

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the Commission's own motion)
ordering **THE DETROIT EDISON COMPANY**)
to show cause why its retail rates for the sale)
and distribution of electric energy should not)
be decreased.)

Case No. U-14838

QUALIFICATIONS
AND
DIRECT TESTIMONY
OF
WILLIAM J. NEWBOLD, JR.

THE DETROIT EDISON COMPANY
QUALIFICATIONS OF WILLIAM J. NEWBOLD, JR.

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- 1 **Q. Would you please state your name and business address?**
- 2 A. My name is William J. Newbold, Jr. My business address is 2000 Second
- 3 Avenue, Detroit, Michigan 48226.
- 4
- 5 **Q. By whom are you employed and in what capacity?**
- 6 A. I am employed by the Detroit Edison Company ("Detroit Edison" or
- 7 "Company") as Manager of Electric Choice Strategy on the Electric Choice
- 8 Implementation Team.
- 9
- 10 **Q. What is your educational background?**
- 11 A. I graduated from Butler University with a Bachelor of Science degree in
- 12 Business Administration in 1973 and completed a Master in Business
- 13 Administration degree from the University of Michigan in 1976.
- 14
- 15 **Q. Have you completed any other courses of study?**
- 16 A. Yes, I have completed several professional level training courses including
- 17 Public Utility Reports Guide, Fundamentals of Economic Analysis, Public
- 18 Utility Accounting, and several others related to performing and managing
- 19 market research.
- 20
- 21 **Q. Would you please review your employment history with Detroit**
- 22 **Edison?**
- 23 A. I joined Detroit Edison in 1981 as a Market Research Analyst in the

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1 Customer Relations Department. I was responsible for performing market
2 research and analysis relating to customer satisfaction, marketing program
3 performance measurement, and analysis of new business opportunities. In
4 1984, I was promoted to Senior Market Research Analyst, performing the
5 same duties and providing work leadership to others in the group.

6
7 In 1986, I was promoted to the position of Supervisor, Surveys and Market
8 Analysis. My responsibilities in this position included performing market
9 research and supervising a group of Market Research Analysts. In addition,
10 I served on a cross-departmental team developing a strategic marketing
11 plan for Detroit Edison.

12
13 In 1989, I was promoted to Director, Marketing Research and supervised
14 both the market research and load research activities of Detroit Edison.

15
16 In 1990, I assumed the new position of Supervisor, Marketing Research in a
17 newly expanded Marketing Information group where I had a major role in
18 developing many of the customer satisfaction measurements used at Detroit
19 Edison, including the first sustained transactional measurements.

20
21 In 1994, I accepted the position of Principal Planner in Marketing and Sales
22 Planning where I integrated the efforts of other Planners who worked in
23 industry-specific teams, led the development of an integrated marketing
24 plan, and developed sales and performance measures.

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1 In 1996, I moved to a developmental assignment on a project team
2 established to assist the Energy Marketing and Distribution (EM&D)
3 leadership team develop the vision and essential design for the distribution
4 portion of Detroit Edison for operation in a future competitive environment.
5 My role was to provide mass-market expertise, help identify marketing
6 functions that would be appropriate for the various potential business units,
7 and develop initial business/product evaluation matrices.

8
9 In 1997, my position was transferred to EM&D Business Planning where I
10 led the analysis of a variety of customer choice issues which led to my
11 assignment to the Customer Choice Implementation Team (later called
12 Electric Choice Implementation Team). There I led the design of the bidding
13 process to implement the capacity allocation process set out in the
14 Company's proposed Customer Choice Plan, performed economic analysis
15 of the rate design, and I was one of the principal authors of the Company's
16 Electric Choice Implementation Plan.

17
18 In 1998, I was promoted to Strategy Project Director, EM&D Business
19 Planning and assigned to the Electric Choice Implementation Team as its
20 Strategy Manager to work on program design issues. This included a role in
21 integrating the program's project teams' efforts, determining the implications
22 of actions in other states for our program, and working with the project leads
23 within the team to modify the features of our program in light of lessons
24 learned in other states and regulatory and legislative actions in Michigan. In

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1 addition, I represented Detroit Edison in the EEI/Coalition for Uniform
2 Business Rules (CUBR) effort to develop a consensus set of uniform
3 business rules for use by all parties involved with electric choice. This
4 included co-leading the review teams for the chapters on enrollment and
5 switching, customer information and dispute resolution.

6

7 I currently represent Detroit Edison in the Retail Electric Quadrant (REQ) of
8 the North American Energy Standards Board (NAESB). I recently
9 completed a two-year term on the REQ Executive Committee, during which
10 I also co-chaired the Supplier-Utility Interface Subcommittee.

11

12 **Q. Have you testified in prior proceedings before the Michigan Public**
13 **Service Commission (“MPSC” or “Commission”)?**

14 A. Yes. I testified in Case No. U-12489 on proposed program changes
15 incorporated into the Company’s September 20, 2000 Retail Access Service
16 Tariff (“RAST”) filing. I testified in Case No. U-13385 regarding load
17 profiling provisions for the Company’s Retail Access Service Tariff. I
18 provided rebuttal testimony in Case Nos. U-13808 and U-14399 on a
19 variety of Electric Choice and RAST issues. I also testified in Case Nos. U-
20 14025 and U-14208 regarding Detroit Edison’s performance in processing
21 Electric Choice enrollments.

THE DETROIT EDISON COMPANY
DIRECT TESTIMONY OF WILLIAM J. NEWBOLD, JR.

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

2 A. The purpose of my testimony is to present the results of the collaborative on
3 Electric Choice metering issues which the Commission established in its
4 November 23, 2004 Order in Case No. U-13808 and to support the adoption
5 by the Commission of the near-consensus proposal resulting from that
6 effort.

7

8 **Q. Mr. Newbold, are you sponsoring any exhibits?**

9 A. Yes, I am sponsoring the following Exhibits:

10

Exhibit		Title
DE-20	Schedule 1	Stipulation and Settlement Agreement with Appendices: Appendix A, Metering/Load Profiling Description Exhibit 1, Pro-Forma Retail Access Service Rider
DE-20	Schedule 2	February 23, 2006 Clarification Letter to Metering Collaborative Participants

11

12 In addition, I am co-sponsoring Exhibit DE-13, Schedule E-9, with Mr.
13 Falletich which presents the proposed changes to the Retail Access Service
14 Rider (tariff EC-2) resulting from the metering collaborative.

15

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

17 A. These exhibits are copies of documents prepared by Detroit Edison to
18 formalize the results of the metering collaborative discussions in order to

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1 seek Alternative Electric Supplier (AES) agreement on program features
2 and an additional document that provides clarification sought by one AES
3 after the proposed settlement was reviewed and signed by some parties. I
4 was directly involved in the preparation of each of these documents.

5

6 **Q. Why is Detroit Edison including these Electric Choice metering issues**
7 **in this proceeding?**

8 A. The Commission's Opinion and Order of November 23, 2004 in Case No. U-
9 13808 ordered Detroit Edison to immediately convene collaborative
10 meetings with interested parties to discuss the unresolved electric choice
11 metering issues and found that "Detroit Edison should include any tariff
12 proposal for which there is substantial agreement in its next general rate
13 case application." Exhibit DE-13, Schedule E-9, that I am co-sponsoring
14 with Mr. Falletich shows the proposed changes to the Retail Access Service
15 Rider ("RASR") that have been agreed upon by a substantial number of the
16 participants in the collaborative.

17

18 **Q. Please describe the metering collaborative process.**

19 A. From January through July 2005, twelve face-to-face meetings were held
20 between Detroit Edison and other interested parties to discuss Electric
21 Choice metering issues. The MPSC Staff also participated in each meeting.
22 Teleconferencing was available for each meeting so that additional
23 interested parties could participate. In addition to these overall metering
24 collaborative meetings, the AESs and other interested parties held meetings

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1 and conference calls, without Detroit Edison being present, to facilitate their
2 reaching consensus supplier views.

3 The parties also used e-mails to exchange information and express
4 positions so that the process continued in between the formal collaborative
5 meetings. This practice became more prevalent later in the collaborative
6 process when more detailed information was being discussed.

7 Initially, the earlier meetings were informational, where parties
8 shared their goals and exchanged information on how these same issues
9 were treated in other jurisdictions. During these early meetings the parties
10 exchanged high-level proposals, and conceptual agreement was reached
11 on a number of key issues.

12 In February 2005, Detroit Edison presented a preliminary proposal
13 for Electric Choice metering that provided the structural framework for later
14 meetings. This preliminary proposal enabled the parties to identify specific
15 areas of conceptual agreement, highlight the subjects where more
16 knowledge was needed before the group could proceed, and identify the
17 potential trade-offs that could lead to a comprehensive consensus metering
18 solution.

19 Detroit Edison was directed by the November 23, 2004 Order to
20 report the results of the metering collaborative effort back to the
21 Commission by March 15, 2005 and did so on March 14, 2005. This report
22 indicated that general agreement had been reached on the concept of
23 eliminating the interval meter requirement for secondary voltage Electric
24 Choice customers and instead use load profiles to develop the hourly data

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1 needed for wholesale settlement. The report also indicated that general
2 agreement had been reached with respect to making interval meters
3 available to secondary voltage Electric Choice customers on an optional
4 basis and also making digital cellular telephony an available alternative to a
5 land-line. The report noted the lack of agreement as to both the number and
6 the nature of load profiles to be used. In addition, the report requested that
7 the Commission allow the metering collaborative process to continue since
8 the participating parties believed a resolution was possible.

9 The metering collaborative meetings continued and the areas of
10 general agreement broadened to include acceptance that; (1) historical load
11 shapes that were updated on a daily basis would meet the AES's
12 forecasting concerns, and (2) secondary voltage Electric Choice customers
13 requesting interval meters should bear the cost of those meters. In addition,
14 progress was made on narrowing the gap between the parties on how many
15 load profiles would be needed, how customers would be assigned to load
16 profile groupings, and on the costs of optional interval meters. Detroit
17 Edison again reported to the Commission on April 29, 2005 that the
18 collaborative process was continuing to be productive and beneficial, that
19 complete agreement might be achieved, and again requested the
20 Commission to allow the collaborative process to progress.

21 In September 2005, Detroit Edison prepared a new metering
22 proposal built upon its understanding of the agreed-upon positions of the
23 parties. Detroit Edison shared this with the MPSC Staff and made some
24 minor modifications based on the Staff's input. This modified proposal was

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1 shared with all parties to the metering collaborative in October 2005. This
2 proposal formed the basis of settlement documents, including a detailed
3 description of the proposed metering and load profiling aspects of the
4 program and the associated tariff changes needed for implementation.

5 In early December 2005 Detroit Edison sent the proposed
6 settlement documents to all participants in the metering collaborative and
7 sought their comments. The final, revised settlement documents were sent
8 to all parties on January 19, 2006 seeking their concurrence and signature.
9 These settlement documents appear as Exhibit DE-20, Schedule 1.
10 Subsequent to this, WPS Energy/Quest Energy requested some clarification
11 regarding how the “grandfathering” terms contained in the proposal would
12 apply to certain secondary voltage Electric Choice Customers. Detroit
13 Edison responded on February 23, 2006 with a letter addressing the issues
14 raised (Exhibit DE-20, Schedule 2). This clarification was sent to all parties.

15

16 **Q. Who participated in the metering Collaborative?**

17 A. In addition to Detroit Edison and the MPSC Staff, most active suppliers in
18 Detroit Edison’s service area actively participated in the metering
19 collaborative, including: Commerce Energy, Constellation NewEnergy,
20 Exelon Energy, Energy International/PowerOne (represented by Energy
21 Advantage Consulting), Nordic Marketing, Premier Energy, Sempra Energy
22 Solutions, Strategic Energy, and WPS Energy/Quest Energy. DTE Energy
23 Trading, Dillon Energy Services, FirstEnergy Solutions, Metro Energy,
24 MidAmerican Energy, and Wolverine Power Marketing Cooperative also

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1 participated. Non-supplier participants included Energy Advantage
2 Consulting (on behalf of Energy International/PowerOne), Energy Options
3 and Solutions, and Retail Energy Back Office.
4

5 **Q. Was Detroit Edison successful in obtaining agreement on the proposal**
6 **you are supporting?**

7 A. Largely yes. Commerce Energy, Constellation NewEnergy, FirstEnergy
8 Solutions, Sempra Energy Solutions, Strategic Energy, and Wolverine
9 Power Marketing Cooperative have all signed the proposed settlement
10 agreement. Together, these AESs account for 81% of the customers
11 participating in Detroit Edison's Electric Choice program.
12

13 **Q. Why should this Electric Choice metering proposal be adopted?**

14 A. This proposal should be adopted because: 1) it simplifies Detroit Edison's
15 Electric Choice program for secondary voltage customers, 2) it provides
16 reliable hourly-usage data for suppliers at a lower cost, 3) it allows interval
17 meters for customers with truly unique load shapes, 4) it matches Detroit
18 Edison's new unbundled pricing structure, 5) it adds a new digital cellular
19 telephony option, and 6) it provides an extended transition period for
20 secondary voltage Electric Choice customers for whom interval meters were
21 installed under the current Electric Choice program rules.
22

23 **Q. How does the proposed metering/load profiling proposal simplify**
24 **Detroit Edison's Electric Choice program for secondary voltage**

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1 **Electric Choice customers?**

2 A. Under the new metering proposal, a customer would not be required to
3 change their metering in order to participate in Electric Choice. The effect of
4 this is that, in virtually all cases, a customer's switch to Electric Choice
5 service will take place on their next meter read date (allowing a few days for
6 processing time) instead of delaying Electric Choice service until the
7 appropriate interval metering is installed.

8 Under the current program, all three-phase secondary voltage
9 customers that are enrolled in Detroit Edison's Electric Choice Program are
10 required to have interval meters installed prior to their taking service.
11 Unless the customer had previously taken Electric Choice service, this
12 almost always requires installation of a new interval meter and
13 installation/connection of a telephone line to the meter. Completing the
14 installation requires one or more field visits each by both Detroit Edison and
15 a telephone supplier, coordination of these visits with the customer, and
16 sometimes involves the AES. Eliminating the requirement for an interval
17 meter greatly reduces the complexity and effort required on the part of the
18 customer, the AES, and Detroit Edison to begin a secondary voltage
19 customer's Electric Choice service.

20

21 **Q. How will this metering proposal provide reliable hourly usage data to**
22 **support wholesale settlement?**

23 A. Wholesale settlement takes place at the supplier level for the aggregated
24 usage of all of the supplier's customers—not individual settlement for each

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1 customer. This proposal addresses secondary voltage Electric Choice
2 customers and any settlement faced by a supplier serving secondary
3 voltage customers represents an aggregation of the usage of a large
4 number of these customers with diverse usage patterns. This aggregated
5 usage can be accurately predicted through the use of statistically reliable
6 samples. Settlement will be based on real-time hourly usage data for each
7 load profile grouping. It will not be a model or a forecast--it will be the actual
8 usage behavior of the load profile group measured as it actually happened
9 in the relevant hour. The hourly usage data will be updated on a daily basis
10 so that it is fresh enough to aid suppliers in their forecasting.

11 The twelve (12) load profile groupings in the proposal ensure that
12 each group will be composed of a sufficiently homogeneous group of
13 customers so that the desired accuracy will be maintained. Customers are
14 assigned to a profile group based on known, measurable quantities such as
15 their service type (single or three-phase), type of business (manufacturing
16 or non-manufacturing) and usage characteristics. Demand-metered
17 customers will be assigned to a grouping based on their individual load
18 factor.

19 Hourly usage data for wholesale settlement will be determined by
20 distributing the customer's measured monthly usage over the hours of the
21 billing month using the average load shape for that customer's load profile
22 grouping. Since the customer has various demographics or usage
23 characteristics in common with all members of that load profile grouping,
24 this load shape should be very similar to the customer's individual load

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1 shape.

2

3 **Q. How will the metering proposal accommodate secondary voltage**
4 **Electric Choice customers with unique load shapes?**

5 A. Secondary voltage Electric Choice customers with truly unique load shapes
6 that might see an economic benefit from having their actual usage
7 measured on an hourly basis, rather than being load profiled, can elect
8 interval metered service. This would be an optional service offering with
9 features comparable to the current interval-metered Electric Choice service.
10 If elected by the customer, this service would involve the installation of an
11 interval meter, polling the meter four (4) times per month via telephony,
12 posting the data to Detroit Edison's systems, and generating/sending an
13 XML transaction to the supplier once a month that provides the detailed
14 hourly consumption data. The customer electing this service would pay an
15 additional charge on their monthly distribution bill from Detroit Edison. The
16 additional charge would be \$25.00 for D3 customers and \$20.75 for D4
17 customers. The actual measured hourly values for this customer would be
18 aggregated with the hourly usage data for all the supplier's other customers
19 by Detroit Edison (or other Meter Data Management Agent, if not Detroit
20 Edison) and provided to the Midwest Independent Transmission System
21 Operator (MISO) for settlement.

22

23 **Q. What do you mean when you say the metering proposal pricing**
24 **matches Detroit Edison's new unbundled pricing structure?**

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1 A. Effective with the February 1, 2006 implementation of unbundled rates,
2 Detroit Edison's product offerings and pricing structure (not necessarily the
3 pricing level) for distribution/delivery service are identical for full service and
4 Electric Choice customers. This means that the metering used for full
5 service customers is always appropriate for Detroit Edison to bill Electric
6 Choice customers for delivery. Since the implementation of unbundled
7 rates, the current requirement that three-phase secondary voltage Electric
8 Choice customers install interval meters is unnecessary.

9

10 **Q. Why was a digital cellular telephony option included in the metering**
11 **proposal?**

12 A. Early in the Detroit Edison Electric Choice program, it was recognized that
13 installing a land-line telephone connection at the electric meter might be
14 impractical at some locations. Analog cellular telephony was installed at
15 these locations in the past. Analog cellular is being phased out and its
16 performance has deteriorated. A new digital cellular alternative was
17 needed. Detroit Edison developed a digital cellular telephony option that is
18 compatible with Detroit Edison's interval meters and Detroit Edison will
19 install, own, and maintain this equipment on behalf of a Electric Choice
20 customer. This is an optional service. If this service is elected, the Electric
21 Choice customer will be charged \$45.00/month for the service. In addition,
22 the Electric Choice customer is responsible for all charges from the cellular
23 service provider. This service is designed for exceptional cases where land-
24 line telephony is impractical. Land-line service is the default and preferred

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1 telephony option.

2 Just as the digital cellular telephony option is offered to take care of
3 customers with problem situations, there is another “safety-valve” built into
4 the metering proposal. In those very rare cases where neither a land-line
5 nor a digital cellular connection can be established, there is a hardship
6 exception in which the telephony requirement would be waived and the data
7 from the interval meter would be downloaded manually. The data would be
8 extracted once per month for a service charge of \$37.00 per month. Manual
9 reading is offered only as a “last ditch” option because electronic polling of
10 the interval meter ensures the hourly usage data can be obtained more
11 quickly and reliably.

12

13 **Q. How does the metering proposal take care of existing interval metered**
14 **secondary customers?**

15 A. Existing Electric choice customers that had interval meters installed under
16 the current Electric Choice program rules would be provided the optional
17 interval metering service for a period of two years without charge. After the
18 two-year “grandfathering” period, the customer could either move to load-
19 profiled service or continue on the optional interval metering service and pay
20 the normal monthly fees. As expressed in the clarification letter (Exhibit DE-
21 20, Schedule 2) this same “grandfathering” would be available to customers
22 who had interval meters installed under the current Electric Choice rules,
23 were not taking Electric Choice service at the time of an order implementing
24 the metering proposal, but subsequently returned to Electric Choice service.

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1 In each case the two-year period starts on the date of an Order
2 implementing this metering proposal.

3

4 **Q. Why should this metering proposal and related pro-forma Retail**
5 **Access Service Rider be adopted without changes?**

6 A. There are two reasons the metering proposal should be implemented
7 without modification. The first is that the exact proposal presented in Exhibit
8 DE-20, Schedule 1, and the related marked-up RASR (Exhibit 1 within the
9 Appendix to the stipulation) have been thoroughly reviewed and already
10 agreed to by AESs representing more than 80% of all customers
11 participating in the Detroit Edison Electric Choice program. The second
12 reason is that the package should be treated as a whole because it
13 incorporates many trade-offs on complex features which were made by the
14 metering collaborative participants after much more analysis and discussion
15 than is possible in the context of a rate case.

16

17 **Q. Are the EC-2 (RASR) tariff sheets presented in Exhibit DE-13, Schedule**
18 **E-9 identical to the RASR tariff sheets reviewed and agreed to by the**
19 **parties who signed the settlement agreement?**

20 A. Yes, except for the correction of three (3) non-substantive typographical
21 errors. The first change that was made was to change the word “my” to
22 “may”, in Section 2.8.2 so that the Section begins: “Non-Residential
23 Secondary customers **may** elect...” The second correction made was
24 replacing the word “both” with the word “to” in Section 8.3 so that the

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1 second sentence now reads: "This charge applies **to** the second and
2 subsequent...". The third correction was to correct the capitalization of
3 "kWh" in the table that appears in Section 21.3.1.

4

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

6 A. Yes, it does.