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September 15, 2014

Via E-Docket

Ms. Mary Jo. Kunkle
Executive Secretary
Michigan Public Service Commission
4300 W. Saginaw Highway
Lansing, MI 48917

**Re: In the matter of the application of DTE Gas Company for approval of a Gas Cost Recovery Plan, 5-year Forecast and Monthly GCR Factor for the 12-months ending March 31, 2015, and for approval to implement a Reservation Charge applicable to Gas Customer Choice Suppliers
Case No. U-17332**

Dear Ms. Kunkle:

Enclosed for filing in the above-referenced case is the *Sur-Rebuttal Testimony of Daniel Dishno on Behalf of Interstate Gas Supply, Inc.*, and *Proof of Service*.

If you have any questions, please contact me.

Very truly yours,

Brandon C. Hubbard

BCH:jkt
Enclosures

ANNARBOR 38437-1 170527v9

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of	)	
MICHIGAN CONSOLIDATED GAS	)	
COMPANY for approval of a gas cost	)	
recovery plan, 5-year forecast, and	)	Case U-17332
monthly GCR factor for the 12 months	)	
ending March 31, 2015 and for approval to	)	
implement a Reservation Charge	)	
applicable to gas customer choice	)	
suppliers.	)	

SUR-REBUTTAL TESTIMONY OF DANIEL DISHNO

On behalf of Interstate Gas Supply, Inc.

1 **I. INTRODUCTION AND PURPOSE OF TESTIMONY**

2 **Q. Please state your name and by whom you are employed.**

3 A. My name is Daniel (Dan) Dishno. I am employed by Interstate Gas Supply, Inc.
4 ("IGS") in the position of Director of Gas Supply-Central Division. My business
5 address is 6100 Emerald Parkway, Dublin, Ohio 43016.

6 **Q. What is the purpose of this testimony?**

7 A. In this testimony I briefly respond to the rebuttal testimony of DTE Gas ("DTE")
8 and the Attorney General's ("AG's") office. With respect to DTE's rebuttal
9 testimony, I respond to certain objections DTE witness Lawshe raises to a
10 capacity assignment on the DTE system. With respect to the AG's testimony, I
11 clarify some items discussed by the AG's Witness Miller regarding the capacity
12 assignment proposal I submitted in my direct testimony.

13 **II. RESPONSE TO WITNESS LAWSHE**

14 **Q. Do you agree with Mr. Lawshe's claim on page 15 of his rebuttal testimony**
15 **that a capacity assignment will create an overly complex and burdensome**
16 **process for DTE?**

17 A. No I do not. Mr. Lawshe appears to have an incorrect understanding of the
18 Capacity Assignment Plan. Under the Capacity Assignment Plan an AGS would
19 be reassigned rights to capacity approximating its baseload delivery
20 requirements seasonally. Thus, capacity rights would only be reallocated twice a
21 year, not daily or intra-day. Further, under the capacity assignment proposal
22 AGSs would only be assigned baseload capacity based on AGSs' average day,
23 not peak day. Thus, as I explain in my direct testimony filed on February 12,

1 2014, DTE would still retain the rights for peak day capacity. DTE would have the
2 ability to utilize that capacity to balance the system and meet peaking
3 requirements. Thus a capacity assignment would not require DTE to modify its
4 nomination schedule, given that DTE will know far in advance the capacity it
5 holds.

6 **Q. Are you recommending that the capacity assignments be at zero cost to**
7 **AGS as Mr. Lawshe suggests in his testimony on page 16?**

8 A. No I do not. Under the Capacity Assignment Plan, AGSs would pay 100% of the
9 cost of capacity that is assigned to the AGS. It is not clear how Mr. Lawshe
10 interprets the Capacity Assignment Plan to allow AGSs to receive capacity at
11 zero costs.

12 **Q. Will the Capacity Assignment Plan favor large suppliers over small**
13 **suppliers as Mr. Lawshe claims on page 17 of his testimony?**

14 A. No it will not. Under the Capacity Assignment Plan, AGSs would be notified of
15 their capacity assignment rights prior to the capacity assignment. AGSs would
16 be assigned the rights to a "slice of system" on all of the DTE capacity *except for*
17 *the Isolated Capacity* as discussed in my direct testimony. The capacity
18 assignment rights would be for the pipelines on which AGSs make their
19 deliveries to DTE. Once an AGS is notified of its capacity assignment rights, an
20 AGS could reject the capacity assignment, *but the AGS would still be required to*
21 *pay for the costs of that capacity.* DTE would just invoice the AGS for that cost
22 directly. However, DTE would then post rejected capacity on the respective
23 pipeline EBB and credit the AGS for any revenues generated from the release.

1 This provision was primarily designed to accommodate a scenario where the
2 capacity assignment to the AGS would be so small it would not make sense for
3 the AGS to manage the capacity; however, I expect the level of rejected capacity
4 to be immaterial. It generally would not make economic sense for the AGS to
5 reject the capacity given that the AGS would have to pay for the capacity
6 anyway, so this provision would only be invoked when very small amounts of
7 capacity are involved.

8 **Q. How does Mr. Lawshe then construe that a capacity assignment plan would**
9 **harm smaller AGS?**

10 A. Mr. Lawshe appears to be making this inference from a proposed modification
11 the AG Witness Ralph Miller recommended for the Capacity Assignment Plan. In
12 his proposed modification Mr. Miller suggested that AGSs during CTN winters be
13 required to utilize all the assigned capacity for deliveries outside the state of
14 Michigan into the DTE city gate. Mr. Miller also suggested that if AGSs do not
15 have the operational abilities to manage the assigned capacity as Mr. Miller
16 proposed, then those AGSs should be excluded from the capacity assignment. I
17 addressed Mr. Miller's proposed modification in my rebuttal testimony noting that
18 IGS is open to considering Mr. Miller's proposed modification or some variant
19 thereof, but I believe this issue is best addressed in a stakeholder process once
20 a capacity assignment is approved. However, there could be ways to design Mr.
21 Miller's proposed modification, if in-fact it is adopted, in order to ensure smaller
22 AGSs are not prejudiced including crediting the AGS for capacity it would
23 otherwise be entitled to receive. That said, I reiterate this issue is best

1 addressed in a stakeholder process when all Parties are able to express their
2 concerns and develop solutions face-to-face.

3 **Q. On page 19 through 21 Mr. Lawshe discusses concerns he has about**
4 **relinquishing control of pipeline assets DTE utilizes to serve isolated areas.**
5 **Does the IGS/RESA Capacity Assignment Plan address these concerns?**

6 A. Yes. The IGS/RESA Capacity Plan acknowledges that there are isolated areas
7 on the DTE system that DTE utilizes to serve customers and AGSs are not
8 required to deliver to those isolated areas. Thus, the Capacity Assignment Plan
9 would not assign that Isolated Capacity, but rather would only assign capacity to
10 AGSs on the pipelines where AGSs are required to deliver. Thus, Mr. Lawshe's
11 concerns do not pertain to the IGS/RESA Capacity Assignment Plan. Mr.
12 Lawshe's concerns relate to Mr. Miller's proposed modification to the plan
13 designed to remedy the fact that the Isolated Capacity may have higher
14 reservation costs than the capacity that would be assigned to AGSs. In my
15 rebuttal testimony, I acknowledged that Mr. Miller's concerns were reasonable
16 regarding the price discrepancy between the Isolated Capacity and the capacity
17 assigned to AGSs; however, I proposed an alternative modification to the
18 Capacity Assignment Plan to address these concerns. Under my alternative
19 modification, AGSs would pay the weighted average capacity costs for the entire
20 system. As a result, the cost of the Isolated Capacity would then be reflected in
21 the AGSs' capacity payments. My alternative modification would still allow DTE
22 to hold 100% of the capacity required to serve the isolated areas on its system,

1 but at the same time require that AGSs capacity costs reflect the cost of holding
2 the Isolated Capacity, satisfying both Mr. Lawshe and Mr. Miller's concerns.

3 **Q. Did DTE perform a "SOLR Obligation" for IGS last winter as Mr. Lawshe**
4 **concludes in his testimony on page 28?**

5 A. No. IGS delivered all daily volume that DTE required during the 2013/2014
6 winter. DTE establishes the daily delivery requirement and AGS are required to
7 deliver this volume each day.

8 **Q. Could IGS have delivered more to DTE than the amount it delivered during**
9 **the 2013/2014 winter?**

10 A. No. IGS could not have delivered any more gas to the DTE system. If IGS had
11 tried to deliver more gas to DTE, the nomination would be rejected. If IGS had
12 delivered less gas, IGS would have faced steep economic penalties (See DTE
13 tariff sheet F-3.00, Section F1.10). Simply put, IGS had no choice as to the
14 amount of gas it delivered to DTE.

15 **Q. What then is Mr. Lawshe referring to when he claims that IGS "under**
16 **delivered" during the 2013/2014 winter?**

17 A. The 0.4 BCF Mr. Lawshe claims IGS "under-delivered" during the winter of
18 2013/2014 represents the imbalance between the amount of gas DTE required
19 IGS to deliver and the amount of gas IGS customers actually utilized.

20 **Q. Did IGS have a substantial imbalance this year?**

21 A. No. To put it in perspective, IGS delivered approximately 12.3 BCF of gas to DTE
22 during the 2013/2014 winter-thus the imbalance represented *only 3% of IGS'*
23 *total deliveries* to DTE. Mr. Lawshe's claim that IGS' imbalances represents 30%

1 of the total AGS imbalance is simply a reflection of IGS' market share. The
2 actual imbalance was only 3% of its deliveries- and to reiterate, IGS' delivery
3 schedules were based solely on what was required by DTE.

4 **Q. Is the imbalance positive in some years?**

5 A. Yes. Every year there is an imbalance. It would be virtually impossible for AGSs
6 deliveries to match exactly the amount gas AGS customers actually consume. In
7 some years, the amount of imbalance is positive and in some, it is negative. IGS
8 frequently has positive imbalances on the DTE system meaning there are years
9 where IGS' deliveries are greater than the amount of gas IGS customers
10 consume. Under Mr. Lawshe's logic, it could be concluded that during the years
11 of positive imbalance IGS is acting as SOLR for DTE.

12 **Q. Is DTE always made whole for any imbalance?**

13 A. Yes. At the end of each gas year there is a cash-out. In years where there is a
14 negative balance, AGSs pay DTE for the under delivered volumes as part of the
15 monthly applicable Supplier Equalization Charge (SEC). In years where there is
16 a positive balance, the natural gas is purchased back by the AGS at the average
17 remit rate throughout the year.

18 **Q. Is balancing the system a normal function of any gas utility?**

19 A. Yes. In all gas utilities with Choice programs, including those with capacity
20 assignments, the utility must balance the system to account for the differences
21 between the amount of gas delivered and the amount of gas actually consumed
22 by customers. This is the normal function of a distribution utility. And for
23 performing this service distribution utilities get a rate of return on their distribution

1 assets and cost recovery. Choice customers pay distribution rates so it is
2 reasonable to expect that they receive services for the distribution rates that they
3 pay. Further, under the Capacity Assignment Plan DTE would still retain a
4 significant amount of pipeline assets it could utilize for peaking and balancing
5 and to otherwise ensure deliveries match demand.

6 **Q. Do you agree with Mr. Lawshe where he states on page 36 of his testimony**
7 **that the Capacity Assignment Plan is dangerous?**

8 A. No I do not. Mr. Lawshe's claim is unsubstantiated. Capacity assignment
9 programs exist in numerous utility Choice programs throughout the country
10 including states like New York where the winters are very cold and the
11 distribution systems are complex. There is absolutely no evidence that a
12 capacity assignment has ever presented a danger to customers. Further, there
13 is no evidence that a capacity assignment program has ever impeded a utility's
14 ability to reliably serve customers.

15 **Q. Is it important that the Commission Order DTE to implement a capacity**
16 **assignment and then conduct a stakeholder process to work through the**
17 **operation details of the program?**

18 A. Yes. As Mr. Lawshe testified, DTE has simply "dismissed" the IGS Capacity
19 Assignment Plan without giving it any serious consideration. Further, after
20 reading Mr. Lawshe's testimony it does not appear DTE has attempted to
21 understand the details of a capacity assignment program nor has DTE attempted
22 to understand how capacity assignments work at other utilities in other states.
23 However, as I note in my direct testimony, a capacity assignment plan benefits

1 Choice customers and all customers on the DTE system. Further, as Mr. Miller
2 points out in his direct testimony, competition benefits customers as it gives
3 customers an alternative to DTE service. Without competition, DTE is the single
4 monopoly supplier of gas commodity service. The Choice program (among other
5 benefits) puts pressure on DTE to procure GCR service for customers as
6 efficiently as possible. However, as Mr. Miller notes in his Direct testimony,
7 without a capacity assignment, the competitive landscape is tilted in favor of the
8 GCR which is an impediment to competition. Thus, because at this juncture DTE
9 has demonstrated an unwillingness to meaningfully participate in the
10 development of a program that will benefit customers, the Commission should
11 order a capacity assignment in this proceeding and shortly thereafter establish a
12 stakeholder process to address the operational issues of implementing such a
13 program.

14 **II. RESPONSE TO WITNESS MILLER**

15 **Q. Can you please summary Mr. Miller's rebuttal testimony?**

16 A. Yes. Mr. Miller's rebuttal testimony explains why he believes that his
17 methodology for assignment of capacity (initially presented in his direct
18 testimony) is preferential to the assignment of capacity methodology identified in
19 the Capacity Assignment Plan attached to my direct testimony and discussed in
20 my direct testimony.

21 **Q. Do you believe that the issues discussed in Mr. Miller's rebuttal testimony**
22 **identify areas where AGSs and Mr. Miller disagree with respect to a**
23 **capacity assignment?**

1 A. Generally, I believe that Mr. Miller's direct testimony and rebuttal testimony
2 discuss additional detail that he would like to see in a capacity assignment plan.
3 I do not, however, believe this detail is inconsistent with the IGS/RESA Capacity
4 Assignment Plan. Further, while I believe some of the issues Mr. Miller raises
5 with respect to the IGS/RESA Capacity Plan in his rebuttal testimony require
6 clarification (which I attempt to provide in this testimony), I do not believe Mr.
7 Miller's vision of a capacity assignment for DTE is inconsistent with the
8 IGS/RESA Capacity Assignment Plan.

9 **Q. Do you welcome Mr. Miller's input with respect to the development of a**
10 **capacity assignment proposal?**

11 A. Yes. Mr. Miller has a lot to add to the development of a capacity assignment
12 program - as does Commission Staff, DTE, and AGSs. Thus, I welcome Mr.
13 Miller's feedback on the capacity assignment proposal in his testimony and also
14 welcome the AG's participation in the stakeholder process to decide the
15 operational details of capacity assignment program once the Commission has
16 ordered DTE to partake in a capacity assignment.

17 **Q. Does the IGS/RESA Capacity Assignment Plan limit Isolated Capacity to**
18 **only the capacity that serves the upper-peninsula?**

19 A. No. On page 4 through 5 of his rebuttal testimony, Mr. Miller seems to infer that
20 the IGS/RESA Capacity Assignment Plan would only treat capacity that delivers
21 gas in and around the Detroit area to the upper-peninsula as Isolated Capacity
22 which would be retained by DTE. However, if you look at the actual Capacity
23 Assignment Plan IGS filed in this proceeding on January 9, 2014, the pipelines

1 identified as Isolated Capacity are left open to be identified by input from
2 interested parties (including Mr. Miller) once the capacity assignment program is
3 approved. Further, my testimony filed on February 12, 2014 explains that
4 capacity that delivers gas to the upper-peninsula *is an example* of Isolated
5 Capacity. My testimony continues to state that Isolated Capacity includes
6 “potentially other isolated areas on the system.” Thus, nothing in the IGS/RESA
7 Capacity Assignment Plan would prohibit the capacity in the Grand Rapids area
8 that Mr. Miller identifies on page 4 of his rebuttal testimony from being included
9 as part of the Isolated Capacity. That said, I appreciate Mr. Miller’s input in
10 identifying the Isolated Capacity and this is why the Isolated Capacity pipelines
11 were not specifically listed in the IGS/RESA Capacity Assignment Plan, but
12 rather were left open for input of others.

13 **Q. In your direct testimony were you trying to misrepresent what Mr. Miller**
14 **testified to in case No. U-17131?**

15 A. Certainly no. In my direct testimony I was trying to explain in a general sense
16 that there are isolated areas on the DTE system that DTE utilizes to serve its
17 system and one of those areas is the upper-peninsula. In cross-examination in
18 case No. U-17131 Mr. Miller made this point. When citing an extensive hearing
19 transcript a certain amount of paraphrasing is required. That said, if I
20 mischaracterized anything Mr. Miller said at hearing, that was not my intent.

21 **Q. Can you clarify Mr. Miller’s concerns with respect to your capacity**
22 **assignment calculations he discusses on page 10-11 of his rebuttal**
23 **testimony?**

1 A. Yes. First I would like to clarify that Mr. Miller appears to agree that the
2 calculations for a Capacity Assignment Plan discussed in Section 1(c) of that
3 plan correspond with how he would calculate a capacity assignment. Mr. Miller
4 seems to take issue with the simplified example I give in my Feb. 12 testimony
5 on page 6 on how to calculate the amount of *peak day assets DTE would* retain
6 and the amount of baseload assets that would be assigned to the AGS for
7 baseload deliveries. Of course though, the total amount of assets allocated for
8 the customer would depend on the total number of pipeline assets DTE holds.
9 That goes without saying. The number utilized in my testimony on page 6 was
10 just a hypothetical number and not based on actual numbers. Mr. Miller is
11 drawing inferences from my utilization of that number that simply were not meant
12 to be drawn. It has no implication to the proper allocation methodology
13 discussed in Section 1(c).

14 **Q. Can you clarify Mr. Miller's concerns with respect to your capacity**
15 **assignment calculations he discusses on page 12-13 of his testimony?**

16 A. Yes. Mr. Miller appears to have pointed out a typo in the calculations made in
17 Exhibit 1 of the IGS/RESA Capacity Assignment Plan and again has made
18 incorrect inferences about that typo. In the Exhibit 1 calculations Mr. Miller
19 identifies the GCC annual load utilized in this example is in MCF's and also
20 correctly notes that the pipeline capacity identified in Exhibit 1 is listed as
21 Dth/Day. Rather than recognizing this as a typo, however, Mr. Miller then
22 appears to do a conversion from MCF to DTH in his rebuttal testimony to

1 demonstrate that the capacity assignment methodology listed in Section I(c) is
2 inconsistent with the capacity assignment methodology listed in Exhibit 1.

3 **Q. Would you like to clarify Exhibit 1 of the AGS Capacity Assignment Plan?**

4 A. Yes. To be clear the capacity allocation proposed in the Capacity Assignment
5 Plan should be based on the allocation methodology described in Section I(c) of
6 the Capacity Assignment Plan. I would like to thank Mr. Miller for his attention to
7 detail at identifying any discrepancies in Exhibit 1. However, I would like to
8 clarify that the unit of measurement utilized in Exhibit 1 was not intended to
9 require a conversion from MCF to DTH. Further, the allocation discussed in
10 Exhibit 1 was intended to be a hypothetical example of how a capacity
11 assignment would work as described in Section I(c) of the Capacity Assignment
12 Plan as I note in my direct testimony.

13 **Q. Do you consider yourself to have in-depth knowledge of Choice programs**
14 **across the United States?**

15 A. I have experience with natural gas Choice programs across the country. I have
16 also been involved in Choice development and collaborative efforts in states
17 such as Indiana and Illinois. Further, I have experience with the transport
18 capacity related to DTE Choice delivery requirements and the DTE Choice
19 program. However, I fully understand that DTE's system has operational
20 requirements that I may not be aware of; as every utility system is unique. The
21 IGS/RESA Capacity Plan was designed to present the framework of a capacity
22 assignment but a collaborative approach can be utilized to work through the

1 operational details of the program after the framework of a capacity assignment
2 is approved.

3 **Q. Does this conclude your testimony?**

4 **A. Yes.**

5

6

7

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STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of DTE Gas	)	
Company for approval of a	)	
Gas Cost Recovery Plan, 5-year Forecast and	)	Case No. U-17332
Monthly GCR Factor for the 12-months ending	)	
March 31, 2015, and for approval to implement	)	
a Reservation Charge applicable to Gas	)	
Customer Choice Suppliers.	)	
_____	)	

PROOF OF SERVICE

STATE OF MICHIGAN)
) ss
COUNTY OF WASHTENAW)

Jacqueline K. Tinney, being first duly sworn, deposes and says that she is employed at Dickinson Wright PLLC, and that on September 15, 2014, she caused a copy of the ***Sur-Rebuttal Testimony of Daniel Dishno on Behalf of Interstate Gas Supply, Inc.***, to be served upon the parties listed below via email.

Jacqueline K. Tinney

Subscribed and sworn to before me,
a Notary Public in and for said County,
this 15th day of September, 2014.

Judith J. Martin, Notary Public
Washtenaw County, Michigan
Acting in Washtenaw County, Michigan
My Commission Expires: 6/13/21

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