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May 17, 2006

Ms. Mary Jo Kunkle
Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way
Lansing, Michigan 48909

Re: In the matter of the application of Michigan Consolidated Gas Company for approval of its Uncollectible Expense True-up Mechanism computation and its report regarding its safety and training-related expenditures for 2005; MPSC Case No. U-13898

Dear Ms. Kunkle:

Enclosed for filing please find an original and four (4) copies of Michigan Consolidated Gas Company's Direct Testimony and Exhibits of Ms. Theresa M. Uzenski and Messrs. Thomas J. LaVere and William J. Johnson in the above references matter. Also attached is a proof of service.

Very truly yours,

Michael J Solo

Digitally signed by Michael J Solo
DN: cn=Michael J Solo, c=US,
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Reason: I am the author of this document
Date: 2006.05.17 16:44:43 -0400

Michael J. Solo

MJS/jh
Enclosures

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of	)	
Michigan Consolidated Gas Company for	)	
approval of its Uncollectible Expense	)	MPSC Case No. U-13898
True-up Mechanism computation and	)	
its report regarding its safety and	)	
<u>training-related expenditures for 2005</u>	)	

QUALIFICATIONS
AND
DIRECT TESTIMONY
OF
THERESA M. UZENSKI

Michigan Consolidated Gas Company
QUALIFICATIONS OF THERESA M. UZENSKI

Line
No.

1 **Q. Please state your name and business address.**

2 A. My name is Theresa M. Uzenski. My business address is DTE Energy, 2000
3 Second Avenue, Detroit, Michigan 48226.

4

5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by DTE Energy (DTE) as Manager, Regulatory Accounting.

7

8 **Q. What is your educational background?**

9 A. I graduated from the University of Detroit in 1989 with a Bachelor of Science in
10 Accounting. In 1994 I earned a Master of Business Administration degree with
11 a concentration in Finance from Wayne State University.

12

13 **Q. Do you belong to any organizations or hold any certifications?**

14 A. Yes. I am a member of the Institute of Management Accountants (IMA) and
15 have been a Certified Management Accountant since 1993.

16

17 **Q. Have you completed other courses of study or attended any professional**
18 **seminars?**

19 A. Yes, to maintain my certification, I complete a minimum of 30 hours of
20 continuing professional education each year. Some examples of courses I've
21 completed include: Public Company Accounting Update, sponsored by the
22 Michigan Association of Public Accountants, Utility Finance and Accounting,
23 sponsored by the Financial Accounting Institute, and numerous courses
24 offered by the IMA, Deloitte & Touche, and Gleim such as Internal Control
25 Requirements, Managerial Accounting, Macroeconomics, and Sarbanes-Oxley

**Line
No.**

1 404 Compliance.

2

3 **Q. What is your employment history?**

4 A. I began my employment with The Michigan Consolidated Gas Company
5 (MichCon) as a Staff Accountant I in Consolidation Accounting in 1989. I was
6 subsequently promoted to Staff Accountant II and III and worked in various
7 accounting departments including General Ledger, Corporate Accounting, and
8 Gas (Gross Margin) Accounting. My responsibilities included preparing
9 internal and external financial statements, Securities and Exchange
10 Commission (SEC) reports, regulatory reports, accounting entries and
11 reconciliations, financial analysis, and accounting research.

12

13 In 1994, I was promoted to Manager, Property Accounting. My responsibilities
14 included accounting for MichCon's \$1.5 billion of net property, plant and
15 equipment, maintaining the construction and fixed asset systems and
16 preparing internal and external reports.

17

18 In 1996, I became the Manager of Financial Reporting. My responsibilities
19 included SEC reporting, Michigan Public Service Commission (MPSC)
20 reporting, maintenance of the general ledger system and the accounting close
21 process, accounting research, accounting policy establishment, and special
22 projects.

23

24 After the merger between MCN and DTE in 2001, I became the Manager of
25 Forecasting and Financial Analysis for DTE's Energy Gas division. My

**Line
No.**

1 responsibilities included financial analysis of proposed capital investments,
2 long and short-term forecasting of all financial statements and variance
3 analysis and reporting.

4

5 In 2003, I became the Manager of Customer Accounting and Budgeting. My
6 responsibilities included accounting for accounts receivable and bad debt
7 expense, implementing internal controls related to DTE's various receivable
8 systems and ensuring compliance with the Sarbanes-Oxley Act, and preparing
9 budgets and forecasts for the Customer Service and Marketing organizations.

10

11 In August 2005, I became the Manager of Regulatory Accounting.

12

13 **Q. What are your duties and responsibilities in your current position?**

14 A. I am responsible for preparing management reports for Detroit Edison,
15 accounting for various regulated assets and liabilities, accounting and external
16 reporting for the Detroit Edison Securitization Company, analyzing the
17 regulatory impacts of new accounting pronouncements, ensuring the proper
18 implementation of accounting requirements of MPSC and Federal Energy
19 Regulatory Commission (FERC) orders, and regulatory accounting research
20 and special projects.

21

22 **Q. What has been your involvement in regulatory activities?**

23 A. I testified in Detroit Edison's 2006 PSCR plan case, No. U-14702. I testified in
24 MichCon's depreciation case, No. U-11222. In addition, I supported case
25 activities in Detroit Edison's last general rate case, No. U-13808, and

Line
No.

1 MichCon's last general rate case, No. U-13898.

2

MICHIGAN CONSOLIDATED GAS COMPANY
DIRECT TESTIMONY OF THERESA M. UZENSKI

Line
No.

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

2 A. The purpose of my testimony is to support MichCon's Uncollectible Expense
3 True-Up Mechanism ("UETM") deficiency amount for its 2005 UETM filing.

4

5 **Q. Please explain the UETM?**

6 A. In the Commission's Order in MichCon's last general rate case No U-13898,
7 the Commission determined that the UETM as described by the Commission
8 Staff and MichCon should be implemented in conjunction with the authority to
9 recover in MichCon's base rates \$37.3 million in annual uncollectible expenses.
10 The UETM is a mechanism which recognizes there are many factors impacting
11 uncollectible expense which are outside of the Company's control, including
12 unemployment rates, natural gas prices, the level of low-income funding and
13 general economic conditions, and as a result provides a true-up mechanism to
14 provide recovery. Although the Company has implemented operating plans to
15 reduce the amount of uncollectibles, as predicted in case No. U-13898,
16 MichCon's actual uncollectible expense exceeded the amount in base rates.
17 The UETM is the mechanism that establishes a surcharge to provide for
18 recovery of this amount, consistent with the Commission's direction.

19

20 **Q. Are you sponsoring any exhibits?**

21 A. Yes, I am sponsoring Exhibit Nos. A-1 (TMU-1), A-2 (TMU-2), A-3 (TMU-3),
22 and A-4 (TMU-4).

23

24 **Q. Were these exhibits prepared by you or under your direction?**

25 A. Yes, they were.

**Line
No.**

1

2 **Q. Please describe Exhibit A-1.**

3 A. Exhibit A-1 calculates the UETM deficiency. Lines 1 through 3 calculate the
4 base UETM amount applicable to the "New Rate Period" (May through
5 December 2005). Lines 4 through 12 calculate MichCon's actual uncollectible
6 expense of \$32 million applicable to the New Rate Period. Line 13 calculates
7 the \$12.1 million deficiency as the difference between the base amount and
8 actual expense (line 3 less line 12). Line 15 is the UETM recoverable amount
9 of \$10.9 million which, per the Commission Order in Case No. U-13898, is
10 90% of the difference on line 13. Line 16 adds the carrying charges to arrive
11 at the total recoverable amount of \$11.0 million on line 17.

12

13 **Q. Why are the base amount and actual expenses multiplied by 53.4%?**

14 A. The Commission in its Order, provided that for the initial March 31 UETM
15 application, the sales and transportation revenue, for the part of the calendar
16 year that the mechanism is effective, shall be compared to the total sales and
17 transportation revenue for that same calendar year, and the resulting ratio
18 shall be used to prorate the mechanism for the initial period. (MPSC, April 28,
19 2005 Order Case No. U-13898, p.99) Revenues during the pro-rated initial
20 period represented 53.4% of total revenues for 2005. Accordingly, 53.4% of
21 the allowable difference in uncollectible expense was recorded as a regulatory
22 asset. See Exhibit A-3 for the ratio calculation.

23

24 **Q. Please describe Exhibit A-2.**

25 A. Exhibit A-2 calculates the uncollectible reserve. MichCon's reserve for

**Line
No.**

1 uncollectible expenses is calculated by applying reserve percentages to aged
 2 receivables. Customer accounts receivable are aged and classified in 30 day
 3 increments and a reserve rate is applied to each 30 day increment. The
 4 reserve percentages are calculated by comparing the ratio of write-offs and
 5 recoveries to historical arrears. A 17-month rolling average of this ratio
 6 determines the reserve rate.

7

8 The required reserve of \$74.9 million on line 23 is carried to line 9 on Exhibit A-
 9 1. On Exhibit A-1, the required ending reserve is compared to the reserve
 10 available, and the difference equals uncollectible expense (i.e., the provision).
 11 The available reserve is the beginning balance remaining after write-offs are
 12 charged against it, and recoveries are credited thereto.

13

14 **Q. Please describe Exhibit A-3.**

15 A. Exhibit A-3 calculates the ratio used to prorate the UETM during the initial rate
 16 period as previously discussed as part of Exhibit A-1.

17

18 **Q. Please describe Exhibit A-4.**

19 A. Exhibit A-4 calculates the carrying charges on the unrecovered UETM balance
 20 using MichCon's short-term borrowing rate. The total carrying charge on line 9
 21 is carried to line 16 on Exhibit A-1.

22

23 **Q. Does the total carrying charge presented on line 9 of Exhibit A-1 include**
 24 **the carrying charges that will accrue during the recovery period?**

25 A. No. The carrying charges that accrue during the recovery period will be

**Line
No.**

1 reconciled in next years filing.

2

3 **Q. What is the total amount of recoverable uncollectible expenses used to**
4 **create the UETM surcharge?**

5 A. The appropriate recoverable amount is \$10,960,617 as shown on line 17 of
6 Exhibit A-1. Mr. Lavere's testimony explains the process used to allocate that
7 figure to each rate schedule to determine the appropriate surcharges.

8

9 **Q. Why is this figure slightly different than the figure used in MichCon's**
10 **Application?**

11 A. The carrying charge was updated using MichCon's short term borrowing rate
12 instead of the authorized rate of return. This reduced the recoverable amount
13 by approximately \$132,000.

14

15 **Q. Does this complete your testimony?**

16 A. Yes, it does.

17

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<u>training-related expenditures for 2005</u>	)	

EXHIBITS
OF
THERESA M. UZENSKI

Michigan Consolidated Gas Company
Uncollectible Tracker Expense Mechanism("UETM")
2005 UETM Calculation

Line No.	Description (Col 1)	Amount (Col 2)	Notes (Col 3)
<u>Per U-13898 UETM Base</u>			
1	Uncollectible Expense in Base Rates	\$ 37,300,000	Per Order in Case No. U-13898
2	Percentage applicable to New Rate Period 1/	53.4%	See TMU-3
3	UTEM Base Applicable to New Rate Period 1/	\$ 19,912,437	
<u>2005 UETM Actuals</u>			
4	Beginning Reserve Balance	\$ 65,959,024	Balance in account 144 at December 31, 2004
5	Less: Gross Write-Offs	(58,777,222)	
6	Plus: Recoveries	4,707,936	
7	Plus: Sales Proceeds	3,127,712	Sale of previously written-off accounts.
8	Available Balance	\$ 15,017,450	
9	Required Ending Reserve	\$ 74,947,156	See TMU-2
10	2005 Provision (Line 9 less Line 8)	\$ 59,929,706	See 2005 P-522 Report (page 324, Account 904)
11	Percentage applicable to New Rate Period 1/	53.4%	See TMU-3
12	Amount applicable to New Rate Period 1/	\$ 31,993,203	
<u>2005 UETM Deficiency</u>			
13	Deficiency (Line 3 less Line 12)	\$ 12,080,766	
14	Percentage recoverable	90.0%	Per Order in Case No. U-13898
15	Recoverable Amount Per UETM	\$ 10,872,690	
16	Carrying Charges	87,927	See TMU-4
17	Total Recoverable Amount	\$ 10,960,617	

1/ New Rate Period reflects May 2005 through December 2005; i.e., May 1, 2005 effectiveness of MichCon's New Base Rates per U-13898 Order.

Michigan Consolidated Gas Company
Calculation of 2005 Uncollectible Reserve
Account 144

Line No.	Description (Col 1)	2005 Arrears at Risk (Col 2)	Reserve Rate 1/ (Col 3)	2005 Reserve Required (Col 4)
1	Active Arrears (Residential, Commercial, Industrial, & Choice)			
2	30 Day Active	38,452,159	10.8%	\$ 4,138,924
3	60 Day Active	12,670,903	20.3%	2,566,721
4	90 Day Active	9,737,841	32.4%	3,150,562
5	Over 90 Day Active	40,366,495	8.7%	3,524,992
6	Final Arrears			
7	Current Final	7,657,674	57.4%	4,397,793
8	30 Day	6,544,684	56.8%	3,718,456
9	60	6,172,563	71.5%	4,413,346
10	90	6,815,123	75.6%	5,150,656
11	120	6,288,641	78.5%	4,934,023
12	150	6,518,111	81.2%	5,295,853
13	180	5,799,832	83.3%	4,828,862
14	210	5,719,290	85.0%	4,859,082
15	240	7,378,741	86.7%	6,396,886
16	270	5,633,462	87.6%	4,936,737
17	300	4,799,653	89.8%	4,309,723
18	330	3,802,010	91.4%	3,475,294
19	365	3,907,981	94.1%	3,676,859
20	> 365	897,655	100.0%	897,655
21	Total Residential, Commerical, Industrial and Choice	\$ 179,162,819		\$ 74,672,424
22	Reserve for specifically identified end-user transportation customers at risk			274,732
23	Total Reserve Required Ending Balance		(Carried to Line 9 of TMU-1)	<u>\$ 74,947,156</u>

1/ The reserve rate is a 17-month rolling average of the ratio of historical arrears to net write-offs.

Michigan Consolidated Gas Company
Calculation of Percentage Applicable
to 2005 UETM Tracking Period

<u>Line No.</u>	<u>Month</u> (Col 1)	<u>Gas Sales</u> (Col 2)	<u>End User Transportation</u> (Col 3)	<u>Choice LDC</u> (Col 4)	<u>Total Actual 2005 Revenues</u> (Col 5)	<u>Percentage of Revenue</u> (Col 6)
1	January	\$ 275,777,024	\$ 9,226,879	\$ 6,501,190	\$ 291,505,093	
2	Febuary	218,236,941	7,542,976	5,304,624	231,084,540	
3	March	232,502,242	10,610,426	5,153,461	248,266,129	
4	April	116,780,899	5,956,092	3,079,417	125,816,408	
5	Total January- April				\$ 896,672,170	46.6%
	<u>U-13898 Rates Effective</u>					
6	May	77,785,189	6,732,907	2,582,161	87,100,257	
7	June	47,926,397	7,065,164	2,012,347	57,003,908	
8	July	44,062,199	8,140,630	1,776,917	53,979,746	
9	August	38,546,387	4,981,805	2,003,316	45,531,507	
10	September	49,716,725	4,982,552	2,213,006	56,912,284	
11	October	118,635,382	5,019,787	3,444,515	127,099,684	
12	November	209,666,976	6,255,141	4,856,510	220,778,627	
13	December	362,272,577	8,984,523	7,216,118	378,473,218	
14	Total 2005 May-December				\$ 1,026,879,232	53.4%
15	Total 2005 Actuals (Line 5 plus Line 14)				\$ 1,923,551,401	(Carried to Lines 2 & 11 of TMU-1)

Michigan Consolidated Gas Company
Calculation of Carrying Charges
For UETM

Line No.	Month	Total Revenue 1/	% of Rev.	UETM Accrual 2/		Beginning Balance	Ending Balance	Average Balance 4/	Monthly Interest Rate 5/	Carrying Charges 6/
	(Col 1)	(Col 2)	(Col 3)	(Col 4)		(Col 5)	(Col 6)	(Col 7)	(Col 8)	(Col 9)
1	May	\$ 87,100,257	8%	\$ 922,225		\$ -	\$ 922,225	\$ 461,113	0.25%	\$ 1,160
2	June	57,003,908	6%	603,563		922,225	1,525,788	1,224,007	0.26%	3,142
3	July	53,979,746	5%	571,542		1,525,788	2,097,330	1,811,559	0.28%	4,982
4	August	45,531,507	4%	482,092		2,097,330	2,579,422	2,338,376	0.30%	6,976
5	September	56,912,284	6%	602,592		2,579,422	3,182,014	2,880,718	0.31%	8,810
6	October	127,099,684	12%	1,345,743		3,182,014	4,527,757	3,854,886	0.32%	12,368
7	November	220,778,627	21%	2,337,624		4,527,757	6,865,381	5,696,569	0.34%	19,226
8	December	378,473,218	37%	4,007,309		6,865,381	10,872,690	8,869,035	0.35%	31,263
9	Total	<u>\$ 1,026,879,232</u>	<u>100%</u>	<u>\$ 10,872,690</u>	3/					<u>\$ 87,927</u>

1/ - Per TMU-3, Col. 5

2/ - Col. 3 * Col. 4 Line 9

3/ - Per TMU-1, Line 15

4/ - (Col.5 + Col. 6) / 2

5/ - Monthly interest rate is MichCon's average commercial paper borrowing rate.

6/ - Col. 7 * Col. 8

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True-up Mechanism computation and	)	
its report regarding its safety and	)	
<u>training-related expenditures for 2005</u>	)	

QUALIFICATIONS
AND
DIRECT TESTIMONY
OF
THOMAS J. LA VERE

MICHIGAN CONSOLIDATED GAS COMPANY
QUALIFICATIONS OF THOMAS J. LA VERE

Line
No.

1 **Q. Will you please state your name and business address?**

2 A. My name is Thomas J. La Vere. My business address is Michigan Consolidated
3 Gas Company, 2000 Second Avenue, Detroit, Michigan 48226.

4

5 **Q. By who are you employed?**

6 A. I am employed by the Detroit Edison Company and Michigan Consolidated Gas
7 Company (MichCon) in an organization that supports several of the subsidiaries of
8 DTE Energy.

9

10 **Q. What is your present position?**

11 A. I hold the title Expert/Consultant which is a Manager Level position requiring both
12 technical engineering and economic analytical skills. I work in the Pricing
13 Department within the Regulatory Affairs Organization.

14

15 **Q. Will you please summarize your formal educational background?**

16 A. I graduated from Lawrence Institute of Technology, Southfield, Michigan with a
17 Bachelor of Science Degree in Mechanical Engineering in 1972. While at
18 Lawrence Institute of Technology I also completed additional courses in
19 accounting, economics, marketing and human relations.

20

21 **Q. Are you a registered professional engineer?**

22 A. Yes. I am a registered professional engineer in the State of Michigan.

23

Line
No.

1 **Q. Do you belong to any professional organizations?**

2 A. I am a member of the Engineering Society of Detroit and Tau Beta Pi which is a
3 national engineering honor society.

5 **Q. Will you please review your business experience?**

6 A. In June 1972 I joined the Production Department at Detroit Edison as an Associate
7 Engineer. In June 1974 I was promoted to Assistant Engineer. While in the
8 Production Department my responsibilities included conducting engineering and
9 economic studies, evaluating alternative actions concerning damaged or
10 malfunctioning equipment, supervising the repair of plant equipment, developing
11 procedures for routine maintenance functions on control systems, and training and
12 supervising individuals responsible for maintaining and repairing control systems.

13
14 In 1975 I was temporarily assigned to the Project Management Organization in
15 Generation Engineering where I served as an assistant to the project engineer for
16 the River Rouge Low Sulfur conversion project.

17
18 In October 1976 I accepted a position in the Generation Planning Group in the
19 Planning Department and promoted to Engineer. In December 1977 I was
20 promoted to Senior Engineer and in April of 1985 I was promoted to Principal
21 Generation Planning Engineer. While in the generation planning department I was
22 responsible for evaluating options for additional generation resources, evaluating
23 operating characteristics of existing units, projects involving sale of steam from
24 existing power plants and projects involving customer owned generation

Line
No.

1 In 1985 I was assigned to a task force responsible for all aspects of Detroit
2 Edison's actions relating to non-utility generation resulting from the enactment of
3 the Public Utility Regulatory Policies Act of 1978 (PURPA). While a member of that
4 group I was responsible for reviewing proposals made by third parties to our
5 customers involving generation projects, independently evaluating the engineering
6 and economic viability of such projects, presenting the results of my evaluations to
7 customers, proposing revisions to the standby tariff applicable for these customers,
8 developing alternatives that were in the best interest of the customer and the
9 Company, negotiating with representatives of qualified PURPA facilities desiring to
10 sell energy to Detroit Edison and explaining interconnection and standby
11 requirements to customers contemplating installing onsite generation facilities.

12

13 In 1987 the task force became a permanent unit in the Marketing Department. I
14 accepted a promotion to Alternative Energy Coordinator in the new group. My job
15 responsibilities increased to include evaluating projects involving customer options
16 other than cogeneration.

17

18 In August 1994 I was transferred to the Pricing Department. Between August 1994
19 and April 1998 my duties grew to include evaluating customer options involving
20 municipalization, filed rate alternatives, retail wheeling and special contracts, as
21 well as, cogeneration. In 1995 the job title was changed to specialist customer
22 options during a reorganization.

23

24 In February 1998 Pricing was transferred to the Regulatory Affairs Organization. I

Line
No.

1 was assigned to the Revenue Requirement Department in Regulatory Affairs. My
2 duties in that position included analytic studies, including cost of service, revenue
3 requirements associated with return, depreciation, taxes, O&M expenses,
4 wheeling, rate structures, direct access, stranded costs and true-up. I provide
5 assistance in evaluations in the areas of customer impact of retail wheeling and
6 cogeneration. The name of the department was changed to Regulatory
7 Economics when Michigan Consolidated Gas became a subsidiary of DTE Energy
8 and the group took on duties related to the gas business. At that time the
9 Specialist position was eliminated and my title changed to Expert/Consultant. In
10 November of 2002 Regulatory Economics was split. Electric and gas revenue
11 requirement issues became the responsibility of the newly reformed Revenue
12 Requirement Department. All other issues formerly handled by the disbanded
13 Regulatory Economics group were transferred to the Pricing Department and I was
14 transferred to that area. My current duties in that position continue to include
15 analytic studies, including cost of service, rate structure studies, evaluating
16 customer options involving filed rate alternatives, retail wheeling and special
17 contracts, as well as, customer owned generation.

18
19 **Q. What is the extent of your participation in prior MPSC cases?**

20 A. I was a rebuttal witness in Case No. U-11956 (Stranded Cost True-up Mechanism)
21 and Case No. U-12639 (Commission's own motion, to implement the provisions of
22 Michigan's electric restructuring legislation, Section 10a(10) of 2000 PA 141). I
23 prepared an analysis that estimated revenue requirement and cost of service for
24 the district heating business under several operating scenarios. The analysis

Line
No.

1 served as a basis of my conclusions that the actual expected average cost to
2 provide steam during the contract year would be greater than the contract year
3 price contained in the contracts offered and agreed to. My sworn Affidavit to that
4 fact was filed with Detroit Edison Company's Application for approval of Steam
5 Purchase Agreements (MPSC Case No. U-13634). I filed testimony in Case No.
6 U-13759 (In the Matter of the Joint Request of Bagley Acquisition Corporation,
7 HDC Partners LLC, Prestige Development Company, and the Detroit-Wayne Joint
8 Building Authority for an Order Initiating Proceedings Pursuant to the MPSC's
9 Orders of December 6, 2002 and March 12, 2003, in Case U-13634). I was the
10 witness for both cost of service and rate design filing both direct and rebuttal
11 testimony in Case No. U-13898 (In the matter of the application of MICHIGAN
12 CONSOLIDATED GAS COMPANY for authority to increase its rates and for other
13 relief).

14
15 **Q. What is the extent of your participation in cases on federal dockets?**

16 A. I prepared an analysis that estimated revenue requirement and cost of service for
17 a peaking facility located in East China Township, Michigan owned by the DTE
18 East China, LLC. This analysis served as the basis for the Tariffs approved by the
19 Federal Energy Regulatory Commission (FERC) in Docket No. ER02-1599-00.

MICHIGAN CONSOLIDATED GAS COMPANY
DIRECT TESTIMONY OF THOMAS J. LA VERE

Line
No.

1 **Q. Please describe the purpose of your testimony.**

2 A. The purpose of my testimony is to introduce and support the proposed surcharges
3 based upon the results of MichCon's Uncollectible Expense Tracking Mechanism.

4

5 **Q. Mr. La Vere, are you sponsoring any Exhibits in this proceeding?**

6 A. Yes. I am sponsoring four Exhibits.

7 Exhibit A-5 (TJL-1) UETM Rate Design Cost Allocation Factor

8 Exhibit A-6(TJL-2) Rate Design Determinants (Mcfs)

9 Exhibit A-7 (TJL-3) Calculation of UETM Surcharges.

10 Exhibit A-8 (TJL-4) Revised Sheet E-2.0 Surcharges.

11

12 **Q. Mr. La Vere did you prepare your sponsored Exhibits?**

13 A. Yes, I did.

14

15 **Q. Please describe the process in performing your allocation as reflected in**
16 **Exhibit A-5 (TJL-1).**

17 A. The first step in the process is to determine the appropriate allocation percentages
18 for each of the new rate groups established in case U-13898. The Commission
19 specified "The surcharges or credits for each rate class would be calculated based
20 upon the percentages of uncollectibles expense allocated to the rate class in the
21 cost-of-service study utilized in the final rate design in this proceeding."
22 Uncollectibles were allocated using the cost-of-service Allocation Factor Number 20
23 Gross COS – MSBT – Uncollectibles in the cost-of-service study utilized for final

Line
No.

1 rate design in case U-13898. The Commissions order in case U-13898 included
2 an attachment specifying the allocation percentages for the rate classes existing
3 prior to the Order. These percentages are duplicated in column 2 of Exhibit A-5
4 Data for volumes, customers and costs were entered into the MichCon cost-of-
5 service model and the allocation methods in the model were brought into compliance
6 with the Commission's Order. Allocation factors are calculated for all the proposed
7 rate Schedules listed in column 5 of Exhibit A-5 in the MichCon cost-of-service
8 model. The resultant values for allocation factor 20 are listed in column 3 of
9 Exhibit A-5. Column 4 of Exhibit A-5 utilizes the allocation factor from column 2
10 rates 2, 3 and 3A for Rate Schedules A and AS, utilizes the allocation factor from
11 column 2 rate 10 for Rate Schedule S, and utilizes the allocation factor from
12 column 2 Rate Schedule ST for Schedule ST. The allocation factor from column 2
13 for rate 1 was prorated to rates GS-1 and GS-2 in proportion to the GS-1 and GS-2
14 factors from column 3. The allocation factor from column 2 for rate 2A was
15 prorated to rates 2A Class 1 and 2A Class 2 in proportion to the 2A Class 1 and 2A
16 Class 2 factors from column 3. The allocation factor from column 2 for Large
17 Transportation was prorated to rates LT and XLT in proportion to the LT and XLT
18 factors from column 3. The Resultant proposed UETM allocation factors for the
19 newly established Rate Schedules with significantly different charges are listed in
20 column 6.

21
22
23 **Q. What is the next step in your cost allocation/rate design process?**

Line
No.

1 A. The next step in the process is to determine the appropriate rate design volumes for
2 each of the new rate groups established in case U-13898. The Commission adopted
3 the volumes sponsored by the Staff for the rate classes existing prior to the Order.
4 These volumes are duplicated in column 2 of Exhibit A-6. A procedure identical to
5 that used to determine allocation factors for the new rates is repeated in Exhibit A-
6 6. The resultant proposed volumes for the newly established rate Schedules are
7 listed in column 6 of Exhibit A-6.

8

9 **Q. Explain the development of the 2005 UETM surcharges for each rate schedule.**

10 A. The last step in the process is to determine the appropriate surcharge for each of
11 the new rates with significantly different charges. This step is detailed in Exhibit A-
12 7. Column 2 restates the allocation percentages from Exhibit A-5. Lines 1 through
13 10 in column 3 are the result of applying the percentages from column 2 to the total
14 UETM adjustment comprised of the UETM value of \$10,960,617 as sponsored by
15 Theresa M Uzenski in Line 17 of Exhibit A-1. Column 4 restates the rate design
16 volumes from Exhibit A-6. Column 5 of Exhibit A-7 displays the per unit
17 surcharges in \$/Mcf resulting from dividing the UETM allocations in column 3 by
18 the corresponding volumes in column 4. Column 6 converts the values from
19 column 5 to ¢/Ccf.

20

21 **Q. Please explain the revised Sheet E-2.0 provided in Exhibit A-8.**

22 A. All rate Schedules being allocated a portion of the UETM contain a statement
23 indicating that surcharges provided on Sheet E-2 apply. Consequently, the change

Line
No.

1 to MichCon's rate book needed to implement the surcharges, is the revised Sheet E-
2 2 provided as Exhibit A-8. The UETM surcharges provided in that Exhibit were taken
3 directly from column 6 of Exhibit A-7.

4

5 **Q. Does this complete your testimony?**

6 A. Yes.

7

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of	)	
Michigan Consolidated Gas Company for	)	
approval of its Uncollectible Expense	)	MPSC Case No. U-13898
True-up Mechanism computation and	)	
its report regarding its safety and	)	
<u>training-related expenditures for 2005</u>	)	

EXHIBITS

OF

THOMAS J. LA VERE

Michigan Consolidated Gas Company
UETM Rate Design Cost Allocation Factor

Line No.	Rate Schedules Proposed In Case U-13898 (Col 1)	Values from Attachment B to the U-13898 Order (Col 2)	Values from Post Order Cost of Service Evaluation in Case U-13898 1/ (Col 3)	Prorated Allocation To accommodate new Rate classifications (Col 4)	Currently Effective Rate Schedules (Col 5)	Proposed UETM Allocation Percentages (Col 6)
1	Rate Schedule 1		21.207486%	21.166061%	GS-1	21.166061%
2	Rate Schedule 6		0.200442%	0.200050%	GS-2	0.200050%
3	Attachment B Rate 1	21.366111%	21.407928%	21.366111%		
4	Rate Schedules 2, 3 & 3A	69.373783%	69.454293%	69.373783%	A and AS	69.373783%
5	Rate Schedule 2A Class 1		0.174392%	0.174494%	2A Class 1	0.174494%
6	Rate Schedule 2A Class 2		3.069943%	3.071734%	2A Class 2	3.071734%
7	Rate Schedule 2A Total	3.246228%	3.244335%	3.246228%		
8	Rate Schedule 10	0.311975%	0.312454%	0.311975%	S	0.311975%
9	Rate Schedule ST	1.755019%	1.722506%	1.755019%	ST 1and 2	1.755019%
10	Rate Schedule LT		1.520577%	1.555415%	LT 1and 2	1.555415%
11	Rate Schedule XLT		2.337907%	2.391469%	XLT 1and 2	2.391469%
12	Attachment B Large Tran.	3.946884%	3.858484%	3.946884%		
13	Total	100.000000%	100.000000%	100.000000%		100.000000%

1/ - Cost of Service Allocation Factor Number 20 Gross COS - MSBT - uncollectibles + Gas cost

Michigan Consolidated Gas Company
Rate Design Determinants (Mcfs)

Line No.	Rate Schedules Proposed In Case U-13898 (Col 1)	Staff Values for Deliveries Adopted in U-13898 Order (Col 2)	Values from a Cost of Service Evaluation Post U-13898 Order (Col 3)	Prorated Allocation To accommodate new Rate classifications (Col 4)	Currently Effective Rate Schedules (Col 5)	Rate Design Determinants For UETM Allocation (Col 6)
1	Rate Schedule 1		47,223,000	47,222,752	GS-1	47,222,752
2	Rate Schedule 6		403,250	403,248	GS-2	403,248
3	Attachment B Rate 1	47,626,000	47,626,250	47,626,000		
4	Rate Schedules 2, 3 & 3A	139,375,000	139,375,000	139,375,000	A and AS	139,375,000
5	Rate Schedule 2A Class 1		324,212	324,212	2A Class 1	324,212
6	Rate Schedule 2A Class 2		7,193,788	7,193,788	2A Class 2	7,193,788
7	Rate Schedule 2A Total	7,518,000	7,518,000	7,518,000		
8	Rate Schedule 10	956,000	956,000	956,000	S	956,000
9	Sales Schedules Total	195,475,000	195,475,250	195,475,000		195,475,000
10	Rate Schedule ST	22,726,263	22,726,000	22,726,263	ST 1and 2	22,726,263
11	Rate Schedule LT		40,821,556	40,821,556	LT 1and 2	40,821,556
12	Rate Schedule XLT		75,132,511	75,132,511	XLT 1and 2	75,132,511
13	Attachment B Large Tran.	115,954,067	115,954,067	115,954,067		
14	EUT Total	138,680,329	138,680,067	138,680,329		138,680,329

Michigan Consolidated Gas Company
Calculation of UETM Surcharges

Line No.	Currently Effective Rate Schedules (Col 1)	Proposed UETM Allocation Percentages (Per TJL-1) (Col 2)	Proposed UETM Allocation 1/ (Col 3)	Rate Design Determinants For UETM (Mcfs) (Per TJL-2) (Col 4)	Proposed UETM Surcharges \$/Mcf (Col. 3/Col. 4) (Col 5)	Proposed UETM Surcharges ¢/Ccf (Col. 5*10) (Col 6)
1	GS-1	21.166061%	\$ 2,319,931	47,223,000	\$ 0.049127	0.49127¢
2	GS-2	0.200050%	\$ 21,927	403,250	\$ 0.054375	0.54375¢
3	A and AS	69.373783%	\$ 7,603,795	139,375,000	\$ 0.054556	0.54556¢
4	2A Class 1	0.174494%	\$ 19,126	324,212	\$ 0.058991	0.58991¢
5	2A Class 2	3.071734%	\$ 336,681	7,193,788	\$ 0.046802	0.46802¢
6	S	0.311975%	\$ 34,194	956,000	\$ 0.035768	0.35768¢
7						
8	ST 1and 2	1.755019%	\$ 192,361	22,726,000	\$ 0.008464	0.08464¢
9	LT 1and 2	1.555415%	\$ 170,483	40,821,556	\$ 0.004176	0.04176¢
10	XLT 1and 2	2.391469%	\$ 262,120	75,132,511	\$ 0.003489	0.03489¢
11	Total	<u>100.000000%</u>	<u>\$ 10,960,617</u>	<u>334,155,317</u>		

1/- Column 2 * Column 3 Line 11

2/- Per Line 17 of Exhibit A-1 (TMU-1)

M.P.S.C. No. 4 - Gas

Michigan Consolidated Gas Company

To add Uncollectible Expense Tracking Mechanism Surcharge (UETM)

Seventeenth Revised Sheet No. E-2.00

Cancels Sixteenth Revised Sheet No. E-2.00

SURCHARGES

	Rate Schedule No.	Uncollectibles Expense Tracking Mechanism Surcharge (UETM)
A	Residential	0.5456¢/Ccf
AS	Low Income Senior Citizens	0.5456¢/Ccf
2A	Residential Multiple Family Dwelling Class 1	0.5899¢/Ccf
2A	Residential Multiple Family Dwelling Class 2	0.4680¢/Ccf
GS-1	Non-Residential General Service	0.4913¢/Ccf
GS-2	Large Volume	0.5438¢/Ccf
S	School	0.3577¢/Ccf
ST	Small Volume Transportation	0.0846¢/Ccf
LT	Large Volume Transportation	0.0418¢/Ccf
XLT	Extra Large Volume Transportation	0.0349¢/Ccf

In addition to the above surcharges, Rate Schedules A, AS, 2A, GS-1, GS-2, and S are subject to Rule B10, Gas Cost Recovery and may be subject to Rule 7.3, Area Expansion Program, or to Rule B12, Customer Attachment Program.

ISSUED _____, 2006
 BY M. E. CHAMPLEY
 SENIOR VICE PRESIDENT
 REGULATORY AFFAIRS

DETROIT, MICHIGAN

EFFECTIVE FOR GAS SERVICE
 RENDERED ON AND AFTER
 _____, 2006

ISSUED UNDER AUTHORITY OF THE
 MICHIGAN PUBLIC SERVICE COMM.
 DATED _____
 IN CASE NO. _____

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of	)	
Michigan Consolidated Gas Company for	)	
approval of its Uncollectible Expense	)	MPSC Case No. U-13898
True-up Mechanism computation and	)	
its report regarding its safety and	)	
<u>training-related expenditures for 2005</u>	)	

QUALIFICATIONS
AND
DIRECT TESTIMONY
OF
WILLIAM L. JOHNSON

MICHIGAN CONSOLIDATED GAS COMPANY
QUALIFICATIONS OF WILLIAM L. JOHNSON

Line
No.

1 **Q. Please state your name and business address.**

2 A. My name is William L. Johnson. My business address is DTE Energy, 2000
3 Second Avenue, Detroit, Michigan 48226.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by Michigan Consolidated Gas Company (MichCon) as the
7 Director/Controller.

9 **Q. What is your educational background?**

10 A. I received a Bachelor of Arts Degree with a major in Accounting from Michigan
11 State University in 1979. I earned my Masters of Science in Finance, with a
12 specialization in Corporate Finance, from Walsh College in 1991. I am a non
13 practicing Certified Public Accountant, originally licensed in the State of Michigan.

15 **Q. Are you a member of any professional organizations?**

16 A. I am a member of the Michigan Association of Certified Public Accountants and the
17 American Gas Association, Accounting Principles Committee. I also serve on the
18 Board of Directors of Lighthouse Emergency Services of Oakland County.

20 **Q. What is your employment history?**

21 A. I joined the Company in April, 2005 as Director, Gas Operations and was
22 appointed Controller for MichCon in September, 2005. In my current position, I am
23 responsible for gas accounting, budgeting, forecasting, financial planning, project
24 analysis and regulatory support for the Company. Prior to joining the Company, I
25 held various senior financial management positions within the energy industry,

Line
No.

1 including Controller for Great Lakes Gas Transmission Company and Senior Vice
2 President - Financial Administration for ANR Pipeline Company. In total, I have
3 approximately 25 years of financial and regulatory affairs management experience
4 within the natural gas industry.

5
6 **Q. What are your duties and responsibilities in your current position?**

7 A. As Director/Controller for MichCon I am responsible for among other things,
8 assuring the accuracy of MichCon's books of account and that its calculations and
9 methodologies regarding its accounting are sound and accurate.

MICHIGAN CONSOLIDATED GAS COMPANY
DIRECT TESTIMONY OF WILLIAM L. JOHNSON

Line
No.

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

2 A. The purpose of my testimony is to support MichCon's 2005 Annual Report on
3 Safety and Training to the Michigan Public Service Commission.

4
5 **Q. Are you sponsoring any exhibits?**

6 A. Yes, I am sponsoring Exhibit A-9 the 2005 Annual Report on Safety and Training
7 to the Michigan Public Service Commission.

8
9 **Q. Was Exhibit A-9 prepared by you or under your direction?**

10 A. Yes, the content and factual representations contained in the report were prepared
11 under my direction and supervision.

12
13 **Q. Please describe the various schedules contained in Exhibit A-9?**

14 A. Exhibit A-9 contains three schedules:

- 15 • WLJ-1 shows the partial year comparison of actual Safety and Training
16 Expenses (S&TE) of \$15.5 million to the \$12.8 million of S&TE embedded
17 in MichCon's base tariff rates per the Order in Case No. U-13898.
- 18 • WLJ-2 details the \$15.5 million of actual 2005 S&TE by month for the pro-
19 rated period (May through December 2005).
- 20 • WLJ-3 calculates for the pro-rated period the percentage (51.9%) of 2005
21 volumes sold or transported on MichCon.

22
23 **Q. Does this complete your testimony?**

24 A. Yes, it does.

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of	)	
Michigan Consolidated Gas Company for	)	
approval of its Uncollectible Expense	)	MPSC Case No. U-13898
True-up Mechanism computation and	)	
its report regarding its safety and	)	
<u>training-related expenditures for 2005</u>	)	

EXHIBITS

OF

WILLIAM L. JOHNSON

MICHIGAN CONSOLIDATED GAS COMPANY

2005 Annual Report on Safety and Training to the Michigan Public
Service Commission

MICHIGAN CONSOLIDATED GAS COMPANY ("MichCon") pursuant to the Michigan Public Service Commission's ("Commission") April 28, 2005 Opinion and Order in Case No. U-13898, ("Order") files this report regarding its safety and training-related expenditures. In support of this report, MichCon represents to the Commission as follows:

1. The Commission's Order requires MichCon file an annual report for the preceding year regarding MichCon's \$24.7 million of safety and training-related expenditures
2. The Commission provided that the report shall state, with particularity, the safety and training-related expenditures of MichCon for the appropriate time period and shall reconcile those actual expenditures to the level of safety and training-related operations and maintenance expenses included within its Order.
3. As indicated in Exhibit A-9 (WLJ-1), MichCon's 2005 actual safety and training-related expense of \$15.5 million exceeded the prorated \$12.8 million included in base rates.
4. Accordingly, and consistent with the Commission's Order, no refund is due to customers at this time (MPSC Order, April 25, 2005, Case No. U-13898 p. P 100)
5. In support of MichCon's yearly safety and training-related expense filing for the 2005 calendar year, MichCon submits the Affidavit of William L. Johnson attesting to the proper and accurate accounting and 2005 prorated level of MichCon's safety and training-related expenses

Michigan Consolidated Gas Company
Annual Report on Safety and Training Expenses

Line No.	Description (Col 1)	Amount (Col 2)	Notes (Col 3)
<u>Per U-13898 Safety and Training Expense (STE) Base</u>			
1	S&T Expense in Base Rates	\$ 24,719,000	Per Order in Case No. U-13898
2	Percentage applicable to New Rate Period 1/	<u>51.9%</u>	See WLJ-3
3	STE Base Applicable to New Rate Period 1/	\$ 12,830,153	
<u>2005 STE Actuals</u>			
4	S&T Expense applicable to the NEW Rate Period 1/	<u>\$ 15,507,227</u>	See WLJ-2 Line 9, Col. J
5	Net Sufficiency (Deficiency)	<u><u>\$ (2,677,074)</u></u>	Line 3 less Line 4

1/ New Rate Period reflects May 2005 thru December 2005, ie May 1, 2005 effectiveness of MichCon's New Base Rates per U-13898 Order.

Michigan Consolidated Gas Company
Safety and Training Expenses May - December, 2005

Line No.	Description (Col 1)	2005								Total (Col 10)
		May (Col 2)	June (Col 3)	Jul (Col 4)	Aug (Col 5)	Sep (Col 6)	Oct (Col 7)	Nov (Col 8)	Dec (Col 9)	
<u>Safety and Training Related O&M Expenses</u>										
<u>Leak Survey and Repair</u>										
1	Gas Leak Detection - 1218	\$ 389,191	\$ 425,914	\$ 305,558	\$ 1,001,459	\$ 514,614	\$ 290,783	\$ 200,987	\$ 337,626	\$ 3,466,131
2	Repair Distribution Leaks - Main 1551	464,614	943,115	456,114	589,213	547,254	392,537	386,277	502,023	4,281,146
3	Repair Distribution Leaks- Services - 1557	172,661	347,339	186,779	255,058	266,859	205,762	184,800	227,315	1,846,571
4	Sub-total Leak Survey and Repair	\$ 1,026,466	\$ 1,716,368	\$ 948,450	\$ 1,845,730	\$ 1,328,727	\$ 889,081	\$ 772,064	\$ 1,066,964	\$ 9,593,849
5	Engineering Codes & Standards -1410	\$ 69,953	\$ 80,712	\$ 58,062	\$ 71,144	\$ 65,341	\$ 92,895	\$ 70,469	\$ 109,306	\$ 617,883
<u>Training and Education</u>										
6	Training - 1502, 1510, 1853, 1864	\$ 404,127	\$ 515,688	\$ 254,934	\$ 366,905	\$ 311,140	\$ 347,186	\$ 328,047	\$ 379,206	\$ 2,907,232
7	Education - 1505	298,598	350,383	238,765	254,676	263,856	260,283	309,583	412,121	2,388,263
8	Sub-total Training and Education	\$ 702,725	\$ 866,070	\$ 493,698	\$ 621,581	\$ 574,996	\$ 607,469	\$ 637,629	\$ 791,327	\$ 5,295,495
9	Total Safety and Training Related O&M Expenses (Lines 4 + 5 + 8)	\$ 1,799,144	\$ 2,663,150	\$ 1,500,211	\$ 2,538,454	\$ 1,969,064	\$ 1,589,445	\$ 1,480,162	\$ 1,967,597	\$ 15,507,227

Michigan Consolidated Gas Company
Calculation of Percentage Applicable
to 2005 Tracking Period

<u>Line No.</u>	<u>Month</u> (Col 1)	<u>Gas Sales</u> (Col 2)	<u>End User Transportation</u> (Col 3)	<u>Choice LDC</u> (Col 4)	<u>Total</u> (Col 5)	<u>Percentage of Revenue</u> (Col 6)
	<u>2005</u>					
1	January	32,109,516	14,787,917	3,299,361	50,196,794	
2	Febuary	25,257,274	13,211,705	2,628,269	41,097,248	
3	March	24,595,146	13,159,115	2,507,088	40,261,349	
4	April	11,321,464	10,359,153	1,278,548	22,959,165	
5	Total January- April				154,514,556	48.1%
	<u>U-13898 Rates Effective</u>					
6	May	6,804,262	9,687,588	827,529	17,319,379	
7	June	3,707,780	10,000,307	475,665	14,183,752	
8	July	3,789,971	12,680,605	85,203	16,555,779	
9	August	2,619,674	10,919,947	1,238,638	14,778,259	
10	September	3,467,174	8,478,693	1,088,411	13,034,278	
11	October	8,410,703	9,284,535	1,192,441	18,887,679	
12	November	15,238,321	10,299,022	2,055,268	27,592,611	
13	December	26,894,882	14,046,753	3,454,957	44,396,592	
14	Total May-December				166,748,329	51.9%
						(Carried to Line 2 of WLJ-1)
15	Total 2005 Actuals (Line 5 plus Line 14)				321,262,885	

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of	)	
Michigan Consolidated Gas Company	)	
for approval of its Uncollectible Expense	)	Case No: U-13898
True-up Mechanism computation and its	)	
report regarding its safety and	)	
training-related expenditures for 2005	)	
_____	)	

PROOF OF SERVICE

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

ESTELLA BRANSON, being duly sworn, deposes and says that on the 17th day of May, 2006 she served a copy of Michigan Consolidated Gas Company's Direct Testimony and Exhibits of Ms. Theresa M. Uzenski and Messrs. Thomas J. LaVere and William J. Johnson along with Proof of Service upon the parties listed on the attached service list by electronic mail.

Estella R. Branson	Digitally signed by Estella R. Branson DN: cn=Estella R. Branson, c=US, o=Regulatory Affairs, ou=Detroit Edison/MichCon, email=branson@dteenergy.com Date: 2006.05.17 16:28:20 -0400

ESTELLA BRANSON	

Subscribed and sworn to before
me this 17th day of May, 2006

Jennifer Evans	Digitally signed by Jennifer Evans DN: cn=Jennifer Evans, c=US, o=DECO/MichCon, ou=Regulatory Affairs, email=evansj2@dteenergy.com Date: 2006.05.17 16:31:04 -0400

Notary Public	

SERVICE LIST
MPSC CASE NO. U-13898
(Revised as of May 17, 2006)

ADMINISTRATIVE LAW JUDGE

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6545 Mercantile Way, Suite 14
P.O. Box 30221
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**MICHIGAN CONSOLIDATED GAS
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