

STATE OF MICHIGAN
DEPARTMENT OF ATTORNEY GENERAL



MIKE COX
ATTORNEY GENERAL

P.O. Box 30212
LANSING, MICHIGAN 48909

April 3, 2009

Ms. Mary Jo Kunkle
Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way
Lansing, MI 48911

Dear Ms. Kunkle:

Re: MPSC Case No. U-15890

Enclosed for filing in the above-captioned case please find the *Direct Testimony of Michael J. McGarry, Sr. on behalf of the Attorney General Michael A. Cox*. This filing is being submitted electronically pursuant to instruction on the Commission's website.

Sincerely,

Michael E. Moody (P51985)
Assistant Attorney General
Tobacco & Special Litigation Division
517-373-1123

MEM:wjc
Enclosures
c All Parties

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own motion,
regarding the regulatory reviews, revisions,
determinations, and/or approvals necessary for
MICHIGAN CONSOLIDATED GAS COMPANY
to fully comply with Public Acts 286 and 295 of 2008

MPSC Case No. U-15890

PROOF OF SERVICE - U-15890

The undersigned certifies that a copy of the *Direct Testimony of Michael J. McGarry, Sr. on behalf of the Attorney General Michael A. Cox* was served upon the parties listed below by mailing the same to them at their respective addresses with first class postage fully prepaid thereon on the 3rd day of April, 2009.

Wendy J. Cadwell

Administrative Law Judge

Barbara A. Stump
Michigan Public Service Commission
6545 Mercantile Way, Suite 15
PO Box 30221
Lansing, MI 48909-8195
stumpb1@michigan.gov

MPSC Staff

Patricia Barone
Assistant Attorney General
Public Service Division
6545 Mercantile Way, Suite 15
Lansing, MI 48911
Baronep@michigan.gov

MCAAA

Don L. Keskey (P23003)
Clark Hill PLC
212 East Grand River Avenue
Lansing, MI 48906
dkeskey@clarkhill.com

Michigan Consolidated Gas Company

Richard P. Middleton
Legal Department
Michigan Consolidated Gas Company
2000 Second Avenue
#688 WCB
Detroit, MI 48226
middletonr@dteenergy.com
mpscfilings@dteenergy.com

ABATE

Thomas E. Maier
212 East Grand River Avenue
Lansing, MI 48906
tmaier@clarkhill.com

Robert Strong
Clark Hill, PLLC
151 S. Old Woodward Avenue, Ste. 200
Birmingham, MI 48009

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own)
motion, regarding the regulatory reviews,)
revisions, determinations, and/or)
approvals necessary for MICHIGAN)
CONSOLIDATED GAS COMPANY to)
fully comply with Public Acts 286 and)
295 of 2008.)

Case No. U-15890

DIRECT TESTIMONY OF

MICHAEL J. MCGARRY, SR.

ON BEHALF OF THE

ATTORNEY GENERAL MICHAEL A. COX

April 3, 2009

DIRECT TESTIMONY OF
MICHAEL J. MCGARRY, SR.

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Michael J. McGarry, Sr. My business address is 2131 Woodruff
3 Road, Suite 2100, PMB 309 Greenville, SC 29607.

4 **Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?**

5 A. I am employed by Blue Ridge Consulting Services, Inc. located in Greenville,
6 South Carolina, as President and Chief Executive Officer.

7 **QUALIFICATIONS**

8 **Q. PLEASE STATE YOUR EXPERIENCE AND EDUCATIONAL**
9 **BACKGROUND.**

10 A. Prior to assuming my present position, I was Vice President of East Coast
11 Operations from July 2003 to June 2004 with Hawks, Giffels & Pullin (HGP),
12 Inc. In that position, I was responsible for developing and overseeing client
13 engagements in utility regulatory affairs, management audit, and rate case
14 management. From August 2001 to July 2003, I was an independent consultant
15 working on a number of different projects, including a renewal/update of delivery
16 service tariffs for Illinois Power and several utility street lighting cost benefit
17 assessment projects. From June 2000 until August 2001, I was a senior consultant
18 with Denali Consulting, Inc., a utility supply chain and e-procurement strategy
19 and implementation firm. From October 1997 through June 2000, I was
20 employed by Navigant Consulting, Inc. and several of its predecessors or acquired
21 firms working on a number of different projects, including a management audit of
22 Southern Connecticut Gas Company and the original delivery service tariff filing

1 for Illinois Power. From July 1985 through October 1997, I was with the New
2 York State Department of Public Service (NYSDPS) in its Utility Operational
3 Audit Section where we conducted focused, operational audits in many facets of
4 utility operations for all sectors of the utility industry including gas, electric,
5 telecommunications, and water. Prior to my employment with the NYSDPS, I
6 was a rate analyst with Orange and Rockland Utilities (1981 to 1983) and then
7 Seminole Electric Cooperative (1983 to 1985). I received my Masters of
8 Business Administration from the State University of New York at Buffalo in
9 1996 and a Bachelor of Arts in Economics from Potsdam College (SUNY) in
10 1981.

11 **Q. HAVE YOU TESTIFIED BEFORE?**

12 A. Yes. I have presented or supported testimony in Colorado, Delaware, Illinois,
13 Maine, Michigan, Maryland, New York and Pennsylvania. These proceedings
14 included testimony involving management decision and prudence impacts,
15 operations and maintenance expenses, capital investments, revenue requirements,
16 project management, and other areas. Most recently, I have testified in a number
17 of proceedings before the Michigan Public Service Commission on behalf of the
18 State Attorney General and before the Maryland Public Service Commission on
19 behalf of Staff. These cases have included electric and gas base rate, power
20 supply cost recovery and gas cost recovery cases. A list of these cases is included
21 in Attachment A. As a staff member with the NYSDPS, I testified regarding the
22 prudence of New York State Electric & Gas Company's capital investment in coal
23 cleaning technology, regarding the prudence of Jamaica Water Company's

1 investment in a new customer information system, and regarding a show cause
2 proceeding involving Long Island Lighting's operation and maintenance
3 expenses. I have testified on behalf of the Illinois Citizens Utility Board and the
4 Cook County State's Attorney's Office and the City of Chicago in Docket 05-
5 0597 and supported client testimony for what is now Ameren-IP related to
6 delivery service tariffs filings in 1999 and 2001. I testified on behalf of the Public
7 Advocate of the State of Maine in Docket 2004-813 on the appropriateness of an
8 accelerated cast-iron replacement program. In addition, I advised a state
9 legislator on his efforts to have the South Carolina Public Service Commission
10 order a management audit of Duke Power Company's response to a December
11 2002 ice storm and the Company's preventive maintenance practices.

12 **Q. HAVE YOU INCLUDED A MORE DETAILED DESCRIPTION OF YOUR**
13 **QUALIFICATIONS?**

14 A. Yes. A description of my qualifications is included as Appendix A.

15 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

16 A. I am appearing on behalf of Attorney General Michael A Cox (Attorney General
17 or AG).

18 **Q. ARE YOU SPONSORING ANY EXHIBITS IN CONNECTION WITH**
19 **YOUR TESTIMONY?**

20 A. No.

21

1 **PURPOSE AND SUMMARY OF TESTIMONY**

2 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

3 A. The purpose of my testimony is to present positions on behalf of the AG related to
4 some significant concerns with the Energy Optimization Plans proposed by
5 Michigan Consolidated Gas Company (MichCon or Company).

6 **Q. WHAT HAVE YOU REVIEWED IN THE PREPARATION OF YOUR**
7 **TESTIMONY?**

8 A. I have reviewed the Company's testimony, supporting exhibits and workpapers,
9 responses to data requests, and previous orders of the Commission.

10 **Q. WAS THIS TESTIMONY PREPARED BY YOU OR UNDER YOUR**
11 **DIRECT SUPERVISION?**

12 A. Yes.

13 **Q. PLEASE SUMMARIZE YOUR CONCLUSIONS AND**
14 **RECOMMENDATIONS.**

15 A. I recommend the following:

- 16 ○ Removing the uncollectibles expense for the company's plan cost calculation
- 17 ○ Constructing an incentive mechanism related only to the incremental amount
18 of savings above the savings that the utility must achieve to comply with
19 Section 77 of PA 295.
- 20 ○ Removing the expected performance incentive from the EO surcharge.

21 **ENERGY OPTIMIZATION PLAN**

1 **Q. PLEASE DESCRIBE BRIEFLY THE GOAL AND REQUIREMENTS FOR**
2 **AN ENERGY OPTIMIZATION (EO) PLAN INCLUDED IN ACT 295.**

3 A. Section 71(2) states that the overall goal of the Energy Optimization Plan is to
4 reduce the future costs of providing electric and natural gas service to customers.
5 The Energy Optimization Plan must include the following: (1) a set of programs
6 that will meet energy savings targets established by Section 77; (2) offerings for
7 each customer class, including low income residential—Section 71(3)(a); (3)
8 specifications for necessary funding levels—Section 71(3)(b); (4) cost recovery
9 mechanisms that will allow recovery of costs—Section 89(1); (5) demonstration
10 of cost effectiveness of the energy optimization programs, excluding program
11 offerings to low income residential customers—Section 71(3)(g); and (6) the
12 practical and effective administration of the proposed programs—Section
13 71(3)(h).

14 **Q. WHAT ARE MICHCON’S PROJECTED ENERGY SAVINGS THROUGH**
15 **THE THREE YEARS OF ITS EO PLAN?**

16 A. According to the Company’s Exhibit A-23, the savings targets for 2009, 2010,
17 and 2011 are 175,567 mcf, 426,629 mcf, and 830,072 mcf respectively.
18 MichCon, however, expects to realize greater savings than these targets. In the
19 same exhibit, they show that expected (or as referred to by MichCon, “deemed”)
20 savings for 2009, 2010, and 2011 are 207,403 mcf, 474,513 mcf, and 907,598 mcf
21 respectively.

1 **Q. WHAT ARE THE TOTAL PLANNED COSTS FOR EACH OF THE**
2 **THREE YEARS OF THE EO PLAN?**

3 A. According to the Company's Exhibit A-23, the budgeted cost for 2009 is
4 \$10,305,195, 2010 is \$18,091,463, and 2011 is \$26,304,597. These budgeted
5 costs include performance incentive for the Company. Without the performance
6 incentive, the budgeted costs for the three years become \$8,961,039, \$15,731,707,
7 and \$22,873,563 respectively.

8 **Q. CAN THE COMPANY ACHIEVE THE PROJECTED ENERGY SAVINGS**
9 **AT THE PROJECTED COST LEVELS?**

10 A. Given the statute's limited time, I am unable to answer definitively whether
11 MichCon's projected costs will enable MichCon to achieve its projected energy
12 savings.

13 **Q. DO YOU HAVE ANY CONCERNS REGARDING MICHCON'S EO**
14 **PLAN?**

15 A. Yes. I have specific concerns regarding MichCon's proposals about (1) the
16 Company's proposal to include an additional amount for uncollectibles surcharge
17 via its MPSC-approved EO surcharge, (2) MichCon's calculation of its
18 performance incentive, and (3) approval of any performance incentive in this case
19 or included in DECo's currently proposed EO surcharge.

20 **Uncollectibles Recovered in the EO Surcharge**

1 **Q. DOES THE MICHCON EO SURCHARGE INCLUDE RECOVERY OF**
2 **UNCOLLECTIBLES?**

3 A. Yes. According to the testimony of Company Witness McCrackin (page KMM-
4 31), the Company proposes collecting 100% of anticipated uncollectibles in the
5 EO surcharge.

6 **Q. IS THIS A REASONABLE ELEMENT OF THE SURCHARGE?**

7 A. No. MichCon should collect only for costs of the program, not for assumed
8 failures of customers regarding the program. PA 295 lists the costs that may be
9 included in the EO Plan. Uncollectibles is not listed. Therefore, Uncollectibles
10 should not be added to the EO surcharge. Uncollectibles is a base rate case item
11 and should be dealt with there. In my opinion, there is no causal link between an
12 energy efficiency plan and customers not paying their bill. Furthermore, besides
13 already including uncollectibles in its rate base, MichCon has a tracker for
14 uncollectibles reporting uncollectibles annually. Adding another mechanism for
15 uncollectibles could lead to double recovery of uncollectibles through MichCon's
16 multiple avenues for uncollectibles.

17 **Performance Incentive Calculation**

18 **Q. MICHCON HAS PROPOSED A MECHANISM FOR CALCULATING ITS**
19 **RECOVERY OF AN EO FINANCIAL INCENTIVE. SHOULD THE**
20 **COMMISSION APPROVE MICHCON'S PROPOSAL?**

21 A. No.

22 **Q. WHY NOT?**

1 A. Section 75 of PA 295 states that the Commission may authorize a commensurate
2 financial incentive for a provider exceeding the energy optimization performance
3 standard. To me, a commensurate financial incentive means that any financial
4 incentive should be equal in size or in proportion to the energy savings that
5 exceed the targets. According to an exhibit of Company Witness McCrackin
6 (Exhibit A-26), MichCon proposes a performance incentive that is based on total
7 amount spent. Thus, if a savings of 5% beyond target is achieved, MichCon
8 proposes to receive 15% of the total amount spent in the program year. Since the
9 total amount projected in 2009 (as shown on the exhibit) is \$8,961,000, the
10 performance incentive would be equal to \$1,344,000. However, the amount of the
11 5% additional savings over target is 8.78 mmcf (5% of the targeted 175.6 mmcf
12 (testimony, page KMM-21)). The cost per mcf may be calculated by dividing
13 2009 total expected costs by 2009 expected savings. According to testimony of
14 Witness McCrackin (page KMM-23), 2009 total spending equals \$10.3 million
15 and 2009 total expected savings equal 207.4 mmcf (page KMM-21). Dividing
16 costs by savings results in an expected cost per mcf saved of \$0.0497. But
17 \$0.0497 times the extra, beyond-target 8.78 mmcf saved equals \$436,366, much
18 less than MichCon's requested incentive of \$1,344,000. Therefore, MichCon is
19 asking for more in financial incentive than extra savings earned. This, in my
20 opinion, does not satisfy the Commission's Order of an incentive "commensurate
21 with savings."

22 **Q. WHAT WOULD YOU RECOMMEND?**

1 A. I would recommend constructing an incentive mechanism related only to the
2 incremental amount of savings above the savings that the utility must achieve to
3 comply with Section 77 of PA 295.

4 **Performance Incentive included in the EO Surcharge**

5 **Q. DO YOU HAVE ANY OTHER CONCERNS ABOUT MICHCON'S**
6 **PROPOSED FINANCIAL INCENTIVE MECHANISM?**

7 A. Yes. MichCon proposes to include the expected performance incentive in the EO
8 surcharge. This means that the Company is proposing collecting a performance
9 incentive before ever realizing savings equal to their target, much less additional
10 savings beyond the target. If the performance incentive is included in the EO
11 surcharge, the incentive purpose based on achieving better than expected
12 performance is lost. Furthermore, since Section 75 of PA 295 states that the
13 Commission *may* offer an incentive. MichCon, therefore, should not include in
14 its plan something that the Commission may choose not to do.

15 **Q. ARE THERE ANY ADDITIONAL SUBJECTS REGARDING**
16 **MICHCON'S EOP AT THIS TIME?**

17 A. Yes, but the time allowed by Act 295 and the Commission's time schedule do not
18 permit me to address additional subjects. I would like to note that the EO plan
19 rests upon MichCon's modeling of costs and revenues relating to capacity and
20 energy costs. That means the DSMORE model used to calculate EO energy
21 savings could over or under state net cost benefits from the EO plan, which would

1 in turn overstate the net benefits and the analysis of life-cycle costs under Section
2 47.

3

4 **Q. PLEASE SUMMARIZE YOUR TESTIMONY AND**
5 **RECOMMENDATIONS?**

- 6 ○ The Company should remove uncollectibles from its calculations.
- 7 ○ With regard to the performance incentive mechanism, I recommend
8 constructing an incentive mechanism related only to the incremental amount
9 of savings above the savings that the utility must achieve to comply with
10 Section 77 of PA 295.
- 11 ○ The expected performance incentive should be removed from the EO
12 surcharge. The performance incentive should be paid only when actual
13 performance exceeds savings targets, and then commensurate with the
14 additional investment needed to achieve that savings.

15 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

16 A. Yes it does.

Appendix A - Qualification of Michael J. McGarry, Sr.

Summary

Mr. McGarry's professional experience spans twenty-seven years within the private and public sectors. He has conducted over twenty five comprehensive management and operational audits of investor-owned energy and telecommunications utilities. These audits have included comprehensive management audits and/or operational audits on most functions with the utility environment including corporate governance, strategic planning, internal auditing, capital and operating budget process and practices, distribution operations and maintenance, fuel procurement, supply chain management, demand side management, crew operations, affiliates transactions, commodity trading and construction program practices.

Project Management

Mr. McGarry's experience includes management of multi-discipline teams for a wide range of client engagements, development and implementation of detailed work plans and project schedules. He has analyzed and planned interdivisional resource utilization, supervised, developed and coached interdivisional team members and created numerous executive reports, briefings, and presentations.

Regulatory and Rate Case Management

Mr. McGarry has worked with clients to manage all aspects of the regulatory and rate case process. He has developed efficient processes to prepare supporting analyses and testimony for submission to the regulatory bodies and interveners. He is a seasoned project manager and has analytical expertise to respond to interrogatories and data requests from all rate case interveners in a timely manner. Mr. McGarry has assisted a number of clients in preparing revenue requirement and cost of service analyses. He has also developed rate structure and billing determinant information analyses, time of day and interruptible rates analyses, fuel and purchased power reports and annual wholesale rates for member cooperatives. He has developed complex revenue requirement models to present alternative positions to a utility's proposed rate request.

Testimony and Witness Preparation

Mr. McGarry has proffered and /or supported testimony in Colorado, Delaware, Illinois, Maine, Michigan, Maryland, New York and Pennsylvania. These proceedings included testimony involving management decision and prudence impacts, operations and maintenance expenses, capital investments, revenue requirements, project management and others.

Utility Management and Operational Audits

Mr. McGarry has conducted over twenty five comprehensive management and operational audits of investor-owned energy and telecommunications utilities. These audits have included comprehensive management audits and/or operational audits on most functions with the utility environment including corporate governance, strategic planning, internal auditing, capital and operating budget process and practices, distribution operations and maintenance, fuel procurement, supply chain management,

Appendix A - Qualification of Michael J. McGarry, Sr.

demand side management, crew operations, affiliates transactions, commodity trading and construction program practices.

Restructuring, Unbundling, and Cost Allocation

Mr. McGarry has developed the supporting analyses and regulatory filing requirements needed to support unbundling rates for utilities. This has included detailed studies where the company's plant-in-service and depreciation reserve was allocated to each unbundled function. He has assessed utility management actions to prepare the company for competition, including the processes and practices used by the utility to prepare to enter new markets and offer new services.

Education

Potsdam College, B.A., Economics, 1981

University at Buffalo School of Management, MBA, 1996

Regulatory Experience

Before the Connecticut Department of Utility Control

Docket 07-07-01 *Diagnostic Management Audit of Connecticut Light and Power Company.*

On behalf of the Staff of the Connecticut Department of Public Utility July 2008-Present Project Manager. Performed overall day to day project management responsibilities to conduct a diagnostic management audit of the Connecticut Light & Power Company (CL&P). Managed a project team of accountants, engineers and industry specialists who were responsible for evaluating the effectiveness of the management and operations of all aspects of the company. In addition, managed a focused prudency review of Northeast Utilities' (CL&P's parent company) development and implementation of a \$122 million customer information system known as CustomerCentral or C2.

Before the District of Columbia Public Service Commission

Formal Case No. 1053 - *Technical consultant for the Commission in the matter of Potomac Electric Power Company's request for a \$50.4 million increase in base rates.*

Project Manager. Provide technical expertise to Commission in evaluating the Company's rate case filing. Commission accepted adjustments which reduced the allowed increase by a significant percentage.

Case No. 1032 *In the Matter of the Investigation into Potomac Electric Power Company's Distribution Service Rates*

On Behalf of the DCPSC, January 2005-March 2005

Project Manager and Consultant to Commission and Staff. Review and evaluation of Potomac Electric Power Company compliance filings for class cost of service and revenue requirements for distribution service pursuant to a settlement approved in May 2002. Provided analysis and recommended adjustments to Staff on 23 designated issues and 13 Company proposed adjustments. Proceeding was settled in anticipation of a full rate case for rates to be effective August 8, 2007.

Appendix A - Qualification of Michael J. McGarry, Sr.

Case No. 1016 *In the Matter of the Application of Washington Gas Light Company, District of Columbia Division, for Authority to Increase Existing Rates and Charges for Gas Service*

On Behalf of the DCPSC, June 2003-December 2003

Project Manager and Consultant to Commissioners and Staff. Project Manager for the analysis of WGL's rate filings. Provided analysis and recommended adjustments to the DCPSC Staff on WGL's proposed increase to base rates. Advised the Commission during deliberations on party positions and possible recommendations.

Before the Delaware Public Service Commission

Docket No. 07-239F *On behalf of the Staff of the Delaware Public Service Commission in the matter of the application Delmarva Power & Light Company for approval of modifications to its gas cost rates.* Project Manager. Oversaw a review of Delmarva Power and Light's gas hedging program.

Docket No. 06-287 *On behalf of the Staff of the Delaware Public Service Commission in the matter of Chesapeake Gas Corporation's implementation of a Gas Hedging program.* Project Manager. Provided industry expertise and suggestions to the Commission on a proposal plan to implement a gas hedging procurement program at the Company.

Docket No. 06-284 *On behalf of the Staff of the Delaware Public Service Commission in the matter of Delmarva Power and Light Company's request for a \$15 million increase in gas base rates.* Project Manager and testifying witness. Provide expert testimony on several rate base and revenue requirement issues. Recommended Commission reduce proposed rate increase request to \$8.4 million (56%).

Before the Illinois Commerce Commission

Case: 05-0597 *On behalf of the Illinois Citizens Utility Board, Cook County States Attorney's Office and City of Chicago*

Project Manager and Testifying Witness. Provided analysis and recommended adjustments in the general rate increase of 20.1% or \$320 million filed by ComEd.

Consultant to Illinois Power Company. Conducted mandated compliance filing to un-bundle utility's rate tariffs. Prepared filing requirements and all support schedules analysis to justify allocation of generation, transmission and distribution. Prepared testimony on behalf of the Company's Controller.

Consultant to Illinois Power Company. Prepared 2001 required update filing for the Illinois Commerce Commission compliance filing to un-bundle utility's rate tariffs. Prepared filing requirements and all support schedules analysis to justify allocation of generation, transmission and distribution. Prepared testimony on behalf of the Company's Controller.

Before the Maryland Public Service Commission

Case No 9092 *On behalf of the Staff of the Commission in Base Rate Proceeding for Potomac Electric Power Company*

Project Manager. Reviewed and analyzed company's base increase request and all pro formas, adjustments to test year revenue requirement and supported witness testimony. Commission approved less than 20% of Company's original request.

Before the Michigan Public Service Commission

Case No. U-15677 *In the matter of the application of The Detroit Edison Company for authority to implement a power supply cost recovery plan in its rate schedules for 2009 metered jurisdictional sales of electricity.* Project manager and testifying witness. Reviewed power supply cost recovery plan requirements and testified to appropriateness of specific components of that factor.

Case No. U-15415 *In the matter of the application of Consumers Energy Company for approval of a power supply cost recovery plan and for authorization of monthly power supply cost recovery factors for the year 2008.* Project Manager. Reviewed power supply cost recovery plan requirements and provided summary briefing to Michigan Attorney General.

Case No. U-15320 *In the matter of the application of Midland Cogeneration Venture Limited Partnership for the Commission to eliminate the "availability caps" which limit Consumers Energy Company's recovery of capacity payments with respect to its power purchase agreement with Midland Cogeneration Venture Limited Partnership.* Project Manager. Oversaw project to provide industry expertise to evaluate issue in case and recommend alternative arguments.

Case No. U-15245 *In the matter of the application of Consumers Energy Company for authority to increase its rates for the distribution of natural gas and for other relief.* Project Manager and testifying witness. Provided expert testimony on partial and interim rate relief, Consumers' decision to acquire Zeeland Power Company from Broadway Gen Funding, LLC. Provided testimony in permanent phase to reduce company's net operating income to more closely reflect the expected costs in 2008.

Case No U-15244 *In the matter of the application of Detroit Edison for authority to increase its electric base rates.* Project Manager and testifying witness. Provided expert testimony on revenue requirements.

Case No U-15190 *On behalf of the Attorney General of the State of Michigan in Base Rate Proceeding for Consumer's Energy* Project Manager. Reviewed the revenue decoupling proposal and supported the witness testimony.

Appendix A - Qualification of Michael J. McGarry, Sr.

Case No U-15040 *On behalf of the Attorney General of the State of Michigan in Gas Cost Recovery 2007/08 Plan proceeding*

Project Manager and Testifying Witness. Reviewed gas cost recovery plan requirements and provided analysis of the potential benefits of gas procurement hedging program.

Case No. U-15001 *On behalf of the Attorney General of the State of Michigan in Power Supply Cost Recovery 2007/08 Plan proceeding*

Project Manager and Testifying Witness. Reviewed power supply cost recovery plan requirements and testified to appropriateness of specific components of that factor.

Case No. U-14701-R *On behalf of the Attorney General of the State of Michigan in Power Supply Cost Recovery 2006/07 reconciliation proceeding*

Project Manager and Testifying Witness. Reviewed power supply cost recovery reconciliation.

Case No. U-14547 *In the matter of the application of Consumer Energy Company for authority to increase rates for the distribution of natural gas and for other relief*

Expert Witness and Project Manager. Provided analysis, recommended adjustments and filed testimony for the Michigan Attorney General on Consumers Energy proposed increase to base rates.

Before the Nova Scotia Utility and Review Board

Case No. P-886 *On behalf of the Consumer Advocate of the Province of Nova Scotia in the base rate proceeding of Nova Scotia Power*

Project Manager and testifying witness. Provided an evaluation of a management audit of Nova Scotia Power and that report's usefulness to assess the Company's management performance and operational efficiency within the context of that proceeding.

Before the Public Utilities Commission of Ohio

Case No. 08-917-EL-SSO *On behalf of the Ohio Hospital Association in the matter of the Application of American Electric Power of Ohio for authority to increase rates for distribution of electric service.* (Hired by Ohio Hospital Association's attorney for utility matters, Bricker and Eckler, to provide expertise in negotiating rate with American Electric.) Evaluated revenue and rate impact on member hospitals.

Case No. 08-0072-GA-AIR *On behalf of the Staff of Ohio Public Utilities Commission in the matter of the Application of Columbia Gas of Ohio, Inc. for authority to increase its gas base rate.*

Project Manager. Oversaw multi-discipline team of accountants, auditors, engineers and analysts to conduct a comprehensive rate case audit of Columbia Gas of Ohio's gas base rate filing. Primary goal of project was to validate information in filing, provide findings conclusions and recommendations concerning the reliability of information and data in the filing and support Staff in its evaluation of the reasonableness of the filing.

Appendix A - Qualification of Michael J. McGarry, Sr.

Case No. 07-829-GA-AIR *On behalf of the Staff of Ohio Public Utilities Commission in the matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for authority to increase its gas base rate.*

Project Manager. Oversaw multi-discipline team of accountants, auditors, engineers and analysts to conduct a comprehensive rate case audit of Dominion East Ohio's gas base rate filing. Primary goal of project was to validate information in filing, provide findings conclusions and recommendations concerning the reliability of information and data in the filing and support Staff in its evaluation of the reasonableness of the filing.

Case No. 07-0589-GA-AIR *On behalf of the Staff of Ohio Public Utilities Commission in the matter of the Application of Duke Energy Ohio, Inc., for an increase in Gas Rates.*

Project Manager. Oversaw multi-discipline team of accountants, auditors, engineers and analysts to conduct a comprehensive rate case audit of Duke Energy – Ohio's gas base rate filing. Primary goal of project was to validate information in filing, provide findings conclusions and recommendations concerning the reliability of information and data in the filing and support Staff in its evaluation of the reasonableness of the filing.

Case No. 07-551-EL-UNC *On behalf of the Ohio Schools Council in the matter of the Application of First Energy Ohio (and its operating companies Ohio Edison, Cleveland Electric and Toledo Edison) for authority to Increase rates for distribution service, modify certain accounting practices and for tariff approval.*

Project Manager. Hired by Ohio Schools Council's attorney for utility matters (Bricker and Eckler, LLP) to provide industry expertise in reviewing First Energy's application with respect to cost of service and rate design and the resulting impact on Council's member school systems energy costs.

Case No. 06-986-EL-UNC *On behalf of the City of Cincinnati in the matter of the Application of Duke Energy Ohio, Inc., to modify its market-based Standard service over.*

Project Manager. Hired by City of Cincinnati's Water and Sewer District attorney for utility matters (Bricker and Eckler, LLP) to provide industry expertise in reviewing Duke Energy Ohio's proposal and impact on City's project energy costs.

Oregon Public Utilities Commission

Docket No. UP205 *Examination of NW Natural's Rate Base and Affiliated Interests Issues*

Co-sponsored between NW Natural, Staff, Northwest Industrial Gas Users, Citizens Utility Board. August 2005-January 2006

Project Manager. Led a team that conducted a management audit of NW Natural Gas that included an evaluation of rate base issues for Financial Instruments (gas and financial hedging) Deferred Taxes, Tax Credits, Cost for a Distribution System, Security Issuance Costs and AFUDC calculations as well as Affiliate Transactions for Cost Allocations and Transfer Pricing, Labor Loading, Segregation of Regulated Rate Base and Subsidiary Investments and Properties, and validation of tax paid from / to affiliates are proper. Audit was to ensure Company compliance with orders, rules and regulations of the OPUC, with Company policy and with Generally Accepted Accounting Principles.

Before Maine Public Utilities Commission

Case No 2008-151 *Maine Public Utilities Commission Investigation into Maintenance and Replacement Program for Northern Utilities Inc.'s Cast Iron Facilities (Phase II)*

On behalf of Maine Public Advocate

Project Manager and Testifying Witness. Litigated proceeding and led a consultant team to assist the State of Maine Public Advocate to follow-up on investigation for the need for the program and the company's management of the repair or replacement of its cast iron facilities.

Case No 2004-813 *Maine Public Utilities Commission Investigation into Maintenance and Replacement Program for Northern Utilities Inc.'s Cast Iron Facilities*

On behalf of Maine Public Advocate

Project Manager and Testifying Witness. Litigated proceeding and led a consultant team to assist the State of Maine Public Advocate to investigate the need for the program and the company's management of the repair or replacement of its cast iron facilities.

Before the Public Utilities Commission of the State of Colorado

Docket No. 04A-050E *Review of the Electric Commodity Trading Operations of Public Service Company of Colorado*

On behalf of the COPUC Staff, March 2004-September 2004

Project Manager. Focused operational audit within the bounds of a litigated proceeding to determine if ratepayers were subsidizing or negatively impacted by PSCo's energy trading function.

South Carolina State Senator

Advised Senator on regulatory process for requesting States Public Service Commission for a comprehensive review of Duke Power Company's storm and restoration and right of way management. Reviewed and advised Senator of results of report finding.

Before the Missouri Public Service Commission

Consultant to Ameren UE. Conducted revenue requirement analysis in preparation of Missouri Public Service Commission compliance filing to un-bundle utility's rate tariffs. Prepared the filing requirements and all support schedules analysis to justify allocations of generation, transmission and distribution.

Southern Connecticut Gas

Consultant. As part of a team that conducted a comprehensive management audit of the management and operations of the Company, completed the capital budgeting area of the audit.

Before the New York Public Service Commission

Case: 94-C-0657

Commission Staff. Proceeding to evaluate the compliance of NYNEX with Commission rules and orders related to operational support system costs to competitors. Part of staff panel to facilitate discussion between company and potential competitors (i.e., users of operational support systems) and report back to Commission.

Appendix A - Qualification of Michael J. McGarry, Sr.

Focused review of the preparedness of RG&E and ConEd for competition in the electric industry. Evaluated all aspects of the company's management actions to prepare for competition including strategic planning, goals and objectives and senior management's attention to the company operations in a de-regulated industry

Case: 97-M-0567

Commission Staff. Litigated proceeding to determine the benefits of a proposed merger of LILCO / Brooklyn Union Gas. Analyzed the proposed synergy savings.

Case: 96-E-0132 *Show Cause Proceeding Regarding Rate Relief for Ratepayers of Long Island Lighting Company*

Commission Staff and Testifying Witness. Litigated proceeding where Staff proffered testimony containing a benchmark study showing that Long Island Lighting Company's operations and maintenance expenses were excessive compared to a peer group of 24 utilities. Panel testimony concerning the findings and conclusions resulting from the benchmark study.

Case: 96-M-0858 *Prudence Investigation into the Scrap Handling Practices in the Western Division of Niagara Mohawk Power Company*

Commission Staff and Testifying Witness. Litigated proceeding as a result of allegations of bribery and corruption in company practices related to a specific vendor who purchased company scrap metal. Lead team of 10 staff examiners to quantify the extent to which the Company paid excessive rates to this vendor. Testified to the findings of the analysis. Case settled with ratepayers receiving a credit to bills

Case: 91-C-0613 *Operational Audit of the Outside Plant Construction and Rehabilitation Program of New York Telephone Company*

Commission Staff. Comprehensive operational audit of the company's management and implementation of a \$150 million capital program to rehabilitate the outside plant distribution network. Served as Staff Examiner responsible for crew supervision, goals monitoring, contractor oversight, and report preparation.

Case: 91-W-0583 *Prudence Proceeding Regarding the Operations and Management of Jamaica Water*

Commission Staff and Testifying Witness. Litigated proceeding as a result of audit to determine extent to which management inattention and inappropriate practices resulted in excessive costs to rate payers. Testified on a Staff panel to the excessive costs associated with management's inattention to sound business practices related to the design, purchase and installation of the Company customer information system.

Case: 92-W-0030 *Operational Audit of Jamaica Water Company Operations and Management*

Commission Staff. Comprehensive management audit of company operations. Responsible for work plan development, and specific topics areas including engineering, contracting, and information technology. Findings led to prudence proceeding.

Appendix A - Qualification of Michael J. McGarry, Sr.

Case: 92-M-0973 Management Audit of Rochester Gas and Electric

Commission Staff. Comprehensive management audit of company operations. Responsible for work plan development, supervision of staff and specific topics areas including purchasing and internal controls.

Case: 93-E-0918 Operational Audit of the Demand Side Management Function at Rochester Gas and Electric

Commission Staff. Comprehensive operational audit of the demand side management function including program planning, management and energy savings verification. Developed and supervised the implementation of the work plan.

Case: 88005 Operational Audit of the Materials and Supply Function at National Fuel Gas

Commission Staff. Comprehensive operational audit of the materials and supplies function including warehouse operations, inventory control and procurement. Developed and implemented the work plan for this project.

Operational Audit of the Fuel Procurement and Contracting of Long Island Lighting Company

Commission Staff. Comprehensive operational audit to determine effectiveness of ratepayer funds spent on non-nuclear fuel. Provided research and data evaluation expertise to the project.

Operational Audit of the Fuel Procurement and Contracting of Consolidated Edison Company of New York

Commission Staff. Comprehensive operational audit to determine effectiveness of ratepayer funds spent on non-nuclear fuel. Provided research and data evaluation expertise to the project

Case: 90007 Operational Audit of the Fuel Procurement and Contracting of Central Hudson Gas and Electric

Commission Staff. Comprehensive operational audit to determine effectiveness of ratepayer funds spent on non-nuclear fuel. Provided research and data evaluation expertise to the project

Operational Audit of the Fuel Procurement and Contracting of Orange and Rockland Utilities

Commission Staff. Comprehensive operational audit to determine effectiveness of ratepayer funds spent on non-nuclear fuel. Provided research and data evaluation expertise to the project

Appendix A - Qualification of Michael J. McGarry, Sr.

Operational Audit of the Fuel Procurement and Contracting of Rochester Gas and Electric

Commission Staff. Comprehensive operational audit to determine effectiveness of ratepayer funds spent on nuclear fuel. Provided research and data evaluation expertise to the project

Case: 98-E-115 Prudence Proceeding to Investigate the Construction Costs Associated with the Homer City Coal Cleaning Plant

Commission Staff and Testifying Witness. Litigated proceeding as a result of audit to determine extent to which management inattention and inappropriate practices resulted in excessive construction charges related to the Homer City Coal Cleaning Plant. Testified on a Staff panel to the fuel price differential costs resulting from the failure of the coal cleaning plant to function as designed as well as surrebuttal testimony on the cost of a flu-gas de-sulfurization plant and ancillary equipment and facilities. Case settled with customers receiving \$125 million credit.

Case: 87003 Operational Audit of the Homer City Coal Cleaning Plant

Commission Staff. Comprehensive operational audit to determine effectiveness of ratepayer funds spent on the construction of the Homer City Coal Cleaning Plant jointly owned by NYSEG and Penelec. Responsible for fuel and construction costs analysis, benchmarking costs and alternative methods for meeting EPA Clean air restrictions, contracting practices and report preparation.

Case: 87003 Operational Audit of the Fuel Procurement and Contracting of New York State Electric and Gas

Commission Staff. Comprehensive operational audit to determine effectiveness of ratepayer funds spent on non-nuclear fuel. Responsible for fuel cost analysis, benchmarking costs, contracting practices and report preparation.

Case: 86007 Operational Audit of the Field Crew Supervision and Utilization of New York State Electric and Gas Company

Commission Staff. Comprehensive operational audit to determine effectiveness of field crew utilization and supervision. Staff examiner responsible for verifying supervisor activities, reporting, goals attainment and report preparation.

Case: 86005 Prudence Proceeding to Investigate the Fuel Procurement and Contracting Practices at Niagara Mohawk Power Company

Commission Staff. Litigated proceeding as a result of audit to determine extent to which management inattention and inappropriate practices resulted in excessive fuel charges to customers. Responsible for fuel cost analysis and benchmarking costs, contracting practices and testimony preparation. Case settled with customers receiving \$66 million credit.

Appendix A - Qualification of Michael J. McGarry, Sr.

Case: 86005 *Operational Audit of the Fuel Procurement and Contracting of Niagara Mohawk Power Company.*

Commission Staff. Comprehensive operational audit to determine effectiveness of ratepayer funds spent on non-nuclear fuel. Responsible for fuel cost analysis and benchmarking costs, contracting practices and report preparation.

Case: 85001 *Operational Audit of the Research and Development Function of Consolidated Edison Company of New York*

Commission Staff. Comprehensive operational audit to determine effectiveness of ratepayer funds spent on R&D activities. Staff examiner on the project responsible for reviewing projects documentation and control, outside contracting a report preparation.