

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of
The Detroit Edison Company seeking
approval and authority to implement
its proposed Advanced Metering
Infrastructure Opt Out Program.

Case No. U-17053

Volume No. 4

CROSS-EXAMINATION

Proceedings held in the above-entitled
matter before Dennis W. Mack, Administrative Law Judge
with MAHS, at the Michigan Public Service Commission,
4300 Saginaw Street, Hearing Room 1, Lansing, Michigan,
on Wednesday, January 16, 2013, at 9:30 a.m.

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1 what you're asking?

2 Q Yes, the process involved.

3 A It's relative to the hours that are into the individual
4 lines of work here on Exhibit A-1 Schedule 3. Each of
5 those tabs has individual hours for them. I don't have a
6 composite hour cost.

7 Q So when Mr. Carolan asked you about it, the different
8 things involved, customer calls DTE representative, puts
9 an action in, is recognized as an opt out, he asked how
10 long that process took. You gave -- he asked you whether
11 it took less than hour. I'm wondering if you can give a
12 more exact answer to that.

13 A Let me make sure I understand the question.

14 Q Sure.

15 A His question, if I recall for the record, was how much
16 time does it take when we talk to a customer on line on
17 once all this programming has been completed.

18 Q O.K.

19 A That's, should be a relatively short timeframe. We'll
20 just assist with the customer --

21 JUDGE MACK: Speak up.

22 A Sorry, I will. We'll coordinate with the customer to
23 make sure that it is the customer of record and that they
24 do understand the opt out tariff or provision we have
25 established, and then start the process at that point.

1 That will be putting into the system that the customer
2 wants an opt out, the meter would have to be changed to a
3 non-transmitting meter, likely an appointment be made,
4 and then we'll take that forward through the system. So
5 that's the process of the front to the customer.

6 Q So the \$24 charge is for that part of it, or it's for all
7 the work you had to do prior to?

8 A The \$24 charge is for the programming aspects of it to
9 get ready to handle any customer who calls in.

10 Q O.K. Thank you. What are the projected cost savings to
11 Detroit Edison if not everyone takes a smart meter?

12 A I think you'd have to determine what not everyone means
13 first. Are you saying zero or 2.3.9?

14 Q Oh, let's say that 10,000 people don't take a smart
15 meter.

16 A There are benefits that the customers would lose with not
17 having a smart meter.

18 Q But that's not the question I'm asking. The question
19 that I'm asking is: What are the projected cost savings,
20 if any, to Detroit Edison if for example 10,000 people do
21 not take a smart meter?

22 A I have not done a projection on customer by customer
23 level.

24 Q O.K. I want to understand a response you made to a
25 question from Mr. Cusumano earlier in the hearing.

1 A O.K.

2 Q I understood you to say that the savings to an AMI
3 customer is 15 cents per bill. Is that correct?

4 A What's currently in rates, and that's on again line 10 of
5 Exhibit A-1 Schedule 1, the 15 cents. That's is
6 currently in rates that we've already established.

7 Q So is that projected to change? Or is that what someone
8 that has a smart meter essentially is saving over having
9 an analog?

10 A I would expect it to change in some fashion as each rate
11 case goes forward. There is more expenses and savings
12 placed in there. And that comes out to a total
13 calculation in our rates. And AMI's perspective of the
14 total rates would possibly change.

15 Q In response to a question by Ms. Edwards you stated that
16 the life expectancy of a smart meter is 20 years and that
17 the life expectancy of an analog is also 20 years. But
18 in your response to -- I believe it was question 55 in my
19 first set of interrogatories, you stated that the
20 depreciable life of an analog is 43 years. That sounds
21 more in line with the 50 to 80 years that I've come
22 across in the research for the life of an analog. So I'm
23 wondering, you know, which is correct.

24 MR. SOLO: Your Honor, objection to the
25 form of the question.

1 MS. KURTZ: O.K.

2 JUDGE MACK: Just form?

3 MS. KURTZ: Well, --

4 MR. SOLO: There's multiple objections.

5 JUDGE MACK: Ms. Kurtz, I'm going to ask
6 you, please, --

7 MS. KURTZ: I'm sorry.

8 JUDGE MACK: -- let Mr. Solo speak. You
9 will get your chance to respond. Go ahead, Mr. Solo.

10 MR. SOLO: I mean from a technical
11 standpoint the question assumes facts not in evidence
12 because the discovery has not been admitted into
13 evidence. I was focussing on the narrative built in to
14 the question as well as the compound nature of the
15 question to allow the witness a reasonable opportunity to
16 answer it before it was getting to the admissibility
17 question with regard to the discovery.

18 JUDGE MACK: Thank you, Mr. Solo. That's
19 a compound question, Ms. Kurtz. It also has a narrative
20 in it. Your research is not a proper basis to ask this
21 witness a question, so I'll sustain that objection.

22 MS. KURTZ: O.K.

23 MR. SOLO: Thank you, your Honor.

24 MS. KURTZ: May I admit our discovery
25 questions into evidence?

1 JUDGE MACK: You may offer anything you
2 want to, and then we'll go through everybody and see if
3 it will be admitted. But if you just want to ask a
4 question concerning the discovery response, just ask a
5 question concerning the discovery response.

6 Q (By Ms. Kurtz): O.K. So is it correct that the
7 depreciable life of an analog meter is 43 years?

8 A The book depreciation for an analog meter is at 43 years.

9 Q O.K. Thank you. And you have projected that
10 approximately 4,000 people will opt out; is that correct?

11 A Yes, ma'am.

12 Q And how many customer complaints or concerns have you
13 received today about smart meter installations, including
14 people who have denied access to their meters?

15 A To date? Number one, our 4,000 customers was based in
16 the case on the 1,100 concerns we had, assuming every
17 customer is an opt out, that's how we calculated upward
18 to that number. As to date, we're about 3,269 customers
19 have some level of concern. And those do include simple
20 can't-get-ins as well.

21 Q How many complaints or concerns have you received from
22 customers who complained only after receiving a smart
23 meter on their home or business?

24 JUDGE MACK: Ms. Kurtz, you are really
25 going to have to speak up because I can see some people

1 in the back of the room cannot hear your questions.

2 Q (By Ms. Kurtz): O.K. How many complaints or concerns
3 have you received from customers who complained only
4 after receiving a smart meter on their home or business?

5 A I don't have that number.

6 Q Is it correct that approximately 1.6 million meters
7 remain to be installed?

8 A Yes, that's an approximate number. Our electrical
9 meters, yes, ma'am.

10 Q So when you -- pardon me. Try and phrase this in a
11 proper way.

12 When you made your initial calculations
13 of the number of people who would opt out, how many,
14 approximately how many meters had been installed?

15 A 722,000 electrical meters.

16 Q So given that, we could expect that -- I mean the number
17 then has -- I'm going to preface this by saying that I'm
18 not sure that I'm going to ask this the way I'm supposed
19 to, but I'm going to try my best.

20 In the response to my second set of the
21 interrogatories, question 55, you stated that a total of
22 3,269 people as of November 30 had in some way expressed
23 concern about installation of smart meters. That would
24 be -- is it correct that that would be approximately
25 three times the number that you based your original

1 calculations on, you had 1,100 at that time?

2 A In that manner of that calculation, yes. I want to make
3 sure that you understand the refusals in this 3,269 are
4 judgments simple refusals too. These customers, that's
5 an assumption that every customer would accept an opt
6 out. Some of them might just be I couldn't get in for a
7 gate purpose or something like that. So to say that is a
8 calculation you could do, I would agree.

9 Q O.K. When will Detroit Edison begin installing
10 non-transmitting meters in territories that have already
11 been installed with AMI?

12 A They will be post the settlement or finishing of this
13 case. Settlement, whatever the resolution of this case,
14 it will be post that.

15 Q So that gives me about maybe three or four months to sell
16 my home, uproot my business, find a new house in
17 Consumers Energy territory so that I can live in a home
18 without heart palpitations, migraines, and unremitting
19 insomnia.

20 MR. SOLO: Objection, your Honor. Move
21 to strike that question as testimony and narrative and
22 not a question.

23 JUDGE MACK: Also goes beyond the scope
24 of this hearing. Your objection is sustained.

25 MS. KURTZ: All right. That's the

1 reality I am facing or I wouldn't be here today if it
2 weren't the reality that I'm facing. I have no further
3 question.

4 JUDGE MACK: Thank you, Ms. Kurtz. Next,
5 Ms. Spranger. Let's go off the record.

6 (Brief in-place recess was taken.)

7 JUDGE MACK: Back on the record
8 Ms. Spranger, you may begin your cross-examination.

9 CROSS-EXAMINATION

10 BY MS. SPRANGER:

11 Q Mr. Sitkauskas, you have represented DTE as a Company and
12 you have been working for the Company how long?

13 A I was hired in 1978, I believe it was, 35 years.

14 Q And when did this AMI program, project, your position in
15 this -- I guess it has a name, the name is referred to as
16 AMI Group in the Major Enterprise Project, called MEP
17 Organization, that's item 4 of 5, line 4 of 5.

18 JUDGE MACK: What page are you on?

19 MRS. SPRANGER: The first page for his
20 name, what is your name and business address and by whom
21 are you employed?

22 JUDGE MACK: O.K. That would be the
23 witness's -- let's let everybody know.

24 MRS. SPRANGER: The rebuttal.

25 JUDGE MACK: I believe it's the direct

1 testimony, page 1.

2 MRS. SPRANGER: Yes.

3 JUDGE MACK: Mr. Sitkauskas, do you
4 recall that question?

5 A Where are you referencing on my statement, to make sure
6 I'm in the same spot.

7 Q (By Ms. Spranger): Item 4 of 5, I am employed by the DTE
8 Edison Company as a manager of the Advanced Metering
9 Infrastructure, the AMI group in the Major Enterprise
10 Project, MEP organization.

11 A It was put in MEP in the year 2010.

12 Q What are some of the goals and principles behind this
13 organization, briefly?

14 A Major Enterprise Organization?

15 Q Yes, uh-huh.

16 A The large capital projects had been moved to this
17 organization and are governed with project management
18 skills and controls and meeting goals as most other
19 projects are.

20 Q Are you affiliated with any other support groups? Do
21 you have a membership in this organization that meets on
22 a regular basis to conduct this business?

23 A The Major Enterprise organization?

24 Q Uh-huh.

25 A That is a company organization of Detroit Edison.

1 Q You have staff meetings?

2 A Correct.

3 Q You have to go to meetings, policies discussed?

4 A This group also works on the right works on the, what's
5 the word, turbine parts up north, stuff like that, and
6 building modifications, yes.

7 Q Are you associated with the AMI program?

8 A The AMI program is a separate subset of the whole of MEP.

9 Q Do they correspond back and forth on what you're doing
10 with the project?

11 A We correspond upward, and then my director does have
12 other projects that she does see my project process or
13 progress.

14 Q So you're in constant communication if there is an issue,
15 a major major issue in a total community with this new
16 technology? And I believe it's quoted to say it's proven
17 technology; is that correct?

18 A Your first question was do we have regular
19 communications, and we yes, we do do regular reports with
20 our organization about the progress of the AMI project.

21 Q What kind of funds do you receive outside of the scope of
22 the Company's own funds to do this project, the AMI
23 project? Federal government? State programs?

24 A There were funds in the prior year from the government,
25 and those have been established in our rate case in the

1 past. But there is nothing outside anywhere else that we
2 get money for.

3 Q You have been using the new technology?

4 A Yes, ma'am.

5 Q And in that process is there a cost endured at that time?

6 A You mean a cost to install and do the complete project?

7 Q Yes.

8 A Of course, yes, there is.

9 Q Who was responsible to pay for that?

10 A Who is responsible?

11 Q Responsible.

12 A That gets placed into our rates.

13 Q So it's just passed on to the ratepayer, which would be a
14 customer like me?

15 A I would not say the word "passed on." I would say it
16 gets approved by the Commission as prudent and reasonable
17 and it complies with the ratemaking of the State, and
18 that's where it does comply.

19 Q So the interrelationship between the State, the
20 Commission, the Staff, all the people here today, has an
21 impact on what you're asking today, is the applicant a
22 reasonable and just cost? Is that correct?

23 A I think that's the purpose of the hearing, yes.

24 Q O.K. As a consumer's input, do you value that?

25 A Very much so. I'm a consumer myself.

1 Q And you live in what county? I should be -- Do you live
2 in the State of Michigan?

3 MR. SOLO: Objection, your Honor. That
4 question is not relevant.

5 MRS. SPRANGER: O.K.

6 JUDGE MACK: Sustained. Let me rule on
7 that. That's sustained. Ms. Spranger, where the witness
8 resides is immaterial to this proceeding.

9 Q (By Ms. Spranger): O.K. As you say, there is a purpose
10 of this particular advanced metering infrastructure. And
11 the advantages for the consumer in the interests of the
12 Company making money, I see the connection is just a
13 profit of security in a way that I'm being charged a new
14 fee that I am not educated today or yesterday. The only
15 reason education is important is where do you have any
16 programs established back in 2010 on this education to
17 the consumer, that this new development of this new
18 technology is coming forth?

19 MR. SOLO: Your Honor, objection. The
20 question is not relevant. It's outside the scope of the
21 direct examination. In addition, it contains a narrative
22 and compound elements in the question.

23 MRS. SPRANGER: I will put it simply.

24 JUDGE MACK: Can you rephrase that
25 question, Ms. Spranger?

1 MRS. SPRANGER: Yes, I will.

2 Q (By Ms. Spranger): The responsibility of the consumer to
3 know about the technology when a company designs this to
4 be used for a service you provide me, how am I informed?

5 MS. BARONE: I'm going to object to the
6 question. First of all, I think it's outside the scope.
7 But more importantly, we did go into this area of what
8 the Company has done to educate the customers yesterday.
9 So I think it would be cumulative evidence, and I think
10 it's important that everyone who wants to cross-examine
11 will have to time to do so. So cumulative evidence could
12 slow down our process.

13 Further, our rules do provide at Rule 205
14 that under certain circumstances those with substantially
15 identical interests and positions, the presiding officer
16 may, to avoid cumulative evidence, require coordinated
17 participation. Of course we didn't do that in this case
18 formally, but I would urge your Honor to consider that
19 with respect to the parties who are pursuing matters that
20 have already been asked and answered on the record.

21 JUDGE MACK: Thank you, Ms. Barone. Ms.
22 Spranger, I am going to give you some latitude to ask
23 questions.

24 MRS. SPRANGER: O.K.

25 JUDGE MACK: But the witness has

1 testified regarding the communication process. If you
2 have something beyond that you wanted to ask or you want
3 to just get to the point that they mailed out a letter
4 and brochure, that would be fine. But we do have to move
5 this along.

6 Q (By Ms. Spranger): As the communication process develops
7 and a consumer scenario has a dispute, a dispute is filed
8 with the Michigan Public Service Commission, is that
9 correct? When we cannot settle a dispute, a customer has
10 a right to request it through the MPSC?

11 A Yes, a hearing.

12 Q As that process goes along, there is a responsibility of
13 we working together to solve the problem. As a homeowner
14 interest in my property per se and having a new proven
15 technology, as it says to me, I have no understanding of
16 this new technology, the scientific studies to make me
17 feel secure on just allowing that just to be put on a
18 home. So what can we do to resolve it, just in the
19 simple manner without a lot of confusion?

20 MR. SOLO: Objection, your Honor. I'm
21 sorry.

22 JUDGE MACK: Are you done?

23 MRS. SPRANGER: No. I will put it more
24 simpler.

25 JUDGE MACK: Thank you.

1 Q The law gives me rights under the utility rules and
2 regulations, and to file a complaint is one way to
3 resolve it. There's something here that is missing to
4 resolve because if I want to know more about it, there's
5 not a due process for the consumer. This new
6 responsibility, if I read this new request that I have to
7 comply with, is to pay a fee to opt out on a new
8 technology that says it's been proven. Proven to me is a
9 difficult word. Is it safe? Will it cost more money for
10 me as just a consumer, increasing energy cost that I do
11 not have to bear at this moment with the meter I have?
12 If I compare the two meters?

13 JUDGE MACK: Excuse me, Ms. Spranger.
14 I'm going to stop you there.

15 Q The comparison is --

16 JUDGE MACK: No, no. You're going very
17 far afield here. The purpose of this proceeding is for
18 you to ask the witness a question. So please, let's get
19 back to that.

20 Q (By Mrs. Spranger): So if there is a cost to a new meter
21 and there's a cost to the old meter, can you explain the
22 difference of why I need the new meter?

23 MR. SOLO: Your Honor, objection. It's
24 outside the scope of this matter based on your prior
25 rulings. The meter costs are not a part of the Opt Out

1 Program, are not included in the cost of service of the
2 Opt Out Program.

3 JUDGE MACK: Thank you, Mr. Solo. I
4 would agree. We are here today on the Opt Out Proposed
5 rate. If you could limit your questions to that issue.

6 Q (By Mrs. Spranger): Is the proposed rate related to that
7 new device to opt out?

8 JUDGE MACK: Was that a question?

9 MRS. SPRANGER: Yes.

10 JUDGE MACK: Can you restate that,
11 please.

12 Q (By Mrs. Spranger): Is this new device that's going to
13 be a digital versus the device that's turned on, is this
14 particular device a device that the applicant is offering
15 the consumer? Are you offering me that device, the new
16 technology?

17 A In our application, line 1, there is labor to shut the
18 radio or transmitter off of the AMI meter, so it is a
19 non-transmitting AMI meter we would be placing in there.
20 And that is the labor cost to just do that aspect of the
21 job.

22 Q That cost in comparison to what I have already in my home
23 varies, so my current contract has a cost built in with
24 this meter I have, correct? The meter that's in my home
25 right now has a cost?

1 A There has been -- the meter has been established in rates
2 as a cost item, yes.

3 Q In comparing the two costs, if there is no increase but
4 one device is a choice by the consumer, not necessarily a
5 choice by the Company, do we work out selecting the best
6 product? Do we have a right to select the best product,
7 just not the one you're offering?

8 A So if you're asking me is it mandated, I guess is another
9 way to ask it? Is it possible to say that to you? We
10 have to provide service to you, to every customer. That
11 service from again the transmission of a power plant, all
12 the way through and including the meter, goes into our
13 cost of service. To effectively give you the lowest cost
14 of service, we are making technology advancements to
15 continue us on that way and lower the cost of ownership
16 where we can across the board.

17 Q Do you take in consideration common law or the rules and
18 regulations that exist on the book, like the Consumer
19 Protection Act, the safety study reports that are
20 surfacing about the new technology that causes
21 controversial issues? Is that taken into account by the
22 Company who makes the project? Or is it your
23 responsibility, or the company that's installing the
24 product?

25 A We make sure that any product we have is in compliance

1 with any Federal regulations.

2 Q And are there Federal dollars being spent on this project
3 that DTE has received?

4 A Again --

5 MR. SOLO: Your Honor, I want to object
6 to the extent that she's asking about the AMI
7 implementation in general. But the question, it wasn't
8 clear to me if she was referring to Federal dollars being
9 spent on the AMI Opt Out Program or the broader AMI
10 implementation.

11 JUDGE MACK: Well, let's limit it to the
12 AMI Opt Out Program. I believe the witness testified
13 that in previous years there were governments dollars. I
14 don't believe it was narrowed to Federal, so I'll allow
15 that question. Is there any Federal monies being
16 utilized in the AMI Opt Out Program?

17 A No, sir, none whatsoever on the Opt Out Program.

18 JUDGE MACK: Thank you.

19 MR. SOLO: Thank you.

20 Q (By Mrs. Spranger): So the Opt Out Program is strictly
21 with the benefit for a consumer. It benefits DTE because
22 you receive that money that I have to pay when I'm in
23 question of the product itself. Because my investment in
24 my home is far greater than your small investment of
25 putting the service in my home. My house is more

1 valuable. I'm the property owner until I die. So I am
2 questioning the new technology. I am questioning you
3 telling me it's proven to be safe. You have a right to
4 run your business, I have right to protect my home. So
5 there should be a happy medium.

6 JUDGE MACK: Mrs. Spranger.

7 MRS. SPRANGER: My question is --

8 JUDGE MACK: You've got to get to the
9 question. I cannot allow you to talk about your home
10 value or anything else. You have to ask this witness a
11 question.

12 MRS. SPRANGER: So the costs --

13 JUDGE MACK: Ms. Spranger, please don't
14 talk while I'm talking. I'm going to ask you to limit
15 yourself to questions of this witness.

16 MRS. SPRANGER: O.K.

17 MR. SOLO: Your Honor, I would also move
18 to strike the narrative content. There's two instances
19 now where lengthy narratives were provided that were in
20 no way a form of a question that I believe are currently
21 on the record.

22 JUDGE MACK: Thank you, Mr. Solo. Any
23 and all narrative that Ms. Spranger is providing in her
24 cross-examination is stricken.

25 MR. SOLO: Thank you, your Honor.

1 Q (By Mrs. Spranger): Why was the opt out proposed by DTE
2 to the consumers?

3 A Truth is, as we said in our testimony that there was
4 concern from customers that they had asked for the opt
5 out. So in response to that particular request, we have
6 developed this particular Opt Out Program.

7 Q Could you identify these concerns? Words written by
8 consumers? What were their language on that particular--

9 A Our Opt Out Program is regardless of concern.

10 Q So if my electrical wiring in my home is old but my home
11 was built when it was built, this new technology that's
12 proven technology, is there any way to pre-determine
13 before installing this new device the compatibility,
14 either in standards and policies, to be worked out before
15 I say no or yeah to this new technology?

16 A We are not responsible for the wiring inside your home.
17 We are responsible for getting that service to your home.
18 I do not know the condition or anything inside your home
19 that you may have had and/or changed. I can't help you
20 with that. So I will tell you that meters that we are
21 installing do comply with all of the technical
22 requirements of both the State and any other licensing
23 group.

24 Q I know with the codes of ordinances for our State, you do
25 not have anything listed for the new technology that's

1 going to be using in our city. Is that correct?

2 MS. BARONE: Your Honor, I object. This
3 is not relevant testimony. Question, excuse me.

4 JUDGE MACK: I would agree, Ms. Barone.
5 Ms. Spranger, we are not on point here.

6 Q (By Mrs. Spranger): O.K. When you say install these new
7 meters, how will they be installed, and because of the
8 way they are installed between the wires and my home and
9 to this device? I know you're not an electrician.

10 A No.

11 MR. SOLO: Your Honor, I think Ms.
12 Barone's objection would stand also for the same
13 question.

14 JUDGE MACK: Sustained.

15 Q (By Mrs. Spranger): So if I understand, there's a
16 60 percent level proposed by the Staff, and this is on
17 page rebuttal for 3, item line 2 and 3, talks about the
18 range of the other utilities with more developed programs
19 and nowhere near 60 percent level proposed by the MPSC
20 staff. Could you elaborate more on the difference
21 between 60 percent and the 20 percent that you claim
22 exist with the opting out program, how you forecast that?

23 A First --

24 JUDGE MACK: Hold on. First of all, you
25 are referencing Mr. McLean's testimony. If you're going

1 to ask the witness a question about a specific --

2 MRS. SPRANGER: It says why do you
3 believe.

4 JUDGE MACK: Mrs. Spranger, what page are
5 you reading from?

6 MRS. SPRANGER: I said page rebuttal 3.

7 JUDGE MACK: There is no rebuttal. It's
8 direct testimony.

9 MRS. SPRANGER: Direct testimony.

10 MR. SOLO: Your Honor, if I may, I
11 believe it is in fact this witness's rebuttal testimony
12 on page 3.

13 JUDGE MACK: I'm sorry. I thought it was
14 Staff.

15 MR. SOLO: But it's referring to the
16 Staff.

17 JUDGE MACK: Thank you, Mr. Solo. So we
18 are on Mr. Sitkauskas's rebuttal, page 3. Go ahead,
19 Ms. Spranger.

20 MR. SOLO: Your Honor, if I may also for
21 a point of clarification, I believe she stated
22 60 percent, but the testimony that she is referring to is
23 point 6 percent.

24 JUDGE MACK: Thank you.

25 MR. SOLO: If that helps.

1 JUDGE MACK: Thank you.

2 A Yes. I want to thank you for correcting that because I
3 was going to say it is point 6 and not the 60 percent.

4 Yes. What is on page 3 of my rebuttal is
5 what I know knowledge-wise of other states and their
6 projected, or in most of the cases here they are actuals,
7 of opt outs at current states. San Diego, California,
8 Sacramento, and Center Point all currently have an
9 operating opt out program. And this is what I gathered
10 from my peers as to the number of customers that have
11 opted out of using the programs of that particular state
12 and that regulatory agency.

13 Q (By Mrs. Spranger): When I read the opt out fees in
14 other states that are ahead of the AMI installing their
15 own meter reader system and could be a different utility
16 company, legislation in Michigan has none for these new
17 meters. So we depend on the local government for our
18 answers. I just became aware of this a few years ago.
19 And opting out is a choice, but how could we come to this
20 cost factor on a new device that should be studied?
21 Would you agree it should be studied?

22 MR. SOLO: Your Honor, I'd like to object
23 to the all of the narrative content before that final
24 question.

25 JUDGE MACK: Do you object to the final

1 question?

2 MR. SOLO: I apologize. I'm not sure I
3 even heard the -- I recognize there was a question, but I
4 don't remember what the exact question was. If she could
5 repeat it, that would be helpful.

6 JUDGE MACK: Ms. Spranger, if you could
7 take out any and all references to state/local law, and
8 just restate that question as you did at the end?

9 Q (By Mrs. Spranger): When the AMI program is established
10 as you said in other states, we have the local
11 municipality that will allow you in to the city to be our
12 provider, which you are in our City of Warren. Being the
13 provider, are you going to respect the current
14 established rules or regulations? If there's none, then
15 legislation will be acted upon. Will that change the
16 impact on the Opt Out Program? Will you change a rule on
17 that basis?

18 MR. SOLO: Your Honor, I'm trying to
19 restrain from making objections, but now we have a
20 compound question that is in four pieces. Three of the
21 four appear to be requesting the witness to provide a
22 legal opinion. That's beyond the scope of his direct or
23 rebuttal testimony.

24 JUDGE MACK: I agree, Mr. Solo. Mrs.
25 Spranger.

1 MRS. SPRANGER: I'll move on.

2 JUDGE MACK: Thank you.

3 Q (By Mrs. Spranger): Mr. Sitkauskas, in looking at how
4 you did calculate the \$15 per month, I don't see where
5 you have budgeted anything for communicating the
6 availability of the opt out to the customer.

7 The question is: Do you plan any
8 communications to the customer concerning the Opt Out
9 Program?

10 A That's a very good question. And you'll see in the opt
11 out cost there is no communication. Because from my
12 information on communication, I look to communicate with
13 every customer, not just the opt out customer. So that
14 is why the cost of communicating is not charged to the
15 individual opt out customer. It's in the project as a
16 whole.

17 Q Do I not receive a bill through the mail?

18 A Yes.

19 Q And in the billing structure of my contract with you,
20 that's the only contract I have?

21 MR. SOLO: Objection. The question --

22 MRS. SPRANGER: Well, when I pay --

23 JUDGE MACK: Hold on, Ms. Spranger. Hold
24 on. The witness testified that any communication costs
25 are not assigned to the opt out. So I assume the

1 converse of that is, it's communication with all
2 customers, whether they're participants or opt out, so
3 that's why there is no fee in this proposed schedule.

4 MRS. SPRANGER: O.K. Well, if there's no
5 proposed fee, what is the \$15?

6 JUDGE MACK: There's no component of that
7 \$15 that goes to communication. That is paid by all
8 ratepayers of Detroit Edison. And I'm not testifying
9 here.

10 MR. SOLO: You're correct, your Honor.

11 JUDGE MACK: That is the answer I believe
12 you had. So with that answer, we can't go into a line of
13 how they don't communicate because he just testified they
14 do in fact communicate.

15 Q (By Mrs. Spranger): Would you think communication is
16 necessary to the consumer?

17 MS. BARONE: Objection.

18 MRS. SPRANGER: O.K. I'll go to this
19 question.

20 JUDGE MACK: Thank you.

21 Q (By Mrs. Spranger): Would there be some people who could
22 opt out if you did such communications?

23 A Again we're going to communicate to our customer base,
24 and that customer of record has that choice to opt out.

25 So in respect to your question, yes, that customer may

1 opt out. Other customers who have expressed concerns may
2 say no, I want to have the meter as well. This is a
3 forecast of the projected customers that may opt out.

4 Q So how you service me as a customer is only when I call
5 in to require; is that correct?

6 MS. BARONE: Your Honor, that's a very
7 broad question.

8 MRS. SPRANGER: Well, if I --

9 JUDGE MACK: Mrs. Spranger, Ms. Barone is
10 speaking.

11 Your objection is based on the form of
12 the question?

13 MS. BARONE: Overly broad.

14 JUDGE MACK: That is a very broad
15 question. Again Ms. Spranger, we have to get through
16 this witness. We have to get on point. Please move on.

17 Q (By Mrs. Spranger): To communicate better with me, how
18 could you do that more effectively than just a rule of
19 this nature?

20 A To assert your understanding of my communication is an
21 individual item first. I have to admit that. I will
22 communicate what we feel is the most proper channel to
23 our customer base, explaining the provisions of the
24 tariff and what could be expected in the process.

25 Q When the environment around my home would not be

1 compatible with such new technology and this technology,
2 could you explain how this technology works with the
3 design and the make-up of this particular model that I
4 would receive?

5 MR. SOLO: Objection, your Honor. This
6 question is outside the scope of this proceeding as
7 previously determined by you in response to the motion to
8 strike.

9 JUDGE MACK: Sustained. Ms. Spranger, if
10 you could keep your questions focussed on the subject --

11 Q (By Mrs. Spranger): So the cost of this new meter and
12 the cost of my meter I have now, you have to read the
13 meters, reading both the new meter or having the old
14 meter read by the same person that could come out to my
15 home. Why is it not possible to still keep in the
16 technology I prefer to have in my home?

17 MR. SOLO: Your Honor, objection to the
18 compound nature of that question.

19 MS. BARONE: Your Honor, I would object
20 as well. It was already asked and answered. I believe
21 it was objected to and sustained. I'm not certain about
22 that, but it was already asked.

23 JUDGE MACK: It has been asked. It has
24 been objected to. It has been sustained. Mrs. Spranger,
25 how much more --

1 MRS. SPRANGER: I'm trying to get through
2 this.

3 JUDGE MACK: I understand you're trying
4 to get through it. I'm asking how much more do you have?

5 MRS. SPRANGER: I have about ten, 20 more
6 questions.

7 JUDGE MACK: Ms. Spranger, at some point
8 I'm going to conclude your cross-examination.
9 Ms. Spranger, I suggest that you focus your questions
10 consistent with my rulings on the motion and the
11 objections yesterday.

12 MRS. SPRANGER: O.K.

13 JUDGE MACK: We are very near to the
14 point where I am going to conclude your
15 cross-examination. Thank you.

16 Q (By Mrs. Spranger): O.K. Any cost of this new meter
17 passed on to me is based on choice. A opt out program
18 has a fee. Can I understand how this fee and the opt out
19 is justified and reasonable?

20 A Again the whole program of AMI is that we're putting it
21 in through the system, so again from the plant through
22 the meter as part of the whole of our rates, we're making
23 that technology move. This particular opt out is a cost
24 of service principle for the customers, whatever count
25 that is, that would opt -- that do not want that new

1 technology in that respect of a non-transmitting meter.
2 So this particular one cost item is that difference of
3 not having the full technology available to that
4 particular site.

5 Q The systems of this new device, if any way it becomes an
6 issue of endangerment under State Constitution, which
7 means endangerment to the public welfare, would you
8 somehow create an emergency to correct a lack of studying
9 of the new technology without you implementing it? How
10 would you correct a disaster that happens?

11 MS. BARONE: Your Honor, I object. That
12 is beyond the scope of this proceeding.

13 JUDGE MACK: Mr. Solo, were you about to
14 object?

15 MR. SOLO: For the same reasons as Ms.
16 Barone, your Honor.

17 JUDGE MACK: Thank you. Those objections
18 are sustained. Ms. Spranger, please.

19 Q (By Mrs. Spranger): Under the law administrative rule
20 guidelines and decisions, the electrical company has an
21 annual contract in its Rule 460.272 -- 46270, electrical
22 interconnected standards, and that meter reading standard
23 Rule 460.601, 460.656, rate case filing requirements for
24 major electrical utility. Service quality and
25 reliability standards for electrical distributor systems,

1 Rule 460.701, 460.752. Technical standards for
2 electrical service --

3 JUDGE MACK: Excuse me. Ms. Spranger,
4 that is nowhere near being a question. You are reading
5 rules. It's argument and --

6 MRS. SPRANGER: O.K. The rules are --

7 JUDGE MACK: Mrs. Spranger, do not
8 interrupt me. I'm not interrupting you. You have to ask
9 a question. We have to move on. That narrative is
10 stricken.

11 Q (By Mrs. Spranger): If the Emergency Management Act of
12 390 and the Michigan Emergency Disclaimer Act of 191 --
13 is that something that management takes in consideration
14 when you plan and design a new project with new
15 technology that's not -- that's been proven?

16 A I honestly don't know what those particular laws or
17 whatever you recited are. But I do agree that the AMI
18 program does comply with all Federal and State
19 regulations that are -- that we have today.

20 Q So if my environment in my home is built at the time it
21 was built and I have the proven technology that's not
22 adaptable to my home, how can I resolve this in a
23 complaint process as it should happen when you file a
24 complaint with DTE or Michigan Public Service Commission?

25 MS. BARONE: Your Honor, objection.

1 MR. SOLO: Your Honor --

2 MS. BARONE: Sorry.

3 MRS. SPRANGER: I'm out of scope. I got
4 it.

5 JUDGE MACK: Ms. Spranger, the objection
6 is sustained. We are going to move on very shortly. If
7 you have a point where you are going to end this, I
8 suggest you get to it.

9 Q (By Mrs. Spranger): Because there is a monthly charge
10 and it says the consumer electing to opt out and who
11 already have a transmitting AMI reader installed at their
12 premise will have the meter changed to a non-transmitting
13 AMI meter, the opt out customer who have not had their
14 current meter replaced by a transmitting AMI meter at the
15 time they require an opt out will temporarily retain the
16 current meter until such a time. The request to opt out
17 an installment customer will receive a non-transmitting
18 AMI meter. Customers electing this provision will not
19 have access to the benefit of having a transmitting AMI
20 meter, and all changes and provisions of the customer
21 otherwise --

22 JUDGE MACK: Ms. Spranger.

23 MRS. SPRANGER: Can we --

24 JUDGE MACK: Ms. Spranger, that's it.

25 Under my authority under MCLA 24.280(1)(d) to regulate

1 the course of these proceedings, I'm concluding your
2 cross-examination at this point.

3 MRS. SPRANGER: Can I just finish the
4 question?

5 JUDGE MACK: No, you cannot. That was
6 not a question; that was a statement. I'm going to
7 conclude. Thank you.

8 MRS. SPRANGER: I apologize.

9 JUDGE MACK: We will take a break. We
10 will come back at 10:45, at which point Mr. Erickson will
11 take up his cross-examination. We're off the record.

12 (At 10:20 a.m., a 20-minute recess was taken.)

13 JUDGE MACK: Back on the record. Let me
14 state, Mr. Meltzer has not appeared today.

15 With that, Mr. Erickson, do you have
16 cross-examination of that witness?

17 MR. ERICKSON: Yes, I do have some
18 questions for Mr. Sitkauskas, your Honor. May I proceed?

19 JUDGE MACK: Please.

20 CROSS-EXAMINATION

21 BY MR. ERICKSON:

22 Q Good morning, Mr. Sitkauskas.

23 A Good morning.

24 Q Preliminarily, just to assist us as we're going through
25 the questions I'm going to ask, I want to explain to you

1 that if you don't understand a question or you don't hear
2 it, please just let me know right away.

3 A Yes, sir.

4 Q I expect my questions will fall into two categories, some
5 of them will ask for explanations, such as who, what,
6 where, when, why, and how. Other questions will ask for
7 verification of certain facts. And generally I would
8 expect that you could answer with a yes, no, I don't
9 know, I don't recall type of answer.

10 Can we agree that we'll kind of proceed
11 with that foundation as the process?

12 A Yes, sir.

13 Q Thank you. Let me turn to your Exhibit A-1. As I
14 understand the structure of Exhibit A-1, the lines on
15 Schedule 1 are sourced to calculations presented in
16 Schedules 2 through 7. Am I correct?

17 A Correct.

18 Q Looking at Exhibit A-1 Schedule 1, lines 1 through 3, as
19 I understand it those lines and the total on line 4 are
20 one-time charges for costs that Detroit Edison has
21 calculated it will incur to process or request under the
22 Opt Out provision of the proposed tariff. Am I correct?

23 A Yes, sir. One-time cost.

24 Q Now, is it true that the one-time charges that you have
25 identified there will not change for a customer based

1 upon the fact whether you have one customer opt out or
2 you have ten thousand customers opt out?

3 A For this tariff provision we're putting in, that is
4 correct, until it might be modified in a future rate
5 case.

6 Q But the number of participants in opt out will not affect
7 the proposed charge for each individual customer. Am I
8 correct?

9 A This calculation was based on 4,000 customers opting out.

10 Q I understand that. But if it's good for four thousand
11 customers, the denominator was four thousand, but the
12 costs are as shown on the various applicable schedules,
13 am I right?

14 A Correct. The costs are as shown there, yes, sir.

15 Q And therefore, in essence the implication is, as I read
16 it, is that the costs will go up in total based upon the
17 number of participating customers. And that's why you're
18 picking the \$87 per customer one-time charge. Am I
19 right?

20 A Could you repeat that again to make sure I understand how
21 your calculation works.

22 Q Let me try to clarify it.

23 As I looked at your Schedules 2, 3, and
24 4, you calculated some costs based on your 4,000
25 participating estimate. Then you divided those costs by

1 4,000 to get a per customer charge. It would appear to
2 me that if that was a fair estimate for 4,000 customers
3 and a fair method, that then the implication of imposing
4 the \$87 charge on any additional participating customers
5 is that the costs will vary in that same ratio as the
6 number of participants goes up or down. Am I correct
7 about that implication?

8 A The direct costs, yes. This will stand and it would
9 vary, yes.

10 Q O.K. Let me go back to Schedule 1 of your Exhibit A-1.
11 Look at the proposed charges in Section 2. Those -- and
12 I should go back. I said refer to Schedules 2, 3, and 4,
13 with regard to lines 1, 2, and 3 on Schedule 1. Actually
14 Schedule 4 has nothing to with those lines. Am I right?

15 A Correct. Schedule 4 relates to line 5.

16 Q So let's assume that that question and my question and
17 your answers, it should necessarily omit Schedule 4 as a
18 reference?

19 A Correct.

20 Q Now, coming back to lines 5 through 10, each of the
21 referenced schedules shows the calculation of the dollar
22 amount. And as I understand it, the dollar amounts
23 calculated in Schedules 4, 5, and 6 and 7 relate -- are
24 strictly a per customer calculation of a cost. Am I
25 correct?

1 A Yes, sir.

2 Q The implication, as I understand it, of the way you
3 calculated those charges and costs is that each time
4 there's an additional opt out participant, The Detroit
5 Edison Company will incur the respective charges on lines
6 5, 6, 7, and 8 of the Schedule 1 and Exhibit A-1. Am I
7 correct?

8 A 5, 6, 7, and 8, yes.

9 Q Now, lines 9 and 10 provide a credit offset for the costs
10 that you calculated in Schedules 6 and 7 that are in
11 current rates that all customers are paying on a per
12 customer basis, at least in terms of residential
13 customers. Am I right?

14 A That's what I understand of regulatory affairs, yes, sir.

15 Q In essence, whether or not the costs in current rates go
16 up or down, that credit is going to be incorporated in
17 the total monthly fee on line 11. Am I right?

18 A That is our tariff proposal, yes, sir.

19 Q Now, looking at Exhibit A-1, mathematically are any of
20 the numbers in Exhibit A-1 driven by the costs of buying,
21 installing, maintaining, the AMI program?

22 A No, sir. These are out side of the AMI program.

23 Q Now, we have used the term AMI and I want to be sure we
24 have an understanding of that. My understanding is AMI
25 is an acronym for the term Advanced Metering

1 Infrastructure?

2 A Correct.

3 Q Now, AMI costs include more than the costs of buying and
4 installing a smart meter. Am I correct?

5 A Very much so.

6 Q The opt out costs that you have identified in Exhibit
7 A-1, however, relate solely to costs that will be
8 incurred to address the special circumstances of a
9 customer who chooses to opt out?

10 A Yes, sir.

11 Q O.K. Let me ask you to turn to your Exhibit A-1 Schedule
12 2, if you would, please.

13 A Yes, sir.

14 Q As I understand that, those charges in part assume that
15 they will be buying and installing a smart meter with the
16 radio transmitter disabled or turned off. Am I right?

17 A We will be buying the meter with the radio turned on. We
18 would dis --

19 Q But you're going to buy and install it with the radio you
20 turned off?

21 A We would purchase it with the radio on. This aspect of
22 the operation will shut the radio off.

23 Q O.K. But the fact that the radio is turned on, that
24 doesn't change any costs for the Opt Out Program, does
25 it?

1 A I want to make sure -- I'm not sure what you're trying to
2 ask me on that question.

3 Q O.K. What I am asking you is: Since you buy the meter
4 with the transmitter turned on?

5 A Correct.

6 Q It strikes me that what you're saying is that the meter
7 equipment is furnished with the transmitter and the
8 manufacturer turns it on much like if I bought a radio
9 from a store with the batteries in it and the volume
10 turned on?

11 A That is correct. The manufacturer delivers it to us with
12 the radio on.

13 Q Now, are you saying that the fact that the radio is
14 turned on increases the costs of the meter and that
15 therefore you have to recover the costs, the extra cost
16 of having the meter turned on by the manufacturer?

17 A No. The cost of the meter with the radio turned on is
18 our standard AMI cost. Again, this hourly cost is for us
19 to shut the radio off.

20 Q And you have explained the process of shutting it off, so
21 I won't go through that with you.

22 Now, if you take a smart meter and turn
23 off the radio, as I understand it functionally the
24 distinction between the way the meter will operate for
25 the Company and its opt out customer differs from a meter

1 that is turned on in the physical sense that the radio
2 will relay information to Detroit Edison for its
3 processing in addition to the metered quantity of
4 electric flow?

5 A Yes.

6 Q Will the smart meter with a transmitter disabled provide
7 Detroit Edison any additional functionality or
8 operational changes that they would not -- that an
9 existing current analog meter provides?

10 A You're asking when the radio is shut off on the meter,
11 its comparison to an analog meter, is that what you're
12 asking me?

13 Q Right. Will the, both the meters provide basically the
14 same information and have the same impact on operational
15 aspects of it?

16 A They will individually record the power being used in
17 that home in the same manner, yes.

18 Q In fact, under the Opt Out Program, Detroit Edison will
19 use the digital meter but they will get the same
20 information they're getting from current analog meters.
21 Am I right?

22 A On a monthly basis we would get the same information. We
23 would not receive the daily information of course.

24 Q And the daily information doesn't change how much
25 electricity the customer uses or how much electricity

1 Detroit Edison delivers. Am I right?

2 A No, sir, none whatsoever.

3 Q Now, the basic function of a meter, as I understand it,
4 regardless of the type of meter, is to measure the amount
5 of electricity delivered to that meter and in to the
6 facility to which the meter is connected. Am I right?

7 A Correct.

8 Q And for that basic and primary function, would you agree
9 that there is no distinction between the digital AMI
10 meter and the analog meter?

11 A There should be no distinction.

12 Q Therefore, from a physical standpoint and from an
13 informational standpoint, it should not be necessary for
14 Detroit Edison to incur the costs that it has identified
15 in Exhibit A-1 Schedule 2 for that reason. Am I correct?

16 A This cost is to make it a non-transmitting meter. So I
17 would say no in that respect to you.

18 Q Well, if you can get the same information from an analog
19 meter as you get from a non-transmitting digital meter,
20 physically there is no need to replace the analog meter
21 because the information will be the same in the analog
22 meter and the digital meter with a non-transmitting
23 function performing the same role. Am I right?

24 A To obtain the individual read, that is correct.

25 Q And would you agree that if you did not replace an analog

1 meter with a non-transmitting digital meter, the
2 incremental cost of the opt out would not be incurred by
3 Detroit Edison?

4 A If we did not replace the meter, you're saying?

5 Q Yes.

6 A I want to make sure I heard "not" in a different spot
7 there.

8 Q Yes.

9 A So if we did not replace the analog meter, instead
10 different cost would be involved? At this juncture that
11 is correct. I don't know what our end product would be
12 in the sense of meters life overall.

13 Q Will, if there were no such things as a digital meter,
14 whatever meter you're using you have replacement costs.
15 Am I correct?

16 A Yes, sir.

17 Q So in terms of wear and tear, we don't know exactly what
18 the actual life experience is going to be of any
19 individual meter or even the average life experience is
20 going to be of all meters collectively. Am I right?

21 A Correct.

22 Q As I understand it, the reason the Company wants to
23 replace the analog meters is because the analog meters
24 are outdated and unavailable. Do I understand the
25 Company's position in that regard correctly?

1 MS. BARONE: Your Honor, I'm going to
2 pose an objection at this time. I think counsel's
3 questions are going to the efficacy of the utility's
4 decision to switch to installing all meters, new meters,
5 as not analog meters, and that's the sort of issue that
6 is being explored in past rate cases and will be explored
7 in future rate cases. And I think it's outside the
8 scope. If we start analyzing these issues, they're
9 really the same issues we've already had attempts to
10 explore that your Honor has found to be outside the
11 scope.

12 JUDGE MACK: Thank you, Ms. Barone. Mr.
13 Erickson.

14 MR. ERICKSON: Your Honor, I believe the
15 relevance of that last question is related to the
16 information that Mr. Sitkauskas and I have already agreed
17 upon, and that is there no physical need to replace the
18 analog meter. And if we don't replace the analog meter,
19 the costs identified in Schedule 2 would go to away. And
20 therefore the question becomes whether or not it's
21 reasonable to impose this charge in light of those
22 circumstances. And so I think that my question is
23 relevant to the question of the reasonableness of the
24 charges that Mr. Sitkauskas and I have been discussing.

25 JUDGE MACK: What about the aspects of

1 Ms. Barone's objection that we're past that point, that
2 we are now on to the meter is going to be transmitting or
3 not transmitting.

4 MR. ERICKSON: Well, your Honor, the
5 question as framed in the Commission's order in
6 U-17000 -- and I do agree with Ms. Barone that these
7 questions could be relevant to the cost recovery for
8 meters as well, and in rate cases generally speaking.
9 But the question is whether it's relevant to this case.
10 My argument is it's relevant to the reasonableness of the
11 proposed charges because there might -- there's no
12 physical need to impose those charges and therefore
13 that's why I was following up with the last question.

14 JUDGE MACK: So you would seek a
15 determination that the opt out should be somehow changed
16 because they could just keep analog meters?

17 MR. ERICKSON: I think the evidence might
18 indicate that the charge should be changed. I'm not
19 suggesting necessarily the opt out should be changed,
20 although we'll get into -- I want to get into questions
21 about the tariff provisions themselves later on, your
22 Honor. But I believe that the last question is relevant
23 to the line of inquire and the reasonableness of the
24 proposed tariff.

25 JUDGE MACK: Mr. Solo, do you have

1 anything to add to this?

2 MR. SOLO: Nothing other than that I
3 concur with Ms. Barone's objection.

4 JUDGE MACK: Mr. Erickson, how much more
5 do we have on this?

6 MR. ERICKSON: I believe on that line I
7 think we're pretty well complete on that.

8 JUDGE MACK: O.K. So we have gotten up
9 to a point. I will allow you to continue on, and you can
10 argue what you just argued here as to relevance. But I
11 think you have come up to a point, and I'll let you
12 finish that point.

13 MR. ERICKSON: Your Honor, may we have
14 the last question read back?

15 (The record was read aloud by the Court Reporter as
16 follows: "Q As I understand it, the reason the
17 Company wants to replace the analog meters is
18 because the analog meters are outdated and
19 unavailable. Do I understand the Company's position
20 in that regard correctly?")

21 JUDGE MACK: Thank you. Can you answer
22 that question?

23 A Yes, sir. The old analog meters we have not purchased
24 since 2006. And they are incompatible with our step
25 forward with technology, and the advancement or the

1 inclusion of the Advanced Metering Infrastructure
2 program.

3 Q (By Mr. Erickson): If the information received from an
4 analog meter and the information received from a digital
5 meter with the transmitter turned off, what is the
6 physical incompatibility between an analog meter and a
7 digital meter with the transmitter turned off?

8 A Just the fact that it could not be upgraded to AMI, the
9 old meter.

10 Q And the compatibility you're talking about is the other
11 aspects of the AMI grid beyond the smart meter?

12 A The future use of that meter for the grid, yes, sir.

13 Q O.K. As I understood your previous testimony, meters can
14 be, a change-out takes about five minutes, and they can
15 be accomplished fairly readily?

16 A At the site, the change-outs of the meter takes about
17 five minutes, yes, sir, regardless of meter type.

18 Q Let me turn to your Exhibit A-2, the proposed tariff.
19 The first paragraph in the proposed tariff, C5.7,
20 discusses Detroit Edison's process and it discusses the
21 motives for it. Is the purpose -- if the Commission
22 approved that, is Detroit Edison expecting that that
23 approval of that language would commit the Commission to
24 support the statements in that paragraph in future cases?

25 A I can not answer that from my position to know that for

1 sure.

2 Q Are you familiar with Mr. McLean's alternative tariff
3 proposal in Exhibit S-2?

4 A I have seen it, yes, sir.

5 Q Mr. McLean's proposed tariff deletes that first paragraph
6 from Exhibit A-2. On behalf of -- as the sponsoring
7 witness for Detroit Edison, would Detroit Edison object
8 to the deletion of that paragraph?

9 A I don't know if we would object.

10 Q O.K. Thank you. Now, looking at Exhibit A-2, the
11 applicability paragraph. Do you see that?

12 A Yes, sir.

13 Q There is the statement, customers electing this Opt-Out
14 Provision will have a non-transmitting AMI meter
15 installed at the customer's service location. That
16 statement is -- Is that a new requirement created by
17 approval of this tariff, or is there some other tariff or
18 provision or rule that you're aware of that already
19 requires the replacement of existing meters with a
20 non-transmitting AMI meter?

21 A Again from general AMI and to rate cases, this is a
22 technology change. There is nothing individually about
23 non-transmitting meters.

24 Q Let me ask the question this way: Is there any change in
25 applicable rules or Commission orders or policies that

1 the language "customers at a specific site location who
2 elect not to have a transmitting AMI meter installed at
3 their premises will have non-transmitting meters
4 installed, does that change the current policies and
5 practices?

6 MR. SOLO: Your Honor, I object. That
7 question calls for the witness to provide a legal opinion
8 regarding the Commission's orders and other promulgated
9 rules and conditions of the tariff, and this is not a
10 legal witness.

11 JUDGE MACK: Thank you.

12 MR. ERICKSON: Your Honor, let me
13 rephrase the question.

14 JUDGE MACK: Thank you, Mr. Erickson.

15 Q (By Mr. Erickson): The language, customers electing this
16 opt-out provision will have non-transmitting AMI meters
17 installed at the customer's service location, is the
18 Company requesting approval of that language to change
19 any existing policy or to add a new policy?

20 A The opt out, I believe, would be considered a new tariff,
21 so that's in the new cite.

22 Q Does the Company believe that the language, customers
23 electing this Opt-Out Provision will have a
24 non-transmitting AMI meter installed at the customer's
25 service location, is a matter of current policy?

1 A We are required to read that meter at that site in
2 whatever manner we have.

3 Q Oh, I'm referring -- I noticed that that's there. I
4 wasn't asking a question about having the meter read
5 manually.

6 A O.K.

7 Q What I was asking was whether or not the language,
8 customers electing this Opt-Out Provision will have a
9 non-transmitting AMI meter installed at the customer's
10 service location, is needed in order for the Company to
11 have authority to do that?

12 A And --

13 MR. SOLO: Your Honor, again objection.
14 He is asking the witness regarding what legal authority
15 the Company has with regard to placement of its meters.
16 That requires a legal conclusion that this witness is not
17 here to respond to.

18 JUDGE MACK: Mr. Erickson, authority
19 would seem to connote legal authority. Is that what
20 you --

21 MR. ERICKSON: Well, let me rephrase the
22 question.

23 JUDGE MACK: Thank you, Mr. Erickson.

24 Q (By Mr. Erickson): What separate and independent purpose
25 is the language, customers electing this Opt-Out

1 Provision will have a non-transmitting AMI meter
2 installed at the customer's service location, intended to
3 have?

4 A To establish the type of meter being installed at that
5 location for the customer opting out.

6 Q To establish implies to me that that is not an
7 established matter of fact at the present time. Is that
8 an accurate understanding by me?

9 A Correct.

10 Q The bottom paragraph in Exhibit A-2, do you see that?

11 A The very last paragraph?

12 Q Yes.

13 A Yes, sir.

14 Q "Customers electing this provision will not have access
15 to the benefits of having a transmitting AMI meter."

16 That is merely a statement of fact, that if the
17 transmitter is turned off you won't be able to receive
18 information or have the Company do things that it could
19 do if it received transmission of the information?

20 A Correct.

21 Q So this statement is merely to confirm and notify the
22 customer that with the transmitter turned off, the nature
23 of their metering service will not enable results, for
24 example, such as a remote turn-on or turn-off?

25 A Correct.

1 Q Now, let me go back to something with regard to this
2 provision and the next to last paragraph in Exhibit A-2
3 to clarify some testimony that I previously heard you
4 give. I wasn't sure what it was all about.

5 This paragraph, next to the last
6 paragraph in Exhibit A-2, as I understand it, is
7 discussed on page 9, line 12 of your direct testimony.
8 Am I right?

9 A Yes, sir.

10 Q In addition to what you said on page 9, line 12, I
11 thought I heard you say something about there would be no
12 charge until the meter is switched out, and I wasn't
13 quite sure what you meant by that. Could you clarify
14 that for me?

15 A We have had concerns from customers for areas where we
16 have not installed or plan to install right now. And so
17 those customers who have requested let's say the opt out
18 would not be imposed this charge until such time as we
19 get to that location to effectively install AMI.

20 Q When you say wouldn't impose that charge, does that mean
21 all the charges identified in Exhibit A-1 Schedule 1?

22 A Correct.

23 Q So under the Company's proposal, a customer will be
24 notified of the option of opting out and would be able to
25 opt out under the tariff provision in Exhibit A-2, but

1 they would not begin paying the charges in Exhibit A-1
2 Schedule 1 until the replacement meter was installed?

3 A Yes, sir.

4 Q The decision when to install a replacement meter will be
5 at the Company's discretion as it deploys its AMI
6 technology, including smart meters?

7 A As we move through our implementation, yes, sir.

8 Q Looking at Exhibit A-1 Schedule 1, lines 5 through 10,
9 not imposing those charges until the meter is replaced
10 would be because those charges are for costs Detroit
11 Edison would incur only as a result of replacement of a
12 meter?

13 A Only as a result of the AMI being installed in that area.
14 The reason you started with earlier was the regular
15 customer was going to be installed under the mass
16 residential reader.

17 Q Now are the charges associated with lines 1, 2, and 3 in
18 Exhibit A-1 Schedule 1, costs that the Company will incur
19 prior to the replacement at each individual customer's
20 premises?

21 A Yes. The billing system modifications must be done for
22 any opt-out provision. The training of field personnel
23 to complete and disable the meter would be part of that
24 charge, of that readiness. But the physical part of it,
25 the physical part is when the field technician is at the

1 site.

2 Q So with regard to those charges, not imposing those
3 charges until the replacement meter is installed for each
4 individual opt-out customer, merely defers a cost that
5 Detroit Edison is contending it already -- it will incur
6 as a result of the approval of the opt-out program. Am I
7 right?

8 A Yes, sir.

9 Q Mr. Sitkauskas, as I understand it, analog meters are
10 going to be used to serve customers under Consumers
11 Energy's opt out program, which implies to me that analog
12 meters will remain available in the industry. Could you
13 tell me, did Detroit Edison contact all potential
14 suppliers of all potential types of meters to inquire
15 about their continued availability and the ability to
16 maintain them?

17 A We did not contact all suppliers, no, sir.

18 Q As I understand it, the opt out program would not mean
19 that the opt out customers would not be charged the base
20 rate increases that might result from the installation of
21 smart meters as of the next rate case. Am I correct?

22 A That's what we have in line 10 of our schedule, yes, sir.

23 Q That's what's in current rates?

24 A Current. It would be adjusted going forward, yes, sir.

25 Q When Detroit Edison buys and installs smart meters, they

1 pay the costs for that process and then they ask the
2 Commission to authorize recovery in retail rates? And
3 those rates could go up or down just depending what those
4 costs are. Am I right?

5 A Yes, sir.

6 Q Let me ask you a follow-up question about lines 9 and 10
7 in Exhibit A-1 Schedule 1. That is, as I understand it,
8 those two credits are per month for each customer's bill.
9 Am I correct?

10 A I don't think they're per month. I don't know that
11 answer, sir.

12 Q Well, as I understand it, line 11 says Total Monthly Fee?

13 A Yes.

14 Q So the credit would be a monthly credit?

15 A Yes, sir. I do see it, because there is a monthly read,
16 it would be a monthly fee. Yes, line 6, correct, is a
17 monthly figure.

18 Q Now, as I look at your Schedules 6 and 7 that support
19 those lines, the information there to develop the credit
20 was based upon exhibits that were filed in Case No.
21 U-16472. Am I correct?

22 A Yes, sir.

23 Q Would you agree that the resulting rates in 16472 do not
24 identify a specific charge of 45 cents or 15 cents, but
25 that the calculations shown in your Schedules 6 and 7

1 develop that for the sake of mathematical convenience on
2 an average basis?

3 A That is what regulatory affairs did for me, yes, sir.

4 Q Let me -- I think I only have a few questions about your
5 rebuttal testimony and that will complete my questions.

6 Beginning on page 1 running through page
7 4, you address Mr. McLean's testimony on behalf of the
8 Staff to adopt the opt out charges. It seems like much
9 of that testimony focuses on the participation level.
10 I'm trying to figure out why, if the participation -- if
11 the costs are based on a 4,000 participation level and
12 they're averaged out to \$87 or to Mr. McLean's lower
13 amount, the change in participation levels if relevant to
14 the charge, could you explain that for me?

15 A We're using a direct cost on the base of our estimated
16 4,000 to come up with our 87 and 15. That's how we are
17 calculating it. Mr. McLean suggested the count of 15,500
18 customers, or a point 6 percent. From what I have seen
19 from other utilities, there is nothing in the range of
20 that point 6 percent as it refers to my table on page 3
21 of my rebuttal.

22 Q What you just told me implies to me that Mr. McLean's
23 adjustment is to the \$87 charge down to a \$67.20 cent
24 charge based upon changing the denominator in your
25 Schedule 2 of Exhibit A-1?

1 A That's what I understand, yes, sir.

2 Q Would you turn to page 5 of your rebuttal testimony?

3 A Yes, sir.

4 Q In the question and answer on lines 14 through 20, you
5 discuss measurement of electricity usage from homes and
6 businesses using the Itron digital meter. As I
7 understand it, that's what all meters do? They measure
8 electric usage by measuring the current that flows
9 through the meter from the service drop into the house or
10 other place of service?

11 A Yes, sir. Regardless of the word Itron, it's every
12 meter, yes, sir.

13 Q You talked about there in that testimony less energy
14 loss. In that context what did you mean by less energy
15 loss?

16 A The digital meter is very true to the amount of power
17 being pushed through the system and it records it
18 accurately, to its own accuracy measurement, which is
19 again compliant with all standards.

20 Q You didn't mean that the amount of energy flowing into
21 the customers' premises would change at all because of
22 the meter?

23 A Correct. There is no energy change of what's going to
24 the customer's home, no, sir.

25 Q So when you are talking about energy loss, you're really

1 talking about improvement of accuracy of the measurement?

2 A To the that particular residence, yes, sir.

3 Q On page 7 of your rebuttal testimony on line 10, you talk
4 about subsidization. When I read that testimony that
5 that term is included in on lines 10 and 11, it implied
6 to me that the alternative would be that the costs of the
7 opt out program would be rolled into charges for all
8 ratepayers even though those incremental costs are being
9 incurred only to serve the opt out customers. Is that an
10 accurate understanding?

11 A Could you repeat that question for me, please?

12 MR. ERICKSON: Could I have it read back,
13 your Honor?

14 JUDGE MACK: Would you read that back,
15 please.

16 (The record was read aloud by the Court Reporter as
17 follows: "Q On page 7 of your rebuttal testimony
18 on line 10, you talk about subsidization. When I
19 read that testimony that that term is included in on
20 lines 10 and 11, it implied to me that the
21 alternative would be that the costs of the opt out
22 program would be rolled into charges for all
23 ratepayers even though those incremental costs are
24 being incurred only to serve the opt out customers.
25 Is that an accurate understanding?")

1 MR. ERICKSON: Having had the question
2 read back, I believe I should clarify the question, your
3 Honor.

4 JUDGE MACK: Go ahead, Mr. Erickson.

5 MR. ERICKSON: I withdraw that.

6 Q (By Mr. Erickson): As I read that testimony,
7 subsidization implies to me that the costs that you have
8 identified in Exhibit A-1 would be spread across all
9 customers even though the costs are being incurred only
10 as a result of the choice made by the opt out customer.
11 Is my understanding accurate?

12 A No. The costs of the opt out are going only to the opt
13 out customer.

14 Q No, I'm sorry. I meant my understanding of the term
15 subsidization seemed to imply an alternative, and it
16 seemed to imply the alternative would be to spread the
17 cost to all customers. Is that a fair reading of the
18 term subsidization as you use it there?

19 A I would say yes then, for that question.

20 MR. ERICKSON: Your Honor, that concludes
21 my questions of Mr. Sitkauskas. Thank you, sir.

22 THE WITNESS: Thank you.

23 JUDGE MACK: Thank you, Mr. Erickson.

24 Ms. Barone?

25 MS. BARONE: Thank you, your Honor.

CROSS-EXAMINATION

1
2 BY MS. BARONE:

3 Q Good morning, Mr. Sitkauskas. Mr. Erickson asked you
4 some questions regarding meters and if a customer wanted
5 to opt out, and instead of you having the smart meter on
6 their house had an analog meter. Do you recall that
7 question?

8 A Yes, ma'am.

9 Q I believe you indicated that both the analog meter and
10 the smart meter would be capable of reading the
11 customer's usage. Is that correct?

12 A Yes.

13 Q Now, if an analog meter were on the house or dwelling
14 instead of the smart meter, would the analog meter be
15 capable of providing information, immediate information
16 to the Company regarding a loss of power to that
17 dwelling?

18 A No, because there is no communication. The analog or
19 non-transmitting entity radio needed, such as an outage,
20 would not be known to the system at all.

21 Q And would the answer be the same with respect to a
22 restoration of service once the power had been lost, and
23 then could you tell through the analog meter immediately
24 that the power had been restored?

25 A With the analog meter or non-transmitting meter, we would

1 note know power outage or power restoration.

2 Q And if the customer who had opted out left your service
3 and a new customer was at that location who did not want
4 to opt out, would the Company, the Company's plan then be
5 to replace the analog meter with the smart meter?

6 A With an AMI meter, yes, ma'am.

7 Q Sorry. If I said smart meter I meant my questions to
8 refer to AMI.

9 A I prefer you not to use smart; advanced meter, yes.

10 MS. BARONE: That concludes my questions.
11 Thank you.

12 JUDGE MACK: Thank you, Ms. Barone. Mr.
13 Solo, redirect?

14 MR. SOLO: May I have a brief in-place
15 recess for just a few minutes, your Honor?

16 JUDGE MACK: Let's go off the record.
17 Let's go five minutes.

18 MR. SOLO: That should be sufficient.

19 (At 11:30 a.m., a brief in-place recess was taken.)

20 JUDGE MACK: We're back on the record.
21 Mr. Solo?

22 MR. SOLO: No redirect, your Honor.

23 JUDGE MACK: Thank you. That will
24 conclude your testimony today, and thank you for your
25 time and attendance.

1 THE WITNESS: Thank you.

2 JUDGE MACK: Mr. Solo, do you have any
3 other witnesses?

4 MR. SOLO: No other witness, your Honor,
5 but I think we deferred the admission of the Exhibits
6 A-1, including Schedules 1 through 7, and A-2, for after
7 cross-examination.

8 JUDGE MACK: You are correct. Let's go
9 through that. Mr. Cusumano, any objections to the
10 admission of Exhibits A-1 and A-2? Mr. Cusumano is not
11 in the room. Mrs. Cusumano?

12 MRS. CUSUMANO: No objection, your Honor.

13 JUDGE MACK: Thank you. Ms. Edwards? I
14 don't see Ms. Edwards.

15 Mr. HOLETON, any objection?

16 MR. HOLETON: No, your Honor.

17 JUDGE MACK: Thank you. Ms. Kurtz?

18 MS. KURTZ: No.

19 JUDGE MACK: Thank you. Ms. Spranger?

20 MRS. SPRANGER: No.

21 JUDGE MACK: Thank you. And Ms. Schmidt?

22 MS. SCHMIDT: No.

23 JUDGE MACK: Thank you. Mr. Erickson?

24 MR. ERICKSON: No objection, your Honor.

25 JUDGE MACK: Thank you. And Ms. Barone?

1 MS. BARONE: No objection, your Honor.

2 JUDGE MACK: Thank you. Exhibit A-1 and
3 Exhibit A-2 are admitted. Mr. Solo, anything else?

4 MR. SOLO: No, your Honor.

5 JUDGE MACK: Thank you. Let's go off the
6 record.

7 (Brief discussion was held off the record.)

8 JUDGE MACK: We're back on the record.
9 We are going to break for lunch. When we resume at 1:00
10 o'clock we are going to have the Intervenors put on their
11 case, and that will be consistent with my holdings on the
12 motions to strike. We're off the record.

13 (At 11:45 a.m., the hearing recessed for lunch.)

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1 MR. CUSUMANO: Yes.

2 JUDGE MACK: Mrs. Cusumano?

3 MRS. CUSUMANO: Yes, your Honor, waive.

4 JUDGE MACK: Thank you. Ms. Edwards?

5 MS. EDWARDS: Yes, your Honor.

6 JUDGE MACK: Mr. Holeton?

7 MR. HOLETON: Yes, your Honor.

8 JUDGE MACK: Ms. Kurtz?

9 MS. KURTZ: Yes, your Honor.

10 JUDGE MACK: Ms. Spranger?

11 MRS. SPRANGER: Yes.

12 JUDGE MACK: And Ms. Schmidt?

13 MS. SCHMIDT: Yes.

14 JUDGE MACK: O.K. With that, let's take
15 up the parties -- I held that the parties could renew
16 their motions to strike after they've had opportunity to
17 review the surrebuttal. Mr. Solo, your position on that?

18 MR. SOLO: I have nothing further to add.
19 I was initially concerned with the lack of proper
20 procedure being filed for getting permission to file
21 surrebuttal in my motion, your Honor. And I understand
22 that you ruled that because of these circumstances and
23 the Intervenor being pro per, that you will allow it.
24 And accordingly, I don't have any additional further
25 objections to the content of that surrebuttal.

1 JUDGE MACK: O.K. Thank you, Mr. Solo.
2 Mr. Janiszewski?

3 MR. JANISZEWSKI: The Attorney General
4 doesn't object to any arrangement you find appropriate.

5 JUDGE MACK: O.K. And I guess I'll just
6 ask Ms. Barone, because the other parties did not file
7 motions. So Ms. Barone?

8 MS. BARONE: Thank you, your Honor.
9 There were portions of Mr. Meltzer's surrebuttal
10 testimony that I believe were ruled inadmissible, the
11 subject matter. Unfortunately I'm having a little
12 difficulty looking for my copy where I marked those
13 portions on. I don't know if Mr. Solo was similarly
14 inclined, if he could address that. Or if you could give
15 me a moment, I'll -- I do have the testimony in front of
16 me, I just don't have my copy with the markings on it. I
17 apologize.

18 JUDGE MACK: No, no. That's fine. Let's
19 go off the record.

20 (Brief discussion was held off the record.)

21 JUDGE MACK: We're back on the record.
22 Ms. Barone, you've had the opportunity to review the
23 surrebuttal. What portions do you object to?

24 MS. BARONE: In Mr. Meltzer's
25 surrebuttal, the last testimony that he did file, it

1 would be lines 88 to 98 where he talks about privacy
2 issues. And then on lines 175 where he talks about
3 rejecting smart meter program criticism as out of scope,
4 175 to 196.

5 JUDGE MACK: Thank you, Ms. Barone. I
6 have reviewed those sections. I would agree that those,
7 that testimony is beyond the scope of this hearing.
8 Therefore it is appropriate to strike it. Therefore, the
9 surrebuttal testimony of Mr. Meltzer, lines 88 to 97 are
10 stricken, and lines 175 through 196 are also stricken. I
11 will communicate through an e-mail to Mr. Meltzer, giving
12 him until January 22nd to file and serve a version of
13 this testimony consistent with my holding, and if that is
14 not done by that date, we will not allow the testimony in
15 to the record.

16 But with that, the surrebuttal testimony
17 of Mr. Meltzer is admitted.

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STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application and request of)
THE DETROIT EDISON COMPANY seeking) Case No. U-17053
approval and authority to implement its)
proposed Advanced Metering Infrastructure Opt)
Out Program)
_____)

SURREBUTTAL

TESTIMONY

OF

RICHARD MELTZER

(REVISED)

REVISED SURREBUTTAL TESTIMONY OF RICHARD MELTZER
REBUTTING REBUTTAL OF ROBERT SITKAUSKAS

1 **Q. Why the need for this Surrebuttal?**

2 A. This Surrebuttal to Mr. Sitkauskas' Rebuttal of Mr. Meltzer's earlier testimony is
3 submitted in order to offer a more complete understanding of the points discussed
4 therein. To preclude confusion note that Mr. Meltzer had previously submitted a
5 Rebuttal in a timely and proper manner. That was then followed by a "Rebuttal to a
6 Rebuttal" which is now re-cast as a Surrebuttal and offered herein.

7

8 **Q. How would you characterize Mr. Sitkauskis' rebuttal of Mr. Meltzer's earlier**
9 **testimony?**

10 A. Mr. Sitkauskas was dismissive of most of Mr. Meltzer's testimony. Mr. Sitkauskis
11 either chose not to address important key points or responded in a manner that was
12 oblique to the main point thereby side-stepping the issue. One example was his
13 rejection of "inflated" (my word) costs for information system changes for opt-out
14 customers. Here he has apparently chosen to construe that word to mean, "intentionally
15 expanded so as to deceive" whereas I mean to describe slow, inefficient work processes
16 by the information technology department that result in noncompetitive costs. These
17 costs have a direct impact on case U-17053. This surrebuttal makes other clarifications
18 as well. Note that for the purposes of this surrebuttal DTE and the Detroit Edison
19 Company should be considered synonymous.

20

21 **Q. Self Reporting: On page 14, line 13 through 23, of his rebuttal Mr. Sitkauskas**
22 **took issue with the idea of self report meter readings. Do you think his response**
23 **was well considered?**

24 A. Mr. Sitkauskas dismisses self-reporting. And he does this by stating that DTE has
25 the “right” (along with need) to read its meter (Rule 460.115). But there is no need when
26 someone self-reports.

27

28 Self-report CAN be used as an alternative. The primary question then is long-term
29 accuracy. It is understood that DTE is entitled to fair compensation for use of their
30 product. That can be done with audits, say every six months or so, to insure accuracy.
31 Concern with short-term apartment residents or other transients is where security
32 deposits and credit ratings come into play. Surely for a homeowner who has lived in
33 their residence for, say, thirty years their credit worthiness is known. Many, many
34 businesses take such credit ratings into account. For DTE to reject this approach is self-
35 serving to their initial argument that they don’t want to do this a different way.

36

37 Mr. Sitkauskas wrote that using credit ratings (or similar methods) might even increase
38 costs for opt-out customers. However, he nowhere links this to the elimination of need
39 for the monthly meter reader. And that is the main point – a net reduction in expense by
40 reducing reliance on meter readers.

41

42 **Q. Meter Replacement: Was the question asking why the current meter needed to**
43 **be replaced for those opting-out ever answered?**

44 A. No. Mr. Sitkauskas did not address why the analog meter is being replaced for
45 customers choosing to opt-out. This is a highly critical point since customer objections
46 to smart-meters are inextricably bound with the digital meter itself. Mr. Sitkauskis and
47 DTE have created a punitive and untenable situation where customers are told to pay an
48 extra charge and yet will be saddled with the very meter they are trying to avoid.

49

50 DTE statements regarding decommissioning the broadcast capability of those meters
51 are questionable. DTE has systematically misrepresented the activity of smart-meters
52 through the use of selective statistics and narrow engineering definitions and by
53 regularly omitting other data that raises concerns. Examples of this are the omission of
54 frequent wireless network messaging in descriptions of smart meter broadcast activity;
55 and definitions of “duty-cycle” that do not take into account the short, but strong and
56 rapidly repeating electrical pulses emanating from the smart meters. When asked about
57 these concerns DTE has regularly provided incomplete answers that are often oblique.
58

59 As a result, DTE statements regarding the degree to which these decommissioned smart
60 meters are safe are met with some skepticism. Any digital decommissioned meter that
61 is placed on a customer’s home should be subject to independent verification. And if
62 that meter is found to be broadcasting in any manner of speaking then there should be
63 serious penalties assessed to DTE. If the meter does not broadcast electrical usage
64 data but does continue to broadcast in any other manner, that is unacceptable.
65

66 **Q. Mr. Sitkauskas took issue with criticisms of the initial charge and monthly fee
67 for opting-out. What do you think of his response?**

68 A. Mr. Sitkauskas side-stepped the question of why a fully functional (non-broadcasting)
69 analog meter would be replaced with a new, digital meter. If the current meter was not
70 replaced there would be no need for a field visit to disable the AMI radio transmitter nor
71 would there be a need to train personnel to perform this task. These are two (of three)
72 cost components for the initial \$87 fee. The third component, billing system
73 modification, is also arguable since DTE has its own IT Dept. Statements of cost
74 (primarily person-hours) are rebutted since no actual money is identified to be paid out.

75 This is more of an internal project scheduling issue. Even if internal charge-back
76 accounting is used, that is not an actual business expense.

77

78 Beyond that, businesses often change their internal billing systems, accounting systems,
79 inventory systems, websites, etc. without directly charging customers for such
80 modifications. These costs are just a normal part of doing business. DTE is being
81 punitive to assess opt-out costs (minor as they are at the corporate level) on customers
82 presumably in the hope of dissuading them from opting-out.

83

84 But Mr. Sitkauskas cannot defend the charges for opting-out. All he has done is present
85 the IT department's figures. No supporting information is provided to demonstrate that
86 these charges and the time allocated for modifications is normative for the IT industry.

87

88 **Q. Billing System: What about the rebuttal of modification costs?**

89 A. Two counter points of rebuttal here. First, Mr. Sitkauskas says costs are not inflated
90 because he got the costs from the Detroit Edison Information Technology (IT) group.
91 The original issue under examination was whether the charges FROM the IT group were
92 excessive. To answer that concern by saying the cost information came from the IT
93 group is circular.

94

95 Work was estimated at 80 hours of development and 40 hours of testing. 120 hours to
96 write a letter and make minor programming changes to a computer system seems
97 excessive, as does a 2-to-one ratio of development to testing. Project management
98 principles state an employee produces 6 productive hours per workday; that's 30 hours
99 per week, 120 projects hours divided by 30 says the project will take four weeks.

100

101 Secondly, these computer department references are to the Detroit Edison Information
102 Technology group, which appears to be an internal department at DTE. As such, no real
103 costs are involved. Though it is true that many businesses use various accounting
104 methods to manage internal IT usage, it is usually the case that no actual dollar costs
105 are involved. The IT Dept. is a fixed cost, technical staff time is fungible, and
106 management decides which projects get done in what priority.

107

108 **Q. What about his forecasting response?**

109 A. It is evident in Mr. Sitkauskas' statement that a "back of the envelope" estimate was
110 used to derive the 4,000 number of customers expected to opt-out. And it was originally
111 acknowledged that this number was only an estimate – but based on other similar
112 projects.

113

114 The problem here is that if this number were to be much higher then many of the
115 associated costs would be shared and the cost per customer would be significantly
116 reduced. This, in turn, makes it less punitive for customers to opt-out. So a poor
117 estimate here has a big impact on the program.

118

119 In fact, Mr. Steven McLean of the Michigan Public Service Commission (MPSC) has
120 taken issue with DTE's forecast. Mr. McLean has submitted testimony to this case that a
121 forecast of 15,500 customers is more likely – based on similar cases. Quite a difference.

122

123 Mr. McLean has submitted testimony in this case that instead of an initial fee of \$87 and
124 a continuing monthly fee of \$15 for opting-out, rather customers should be charged
125 \$67.20 initially and \$9.80 monthly. So, the MPSC does not support DTE's evaluation of
126 costs.

127

128 And this dove-tails with the next point:

129

130 **Q. What did you think of his response regarding customer communication?**

131 A. Mr. Sitkauskas states that DTE will communicate with customers regarding opting-
132 out when the program's costs have been determined. But as stated above, those costs
133 are very dependent on the number of customers who opt-out. The point still stands that
134 DTE's lack of communication regarding concerns about smart meters has a direct
135 bearing here. There is no mention at their website regarding the smart meter
136 controversy nor the fact that 24 Michigan communities have formally expressed concern.
137 This is not likely an oversight and no evidence or argument is presented to suggest
138 otherwise.

139

140 **Q. Were earlier questions about cost-recovery rebutted convincingly?**

141 A. No. A company decides if and when to recover costs. That said, there are two key
142 cost drivers that Mr. Sitkauskas has been careful to not fully address. First, as earlier
143 described, no explanation is given as to why opt-out customers must receive a new
144 smart meter that has the broadcast radio turned off rather than simply retain their current
145 meter. The opt-out customer is given a new meter without charge, but then is required
146 to pay to turn off the radio. DTE picks and chooses which costs to assess customers,
147 especially when those fees are used to discourage opting-out.

148

149 Secondly, no consideration is given to the reduction in cost offered by opt-out customers
150 who self-report their usage readings. For many, meter readers would only occasionally
151 be necessary for audit purposes. Here too DTE looks the other way when presented a
152 cost-effective alternative but one that apparently does not conform to their agenda.

153

154 **Q. What about advertising costs?**

155 A. Here, Mr. Sitkauskas states that customers do not pay for promotional advertising
156 costs and naming rights but rather those costs are paid for by shareholders. This is to
157 suggest that total operating profits have little to do with dividends paid out to investors.
158 Presumably, if operating costs, in part driven by advertising expenses, were lower, utility
159 rates could be lower– while still paying dividends. Here again is an example of DTE
160 deciding what costs to absorb and which to pass along directly to customers. (I do not
161 understand why a regulated utility, where customers have no choice of supplier, needs
162 to advertise?)

163

164 **Q. Does this conclude your Surrebuttal of Mr. Sitkauskas' rebuttal of Mr. Meltzer's**
165 **earlier testimony.**

166 A. Yes.

1 MS. BARONE: Your Honor, at that time
2 then would the court reporter be placing that in the
3 transcript?

4 JUDGE MACK: Yes.

5 MS. BARONE: Thank you.

6 JUDGE MACK: So we make sure that it is
7 on the e-docket. We'll make sure it is served, and we'll
8 make sure a paper copy is provided to the court reporter
9 so this record is complete.

10 MS. BARONE: Thank you.

11 JUDGE MACK: That leaves Mr. Holeton. If
12 we could swear Mr. Holeton in, we will proceed.

13 J O H N H O L E T O N

14 was called as a witness on behalf of himself and, having
15 been duly sworn to testify the truth, was examined and
16 testified as follows:

17 JUDGE MACK: Thank you. Mr. Holeton, you
18 have been sworn in. You have prefiled testimony in this
19 matter. And I assume at this point you would like to
20 offer that testimony?

21 MR. HOLETON: Yes, your Honor.

22 JUDGE MACK: I also understand that you
23 have made changes to that testimony to reflect certain
24 re-numbering of exhibits and portions that may be
25 contrary to my holding on the motions to strike?

1 MR. HOLETON: Yes, your Honor.

2 JUDGE MACK: O.K. So at this point we'll
3 take up your testimony.

4 Mr. Solo, do you have any objection to
5 the admission of Mr. Holeton's testimony?

6 MR. SOLO: No objections, subject to the
7 sections that were stricken based on your prior ruling,
8 your Honor.

9 JUDGE MACK: O.K. Have the parties had
10 the opportunity to review that or --

11 MR. SOLO: While we were off the record
12 we did review that and verify that the copy that was
13 going to be handed to the Court Reporter did reflect
14 those stricken sections. I would like to verify one
15 particular section, if that is okay with your Honor?

16 JUDGE MACK: Go ahead.

17 MR. SOLO: I wanted to verify that on
18 page 2, lines 27 through 40 were in fact stricken. If
19 you can recall.

20 JUDGE MACK: Mr. Holeton, can you confirm
21 that you have removed that portion of your testimony?

22 MR. HOLETON: Page 2, line 28 through 38?

23 JUDGE MACK: 27 through 40.

24 MR. HOLETON: Yes, your Honor.

25 MR. SOLO: That satisfies me, your Honor.

1 Thank you.

2 JUDGE MACK: Thank you, Mr. Solo. Mr.
3 Cusumano, any objection to the entry of that testimony?

4 MR. CUSUMANO: No objection.

5 JUDGE MACK: Thank you. Mrs. Cusumano?

6 MRS. CUSUMANO: No objection, your Honor.

7 JUDGE MACK: Ms. Edwards?

8 MS. EDWARDS: No.

9 JUDGE MACK: Ms. Kurtz?

10 MS. KURTZ: No.

11 JUDGE MACK: Mr. Meltzer? Sorry, Mr.
12 Meltzer is not here. Ms. Spranger?

13 MRS. SPRANGER: No.

14 JUDGE MACK: Ms. Schmidt?

15 MS. SCHMIDT: No.

16 JUDGE MACK: Mr. Janiszewski?

17 MR. JANISZEWSKI: No objection, your
18 Honor.

19 JUDGE MACK: And Ms. Barone?

20 MS. BARONE: No objection, your Honor.

21 JUDGE MACK: Thank you. The testimony of
22 John HOLETON is admitted into this record.

23 - - -

24

25

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of thee application and)
request of **THE DETROIT EDISON**)
COMPANY seeking approval and)
authority to implement its proposed)
Advanced Metering Infrastructure Opt)
Out Program)

Case No. U-17053

QUALIFICATIONS

AND

TESTIMONY

OF

JOHN A. HOLETON

(Stricken Record of January 8, 2013)

Line
No.

1 **Q. What is your name, address and employer?**

2 A. My name is John A. Holeton, 2392 Barclay Ave, Shelby Twp.

3 Michigan 48317, retired.

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

5 A. I am testifying on my own behalf as a customer of DTE.

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

7 A. Graduate of George A. Dondero High School of Royal Oak and

8 Journeyman Industrial Electrician and leader.

9 **Q. What work experience do you have?**

10 A. Over 25 years of electrical experience High Voltage AC systems,

11 Induction Heating, Pyrometer work, robotics, programing systems and

12 Fiber Optics, Etc.

13 **Q. What is your current position?**

14 A. I along with my wife, Pauline Holeton, am currently the lead activist

15 in Michigan against the DTE smart meter mandate.

16 **Q. What is the purpose of your testimony in this proceeding?**

17 A. To demonstrate by documentation, testimony and evidence that

18 Detroit Edison has been authorized to install the AMI program by the

19 Michigan Public Service commission but the issue of consumers

[REDACTED]

41 Q. Does the MPSC recognize that smart meters will not save
42 consumer's money?

43 A. Yes, the MPSC website states this specifically. (Exhibit- 2)

44 Q. Does the Itron digital meter, the type which will replaces the
45 OpenWay smart meter in the opt out program cost consumers
46 more to operate than the analog meters?

47 A. Yes. The Itron digital meters are designed to glean more energy
48 consumption than the old electrical mechanical meters. (Exhibit 3)

49 Q. Are smart meters mandatory in Michigan ?

50 A. No, they are not mandated in Michigan as Pat Hudson from the MPSC
51 have said at the direction of MPSC Commissioner Isiogu that "No
52 Mr. Holeton, smart meters are not mandatory in Michigan." [REDACTED]

[REDACTED]

58 stated that consumers cannot opt out at this time! (Exhibit- 5)

59 **Q. How can there be a “no opt out” of smart meters when there is**
60 **“no mandate” for smart meters?**

61 A. This is a convoluted attempt to deny consumers redress about their
62 constitutional rights, personal safety and an opt out program that
63 clearly limits consumer’s rights to protection from harm and future
64 liabilities by accepting the terms of the opt out. In the Detroit Edison
65 opt out program consumers, in order to not receive Detroit Edison’s
66 new product replacement for the analog meter which they never
67 contracted for, must enter into a new contract, agree to a fee, and
68 agree that they are losing benefits and accept a new digital meter they
69 never contracted for, whose design is to glean more energy
70 consumption than the analog meters. (Exhibit-3)

71 **Q. Is any of this unlawful?**

72 A. This causing a probability of confusion or misunderstanding of
73 whether smart meters are mandatory; representing them as the same
74 part that needs to be replaced or repaired under authority of the
75 Michigan Public Service Commission guidelines; under whose
76 rightful authority, representation and jurisdiction this mandate and
77 opt out should be addressed and that there is reasonable belief that the
78 legal rights, obligations or remedies of consumers are not being

79 protected and I believe are unlawful Acts under the Michigan
80 Consumer Protection Act, (EXCERPT), Act 331 of 1976, 445.903,
81 Sec. 3. (1) (j),(m),and (n) and should be prosecuted by the Michigan
82 Attorney General's Office. (Exhibit- 6)

83 It is stated by the Michigan Public Service Commission, the only
84 authority they have over Detroit Edison is rate cost recovery.

85 Consumers must address all of their concerns to Detroit Edison as all
86 aspects of the smart meters being mandated are responsibility of
87 Detroit Edison. (Exhibit-7)

88 **Q. Why do you say Detroit Edison is mandating the installation of**
89 **smart meters and forcing this opt out program on the consumers?**

90 A. Detroit Energy had to prove that the AMI program was feasible and
91 not cost prohibitive thus needing full participation of all available
92 consumers and the opt out program discourages consumers from
93 opting out because of the extra cost of \$87.00 administrative fee and
94 \$15.00 service fee. It is my belief that if consumers where informed
95 and educated on all of the aspects of smart meters and this were a
96 voluntary program as originally proposed under Public Law 109
97 stated above, the majority of consumers would decline Detroit Energy
98 service if given the choice.

99 **Q. What credible evidence do you have to support this accusation?**

100 A. Consumers in the following cities and townships in Michigan
101 such as Oak Park, Shelby Township, Warren, Southfield,
102 Rochester, Rochester Hills, Brighton Township, Sterling
103 Heights, Grosse Pointe Shores, Madison Heights, Royal Oak
104 Township, Harrison Township, Grosse Pointe Woods,
105 Almont, Dear Born Heights, Farmington Hills, Livonia, Van
106 Buriem Township, Ypsilanti Township, Brighton, Bruce
107 Township, Troy and the Counties of Oakland and Macomb
108 asked for representation by their local government and
109 Lansing by Resolutions and Moratoriums after given
110 information on smart meters not being the same as the analog
111 meter and the lack of cost savings of the meters. They wanted
112 their rights as consumers and their Constitutional Rights as
113 citizens protected.
114 Many of the townships and cities such as Brighton, Dear
115 Born Heights, Southfield, Livonia, Ypsilanti Township,
116 Shelby Township, Sterling Heights and Rochester Hills
117 passed their Resolution or Moratorium after Detroit Edison

118 gave their presentation and answered questions on the AMI
119 smart meter program.

120 **Q. Do you think fraud is why more cities, townships,**
121 **counties and people of leadership not stepped forward on**
122 **the AMI smart meter program and opt out proposal?**

123 A. Yes, I believe many voices, resolutions, moratoriums and
124 opportunities were denied by Detroit Energy's actions.
125 In R. E. Sitkauskas arguments presented in Case U-17053, page
126 RES-8, AMI Opt Out Program line 4 that DTE has made the claim
127 that they have installed approximately 800,000 meters and only
128 received approximately 1,100 concerns and these numbers indicate an
129 overwhelming support of AMI program while it must also be
130 noted that Detroit Energy representatives made a concerted
131 effort to limit the voices of consumers; Thus deny consumers
132 of the opportunity to express their concerns, be educated
133 themselves on the AMI program, hear Detroit Edison
134 representative Robert Sitkauskas declare the smart meter and
135 all of its benefits and liabilities of the asset of Detroit Edison
136 and his denial of consumers an opportunity to opt out and
137 have their community leadership do the same by sending out

138 communications that could number approximately 300 different cities
139 and townships warning them of misinformed consumers, from
140 generally outside their community coming to address smart
141 meters and whom are generally disruptive to the course of
142 businesses. (Exhibit 8) and (Exhibit-9)

143 Furthermore, Robert Sitkauskas states on RES-9, Line No. 24,
144 states that “The Company does not think it is appropriate for all
145 customers to subsidize one segment of customers who request and
146 receive a more expensive level of service.” Detroit Edison is
147 demanding by their mandate that all consumers subsidize their new
148 AMI Program.

149 I believe this is a direct attack on our, John and Pauline
150 HOLETONS, First Amendment Right of Freedom of Speech and
151 our constitutional right to assemble and each consumer
152 residing in the communities where these communications
153 where dispatched. I believe this must be addressed to the
154 fullest extent of the law by the Michigan Attorney General’s
155 Office.

156 **Q. What do you mean the AMI opt out program is unfair and not a**
157 **reasonable act as the Michigan Public Service Commission**

158 **requires?**

159 A. Consumers must have a choice! It is under the Michigan
160 Public Service Commission (EXCERPT), Act 3 of 1939,
161 MCL 460.10, Sec. 10 through 10bb, known as the “Customer
162 Choice and Electricity Reliability Act”; specifically under (2)(a)
163 To insure all retail customers in this state of electric power
164 have a choice of electric suppliers and under (b) to allow and
165 encourage the Michigan Public Service Commission to foster
166 competition... choose supply from incumbent electric
167 utilities and (d) The Michigan Public Service Commission
168 is to ensure all persons in this state are afforded safe,
169 reliable electric power at a reasonable rate that the
170 Michigan Public Service Commission must protect
171 consumers by giving them the choice by allowing them to
172 keep their analog meters, offer consumers an alternate
173 service provider whom will provide the same quality
174 of services provided before Detroit Edison mandated
175 consumers take their AMI smart meter.

176 **Q. What must Detroit Energy and the Michigan Public Service**
177 **Commission do to resolve this issue?**

178 A. They must tell consumers publically they can say no to the AMI
179 Program smart meter program and the Detroit Edison smart meter
180 mandate and there will be no increased cost burden or repercussions
181 for doing so.

1 (Documents were marked for identification by the
2 Court Reporter as Exhibits I-JH-2, I-JH-3, I-JH-5A,
3 I-JH-5B, I-JH-6, I-JH-7, and I-JH-8.)

4 - - -

5 JUDGE MACK: Mr. Holeton, I also
6 understand that you have certain exhibits that you would
7 like to offer today.

8 MR. HOLETON: Yes, your Honor. Exhibit
9 A-2.

10 JUDGE MACK: Well, excuse me.

11 MR. HOLETON: Exhibit I-JH-2.

12 JUDGE MACK: Thank you. Keep going.

13 MR. HOLETON: Keep going. Exhibit
14 I-JH-3, Exhibit I-JH-5A and I-JH-5B, Exhibit I-JH-6,
15 Exhibit I-JH-8, and Exhibit I-JH-9.

16 JUDGE MACK: Which that's been admitted.
17 I-JH-9 was admitted through your cross-examination.

18 MR. HOLETON: Yes, your Honor.

19 JUDGE MACK: O.K. And you did not
20 indicate I-JH-7.

21 MR. HOLETON: I believe -- excuse me.
22 Exhibit I-JH-7 I request to be admitted, too, your Honor.

23 JUDGE MACK: Thank you. We will take up
24 the admissibility of those exhibits after you have been
25 subject to cross-examination. I will -- Let's start with

1 the Intervenors to see if they have cross-examination.

2 Mr. Cusumano, do you have any
3 cross-examination of Mr. Holeton?

4 MR. CUSUMANO: No questions, your Honor.

5 JUDGE MACK: Thank you. Mrs. Cusumano?

6 MRS. CUSUMANO: No questions, your Honor.

7 JUDGE MACK: Thank you. Ms. Edwards?

8 MS. EDWARDS: No questions.

9 JUDGE MACK: Ms. Kurtz? Ms. Kurtz is not
10 in the room. Ms. Spranger?

11 MRS. SPRANGER: Yes.

12 JUDGE MACK: Let's go off the record.

13 (Brief discussion was held off the record.)

14 JUDGE MACK: Back on the record. Ms.
15 Spranger, you may begin your cross-examination of Mr.
16 Holeton.

17 CROSS-EXAMINATION

18 BY MRS. SPRANGER:

19 Q John, you testified in your exhibit, page 1, item 9 to
20 12, about your work experience. Could you elaborate a
21 little more on how you understand the opt out program?

22 A As to my work experience related to the opt out program.
23 Well, as an industrial electrician, as far as doing -- I
24 have done high voltage AC system, induction heating,
25 which deals with frequencies of the transmitting open way

1 meter. I could relate to that. I have done robotics
2 program, fiber optics. I was actually trained in fiber
3 optics and never had a chance to use that. But my
4 experience, I was also a leader in the electrical field,
5 industrial. So I have had to work on high induction
6 heating units that actually melt steel, springs, leaf and
7 bar coils, O.K., in the heating process. So I know what
8 thermal effects is and nonthermal effects. I have
9 checked into that. And they have warned us about being
10 by the heating coils that actually heat up the steel so
11 it comes out to be formed, quenched -- well, formed,
12 quenched or rolled, and then cooled in the proper format.
13 So I have a lot of experience in that.

14 Like it says, as far as the electronics
15 and that. I have, I went to RETS electronic school for a
16 whole semester back before I became an industrial
17 electrician. That's a long time ago. So I have a lot of
18 theory, and I can't say it's up-to-date, but I have a
19 basic understanding of the residential, commercial,
20 industrial, induction heating, robotics, the whole basic
21 field of electricity.

22 Q That would be, there's a difference between a digital
23 meter and analog meter?

24 A Yes. The basic analog meter, as Mr. Sitkauskas has said,
25 simply captures the energy consumption. The digital

1 meter -- well, I'll speak to the digital meter. As I
2 said in my Exhibit A-3 I provided, it captures more
3 energy consumption. It's on the second paragraph, it's
4 listed. And Mr. Sitkauskas just testified earlier today
5 that it measures energy consumption more accurately,
6 which is basically the same words, is that it's going to
7 cost consumers more simply because it measures it more
8 accurately.

9 I use the analogy that you buy a bucket
10 of water, a gallon of water, and we pay for a gallon of
11 water. DTE is giving us a bucket of energy but they're
12 counting how many drops go in that bucket. And if you
13 get an excess amount of drops in that bucket, you're
14 going to get charged for it. They measure it on cycles,
15 60 cycles per second to hide peak use. That is my
16 understanding of the analogy of the digital meter.

17 MR. SOLO: Your Honor, I'd like to place
18 an objection on the record. My concern here is that this
19 is a time and place for cross-examination. And there's a
20 prohibition against what's regarded as friendly cross,
21 which is a casual way of explaining the fact that parties
22 are not permitted to invite supplemental direct testimony
23 veiled as cross-examination. And the very simple concise
24 question that was asked was very different than the long
25 response that was given, including the metaphorical

1 analogy that was used. I think that's inappropriate
2 attempts at supplemental direct testimony and shouldn't
3 permitted, your Honor.

4 JUDGE MACK: Thank you, Mr. Solo.

5 Mr. Spranger, I understand you're not an attorney, but
6 you are engaging in cross-examination of the witness.
7 That cross-examination is limited to the witness's direct
8 testimony. You may not attempt to supplement that direct
9 testimony. And any attempts to do so will be subject,
10 I'm sure, to an objection and will be sustained. So that
11 with that, that previous question and answer is stricken
12 as going beyond the scope of cross-examination.

13 Ms. Spranger, do you have any further
14 cross-examination?

15 MRS. SPRANGER: Yes, I do.

16 Q (By Mrs. Spranger): Going to page 4, in the event of the
17 question on 15 through 16, line, the opt out of a smart
18 meter when there is no mandate for a smart meter. Is
19 that a reasonable and justification for the project?

20 A It says, how can there be no opt out when there is no
21 mandate? Mr. Sitkauskas actually declared in his, I
22 believe it was rebuttal, that there is no mandate for
23 meters, smart meters in Michigan. And this has been my
24 whole argument all along. The confusion, the
25 misdirection of -- we can't get the MPSC to say that

1 they're not mandatory on the record and we can't -- DTE
2 finally admitted that they own the analog meter. It is
3 their product. And they are determining which product
4 they put on your home. It's not our choice. And this
5 opt out program shows that when they tell you have to
6 accept the Centron meter as an alternative to your analog
7 meter, you can't have that back. So it's not voluntary,
8 it's a mandate.

9 Q Thank you. Going to the question on line 71. That's a
10 pretty strong word, unlawful. Is there any reason you
11 feel so strong about it being unlawful?

12 A Well, --

13 JUDGE MACK: Hold on, Mr. Holeton.

14 A Yes.

15 JUDGE MACK: Mr. Solo.

16 MR. SOLO: Your Honor, I object. In
17 part, walking through the witness's direct testimony to
18 give him had an additional chance to supplement that
19 testimony is prohibited consistent with the argument in
20 the previous objection that I made. In this particular
21 circumstance, trying to solicit a legal opinion in
22 cross-examination is not relevant evidence, and the legal
23 issues should be left to the briefs, your Honor.

24 JUDGE MACK: Thank you. I would agree.
25 My review of line 71 through 87 is it constitutes legal

1 opinion. There's no basis to establish that the witness
2 is qualified to give such opinion, and quite frankly I do
3 not need such expert opinion. So with that, I will
4 strike that question. Go ahead, Ms. Spranger.

5 Q (By Mrs. Spranger): It also was pointed out in the AMI
6 program how to -- how diligently you were going to
7 townships, cities, and you were coming forth and speaking
8 out about the new technology meters and many of the
9 responses that you received from these different
10 communities. Can you tell me about that process and how
11 that came about, the effort of the people?

12 A Could you repeat the question?

13 Q O.k.

14 A I didn't hear you. You have to speak up, I'm hard of
15 hearing.

16 Q The effort that you went to different cities and
17 townships and you actually spoke about the opt out
18 program, well, not the opt out program but about the
19 meter itself, and then the words opt out may have come
20 out at that time.

21 MS. BARONE: Excuse me, your Honor.

22 Q I don't know if that, if the opt out program was
23 established before this applicant had the opt out words.
24 Is it something that has been established? Do you know
25 what I'm asking?

1 JUDGE MACK: I have no idea what you're
2 asking. And hold on, Ms. Spranger. Again, the point of
3 this process is for you to ask the witness questions. If
4 you don't understand it, you shouldn't ask questions.
5 The purpose is not to educate you.

6 MRS. SPRANGER: O.K.

7 JUDGE MACK: I believe there was a
8 question there, and Ms. Barone you began an objection.

9 MS. BARONE: No. Actually was just, I
10 was having trouble hearing.

11 JUDGE MACK: Mr. Solo.

12 MS. BARONE: Maybe the Court Reporter
13 could read it back, if you wish.

14 JUDGE MACK: Well, I don't believe there
15 was a question there.

16 MS. BARONE: O.K.

17 JUDGE MACK: Ms. Spranger, you have got
18 to ask a question.

19 MRS. SPRANGER: O.K.

20 JUDGE MACK: It's got to be short and to
21 the point.

22 Q (By Mrs. Spranger): Can you name some of the cities and
23 townships that you were involved at?

24 MR. SOLO: Objection, your Honor. The
25 direct testimony is the witness's attempt to discuss

1 that, and they provide that specific information on pages
2 6, marked IJH-6. Any additional discussion is an attempt
3 for supplemental direct testimony.

4 JUDGE MACK: Ms. Spranger, the witness
5 has testified to the local units of government of which
6 he appeared. So that is an improper question for
7 cross-examination.

8 MRS. SPRANGER: Do we have the number of
9 counties that participated?

10 JUDGE MACK: The witness testified that
11 Oakland and Macomb Counties were involved.

12 MRS. SPRANGER: Is that -- Would that be
13 considered into the cost that is figured out on the
14 number of possibilities of opting out where they asked?

15 JUDGE MACK: Are you asking me a
16 question?

17 MRS. SPRANGER: No. I'm thinking out
18 loud.

19 JUDGE MACK: Ms. Spranger, again I'm
20 going to give you one more shot to ask a question that
21 comports with my ruling. Proper cross-examination.
22 Again I understand you're not an attorney, but there are
23 rules that everybody is abiding by here. One more chance
24 to do it.

25 Q (By Mrs. Spranger): Have you that attended the Macomb

1 County Commission meeting?

2 A Yes, I have.

3 Q Do you remember the date and time?

4 A No, I don't.

5 Q Do you remember what happened at that meeting?

6 A Well, I remember that we discussed the opt out so-called
7 benefits. And we discussed how there were none. And
8 they voted to go ahead and have a resolution to go ahead
9 and investigate the AMI program and the possibility of an
10 opt out, and they wanted all the different aspects
11 investigated, including the health and the cost and other
12 issues along with it, the invasion of privacy, the Fourth
13 Amendment, the liability issues, the safety issues, all
14 of those. They were all part of it. And the county
15 voted a resolution in Lansing, and I believe the DTE and
16 MPSC, and it should be on record.

17 Q Do you know the case?

18 MR. SOLO: Your Honor --

19 A I can't hear.

20 MR. SOLO: Your Honor, objection, and
21 move to strike the tail end of that response as not
22 responsive to the question, and clearly supplemental
23 direct testimony and far beyond the limited question that
24 was asked, that in and of itself is arguably an attempt
25 to result in inappropriate supplemental testimony.

1 JUDGE MACK: It also elicits hearsay by
2 its very nature. Ms. Spranger, under my authority under
3 MCL 24.280(1)(c), I am going to regulate the course of
4 these proceedings. I am going to terminate your
5 cross-examination at this point. Thank you.

6 MRS. SPRANGER: Thank you.

7 MR. SOLO: Your Honor, is it also -- I
8 guess I wasn't clear if my motion to have that response
9 stricken was granted or not.

10 JUDGE MACK: If it's not clear, I'll make
11 it clear now.

12 MR. SOLO: Thank you.

13 JUDGE MACK: Your objection is sustained.
14 The question and answer were inappropriate and
15 inadmissible. Thank you, Mr. Solo.

16 MR. SOLO: Thank you, your Honor.

17 JUDGE MACK: Ms. Schmidt, do you have any
18 cross-examination?

19 MS. SCHMIDT: No.

20 JUDGE MACK: Thank you. Mr. Janiszewski,
21 do you have any cross-examination?

22 MR. JANISZEWSKI: No, your Honor.

23 JUDGE MACK: Thank you. Mr. Solo, do you
24 have any cross-examination?

25 MR. SOLO: No, your Honor.

1 JUDGE MACK: Ms. Barone, do you have any
2 cross-examination?

3 MS. BARONE: No, thank you, your Honor.

4 JUDGE MACK: Thank you. With that, Mr.
5 Holeton, we now take up your motion for your exhibits.
6 Mr. Solo, do you have any objection to -- and let me
7 identify them, if they're not clear on the record. These
8 are all prefaced I-JH-2, 3, 5A, 5B, 6, 7, 8. Any
9 objection?

10 MR. SOLO: No objection other than the
11 ones that I made previously that were denied, your Honor.

12 JUDGE MACK: After due consideration.

13 MR. SOLO: Yes, your Honor.

14 JUDGE MACK: Thank you, Mr. Solo. Mr.
15 Janiszewski, any objection?

16 MR. JANISZEWSKI: No, your Honor.

17 JUDGE MACK: Mr. Cusumano, any objection?

18 MR. CUSUMANO: No objection.

19 JUDGE MACK: Ms. Cusumano, any objection?

20 MRS. CUSUMANO: None, your Honor.

21 JUDGE MACK: Ms. Edwards?

22 MS. EDWARDS: No objection.

23 JUDGE MACK: Ms. Kurtz?

24 MS. KURTZ: No, your Honor.

25 JUDGE MACK: Ms. Spranger?

1 MRS. SPRANGER: No, your Honor.

2 JUDGE MACK: Ms. Schmidt?

3 MS. SCHMIDT: No.

4 JUDGE MACK: Ms. Barone?

5 MS. BARONE: No objection.

6 JUDGE MACK: Thank you. The offered
7 exhibits are admitted. And Mr. HOLETON, thank you for
8 your testimony today.

9 MR. HOLETON: You're welcome, your Honor.

10 (The witness was excused.)

11 JUDGE MACK: Mr. Janiszewski, does the
12 Attorney General have any witnesses in this matter?

13 MR. JANISZEWSKI: No, your Honor.

14 JUDGE MACK: Thank you. Ms. Barone,
15 let's go off the record.

16 (Documents were marked for identification by the
17 Court Reporter as Exhibits S-1 and S-2.)

18 - - -

19 JUDGE MACK: We're back on the record Ms.
20 Barone, are you ready to bring Staff's case?

21 MS. BARONE: Thank you, your Honor. At
22 this time I'd like to call Steven Q. McLean to the stand.

23 JUDGE MACK: If Mr. McLean could be
24 sworn, please.

25

1 S T E V E N Q. M c L E A N

2 was called as a witness on behalf of Michigan Public
3 Service Commission Staff and, having been duly sworn to
4 testify the truth, was examined and testified as follows:

5 JUDGE MACK: Ms. Barone, the witness has
6 been sworn. You may proceed.

7 MS. BARONE: Thank you, your Honor.

8 DIRECT EXAMINATION

9 BY MS. BARONE:

10 Q Good afternoon, Mr. McLean. Could you please state your
11 name and business address?

12 A Yes. My name is Steven Q. McLean. My temporary business
13 address is 4300 West Saginaw, Lansing, Michigan. It's
14 48917.

15 JUDGE MACK: Mr. McLean, if you could,
16 just speak as loudly as possible so everybody can hear.
17 Thank you.

18 Q (By Ms. Barone): And where are you employed and in what
19 capacity?

20 A I'm employed at the Michigan Public Service Commission.
21 I'm the Manager of the Rates and Tariffs Section within
22 the Regulated Energy Division.

23 Q And did you cause to be prefiled in this case direct
24 testimony that consists of a cover sheet and six pages of
25 questions and answers?

1 A Yes, I did.

2 Q And did you also cause to be prepared in this case two
3 exhibits, one has been marked as proposed Exhibit S-1,
4 consisting of one page, and proposed Exhibit S-2,
5 consisting of one page?

6 A Yes, I did.

7 Q And were those exhibits prepared either by you or under
8 your direction?

9 A Yes, they were.

10 Q And with respect to your testimony, do you have any
11 additions or corrections to make to your testimony?

12 A No, I do not.

13 Q If you were asked the questions contained in your
14 testimony today now that you are under oath, would your
15 answers be the same?

16 A Yes, they would.

17 MS. BARONE: Thank you. Your Honor, I
18 would ask that Mr. McLean's testimony be bound into the
19 record and move for admission of his exhibits at the
20 conclusion of cross-examination.

21 JUDGE MACK: Thank you, Ms. Barone. Mr.
22 Solo, any objection to the offer?

23 MR. SOLO: No, your Honor.

24 JUDGE MACK: Mr. Janiszewski?

25 MR. JANISZEWSKI: No, your Honor.

1 JUDGE MACK: Mr. Cusumano?
2 MR. CUSUMANO: No objection.
3 JUDGE MACK: Mrs. Cusumano?
4 MRS. CUSUMANO: No, your Honor.
5 JUDGE MACK: Ms. Edwards?
6 MS. EDWARDS: No objection.
7 JUDGE MACK: Mr. Holeton?
8 MR. HOLETON: No objections, your Honor.
9 JUDGE MACK: Ms. Kurtz?
10 MS. KURTZ: I'm sorry.
11 JUDGE MACK: Any objection?
12 MS. KURTZ: No, your Honor.
13 JUDGE MACK: Thank you. Ms. Spranger?
14 MRS. SPRANGER: No, your Honor.
15 JUDGE MACK: And Ms. Schmidt?
16 MS. SCHMIDT: No, your Honor.
17 JUDGE MACK: The direct testimony is
18 bound into the record.

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STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * *

In the matter of the application of)
THE DETROIT EDISON COMPANY)
seeking approval and authority to implement)
a metering tariff)
_____)

Case No. U-17053

QUALIFICATIONS AND DIRECT TESTIMONY OF
STEVEN Q. MCLEAN
MICHIGAN PUBLIC SERVICE COMMISSION

November 8, 2012

QUALIFICATIONS OF STEVEN Q. MCLEAN
CASE NUMBER U-17053
PART I

1 Q. Please state your name, address and present position.

2 A. My name is Steven Q. McLean. My temporary business address is 4300 West
3 Saginaw, Lansing, Michigan 48917. I am currently employed by the Michigan
4 Public Service Commission (MPSC or Commission) as the Manager of the Rates
5 and Tariff Section within the Regulated Energy Division.

6 Q. Would you briefly describe your educational background?

7 A. I earned a Bachelor of Science Degree in Political Science and Economics from
8 Central Michigan University in May of 2003. I also earned a Master of Arts
9 Degree in Economics from Central Michigan University in December of 2007.

10 Q. What responsibilities does your present position entail?

11 A. As Manager of the Rates and Tariff Section, I supervise the members of my
12 section and oversee the responsibilities of the Rates and Tariff section. The
13 responsibilities of the Section include, but are not limited to, analyzing utility
14 reports, financial records, and rate case filings to determine the appropriate level
15 of rates for regulated energy utilities, utilizing laws, regulations, and Commission
16 policies. The Section is charged with conducting Staff Cost of Service allocation
17 studies and rate designs for gas and electric utilities and reviewing special
18 contracts, gas storage rates, and Act 9 intrastate pipeline rates. The Section is also
19 involved in customer complaint and inquiry processing, updating electric and gas
20 comparison spreadsheets for the MPSC Web site, and tariff administration.

21 Q. Have you attended any seminars or other training courses?

22 A. Yes. In May of 2006, I attended the Association of Edison Illuminating
23 Companies Fundamentals of Customer Load Analysis Seminar. In August of

**QUALIFICATIONS OF STEVEN Q. MCLEAN
CASE NUMBER U-17053
PART I**

1 2006, I completed the National Regulatory Utilities Commissioners annual
2 regulatory studies program held at Michigan State University. In October of
3 2010, I attended the Association of Edison Illuminating Companies Advanced
4 Course in Customer Load Research.

5 Q. Have you participated in any rate cases for the MPSC?

6 A. Yes, I have participated in the following cases:

7	MPSC Case	Company	Description
8	U-14270-R	Cherryland Electric Cooperative	TIER, Auditing
9	U-14745	Upper Peninsula Power Company	Rate Design
10	U-14801	South Romeo Gas Storage	Storage Rates
11	U-14838	Detroit Edison	Cost of Service/Rate Design
12	U-14863	Alger Delta Cooperative	TIER, Rate Design
13	U-14893	SEMCO Energy Gas	Weather Norm/Decoupling
14	U-14992	Consumers Energy	Palisades Sale Review
15	U-15048	Midwest Energy Cooperative	Special Contract
16	U-15071	Wisconsin Electric	Cost of Service/Rate Design
17	U-15094	Wisconsin Electric	Special Contract
18	U-14710-R	Cherryland Electric Cooperative	TIER, Auditing
19	U-14712-R	Midwest Energy Cooperative	TIER, Rate Design
20	U-15224	Upper Peninsula Power Company	RTMP Tariff
21	U-15244	Detroit Edison	Cost of Service/Rate Design
22	U-15245	Consumers Energy	Rate Design
23	U-15386	Midwest Energy Cooperative	Special Contract

QUALIFICATIONS OF STEVEN Q. MCLEAN
CASE NUMBER U-17053
PART I

1	U-15645	Consumers Energy	Allocation Factors/COSS
2	U-15768	Detroit Edison	Rate Design/COSS
3	U-16191	Consumers Energy	Rate Design/COSS
4	U-16037-R	Midwest Coop	Rate Design/COSS
5	U-16038-R	Ontonagon Coop	Rate Design/COSS
6	U-16041-R	Great Lakes Coop	Rate Design/COSS
7	U-16042-R	Presque Isle Coop (Elect.)	Rate Design/COSS
8	U-16191	Consumers Energy	Rate Design/COSS
9	U-16417	Upper Peninsula Power Company	Rate Design/COSS
10	U-16472	Detroit Edison	Rate Design/COSS
11	U-16794	Consumers Energy	Rate Design/COSS
12	U-16801	Indiana Michigan	Rate Design/COSS
13	U-16830	Wisconsin Electric	Rate Design/COSS
14	U-16556	Presque Isle Coop (Gas)	Rate Design/COSS
15	U-16566	Consumers Electric	Decoupling Reconciliation
16	U-16567	Upper Peninsula Power Company	UETM Reconciliation
17	U-16564	Consumers Electric	RARS Reconciliation
18	U-16578	Detroit Edison	RETM Reconciliation
19	U-16756	Detroit Edison	CIM Reconciliation
20	U-16759	Consumers Electric	Reconciliation
21	U-16761	Consumers Electric	UETM Reconciliation
22	U-16855	Consumers Gas	UETM and Pension Trackers
23	U-16999	MichCon	UETM

DIRECT TESTIMONY OF STEVEN Q. MCLEAN
CASE NUMBER U-17053
PART II

1 Q. What is the purpose of your testimony?

2 A. The purpose of my testimony is to present Staff's voluntary Non-Transmitting
3 Meter Provision for residential customers. Staff's proposal is in response to The
4 Detroit Edison Company's (Company) proposed Advanced Metering
5 Infrastructure (AMI) Opt-out Provision for residential customers, and to the
6 September 11, 2012 Commission Order in Case No. U-17000 requiring MPSC-
7 regulated investor owned utilities to offer a cost based option to opt-out of having
8 a transmitting AMI meter.

9 Q. Are you sponsoring any exhibits?

10 A. Yes. I am sponsoring Staff Exhibit S-1 and Staff Exhibit S-2.

11 Q. Please describe Staff Exhibit S-1.

12 A. Staff Exhibit S-1 displays Staff's proposed initial and monthly fees for customers
13 who choose a non-transmitting meter.

14 Q. Please describe Staff Exhibit S-2.

15 A. Staff Exhibit S-2 displays Staff's proposed tariff for customers who choose a non-
16 transmitting meter.

17 Q. What is Staff's position with regard to the Company's proposal?

18 A. The Staff reviewed the Company's proposal and determined that apart from a few
19 alterations to the Company's tariff and charges, the proposal is consistent with the
20 September 11, 2012 Commission Order in Case No. U-17000 requiring MPSC-
21 regulated investor owned utilities to propose a cost based option for residential
22 customers to permit them to choose a non-transmitting meter as opposed to the
23 Company's standard transmitting AMI meter.

DIRECT TESTIMONY OF STEVEN Q. MCLEAN
CASE NUMBER U-17053
PART II

1 Q. What are Staff's recommended alterations to the Company's proposed tariff
2 provision?

3 A. Staff recommends that the initial fee and monthly charge should be reduced from
4 the Company proposed amounts of \$87.00 and \$15.00 to \$67.20 and \$9.80. Staff
5 has also modified the tariff to make it clear that the customer is choosing a non-
6 transmitting meter as opposed to a transmitting meter, which is the Company's
7 standard meter for residential customers. In addition, the tariff has been modified
8 to make it clear when the charges apply for customers who choose a non-
9 transmitting meter and live in areas that have not yet received transmitting meters.

10 Q. Please describe Staff's alterations to the Company's proposed initial fee of \$87.00
11 and monthly charge of \$15.00.

12 A. The Staff has reviewed the Company's cost estimates and determined that they
13 are based on the Company's experiences and past practices with meter reading
14 and associated functions and are reasonable. Furthermore, the costs are consistent
15 with other jurisdictions. However, Staff recommends that the resulting charges be
16 reduced to reflect a higher projected customer participation rate. The charges that
17 the Company has developed are based on a forecasted participation level of 4,000
18 customers. This participation level has a direct impact on the charges. Several of
19 the costs associated with allowing residential customers to choose a non-
20 transmitting meter are fixed. These fixed costs are spread to all participating
21 customers. By increasing the forecasted participation level, the cost per customer
22 and resulting charges decrease.

23 Q. Why does Staff project a higher participation level than the Company?

DIRECT TESTIMONY OF STEVEN Q. MCLEAN
CASE NUMBER U-17053
PART II

1 A. To develop the participation level the Company divided the number of customer
2 complaints pertaining to the installation of transmitting meters as of July 13, 2012
3 by the number of transmitting meters installations as of July 13, 2012. The
4 Company used this ratio as an expected participation rate and multiplied it by the
5 total number of meters to be installed to come up with the overall participation
6 level of 4,000. This corresponds to a participation rate of 0.155%. The Staff has
7 compared that participation rate to projected rates being used by other utilities and
8 determined that it is potentially low. For example, Consumers Energy has
9 forecasted a participation rate of 1.5% in its most recent rate case filing Case No.
10 U-17087.

11 Q. What participation rate and level did Staff use in developing its recommended
12 initial fee of \$67.20 and monthly charge of \$9.80?

13 A. Staff chose to use a rate of 0.60%, which resulted in a participation level of
14 15,500 customers. Staff chose this rate because it is a compromise between the
15 Company's proposed rate and the potentially higher rates forecasted by other
16 utilities.

17 Q. What if the cost or participation levels for this tariff change?

18 A. In the Company's next general rate case, Staff will review the Company's actual
19 experiences and recommend appropriate adjustments to the tariff language and
20 charges.

21 Q. Does this conclude your testimony?

22 A. Yes.

1 JUDGE MACK: Mr. Solo, do you have any
2 cross-examination?

3 MR. SOLO: Your Honor, I'd like to
4 reserve the Applicant's right to go last.

5 JUDGE MACK: Sure. Mr. Janiszewski, do
6 you have any cross-examination?

7 MR. JANISZEWSKI: No cross, your Honor.

8 JUDGE MACK: Thank you. Mr. Cusumano, do
9 you have any cross-examination?

10 MR. CUSUMANO: Yes, I do.

11 JUDGE MACK: You may come up.

12 MR. CUSUMANO: Thank you.

13 CROSS-EXAMINATION

14 BY MR. CUSUMANO:

15 Q Mr. McLean, to get a little bit of background here, what
16 is your interpretation of what the purpose of the MPSC
17 is?

18 UNKNOWN SPEAKER: Excuse me. Can we have
19 the microphone because it's hard to hear.

20 JUDGE MACK: Ms. Kurtz has asked the
21 microphones not be turned on because they are affecting
22 her, so. Let's go off the record.

23 (Brief in-place recess.)

24 JUDGE MACK: Mr. Cusumano, if you could
25 resume and if you could -- Well, first of all, if you

1 could ask the questions and speak as loudly as possible.
2 We did have a question pending. Was there -- did I hear
3 an objection before?

4 MS. BARONE: No, I didn't object.

5 JUDGE MACK: Do you recall that question,
6 Mr. McLean?

7 MR. CUSUMANO: I can repeat it.

8 JUDGE MACK: If you could.

9 Q (By Mr. Cusumano): In your opinion, what is the purpose
10 of the MPSC?

11 A The purpose of the MPSC is to assure safe, reliable
12 energy, telecommunications, shipping, and motor carrier
13 services at reasonable rates.

14 Q And the duties of the MPSC, down the same type of lines?

15 A Of the MPSC as in the three Commissioners?

16 Q In as far as the MPSC as a whole. I mean in as far as
17 enforcement or whatever, what they do if things aren't
18 followed by the rulings of the MPSC, the duties.

19 MS. BARONE: Your Honor, I guess I'm
20 going to pose an objection. It's quite a broad question
21 and I'm not --

22 MR. CUSUMANO: O.K. I'll withdraw the
23 question.

24 JUDGE MACK: Hold it. The question is
25 withdrawn?

1 MR. CUSUMANO: Yes.

2 JUDGE MACK: Thank you, Mr. Cusumano.

3 Q (By Mr. Cusumano): In your capacity at the MPSC, do you
4 know what the jurisdictions are that the MPSC has on
5 meters that the utilities use?

6 A The jurisdiction that the MPSC has over which meters?

7 Q Meters.

8 A That the utility uses. The Commission has ratemaking
9 authority to set the price that the utility can charge
10 customers. If they believe that a meter that the utility
11 uses is too expensive, than they can allow it -- or not
12 allow the utility to collect that full amount. That's my
13 understanding.

14 Q Under the heading of, that you just testified to, costing
15 too much, would that also go to the scope of benefits for
16 the ratepayer?

17 MS. BARONE: Your Honor, I'm going to
18 object to that question. I believe the questioner is
19 trying to get at the general inclusion in rates of AMI
20 meters, and this witness is here to testify regarding the
21 tariff that's being proposed on the cost of tariff.

22 JUDGE MACK: Mr. Cusumano, how is rates
23 applicable, general rates applicable in this case?

24 MR. CUSUMANO: Going to the opt out
25 itself and the cost of the opt out, the meters that are

1 being presented by Detroit Edison, I'm trying to get to
2 the -- to the point of where the actions and studies that
3 the MPSC did in order to arrive at the tariff that they
4 proposed.

5 JUDGE MACK: But that's not oh question
6 you asked this witness. Your question pertained to
7 general rates, which is beyond the scope of this hearing.
8 So the objection is sustained. And again, Mr. Cusumano,
9 if you're trying to get to something, just ask the
10 question of the witness.

11 MR. CUSUMANO: Excuse me. I didn't know
12 I was talking about general rates.

13 Q (By Mr. Cusumano): In order to come to the conclusions
14 that you came to for your recommendations on behalf of
15 the MPSC, which meters did you study?

16 MS. BARONE: Your Honor, before the
17 witness addresses the question, I just want to clarify,
18 Mr. McLean is testifying on behalf of the MPSC Staff.

19 JUDGE MACK: Thank you, Ms. Barone. This
20 is a fine point but a significant point. The witness is
21 testifying on behalf of the Commission Staff. The
22 Commission, of whom I am sitting for today, is going to
23 decide this matter. So this witness is not testifying on
24 behalf of the Commission. The Commission is not a party
25 to this proceeding; Staff is. That's a very fine

1 distinction, but it's a significant one.

2 MR. CUSUMANO: So the way I have to word
3 the question, your Honor, is --

4 JUDGE MACK: Drop Commission and say
5 Staff and you'll be fine.

6 MR. CUSUMANO: Don't call it the MPSC,
7 we'll call it the MPS Staff.

8 MS. BARONE: You could just call it Staff
9 and everybody would know what you're saying.

10 Q (By Mr. Cusumano): O.K. In your capacity for the
11 Michigan Public Service Staff, which meters did you study
12 to come to the conclusions that you did?

13 A In this setting what Staff did was review the Company's
14 proposal and determine that it was reasonable. So in the
15 Company's proposal, which was to allow customers to opt
16 out, and as a part of that where they would go out and
17 turn off the meter that they put on the house, the
18 transmitting meter, they turn it off and turn it into a
19 non-transmitting meter, our review was around that
20 aspect, the price that it would actually cost to turn off
21 the meter and the cost that they would want to charge to
22 customers to read that meter on a monthly basis.

23 Q With that in mind, I've heard the U-17000 hearing brought
24 up on various occasions during these proceedings. In the
25 1700 [sic], in the 1700 [sic] case or the recommendations

1 that came from the Michigan Public Service Staff, are you
2 aware of the recommendations that were in that case?

3 A I am aware of the report that was presented by Staff. I
4 am not aware or able to speak to every single
5 recommendation as I sit here.

6 Q I'll bring -- Were you aware that one of the
7 recommendations that was on the 1700 [sic] case was about
8 exploring the different types of meters?

9 A I'm aware that the Staff put in their report that there
10 are several different opt out options. And it's Staff's
11 opinion that the option that the Company provided in this
12 case fulfilled that.

13 Q O.K. Are you aware that in the recommendation there was
14 hard wire mentioned?

15 A Yes. That appears to be one of the options, as I sit
16 here and look at the report.

17 Q In your studies, going back to your studies, what
18 conclusions were found on the hard wire?

19 A I did not perform any studies on anything outside of what
20 the Company has presented in its case.

21 Q Is that a normal practice of the Michigan Public Service
22 Staff not to review, study, any of the proposals that
23 come in from the utility companies?

24 A As I stated before, Staff determined that what the
25 Company has presented was an opt out option and fulfilled

1 the U-17000 case report and order. Therefore, there was
2 no need to go beyond what the Company had presented.

3 Q O.K. Going back to your testimony just now, the
4 determination, what did you use in order to come up with
5 your determination if you did not, as you testified, look
6 at hard wire at all? What did you use? In other words,
7 I don't -- in other words --

8 A That took place in U-17000. That was already determined
9 at that case.

10 Q But they came back to you and asked you or asked the
11 Company to look at hard wire and two other different
12 avenues. Are you familiar with the recommendation of the
13 analog meter that was in the recommendation?

14 MR. SOLO: Your Honor, I'd like to make
15 an objection at this point. I appreciate that this is
16 not my witness, but the question is clearly
17 argumentative, it's going far off track from the, at
18 least in my opinion, a fairly limited scoped direct
19 testimony submitted by this witness. We've had many,
20 many discussions about the narrow scope of this procedure
21 at a whole over the last few days, including the
22 discussion we had last week.

23 This particular witness has testified to
24 even a subset of that, and this -- I apologize for the
25 term, I can't think of one better -- fishing expedition

1 regarding the details of the U-17000 report are far
2 beyond the testimony submitted by this witness in the
3 direct testimony.

4 JUDGE MACK: Thank you, Mr. Solo. Ms.
5 Barone, any position?

6 MS. BARONE: Yes, your Honor. I mean
7 Mr. McLean indicated that he is somewhat familiar with
8 that Staff report, but I believe he indicated or he can
9 indicate if necessary that that wasn't part of his job
10 responsibility, that his responsibilities in this case
11 are different.

12 JUDGE MACK: So Mr. Cusumano, why are we
13 hearing testimony about Case No. U-17000?

14 MR. CUSUMANO: Because it's been brought
15 into this hearing on various times, that we did not want
16 to rehash or go back over what has already been decided
17 in the 1700 [sic] case. And the 1700 [sic] case, the
18 recommendation by Staff to the utility was to explore the
19 hard wire, the non-transmitting AMI, and the analog meter
20 for the opt out. So now the Michigan Public Service
21 Staff has determined that what Detroit Edison brought in
22 as the opt out was gospel. And I would like to know what
23 they used for their determination on the hard wire and
24 the analog to be dropped out of the opt out.

25 JUDGE MACK: So you're attempting to

1 explore whether Staff should have said no, you can't have
2 a non-transmitting, you should have left the analog?

3 MR. CUSUMANO: No. I'm trying to explore
4 whether or not -- I don't mean to be disrespectful -- I'm
5 trying to explore whether or not the MPSS --

6 JUDGE MACK: Just call it Staff, just
7 Staff.

8 MR. CUSUMANO: The Staff, O.K., is just
9 rubber-stamping what Detroit Edison brings in.

10 MS. BARONE: Your Honor, could I make one
11 point of clarification?

12 JUDGE MACK: Go ahead.

13 MS. BARONE: Yes. In the Order in
14 U-17000, issued on September 11, 2012, the Commission
15 issued an order in which they indicated, beginning on
16 page 6, that if or when -- and then it lists a number of
17 utility companies, including -- well, let's see. It says
18 if or when the companies decide to implement advanced
19 metering infrastructure, the company shall provide an opt
20 out option or an explanation for why an opt out is
21 unnecessary or cost prohibitive.

22 So I think what the witness indicated is
23 that the subject of his testimony was to look at that opt
24 out proposal.

25 JUDGE MACK: That's the way I read it.

1 The Commission directed the utilities to file an opt out
2 plan. Edison filed an opt out plan. And this is what we
3 have before us.

4 MR. CUSUMANO: But there was a
5 recommendation in there to explore these three options.

6 JUDGE MACK: Well, I don't know if I
7 agree with you on that and I'm other going to delve into
8 that because I'm not here in Case No. U-17000.

9 MR. CUSUMANO: It has a lot to do with
10 cost. I'm sorry.

11 JUDGE MACK: Well, I mean we just --
12 Again, I don't know where you're going with this and we
13 could go a long way. We have a witness who testified
14 regarding the opt out. So I will sustain the objection.
15 I don't believe Case U-17000 is entirely relevant here
16 except the provision I cited on my holdings on the
17 motions to strike, and that is the opt out provision.

18 So with that, let's cut out the line of
19 questioning on that case.

20 MR. CUSUMANO: O.K. That's all the
21 questions I have for this witness.

22 JUDGE MACK: Thank you, Mr. Cusumano.
23 Mrs. Cusumano, do you have cross of this witness?

24 MRS. CUSUMANO: I do, your Honor, but I
25 just want to look at something here so maybe I won't.

1 JUDGE MACK: Let's go off the record.

2 (Brief in-place recess was taken.)

3 JUDGE MACK: Back on the record.

4 Mrs. Cusumano, do you have cross-examination of the
5 witness?

6 MRS. CUSUMANO: I do, your Honor.

7 JUDGE MACK: Go ahead, please.

8 CROSS-EXAMINATION

9 BY MRS. CUSUMANO:

10 Q Sir, you indicated that you determine if the opt out
11 proposal being submitted to you, the Staff, if it is
12 safe. Is that correct?

13 A No. I don't believe that I said that.

14 Q Can you please tell me that once again what you did state
15 so I am clear on that?

16 A I'm very confused as to what you're talking about.

17 JUDGE MACK: Ms. Cusumano, it's a rather
18 difficult spot to ask a witness to repeat their
19 testimony.

20 MRS. CUSUMANO: Thank you, your Honor.

21 Q (By Mrs. Cusumano): Mr. McLean, how do you know if the
22 recommendation of a smart meter or the AMI being proposed
23 on the Opt Out Proposal is safe and they have used due
24 diligence in protecting the public against health,
25 safety, and privacy issues, if you haven't studied it?

1 MS. BARONE: Your Honor, I'm going to
2 object. As you've ruled repeatedly now, the safety issue
3 not an issue here. And I would ask that your Honor
4 admonish this party as well as anyone else to cease
5 persisting in what they know has been ruled as being
6 beyond the scope.

7 JUDGE MACK: Thank you, Ms. Barone.
8 Ms. Cusumano, I will sustain that objection. The health,
9 safety, and privacy issues are not within the scope of
10 this hearing.

11 MRS. CUSUMANO: Your Honor, I understand
12 that it's not within that scope and I don't wish to go
13 into discovery of that. I would just like to know if
14 they can validate that in fact those issues were proposed
15 to the Staff for determination of whether or not it was a
16 measurement taken. That's all.

17 JUDGE MACK: Well, I understand that's
18 what you want to know, but again I think where that was
19 addressed was in Case U-17000.

20 MRS. CUSUMANO: But according to the
21 U-17000, you don't want to go back into that. There's
22 still issues that have not been brought to light.

23 JUDGE MACK: Well, --

24 MRS. CUSUMANO: That need to be brought
25 to light. And therefore, in which forum do you present

1 that and --

2 JUDGE MACK: Well, hold on. I
3 understand. We have had this. It's not that I don't
4 want to go into it.

5 MRS. CUSUMANO: Yes, your Honor?

6 JUDGE MACK: It's not within my
7 jurisdiction, the scope of this hearing at this point. I
8 can't tell you about other cases. I can just tell you
9 about this case. There was an Order in U-17000 that I
10 construed to limit the scope of this proceeding. You
11 disagree. I respect that. But I'm not going to go back
12 and forth and re-argue this. Health, safety, privacy,
13 those issues are not relevant in this proceeding. So
14 therefore, no cross-examination on those issues.

15 Q (By Mrs. Cusumano): O.K. Mr. McLean, did DTE present to
16 you any other meter to determine whether it should be
17 proposed for an opt out?

18 A No.

19 Q Is it customary for them to make a presentation to you?

20 A With regard to meters?

21 Q Well, I believe, I'd have to go back and get my notes,
22 but you indicated on cross-examination of Mr. Cusumano
23 that you determined safety issues, did you not?

24 A No, I did not.

25 MS. BARONE: Your Honor.

1 Q Now, --

2 JUDGE MACK: Hold on. Ms. Barone.

3 MS. BARONE: I was just going to say,
4 your Honor, I object to Ms. Cusumano's mischaracterizing
5 Mr. McLean's testimony, although he can address that
6 himself.

7 JUDGE MACK: My recollection of the
8 testimony was in response to the question of functions of
9 the Michigan Public Service Commission. I believe the
10 witness answered safe, reliable power source.

11 MRS. CUSUMANO: Right, your Honor.

12 JUDGE MACK: That's not that he said --
13 that was a very broad question. So he did not testify in
14 the manner that you're characterizing in your question,
15 so the objection is sustained.

16 MRS. CUSUMANO: Thank you, your Honor.
17 Your Honor, at this time I would like to know if I can
18 reserve a right to re-question the witness, if I have a
19 moment to just look at some other notes. Otherwise, if I
20 find nothing else I would just pass along and say I have
21 no other questions at this time.

22 JUDGE MACK: No.

23 MRS. CUSUMANO: You can't do that?

24 JUDGE MACK: Mrs. Cusumano, you're going
25 to do cross now and we'll move on to the next party. And

1 I did give you time prior to determine whether you wanted
2 to do cross.

3 MRS. CUSUMANO: I appreciate that
4 opportunity, your Honor, and I'm not trying to hold off
5 the situation. There may be some other questions I may
6 want to ask, and I have notes here but it may not even be
7 relevant to ask, since it's narrowed.

8 JUDGE MACK: I understand, Mrs. Cusumano.
9 But there's a number of people in this room, and I do
10 want to move through this process. And so, no. If you
11 have more questions, you may ask the witness questions.
12 If you don't have any questions, that will conclude your
13 cross-examination.

14 Q (By Mrs. Cusumano): Mr. McLean, who presents the tariff
15 to you?

16 A The Company made an application. In that application,
17 there was a tariff.

18 Q And from that application what do you do next?

19 A The Staff performs a review of the entire application,
20 prepares its case, and files its case.

21 Q When you say review, what do you mean?

22 A Just a standard review that Staff would perform in
23 reviewing the filing, reading the testimony, looking at
24 the exhibits, understanding the exhibits, reading the
25 language that's in the tariff, understanding the language

1 in the tariff. If we have further questions, we will ask
2 the Company clarifying questions to make sure that we
3 understand what the tariff means and what the exhibits
4 mean and what the testimony means.

5 Q And in that review what do you use if a new proposal is
6 being submitted from an old proposal? What standard of
7 practice do you use?

8 A Our expertise.

9 Q What is your expertise? What do you mean?

10 A Staff is comprised of expert witnesses. We all receive
11 education degrees from universities, and training, and
12 learn on the job. And we ourselves gain knowledge, and
13 we make a counter proposal against what the Company
14 presents.

15 Q O.K. Well, that's doesn't really constitute you as an
16 expert or have expert ability to do that. That is your
17 opinion; is that right?

18 MS. BARONE: Your Honor, I'd object.
19 That's asking the witness for a legal conclusion about
20 the nature of an expert witness.

21 JUDGE MACK: Yes. There is some
22 confusion. I believe the witness's testimony is he
23 utilizes his expertise. That doesn't mean he's an expert
24 witness in this proceeding. He may be, he may not. So
25 with that, let's keep clear.

1 MRS. CUSUMANO: Thank you, your Honor.

2 Q (By Mrs. Cusumano): So with this particular Opt Out
3 Proposal, in order to have it accepted or have it be
4 heard, do you make a recommendation?

5 A My recommendation is in my testimony and my exhibits,
6 yes.

7 Q To change the word tariff and to implement the definition
8 of tariff in to the new proposal, do you have to
9 re-define the meaning of tariff?

10 A I'm somewhat confused by what you're --

11 Q Well, you say you review it; is that correct?

12 A Uh-huh.

13 Q You say you determine whether or not you're going to
14 submit it to the Commission, correct?

15 A To file it as an exhibit.

16 Q And if a new tariff word were introduced into this
17 proposal, O.K., do you have to re-define the meaning of
18 the tariff?

19 A Are you asking if I put a new word into a tariff, do I
20 also have to include a definition of that word?

21 Q O.K. Well, the tariff, the existing tariff as it stands
22 is clear in meaning, would you not agree? The existing
23 tariff. And the proposed tariff is coming up with some
24 new verbiage, correct?

25 A Are you speaking to the tariff that was in the

1 Applicant's, what the Company filed, versus what I filed?

2 Q No, sir. I'm going to move on to another direction for a
3 moment, sir.

4 You say you utilize laws, regulations,
5 and Commission policies, correct?

6 A Correct.

7 Q In proposing an opt out. With what legal authority does
8 the MPSC have or yourself have to create a new definition
9 of tariff into the Opt Out Proposal without a hearing?

10 A I'm not a lawyer, so I can't speak to the Commission. I
11 just put an exhibit into this filing with a tariff in it.

12 Q Mr. McLean, you stated in your direct testimony that the
13 purpose of your testimony was in response and associated
14 with the proposed AMI opt out provision for residential
15 customers and to the September 1, 2012 Commission Order
16 in the Case U-17000, to offer a cost-based option to opt
17 out of having a non-transmitting AMI meter, or I believe
18 you said transmitting AMI meter. Do you agree that the
19 digital meter or the non-transmitting meter has the
20 ability to transmit RFs?

21 MS. BARONE: Your Honor, I object.
22 Beyond the scope. Questioner is addressing safety issues
23 again.

24 JUDGE MACK: Sustained. You're trending
25 into an area which I ruled was irrelevant in this

1 proceeding.

2 MRS. CUSUMANO: O.K. That's all the
3 questions I have, sir.

4 JUDGE MACK: Thank you, Mrs. Cusumano.
5 Ms. Edwards.

6 MS. EDWARDS: No questions.

7 JUDGE MACK: Mr. HOLETON?

8 MR. HOLETON: Yes, your Honor.

9 CROSS-EXAMINATION

10 BY MR. HOLETON:

11 Q Good afternoon, Mr. McLean.

12 A Good afternoon.

13 Q I won't have many questions for you. Mine go directly to
14 the Opt Out Program.

15 I'll start on page 5 of your testimony.
16 On line 14, I'd like to know what costs are consistent
17 with -- excuse me. Line 15, however, why does the Staff
18 recommend that the resulting charges be reduced to
19 reflect higher projected customer participation rate as
20 that is a driver for the opt out cost?

21 A Are you asking why the --

22 Q Why does the Staff recommend that the resulting charges
23 be reduced to reflect a higher projected customer
24 participation rate?

25 A Largely we believe there is going to be potentially a

1 higher participation rate. I believe I have 15,500
2 customers as opposed the Company's 4,000. Now, certain
3 costs are fixed, and because of that you're spreading
4 them over more customers. Therefore, the actual charges
5 that a customer would receive would be lower than what
6 the Company has put into their case. So even though the
7 costs in aggregate, in total what the Company has
8 proposed, I had not changed, the actual charges that the
9 customer would see are lower in my proposal because we
10 believe that there is actually going to be more customers
11 that opt out than what the Company has.

12 Q Thank you. And where is that participation expected to
13 come from?

14 A Residential customers that want to opt out. If you see
15 another one of our major utilities in this state,
16 Consumers Energy filed a rate case. In that rate case
17 they have projected up to one and a half or 1.5 percent
18 of customers opting out. And because of that, Edison and
19 Consumers are our two largest utilities in the State by
20 far, they represent the vast majority of customers.

21 In addition, Staff members here have had
22 discussions with other staffs around the country. And
23 they're seeing rates, that some rates are higher than
24 what Edison had proposed, and Staff felt that it was a
25 good idea to increase that participation rate. And the

1 after result of which was a lower charge.

2 Q Have you taken the ability to opt out to the residential
3 con -- the question, excuse me. Have you taken the
4 question and surveyed consumers in the Michigan area
5 about whether they would like to opt out or not?

6 A No, I have not.

7 Q Has anybody in Michigan done that?

8 A I am not aware of a survey that has been done to see if
9 customers want to opt out, no.

10 Q So there is -- So is there any basis for DTE -- or excuse
11 me -- for the MPSC or the Staff to go ahead and suggest
12 that there is a somewhat fixed number or ratio of opt out
13 customers compared to people who would be willingly take
14 the Itron open way meter?

15 A Staff, as I said, talked to other states that are
16 offering opt outs, the commission staff of other states
17 that are offering opt outs, to gauge whether or not and
18 to what level customers are opting out in those states.
19 We had the projection by the Company in this case. We
20 have a projection from Consumers in another case. And
21 that is how we developed our estimate for how many
22 customers are going to be opting out potentially.

23 Q How many states have you contacted about this type of
24 information? I say the Staff of the MPSC contacted?

25 A I don't know the exact number sitting here, but it would

1 be several.

2 Q Several. Excuse me. Go ahead?

3 A I mean, certainly. There's not a vast number of states
4 that have already done this, obviously. This is new.
5 And so as I said, sitting here I don't know exactly how
6 many states were contacted.

7 Q Wouldn't it be better to err on the side of caution so
8 the residential customers could make an educated,
9 informed decision about the cost benefits of either the
10 AMI meter or the Opt Out Program, to let them be informed
11 about the whole benefits?

12 MR. SOLO: Objection, your Honor. It's a
13 compound question, so objection to form. Also a
14 conclusory statement. It's argumentative, includes some
15 narrative content.

16 JUDGE MACK: Let's stick with the
17 compound. Can you break that down, Mr. Holeton?

18 MR. HOLETON: Could you repeat my
19 question for me?

20 (The record was read aloud by the Court Reporter as
21 follows: "Q Wouldn't it be better to err on the
22 side of caution so the residential customers could
23 make an educated, informed decision about the cost
24 benefits of either the AMI meter or the Opt Out
25 Program, to let them be informed about the whole

1 benefits?")

2 MR. HOLETON: Thank you. I'm going to
3 strike that question and rephrase, try to come up with a
4 new question.

5 JUDGE MACK: Thank you, Mr. HOLETON.

6 Q (By Mr. HOLETON): It may take a moment. Since there is
7 no national study, since there is no state study on the
8 number of customers that request the open way meter or to
9 keep the analog meter, do you think we should have a
10 study?

11 MS. BARONE: Your Honor, I'd just make a
12 preliminary objection there. The first part of the
13 question hasn't been established as a fact.

14 JUDGE MACK: The national study?

15 MS. BARONE: Yes. How many people want
16 to opt out, I believe.

17 JUDGE MACK: Well, I think that's the
18 nexus of the question, is the participation rate. And I
19 think the witness testified to his knowledge there is no
20 state-wide survey. Is that what you're asking?

21 MR. HOLETON: Yes, your Honor. I'm
22 asking if there is a -- I'm asking --

23 JUDGE MACK: Would it be advisable to
24 have a state-wide survey?

25 MR. HOLETON: Yes, sir.

1 JUDGE MACK: Would your objection stand
2 to that?

3 MS. BARONE: I may have misheard it, but
4 I thought he said a nationwide study.

5 JUDGE MACK: Well, he said nationwide and
6 then said state. And I will agree, nationwide the
7 witness hasn't testified to, but he did testify that to
8 his understanding there has been no state-wide survey.

9 MS. BARONE: O.K.

10 JUDGE MACK: So that question will be
11 allowed. Can you answer that question?

12 A No. I do not think it's necessary. As I stated, we have
13 communicated with other states, and it appears that opt
14 out rates consistently range from the low one percent up
15 to, Consumers projected one and a half percent, and
16 below. And it seems to be fairly consistent even though
17 it's newer.

18 Furthermore, as I state in my testimony,
19 this will be re-visited in a future rate case. If we
20 found that Detroit Edison has significantly or any
21 difference in their projections, or if our projections
22 are doubted by the Commission, then these charges can be
23 recalculated at a future time. But as far as I can tell,
24 Staff's projection of point 6 percent is in line with
25 what is being seen around the nation.

1 Q (By Mr. Holeton): As a customer who will have to pay
2 higher rates either for the AMI program or the Opt Out
3 Program, I will be have to pay for costs. I always like
4 to know the contract I'm getting into. So would it not
5 be better for customers to be given the data before they
6 enter a contract with DTE for different rate?

7 A They will be given the charges beforehand. When and if
8 the Commission approves an opt out program, the Company's
9 charges will be pre-approved and they will be in a tariff
10 book. And when a customer is asked or asks the Company
11 to opt out, they will be told what the prices, are so
12 they will know that ahead of time.

13 Q All right. I'm going to move on. Referencing that 4,000
14 participation level that DTE, you have that on page 6,
15 line 6, overall participation level, you changed that
16 participation level on line 14 to 15,500 customers. If
17 the participation rate went up to 811,801, would that
18 significantly impact the cost of the Opt Out Program?

19 A Yes.

20 Q Would the opt out cost for the -- be zero?

21 A No.

22 Q One cent?

23 A To be honest, that would completely change the whole
24 dynamic of this. I have not done any studies to try and
25 determine what impact that would have on an opt out rate.

1 Q Question No. 5. If a number of customers requesting to
2 opt out exceeds the number of customers requesting an
3 open way AMI meter, would the burden of paying, not
4 subsidizing the other parties, be transferred to the
5 party requesting AMI open way meter? Mr. Sitkauskas --
6 Go ahead, I'm sorry. I read a lot.

7 JUDGE MACK: No, no.

8 MR. HOLETON: No, I want that one
9 question answered before I go to another. I do compound
10 questions.

11 JUDGE MACK: O.K. You're stopping
12 yourself.

13 Can you answer that question?

14 A No. I do not think I can answer that question.

15 MR. HOLETON: Could you repeat my
16 question for me?

17 (The record was read aloud by the Court Reporter as
18 follows: "Q Question No. 5. If a number of
19 customers requesting to opt out exceeds the number
20 of customers requesting an open way AMI meter, would
21 the burden of paying, not subsidizing the other
22 parties, be transferred to the party requesting AMI
23 open way meter? Mr. Sitkauskas -- Go ahead, I'm
24 sorry. I read a lot.")

25 JUDGE MACK: Mr. Holeton, you want to

1 break that down?

2 Q (By Mr. Holeton): Well, I want to reference Robert
3 Sitkauskas's testimony on page 10, line 1 and 2, where he
4 states about fairly disputing the cost and not imposing
5 one party to pay for another.

6 JUDGE MACK: O.K. Do you have that,
7 Mr. McLean?

8 A Page 10 of his direct testimony?

9 Q (By Mr. Holeton): Page 10 of his direct testimony, lines
10 1 and 2.

11 Can I go pick up my copy of that?

12 JUDGE MACK: Sure, go ahead. Just so
13 we're all on the same page, you're now on the direct
14 testimony of Mr. Sitkauskas, on page 10.

15 MR. HOLETON: Thank you. Appreciate
16 that. Page 10, if I can find it. I've got it.

17 JUDGE MACK: O.K. Just what page and
18 what line are you on?

19 MR. HOLETON: RES-10, lines 1 and 2.

20 JUDGE MACK: O.K.

21 Q (By Mr. Holeton): It says it's continued from page 9 and
22 says -- I'll get the word. One segment, the Company does
23 not think it is appropriate for all customers -- this is
24 on page 9, line 24 -- the Company does not think it is
25 appropriate for all customers to subsidize one segment of

1 customers who request and receive a more expensive level
2 of service. Such a scenario would be unfair, would
3 contradict basic principles of cost causation.

4 So if we flip the issue here, and there's
5 more people who want to opt out and no people that want
6 the AMI meter, it would be the open way meter that would
7 have to pay for their services and not the Opt Out
8 Program. Is that relevant?

9 A I would say that if that were the case, that more
10 customers or the majority of customers wanted to opt out,
11 the opt out that is proposed by the Company and the opt
12 out that is proposed by Staff would have to be completely
13 re-evaluated. I did not do a study to try and conclude
14 what the impact of that would be, but I do believe that
15 we would have to re-evaluate the opt out.

16 Q All right. Thank you. In my testimony earlier, when Mr.
17 Sitkauskas was on, I drew a conclusion that of the 24
18 resolutions and moratoriums, two of which are counties
19 that specifically wanted to cut the discussion of the opt
20 out and the opt out program, that's two counties. Just
21 the total population of those two counties, if you did
22 this simple assumption, that he subtracts the complaints
23 from the installed meters and that gives him the math to
24 do the ratio for the cost, that we could take the simple
25 assumption that we have two opt outs, two counties, and

1 the population of Oakland County is 481,000, and Oakland
2 [sic] County of 330,452, exceed the DTE installation of
3 800,000, 811,000. That's just from two counties in the
4 State of Michigan.

5 Don't you think it's fair to assume that
6 if every customer of DTE was given the benefits and made
7 an educated informed decision, that maybe because of the
8 simple numbers of confirmed complaints to out opt, that
9 there would be an overwhelming majority of people
10 requesting the Opt Out Program?

11 MS. BARONE: Your Honor, I object to the
12 question. It assumes facts that are not in evidence
13 regarding the population of the counties in the question,
14 and the assumption that every person in those counties
15 opposes having the meter and wants an opt out. So before
16 you could ask the final aspect of that question, you
17 would have to establish that the witness agreed with that
18 fact.

19 JUDGE MACK: Yes, thank you, Ms. Barone.
20 I would agree. Mr. Holeton, I think where you're running
21 into problems is where you're premising that on the
22 entire population. You have made, you have established
23 or asked the question what if nonparticipation is greater
24 than participation. And you have got the answer on that.
25 Was there something beyond?

1 MR. HOLETON: I'd like to rephrase my
2 question then.

3 JUDGE MACK: O.K. Go ahead.

4 Q (By Mr. HOLETON): Since I have done, since I have gone
5 to the U.S. Census Bureau and downloaded their
6 documentation about the population of Oakland and Macomb
7 County, I requested, I had the documentation that the
8 number of households, not the total population, have gone
9 ahead. These are the numbers I quoted, 481,449
10 households, not population. Excuse me, I erred on that.

11 JUDGE MACK: Well, and that's fine. But
12 we probably don't want to get into the numbers of
13 households in Oakland and Macomb County. And you've
14 got -- I'm sure you'll have a hearsay objection to that.
15 But did you have something more on that point?
16 Non-participation is greater than participation?

17 MR. HOLETON: I'm thinking about that.
18 It's going to be the end of my testimony and I do need to
19 rephrase it.

20 Do I have an opportunity to ask another
21 question your Honor?

22 JUDGE MACK: Sure. You haven't said
23 you're done.

24 MR. HOLETON: Well, I'm not done yet. I
25 just want to rephrase, come up with one more question for

1 summary. And that'll be it.

2 Q (By Mr. Holeton): Do you think that MPSC would take on
3 up the new proposition that there should not be any cost
4 to the Opt Out Program if the number exceeded customers
5 for the, number of opt out exceeded the number for the
6 open way before there is an Opt Out Program?

7 A I don't think you could have customers opting out before
8 you have an Opt Out Program.

9 Q Thank you. What does the MPSC Staff think the benefits
10 of the AMI program are?

11 MS. BARONE: Your Honor.

12 MR. HOLETON: I have this --

13 JUDGE MACK: Hold on, Mr. Holeton. Let
14 Ms. Barone speak.

15 MS. BARONE: That's a broad question to
16 this witness who is testifying as to the reasonableness
17 of the rate in a tariff.

18 JUDGE MACK: Mr. Holeton, that is a broad
19 question. Can you -- We've had testimony on perceived
20 benefits. We've had testimony on perceived detriments.
21 Is there something in particular you're looking at or do
22 you just want an overview?

23 MR. HOLETON: Your Honor, I am trying to
24 pin down that the MPSC Staff thinks that the benefits of
25 the AMI program are remote disconnect and reconnect, and

1 that's it. I know that has been discussed. But it is my
2 belief that that is the only benefits that they are
3 stating, and a simple phone call to the DTE would
4 eliminate that benefit. And that the costs --

5 JUDGE MACK: O.K. Then if the witness is
6 able to answer, once you put that question to him -- well
7 again, I don't know how you answer that question and not
8 be overly broad.

9 Do you want to point him to Mr.
10 Sitkauskas's testimony regarding benefits and ask him if
11 he agrees or if there is any in addition, or disagrees?

12 MR. HOLETON: Yes, your Honor.

13 Q (By Mr. Holeton): Mr. McLean, Mr. Sitkauskas claims that
14 the benefits of the AMI program are disconnect,
15 reconnect--

16 JUDGE MACK: Well, let's get right to his
17 testimony. It's on pages 5 through 7. Now he has those
18 in front of him, so don't attempt to characterize it.
19 You can ask him questions about that.

20 MR. HOLETON: 5 through 7.

21 JUDGE MACK: Just to move it along, the
22 witness has it in front of, him so go ahead.

23 Q (By Mr. Holeton): Mr. Sitkauskas says that meter
24 reading, daily meter reading is a benefit to the AMI
25 program. He says that bill accuracy, he says that theft,

1 OSHA record-able injury rate, turn on, turn off, restore,
2 outage efficiency, and power quality. I think -- excuse
3 me. Do you agree with me?

4 A To be honest, it's outside the scope of my responsibility
5 here at the Michigan Public Service Commission. I do
6 cost allocation and rate design, and it's outside the
7 scope of my testimony in this case as well.

8 Q As far as Mr. Sitkauskas, bill accuracy, talking about
9 customer benefit, the near elimination of estimated
10 customer bills. MPSC has stated on their website that
11 the AMI meter does not save customers money. Is that not
12 true?

13 A I am not aware of that. Like I said, that's outside the
14 scope of my responsibility here at the Michigan Public
15 Service Commission.

16 MR. HOLETON: I put that in my testimony,
17 one of my evidence, so it's on the record. So basically
18 I'm going to have to end my cross-examination.

19 JUDGE MACK: Thank you, Mr. HOLETON.
20 Let's take a break at this point. Let's come back, let's
21 take ten minutes, so we'll come back at 2:50.

22 (At 2:40 p.m., a ten-minute recess was taken.)

23 JUDGE MACK: We're back on the record.
24 Ms. Kurtz, do you have cross-examination of the witness?

25 MS. KURTZ: I do not.

1 JUDGE MACK: Thank you. Ms. Spranger?

2 MRS. SPRANGER: Yes, I do.

3 JUDGE MACK: Come up, please. Go ahead.

4 CROSS-EXAMINATION

5 BY MRS. SPRANGER:

6 Q Did you look at the cost of the Itron meter being posed
7 or used by DTE at some point?

8 A No.

9 Q Has DTE stated that they buy its smart meter with the
10 radio on, are you aware of that?

11 A I'm aware that DTE has stated that, yes.

12 Q DTE stated that they go to the resident and change the
13 customer for the radio to be turned off. Are you aware
14 of that?

15 A Yes.

16 Q Did you see a proposal from DTE or DTE to be the supplier
17 supplying the meter with the radio turned off from the
18 manufacturer?

19 A I have not seen a proposal like that, no.

20 Q And to determine a beneficial cost to the customer, how
21 have you did that?

22 A I don't think I understand what you're asking.

23 Q If this proposal was not given to you about the radio
24 being turned off from the manufacturer, then this
25 particular cost to come turn it off, how is that

1 determined by the Staff?

2 MS. BARONE: Excuse me, your Honor. I'm
3 having difficulty hearing. Do you think perhaps we could
4 try moving the --

5 JUDGE MACK: Yes. Ms. Spranger, can you
6 switch over to the other chair and can you speak as
7 loudly as you can?

8 Did you not -- do you want that question?

9 MS. BARONE: Perhaps we could have it
10 read back.

11 (The record was read aloud by the Court Reporter as
12 follows: "Q If this proposal was not given to you
13 about the radio being turned off from the
14 manufacturer, then this particular cost to come turn
15 it off, how is that determined by the Staff?")

16 A The Company's standard meter going forward is a
17 transmitting meter. It comes from the company, or my
18 understanding is it comes from wherever DTE purchases it
19 from with the radio turned on. This option that's been
20 proposed by the Company is to offer a new service to
21 allow customers to have a radio turned off meter.
22 Therefore, I evaluated it from that standpoint. If
23 you're going to opt out, how much would it cost to opt
24 out?

25 Q Including the, this turning it off, is included into that

1 factor?

2 A Yes, turning -- our evaluation included the cost to turn
3 off the meter.

4 Q That cost was given from DTE?

5 A DTE presented in their case a cost; staff evaluated it,
6 yes.

7 Q Is that a comparable cost in the studies you did with
8 other states?

9 A To turn off the meter, is that comparable to what they
10 have done in other states?

11 Q If they have an opportunity program.

12 A If they have an opt out program. Staff evaluated the
13 overall charges which were presented in U-17000 report.
14 I did not perform a separate study to evaluate whether or
15 not or how much the other states were charging for the
16 specific function of turning off a transmitting meter.

17 Q With the proposal tariff, if accepted, and to your
18 understanding, can DTE do upgrades to the
19 non-transmitting meter at some later date without the
20 customer approval under this new tariff?

21 A If the customer took service under this new tariff, the
22 Company would not be able to turn a customer's meter into
23 a transmitting meter.

24 Q What if they wanted to replace the current transmitting
25 meter with another meter that does a function that has to

1 be re-visited back to the Commission under this tariff,
2 or would a new tariff be submitted again by DTE?

3 A If I customer is requesting a non-transmitting meter,
4 whatever meter the Company puts on that house would
5 not -- they would not be allowed to put on a radio
6 transmitter on that meter. So if they installed a new
7 meter from a different company that is some sort of
8 transmitting --

9 Q An upgrade.

10 A An upgrade, they would not be able to put a transmitter
11 on that.

12 Q Because of this tariff?

13 A Right. Customers opting out of a transmitting tariff.

14 Q Earlier in this testimony you stated, with other
15 Intervenors asking the question, you did say if a
16 majority factor related to how many people wanted to opt
17 out had a greater value into the opt out program, it
18 would be revisited for the charges that would be charged
19 for a savings of a cost to these customers?

20 A Yes. Any change in the customer count would potentially
21 affect the rate charged to customers.

22 Q Is that period of time three to six months or is it --
23 Does it take a longer period of time for each rate case?

24 A There is no set time for when that would take place.

25 Q Is it on a demand type of service from the Company?

1 A If the company made an application. The Commission also,
2 I believe, has authority to cause the Company to come in.
3 But none of that is set on any sort of schedule.

4 Q Was there a cost for this particular opt out program?

5 A Yes. U-17000, the Commission ordered companies to come
6 up with an opt out proposal. I believe Edison filed its
7 application prior to the Order in that case, though. But
8 if they had not done that, they would have been required
9 to follow that Order.

10 Q Have you conducted any other surveys recently that's gone
11 to a Supreme Court hearing process to determine opt out
12 cost fees that would have been revisited back to any
13 other commission to change?

14 A I'm not aware of any surveys that have gone to the
15 Supreme Court.

16 Q Not a survey, but a process of a ruling on an opt out
17 program that's been offered to the consumer?

18 A As I stated before, AMI, the AMI program in general is
19 outside of my work area. I have heard other witnesses or
20 other people talking about that, but I am unfamiliar with
21 it.

22 Q So any time opt out comes in to what you do, you process
23 it at the time it's allowed, is that how that works?

24 A When the Company makes an application requesting any
25 change in rates or tariffs, it's likely that my section

1 would be involved.

2 Q And how long does that take to do, an approximate
3 timeframe?

4 A For a rate case? It takes 12 months to complete. For
5 any other type case, I do not believe that there is a set
6 timeframe for how long it would take to complete those
7 cases.

8 Q In the process are public hearings required of the
9 tariff?

10 MR. SOLO: Your Honor, objection to the
11 extent she's requesting a legal conclusion of this wait.

12 JUDGE MACK: That does require a legal
13 opinion, Mrs. Spranger, and it's overly broad, too.
14 We're not specific on what subject matter you're talking
15 about, so I'll sustain.

16 MRS. SPRANGER: I'll withdraw the
17 question.

18 JUDGE MACK: I'll sustain.

19 MRS. SPRANGER: I'm sorry, I'll withdraw
20 the question.

21 JUDGE MACK: Thank you.

22 Q (By Mrs. Spranger): As you talked about how DTE came to
23 the AMI program, to evaluate the substance of the
24 language in the applicants proposal, how is that
25 determined with your input? Did you work with them or is

1 it just a structure they fill out and you say it's O.K.?
2 And then -- are there rules or policies they must follow
3 when they file that particular tariff?

4 A Certain types of case have filing requirements. But
5 generally outside of those certain types of cases,
6 specifically a rate case the Company will make a filing.
7 I believe there are certain requirements for things that
8 go into that filing.

9 Into an application, as I stated before,
10 Staff will review that, ask the companies questions
11 related to that, make their own filing, and then
12 ultimately it's up to the Commission what comes out of
13 that.

14 Q It does say in Robert Sitkauskas's testimony on page 7,
15 item 10 to 17, it says that he independently reviewed the
16 literature regarding the smart meters, and identify any
17 development in other jurisdictions pertinent to its
18 investigations. Are you aware of any such activities
19 from your office or any other staff office?

20 MS. BARONE: Your Honor, I'm going to
21 object because I believe that portion of Mr. Sitkauskas's
22 testimony relates to the beginning of Case 17000 and the
23 Commission's request to the Staff to investigate AMI
24 issues which were relating to the general issues of the
25 privacy, safety, et cetera, not to the Commission's

1 direction to begin opt out.

2 JUDGE MACK: Thank you, Ms. Barone. I
3 will agree for the same reasons that I sustained the
4 objections for Mr. Cusumano's questions regarding
5 U-17000. That question is also beyond the scope, so it's
6 sustained. Ms. Spranger, next question.

7 Q (By Mrs. Spranger): O.K. The Staff issued in the report
8 finding that the smart meters are an important component
9 to the success of a larger picture in emerging a Smart
10 Grid. Could you explain that vision?

11 A No, I could not. That's outside of my work duties.

12 Q As a Staff who reviews this tariff, you file with DTE
13 your proposal rates if you disagree with the amounts
14 being applied; is that correct?

15 A Subsequent to the Applicant's filing, there will be a
16 schedule set, and as a part of that schedule Staff will
17 make a filing, yes.

18 Q After that is done, what's the next process?

19 A The next process after our filing is, they do motions to
20 strike.

21 Q O.K.

22 A Following that we do cross-examination.

23 Q O.K.

24 A Following cross-examination they close the record and
25 people file briefs, then reply briefs.

1 Q What we're doing today. A process?

2 A The Judge issues a proposal for decision, and we do
3 exceptions and replies to exceptions, and then following
4 that the Commission will issue an order.

5 Q O.K. For any accuracy for the billing on these new
6 meters, how will that be more accurate than the current
7 meter we have? A digital meter will be turned off, if
8 the regular meter I have at my home is replaced with a
9 digital, the digital meter versus the one turned on, are
10 there measurements of accuracy?

11 A The accuracy of a transmitting meter versus a
12 non-transmitting meter? That's outside my scope.

13 Q Scope?

14 A Yes.

15 Q As we look at the scheduling on page 3, question 7, the
16 things that are supported in this proceeding as we go
17 over the Exhibits A-1, summary of initial and monthly
18 charges, that would be the \$15?

19 MS. BARONE: Excuse me, your Honor. I'm
20 not sure whose testimony she is referring to. Also I'm
21 having difficulty hearing.

22 JUDGE MACK: Ms. Spranger, you're going
23 to have to speak up.

24 MRS. SPRANGER: Page 3.

25 JUDGE MACK: I'm sorry, what is it?

1 MRS. SPRANGER: Page 3, Mr. Robert
2 Sitkauskas.

3 JUDGE MACK: Schedule 3?

4 MRS. SPRANGER: Yes, RES number 3.

5 JUDGE MACK: Of his testimony?

6 MRS. SPRANGER: Of his testimony.

7 JUDGE MACK: So we're on page 3 of the
8 direct.

9 MS. BARONE: Thank you.

10 Q (By Mrs. Spranger): Item 7 was the question. And I
11 referred to A-1, the summary of initial and monthly
12 charges. And the question was the amount would be \$15?

13 A Exhibit A-1 Schedule 1 is the Company's summary of
14 initial and monthly charges, and their proposed monthly
15 fee is \$15.

16 Q That \$15 is broken down into the turn off of the meter
17 and the turn -- I mean to turn it off?

18 A No. That would be the initial monthly fee is where you
19 would incur the turning on and turning off.

20 Q So the monthly charge of \$15 is to keep it off?

21 A The monthly charge for the \$15 in the Company's case is
22 to read the meter going forward.

23 Q So someone will read the meter?

24 A If you opt out, yes.

25 Q And that's what we pay the \$15 for?

1 A Under the Company's proposal, yes. Under Staff's
2 proposal that number is lower.

3 Q O.K.

4 A It is, excuse me, 9.80 per month.

5 Q How is that determined?

6 A The only difference between the Staff number and the
7 company number is that we have a higher projected
8 participation rate. So it's based on their proposal,
9 their costs. However, because we are projecting a higher
10 number of customers to actually opt out, you would
11 increase the denominator, which would reduce the total
12 overall charge. And that's why we went from 15 to 9.80.

13 JUDGE MACK: And Ms. Spranger, I'll note
14 that the mechanicals have come on, so you're really going
15 to have to speak very loud.

16 MRS. SPRANGER: Is that better? O.K.

17 Q (By Mrs. Spranger): Line 11, A-1, AMI opt out field
18 service hourly costs. Do you have a figure from Staff?

19 A From Staff?

20 Q Yes.

21 JUDGE MACK: What is your question,
22 regarding what document?

23 MRS. SPRANGER: Still on the same page,
24 and it asks, it says there's a description for this
25 Exhibit A-1, and it says the AMI opt out field service

1 hourly cost.

2 JUDGE MACK: O.K. What's your question?

3 You can just go to --

4 Q (By Mrs. Spranger): By Staff, I wanted to know like he
5 gave me 9.80, if there was an hourly cost?

6 A I have -- a complete breakdown of Staff's costs are on
7 Exhibit S-1, which is my first exhibit.

8 Q O.K. I don't have that with me. Could you tell me the
9 cost?

10 A The hourly cost, \$61.

11 Q And that was based on other --

12 A That was based on the Company's proposal.

13 Q So there is a difference between what the Company has
14 asked for?

15 A For that specific item, there is no difference.

16 Q It remains \$61?

17 A Yes.

18 Q Does that include the cost of billing system
19 modification?

20 A No.

21 Q It does not include the cost of the miscellaneous reads?

22 A Miscellaneous reads are the monthly fee. In total, the
23 9.80 would cover the miscellaneous reads.

24 Maybe I could just back up here. Staff's
25 total initial fees, for the upfront costs, would be

1 67.20. Then going forward on a monthly basis, Staff
2 would cost, if it were accepted, would be 9.80 per month.

3 Q So those two figures would be?

4 A Comparable to the Company's 87 and 15.

5 Q O.K. If new documentation would be allowed from other
6 states currently that have recently opt out program, with
7 no fee, would you look into how that was done?

8 A The Commission in the U-17000 Order directed the
9 companies to come up with a cost-based option for
10 customers to opt out. And that is what we, the basis for
11 our analysis in this case. It's to determine the
12 cost-based option for the customers to opt out of having
13 a transmitting meter.

14 Q Now, in these exhibits they were directed or prepared by
15 DTE?

16 A The Company's exhibits?

17 Q Yes.

18 A Were created by DTE electric, yes.

19 Q Submitted to your office, Staff office?

20 A Filed with the Michigan Public Service Commission, yes.

21 Q Oh, it goes to the Commission first, then you?

22 JUDGE MACK: Ms. Spranger.

23 MRS. SPRANGER: I'm just trying to
24 understand.

25 JUDGE MACK: I know, but this is not the

1 time and place for your education.

2 MRS. SPRANGER: All right.

3 JUDGE MACK: Please.

4 MRS. SPRANGER: I'll withdraw that.

5 JUDGE MACK: Are we getting close?

6 MRS. SPRANGER: Yes, we're getting close.

7 Q (By Mrs. Spranger): In the summary of this AMI
8 background information which Mr. Sitkauskas testified, he
9 said that for many years they have been using this
10 technology and it's been proven technology. In your, as
11 a Staff person, proven technology existence would be ten
12 years in existence they've been using it? Or is it a new
13 technology?

14 A Again, that's outside --

15 Q Outside your scope?

16 A Yes.

17 Q So you're just the money person to determine the
18 Applicant's tariff?

19 A I take inputs from other members of Staff, and then my
20 job here is to create cost of service studies which
21 allocate those costs to various customer classes and
22 customer types, and then design the rates to collect
23 those costs by class and customer type, as well as to
24 create the tariffs that include charges and the language
25 for how you take service from the Company.

1 Q Are these studies or things you review open to me to
2 review what you came to the conclusion of your cost? Can
3 I look at that data?

4 A All of that stuff has been filed in this case as either
5 exhibits or work papers.

6 Q And it's on the docket?

7 A The exhibits, testimony are. The work papers would have
8 been distributed amongst the parties.

9 Q What do you identify those workpapers called?

10 A It would be WP-SQM-1 through -- I don't know remember how
11 many I had off the top of my head.

12 Q If I don't find them, I could ask you?

13 A Talk to my attorney.

14 Q O.K. In the first study for the pilot program for using
15 these particular meters, what type of report do you
16 receive on how well they work?

17 MR. SOLO: Objection, your Honor, the
18 question is --

19 MS. BARONE: Your Honor --

20 MRS. SPRANGER: I withdraw the question.

21 JUDGE MACK: Thank you.

22 MR. SOLO: I'm sorry, Ms. Barone.

23 Q (By Mrs. Spranger): He claims, Mr. Sitkauskas claims
24 that in 2006 he was the manager for this technology
25 group. In the process of this new technology, does it go

1 to any safety study, any reporting to your department or
2 to Michigan Public Service Commission?

3 A That's outside my work responsibility.

4 Q Outside your scope. And have you read 17000, the report?

5 A A time back, yes, I did read 17000.

6 Q Who would be the responsible party to do any other
7 further investigations for the tariff, other than you?

8 A The tariff, other than me?

9 Q Yes.

10 A My direct supervisor, Jan Blair, who is the Director of
11 Regulated Energy. And then as -- that's for the Staff
12 obviously. And then there is one level above him. But
13 generally speaking, the buck stops with me when it comes
14 to tariffs and the tariff language and the charges that
15 are calculated to go inside of these tariffs.

16 Q Is there a written guideline of a policy to compare that?
17 Or it's just what your research shows?

18 A I don't understand the question.

19 Q A policy would mean a standard of looking at a research,
20 the amounts could be compared to a ratio. So I didn't
21 know how the ratio was figured out.

22 A Is there a standard for the number, of how I determine
23 the numbers in this case?

24 Q Yes.

25 A No. There is not a specific set standard that's been

1 established by anyone on how to evaluate the numbers for
2 an opt out case or for most cases in general. Everything
3 is different when it comes to us. So we review it and
4 make our recommendation, and ultimately the Commission
5 decides, after weighing all of the parties'
6 recommendations.

7 Q Is this the first tariff of this kind?

8 A This is the first opt out tariff in Michigan, yes.

9 Q And other states too?

10 A I am not aware specifically, but my understanding is that
11 there are opt out tariffs in other states, yes.

12 Q Which you used in your research comparison?

13 A To the tariffs? The language in the tariffs? No, I did
14 not. The charges we looked at, yes.

15 Q So the language is totally up to DTE?

16 A No. It's up to the Commission.

17 Q You have no say?

18 A I make a -- I made a recommendation in this case. The
19 Company made a recommendation. The Commission will
20 ultimately determine what the language says, though.

21 MRS. SPRANGER: O.K. That will conclude
22 my questions.

23 JUDGE MACK: Thank you, Ms. Spranger.
24 Ms. Schmidt?

25 MS. SCHMIDT: Can everyone hear me now?

1 JUDGE MACK: Speak loud, Ms. Schmidt.

2 MS. SCHMIDT: I will. I'll try to keep
3 it simple, quick, and fast.

4 CROSS-EXAMINATION

5 BY MS. SCHMIDT:

6 Q If we just cut to the pages, and go right to the pages
7 that just do the facts and figures, I wanted to go line
8 by line and explain each one to me, why you kept it the
9 same, why are they different.

10 A O.K.

11 JUDGE MACK: And again, are we on S-1, is
12 that where you are?

13 MS. SCHMIDT: Yes. There's just the fact
14 sheets, both.

15 JUDGE MACK: So you want a comparison of
16 S-1 and A-1?

17 MS. SCHMIDT: Right, going through DTE 1
18 through 11 and the MPSC.

19 JUDGE MACK: O.K. Do you have those,
20 Mr. McLean?

21 A One second.

22 JUDGE MACK: And ms. Schmidt, we can look
23 at it and see the difference. Do you have a specific
24 question regarding the difference?

25 MS. SCHMIDT: Yes. I hope if I bounce

1 around, please forgive me.

2 Q (By Ms. Schmidt): I'm curious on this zero zero.

3 A Oh.

4 Q Which is number 2.

5 A All right. Is that your question, why --

6 Q Yes. Well, we could go to the first one. You kept it
7 the same, 61, 61. Why did you agree to 61, 61?

8 A As I stated before, we did not change the overall total
9 cost of these components. What we changed is the
10 participation level, which had a direct impact on only a
11 portion of the charges. And so starting with the \$61,
12 it's going to cost the Company, in our opinion, \$61 to go
13 to each customer. So regardless of how many customers
14 opt out, each one is going to cost \$61. And so by
15 changing the number of customers that participate, you
16 would not change that number.

17 However, with the next two items, items 2
18 and 3 of the total initial fee, the training and field
19 personnel, and the billing system modifications, the
20 training of field personnel and the computer programming
21 for the billing systems are a one-time thing that they
22 do. So in my opinion, even if you increase the number of
23 customers that want to opt out, that total cost isn't
24 going to increase. So when you spread that cost over
25 more customers, you get to charge each customer less. So

1 you're spreading a fixed cost over more units of sale.

2 Q O.K.

3 A So that's why those decrease. And so looking at the
4 Company's supporting schedules -- so for example, for
5 item number 2, the Company, you would see that that's
6 supported by A-1 Schedule 2. They have a total cost of
7 training of \$7,700. They divide that number by 4,000, so
8 they're spreading that \$7,700 across 4,000 customers.

9 What I did is, I divided that \$7,700 by
10 15,500 customers. So I'm spreading the 7,700 over more
11 customers, so each one of them has to pay less.

12 Q So this would help to get it to zero?

13 A Right. It's actually not zero, it's just that the
14 decimal place is -- that are shown there are zero. So if
15 you continued out and looked I don't know how many
16 decimal places you'd have to go out, but the way it's
17 displayed in my workpaper here, I'm only showing two
18 decimal places past zero. But if you were to show more
19 decimal places, you would see that there is some
20 fractional amount that's being charged for that to
21 customers. It's just that it's so small, that on a per
22 customers basis it's practically zero.

23 Q So what I -- I think I'm going to use my term. Please
24 forgive me. My attorney is not here and he's a little
25 bit sharper than I. But I see sometimes -- forgive me --

1 you play with the figures, nickel and dime me here and
2 there. And I'm just overwhelmed looking at the figures.
3 And if you continue going on the lines, you're going to
4 see what I'm talking about.

5 You state 61, and then when you go to
6 line 5, I should let you continue why each one,
7 because -- I'm talking. I should always ask a question.
8 I apologize.

9 JUDGE MACK: You have to ask the witness
10 questions.

11 MS. SCHMIDT: Right.

12 JUDGE MACK: And he gives you an answer.

13 MS. SCHMIDT: Right. And I want to go
14 back and continue on the line.

15 Q (By Ms. Schmidt): So the total line for number 4 and 4
16 from both proposals come to -- there's a difference,
17 right?

18 A The line 4 is the total initial fee and that's the sum of
19 the three lines above it.

20 Q O.K.

21 A So again it's the difference between what are known as
22 variable costs versus fixed costs. For the variable
23 costs, it doesn't matter how many customers use -- are
24 opting out. Each customer has that same cost
25 responsibility, because it's variable. So every time

1 somebody opts out, for every single house the Company is
2 going to have to send somebody out there to turn that
3 meter on and off, or off and on. And so each time it's
4 \$61. So when you charge a customer the initial fee, it's
5 got to include that \$61.

6 However, the next two lines, lines 2 and
7 3, are fixed costs. That means that the Company is going
8 to pay that cost upfront and not going to have to incur
9 it every time a customer opts out.

10 So what you have to do then to come up
11 with a rate to charge a customer is, you have to use what
12 we refer to as billing determinants. And so that's the
13 number of customers. We make an estimate on the number
14 of customers that are going to opt out. We then spread
15 that fixed costs to all customers that want to opt out.
16 And that's why you see 2 and 3 decrease, where number one
17 does not change.

18 And then as you go down the list, the
19 same logic applies for everything. Anywhere that I have
20 not changed their number, that means that it's a variable
21 cost that has to be incurred, or that is incurred every
22 time somebody opts out, so to speak. In this case it's
23 the monthly. It's every time they go out to read a meter
24 on a monthly basis, that charge needs to be applied. To
25 where these other charges, I believe it's in the

1 supervisor, the billing analyst, and the route
2 coordinators, they're going to be paying those salaries
3 every month regardless of the number of customers that
4 are opt out and the number of reads that take place. And
5 so the Company needs to recoup those salaries from all of
6 the customers that opt out. And so by my increasing the
7 projection of the total number of customers that opt out,
8 we're spreading those salaries over more people. And so
9 basically you're sharing those salary costs between all
10 customers that opt out.

11 Q And this can be over a period of how long?

12 A This would be based on an annual basis.

13 Q So there will be what, an annual basis meaning?

14 A Their annual salary. These charges are designed to
15 collect over a 12-month period.

16 Q It seems to me as you look at this and you look at this
17 information and you compare it, is this considered higher
18 or lower to other states that have opt out programs? I
19 mean, are there any things that you're doing?

20 Because I'll be honest, I want the best
21 program for the opt out program here. And if other
22 states can get better prices, and I'm going to talk from
23 the heart and I'll be honest with you, we don't need to
24 keep spending money, we need to cut back on everything we
25 do in life.

1 JUDGE MACK: Ms. Schmidt.

2 MS. SCHMIDT: I'll try to --

3 JUDGE MACK: You cannot editorialize in
4 your questions.

5 MS. SCHMIDT: I'm sorry.

6 JUDGE MACK: Your question pertained to
7 other states.

8 MS. SCHMIDT: Right.

9 Q (By Ms. Schmidt): Can we cut more out of these?

10 JUDGE MACK: Well, Mr. McLean, can you
11 answer the question as it pertains to other states?

12 MS. SCHMIDT: Yes, please.

13 A Staff's figures when I compare them to our U-17000
14 report, right in there are states that have higher
15 charges and states that have lower charges. We're right
16 in the middle of it all. So furthermore, all utilities
17 have different costs, so not all rates are going to be
18 the same for electricity in general or for the opt out
19 program.

20 Q (By Ms. Schmidt): Maybe, are there any states that can
21 come up with a zero cost in an opt out program?

22 A A zero cost or a zero charge?

23 Q Zero charge.

24 A I don't believe there could be a zero cost. There is
25 going to be cost incurred for opting out.

1 Q What is the lowest?

2 A I don't know what the lowest is.

3 Q O.K. So we can't compare this is in the middle or high
4 or low if we don't have figures to compare. Is that a
5 kind of --

6 A I don't know what the lowest is off the top of my head.

7 Q Do you know what the highest is? We're in the middle,
8 right?

9 A I wouldn't say that we're directly in the middle.

10 Q O.K.

11 A We are close to the middle. I mean, as I said, there's
12 states that have higher charges and there are states that
13 have lower charges.

14 MS. BARONE: Your Honor, I think that--

15 MS. SCHMIDT: O.K. I --

16 JUDGE MACK: Hold on, Ms. Schmidt. Hold
17 on, please.

18 MS. BARONE: I think that the report
19 contains those figures, so it would speak for itself for
20 briefing purposes, your Honor.

21 JUDGE MACK: Yes. I would agree with
22 that. Ms. Schmidt, let's move on.

23 MS. SCHMIDT: Right.

24 Q (By Ms. Schmidt): In putting the opt out program
25 together for this, is there any consideration for any

1 hardship costs for the residents or the ratepayer in this
2 process?

3 A This is an optional rate. You do not need to take this
4 rate. If you can't afford this rate, like I said, it's
5 optional, you don't need to take it.

6 Q Some states will add little clauses in for low income
7 people. Would you consider low income people --

8 A We did not create a counter or a different charge for low
9 income customers, no.

10 Q Why not?

11 A Because we view this as an optional tariff.

12 Q It's for all of us or just -- I mean explain a little
13 further why low income is not included. We're all
14 residents, aren't we? Or am I kind of --

15 A As I stated, it's an optional tariff. You're not
16 required to take this service. You can take your
17 standard residential service. If you decide that you
18 don't want to pay for this, you don't have to have an opt
19 out.

20 MS. SCHMIDT: O.K. I'm done. I'm just
21 overwhelmed, and I just wish I could consult my attorney
22 and get better questions. I will end it, and I want to
23 thank you.

24 JUDGE MACK: Thank you, Ms. Schmidt. Mr.
25 Solo?

1 MR. SOLO: No questions, your Honor.

2 JUDGE MACK: Ms. Barone, do you have any
3 redirect of the witness?

4 MS. BARONE: May I have a few minutes
5 with the witness, your Honor.

6 JUDGE MACK: Let's go off the record.
7 Let's come back at -- let's go to 3:45.

8 (A brief recess was taken.)

9 JUDGE MACK: Back on the record. Ms.
10 Barone, do you have redirect?

11 MS. BARONE: No questions, your Honor.

12 JUDGE MACK: Thank you, Ms. Barone.

13 Mr. McLean, thank you for your testimony today.

14 Let's take up Exhibits S-1 and S-2. Why
15 don't hold off, Mr. McLean, just in case Mr. Solo has any
16 objection to the entry of those exhibits.

17 MR. SOLO: No objection, your Honor.

18 JUDGE MACK: Mr. Janiszewski?

19 MR. JANISZEWSKI: No objection.

20 JUDGE MACK: Mr. Cusumano?

21 MR. CUSUMANO: No.

22 JUDGE MACK: Mrs. Cusumano?

23 MRS. CUSUMANO: No objection, your Honor.

24 JUDGE MACK: Ms. Edwards?

25 MS. EDWARDS: No objection.

1 JUDGE MACK: Mr. Holeton? Not in the
2 room. Ms. Kurtz?

3 MS. KURTZ: No objection, your Honor.

4 JUDGE MACK: Ms. Spranger?

5 MRS. SPRANGER: No objection.

6 JUDGE MACK: Ms. Schmidt?

7 MS. SCHMIDT: No objection, your Honor.

8 JUDGE MACK: Exhibits S-1 and S-2 are
9 admitted. Ms. Barone, do you have any other witnesses
10 today?

11 MS. BARONE: No, your Honor. That
12 concludes Staff's case.

13 JUDGE MACK: Thank you. We have come to
14 the end of this hearing. I would like to note that
15 briefs in this matter are due to be filed and served by
16 February 12th consistent with the scheduling order.
17 Reply briefs are due February 26.

18 I'd like to thank everyone for their time
19 and attendance, and we are going to close the record.
20 Thank you.

21 MR. SOLO: Thank you, your Honor.

22 (Collective "Thank you, your Honor.")

23 (At 3:50 p.m., the hearing was concluded.)

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C E R T I F I C A T E

I, Marie T. Schroeder (CSR-2183), do hereby certify that I reported in stenotype the proceedings had in the within-entitled matter, that being Case No. U-17053, before Dennis W. Mack, Administrative Law Judge with MAHS, at the Michigan Public Service Commission, Lansing, Michigan, on Wednesday, January 16, 2013; and do further certify that the foregoing transcript, consisting of Volume 4, Pages 464-642, is a true and correct transcript of my stenotype notes.

Marie T. Schroeder, CSR-2183
33231 Grand River Avenue
Farmington, MI 48336

Dated: January 29, 2013