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June 13, 2023

VIA ELECTRONIC CASE FILING

Ms. Lisa Felice, Executive Secretary
Michigan Public Service Commission
7109 W. Saginaw Highway
Lansing, MI 48917

Re: **MPSC Case No. U-21297**: In the matter of the Application of **DTE ELECTRIC COMPANY** for the authority to increase its rates, amend its rate schedules and rules governing the distribution and supply of electric energy, and for miscellaneous accounting authority.

Dear Ms. Felice:

Enclosed for filing please find the ***Direct Testimony of the City of Ann Arbor*** for the above referenced case.

Should you have any questions or comments regarding this matter, please do not hesitate to contact my office.

Sincerely,



Valerie J.M. Brader
Counsel to the City of Ann Arbor

cc: w/enclosure: Parties of Record

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the Application of **DTE
ELECTRIC COMPANY** for authority to
increase its rates, amend its rate schedules and
rules governing the distribution and supply of
electric energy, and for miscellaneous
accounting authority.

U-21297

ALJ Sharon L. Feldman

DIRECT TESTIMONY OF MIKE KENNEDY
ON BEHALF OF
THE CITY OF ANN ARBOR

June 13, 2023

I. INTRODUCTION AND QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Mike Kennedy. I am the Fire Chief for the City of Ann Arbor, Michigan (“Ann Arbor” or “the City”). My office is 111 N. Fifth Avenue, Ann Arbor, MI 48104.

Q. On whose behalf are you submitting your testimony in this proceeding?

A. My testimony is on behalf of the City of Ann Arbor.

Q. Have you previously testified before this Commission or in other proceedings?

A. No.

Q. What is your educational background?

A. I have a bachelor of arts in political science and government from the University of Michigan and a master of public administration from Eastern Michigan University.

Q. What is your professional background?

A. My career is in fire and emergency services. I started with the Brighton Area Fire Authority in 1994, where I spent over twelve years before becoming the Northeast Regional Coordinator for the Maryland Fire & Rescue Institute at the University of Maryland. I then spent over seven years as an Emergency Management Specialist for the University of Michigan, followed by over seven years as the Fire Chief for the City of South Lyon Fire Department. I have been with the City of Ann Arbor for five and a half years, first as an Assistant Fire Chief, and now in my current role as Fire Chief.

Q. In your professional role, do you interact with DTE Electric Company (“DTE”)?

A. Yes. In my role as fire chief, it is often necessary to communicate with DTE, which provides electric service in Ann Arbor. For instance, if a live wire is down, public safety providers like me need to coordinate guarding of that wire until utility personnel can be

1 dispatched to do so.

2 **Q. Are you testifying today as an expert witness, fact witness, or both?**

3 A. I am testifying in both capacities. I am an expert on public administration and public
4 safety services in particular. I also am presenting first-hand factual testimony related to
5 specific interactions with DTE in my current position.

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

7 A. The purpose of my testimony is to describe my experience with DTE Electric during
8 three weather events in the last two years, where the DTE primary reporting phone
9 number, public safety online portal, and “emergency” call line have all failed when we
10 needed them most. We have had no way to report incidents and more importantly lacked
11 any ability to triage or report priority incidents. All three of these weather events have
12 been characterized by DTE as “unprecedented.” These once rare weather events are now
13 routine, and DTE needs to build a robust emergency management infrastructure to
14 receive, triage, and respond to incidents.

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

16 A. Yes. I am sponsoring the following exhibit:

17 Exhibit A2-1 Letter to DTE dated March 20, 2023

18 **II. FAILURE OF DTE’S COMMUNICATION SYSTEM**
19

20 **Q. Following the ice storm and snowstorm in late February and early March of 2023,**
21 **and the resulting infrastructure dangers and multi-day outages in much of the City,**
22 **did you attempt to contact DTE?**

23 A. Yes. I attempted to use all three modes of contact available to public safety agencies.
24 The DTE web portal for fire departments to enter downed line information repeatedly

1 crashed. Additionally, their priority number for fire departments to call with critical
2 incidents would ring without answer in some cases and when answered, the person
3 answering was unable to provide any level of assistance or guidance. During these
4 incidents, the fire department establishes a citywide command center to work on DTE
5 notification, alleviate pressure from our 911 Center, and coordinate citywide response.

6 **Q. Why were you attempting to contact DTE?**

7 A. We were experiencing a number of emergency conditions, including lines that were
8 down, some of which were impeding key roadways, on buildings, and others of which
9 posed fire hazards. Fire department assets had to be dedicated to these incidents, which
10 prevented these resources from responding to other incidents throughout the City.

11 **Q. How long did it take you to get a response from DTE?**

12 A. One DTE crew arrived about 90 minutes into the February 22, 2023 event. However, this
13 was only one crew. Once the fire unit standing by was released by DTE, they went to
14 additional, pending incidents.

15 **Q. Did you identify crews of line workers in Ann Arbor waiting to be dispatched by
16 DTE during the time when you were unable to make contact with DTE?**

17 A. We directed crews that if they saw a DTE crew to make contact with them and call the
18 citywide command center on the radio. We would then attempt to circumvent the normal
19 DTE process and get that DTE crew to respond to a priority incident in the City of Ann
20 Arbor. This method was our most successful route for getting crews to address priority
21 incidents.

22 **Q. From what you experienced, do you believe the inability to reach DTE was due to
23 technical issues with the communication system, personnel issues, or both?**

1 A. We experienced the system crashing. Additionally, when we spoke with a DTE
2 representative, that representative was overwhelmed and not helpful.

3 **Q. Was there any part of DTE's response that in your mind operated as it should?**

4 A. The field crews were the only functional part of DTE's response.

5 **Q. Had you ever experienced an inability to contact DTE during previous widespread**
6 **multi-day outages in much of Ann Arbor (for example in August of 2021)?**

7 A. We have had three weather events in the last two years during which the DTE primary
8 reporting phone number, public safety online portal, and "emergency" call line have all
9 failed when we needed them most: August 2021, February 22, 2023, and March 3, 2023.

10 **Q. Did you find DTE's communication system to be useful during the multi-day**
11 **outages in much of Ann Arbor in February and March of 2023?**

12 A. No. The website continually crashed, and the people answering their "fire priority" phone
13 number continued to not be able to provide arrival times for crews.

14 **Q. Did you find DTE's communication system to be useful during prior multi-day**
15 **outages in Ann Arbor, for instance those in August of 2021?**

16 A. No. The website continually crashed, and the people answering their "fire priority" phone
17 number continued to not be able to provide arrival times for crews.

18 **Q. Do you think DTE was aware of the August 2021 difficulties that its IT system**
19 **experienced?**

20 A. Yes. My department discussed that with DTE's representative.

21 **Q. Did DTE make any improvements to its storm response system between the August**
22 **2021 problems and the February storms in 2023, from what you could observe?**

23 A. The same issues encountered with the August 2021 event were experienced with the

1 February 2023 and March 2023 events.

2 **Q. How can DTE improve its response to large scale weather events?**

3 A. First, DTE should have IT infrastructure to allow for reporting of incidents that is robust
4 enough to not regularly and predictably crash during times of increased demand. Ideally,
5 this portal would have a map feature so responders could drop a “pin” to show a location.
6 It would also be ideal to show previous reported issues to eliminate duplicative reports
7 along with allowing fire departments to add information or updates.

8 Second, DTE could create an emergency management structure at the county or sub-
9 county level. One suggestion would be using the Michigan Mutual Aid Box Alarm
10 System geographic division structure. It appears DTE attempts to manage responses
11 system-wide, which has routinely failed. As DTE has crews available, these crews need
12 to receive triage direction from the fire departments. Based on direct experience in the
13 City of Ann Arbor, we found DTE crews addressing low priority incidents without any
14 input or direction from the fire department. The ability for fire departments to direct DTE
15 crews to priority incidents such as wires blocking roadways or wires on structures is
16 crucial.

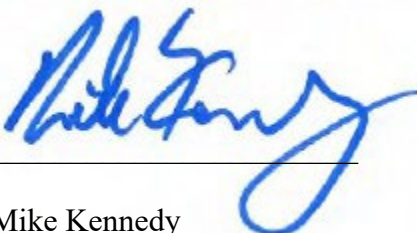
17 **Q. Does this conclude your direct testimony?**

18 A. Yes.

19 **Q. Do you swear under penalty of perjury that the statements above are true to the best**
20 **of your knowledge, information, and belief?**

21 A. Yes.

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Mike Kennedy

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the Application of **DTE
ELECTRIC COMPANY** for authority to
increase its rates, amend its rate schedules and
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accounting authority.

U-21297

ALJ Sharon L. Feldman

DIRECT TESTIMONY OF SKYE STEWART
ON BEHALF OF
THE CITY OF ANN ARBOR

June 13, 2023

I. INTRODUCTION AND QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Skye Stewart. I am the Chief of Staff for the Public Services Administration for the City of Ann Arbor, Michigan (“Ann Arbor” or “the City”). My office is located at 301 E. Huron Street, Ann Arbor, MI 48104.

Q. On whose behalf are you submitting your testimony in this proceeding?

A. My testimony is on behalf of the City of Ann Arbor.

Q. Have you previously testified before this Commission or in other proceedings?

A. No.

Q. What is your educational background?

A. I have a bachelor’s degree in political science and sociology from Birmingham-Southern College and a master of public policy and public administration from the Ford School of Public Policy at the University of Michigan.

Q. What is your professional background?

A. My career is in public administration. I spent eight years in the city government of Somerville, Massachusetts, including stints as chief of staff to the mayor, as the director of the Office of Innovation & Analytics, and as budget manager. I then served as a senior consultant to state and local governments at Guidehouse, before accepting in 2021 a position as the Chief of Staff for Public Services Administration at the City of Ann Arbor.

Q. Are you familiar with the City’s utility services and the City’s interactions with private utilities that use the City’s rights of way?

A. Yes. Those activities are largely within the public services administration, so as part of

1 my job I am familiar with and address issues related to use of the rights of way and the
2 provision of water, wastewater, and stormwater utility services by the City of Ann Arbor,
3 which involve underground infrastructure in the City's rights of way.

4 **Q. Are you testifying today as an expert witness, fact witness, or both?**

5 A. I am testifying in both capacities. I am an expert on public administration, including
6 budgeting and execution of public infrastructure projects for city utilities. I also am
7 presenting first-hand factual testimony related to specific interactions with DTE in my
8 current position.

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

10 A. The purpose of my testimony is to discuss the City's practices regarding coordination of
11 utility work in the rights of way and the reliability of the electrical grid in Ann Arbor.

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

13 A. Yes. I am sponsoring the following exhibits:

14 Exhibit A2-2 March 2023 Correspondence

15 Exhibit A2-3 Photo of Damage to City Sanitary Sewer Main

16 Exhibit A2-4 Cross Bore Repair Plan from DTE Gas

17 **II. DTE DOES NOT FOLLOW COORDINATION PROCEDURES THAT**
18 **OTHER UTILITIES DO**

19 **Q. In your experience working for the Public Services Administration, is it typical that**
20 **different public utility enterprises (e.g., water and wastewater) would coordinate**
21 **infrastructure projects that involve digging in the rights-of-way (i.e., roads or**
22 **sidewalks) in the City?**

23 A. Yes. As part of the City's annual capital projects planning process, staff identify the

1 infrastructure needs for each of the various public asset groups, including water,
2 wastewater, and stormwater utility infrastructure as well as the roads, sidewalks, bike
3 infrastructure, and traffic signals, etc. The individual projects of each asset group are
4 prioritized separately based on a variety of factors including system goals, asset
5 condition, risk of failure, and consequence of failure. Projects are then programmed (or
6 scheduled) in the Capital Improvements Plan (“CIP”) based on prioritization rankings,
7 budget availability, staff capacity, and coordination with other projects planned in the
8 same area.

9 **Q. In your experience, has the ability to coordinate with other projects in the same area**
10 **altered the City’s timeline for projects, such that they were done sooner or a bit**
11 **later to take advantage of that opportunity?**

12 A. Yes.

13 **Q. Why does the City make efforts to coordinate this work?**

14 A. We believe that coordinating projects whenever possible is the most efficient use of staff
15 time which results in cost savings for taxpayers and ratepayers of the utility services. It
16 also limits the disruption residents experience from the work. For example, one project
17 manager could manage a watermain replacement, a sanitary sewer replacement, and a
18 road reconstruction within a single project. The biggest cost savings comes from avoiding
19 digging up a road that has been recently resurfaced to do utility work. By coordinating
20 through the CIP planning process, the City has essentially eliminated these instances.

21 **Q. Does the City give DTE notice of plans to work in particular rights of way?**

22 A. Yes. The City’s CIP is a publicly available document that provides a six-year plan for
23 public infrastructure projects. As part of planning and designing specific projects in the

1 public rights of way, City project managers notify the various utilities that may be
2 impacted by the project. Depending on the project, this notification could happen
3 anywhere from six months to two years before construction begins. This is an opportunity
4 for utilities to make any moves, upgrades, or needed repairs before the City repaves the
5 road. Once the road has been resurfaced it goes on a Street Cut Moratorium list for a
6 period of time. This means private entities (including utilities) are generally prevented
7 from re-opening the same area except when the work is necessary for public safety.

8 **Q. Has DTE ever asked to coordinate a project such that its work is done at the same**
9 **time as the City's work to reduce costs?**

10 A. Not to my knowledge.

11 **Q. Do DTE Electric and DTE Gas coordinate their projects in Ann Arbor the same**
12 **way the City of Ann Arbor's water and wastewater utilities do?**

13 A. Not to my knowledge. DTE Gas has a lot of work going on in the City replacing
14 underground infrastructure, and DTE Electric has some areas with underground and some
15 areas with overhead infrastructure in the City, but the DTE entities do not appear to
16 coordinate their work.

17 **Q. How do you know such coordination does not take place between DTE entities?**

18 A. The permitting requests are made entirely separately, and the contractors are usually
19 different. Moreover, at times one DTE entity will damage the other DTE entity's
20 underground infrastructure, without the communicating company appearing to be aware
21 that its sister company was working in that right of way recently.

22 **Q. Do you have an example of a DTE entity damaging its sister entity's infrastructure**
23 **after uncoordinated projects?**

1 A. Yes. Exhibit A2-2 is a communication that the City received on March 14, 2023 (and the
2 subsequent responses), in the course of our administration of the rights of way, which we
3 received as part of our usual business practices. It was sent to the City by Sheryl Payne
4 of Property Damage Recovery Specialists on behalf of DTE Energy after DTE Electric
5 discovered damage to its underground community lighting infrastructure that it believed
6 might have been caused by another entity working in a particular area. As you can see
7 from the City's response, the entity that had been doing work in that particular right of
8 way was actually an underground contractor performing work on DTE's gas main
9 replacement project on behalf of DTE Gas Company.

10 **Q. What kind of information does the City require people working in the right of way**
11 **to supply?**

12 A. In order to get a permit to excavate in the City's right of way, we require a drawing
13 showing the location of planned work in relation to existing public utilities in the right of
14 way. We also ask for other relevant information about the proposed work like the method
15 of construction, the area of disturbance, and proof of insurance. Depending on the work, a
16 Traffic Control permit may also be necessary.

17 **Q. Why in your expert opinion does the City require right of way permits?**

18 A. The City is responsible for the care and maintenance of nearly all public infrastructure in
19 the public right of way including the drinking water distribution system and the sanitary
20 sewer collection system, both of which are critical to public health and safety. In order to
21 limit the risk of damage to these critical utilities, the City requires any private entity to
22 seek permission to occupy or excavate in the public right of way. We have had a number
23 of problems with underground infrastructure being damaged by private utilities in Ann

1 Arbor. The right of way permit attempts to prevent this from occurring by providing an
2 opportunity for City staff to review proposed work. We regularly document instances of
3 damages we find and as a matter of the regular course of business, consult our records of
4 what entity was permitted to be doing work in the area that may have caused the damage.
5 For instance, Exhibits A-3 and A-4 document an instance of a City sanitary sewer main
6 that has been pierced by a DTE gas line (known as a cross bore). In this example, we
7 were able to identify the contractor that pierced our infrastructure by reviewing the right
8 of way permit documentation.

9 **Q. Have City contractors ever damaged a privately-owned utility infrastructure in the**
10 **course of their work for the City's utilities?**

11 A. Yes.

12 **III. DTE'S RELIABILITY IS UNACCEPTABLE**

13 **Q. Do you believe DTE provides an acceptable level of reliability to Ann Arbor and its**
14 **residents?**

15 A. No.

16 **Q. In the nearly eight years you worked for the City of Somerville, Massachusetts, did**
17 **the City of Somerville ever experience multi-day electrical outages?**

18 A. No.

19 **Q. Does this conclude your direct testimony?**

20 A. Yes.

21 **Q. Do you swear under penalty of perjury that the statements above are true to the best**
22 **of your knowledge, information, and belief?**

23 A. Yes.

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Skye Stewart

Skye Stewart

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the Application of **DTE
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U-21297

ALJ Sharon L. Feldman

DIRECT TESTIMONY OF DR. MELISSA STULTS
ON BEHALF OF
THE CITY OF ANN ARBOR

June 13, 2023

1 **I. INTRODUCTION AND QUALIFICATIONS**

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

3 A. My name is Dr. Melissa Stults. I am the Sustainability and Innovations Director for the
4 City of Ann Arbor, Michigan (“Ann Arbor” or “the City”). My office is located at 301 E.
5 Huron Street, Ann Arbor, MI 48104.

6 **Q. Please describe your educational background and professional experience.**

7 A. I hold a dual doctoral degree of urban resilience from the University of Michigan. This
8 degree is from Urban and Regional Planning and from the former School of Natural
9 Resources and the Environment, now known as the School for the Environment and
10 Sustainability (“SEAS”). I also hold a master’s degree in Climate and Society from
11 Columbia University and bachelor’s degrees in Marine Biology and Environmental
12 Sciences from the University of New England.

13 Professionally, I have spent the last 18 years working directly with local and regional
14 governments, as well as indigenous populations, to advance climate and sustainability
15 actions. This has included work in nonprofits, for profits, academic institutions,
16 philanthropic organizations, and local government. In this work, I have focused on
17 translating complex scientific information into useful, usable, and understandable pieces
18 of knowledge that can inform decision-making across scales (i.e., local, regional,
19 statewide) and sectors (i.e., built, natural, social, cultural, economic). I have been the City
20 of Ann Arbor’s head of Sustainability and Innovations for approximately five years but
21 have worked on sustainability and climate-related activities in Ann Arbor since moving
22 to the City in 2012.

1 **Q. On whose behalf are you submitting your testimony in this proceeding?**

2 A. My testimony is on behalf of the City of Ann Arbor.

3 **Q. Have you previously testified before this Commission or as an expert in other**
4 **proceedings?**

5 A. Yes. I provided testimony in Case Nos. U-20471, U-20836, and U-21172.

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

7 A. The purpose of my testimony is to:

- 8 • Refute the claim that a higher return on equity (“ROE”) is necessary by directing the
9 Commission to a history of DTE Electric Company (“DTE” or “the Company”) witnesses
10 stating that higher ROEs are necessary to address risk and meet average rate of
11 shareholder returns, despite not receiving those ROEs and the Company still providing
12 record setting profits for shareholders.
- 13 • Raise serious concerns about the unreliability of DTE’s services and how this history of
14 unreliability speaks to why the Company’s requested rate increase should be denied.
- 15 • Raise concerns regarding the inconsistent reporting of outages that has led to confusion
16 and sometimes dangerous safety situations for residents.
- 17 • Address the importance of the 4.8kV conversion but urge caution in allowable expenses.
- 18 • Argue for rejection of the proposed rate increase.

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

20 A. Yes. I am sponsoring the following exhibits:

21 Exhibit A2-5 Dr. Melissa Stults CV

22 Exhibit A2-6 Fitch Rating Action Commentary, February 27, 2023

23 Exhibit A2-7 Fitch Rating Action Commentary, November 7, 2022

1	Exhibit A2-8	Direct Testimony of Dr. Bente Villadsen, Case No. U-
2		20836
3		
4	Exhibit A2-9	Excerpt of Slide Presentation of DTE Energy Company
5		dated April 27, 2023 (Exhibit to 8-K Filing)
6		
7	Exhibit A2-10	Excerpt 1 of Slide Presentation of DTE Energy Company
8		dated February 23, 2023 (Exhibit to 8-K Filing)
9		
10	Exhibit A2-11	Fitch Rating Action Commentary, October 8, 2021
11		
12	Exhibit A2-12	Direct Testimony of Dr. Bente Villadsen, Case No. U-
13		20561
14	Exhibit A2-13	Excerpt of Slide Presentation of DTE Energy Company
15		dated August 20, 2020 (Exhibit to 8-K Filing)
16		
17	Exhibit A2-14	Fitch Rating Action Commentary, October 18, 2019
18		
19	Exhibit A2-15	Direct Testimony of Michael J. Vilbert, Case No. U-20162
20		
21	Exhibit A2-16	Excerpt of Slide Presentation of DTE Energy Company
22		dated July 24, 2019 (Exhibit to 8-K Filing)
23	Exhibit A2-17	Fitch Rating Action Commentary, April 15, 2020
24		
25	Exhibit A2-18	Discovery Response MAUIDE-6.3
26		
27	Exhibit A2-19	Discovery Response MAUIDE-6.2
28		
29	Exhibit A2-20	Discovery Response MAUIDE-6.1
30		
31	Exhibit A2-21	IEEE Benchmark Year 2022 Results for 2021 Data dated
32		July 20, 2022
33	Exhibit A2-22	Discovery Response MAUIDE-6.4
34		
35	Exhibit A2-23	Discovery Response MAUIDE-8.1
	Exhibit A2-24	Discovery Response MAUIDE-5.1
	Exhibit A2-25	Excerpt 2 of Slide Presentation of DTE Energy Company
		dated February 23, 2023 (Exhibit to 8-K Filing)

1	Exhibit A2-26	Excerpt of Slide Presentation of DTE Energy Company
2		dated May 21-23, 2023 (Exhibit to 8-K Filing)
3		
4	Exhibit A2-27	Direct Testimony of Thomas Lyon, Case No. U-20836
5	Exhibit A2-28	Discovery Response AADE-1.4a
6	Exhibit A2-29	Attachment to Discovery Response AADE-3.1: AADE-3.1-
7		01 Map of Ann Arbor Voltages

8 **II. DTE’S REQUESTED RETURN ON EQUITY IS UNSUPPORTABLY HIGH**

9 **Q. What ROE is DTE seeking in this case?**

10 A. It is seeking an increase in its ROE from 9.9% to 10.25%. Direct Testimony of B.
11 Villadsen, at 6.

12 **Q. What does DTE’s witness state regarding the recommended ROE in this case?**

13 A. DTE witness Villadsen states that an ROE of 10.25% is “conservative” and is an
14 “average of the midpoints” of the reasonable range. Direct Testimony of B. Villadsen, at
15 6. Villadsen says that DTE Electric has a higher business risk than comparable utilities.

16 **Q. One of the risks Villadsen cites is a “potential for a drop in customer demand due to**
17 **customer choice.” Is there such potential?**

18 A. No. DTE’s electric choice has been at the cap of 10% for more than a decade. Thus, the
19 “lost customer demand” Villadsen referenced was experienced some time ago and
20 presents no future risk. Moreover, Michigan’s current energy law (passed in 2016)
21 provides that if at any point fewer than 10% of customers wish to get their power from an
22 alternative provider, the “choice” cap will lower to match that reduced customer demand
23 level. MCL 460.10a(c). Thus, it is legally impossible for lost customer demand due to
24 customer choice to be a noticeable risk for the Company’s performance.

25 **Q. Have you reviewed publicly available statements by Fitch Ratings, a financial**

1 **ratings agency, stating its views over time about the current and historical MPSC-**
2 **approved ROE for DTE?**

3 A. Yes. I have reviewed statements Fitch Ratings made regarding the approved ROEs. I
4 have also reviewed some statements about DTE by another rating service, Moody's
5 Investors Service, that did not explicitly discuss the approved ROEs but listed a bond
6 rating for the Company.

7 **Q. What does Fitch state it expects to happen in this rate case regarding the ROE?**

8 A. Fitch stated on February 27 of this year that it expects ROEs for DTE Electric will be "in
9 line with the currently approved" rate going forward, and affirmed its view of Michigan's
10 regulatory environment as constructive. See Exhibit A2-6.

11 **Q. Following the Commission's decision in the 2022 rate case (U-20863) for DTE, what**
12 **did the rating agency Fitch state regarding the approved ROE of 9.9%?**

13 A. Fitch stated: "The Michigan regulatory environment remains constructive from a credit
14 perspective, evidenced by approved authorized ROEs of 9.9% for DTEE and DTEG
15 which are above industry averages for electric and gas utilities. [...] Fitch believes recent
16 rate orders are constructive and supportive of current credit ratings and significant capital
17 investment." See Exhibit A2-7.

18 **Q. What did DTE's witness in the 2022 rate case state regarding return on equity**
19 **regarding the recommended ROE in U-20863?**

20 A. Witness Villadsen recommended an ROE of 10.25% and characterized that as "near the
21 average of the midpoints of the reasonable range." See Exhibit A2-8, at 6.

22 **Q. Did Villadsen address that the recommended ROE was above industry averages for**
23 **electric utilities?**

1 A. Yes. Villadsen said DTE Electric has higher business risk than the comparable electric
2 utilities. See Exhibit A2-8, at 7. This claim was made, in part, due to what witness
3 Villadsen cited as “potential for a drop in customer demand due to customer choice,”
4 which I refuted above and which does not track with DTE’s higher than expected rate of
5 shareholder returns.

6 **Q. How do DTE’s shareholder returns compare to other utilities?**

7 A. According to DTE, DTE delivers “premium shareholder returns.” See Exhibit A2-9, slide
8 4. This year marks the 14th consecutive annual increase in its cash dividend, and it is
9 experiencing growth “above the Midwest pure-play utility peer average over the last 10
10 years.” See Exhibit A2-10, slide 13.

11 **Q. Did an ROE of 9.9%, which was lower than Villadsen’s 10.25% recommendation,**
12 **appear to negatively affect DTE’s bond ratings in previous years?**

13 A. No. Neither Fitch nor Moody’s changed DTE’s bond ratings between 2021 and 2023.

14 **Q. With the benefit of hindsight, do you think DTE’s testimony arguing DTE would**
15 **need a 10.25% ROE to allow for sufficient capital access was correct?**

16 A. No. Bond ratings were stable and DTE was able to deliver a premium to shareholders
17 and show greater growth than peer utilities in 2023, even though the Commission
18 authorized a 9.9% ROE that was below the 10.25% the Company witness Villadsen
19 recommended.

20 **Q. What did Fitch say in 2021 about the approved 9.9% ROE for DTE?**

21 A. Fitch noted that the MPSC approved authorized ROE of 9.9% was “above industry
22 averages.” Exhibit A2-11.

23 **Q. What did DTE’s witness in U-20561 (the 2019-2020 rate case) say regarding the**

1 **ROE?**

2 A. DTE's witness testimony, again from Villadsen, supported a 10.5% ROE, and listed the
3 range of average reasonable ranges of 9.4%-10.5%. See Exhibit A2-12, at 5-6.

4 **Q. Did Villadsen explain why the recommended ROE was at the top end of her own**
5 **reported range of "average" in U-20561?**

6 A. She discussed the dependence of DTE's service territory on the auto industry and
7 indicated that some challenges in the City of Detroit specifically meant DTE had a larger
8 risk than other utilities of not being able to achieve its approved return.

9 **Q. Was DTE able to consistently earn its authorized ROE despite these so called**
10 **"risks"?**

11 A. Yes, according to DTE. It noted it was in the top of 5 tiers of utilities that were able to
12 consistently earn its authorized ROE. See Exhibit A2-13, slide 6. DTE noted it achieved
13 this in part by having operation and maintenance costs go up at half the rate year-over-
14 year of its peer utilities. See Exhibit A2-13, slide 5.

15 **Q. How did DTE's shareholder returns compare to other utilities in 2020?**

16 A. According to DTE, total shareholder return was "well above industry average," and had
17 been above average for at least 15 years. See Exhibit A2-13, slide 7.

18 **Q. Did an ROE of 9.9%, which was lower than Villadsen's 10.5% recommendation,**
19 **appear to negatively affect DTE's bond ratings in 2021?**

20 A. No. Neither Moody's nor Fitch has changed DTE's bond ratings after 2020.

21 **Q. With the benefit of hindsight, do you think DTE's testimony in 2019 arguing DTE**
22 **would need a 10.5% ROE to allow for sufficient capital access was correct?**

23 A. No. Bond ratings were stable and DTE was able to provide shareholder returns that were

1 well-above industry averages, even though the Commission authorized a 9.9% ROE that
2 was substantially below the 10.5% the Company witness Villadsen recommended. That
3 said, it is possible that had the Company chosen to invest in operations and maintenance
4 at a similar rate to its peer utilities, its shareholder returns might have been closer to
5 average as well, but not lower than average.

6 **Q. What did Fitch say in 2019 about the approved ROE for DTE?**

7 A. Fitch noted that the MPSC approved ROE of 10% was “above industry averages.”
8 Exhibit A2-14, at 3.

9 **Q. What did DTE’s witness in U-20162 (the 2018-2019 rate case) say regarding the**
10 **ROE?**

11 A. DTE’s witness testimony from Michael Vilbert supported a 10.5% ROE, and presented a
12 model that suggested an average utility rate would be 10.3%. He argued DTE presented
13 a higher than average risk to investors for under-recovery than some peers. Exhibit A2-
14 15, at 30, 62.

15 **Q. How did DTE’s shareholder returns compare to other utilities in 2019?**

16 A. According to DTE, annual shareholder return outperformed the S&P 500 Utilities. See
17 Exhibit 16, slide 9.

18 **Q. Did an ROE of 10%, which was lower than Vilbert’s 10.5% recommendation,**
19 **appear to negatively affect DTE’s bond ratings?**

20 A. No. Moody’s did not alter DTE’s rating of Aa3. While Fitch lowered the Company’s
21 rating from BBB+ to BBB in 2020, this was attributed to changes in gas asset
22 investments, not the electric company’s performance. See Exhibit A2-17.

23 **Q. With the benefit of hindsight, do you think DTE’s testimony in U-20162 arguing**

1 **DTE would need a 10.5% ROE to allow for sufficient capital access was correct?**

2 A. No. As was true in later cases as well, DTE was able to deliver above-average stock
3 performance compared to other utilities and the electric company ROE was a positive,
4 not a negative, factor in its bond ratings.

5 **Q. To summarize, in your review, did Fitch characterize every approved ROE for DTE**
6 **since 2018 as “above average”?**

7 A. Yes.

8 **Q. In your review, did DTE witnesses consistently argue for ROEs that exceeded those**
9 **approved?**

10 A. Yes.

11 **Q. In your review, were DTE’s bond ratings negatively impacted by the Commission’s**
12 **decision to grant a lower ROE than DTE witnesses recommended?**

13 A. No. The bond ratings were essentially unchanged.

14 **Q. In your review, did the Company report to shareholders that it was negatively**
15 **impacted by the risks cited by DTE witnesses or by the Commission’s failure to**
16 **approve the ROE recommended by its witnesses?**

17 A. No. The Company said it was more likely than its peers to earn its approved return and
18 generally delivered outperformance of peers with regard to stock prices.

19 **Q. Are you an expert in setting a utility’s ROE?**

20 A. No. My testimony above is simply a summary of publicly available information to
21 investors regarding the Company’s approved ROE and attractiveness of its stocks and
22 bonds in an effort to determine whether, with the benefit of hindsight, the Company’s
23 witnesses were correct about the effect of adopting a particular ROE. This analysis

necessarily relies on the expertise and truthfulness of the documents' authors. This review also challenges the overall accuracy of claims made by the Company through their witnesses that higher ROEs are critical for the Company's ability to earn a fair return. Moreover, given the severity of penalties that accrue to material misstatements in SEC filings, I believe DTE's statements regarding its stock overperformance have a high degree of credibility. See Direct Testimony of MI-MAUI witness J. Spiegel.

Q. What does this review of DTE's history of testimony on ROE, given post-decision statements, suggest to you about Villadsen's testimony in this case?

A. DTE witnesses, including Villadsen, consistently predict a higher level of what is an "average" return on equity than rating agencies later describe. Witnesses also focus on possible risks (including one risk that is impossible), rather than the Company's long history of overperformance for shareholders compared to other utilities and its consistent history of earning its ROE. To me, this history is proof that a lower ROE would still allow the Company to mitigate risk and provide an opportunity for reasonable shareholder returns. Villadsen's testimony therefore should be given little weight.

III. DTE'S RELIABILITY IS UNACCEPTABLE

Q. Do you believe DTE provides an acceptable level of reliability to Ann Arbor and its residents?

A. No.

Q. Can you provide some examples of DTE's lack of reliability in recent years?

A. Yes. The following is not an all-inclusive list but is indicative of the types of reliability challenges that Ann Arbor businesses and residents regularly experience.

- After the storm in August 2022 thousands of Ann Arborites were once again without

1 power. This was right on the heels of the Company requesting an 8.8% rate increase.

2 Downed lines from this event led to the electrocution of a 14-year-old girl, wounded an
3 8-year-old boy, and set a house on fire. Residents experienced spoiled food but
4 thankfully, temperatures stayed in the upper 70s, avoiding a potential public health
5 disaster.

- 6 • Ice storms on February 22, 2023 caused significant damage throughout Ann Arbor, with
7 60% of residents and businesses without power during the height of the storm.

8 Transformers across the City blew, sending sparks and flames into the air. It took 7+ days
9 for some residents to have their power restored. This outage resulted in City staff
10 standing up an emergency resilience hub at Northside Community Center, working with
11 Ann Arbor District Libraries on warming shelters, and the redirection of a significant
12 quantity of staff time to help residents stay safe. We calculated hundreds of thousands of
13 dollars (estimated at nearly \$700,000) in lost opportunity costs just from the City of Ann
14 Arbor staff that had to be redirected to respond. The impacts from this event were far
15 reaching – placing residents in very dangerous situations (e.g., indoor air temperatures
16 plummeting to 40 degrees Fahrenheit and lower for extended periods, individuals without
17 access to medical devices). These impacts were exacerbated by the failure of DTE's
18 communication system during this time. See Direct Testimony of M. Kennedy for more
19 details.

- 20 • A snow event on March 3, 2023 once again knocked power out for thousands. This event
21 led to another health crisis, with residents across the City reporting dangerous conditions
22 and significant damage, including blown sump pumps, basement flooding, lost food, and
23 dangerous indoor temperatures. These impacts were exacerbated by the continued failure

1 of DTE's communication system during this time. See Direct Testimony of M. Kennedy
2 for more details.

- 3 • Regular power surges across DTE's network, resulting in hundreds of thousands of
4 dollars in damage to area residents. These events happen so frequently across the DTE
5 network that the City is beginning to see residents investing in whole home surge
6 protectors. Yet, as we saw in the May 2023 event, even whole home surge protectors
7 cannot protect residents from voltage issues on certain segments of the DTE system.
8 These voltage issues are a recurring problem on DTE's system.
- 9 • Significant voltage damage in May 2023 affecting at least 100 households. This event
10 took place on May 30th and led to hundreds of thousands of dollars in damage to
11 household appliances, including solar systems, heat pumps, stoves, and more. The
12 voltage surge even took out multiple whole home surge protectors. Residents were very
13 upset by this. I summarize below some of the stories residents shared with me to indicate
14 their level of frustration¹:

- 15 ○ "Our household lost or has to repair: dishwasher, washing machine, ceiling fan,
16 coffee pot, dehumidifier, and toaster oven." - Jenny

- 17 ○ "We have a whole home surge protector installed, which got fried as part of the
18 surge. In addition, we lost both of our two HVAC systems (geothermal and mini
19 splits), our EV charger, our solar array, and took a number of more minor hits.

20 What seems particularly shocking to me, is that with the entire upgrades that they

¹ I have not personally verified these statements and they are not offered for the purpose of proving what residents say is true; rather, they are offered as insight into the state of mind of Ann Arbor residents when it comes to their electrical service reliability.

1 have done, there seems to have been no grid surge suppression that would have
2 prevented the main lines from blitzing 100 households...” – Josh

- 3 ○ “Between 6/10/2020 and 12/12/2021 we had a total of 13 outages (DTE actually
4 registers this as 18 official outages, but there is overlap on some of them) for
5 338.75 hours, an average of 26 hours each time. Over that 551 day span our
6 power was out for a full 14 days (a full 2.5% of the time). At one point the power
7 lines in my backyard were on fire and DTE didn’t even send someone to look for
8 more than 12 hours even while they actively burned.” – John

- 9 ○ “At our Ann Arbor locations (*omitted*) we have been facing power outages every
10 other week it seems. We have back-up diesel generators that kick on
11 automatically, but the lights and all our temperature monitoring equipment will
12 turn off momentarily and then flash back a few seconds later. We have noticed
13 that this coincides with our temperature monitoring equipment’s battery frying.
14 This has happened at least 7 times that I can count, and it renders the monitor
15 useless, and the battery ends up puffy, which the electrical engineer on my team
16 suggests is a massive fire risk. This equipment isn’t cheap, each of these monitors
17 costs ~\$400 and the attached probe costs about the same. We have 92
18 temperature-monitored points on-site- a combination of temperature-controlled
19 production spaces, fridges, freezers and deep-freezers for various primers,
20 samples, and reagents. We also have supplies and samples that require
21 refrigeration that are in danger every time we lose power – and these materials are
22 worth upwards of \$5 million. Both power outages and frequent surges are very
23 serious impacts for our business.” - Blake

- 1 ○ “On the 5/30 outage, I sustained the following damages: two garage door openers,
2 oven hood, refrigerator, furnace, ceiling light/fan, at least one outlet...I have
3 started a claim through my home owner’s insurance, which will cost \$1,000 for
4 my deductible and also requires me to pay up front for three separate claims,
5 tradespersons, and replacement items, not to mention scheduling and rearranging
6 work for the diagnostic visits, follow-up repair visits, and delivery visits.” – Marie
7 ○ “The damages from the most recent power surge has personally damaged a ceiling
8 fan, microwave, 2 desktop fans, 4 dewalt battery charges, 1 dewalt battery, and 1
9 dewalt battery...I have lived all over the US in my 44 years of life and I have
10 never had as many power problems as I have had in the last 8 years here in Ann
11 Arbor.” – James

12 **Q. How has DTE responded to customer concerns that their grid caused the voltage**
13 **damage in May of 2023?**

14 **A.** Following this event, a DTE spokesperson called me to ask me to remove a NextDoor
15 post I provided indicating how people could file a complaint regarding a voltage issue
16 directly to DTE. The DTE representative claimed that “filing a complaint would only
17 lead to more frustration from individuals,” as DTE would not likely be offering any
18 compensation for losses.

19 **Q. Did DTE respond to questions inquiring about whether it considers its reliability to**
20 **be adequate?**

21 **A.** No, not in any meaningful way. DTE objected to MI-MAUI’s discovery request asking
22 whether the Company considers the electric reliability it delivered in 2022 to be adequate,
23 and further responded: “the Company continually strives to improve reliability for its

1 customers.” Exhibit A2-18. From public statements made by DTE spokespeople,
2 however, it appears that when events happen, the utility blames the weather, failing to
3 accept its responsibility in properly preparing for and building resilience to weather-
4 related events.

5 **Q. Do you find DTE’s commitment to improving reliability in the wake of recent**
6 **storms adequate?**

7 A. No. If anything, recent communications by the Company have me concerned DTE will
8 continue its past history of missing its own tree-trimming targets, skimping on operation
9 and maintenance, and providing poor customer service. And, if it holds true to what it
10 told shareholders in a meeting earlier this year, the Company *is* planning to do these
11 things, which will reduce reliability further, in order to ensure a higher rate of return for
12 shareholders.

13 **Q. Can you give me an example of communications that lead you to believe DTE is not**
14 **sufficiently prioritizing reliability?**

15 A. One example is an e-mail communication that was sent to Washtenaw County residents
16 on May 13, 2023 with the subject line “Did you know that DTE keeps the power flowing
17 99.9% of the time?” See Exhibit A2-19. DTE also noted in discovery that because on
18 average in 2022 customers were without power for 584 out of 525,600 minutes, the
19 99.9% figure was accurate. See Exhibit A2-20. What concerns me about this is it shows
20 DTE thinks customers on average losing power for almost 10 hours is something to
21 advertise and promote as an example of good service, even though that figure puts them
22 near the bottom of national averages. See Exhibit A2-21. The Company also chose to
23 advertise the 99.9% figure after having more than a quarter of a million people without

1 power for more than 24 hours in 2022 and already in 2023, just over 380K lost power for
2 more than 24 hours (as of May 18). See Exhibit A2-22. This and other communications
3 described in this testimony lead me to fear the Company is not responding with the
4 necessary seriousness to the current reliability challenges.

5 **Q. Can you give me an example of other communications that lead you to believe DTE**
6 **is not sufficiently focused on improving reliability?**

7 A. Yes. An obvious example is found in DTE's streetlighting proposals in this case. DTE's
8 expenditures in 2021-2022 show a reduction in "preventative maintenance" to levels
9 lower than that in 2018 – and a more than 30% reduction year over year. Exhibit A2-23.
10 "Outage restoration" costs, on the other hand, have more than doubled since 2018. Id.
11 Yet in 2024, DTE projects that despite deep cuts in preventative maintenance in 2021 and
12 2022, its outage restoration costs will drop by 25% from this year's levels. In response to
13 discovery seeking to identify what activities in "preventative maintenance" do not help
14 prevent outages, DTE identified only some painting. See Exhibit A2-24.
15 This current example of the seeming disassociation of maintenance and repair costs at
16 DTE sounds eerily like the DTE of August 20, 2020, which took pains to emphasize its
17 lower O&M spending increases year after year compared to its peers – though it did not
18 discuss why its reliability failed to keep pace with those peers. This is also similar to
19 what DTE told investors on February 23, 2023, where it highlighted its strategy of
20 "deferring maintenance work" – a step it claimed would not impact reliability. See
21 Exhibit A2-25, slide 11. Only a few months later, DTE was telling its investors that it
22 planned to "*continue* preventative maintenance" as part of its strategy. See Exhibit A2-
23 26, slide 7 (emphasis added). This leads me to believe DTE plans to continue its long

1 pattern of skimping on maintenance, without recognizing that maintenance levels and
2 reliability are directly related.

3 **Q. In the last rate case, Ann Arbor resident Thomas Lyon presented testimony about**
4 **the voltage issues he had personally experienced, the difficulty getting DTE to**
5 **respond to his concerns, and the moral hazard presented by DTE's non-regulated**
6 **side offering a "voltage protection plan." Are you familiar with this testimony?**

7 A. Yes. I have attached it as Exhibit A2-27.

8 **Q. Are individual residents in Ann Arbor continuing to experience voltage issues?**

9 A. Yes. Please see some of the examples noted above.

10 **Q. Do you believe the ability of the Company to profit from poor voltage reliability via**
11 **the Surge Protection Program continues to create an incentive for the Company to**
12 **take steps to prevent large and prolonged voltage fluctuations on its grid?**

13 A. No. There is a direct disconnect and lack of accountability because of the Surge
14 Protection Program. This program allows the Company to sell a product to individuals to
15 protect them from DTE. Put another way, DTE is allowed to continue offering
16 substandard power quality to residents AND make a profit off of that substandard power
17 quality by selling individuals a surge protection program. Instead of profiting from this
18 program, Ann Arbor strongly believes DTE should be investing resources in preventing
19 the problem, thereby ameliorating the need for the Surge Protection Program all together.

20 **IV. DTE'S REPORTING OF OUTAGES IS INCONSISTENT AND CONFUSING**
21 **FOR CUSTOMERS**
22

23 **Q. During the February and March 2023 storms, did a large number of Ann Arborites**
24 **contact City staff or elected officials to discuss electric reliability?**

1 A. Yes. In my position, I either handled these calls personally or discussed them with
2 elected officials or members of my staff.

3 **Q. Did some of the people contacting you complain that DTE's public statements and**
4 **online updates regarding the number of outages were inconsistent?**

5 A. Yes. In particular, the outage map showed a much larger number of outages overall
6 when aggregated than the count of outages on another portion of DTE's website.
7 Because the video that users were prompted to watch each time they opened the DTE
8 outage map said the outage map showed the "exact number" of outages, residents
9 believed DTE's outage numbers were larger than the Company was generally saying in
10 the press. The Company's explanations to the press on the topic were confusing and
11 seemed at times to be contradictory.

12 **Q. Do you now have a clearer understanding of both the discrepancy between the**
13 **outage map and the announced total outages?**

14 A. Yes. In discovery DTE admitted the video accompanying the map was inaccurate and
15 indicated that the Company intends to re-record it to improve its accuracy. See Exhibit
16 A2-28. The Company stated that the map contained predicted as well as confirmed
17 outages. DTE thus believes the map to be the less accurate source of outage information.

18 **Q. DTE upgraded the outage map between the August 2022 multi-day outages in Ann**
19 **Arbor and the February 2023 multi-day outages in Ann Arbor. Did residents prefer**
20 **the updated version?**

21 A. Residents who contacted me generally expressed a preference for the prior map, where
22 affected areas were color-coded.

23 **Q. Why is this issue of outage status communication important to the City?**

1 A. The most important communication many residents will ever receive from DTE is when
2 their power will come back on, and in the meantime, places that have power that they can
3 go to. When those communications are not clear and consistent, or these fundamental
4 pieces of information are difficult to locate or are inaccurate, customer frustration
5 escalates quickly, and safety becomes a serious concern. Residents often assume we, as
6 local government leaders, have better information about this than they do, although that is
7 rarely the case. Thus, poor communication on the utility's part often leads to increased
8 work by local government officials who are already strained in responding to these
9 outages.

10 V. **DISTRIBUTION SYSTEM INVESTMENTS ARE NEEDED BUT THE**
11 **COMMISSION SHOULD NOT APPROVE MANY PROPOSED EXPENSES**
12 **RELATED TO THESE EFFORTS UNTIL DTE FOLLOWS NORMAL**
13 **UTILITY PRACTICES TO INCREASE EFFICIENCY AND REDUCE COSTS**

14 Q. Are there areas of agreement between you and DTE about efforts to improve the
15 safety and reliability of the distribution system that you support?

16 A. Yes. I agree with the Company that investment in the grid is badly needed. I believe we
17 agree on at least the following three fundamental tenets underlying the proposed
18 distribution expenditures:

- 19 a) the Company needs to continue the investments needed to hit the 5-year tree
20 trimming cycle;
- 21 b) the 4.8kV system in Ann Arbor (and other areas) will need to be upgraded to
22 13.2kV, both to improve reliability under current loads and to handle the
23 increased load expected with EV adoption and increased electrification; and
- 24 c) the removal of arc wire in Detroit should remain a priority and those efforts

1 should proceed on schedule.

2 **Q. What analysis do you believe DTE has not undertaken that could reduce overall**
3 **costs to improving the distribution system?**

4 A. DTE has not undertaken – or in some cases actively resists -- adopting three best
5 practices that could reduce costs of improving the reliability and capabilities of its
6 distribution grid.

7 a) **Coordinate Internally.** It is normal for utilities to coordinate infrastructure
8 projects between different utility services (e.g. water and wastewater) to increase
9 efficiencies, reduce damage, and limit the burden to the public, as witnesses J.
10 Breuckman, J. Krizan, and S. Stewart all state. DTE Electric and DTE Gas do not
11 appear to follow this standard practice. This drives up the costs for improving
12 infrastructure. Such high costs are likely to be especially acute in communities
13 like Ann Arbor, where DTE provides both the fossil gas service² in antiquated
14 pipes that it is in the process of replacing and which is largely served by the DTE
15 electrical 4.8kV system. See Exhibit A2-29. This abnormal and unreasonable lack
16 of coordination by DTE entities drives up costs for both DTE Gas and DTE
17 Electric – costs which are passed on to ratepayers.

18 b) **Coordinate with Local Governments.** Just as DTE could unlock benefits by
19 coordinating with itself, there are similar benefits from cooperating with utilities
20 DTE doesn't own. DTE does not seek to partner with local governments in
21 infrastructure projects, and in the last year alone, has not responded positively

² The current franchise expires in early 2027.

1 when approached by local governments, including Ann Arbor, about such
2 opportunities. As an example, when one community sought to partner with DTE
3 to underground a particularly troublesome circuit during a utility project planned
4 in the area, the Company told the government (incorrectly) that its tariff prevents
5 it from placing infrastructure in the right-of-way. See Exhibit MAU-2 sponsored
6 by J. Breuckman. The City of Ann Arbor has regularly notified DTE years in
7 advance of planned work and sought additional information regarding utility
8 plans, but the Company has never responded with an attempt to coordinate those
9 projects. I still believe it is highly likely that coordination of infrastructure
10 projects with local governments would increase project efficiencies and reduce
11 damage costs if the Company were open to doing so.

12 c) **Exploration of Relocation of Existing Infrastructure.** As DTE has previously
13 stated in testimony, portions of its distribution system are overbuilt because it is
14 serving approximately the same overall population as in decades past, but that
15 population is spread over a larger area. See Exhibit A2-12, at 64. DTE does not
16 appear to have analyzed whether it can (as part of this major conversion effort)
17 “right size” its system to allow the re-use of components from overbuilt areas in
18 underbuilt areas (e.g. areas like Ann Arbor where the grid’s current load often
19 results in transformers operating above their design limit).

20 **Q. Given your agreement with distribution investment in three key areas, but your**
21 **concerns that DTE’s revenue requirements were developed without incorporating**
22 **efficiencies that are normally employed by utilities, how do you propose the**
23 **Commission approach the approval of distribution dollars?**

1 A. I believe that tree-trimming programs should be approved, and investments accelerated to
2 their maximum reasonable and prudent level. However, I believe the Commission should
3 create a tracker to confirm that revenues approved for that program are actually spent on
4 that program, and the Commission should be on alert when reviewing those expenses to
5 confirm that tree-trimming that would have been under an O&M budget if performed on
6 schedule is not capitalized because it instead occurred as part of storm response. I would
7 also reduce the Company's revenue requirement by the amount of any capital expenses
8 from tree trimming that would not have been capitalized if performed on schedule.

9 I support purchasing of transformers for deployment throughout the DTE territory as
10 necessary, given the large number in DTE's system that are operating above their design
11 limitation. That support is made based on the following assumptions:

- 12 a) DTE will analyze the existing landscape of transformer distribution and create
13 a plan to "right-size" its equipment, including moving underused equipment to
14 areas in need of upgrades;
- 15 b) transformer upgrades remain a necessary part of any 13.2 kV conversion;
- 16 c) transformer upgrades would be needed whether circuits were left overhead or
17 moved underground;
- 18 d) the supply chain for transformers is long so any "pause" in ordering could
19 significantly delay needed improvements;
- 20 e) approximately one-fifth of DTE's transformers are operating above their
21 design limits; and
- 22 f) transformers have been identified as key infrastructure that can be strained by
23 EV adoption.

1 Finally, I believe that efforts to safely remove arc wire in Detroit, and where necessary
2 install new cross-arms to stabilize the poles, should continue on at least the current
3 schedule, and I could support an acceleration of that program. But proposals to go
4 beyond that and begin work for an overhead 13.2kV conversion should not be approved
5 until the Company can demonstrate it has coordinated with the City's other utility
6 providers – beginning with DTE Gas and certainly including DWSD and GLWA – to
7 identify opportunities for collaboration to drive down costs and identify undergrounding
8 or right-sizing opportunities.

9 **Q. Given your testimony and the testimony of others in the City of Ann Arbor, do you**
10 **believe the Commission should approve DTE's requested rate increase?**

11 A. No. I do not believe the Commission should approve DTE's requested rate increase, in
12 part because many of the investments projected to occur are unlikely to occur, based on
13 DTE's prior track record of insufficient maintenance and communications to shareholders
14 regarding that maintenance, making the request for such approval unreasonable. I believe
15 the Commission should require justification of expenses in a way that both requires the
16 Company to use normal coordination practices to gain efficiencies and demonstrate to the
17 Commission and rate payers that it is using the dollars it has been given for the actual
18 purposes for which it requested funding (e.g., tree trimming dollars going to tree
19 trimming). Additionally, the ROE should reflect the opportunity to earn normal
20 shareholder returns (as opposed to above average returns as has been the case for many
21 years). Only if the Company could meet these requirements would I entertain a
22 discussion on a rate increase.

1 **Q. Does this conclude your direct testimony?**

2 A. Yes.

3 **Q. Do you swear under penalty of perjury that the statements above are true to the best**
4 **of your knowledge, information, and belief?**

5 A. Yes.

 _____
Melissa Stults