigan Power Company-Gas. Mr. Crandall served as the
42 Staff policy witness and described the basis for the program and the expected level of
43 activity, recommending that the Commission approve a surcharge to cover all reasonable
44 and prudent costs associated with Applicant's implementation of the Michigan
45 Residential Conservation Service Program.

1 Case No. U-6787, (6/81), Michigan Gas Utilities Company. Served as the Staff policy
2 witness and described the basis for the program and the expected level of activity,
3 recommending that the Commission approve a surcharge to cover all reasonable and
4 prudent costs associated with the implementation of the Michigan Residential
5 Conservation Service Program.
6
7 Case No. U-6820, (6/81), Michigan Power Company-Electric. Served as the Staff policy
8 witness and reviewed the Applicant's request to operate the Michigan Residential
9 Conservation Service Program. Although not mandated by federal law, Applicant chose
10 to operate the program in conjunction with its other services offered to residential gas
11 customers. Recommended the establishment of a surcharge to cover all reasonable and
12 prudent costs associated with the operation of that program.
13
14 Case No. U-5451-R (10/82), Michigan Consolidated Gas Company. Served as the Staff
15 policy witness and described the Staff's position regarding Applicant's proposed
16 adjustment of surcharge level. Recommended that the eligibility criteria for customers be
17 adjusted to more accurately reflect proper fuel consumption and to include customers
18 who would be likely to realize a seven-year return on their investment by installing
19 flue-modification devices in conjunction with Applicant's financing program.
20
21 Case No. U-6743-R, (10/82), Michigan Consolidated Gas Company. Served as the Staff
22 policy witness regarding the Applicant's proposed expenses and revenues, as well as the
23 reasonableness of activity and expense levels in the company's projected period.
24
25 Case No. U-7341 (12/84), Detroit Edison Company, Request for Authority for Certain
26 Non-Utility Business Activities. Represented the Staff's position during settlement
27 discussions and sponsored the settlement agreement.
28
29 Case No. U-6787-R, (3/84), Michigan Gas Utilities Company. Served as the Staff
30 witness regarding the Applicant's proposed expenses and revenues. This also included a
31 review of the company's future expenses associated with the Energy Assurance Program,
32 the Specialized Unemployed Energy Analyses, and the Michigan Business Energy
33 Efficiency Program expenses.
34
35 Case No. U-8528, (3/87), Commission's Own Motion on the Costs, Benefits, Goals and
36 Objectives of Michigan's Utility Conservation Programs. Represented the Staff on the
37 costs and savings of conservation programs and the other benefits of existing programs,
38 and described alternative actions available to the Commission relative to future
39 energy-conservation programs and services and other conservation policy matters.
40

1 Case No. U-8871, et al., (4/88), Midland Cogeneration Venture Limited Partnership. For
2 approval of capacity charges contained in a power-purchase agreement with Consumers'
3 Power Company. Served as the Staff witness on Michigan conservation potential and
4 reasonably achievable programs that could be operated by Consumers' Power Company,
5 and testified to the potential impact of these conservation programs on the Company's
6 request for use of its converted nuclear plant cogeneration project. Also recommended
7 levels of demand-side management potential for the commercial, industrial and
8 institutional sectors in Consumers' Power service territory.

9
10 Case No. U-9172, (1/89), Consumers' Power Company, Power-Supply Cost-Recovery
11 Plan and Authorization of Monthly Power-Supply Cost-Recovery Factors for 1989.
12 Served as Staff witness on the conservation potential and reasonably achievable programs
13 that could be operated by Consumers' Power Company. Testified to the potential impact
14 of these conservation programs on the Company's fuel and purchase practices, its
15 five-year forecast and the fuel factor. Recommended levels of demand-side management
16 potential for the commercial, industrial and institutional sectors in Consumers' Power
17 service territory as an offset to its more-expensive outside and internally generated
18 power. Suggested that CPCO vigorously pursue conservation, demand-side management
19 research, and planning and program implementation.

20
21 Case No. U-9263, (4/89), Consumers' Power Company Request to Amend its Gas Rate
22 Schedule to Modify its Rule on Central Metering. Served as a Staff witness on the
23 conservation effect of converting from individual metered apartments to a master meter.
24 Suggested that the Commission continue its moratorium on the master meters, due to the
25 adverse energy-conservation and efficiency impact.

26
27 Case No. E-100 (1/90) North Carolina Public Service Commission proceeding on review
28 of the Duke Power Company's least-cost utility plan. Testified on behalf of the North
29 Carolina Consumers' Council regarding utility energy-efficiency and demand-side
30 management programs and the concept of profitability and implementation of
31 demand-side management programs.

32
33 Case No. 889 (1/90) Public Service Commission of the District of Columbia. Testified on
34 behalf of the Government of the District of Columbia in the Potomac Electric Power
35 Company's application for an increase in its retail rates (general rate case). Sponsored
36 testimony regarding the design and implementation and overall appropriateness of
37 PEPCO's existing and proposed energy-efficiency and conservation programs.

38
39 Case No. 889 (4/90) Public Service Commission of the District of Columbia. Provided
40 supplemental direct testimony and testified on behalf of the Government of the District of
41 Columbia in the Potomac Electric Power Company's application for an increase in its
42 retail rates (general rate case). Offered supplemental testimony regarding a more detailed
43 review of PEPCO's existing pilot and full-scale energy-efficiency and conservation
44 programs. Offered suggestions and recommendations for a future direction for PEPCO to
45 pursue in order to implement more cost-effective and higher-impact energy-efficiency
46 and conservation programs.

1
2 Case No. ICC Docket 90-004 and 90-0041 (6/90) Illinois Commerce Commission
3 proceeding to adopt an electric-energy plan for Central Illinois Light Company (CILCO).
4 Testified on behalf of the State of Illinois, Office of Public Counsel and the
5 Small-Business Utility Advocate. Reviewed the CILCO electric least-cost plan filing and
6 the conservation and load-management programs proposed in its filing. Sponsored
7 testimony regarding my analysis of the proposed programs, and offered alternative
8 programs for the Company's and the Commission's consideration.
9

10 Case No. D.P.U. 90-55 (6/90) Commonwealth of Massachusetts Department of Public
11 Utilities. Testified on behalf of the Commonwealth of Massachusetts, Division of Energy
12 Resources. Reviewed and analyzed Boston Gas' proposed energy-conservation programs
13 that were submitted for pre-approval in its main rate case. In addition, suggested that it
14 might consider implementation of other natural-gas energy- efficiency programs, and not
15 award an economic incentive for energy-efficiency and conservation programs until
16 minimum program-implementation standards are satisfied.
17

18 Case No. U-9346 (6/90) Michigan Public Service Commission. Testified on behalf of
19 the Michigan Community Action Agency Association. Reviewed and analyzed the
20 Consumers' Power Company rate-case filing related to energy-efficiency and
21 demand-side management programs. Proposed alternative energy-efficiency programs
22 and recommended program budgets and a cost-recovery mechanism.
23

24 Case No. 89-193; 89-194; 89-195; and 90-001 (6/90) Maine Public Utilities Commission.
25 Testified on behalf of the Maine Public Advocate's Office. Reviewed the appropriateness
26 of Bangor Hydro-Electric Company's existing energy-efficiency and demand-side
27 management programs in the context of BHE's main rate case and request for approval to
28 construct the Basin Mills Hydro-Electric dam. Reviewed the overall resource plan and
29 suggested alternative programs to strengthen the energy-efficiency and demand-side
30 management resource efforts.
31

32 Case No. 6617 (4/91) Hawaii Public Utility Commission. Testified on behalf of the
33 Hawaii Division of Consumer Advocacy. Described what demand-side management
34 resources are, why they should be included in the integrated resource planning process,
35 and proposed the implementation of several pilot projects in Hawaii along with
36 guidelines for the pilot programs.
37

38 Case No. E002/GR-91-001 (5/91) Minnesota Public Utilities Commission. Testified on
39 behalf of Minnesotans for an Energy Efficient Economy. Assessed the DSM programs
40 being operated or proposed by Northern States Power Company and made
41 recommendations as to ways in which NSP could improve its DSM efforts.
42

43 Case No. 905 (6/91) Public Service Commission of the District of Columbia. Testified
44 on behalf of the District of Columbia Energy Office. Responded to the energy-efficiency
45 and load management aspects of Potomac Electric Company's filing and made several
46 recommendations for DC-PSC action.

1
2 Case No. 6690-UR-106 (9/91) Public Service Commission of Wisconsin. Testified on
3 behalf of The Citizens' Utility Board of Wisconsin. Assessed the DSM programs being
4 operated or proposed by the Wisconsin Public Service Corporation, made
5 recommendations as to the WPSCO energy efficiency programs, and suggested ways the
6 company could improve its DSM efforts.
7

8 Case No. E002/CN-91-19 (12/91) Minnesota Public Utilities Commission. Testified on
9 behalf of Minnesota Department of Public Service. Assessed the DSM potential and
10 programs being operated or proposed by Northern States Power Company and made
11 recommendations as to the potential for energy efficiency in the NSP service territory and
12 ways in which NSP could improve its DSM efforts.
13

14 Case No. 912 (4/92) Public Service Commission of the District of Columbia. Testified on
15 behalf of the Government of the District of Columbia in the Potomac Electric Power
16 Company's application for an increase in its retail rates for the sale of electric energy.
17 Testified regarding the reasonableness of DSM and EUM policy changes, the cost
18 allocation of the DSM and EUM expenses, an examination of the prudence of
19 management regarding the energy-efficiency programs, and an examination of the
20 appropriateness of the costs associated with energy-efficiency programs.
21

22 Case No. PUE 910050 (5/92) Virginia State Corporation Commission. Testified on
23 behalf of the Citizens for the Preservation of Craig County regarding the need for the
24 Wyoming-Cloverdale 765 kV transmission line. Specifically, addressed the adequacy of
25 the DSM planning of Appalachian Power Company and Virginia Power/North Carolina
26 Power. Made recommendations as to APCO and VEPCO's energy efficiency programs,
27 and suggested ways the company could improve its DSM efforts.
28

29 Case EEP-91-8 (5/92). Iowa Utilities Board. Testified on behalf of the Izaak Walton
30 League concerning the adequacy of Iowa Public Service Company's Energy Efficiency
31 Plan. Reviewed the plan and suggested modifications to it.
32

33 Case No. 4131-U and 4134-U (5/92). Georgia Public Service Commission. Testified on
34 behalf of the Georgia Public Service Commission staff regarding the demand-side
35 management portions of Georgia Power Company's and Savannah Electric and Power
36 Company's Integrated Resource Plans. Testimony demonstrated that it is reasonable for
37 the Commission to expect that the utilities can successfully secure substantial amounts of
38 demand-side management resources by working effectively with customers.
39

40 Case 917 (8/92). Public Service Commission of the District of Columbia. Testified on
41 behalf of the District of Columbia Energy Office in hearings on Potomac Electric Power
42 Company's Integrated Resource Planning process. Addressed a number of
43 program-specific issues related to PEPCO's demand-side management efforts.
44

1 Case No. 4132-U, 4133-U, 4135-U, 4136-U (10/92). Georgia Public Service
2 Commission. Testified on behalf of the Staff Adversary IRP Team of the Georgia PSC.
3 Provided a critique of Georgia Power Company's and Savannah Electric and Power
4 Company's proposed residential and small commercial DSM programs.
5
6 Case No. 4135-U (3/93). Georgia Public Service Commission. Testified on behalf of the
7 Staff Adversary IRP Team of the Georgia PSC. Provided a critique of Savannah Electric
8 and Power Company's proposed Commercial and Industrial DSM programs.
9
10 Case No. R-0000-93-052 (12/93). Arizona Corporation Commission. Testified on behalf
11 of the Arizona Community Action Association. Critiqued and made recommendations
12 regarding the integrated resource plans and demand-side management programs of
13 Arizona Public Service Company and Tucson Electric Power Company.
14
15 Case No. 934 (4/94). Public Service Commission of the District of Columbia. Filed
16 testimony on behalf of the District of Columbia Energy Office in hearings concerning the
17 Washington Gas Light Company (WGL) general rate case application to increase existing
18 rates and charges for gas service. Testimony involved critiquing and reviewing WGL's
19 least cost planning efforts and integration of DSM, marketing and gas supply efforts.
20
21 Case No. U-10640 (10/94). Michigan Public Service Commission. Testified on behalf of
22 the Michigan Community Action Agency Association concerning the need to integrate
23 DSM and load promotion analysis into MichCon's GCR planning process.
24
25 Case No. 05-EP-7 (3/95). Wisconsin Public Service Commission. Testified on behalf of
26 the Citizens' Utility Board on level of utility DSM and program designs and strategies.
27
28 Case No. 05-EP-7 (3/95). Wisconsin Public Service Commission. Testified on behalf of
29 the Wisconsin Community Action Program Association on low-income customers and
30 utility DSM programs.
31
32 Case No. TVA 2020-IRP (9/95). Tennessee Valley Authority. Testified on behalf of the
33 Tennessee Valley Energy Reform Coalition. Assessed, critiqued and made
34 recommendations regarding the integrated resource plans and demand-side management
35 programs proposed by the Tennessee Valley Authority.
36
37 Case No. R-96-1 (10/95). Alaska Public Utilities Commission. Testified on behalf of the
38 Alaska Weatherization Directors Association regarding the proposed standards and
39 guidelines for integrated resource planning and energy efficiency initiatives under
40 consideration in Alaska.
41
42 Case No. D95.9.128 (2/96). Montana Public Service Commission. Testified on behalf of
43 the District XI Human Resources Council concerning the low-income energy efficiency
44 programs offered by the Montana Power Company.
45

1 Case No. DPSC Docket No. 95-172 (5/96). Delaware Public Service Commission.
2 Prepared draft testimony on behalf of the Low-Income Energy Consumer Interest Group
3 regarding Delmarva Power & Light Company's application to revise its demand-side
4 programs. The case was settled, with LIECIG obtaining funding for low-income energy
5 efficiency programs, prior to testimony.

6
7 Case No. U-11076 (8/96). Michigan Public Service Commission. Testified on behalf of
8 the Michigan Community Action Agency regarding the Michigan Jobs Commission's
9 recommendations regarding electric and gas reform. Discussed the implications of utility
10 restructuring and the needs of residential and low-income households, and proposed
11 regulatory and industry solutions.

12
13 Case No. 96-E-0897 (3/97). New York Public Service Commission. Prepared draft
14 testimony for New York's Association for Energy Affordability regarding the impact of
15 proposed utility restructuring plans on low-income customers. The case was settled in
16 Spring 1997.

17
18 Case No. R-00973954 (7-8/97). Pennsylvania Public Utilities Commission. Testified on
19 behalf of the Commission on Economic Opportunity regarding the economics of demand-
20 side measures and programs proposed for implementation by Pennsylvania Power &
21 Light Company.

22
23 Case No. 98-07-037 (7/98) California Public Utilities Commission. Testified on the
24 California Alternative Rates for Energy and the Low Income Energy Efficiency programs
25 regarding the implementation and adoption of revisions to these programs necessitated by
26 the AB 1890 and the Low Income Governing Board.

27
28 Case No. U-12613 (3/01). Michigan Public Service Commission. Testified on behalf of
29 the Michigan Community Action Agency regarding the Wisconsin Public Service
30 Corporation application to implement PA 141 the electricity deregulation law. I
31 reviewed the portions of the filing related to their provision of electric energy efficiency
32 and load management.

33
34 Case No. U-12649 (3/01). Michigan Public Service Commission. Testified on behalf of
35 the Michigan Community Action Agency regarding the Wisconsin Electric Power
36 Company and the Edison Sault Electric Company application to implement PA 141
37 Michigan's electricity deregulation law. I reviewed the portions of the filing related to
38 their provision of electric energy efficiency and load management.

39
40 Case No. U-12651 (3/01). Michigan Public Service Commission. Testified on behalf of
41 the Michigan Community Action Agency regarding the Northern States Power Company
42 – Wisconsin application to implement PA 141 the electricity deregulation law. I
43 reviewed the portions of the filing related to their provision of electric energy efficiency
44 and load management.

1 Case No. U-12652 (3/01). Michigan Public Service Commission. Testified on behalf of
2 the Michigan Community Action Agency regarding the Indiana Michigan Power
3 Company d/b/a American Electric Power application to implement PA 141 the electricity
4 deregulation law. I reviewed the portions of the filing related to their provision of
5 electric energy efficiency and load management.

6
7 Case No. U-12725 (4/01). Michigan Public Service Commission. Testified on behalf of
8 the Michigan Community Action Agency regarding the Wisconsin Electric Power
9 Company and the Edison Sault Electric Company application to increase its residential
10 rates. I reviewed the portions of the filing related to their provision of electric energy
11 efficiency and load management and recommended a significant increase in these
12 activities.

13
14 Case No. U-13060 (12/01). Michigan Public Service Commission. Testified on behalf of
15 the Michigan Community Action Agency regarding the Michigan Consolidated Gas
16 Company application for Approval of their Gas Cost Recovery Plan and Five-Year gas
17 Forecast. I reviewed the filing and recommended the Commission reject the proposed
18 GCR factor and suggested continuation of the existing GCR factor or adopt an adjusted
19 MCAAA sponsored GCR factor. I also suggested a set-aside allocation be designated for
20 low-income customers to ensure access to alternative gas providers under the applicant's
21 customer choice program.

22
23 Case No. 6690-UR-114 (9/02). Wisconsin Public Service Commission. Testified on
24 behalf of the Citizens Utility Board regarding the Wisconsin Public Service Corporation
25 application to increase its electric and natural gas rates. I reviewed the portions of the
26 filing related to their low-income assistance/weatherization and the proposed executive
27 compensation incentive plan.

28
29 Case No. 6690-UR-114 (9/02). Wisconsin Public Service Commission. Testified on
30 behalf of the Citizens Utility Board regarding the Wisconsin Public Service Corporation
31 application to increase its electric and natural gas rates. I reviewed the portions of the
32 filing related to their low-income assistance/weatherization and the proposed executive
33 compensation incentive plan.

34
35 Case No. U-14401 (04/05). Michigan Public Service Commission. Testified on behalf of
36 the Michigan Community Action Agency regarding the Michigan Consolidated Gas
37 Company application for Approval of their Gas Cost Recovery Plan and Five-Year gas
38 Forecast. I reviewed the filing and recommended the Commission reject the proposed
39 plan and suggested initiation of strategies that would lower the need to acquire expensive
40 and unnecessary gas supplies.

- 1 In addition, Crandall has served the following public sector clients since 1990.
2

Client	Nature of Service
Alaska Housing Finance Corporation	Analysis of energy efficiency, system planning and applicability of EPAct standards to Alaska resource selection process.
California Low Income Governing Board	Under California's restructuring law (AB 1890) provided analyses of options to deliver energy efficiency and assistance programs to low-income households in a restructured utility environment. Assist the CPUC and Board to develop low-income energy assistance and energy efficiency programs and implementation methods and procedures under interim utility administration.
Conservation Law Foundation of New England	Collaboratives with Boston Edison, United Illuminating, Eastern Utilities Association, and Nantucket Electric regarding system planning approaches, energy efficiency programs and resource screening.
District of Columbia Energy Office	Analysis of DC Natural Gas' and PEPCo's integrated resource planning and demand side management programs.
District of Columbia Public Service Commission	Testimony regarding demand-side management, least cost planning principles.
Germantown Settlement, Philadelphia	Advise regarding business structure and market to aggregate load and/or provide energy efficiency and energy assistance services to low-income households.
Georgia Public Service Commission	Developed integrated resource planning and facility certification rules. Developed demand-side management programs and integrated resource plans and reviewed utility filings. Monitored utility DSM programs.
Hawaii Division of Consumer Advocacy	Developed demand-side management programs and integrated resource planning rules.
Iowa Department of Natural Resources	Developed and implemented workshops to train building operators and architects in energy efficiency and renewable energy resource opportunities.
Maryland Public Service Commission	Reviewed demand-side management programs and impact and process evaluation methods and suggested improvements.

Massachusetts Division of Energy Resources	Analysis of Boston Gas Co. integrated resource plans and residential energy efficiency programs. Analysis of Boston Gas's commercial and industrial energy efficiency programs
City of New Orleans	Developed least cost planning rules, guided a public working group to develop demand-side programs, and developed a low income, senior citizens energy efficiency program.
Oak Ridge National Laboratory	Prepared an economic analysis of the customer impact from various electricity restructuring configurations for the State of Ohio
Ohio Office of Consumer Council	Analyzed two utilities' long-range plans and energy efficiency resource options. Analyzed the Dominion East Gas Company application to be relieved of the merchant function.
Ontario Energy Board	Developed demand-side management programs and evaluated need for natural gas integrated resource planning rules.
Pennsylvania Office of Consumer Advocate	Evaluated demand-side management programs for several electric utilities.
U.S. Environmental Protection Agency	Developed handbook, "Energy Efficiency and Renewable Energy: Opportunities from Title IV of the Clean Air Act", which focuses on how energy efficiency and renewables relate to acid rain compliance strategies.
U.S. Environmental Protection Agency and U.S. Department of Energy	Analyzed and compared utility supply- and demand-side resource selection for Clean Air Act compliance on the Pennsylvania-New Jersey-Maryland (PJM) interconnection.
Vermont Public Service Board	Analysis of the prudence of Green Mountain Power's planning and management of the Hydro-Quebec power purchase.
Utah Department of Commerce	Analysis of the PacifiCorp proposed Demand-Side Management Tariff Schedule.
Washington State Weatherization Directors	Natural Gas energy conservation program design involving Cascade Natural Gas Company

~~Revised 1-2008-2007 CECO GCR Cost Calculation~~

GCR Sales (Howard Exhibit A-22)		240,205
% reduction from Energy Efficiency		1.00%
Mcf		2,402
Average Cost Mcf (Kushler 8-11-05 ACEEE presentation)	\$	2.80
CECO Proposed GCR Cost/ Mcf	\$	11.00
Savings per Mcf	\$	8
Savings to GCR customers	\$	19,696.81

~~Notes:~~

~~Line 6 based on Kushler ACEEE report U035~~

ATTACHMENT B

1

STATE OF MICHIGAN

2

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

3

In the matter of the application
OF CONSUMERS ENERGY COMPANY for
approval of a GCR Plan and
authorization of GCR factors for
the 12-month period April 2005
through March 2006.

Case No. U-14403

Volume 2

6

_____/

7

MOTION HEARING
CROSS OF PARTIES

8

Proceedings held in the above-entitled matter
before Barbara A. Stump, J.D., Administrative
Law Judge, at the Michigan Public Service Commission,
6545 Mercantile Way, Room C, Lansing, Michigan, on
Wednesday, November 2, 2005, at 9:00 a.m.

11

APPEARANCES:

12

H. RICHARD CHAMBERS, ESQ.
Consumers Energy Company
One Energy Plaza, Room 11-223
Jackson, Michigan 49201

15

Appearing on behalf of Consumers Energy Company

16

SHALTZ & ROYAL, P.C.
By DAVID L. SHALTZ, ESQ.
2379 Woodlake Drive
Okemos, Michigan 48842

18

19

Appearing on behalf of the Residential Ratepayer
Consortium

20

CLARK HILL, P.L.C.
By DON L. KESKEY, ESQ.
212 East Grand River Avenue
Lansing, Michigan 48906

21

22

23

Appearing on behalf of the Michigan Community Action
Agency Association

24

25 (Continued)

1 meet, among other things, the following two legal
2 thresholds: The evidence that Consumers Energy seeks to
3 strike does not contain substantive evidence that is
4 relevant regarding any issue that is relevant in this GCR
5 plan case; and the opinions that Consumers Energy is
6 seeking to strike will not assist the trier of fact to
7 understand the evidence or determine a fact in issue.

8 Thank you, your Honor.

9 JUDGE STUMP: Thank you.

10 Ms. Barone.

11 MS. BARONE: I have nothing to add to my
12 written argument, your Honor.

13 JUDGE STUMP: All right. Thank you.

14 I'm going to grant the motions in part
15 and deny them in part, because the testimony I'm going to
16 strike is not relevant to an Act 304 plan proceeding. As
17 the company has directly pointed out, his testimony is
18 very similar to testimony that Mr. Crandall offered in
19 MichCon's 2005-2006 GCR plan case, Case No. U-14401, as
20 well as MichCon's 2002 GCR plan case, which was Case No.
21 U-13060. In both these cases, the testimony was
22 stricken. And in U-13060, the commission upheld the
23 ALJ's ruling striking the testimony, finding that it does
24 not have authority to force a utility to engage in energy
25 efficiency and conservation programs.

~~5) Recommend that the Commission direct the applicant to immediately initiate a collaborative process to develop resource displacement plans i.e., energy efficiency programs for GCR customers especially vulnerable, low income customers and have them submitted as an integral part of the subsequent GCR planning case.~~

Q. Why does MCAAA believe its important to participate in this case?

A. MCAAA appreciates the Commissions efforts facilitating and administering the Low Income and Energy Efficiency fund. This crucial initiative has provided sorely needed funds to help many families and low income customers to keep the lights and heat on. Act 304 places a duty on the Applicant to formulate a reasonable five year natural gas resource plan as well places the duty and burden on the Applicant to minimize the cost of natural gas. The Applicant is seeking authority from the Commission to impose steeply increased costs on GCR, residential and vulnerable low income customers for their natural gas use. MCAAA is disturbed by the proposed GCR factor in view of Michigan's current economic plight. Low income GCR customers simply do not have the ability to pay these enormously increased costs should the Commission approve this application.

~~Q. Do you believe this is the proper forum to discuss the proposed GCR factor, gas resource alternatives, planning and the expected acquisition of gas supplies for GCR customers?~~

~~A. Yes. This proposal seeks authorization of a GCR factor in excess of \$11. The Commission has an obligation and duty to "do all things necessary" to prevent the waste of natural gas under Section 14 of 1929 PA 9. The legislature empowered the~~

1 Commission to reduce the wasteful use of natural gas which includes many things
 2 including energy conservation and energy efficiency strategies and programs. The annual
 3 five-year gas planning case is the forum where the Commission and interested parties
 4 have an established process to examine gas utilities plans to meet customer needs for the
 5 upcoming five year period. Forecasts include anticipated demand levels. This is not
 6 static, instead it is influenced by numerous variables, including price, terms and the actual
 7 customers need for the commodity during that period.

8 Q. Are there other public policy issues that the Commission should consider
 9 regarding the new GCR factor proposed by CECoc?

10 A. Yes. The Commission should consider such factors as rate shock, ability of
 11 customers to pay and options to moderate abrupt increases. The Commission should
 12 ensure that there are some incentives and backstops in place to remove or moderate gas
 13 cost increases and volatility, and provide more certainty to the rate paying public with
 14 respect to gas costs. After all, gas customers need a basis for planning their gas
 15 consumption and budgets for paying for gas bills.

16 Rate shock is also especially important when considering the rate impacts on low-
 17 income customers who are already burdened by a disproportionate share of their income
 18 being spent on energy costs. Over 30% of Michigan residents fall below 200% of the
 19 Federal poverty guidelines.

20 Q. Why is that relevant in this GCR case?

21 A. CECoc's low-income customers are GCR customers, and will be affected by the
 22 price increases emanating from the contingent factor as well an adjusted upward GCR
 23 factor. Impacts to low-income customers are relevant and must be considered because in

1 reference to the contingent factor method it creates an opportunity for almost unlimited
2 automatic increases in gas rates with no Commission consideration or review of the
3 potential impacts on low-income customers. CEC's proposal uses a contingent factor
4 coefficient of 70%, which means that the increase in the GCR is nearly three quarters as
5 large as the increase in NYMEX. A large unexpected rate increase represents a large
6 burden on residential customers, and especially low-income customers. My experience
7 in other states suggests that Commissions would strive to find alternatives which would
8 smooth out and moderate increases of large magnitude to prevent abrupt rate shock,
9 especially to vulnerable customers.

10 Q. What might the Commission consider to mitigate rate impacts on low-income
11 customers?

12 A. The Commission should exempt vulnerable low-income customers from
13 contingent factor increases because this would cap rates for low-income customers at the
14 base GCR. In this way, the Commission in setting the base GCR rates would be giving
15 full consideration to the special problems and burdens faced by low income customers,
16 and would determine what constitutes fair and just rates for those customers in the GCR
17 plan case. This modification would help vulnerable low-income customers by providing
18 a locked-in rate to needy, qualified low-income customers which would provide more
19 certainty for such customers. The Commission should require the company to implement
20 aggressive communication procedures, such as billing inserts (with applications), to assist
21 customers in applying for low-income programs such as LIHEAP, the Weatherization
22 Assistance Program, or The Heat And Warmth Fund (THAW), etc.

1 Q. Do you have a recommendation regarding the applicant's proposal to roll-in both
2 five months of alleged actual information as well as seven months of forecasted
3 information in calculating the updated GCR base factor?

4 A. Yes. Witness Collins on page 2 includes an explanation of the "more detailed
5 approach" which is shown on Exhibit CE-16 (LMC-6). Since this is a mix of allegedly
6 actual data and projections, it has not been subjected to evidentiary review (including
7 discovery questions and cross-examination) it is premature and entirely inappropriate to
8 include this in the GCR factor at this point in time. MCAAA requests that the
9 Commission not include these unsubstantiated and speculative values in the GCR factor
10 in this case.

11 Q. What alternatives should the Commission consider in regard to rate shock by
12 residential and vulnerable customers?

13 A. Because the energy and natural gas markets have been volatile the Commission
14 initiated multiple proceedings to review these projected costs of natural gas for the 2005-
15 06 heating season. Hurricane Katrina and Rita certainly had an impact on the natural gas
16 markets. Vulnerable customers low-income, seniors, etc. in Michigan have unique
17 circumstances which warrants consideration by the Commission in this proceeding.

18 While CECo has had ample opportunity to seek out and implement meaningful, large
19 scale energy efficiency services to their vulnerable customers, or at least to develop pilot
20 programs to promote energy efficiency and to reduce unnecessary waste in energy
21 consumption, CECo has not done so. In the 1970's and 1980's this company was a
22 leader in the implementation of meaningful and significant energy efficiency with its
23 customers. Those resource acquisition efforts were terminated by the applicant and

1 should not have been. Now the Applicant is asking for rapid ("emergency") recovery of
 2 sky-high natural gas prices in a GCR rate that exceeds \$11, these programs and efforts
 3 should be reintroduced. These efforts would help to ameliorate gas costs to customers,
 4 who are eager to manage their bills, and reduce energy waste, and to avoid unnecessary
 5 gas consumption.

6 Q. Do you have other proposals to ameliorate and to smooth out gas costs to
 7 customers?

8 A. Because of the dramatic impact that the proposed GCR factor would have (if
 9 approved) on the vulnerable low income customers that the Applicant serves, and
 10 because of the unusual circumstances brought on in part by the devastating hurricanes
 11 and inclement weather and volatile natural gas markets, MCAAA proposes a rate shock
 12 reduction factor of \$2.00/Mcf be imposed by the Commission. There is a reasonable
 13 possibility that natural gas markets and NYMEX natural gas futures will settle down now
 14 that the hurricanes have subsided and there is no reason to believe that the record high
 15 levels will persist. MCAAA believes that customers would adopt energy efficiency
 16 strategies offered by the applicant and that these efforts should have been underway
 17 many years ago. Since this cheaper resource was not pursued by the applicant, it is not
 18 fair, equitable or appropriate to punish the vulnerable customers for this lack of gas
 19 resource planning and failure by the applicant to pursue alternatives to the current
 20 approach of simply buying more and more expensive gas from the volatile natural gas
 21 markets.

22 Q. Are there other actions the Commission should consider?

1 A. Given the magnitude of the proposed GCR factor by the applicant, and collection
 2 charges (resulting from non-payment) that are included in their tariffs for vulnerable low-
 3 income customers. To add these costs on top of the shockingly high proposed GCR costs
 4 would cause further hardship to vulnerable/low income customers.

5 Q. What information do you have that would suggest the approval of the applicant's
 6 request would create a hardship for residential and low income customers in Michigan?

7 A. According to the U.S. Bureau of Labor Statistics (August 2005) Michigan
 8 unfortunately is experiencing a 6.7% unemployment rate. Of all the states only
 9 Mississippi (6.8%) has higher unemployment levels than Michigan. With the high cost
 10 of automobile fuels currently and the corresponding softening of demand in the
 11 automotive market it's hard to tell how long these high levels of unemployment may last.

12 If this application is approved this would most certainly result in rate shock to low
 13 income customers, especially those on fixed incomes. It would also have a significant
 14 adverse economic impact on many households in Michigan.

15 Q. Has the applicant developed and proposed adoption of a reasonable and prudent
 16 GCR forecast and plan?

17 A. No. In our review of the filing and in discussions with the Applicant, we have not
 18 seen any effort by the Applicant to include demand management or usage reduction
 19 strategies in meeting its resource needs over the upcoming five years. The applicant
 20 should include energy efficiency, conservation and customer usage reduction strategies in
 21 its five year GCR plan.

22 Q. Is it reasonable to assume that CECO could offer energy efficiency services to its
 23 GCR customers to help reduce the wasteful use of natural gas?

1 A. Yes. CECo has a long history of providing substantial and cost effective energy
2 conservation and efficiency service to its customers. In the 1970's and 1980's the
3 applicant offered numerous programs including the Michigan Residential Conservation
4 Services Program(MRCS) , Zero Interest (ZIP) and the Below Market Loan programs for
5 residential efficiency improvements, the Michigan Business Energy Efficiency Program
6 and the Insulation Outreach Program. After extensive studies and evaluations, which
7 were the subject of hearings in case U-8528, the Commission determined that the MRCS
8 and ZIP programs benefits exceeded their costs and were deemed to be cost-effective. If
9 they were cost-effective then, they must be dramatically more cost-effective now.

10 The Applicant should re-institute these and other energy efficiency programs,
11 offer them to their customers and integrate the projected impact of those programs in its
12 ongoing gas supply planning process. The company has already demonstrated some
13 years ago that they have the capability to design, develop, implement and manage energy
14 efficiency programs in a cost effective manner.

15 Q. Have other utilities providing natural gas been offering energy efficiency and
16 conservation service to their customers?

17 A. Yes. Energy efficiency services and energy conservation strategies and options
18 are being made available throughout the United States by gas utilities. I have personally
19 worked on a number of projects reviewing and suggesting modification of various energy
20 efficiency and conservation programs involving gas utilities.

21 There is every reason to believe that CECo has the capability to design,
22 implement and manage a cost-effective energy efficiency and energy conservation
23 program for its customers. There are a plethora of examples of current energy efficiency

1 and conservation services and strategies that the applicant could use and then tailor for
2 use with its customers.

3 Q. Are there further actions the Commission should consider?

4 A. Yes. The Commission should ensure that the applicant creates new initiatives for
5 weatherization and energy efficiency assistance to qualified low-income customers, to
6 assist low-income customers to reduce their energy burdens by reducing their level of
7 consumption and their bills. The Commission should mandate that it develop programs
8 in a collaborative manner similar to the U-9346 approach. Those programs should be
9 developed and included in the next filing of the GCR plan by the applicant.

10 Q. Please summarize your recommendations?

11 A. 1) The Commission should not allow the inclusion of the intra-period
12 underrecovery recommended by Witness Collins.

13 2) The Commission should include a \$2.00 rate shock reduction adjustment to
14 smooth the impacts from the proposed GCR factor.

15 3) The Commission should require that vulnerable, low income customers be held
16 harmless from the QI indexing mechanism.

17 4) The Commission should require the applicant to waive its disconnect,
18 reconnect and collection fees for its vulnerable, low income customers resulting from
19 problems of non-payment.

20 5) The Commission should direct the applicant to immediately initiate a
21 collaborative process to develop resource displacement plans i.e., energy efficiency
22 programs for GCR customers especially vulnerable, low income customers and have
23 them submitted as an integral part of the subsequent GCR planning case.

1 ~~6) The Commission should require that the applicant establish energy efficiency~~
2 ~~programs and strategies that will result in at least a 5% savings of natural gas for its GCR~~
3 ~~customers over the upcoming five years.~~

4 Q. Does this complete your testimony

5 A. Yes.