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April 24, 2024

Lisa Felice  
Executive Secretary  
Michigan Public Service Commission  
7109 West Saginaw Highway  
Lansing, MI 48917

RE: In the matter of the application of **DTE GAS COMPANY** for authority to increase its rates, amend its rate schedules and rules governing the distribution and supply of natural gas, and for miscellaneous accounting authority  
MPSC Case No. U-21291

Dear Ms. Felice:

Attached for electronic filing in the above captioned matter is DTE Gas Company's revised Direct Testimony of Witness Michael S. Cooper and the Exhibit A-13, revised Schedule C5.9 and Exhibit A-19, revised Schedule I5. Also attached is the Proof of Service.

Very truly yours,

Carlton D. Watson

CDW/erb  
Attachments

cc: Service List

**STATE OF MICHIGAN**  
**BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION**

In the matter of the application of )  
**DTE GAS COMPANY** for authority )  
to increase its rates, amend its rate )  
schedules and rules governing the ) Case No. U-21291  
distribution and supply of natural gas, )  
and for miscellaneous accounting authority )

QUALIFICATIONS

AND

REVISED DIRECT TESTIMONY

OF

MICHAEL S. COOPER

**DTE GAS COMPANY**  
**QUALIFICATIONS AND REVISED DIRECT TESTIMONY OF MICHAEL S. COOPER**

Line  
No.

1 **Q1. What is your name, business address and by whom are you employed?**

2 A1. My name is Michael S. Cooper (he/him/his). My business address is One Energy  
3 Plaza, Detroit, Michigan 48226. I am employed by DTE Energy Corporate  
4 Services, LLC (DTE LLC), a subsidiary of DTE Energy Company (DTE Energy).

5

6 **Q2. On whose behalf are you testifying?**

7 A2. I am testifying on behalf of DTE Gas Company (DTE Gas or Company).

8

9 **Q3. What is your educational background?**

10 A3. I received a Bachelor of Business Administration Degree with a major in  
11 accounting and finance from the University of Toledo in 1994. I received a Master  
12 of Arts Degree in educational administration from Michigan State University in  
13 1997.

14

15 **Q4. What is your current position and work experience?**

16 A4. My current position is Director of Compensation, Benefits & Wellness. I joined  
17 DTE LLC full time in 2008 and held positions with increasing responsibility in  
18 Human Resources. In 2012, I became the Manager of Compensation and assumed  
19 my current position in 2017. Prior to joining DTE Energy, I was employed by  
20 Manpower as an on-site Staffing Program Manager and in other related positions  
21 for Visteon Corporation. I was previously employed at Robert William James &  
22 Associates as a recruiter with an emphasis in accounting and finance related  
23 positions.

24

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1 **Q5. What are your responsibilities as Director of Compensation, Benefits &**  
2 **Wellness?**

3 A5. As Director of Compensation, Benefits & Wellness, I have overall responsibility  
4 for the design, implementation, and administration of DTE Energy's employee  
5 compensation and employee benefits related policies and practices.

6

7 **Q6. Have you previously sponsored testimony in a DTE Gas or DTE Electric**  
8 **Company proceeding before the Michigan Public Service Commission**  
9 **(Commission)?**

10 A6. Yes. I have sponsored testimony in the following cases:

11 U-18255 2017 DTE Electric General Rate Case

12 U-18999 2017 DTE Gas General Rate Case

13 U-20162 2018 DTE Electric General Rate Case

14 U-20561 2019 DTE Electric General Rate Case

15 U-20642 2019 DTE Gas General Rate Case

16 U-20940 2021 DTE Gas General Rate Case

17 U-20836 2022 DTE Electric General Rate Case

18 U-21297 2023 DTE Electric General Rate Case

19

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1 **Purpose of Testimony**

2 **Q7. What is the purpose of your testimony?**

3 A7. My testimony will present an overview of employee compensation practices and  
4 benefit expense for DTE Gas in the 2022 historical test year and the projected test  
5 period ending September 30, 2025. Specifically, I will:

- 6 1. Provide support for the Company's projected retirement related costs,  
7 including costs for pensions, other post-employment benefits (OPEB),  
8 Employee Savings Plan and New Hire VEBA as well as Active Healthcare  
9 costs and the costs of Other Employee Benefits;
- 10 2. Support the Company's labor cost escalation assumptions used in Company  
11 Witness Uzenski's development of the composite inflation factors for the  
12 projected test period;
- 13 3. Provide an overview of the Company's compensation philosophy for non-  
14 represented employees and the role that the Company's incentive plans play in  
15 the overall reasonableness of its total compensation policies, including an  
16 analysis of salaries for non-represented positions as of December 31, 2022,  
17 relative to the market medians for comparable positions;
- 18 4. Describe the components of the Company's short-term and long-term  
19 incentive compensation plans and support the inclusion of such cost in the  
20 Company's revenue requirement, exclusive of the costs related to DTE  
21 Energy's Top Five Executive Officers; and
- 22 5. Demonstrate that the quantifiable customer benefits of the Company's  
23 incentive compensation plans exceed the corresponding expense, as required  
24 by the Commission's traditionally mandated cost/benefit analysis of incentive  
25 compensation expense.

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1 In summary, my testimony will support the reasonableness and validity of the  
2 projected employee benefits and compensation expense to be incurred by DTE  
3 Gas for the projected test period.

4

5 **Q8. Are you sponsoring any exhibits?**

6 A8. Yes, I am supporting information on the following exhibits:

7	<u>Exhibit</u>	<u>Schedule</u>	<u>Description</u>
8	A-13	C5.9 <u>Revised</u>	Projected Operation and Maintenance Expenses - Employee
9			Pensions and Benefits
10	A-13	C5.9.1	WTW Healthcare Trend
11	A-13	C5.9.2	PwC 2024 Medical Cost Trend
12	A-13	C5.9.3	Constant Dollar Active Healthcare Adjustment
13	A-13	C5.10	Projected Operation and Maintenance Expenses - Pension
14	A-13	C5.11	Projected Operation & Maintenance Expenses - Other Post-
15			Employment Benefits (OPEB)
16	A-19	I1	Employee Compensation Market Analysis
17	A-19	I2	2023 Annual Incentive Plan and Rewarding Employees Plan
18			Metrics: DTE Gas
19	A-19	I3	2023 Annual Incentive Plan and Rewarding Employees Plan
20			Metrics: DTE Energy Corporate Services LLC
21	A-19	I4	2023 Long-Term Incentive Plan Metrics
22	A-19	I5 <u>Revised</u>	2023 Incentive Plans Cost/Benefit Analysis

23

24 **Q9. Were these exhibits prepared by you or under your direction?**

25 A9. Yes, they were.

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1 **EMPLOYEE PENSION COSTS**

2 **Q10. What are pension costs?**

3 A10. Pension costs are those costs related to retirement benefits to the employees of  
4 DTE Gas that are eligible to participate in the Company's defined benefit pension  
5 plans. The Company's defined benefit pension costs are recognized under  
6 Financial Accounting Standard Board's Accounting Standard Codification (ASC)  
7 Section 715-30 (ASC 715-30). Costs for the Company's Savings Plan and other  
8 defined contribution benefits are recognized separately.

9

10 **Q11. What pension plans are included in the Company's pension costs?**

11 A11. The Company has two qualified pension plans that cover eligible employees of  
12 DTE Gas. One is for eligible employees covered by collective bargaining  
13 agreements, referred to as the DTE Gas Union Plan (Union Plan) and another is  
14 for all eligible employees of DTE Gas not covered by collective bargaining  
15 agreements, which is referred to as the DTE Gas Non-Union Plan (Non-Union  
16 Plan), which is a subset of the DTE Energy Retirement Plan. The pension costs  
17 reflected on Exhibit A-13, Schedule C5.10 reflect the sum of both the Union and  
18 Non-Union pension plans.

19

20 **Q12. What are the components of pension costs?**

21 A12. Pension costs are measured at the beginning of each fiscal year under ASC 715-  
22 30 and include the following four pension cost components:

23

24 Service Cost: Service Costs represent the pension benefits earned by active  
25 employees, on a present value basis, during the current period. Service Costs are

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1 measured based on the expected benefits to be paid based on actuarial assumptions  
2 including current and projected salaries, expected employee turnover and life  
3 expectancy.

4  
5 Interest Costs: Interest Costs are the increase in the Projected Benefit Obligation  
6 (PBO) due to the passage of time during the current period. The PBO is the  
7 actuarial present value of benefits attributable to the pension benefit formula and  
8 service accrued to date discounted back to current dollars at a discount rate  
9 selected at the prior year-end. For the Non-Union Plan, a discount rate of 5.19%  
10 was used in determining the PBO as of December 31, 2022, whereas for the Union  
11 Plan, a discount rate of 5.24% was used in measuring the PBO as of December 31,  
12 2022. Measuring the PBO as a present value at the beginning of each fiscal year  
13 requires the accrual of interest for the current period at a rate equal to the current  
14 year's discount rate. The discount rate used in measuring Interest Costs, as well  
15 as Service Costs for the 2022 historical test period was 2.91% for the Non-Union  
16 Plan and 3.04% for the Union Plan. The discount rates used for measuring Interest  
17 and Service Costs in 2022 were based on the interest rate environment at the end  
18 of 2021 and projected benefits payments from the pension plan matched against a  
19 yield curve of corporate bonds rated AA or higher provided by Aon, the  
20 Company's independent actuarial firm and reviewed by PriceWaterhouseCoopers  
21 (PwC), the Company's independent accounting firm in connection with its audit  
22 of the Company's financial statements as filed with the Securities and Exchange  
23 Commission (SEC). The 5.19% discount rate for the Non-Union Plan and the  
24 5.24% discount rate for the Union Plan were used for determining Interest Costs  
25 and Service Costs for the projected test year based on the discount rates as of

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1 December 31, 2022, and reflect the traditional assumption that high-quality  
2 corporate bond yields will remain unchanged from the rates prevailing at the end  
3 of the historical test period.

4  
5 Expected Return on Assets: The Expected Return on Assets (ERoA), which is an  
6 offset to pension costs, is an estimate of the expected investment return during the  
7 current period on the Market Related Value of the assets invested in the pension  
8 trusts at the beginning of the year adjusted for any expected funding activity and  
9 projected benefit payments for the year. While actual year-to-year investment  
10 returns can vary significantly, the ERoA is determined based on forward-looking  
11 long-term financial market expectations to avoid large swings in pension costs  
12 based on short-term investment performance. The ERoA for both pension plans  
13 was 6.80% for the historical test year, as developed by NEPC LLC, the Company's  
14 independent investment consulting firm, and reviewed by PwC. The ERoA is  
15 7.60%, 7.90% and 7.80% in 2023, 2024 and 2025, respectively. The increase in  
16 the ERoA is due primarily to an increase in the forward-looking long-term capital  
17 market assumptions that reflects the impact of negative market performance in  
18 2022. These ERoAs are based on market conditions and pension funded status as  
19 of late 2022.

20

21 Amortizations: In addition to current period costs described above, pension costs  
22 also include the effect of the delayed recognition of prior period costs. This  
23 includes Unrecognized Gains and Losses and Prior Service Costs. Unrecognized  
24 Gains and Losses are changes in the amount of either the PBO or the plan's assets  
25 resulting from experience different from that assumed in prior actuarial

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1 assumptions. Most notably, since discount rates and return on assets assumptions  
2 are based on either point in time measurements or long-term estimates of expected  
3 returns, differences arise whenever a change is made in the discount rates or when  
4 the actual asset returns differ from long-term expectations. These gains and losses  
5 are deferred and the amount of the unrecognized balance in excess of a corridor  
6 equal to 10% of the greater of the PBO or the Market Related Value of assets is  
7 amortized based on the average remaining service life of employees covered by  
8 the plans. Prior Service Costs arise from pension plan amendments that affect  
9 future benefits. When a plan provision is changed that will affect future benefit  
10 payments for existing employees or retirees, the resulting change in the PBO  
11 liability is amortized over the average remaining years of service life of the active  
12 employees.

13

14 **Q13. What is the level of pension funding reflected in the projected pension costs?**

15 A13. Based on the pension funding status on December 31, 2022, the Company is not  
16 expected to fund the pension plans in 2023, 2024, or 2025. While there is no  
17 planned funding of the DTE Gas Union and Non-Union pension trusts, the  
18 Company transferred \$50 million of assets related to the Non-Union plan to the  
19 DTE Electric's pension trust assets in exchange for cash consideration in  
20 November 2023. The reasons for this transfer are explained by Witness Uzenski.

21

22 **Q14. How are these pension costs expected to change between the historical test  
23 year and the projected year?**

24 A14. As summarized on Exhibit A-13, Schedule C5.10, line 12, the Company's pension  
25 costs are projected to decrease from \$9.077 million in the historical test year,

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1 which includes one-time costs of \$25.811 million related to settlement charges  
2 recognized in 2022, to \$0.668 million in the projected test year. After adjustments  
3 for the portion of pension costs capitalized, the projected pension expense is  
4 \$0.336 million, as reflected on Exhibit A-13, Schedule C5.10, line 18.

5

6 **Q15. Is this pension expense included in the Company's proposed revenue**  
7 **requirement?**

8 A15. No. Witness Uzenski sponsors the Company's proposal to continue to defer the  
9 projected pension expense to the accumulated regulatory liability. Thus, the  
10 projected pension expense is not reflected in the Company's proposed revenue  
11 requirement and the pension expense is eliminated on line 19 of Exhibit A-13,  
12 Schedule C5.10.

13

14 **OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

15 **Q16. What are OPEB Costs?**

16 A16. For DTE Gas, OPEB costs relate to the provision of retiree medical, dental,  
17 prescription drug, and life insurance benefits. OPEB is a cost recognized under  
18 ASC Section 715-60. Similar to ASC 715-30, OPEB costs are determined under  
19 ASC 715-60 at the beginning of each fiscal year.

20

21 **Q17. What are the cost components of OPEB?**

22 A17. OPEB has the same basic cost components as pension costs. They are:

23

24 Service Costs: Service Costs are the portion of the expected post-retirement benefit  
25 obligation, on a present value basis, attributable to employee participation during

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1 the current period. Service Costs reflects actuarial assumptions of employee  
2 turnover, age at retirement, and expected longevity. Service cost also depends on  
3 the estimated costs of providing these benefits after retirement and, therefore, is  
4 impacted by both current medical cost levels and expected medical cost inflation.

5

6 Interest Costs: Interest Costs are the costs arising from the current period interest  
7 on the discounted Accumulated Post-Retirement Benefit Obligation (APBO). The  
8 discount rate used to measure the APBO as of December 31, 2021, was 2.91%,  
9 which was also used to determine the Interest Costs in 2022. The discount rate to  
10 measure the APBO as of December 31, 2022, was 5.19%, which was also used to  
11 determine Interest Costs on the APBO during the projected test year. The discount  
12 rate of 5.19% was based on the interest rate environment at the end of 2022, as  
13 determined in a similar manner to the measurement of the Company's pension  
14 costs, as described above.

15

16 Expected Return on Assets: The Expected Return on Assets (ERoA) is an offset  
17 to the costs of OPEB, based on the forward-looking long-term financial market  
18 expectations to avoid large swings in OPEB costs based on short-term investment  
19 performance. The ERoA was 6.40% during the historical test year and is 7.20%,  
20 7.30% and 7.30% in 2023, 2024 and 2025, respectively. The increase in the ERoA  
21 is primarily due to an increase in the forward-looking long-term capital market  
22 assumptions that reflects the impact of negative capital market performance in  
23 2022. These assumptions are based on market conditions and funded status at the  
24 end of 2022.

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1            Amortizations: This cost component includes the amortizations related to deferred  
2            Gains and Losses as well as Prior Service Costs. Accumulated gains and losses  
3            outside the 10% corridor, as described for pension costs, are amortized over the  
4            current estimated remaining service lives of active participants. Prior service costs  
5            are amortized over the estimated remaining service lives of active participants, at  
6            the time of the last plan change, to the age at which they are fully eligible for the  
7            benefits.

8

9            **Q18. How are these OPEB costs expected to change between the historical test year**  
10           **and the projected test year?**

11          A18. As reflected on Exhibit A-13, Schedule C5.11, line 12, the Company's OPEB costs  
12          are projected to increase from negative \$38.683 million in the historical test year,  
13          which reflects a one-time credit of \$10.784 million related to a change in  
14          accounting for the determination of Market Related Value of assets, to a negative  
15          \$13.223 million during the projected test year. After adjustments for the portion  
16          of OPEB costs transferred and capitalized, the net OPEB expense is projected to  
17          be negative \$6.255 million, as shown on Exhibit A-13, Schedule C5.11, line 19.

18

19          **Q19. Is the negative OPEB expense included in the Company's proposed revenue**  
20          **requirement?**

21          A19. No. Witness Uzenski sponsors the Company's proposal to continue to defer the  
22          projected negative OPEB expense to the accumulated regulatory liability. Thus,  
23          the projected OPEB expense is not reflected in the Company's proposed revenue  
24          requirement and the negative OPEB expense is eliminated on line 20 of Exhibit  
25          A-13, Schedule C5.11.

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2 **NEW HIRE VEBA AND EMPLOYEE SAVINGS PLAN COSTS**

3 **Q20. What is the Company's projected New Hire Retiree VEBA expense?**

4 A20. The New Hire Retiree VEBA expense on Exhibit A-13, Schedule C5.9 Revised,  
5 line 4, reflects the costs of the plans that are offered in lieu of the traditional retiree  
6 healthcare plan for eligible employees, as adjusted for the portion of those costs  
7 that are capitalized. The New Hire Retiree VEBA expense is projected to increase  
8 from \$2.437 million in the historic test year to \$3.256 million in the projected test  
9 year. This increase reflects the growth in the number of plan participants due to  
10 new hires.

11

12 **Q21. What are the components of the Company's New VEBA costs?**

13 A21. The Company's New Hire VEBA costs consist of contributions generally made  
14 for newly hired employees after 2012. Specifically, the Company contributes  
15 \$4,000 on behalf of non-represented and certain Local 799 employees in their year  
16 of hire, as prorated for month of hire, and \$4,000 every year thereafter. For  
17 employees represented by Local 223, the Company makes a payment of \$1,650 on  
18 their first service anniversary and contributes \$40 per week thereafter. In 2022 the  
19 average Company contribution for Local 223 employees was \$2,287.

20

21 In addition, the Company recognizes a true-up of the estimate of the Company's  
22 liability for contributions for non-represented employees that reflects final  
23 determinations of plan eligibility and any forfeitures by employees that leave the  
24 Company before the end of the 10-year vesting period. No such true up is required  
25 for Local 223 employees because payments are made through the bi-weekly

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1 payroll process and the Company doesn't receive any benefit from employee  
2 departures.

3

4 **Q22. How was the projected New Hire VEBA expense developed?**

5 A22. The projected New Hire VEBA expense was developed based on the number of  
6 active participants in the plans as of December 31, 2022, which was increased by  
7 the number of expected new participants based on the most recent five-year  
8 average of actual new plan participants prorated for the assumption that the new  
9 participants would be added evenly throughout the year (i.e., divided by two). The  
10 average plan participants for each year were costed out based on the Company's  
11 required contributions for each plan, as described above, to determine the  
12 projected gross cost for each plan. The amount for the non-represented employees  
13 was then reduced by the most recent five-year average of employee forfeitures for  
14 those plan participants that left the Company before they were vested in the plan.  
15 Total costs for the projected test year are projected to be \$4.965 million, which is  
16 reduced by 34.4% to recognize the portion of costs to be capitalized, resulting in  
17 net New Hire VEBA expense of \$3.256 million. This represents an average annual  
18 increase of 12.4% or a compound annual growth rate of 12.0%.

19

20 **Q23. What is the Company's projected Employee Savings Plan expense?**

21 A23. The Employee Savings Plan expense on Exhibit A-13, Schedule C5.9 Revised,  
22 line 5 relates to the Company's Employee Savings Plan, pursuant to 401(k) of the  
23 Internal Revenue Code that allows eligible employees the opportunity to  
24 contribute a certain percentage of their annual earnings that the Company matches,  
25 generally up to 6% of annual salaries and wages for non-represented employees

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1 and for most represented groups. In addition, employees hired after the  
2 Company's defined benefit pension plans were closed to new hires, generally  
3 receive an additional Company contribution of 4.0% of their pay, although certain  
4 represented employees receive a Company contribution of 8.0% of employee pay.

5

6 **Q24. How was the projected Employee Savings Plan expense developed?**

7 A24. The projected Employee Savings Plan was developed based on the 2022 expense,  
8 as adjusted for excess forfeitures in 2022, escalated by the most recent five-year  
9 average of the annual increase in the Company's Employee Savings Plan costs of  
10 8.40%. This results in Employee Savings Plan expense for the projected test year  
11 of \$13.166 million compared \$10.368 million in the historical test year.

12

13 **Q25. Why did you adjust the Company's actual 2022 Employee Savings Plan**  
14 **expense for excess forfeitures?**

15 A25. In 2022, the Company recognized an unusually high level of employee forfeitures  
16 related to employees that had not yet vested in the Employee Savings Plan.  
17 Specifically, the Company recognized \$515,550 of total employee forfeitures in  
18 2022 compared to the five-year of forfeitures recognized in the years 2018 through  
19 2022 of \$250,375. I believe that during the projected test period the level of  
20 forfeitures will return to more typical levels. Accordingly, I have increased the  
21 Company's Employee Savings Plan costs used in developing the historical annual  
22 increases by \$265,176 and have increased the 2022 expense used as the starting  
23 point by \$181,380 to reflect the five-year average of forfeitures.

24

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1 **Q26. Why did you escalate the adjusted historical test year Employee Savings Plan**  
2 **expense by the five-year average annual increase in the Company's Savings**  
3 **Plan costs?**

4 A26. Because the Company's Employee Savings Plan expense is impacted by the  
5 proportion of the costs that are capitalized, the annual changes in the Company's  
6 Employee Savings Plan expense reflects both the effect of the changes in costs and  
7 changes in the proportion of the costs capitalized. For example, the five-year  
8 average of the annual increase Employee Savings Plan expense was 6.20% for the  
9 years 2018 through 2022, but this reflects an increase in the proportion of costs  
10 capitalized from 29.3% in 2017 to 36.3% in 2022. This increase in the proportion  
11 of costs capitalized reflects the significant increase in the Company's capital  
12 expenditures over this time frame, that is assumed to remain constant through the  
13 projected test year. Therefore, under the assumption that the proportion of costs  
14 capitalized will not increase in the future, the historical five-year average annual  
15 increase in the Company's Employee Savings Plan costs of 8.40% is a more  
16 accurate measurement of the increase in the Company's Employee Savings Plan  
17 expense.

18

19 **ACTIVE HEALTHCARE EXPENSE**

20 **Q27. What are the healthcare benefit programs offered to active employees?**

21 A27. The Company offers a competitive active healthcare benefits package for the  
22 attraction and retention of a skilled workforce. The components of these benefits  
23 are summarized on Exhibit A-13, Schedule C5.9 Revised (lines 8 through 10) and  
24 consists of medical, dental, and vision benefits for active employees that are  
25 projected to increase from \$18.053 million in the historic test year to \$22.041

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1 million. This increase reflects the normalization of the historical Active  
2 Healthcare costs to reflect a historical average of constant dollar costs, as  
3 developed on Exhibit A-13, Schedule C5.9.3, and annual escalations for the  
4 adjusted medical plan trend of 5.1% in 2023, 5.0% in 2024, and 4.0% in 2025, as  
5 more fully described below.

6

7 **Q28. What is the Rate Case Adjustment to 2022 Active Healthcare costs as**  
8 **reflected on Exhibit A-13, Schedule C5.9 Revised?**

9 A28. The year-to-year volatility of actual Active Healthcare costs makes the use of any  
10 one historical period's cost a potentially unreliable starting point in the  
11 determination of projected Active Healthcare costs. Accordingly, the adjustment  
12 of \$1.338 million reflected on Exhibit A-13, Schedule C5.9 Revised, page 2 on  
13 line 11 of column (c), represents a normalization of the Company's actual 2022  
14 Active Healthcare costs that is designed to eliminate the volatility of the  
15 Company's Active Healthcare costs through the quantification of the Company's  
16 historical Active Healthcare costs per employee as adjusted for national historical  
17 healthcare cost trends. This results in an average of the Company's actual Active  
18 Healthcare costs per employee that eliminates the impact of historical healthcare  
19 cost inflation and therefore reflects the cost volatility due to changes in the usage  
20 of healthcare services.

21

22 **Q29. What is the basis for your conclusion that year-to-year Active Healthcare**  
23 **costs are volatile?**

24 A29. The primary reason the Company's Active Healthcare costs reflect substantial  
25 volatility among years is that the Company is self-insured for about 70% of its

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1 total Active Healthcare costs. Self-insurance results in the level of Active  
2 Healthcare costs incurred by the Company being highly impacted by the mix and  
3 severity of medical treatments administered to employees and their eligible  
4 dependents in any given year. For example, in 2019 the cost of inpatient medical  
5 care increased by almost 400% compared to the prior year, which represented an  
6 increase in costs of over \$800,000. In contrast, in 2021 the cost of total inpatient  
7 medical care declined by almost 40% compared to the prior year, which  
8 represented a decrease in costs of almost \$1.2 million.

9

10 **Q30. Have you quantified the degree of volatility in the Company's Active**  
11 **Healthcare Costs?**

12 A30. Yes. The actual annual percentage change in the Company's Active Healthcare  
13 costs on a per employee basis, as adjusted for a one-time credit in 2018, is reflected  
14 in Table 1 below.

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**Table 1**

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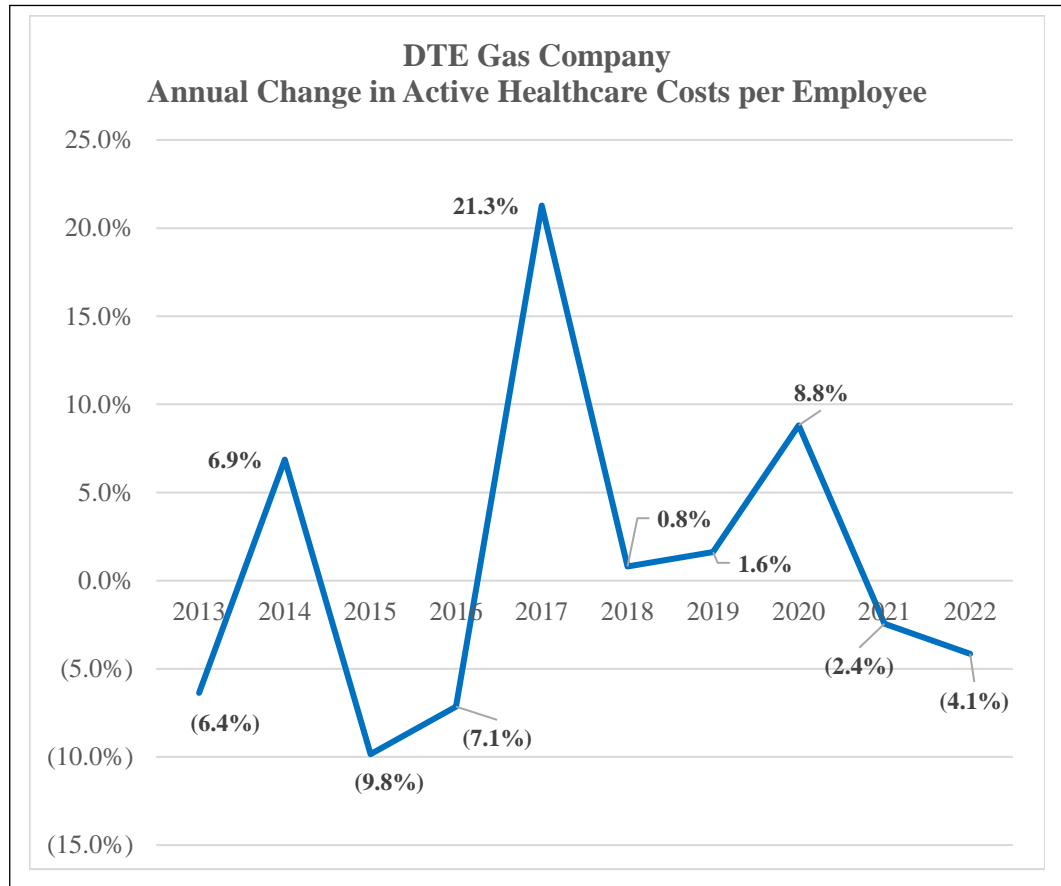
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This chart shows that the Company's actual Active Healthcare costs have changed relative to the prior year by as much as 21.3% in 2017 to a decrease of 9.8% in 2015, demonstrating that Active Healthcare costs can vary significantly from year-to-year. More striking is that the Company's Active Healthcare costs increased in 2020, despite the reduction in medical services on a national basis due to COVID-19, and then decreased in 2021, when the utilization of medical services rebounded nationally. The decline continued in 2022, which highlights that 2022 is an unrepresentative base period for projecting future Active Healthcare costs.

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2 **Q31. What is the significance of this high degree of variability in the percentage**  
3 **change in the Company's actual Active Healthcare costs?**

4 A31. Because the Company's actual Active Healthcare costs can be impacted by  
5 variations in usage, the effect of benefit plan design, and changes in pricing, any  
6 given year's Active Healthcare costs will likely be an unreliable basis to establish  
7 a starting point for future Active Healthcare costs. Moreover, the small sample  
8 size of the experience of the Company makes it a poor predictor of future  
9 experience. In 2022, the Company had about 1,400 employees enrolled in its self-  
10 insured medical plans, which inclusive of dependents, represented about 3,400  
11 total participants. The total number of participants represents a too small of sample  
12 to infer that the experience over a few years will reflect the long-term trends in the  
13 Company's Active Healthcare costs. This small sample size is a key contributor  
14 to the year-to-year variability as reflected in the high Standard Deviation relative  
15 to the average.

16

17 **Q32. Is there a method of normalizing the Company's historical Active Healthcare**  
18 **costs to determine a more reliable starting point in determining Active**  
19 **Healthcare costs for the projected test year?**

20 A32. Yes. The variability in the Company's actual Active Healthcare costs can be  
21 normalized using constant dollar Active Healthcare costs on a per employee basis.  
22 This allows for the normalization of the inherent volatility in historical Active  
23 Healthcare costs through the elimination of both the impact of healthcare price  
24 level changes and changes in the level of employees.

25

Line  
No.

1 **Q33. How did you determine a constant dollar average of the Company's Active**  
2 **Healthcare costs on a per employee basis?**

3 A33. Exhibit A-13, Schedule C5.9.3 reflects the Company's actual Medical, Dental, and  
4 Vision components of the actual Active Healthcare costs for the years 2018  
5 through 2022, before the impact of the costs capitalized and transferred. These  
6 costs are divided by the simple average of employees at the beginning and end of  
7 each year to develop the Active Healthcare costs per employee. The Active  
8 Healthcare costs per employee for each year is then adjusted for the actual percent  
9 increase in medical trends, as reported by PwC on page 2 of Exhibit A-13,  
10 Schedule C5.9.2. Adjusting the Company's actual Active Healthcare costs for the  
11 overall increases in medical costs experienced by a broad universe of employers  
12 and insurance providers, as reflected in the PwC study, enables the separation of  
13 the Company's year-to-year variability that is driven by changes in utilization by  
14 the Company's employees and their dependents from changes to overall healthcare  
15 cost trends.

16

17 The adjustment of each year's Active Healthcare costs per employee produces a  
18 five-year average cost per employee on a constant dollar basis of \$10,897. By  
19 multiplying this amount by the 2022 average number of employees of 2,809, a  
20 total constant dollar Active Healthcare cost of \$30.609 million is generated. This  
21 represents a \$2.134 million increase relative to the Company's incurred Active  
22 Healthcare costs in 2022. This amount is adjusted for the portion of Active  
23 Healthcare costs charged to expense and results in a constant dollar normalization  
24 adjustment of \$1.338 million, as reflected on Exhibit A-13, Schedule C5.9.3,  
25 column (m), line 16.

Line  
No.

1

2 **Q34. Will the constant dollar normalization always result in an increase in**  
3 **historical Active Healthcare costs?**

4 A34. No. In Case No. U-21297, DTE Electric's most recent rate case, I sponsored an  
5 exhibit that calculated that the constant dollar adjustment for 2021 would result in  
6 a \$2.566 million reduction to DTE Electric's actual Active Healthcare expense.  
7 This demonstrates that the constant dollar normalization adjustment is no more  
8 than an attempt to reasonably normalize historical costs to eliminate the impact of  
9 the inherent volatility in Active Healthcare costs in the determination of the proper  
10 starting point prior to escalations for projected increases.

11

12 **Q35. How has the Commission traditionally addressed cost elements that are**  
13 **subject to volatility?**

14 A35. The Commission has routinely adopted prior year's average of the ratio of  
15 uncollectibles to revenues to project future uncollectibles and an average of  
16 historical Lost and Unaccounted for Gas volumes to project future Lost and  
17 Unaccounted for Gas expense. The difference is that in those instances the pricing  
18 is separated from the level of activity because the ratios of uncollectibles and the  
19 volumes of Lost and Unaccounted for Gas were determined first, and then those  
20 ratios are priced by applying the percentage of historical uncollectibles for  
21 projected revenue or the average Lost and Unaccounted for Gas volumes are  
22 multiplied by the projected cost of gas rate.

23

24 In contrast, there is no available segregation of the impact of changes in activity,  
25 as reflected in usage, and the pricing. Because the price of healthcare services

Line  
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1 increases each year, it would be unreasonable to predict future Active Healthcare  
2 costs based on an average of the historical Active Healthcare costs. As a result,  
3 the only means of producing a starting point for Active Healthcare that is  
4 normalized for changes in utilization is to develop an historical average that  
5 neutralizes the change in price levels. This is what the Constant Dollar  
6 normalization adjustment achieves.

7

8 **Q36. Are there any useful analogies to the Company's constant dollar Active**  
9 **Healthcare adjustment?**

10 A36. Yes. From a broad perspective, the constant dollar Active Healthcare adjustment  
11 should be regarded as means to neutralize the inherent volatility in the Company's  
12 actual Active Healthcare costs by restating the historical costs in current dollars,  
13 much as "nominal" price levels are routinely adjusted for the effects of inflation  
14 to develop inflation adjusted "real" prices. This allows for a meaningful  
15 comparison of costs among years without the distortion of changes in price levels.

16

17 More specifically, DTE Electric has traditionally adjusted its actual annual  
18 historical emergent replacement expenditures for inflation to develop a base  
19 spending level used in developing projected costs. This approach was explicitly  
20 adopted in a DTE Electric rate case where the Commission concluded "Adding  
21 inflation to the historic five-year historical actual spend is appropriate for  
22 calculating the starting point for normalized expenditures." (Case No. U-20561,  
23 Order issued May 8, 2020, p. 86). The continued use of a five-year inflation  
24 adjusted average of Emergent Replacement Expenditures was adopted by the  
25 Commission in other recent Company rate cases (Case No. U-20836, Order issued

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1 November 18, 2022, p. 63, Case No. U-21297 Order issued December 1, 2023, p.  
2 76).

3

4 **Q37. Has the normalization of emergent replacement expenditures for historical**  
5 **inflation been contested in the Company's recent rate cases?**

6 A37. Yes. The Attorney General has consistently opposed the normalization of  
7 historical emergent replacement expenditures. In the Company's most recent rate  
8 case the Attorney General claimed that the normalization of historical  
9 expenditures for inflation compounds inflationary increases and amounts to  
10 inflating forecasted capital expenditures by increasing the base used in the  
11 projections (Case No. U-21297, Order, p. 74). Based on this claim, the Attorney  
12 General proposed the elimination of the historical inflation normalization of  
13 emergent replacement expenditures. However, the Commission properly rejected  
14 the Attorney General's proposal and adopted the Company's historical inflation  
15 normalization of emergent replacement expenditures.

16

17 **Q38. Did the Commission also address the issue of the constant dollar**  
18 **normalization of Active Healthcare costs in its Order in Case No. U-21297?**

19 A38. Yes. In that case the Attorney General opposed the Company's constant dollar  
20 Active Healthcare cost adjustment. Like the Attorney General's arguments in  
21 opposition to the historical inflation normalization of emergent replacement  
22 expenditures, the Attorney General claimed the adjustment for historical  
23 healthcare increases compounded inflationary increases (Case No. U-21297,  
24 Order, p. 229). The Commission declined to adopt the constant dollar  
25 normalization in this matter, stating that the Company did not sufficiently

Line  
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1 demonstrate that the “proposed constant dollar normalization will not result in  
2 compounded inflationary pressures” (Case No. U-21297 Order, p. 232).

3

4 **Q39. Does the constant dollar adjustment result in compound inflationary  
5 pressures?**

6 A39. No. Just like the normalization of historical emergent replacement expenditures,  
7 the constant dollar Active Healthcare costs adjustment merely recasts the  
8 Company’s historical Active Healthcare costs for the impact of historical medical  
9 cost escalations. This adjustment enables the development of a five-year average  
10 Active Healthcare costs per employee on basis that excludes the impact of changes  
11 in prices. The only difference between the two normalization adjustments is that  
12 emergent replacement expenditures are adjusted for overall inflation as measured  
13 by the Consumer Price Index whereas the Active Healthcare normalization  
14 adjustment is based on actual historical national medical cost trends as measured  
15 by the PwC actual medical cost increases. This difference in historical bases for  
16 escalation recognizes that overall inflation is an inapt measure of historical  
17 medical cost escalations. The escalation of the Company’s historical Active  
18 Healthcare costs per employee for actual national medical cost increases allows  
19 the establishment of a normalized Active Healthcare costs per employee for the  
20 years 2018 through 2022, which is used to create a five-year average as a starting  
21 point to be used to project the Company’s future Active Healthcare costs.  
22 Accordingly, it is inaccurate to conclude that the normalization of the Company’s  
23 Active Healthcare costs per employee results in the compounding of inflationary  
24 pressures.

25

Line  
No.

1 **Q40. How is this constant dollar normalization adjustment reflected on Exhibit A-**  
2 **13, Schedule C5.9 Revised?**

3 A40. The total constant dollar normalization adjustment of \$1.338 million is allocated  
4 to the Active Healthcare cost components of Medical Expense, Dental Expense,  
5 and Vision Expense based on the proportion of the expenses for each of these  
6 categories in 2022 on Exhibit A-13, Schedule C5-9 Revised, page 2 of 2, column  
7 (c), lines 8 through 10, to determine the Adjusted Historical Test Period expenses  
8 in column (d), which is then adjusted for the projected active healthcare trend  
9 factors through the end of the projected test period.

10

11 **Q41. What is the basis for your future trend factor in active healthcare costs used**  
12 **for the projected periods in this proceeding?**

13 A41. The annual unadjusted medical plan trend factors of 7.10% for 2023, and 7.50%  
14 for 2024 and 7.00% for 2025, are based on projections for healthcare trends  
15 provided by the healthcare experts at Willis Towers Watson (WTW), as reflected  
16 in Exhibit A-13, Schedule C5.9.1. These unadjusted trend factors are reduced by  
17 2.00% in 2023, 2.50% in 2024, and 3.00% in 2025 to reflect the expected savings  
18 to be realized by the Company's Wellness program. Accordingly, the active  
19 healthcare expense projections are based on the Company's 2022 normalized  
20 expense as escalated by the adjusted trend factors of 5.10% in 2023, 5.00% in  
21 2024, and 4.00% in 2025.

22

23 **Q42. How were these trend factors determined?**

24 A42. WTW's first step is to develop the Allowed Trend, which is based on its internal  
25 guidance and represents its consensus expectation for medical and prescription

Line  
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1 drug costs. WTW developed the Allowed Trend based on its internal book of  
2 business and national survey as well as data from United States government offices  
3 and agencies, and various third-party sources, as described on page four of Exhibit  
4 A-13, Schedule C5.9.1. The Allowed Trend is adjusted for the Company's  
5 average fixed plan design leveraging to develop the future Medical Plan Trend,  
6 which is the basis of the Company's projected active healthcare costs.

7

8 **Q43. What assumptions are reflected in WTW's overall trend factors?**

9 A43. WTW's key assumptions for 2023 are described on page five of Exhibit A-13,  
10 Schedule C5.9.1. Specifically, WTW assumes that overall inflation will be  
11 between 2.50% and 4.00%. Added to the overall inflation is the incremental  
12 healthcare inflation of between 1.00% and 2.15%, which is premised on the  
13 assumption that healthcare inflation will likely revert to the historical pattern of  
14 healthcare inflation exceeding overall inflation. This assumption reflects the  
15 expectation that labor shortages in the healthcare industry will become more acute  
16 as well as the likelihood of increased pricing for long-term contracts between  
17 insurance carriers and healthcare providers. Finally, WTW expects the impact of  
18 higher utilization will add between 1.75% and 3.25% to the expected trend factors,  
19 which recognizes traditional experience in the low end assumption and the high  
20 end assumption reflects the risk that COVID-19 related disruptions in the delivery  
21 of healthcare services will lead to future increases in utilization. In sum, WTW  
22 expects the overall medical trend in 2023 will increase by between 5.25% and  
23 9.40%.

24

Line  
No.

1 **Q44. How was the 2023 trend of 7.10% developed by WTW for the escalations used**  
2 **by Company in its projections?**

3 A44. As also reflected on page five of Exhibit A-13, Schedule C5.9.1, in the column  
4 labeled DTE Energy, the assumptions used in the development of the 6.60%  
5 unleveraged medical trend are detailed. Specifically, WTW assumes general  
6 inflation of 3.20%, which is based on the actual increase in the CPI through July  
7 2023. Added to the general inflation assumption is 1.50% for the assumed  
8 incremental medical cost related inflation, which is slightly less than the midpoint  
9 of the range of 1.00% to 2.15% identified for the overall medical trend. Finally,  
10 1.90% is added to reflect the expected change in the Company's utilization and  
11 service mix. This 1.90% addition for the impact of expected increase related to  
12 utilization and service mix at the Company is based on relative risk scores  
13 developed by Merative, a firm specializing in healthcare analytics, that projects  
14 that the Company's relative risk will increase by 5.30% over the next three years  
15 or about 1.70% annually. An additional 0.2% is added to the 1.70% to reflect the  
16 expected impact of the Company's increased utilization of higher cost specialty  
17 prescription drugs, resulting in a total increase due to utilization and service mix  
18 of 1.90%. A description of Merative and the support for the relative risk scores is  
19 reflected on page six of Exhibit A-13, Schedule C5.9.1.

20 Based on these assumptions WTW's 2023 medical trend is 6.60% before the  
21 impact of the Company's fixed plan design leveraging or 7.10% inclusive of the  
22 Company's fixed plan design leveraging.

23

24 **Q45. What is fixed plan design leveraging?**

Line  
No.

1 A45. Fixed plan design leveraging is the impact on the Company's costs of fixed cost-  
2 sharing plan design items, such as deductibles, coinsurance, copays and out of  
3 pocket maximum.

4

5 **Q46. Are you aware of any corroborating sources that support the reasonableness**  
6 **of WTW's projections?**

7 A46. Yes. A study released in 2023 by PwC's Health Research Institute, as reflected in  
8 Exhibit A-13, Schedule C5.9.2, projects that medical costs will increase by 6.0%  
9 in 2023 and 7.0% in 2024.

10 These studies support the reasonableness of the healthcare trend projections  
11 provided by WTW.

12

13 **Q47. Have the projections of future medical trends relied upon by the Company in**  
14 **recent years been accurate?**

15 A47. Yes. In recent years the Company's average projected medical trend rates were  
16 5.5%, 6.1%, 5.9% and 6.7% for the years 2019, 2020, 2021 and 2022, respectively  
17 or a four-year average of 6.1%. The actual increase in national medical costs  
18 compiled by PwC, as reflected on Exhibit A-13, Schedule C5.9.2, page 2, were  
19 5.7%, 6.0%, 7.0% and 5.5% for the years 2019, 2020, 2021 and 2022, respectively,  
20 or a four-year average of 6.1%. In summary, the Company's projected trend rates,  
21 which were developed consistent with the method used by WTW in the trend rates  
22 reflected on Exhibit A-13, Schedule C5.9.1, have matched the actual national  
23 medical trend rates. This demonstrates that the Company's projected trend rates  
24 have been accurate predictors of actual medical trend rates.

25

Line  
No.

1 **Q48. Is the Company's recent experience a reliable basis for predicting future**  
2 **increases?**

3 A48. No. The high variability of the annual percent change in the Company's actual  
4 Active Healthcare costs per employee, as reflected in Table 1 discussed in  
5 response to Q30, highlights the inherent flaw in using historical annual changes in  
6 the Company's Active Healthcare costs as basis for projecting future increases.  
7 Specifically, while the average annual percentage increase in the Company's  
8 actual Active Healthcare costs for the year 2013 through 2022 was 1.6%, the  
9 Standard Deviation of that average is 8.8%. This means that for about 68% of the  
10 years the Company's annual change in Active Healthcare costs could range from  
11 negative 7.2% to a positive 10.3%. This extreme level of volatility renders  
12 historical changes in Active Healthcare costs to be virtually worthless in  
13 determining future Active Healthcare costs.

14 Given the unreliability of the Company's actual annual change in Active  
15 Healthcare costs, it is preferable to project future increases in Active Healthcare  
16 costs based on the adjusted WTW medical trend rates, which have a proven record  
17 of accuracy, rather than the Company's historical experience.

18

19 **OTHER EMPLOYEE BENEFITS**

20 **Q49. What are Other Employee Benefits Costs?**

21 A49. The costs of the Company's Other Employee Benefits are also reflected on Exhibit  
22 A-13, Schedule C5.9 Revised (lines 13 through 24). These costs include a variety  
23 of other benefits including Accrued Vacation, Executive and Supplemental  
24 Retirement Plans, Supplemental Severance Plan costs, Wellness Program, Life  
25 Insurance, Long-Term Disability, costs associated with the Affordable Care Act

Line  
No.

1 (ACA), Supplemental Savings Plan (SSP), Deferred Compensation, General  
2 Benefits, Benefit Plan Administration Fees and Retirement Administration Fees.  
3 In total, these costs are projected to increase from \$5.036 million in the historic  
4 test year to \$7.270 million in the projected test year, as shown on line 25 of Exhibit  
5 A-13, Schedule C5.9 Revised.

6

7 **Q50. What is the basis for your projection of the Company's Accrued Vacation**  
8 **expense?**

9 A50. Accrued Vacation expense can vary from year to year based on the timing of the  
10 vacation earned and usage of vacation time by employees, as well as forfeitures.  
11 This volatility in annual accrued vacation expense has been traditionally addressed  
12 using a five-year average of the annual expense. Accordingly, the projected  
13 Vacation Accrual expense reflected on Exhibit A-13, Schedule C5.9 Revised, line  
14 13, is based on the average of the recorded expense for the years 2018 through  
15 2022 of negative \$1.735 million. This results in an increase to Accrued Vacation  
16 expense of \$1.479 million. The adjusted five-year average is then escalated by the  
17 projected 3.0% labor annual cost increases through the end of the projected test  
18 year, resulting in projected Vacation Accrual expense of negative \$0.278 million.

19

20 **Q51. What adjustment have you made for the Executive and Supplemental**  
21 **Retirement Plans?**

22 A51. Consistent with prior decisions of the Commission excluding the costs of the  
23 Company's Executive Supplemental Retirement Plan (ESRP) and the  
24 Supplemental Retirement Plan (SRP), I have eliminated this \$1.329 million  
25 expense from the historical test period.

Line  
No.

1

2 **Q52. What is the basis for the Supplemental Severance Plan cost projections?**

3 A52. The Supplemental Severance Plan, which was implemented on July 1, 2016, is  
4 designed to address the differences in full benefit eligibility retirement ages  
5 between the DTE Traditional Pension Plan and the MCN Energy Group, Inc  
6 (MCN) Traditional Pension Plan. As a severance plan, in accordance with the  
7 regulations of the U.S. Department of Labor, it is not subject to participation,  
8 vesting and funding requirements of ERISA. Eligible employees will receive a  
9 lump sum payment equal to the present value of the difference between the DTE  
10 Pension Plan and the MCN Pension at the termination of employment. Aon  
11 developed the projected cost of this plan, which is estimated to decrease from  
12 \$748,000 in 2022 to \$100,000 for the projected test year, as reflected on Exhibit  
13 A-13, Schedule C5.9 Revised, line 15.

14

15 **Q53. What is the Supplemental Savings Plan (SSP)?**

16 A53. The SSP is a non-qualified benefit plan that does not meet the requirements under  
17 the Internal Revenue Code to be eligible for certain tax advantages, such as the  
18 deductibility by the Company of any contributions. Each year, the Internal  
19 Revenue Service establishes limitations on employee annual eligible  
20 compensation and annual contributions to tax advantaged plans. To the extent an  
21 employee's annual eligible compensation or annual contributions, including the  
22 Company's match, to the Company's qualified plan exceeds the IRS limitations,  
23 employees that are Director level and above are eligible to participate in the SSP.  
24 By participating in the SSP, employees accrue benefits that are identical to the  
25 benefits available under the qualified savings plan. As such, the SSP is a "make-

Line  
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1 whole” benefit plan that merely puts the participating employees in the same place  
2 they would be in the absence of the IRS limitations.

3

4 **Q54. What is the basis for the adjustments to the SSP costs for the projected test**  
5 **year?**

6 A54. The increase in the SSP expense from negative \$1.191 million to \$0.877 million,  
7 as shown on Exhibit A-13, Schedule C5.9 Revised, line 16 reflects an increase in  
8 the Company’s matching contributions based on projected salary escalations that  
9 is completely offset by a reduction in the expected earnings on designated  
10 investments. Since the Company does not separately fund the Company’s matches  
11 to the employees’ contributions, the earnings and losses from the employees’  
12 directed investments is a cost incurred by the Company. The SSP projection  
13 reflects an annual return on the investments of 7.60%, 7.90% and 7.80% in 2023,  
14 2024 and 2025, respectively, consistent with the expected long-term return on  
15 investments used in the determination of the Company’s pension costs. The  
16 increase in SSP expense is based on an assumed increase in the return on assets  
17 from the actual return in 2022.

18

19 **Q55. What is the basis for the adjustments to the Deferred Compensation Plan**  
20 **costs?**

21 A55. Similar to the SSP, the Company’s recorded costs are based on the return on the  
22 investment directives of the participating employees since the deferrals are not  
23 funded by the Company. The projected Deferred Compensation Plan costs are  
24 based on the expectation that the designated investments will earn the same annual  
25 rate of return as used in the SSP projections. The increase in the Deferred

Line  
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1 Compensation Plan costs from negative \$39,000 to \$36,000, as reflected on  
2 Exhibit A-13, Schedule C5.9 Revised, line 17, is based on the assumed increase in  
3 the return on the investment balances compared to the lower actual 2022 return on  
4 the investment balances.

5

6 **Q56. How did you project the increase in the Company's Wellness Program**  
7 **expense?**

8 A56. As referenced in the discussion of Active Healthcare expense, the Company has a  
9 Wellness Program designed to produce significant reductions in future active  
10 healthcare expense. Wellness Program expense is projected to increase from  
11 \$1.916 million in the historical test year to \$2.178 million in the projected test year  
12 based on the adjusted healthcare trend annual escalations of 5.1% in 2023, 5.0%  
13 in 2024 and 4.00% in 2025 (Exhibit A-13, Schedule C5.9 Revised, line 18).

14

15 **Q57. How did you develop the projections for the other items included in Other**  
16 **Benefits Costs on Exhibit A-13, Schedule C5.9 Revised?**

17 A57. The remaining items included in Other Benefits Costs are reflected on lines 19  
18 through 24 of Exhibit A-13, Schedule C5.9 Revised. Life Insurance expense is  
19 projected to increase from \$303,000 in 2022 to \$329,000 during the projected test  
20 year, based on the 3.0% annual labor cost escalation. The 2022 Disability Expense  
21 of \$368,000 are escalated at the 3.0% annual labor cost increase assumption,  
22 recognizing that disability claims primarily relate to employee labor, resulting in  
23 Disability Expense for the projected test year of \$400,000. The minor ACA  
24 expense of \$7,000 reflects the actual costs recognized for the Comparative  
25 Effectiveness Research Fee and, because the fee as approved in the ACA escalates

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1 at the overall national medical expenditures, is escalated at the Active Healthcare  
2 rates, resulting in \$8,000 of ACA expense for the projected test year. General  
3 Benefits Expense in 2022 of ~~\$821870,000~~ is escalated at the overall rate of  
4 inflation as measured by the Consumer Price Index through the end of the  
5 projected test year which results in projected expense of ~~\$898947,000~~. Benefit  
6 Plan Administration Fees and Retirement Administration Fees in 2022 of \$2.334  
7 million and \$124,000, respectively, are projected to increase to \$2.539 million and  
8 \$135,000, respectively based on the projected overall inflation rate assumptions.

9

10 **Q58. What are the Company's total projected employee pension and benefit**  
11 **expenses for the projected test year?**

12 A58. The total projected employee pensions and benefits costs are \$45.~~683732~~ million,  
13 as noted on Exhibit A-13, Schedule C5.9 Revised, line 26. The total cost is  
14 adjusted for the impact of the portion of these costs to be transferred and  
15 capitalized and the elimination of costs allocated to the Company's separate  
16 surcharge program, as sponsored by Witness Uzenski, to produce employee  
17 pensions and benefits expense of \$43.125 million for the projected test year.

18

19 **LABOR COST ESCALATION**

20 **Q59. What annual labor cost escalation assumptions are appropriate for the**  
21 **projected test period?**

22 A59. Annual labor cost escalation assumptions are required for both the Company's  
23 represented and non-represented employees. Based on existing Collective  
24 Bargaining Agreements, the Company is obligated to increase pay rates by at least  
25 3% annually through the term of the contracts. In addition to scheduled pay rate

Line  
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1 increases, the agreements also provide for progression increases for those  
2 employees that have not yet achieved the maximum pay rate for their positions.

3  
4 Non-represented employee compensation is generally adjusted annually based on  
5 a review of pay practices of other employers, changes in the external competitive  
6 market and internal pay equity. Consistent with this practice, all non-management  
7 employees received an overall pay increase of 3% in 2023. This 3% pay  
8 adjustment was comparable to the annual pay adjustments in every year since  
9 2010. In addition to the annual pay adjustment program, employees generally  
10 receive pay increases based on promotions.

11  
12 Based on the above, I have determined that annual escalations of 3.0% for 2023,  
13 2024, and 2025 are a conservative estimate of the Company's expected increase  
14 in its labor rates.

15

16 **EMPLOYEE COMPENSATION**

17 **Q60. What is DTE Gas's compensation philosophy and framework for non-**  
18 **represented, non-executive employees?**

19 A60. Non-represented employees are those employees not covered by any Collective  
20 Bargaining Agreements with DTE Gas's union organizations. Compensation for  
21 employees covered by Collective Bargaining Agreements is established pursuant  
22 to negotiations. Non-executive employees are generally defined as those with  
23 titles below the Vice President level. DTE Gas's compensation philosophy is to  
24 provide pay programs that: a) attract, retain, and motivate employees, b) ensure  
25 that pay is externally competitive (paid near the market median), and c)

Line  
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1 differentiate total rewards based on both organizational unit and individual  
2 contributions and results.

3

4 At DTE Gas, total annual compensation for all non-represented employees has two  
5 primary components: base and variable pay. Employee base pay is reviewed  
6 annually and adjusted (if appropriate) based on the position relative to what the  
7 external market pays for similar positions and individual performance. Variable  
8 pay is based on the achievement of Company, as well as departmental and  
9 individual results. Variable pay is made up of both short-term and long-term  
10 incentive plans.

11

12 **Q61. How does the Company's philosophy regarding incentive compensation**  
13 **compare with that of its peers?**

14 A61. Incentive compensation programs are a component of total compensation practices  
15 for most energy companies for their non-represented employee population, as  
16 described below. Base pay is set lower than it otherwise would be because of the  
17 variable pay component. When considered holistically, the Company's base and  
18 variable pay plans provide a framework of market-based total annual  
19 compensation pay opportunities for non-represented employees. It is the total  
20 annual cash compensation, as represented by these two components, that  
21 prospective and current employees use to gauge whether DTE Gas's compensation  
22 is competitive with other potential employers.

23

24 **Q62. How does DTE Gas's non-represented compensation philosophy and**  
25 **framework provide benefits to customers?**

Line  
No.

1 A62. DTE Gas's compensation philosophy and framework provides a benefit to  
2 customers by attracting and retaining employees with the requisite skills and  
3 experience to ensure safe, reliable, and high-quality customer service delivery, and  
4 by recognizing and rewarding effective and efficient performance. A competitive  
5 compensation policy also serves to effectively retain employees, minimizing the  
6 risks and costs of high employee attrition. This philosophy directly benefits all  
7 customers by providing a high level of service at a competitive cost and provides  
8 incentives to focus future job performance on those activities that provide the most  
9 benefit to customers.

10

11 **Q63. What is the external comparative market used by the Company to determine**  
12 **compensation?**

13 A63. The external comparative market for non-executive positions varies based on the  
14 specific job. Some jobs are compared to those in utilities of similar size (e.g.,  
15 revenue, number of employees, etc.), other jobs are compared to general industry  
16 located in Southeastern Michigan, and yet other jobs to general industry located  
17 within the United States. The relevant market will depend upon the requisite skills  
18 and abilities required of the job and the nature of the recruitment source. For  
19 example, the comparative market for an administrative assistant is the general  
20 industry within Southeastern Michigan while the comparative market for a  
21 reservoir engineer consists of companies within the Midwestern United States  
22 (primarily), or within the entire United States (secondarily).

23

24 **Q64. How is benchmark data obtained from the comparative market?**

Line  
No.

1 A64. The Company participates in and/or purchases many published salary surveys  
2 from several different organizations. The surveys typically report median base  
3 salary, target incentives, and median total cash compensation by job classification.  
4

5 **Q65. How are base salaries determined?**

6 A65. Base salaries are targeted around the median base salary levels of the competitive  
7 market as adjusted for differences in company size and scope where appropriate.  
8 All non-executive positions are placed in a salary zone based on external  
9 benchmarking. The mid-point of the salary zone is based on the market median  
10 for comparable work in comparable companies. A range is provided above and  
11 below the midpoint to allow for differentiation based on applicable skills,  
12 experience, as well as demonstrated performance. The ranges are reviewed  
13 periodically to help ensure they remain competitive in the external market.  
14

15 **Q66. Does the Company benchmark the variable component of compensation?**

16 A66. Yes. The Company reviews several surveys that provide information on a number  
17 of variable pay indices. In addition, the surveys report data for employee  
18 groupings, such as exempt employees, non-exempt employees, managers, and  
19 executives.  
20

21 **Q67. Could an alternate compensation system be structured, eliminating variable  
22 components?**

23 A67. Yes. DTE Gas could raise employees' base pay to the market levels for total  
24 compensation in lieu of providing variable pay opportunities to maintain a  
25 competitive total compensation level. However, this would have several

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1           undesirable effects. For example, raising employees' base pay to the total  
2           compensation market levels would result in a higher level of fixed costs tied to  
3           base salaries, such as certain defined contribution benefit plans, life insurance,  
4           disability insurance, and other salary-based employee benefits. Moreover, given  
5           the well-recognized motivational value of variable pay compensation programs,  
6           as described below, delivering employee compensation solely in fixed salary  
7           would diminish the performance incentive for employees to provide superior  
8           service to customers. Annual incentives ensure that individuals have an element  
9           of "at risk" compensation that allows DTE Gas to differentiate pay based on  
10          performance and allocate compensation to those employees that are most  
11          deserving.

12

13        **EXECUTIVE COMPENSATION**

14        **Q68. How does the compensation program for executives differ from that for non-**  
15        **executives?**

16        A68. The compensation program for executives differs in three respects. First, the  
17        comparative market for compensation benchmarking is defined as a specific group  
18        of peer companies from which data are obtained through a custom study generally  
19        performed every two years. Second, a higher proportion of executives'  
20        compensation is delivered in the form of variable pay. The third way in which the  
21        executive compensation program differs is with respect to governance. The  
22        compensation programs for Company executives must be approved by the  
23        Organization and Compensation Committee of the DTE Energy Board of  
24        Directors.

25

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1 **Q69. What is the comparative market for executive compensation?**

2 A69. The comparative market used by DTE Energy for determining the alignment of its  
3 executive compensation programs with similar companies consists primarily of  
4 utilities (including utility holding companies) and broad-based energy companies  
5 selected based on revenues, financial performance, geographic location, and  
6 availability of compensation information.

7

8 **Q70. What are the key components of the Executive Compensation Program?**

9 A70. The key elements of the Executive Compensation Program are base salary and  
10 variable pay (annual incentive plan and long-term incentive awards).

11

12 **Q71. How are base salaries determined?**

13 A71. Base salaries are targeted around the median of the comparative market.  
14 Appropriate methods of measurement are used to consider differences in company  
15 size and scope. In addition, midpoints are established for those executives whose  
16 jobs cannot be easily matched in the comparative market. These midpoints are  
17 designed to allow adequate differentiation for 1) individual potential, 2)  
18 contributions made, and 3) the length of time the executive has been in his or her  
19 position.

20

21 **COMPETITIVE COMPENSATION ANALYSIS**

22 **Q72. Has the Company prepared an analysis of its compensation practices relative**  
23 **to the market medians?**

24 A72. Yes. DTE Gas has performed an analysis of virtually all incumbent salaries as of  
25 December 31, 2022, that shows DTE's compensation practices are competitive

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1 with market medians. Exhibit A-19, Schedule I1 reflects a summary of the market  
2 median for all DTE Gas positions for which corresponding positions have been  
3 identified, other than those employees covered by collective bargaining  
4 agreements. In addition, Exhibit A-19, Schedule I1 reflects those positions at DTE  
5 LLC that primarily support DTE Gas. Exhibit A-19, Schedule I1 reflects  
6 employee compensation information organized based on Career Family  
7 classifications used by DTE Gas. A Career Family is a grouping of jobs based on  
8 similar skill requirements and job content in a specialized discipline (i.e., Finance,  
9 Engineering, Information Technology, etc.) that may or may not fit into a business  
10 unit organizational structure. For example, Engineering or Finance Career  
11 Families could exist in several organizational units.

12

13 **Q73. How is an analysis of a competitive pay structure performed?**

14 A73. An analysis of market-based pay structure is performed by identifying comparable  
15 positions and determining the compensation ranges paid by similar employers in  
16 relevant locations. A more expansive description of the means of assessing a  
17 competitive pay structure is provided in an article published by Salary.com,  
18 entitled The Basics of Market Pricing a Job (January 26, 2017).

19

20 **Q74. Is the Company's use of a market pricing approach to employee  
21 compensation consistent with others?**

22 A74. Yes. According to a recent survey performed by WorldatWork and Deloitte  
23 Consulting, entitled 2019 Survey of Salary Structure Policies and Practices, more  
24 than half of the companies surveyed use a market pricing model for setting  
25 compensation levels.

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1

2 **Q75. Why are employees covered by collective bargaining agreements excluded**  
3 **from this analysis?**

4 A75. Compensation levels for unionized employees are determined through a negotiated  
5 process, which involves a variety of work rules and benefit related issues, rather  
6 than determined strictly through market analysis. Moreover, the specialized skills  
7 and experience required by many of the positions are not readily comparable to  
8 other positions in the local market. Thus, a comparison of pay levels for those  
9 employees covered by collective bargaining agreements is not useful in this  
10 context.

11

12 **Q76. What conclusions can be drawn from Exhibit A-19, Schedule I1?**

13 A76. In summary, Exhibit A-19, Schedule I1 demonstrates that the weighted average of  
14 the annual base compensation for all positions with incumbents as of December  
15 31, 2022, with available position matches, was 0.8% below the average of median  
16 market base compensation. Plus, such analysis further demonstrates that total cash  
17 compensation for all positions with incumbents as of December 31, 2022, with  
18 available position matches, was 1.0% less than the average of median market for  
19 total cash compensation. This analysis concludes that the Company's total  
20 compensation is slightly less than the market medians and confirms that the  
21 Company's compensation practices are consistent with the Company's  
22 compensation policy to pay employees near the market median for comparable  
23 positions on a total cash compensation basis. Moreover, a comparison of the  
24 Company's base salaries, which excludes short-term incentive compensation, to  
25 the market medians for total cash compensation, which is inclusive of short-term

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1 incentive compensation, shows that in the absence of the Company's short-term  
2 incentive compensation programs, the Company's pay would be 12.2% less than  
3 the market medians.

4

5 **Q77. How was the market median for the positions determined?**

6 A77. As described above, the Company subscribes to several compensation survey  
7 providers that create comprehensive databases of job descriptions that enables the  
8 Company to match the job requirements, including education, expertise, and  
9 experience of existing positions with market surveys. After matching job positions  
10 are identified, actual base and total compensation ranges are developed from the  
11 salary survey database. The information on Exhibit A-19, Schedule II was derived  
12 from the Company's compilation of the compensation for positions with an  
13 incumbent as of December 31, 2022.

14

15 **Q78. What proportion of DTE Gas's total employee population, as of December**  
16 **31, 2022, is reflected in this analysis?**

17 A78. As of December 31, 2022, practically all (99.7%) of the employee population at  
18 DTE Gas, as well as DTE LLC employees that provide supporting services to DTE  
19 Gas, is reflected in this analysis. This is exclusive of those employees represented  
20 by collective bargaining agreements.

21

22 **Q79. What is included in the total cash compensation amounts?**

23 A79. Total cash compensation reflects base pay as of December 31, 2022, and the Target  
24 payout levels for those employees eligible to participate in the Company's short-  
25 term incentive compensation programs. Although the analysis on Exhibit A-19,

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1 Schedule II does not reflect the value of the Company's Long-Term Incentive  
2 Plan, as it is primarily for executive level positions, a separate analysis of  
3 executive compensation prepared by Aon, which is inclusive of long-term plans,  
4 shows that total compensation is about 9% less than the median of the Company's  
5 peer group, as discussed in more detail below.

6

7 **INCENTIVE COMPENSATION**

8 **Q80. What are you proposing regarding the level of incentive compensation**  
9 **expense to be included in the Company's revenue requirement?**

10 A80. I am proposing that the projected incentive compensation expense of \$18.~~511232~~  
11 million be included in the revenue requirement and adopted by the Commission in  
12 this proceeding, as described in more detail below. The components of the  
13 projected \$18.~~511232~~ million of incentive compensation expense are detailed in  
14 Table 3 reflected in the response to Q104.

15

16 **Q81. Is the Company requesting recovery in rates for all incentive compensation**  
17 **expenses?**

18 A81. No. While the Company believes that all its compensation expenses are  
19 reasonable, the Company has excluded \$2.889 million of incentive compensation  
20 expense related to DTE Energy's top five Executive officers. This exclusion is  
21 reflected on Exhibit A-3, Schedule C16, as supported by Witness Uzenski, and has  
22 been excluded from Table 3 presented in response to Q104.

23

24 **Q82. What is the basis for your proposed inclusion of \$18.~~511232~~ million of**  
25 **incentive compensation expense in the Company's revenue requirement?**

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1 A82. In summary, my proposal to include all the Company's projected incentive  
2 compensation expense, exclusive of the portion related to the top five executive  
3 officers, is based on the prevalence of incentive compensation programs and the  
4 resultant need for the Company to have total compensation programs that enable  
5 it to be competitive with other employers. As described above, the Company's  
6 existing total cash compensation is in line with the market, as is the total  
7 compensation for its executives. Moreover, in the absence of the incentive  
8 compensation programs, total cash compensation for the Company's employees  
9 would be 12.2% less than the market medians, as reflected on Exhibit A-19,  
10 Schedule II, and total compensation for its executives would be 70% less than  
11 market, as reflected in Table 2 below. The remainder of my testimony will  
12 demonstrate that the Company's incentive compensation programs are both  
13 reasonable and prudent and therefore a necessary cost of the Company doing  
14 business that should be reflected in the Company's revenue requirements.

15

16 **Q83. Are there any employee motivational advantages to including an incentive-**  
17 **based compensation component in a company's overall compensation design?**

18 A83. Yes. The underlying principle of incentive compensation plans is to motivate  
19 improved organizational performance. An effective incentive compensation plan  
20 provides a "pay-for-performance" environment intended to motivate individual  
21 and team achievement of measurable goals.

22

23 **Q84. Is there any evidence that incentive-based compensation is effective in**  
24 **motivating improved organizational performance?**

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1 A84. Yes. A comprehensive analysis of the impact of incentive compensation plans on  
2 organizational performance concluded that programs that provide tangible  
3 incentives for achievement of certain goals lead to a 27% increase in  
4 organizational performance (Incentives, Motivation and Workplace Performance:  
5 Research & Best Practices, The International Society for Performance  
6 Improvement, Spring, 2002). This study observes that the source for such  
7 organizational performance improvements is that employees 1) value their work  
8 tasks more, 2) have more self-confidence and esteem for their employers, 3) are  
9 more persistent at work tasks, and 4) strive for high levels of accomplishments.  
10 Moreover, this study notes that long-term incentive plans provide even greater  
11 performance improvements. In addition, an Aon study of Variable Compensation  
12 Measurement Survey issued in 2018 reported that 86% of participants in the  
13 survey indicated that their variable compensation plans resulted in improved  
14 business results.

15

16 **Q85. Are incentive compensation programs a typical element in compensation at**  
17 **other companies?**

18 A85. Yes. According to a 2021 study issued by WorldatWork and Compensation  
19 Advisory Partners, most companies had short-term and long-term incentive  
20 programs. This indicates that incentive compensation programs are a prevalent  
21 practice among most companies. (Incentive Pay Practices, Publicly Traded  
22 Companies, WorldatWork and Compensation Advisory Partners). Moreover, a  
23 2018 study by Aon of U.S. Salary Increases shows that 90% of Power and Gas  
24 Service providers utilized broad-based incentive compensation programs.

25

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1 **Q86. Do the Company's incentive compensation plans result in unreasonable**  
2 **compensation?**

3 A86. No. As explained above, the Company benchmarks its total compensation for non-  
4 represented employees against relevant peers, inclusive of incentive  
5 compensation, and establishes a mid-point salary range based on the median  
6 market level. Moreover, based on a recent survey by Aon, the total compensation  
7 of DTE Energy's Executives is about 9% less than the median of its peers based  
8 on Target level performance, inclusive of the long-term incentive compensation.  
9 The Company's incentive compensation programs are merely a component of the  
10 total compensation policies required for the Company to be competitive with its  
11 peers, rather than a supplement. Indeed, in the absence of the incentive  
12 compensation programs, total compensation for the Company's non-represented  
13 population would be more than 12% below market, as reflected on Exhibit A-19,  
14 Schedule II. Additionally, as indicated in Table 2 in the response to Q87 below,  
15 DTE Energy's Executives would be substantially less than its peers, since about  
16 70% of total compensation is delivered through short and long-term incentive  
17 compensation programs, by both DTE and its peers.

18

19 **Q87. How do the components of the Company's Executive total compensation**  
20 **practices compare to the Company's peers?**

21 A87. Based on the Aon survey referenced above, a comparison of the relative magnitude  
22 of the Company's salary, short-term and long-term pay components for Executives  
23 to the 50th percentile of its peers is reflected in Table 2.

24

25

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**Table 2**

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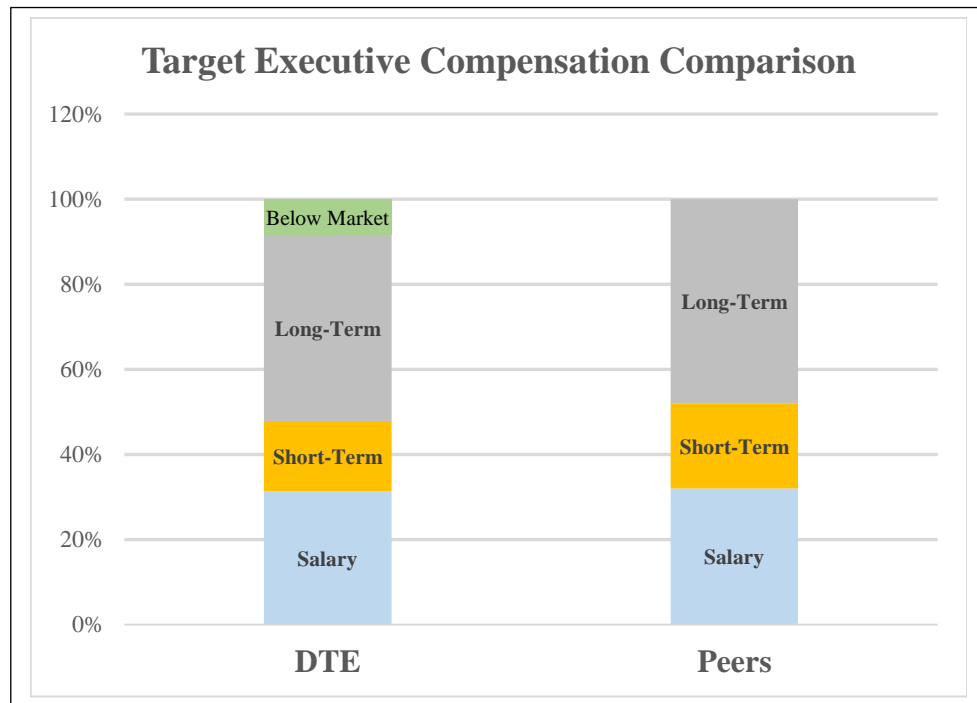
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12



13 **Q88. What are the specific components of the Company’s incentive compensation**  
 14 **programs?**

15 A88. The Company has in place incentive compensation plans for its Executive and all  
 16 other non-represented employees. Short-term incentive plans are provided through  
 17 the Annual Incentive Plan (AIP) and Rewarding Employees Plans (REP).  
 18 Additionally, a multiple year plan, which is available to all managers and above,  
 19 and up to 10% of other eligible non-represented exempt employees, is delivered  
 20 through Performance Shares granted pursuant to the Long-Term Incentive Plan  
 21 (LTIP).

22

23 **Q89. What is the AIP?**

24 A89. The AIP is a short-term variable pay program available to senior management level  
 25 employees to motivate performance. The 2023 AIP measures and weightings for

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1 DTE Gas and DTE LLC are reflected on Exhibit A-19, Schedules I2 and I3,  
2 respectively. For each measure, a Target is established for which a 100% payout  
3 will be earned. Performance less than Target, but above a minimum Threshold,  
4 results in a payout between 25% of Target and 100%, a payout of 100% of Target  
5 when performance is at Target, and performance between Target and the Maximum  
6 level results in a payout of up to 175% of Target for non-executive participants of  
7 the AIP and up to 200% of Target for Executive participants of the AIP.

8

9 **Q90. Which employee classifications are eligible to participate in the AIP?**

10 A90. All Executive level employees, generally Vice President and above, and Directors  
11 participate in the AIP. All other non-represented employees are eligible to  
12 participate in the REP.

13

14 **Q91. What are the components of the REP?**

15 A91. The REP is identical to the AIP except that Threshold performance is at 50% of  
16 Target and the Maximum performance payout is 150% of Target. The 2022 REP  
17 measures and weightings are reflected on Exhibit A-19, Schedules I2 and I3,  
18 respectively. Certain measures are excluded from the REP, such as the Gallup  
19 survey of employee engagement measure, in recognition that the Company's  
20 leadership is responsible for providing an environment of high employee  
21 engagement.

22

23 **Q92. What are the categories of measures included in the AIP and REP?**

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No.

1 A92. There are four categories of measures in both the AIP and REP. Specifically,  
2 Financial Performance, Customer Satisfaction, Safety and Engagement, and  
3 Operating Excellence.

4

5 **Q93. What are the financial measures included in the AIP?**

6 A93. Three financial measures for DTE Gas employees are designed to create a clear line  
7 of sight for all employees to focus on operating excellence by rewarding employees  
8 when the Company is successful. The financial measures are:

9

10 1) DTE Gas Operating Earnings objective is based on the Company realizing the  
11 authorized return on equity by the Commission in its Order in Case No. U-  
12 20940.

13

14 2) DTE Gas Cash from Operations is similarly based on the authorized return on  
15 equity but reflects the higher capital expenditures arising from the significant  
16 investments required to upgrade DTE Gas's system. The inclusion of a cash  
17 flow measure recognizes the importance of DTE Gas maintaining a high credit  
18 rating to allow continued access to the capital markets at reasonable costs and  
19 terms to ensure proper capital investment to continue to serve our customers.

20

21 3) DTE Energy Operating Earnings per Share measure is based on the midpoint of  
22 2023 earnings guidance.

23

24 **Q94. What are the measures related to customer satisfaction?**

Line  
No.

1 A94. There are two customer satisfaction measures that are intended to focus employees  
2 on improving the experience that our customers have in their interactions with the  
3 Company. The measures are:

4

5 1) The Net Promoter Score is a measure of the extent to which customers are likely  
6 to recommend the Company to their friends and colleagues. The Target in 2023  
7 is 39, which is the same as the actual NPS in 2022. However, macroeconomic  
8 factors in 2022 and 2023, including 40-year high inflation and historically low  
9 consumer confidence, as noted by the University of Michigan Consumer  
10 Confidence Surveys results, among other factors, have resulted in reduced NPS  
11 scores nationwide by virtually all industries. Therefore, considering these  
12 conditions, maintaining a NPS score of 39 in 2023 is estimated to represent an  
13 effective 4 point increase.

14

15 2) The MPSC Customer Complaints measure represents the number of formal  
16 complaints made to the MPSC regarding both DTE Gas and DTE Electric as  
17 reported to the Company by the MPSC. The Target in 2023 is 1,912 compared  
18 to 2,013 in 2022.

19

20 **Q95. What are the measures related to Safety & Engagement?**

21 A95. The three Safety and Engagement measures encompass employee engagement as  
22 measured by the Gallup survey and two employee safety related measures.

23

24 **Q96. What is the measure related to Employee Engagement?**

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No.

1 A96. The Gallup measure of Employee Engagement is reflective of the direct correlation  
2 between the level of active employee engagement and the performance of an  
3 organization. The 2023 Target of 4.26 is based on a grand mean of the results of  
4 the Gallup surveys of employees and represents top decile performance relative to  
5 Gallup's overall database. Employee Engagement is a statistically significant  
6 measure of the level of commitment employees have to an organization's success  
7 and is not merely a measure of employee satisfaction.

8

9 **Q97. What are the Safety related measures?**

10 A97. The Company has two safety related measures:

11 1) The first is the OSHA Recordable Incident Rate (RIR), which measures the  
12 recordable injuries per 100 employees divided by the actual number of hours  
13 worked, as defined by the Occupational Safety and Health Administration  
14 (OSHA). This is a standard measure of safety performance used nationwide.  
15 The measure is intended to create a heightened focus on the importance of  
16 safety in the workplace. The RIR Target for 2023 is .80, which represents top  
17 decile performance.

18

19 2) The second is High Energy Serious Injury or Fatality (HSIF), which is a  
20 measure adopted by the Edison Electric Institute that recognizes the degree of  
21 seriousness of an injury in the context of a dangerous event. The 2023 HSIF  
22 Target is two compared to the most recent five-year average of 3.8.

23

24 **Q98. What are the Operating Excellence measures for 2023?**

Line  
No.

1 A98. DTE Gas has four Operating Excellence measures that are specific operating  
2 priorities for 2023. These measures are included as AIP and REP to motivate the  
3 achievement of certain operating objectives important to the Company, its  
4 customers and the Commission. The measures are as follows:

5

6 1) Gas Open Leak Balance: This measure relates to the number of gas leaks at  
7 year-end. The Target for 2023 is 1,922 leaks as of December 31, 2023.

8

9 2) Gas Distribution Response Time: This measure reflects the elapsed time, as  
10 measured in minutes, between when a customer reports potential leaks to the  
11 Company and when a Field Service employee arrives at the site. This measure  
12 is designed to provide a leadership focus on the importance of responding to all  
13 potential leaks as quickly as possible. The Target in 2023 is to achieve an  
14 average response time of 21.25 minutes compared to actual response time in  
15 2022 of 21.5 minutes.

16

17 3) Percent of High Consequence Area (HCA) miles that are assessable by In Line  
18 Inspection (ILI). This measure is designed to focus employees on the  
19 assessment of the highest risk pipeline systems so that defects that could have  
20 a significant impact of safety and serviceability are promptly remediated. The  
21 2023 Target is 95.5% compared to the 2022 actual of 94.5%.

22

23 4) Percent of High Population miles with Traceable, Verifiable and Complete  
24 (TVC) pressure test records defects remediated. This measure focuses on the  
25 status of the remediation of test record defects and any related material defects

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1 on the highest risk portions of the Company's pipeline system. The Target for  
2 2023 is 8.15% with a long-term goal of 100% of defects remediated by 2027.

3

4 **Q99. Are there other AIPs and REPs that impact DTE Gas's expenses?**

5 A99. Yes. In addition to the DTE Gas measures described above, there are also AIPs  
6 and REPs in place for corporate staff employees at DTE LLC that provide services  
7 to all DTE Energy business units, including DTE Gas. The measures and  
8 weightings for DTE LLC are reflected on Exhibit A-19, Schedule I3

9

10 **Q100. What is the Company's Long-Term Incentive Plan?**

11 A100. The LTIP provides the opportunity for certain individuals to receive retention-  
12 oriented or performance-based rewards delivered via shares of DTE Energy  
13 common stock. These are delivered as either Performance Shares, which are based  
14 on the achievement of multiyear performance objectives, or Restricted Stock.  
15 Currently, 70% of the value of awards for executives and directors is through grants  
16 of Performance Shares and 30% of the value of awards is through Restricted Stock,  
17 while 100% of the awards to other eligible employees are through Performance  
18 Shares. The objective in granting shares through this program is to both motivate  
19 superior results as well as provide a means to retain key employees and is consistent  
20 with the practices of most companies, as reflected in the WorldatWork and  
21 Compensation Advisory Partners study, referenced in Q85 above.

22

23 **Q101. What are the performance share measures used in the 2023 LTIP?**

24 A101. The measures used in 2023 are shown on Exhibit A-19, Schedule I4.

25

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1 **Q102. What is the rationale for the use of these measures?**

2 A102. These measures reflect the long-term financial performance of DTE Energy and are  
3 intended to motivate employees of the individual operating companies, such as  
4 DTE Gas, to keep in mind the role of their own contributions to the overall long-  
5 term success of DTE. Accordingly, the predominate measure for DTE Gas and  
6 DTE LLC (80% for both) is the total return to DTE Energy shareholders (i.e.,  
7 capital appreciation and dividends) relative to a group of peer companies over the  
8 next three years. The second financial measure included in the LTIP, that  
9 contributes 20% to the weighting, is DTE Energy's three-year cumulative  
10 Operating Earnings per Share. The three-year focus of the performance-based  
11 measures is designed to motivate decisions and actions that produce sustainable  
12 benefits rather than short-term actions that may entail long-term risks.

13

14 **Q103. What is the basis for the costs of the LTIP?**

15 A103. The LTIP costs incurred in 2022 pertain to the grants of Performance Shares and  
16 Restricted Stock. The expense related to the Restricted Stock is not conditioned on  
17 any Company performance measures but rather is exclusively based on the number  
18 of shares granted at the date of grant. In contrast, Performance Shares expense is  
19 based on the achievement of the predetermined performance objectives. The  
20 recognized cost of Performance Shares is based on the number of shares granted at  
21 the market price of DTE Energy's common stock at the date of grant but with  
22 adjustment in the number of shares based on actual performance.

23

24 **Q104. What is the incentive compensation expense if the Company achieves all of its**  
25 **Financial and Operating Targets?**

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No.

1 A104. The net expense if DTE Gas achieves its Financial and Operating Targets for the  
 2 short-term and long-term plans, exclusive of the expense associated with the top  
 3 five officers, is \$18.~~511~~<sup>232</sup> million. Table 3 summarizes the expense by the nature  
 4 of the plans, the classification of the employees eligible, and differentiated between  
 5 the Financial and Operating measures.

Table 3

<u>Financial</u>				
<u>DTE Gas</u>	<u>\$2,329</u>	<u>\$209</u>	<u>\$2,531</u>	<u>\$5,069</u>
<u>DTE LLC</u>	<u>3,575</u>	<u>1,221</u>	<u>2,282</u>	<u>7,078</u>
	<u>5,904</u>	<u>1,430</u>	<u>4,813</u>	<u>12,147</u>
<u>Operating</u>				
<u>DTE Gas</u>	<u>0</u>	<u>154</u>	<u>1,864</u>	<u>2,018</u>
<u>DTE LLC</u>	<u>0</u>	<u>1,515</u>	<u>2,831</u>	<u>4,346</u>
	<u>0</u>	<u>1,669</u>	<u>4,695</u>	<u>6,364</u>
<u>Total</u>				
<u>DTE Gas</u>	<u>2,329</u>	<u>363</u>	<u>4,395</u>	<u>7,087</u>
<u>DTE LLC</u>	<u>3,575</u>	<u>2,736</u>	<u>5,113</u>	<u>11,424</u>
	<u>\$5,904</u>	<u>\$3,099</u>	<u>\$9,508</u>	<u>\$18,511</u>

18 **Q105. Why are the expenses for DTE LLC most of the incentive compensation**  
 19 **expenses?**

20 A105. DTE LLC provides a variety of administrative and other services that are common  
 21 to both DTE Gas and DTE Electric for which the costs are billed to the operating  
 22 companies, as explained by Witness Uzenski. In addition, DTE LLC is the  
 23 employer of all the officers of DTE Energy, including the officers of DTE Gas.

24

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1 **Q106. How have you reflected the Operating Excellence measures related to DTE**  
2 **Gas in the AIP and REP for DTE LLC?**

3 A106. While the AIP and REP expenses allocated to DTE Gas in the historic period from  
4 DTE LLC include some measures related to DTE Electric, the AIP and REP  
5 weightings for DTE LLC have been adjusted to exclude the measures specifically  
6 related to DTE Electric.

7

8 **Q107. Are all incentive compensation expenses variable based on the Company's**  
9 **financial or operating performance?**

10 A107. No. As described earlier, a portion of the DTE Energy shares granted under the  
11 LTIP are in the form of Restricted Stock. Unlike the Performance Shares, the  
12 expense of Restricted Stock is not variable based on either the Company's financial  
13 or operating performance. The only contingency is that the employee forfeits the  
14 Restricted Stock if they leave the Company, other than through retirement or in the  
15 event of the employee's death or disability.

16

17 **Q108. How does the lack of variability in the LTIP expense effect its treatment in**  
18 **your analysis of incentive compensation?**

19 A108. Although Restricted Stock grants are made under the LTIP, the ultimate payouts  
20 are not dependent on future Company or employee performance, and therefore,  
21 Restricted Stock is not regarded as an element of the Company's incentive  
22 compensation expense. Accordingly, the projected test year Restricted Stock  
23 expense of \$1.987 million has been excluded from Table 3 as reflected in the  
24 response to Q104 above.

25

Line  
No.

1 **Q109. Has the Commission provided any criteria for the inclusion of incentive**  
2 **compensation programs in the revenue requirements of companies subject to**  
3 **the Commission's rate setting authority?**

4 A109. Yes. The Commission has indicated in all its recent Orders that addressed incentive  
5 compensation programs that recognition of incentive compensation expense in a  
6 company's revenue requirement was dependent on a showing that the incentive  
7 compensation programs provided benefits to customers in excess of the expense.

8

9 **Q110. Has the Company performed an analysis of the customer benefits of the**  
10 **Company's incentive compensation plans?**

11 A110. Yes. The Company has performed a comprehensive analysis of the customer  
12 benefits that would be derived from the achievement of the financial and operating  
13 metrics included in the Company's short and long-term incentive plans relative to  
14 their costs. This analysis, as reflected on Exhibit A-19, Schedule I5 Revised,  
15 demonstrates that the expected aggregate benefits of ~~\$21.29219.075~~ million  
16 exceeds the incentive compensation expense of \$18.~~511232~~ million by ~~\$2.7810.844~~  
17 million. Significantly, the quantified customer benefits of the Operating measures  
18 exceed the incentive compensation expense related to the Operating measures by  
19 ~~\$8.7946.673~~ million.

20

21 While certain individual measures, such as customer satisfaction and certain safety  
22 related measures, have measurable benefits that are less than the related incentive  
23 compensation expense, there is undeniable qualitative value of such metrics.  
24 Therefore, the inability to quantify the precise customer benefit in no way

Line  
No.

1 diminishes the value of improving customer satisfaction and maintaining a focus  
2 on safety.

3

4 **Q111. How did you calculate the benefits of the Financial measures?**

5 A111. While the Company has not quantified the benefits to customers of each of the  
6 financial measures, one measure that had specifically quantifiable benefits is the  
7 Cash Flow from Operations measure within the AIP and REP, as reflected on line  
8 of Exhibit A-19, Schedule I5 Revised. This measure is focused on the Company  
9 maintaining its “A” debt rating from Standard & Poor’s and comparable ratings by  
10 the other major debt rating firms. The yield spread between utility bonds for bonds  
11 with an “A” rating compared to “BBB” rated bonds is 23 basis points. Based on  
12 the long-term debt balances included in the capital structure sponsored by Company  
13 Witness Vangilder, a downgrade in the Company’s credit rating would increase the  
14 Company’s annual interest costs by \$6.133 million.

15

16 **Q112. How are the benefits of the operating measures computed?**

17 A112. The benefits of the operating measures are computed based either on the avoided  
18 costs to the Company, which results in lower future revenue requirements, or based  
19 on the value to customers of improved performance. The reference points to  
20 determine improvement are, in most instances, based on the Company’s actual  
21 performance in the 2022 historical test year, but when 2022 results are not  
22 representative, either a five-year average or a comparison to a peer group is used.  
23 The benefits of achieving Target performance are allocated between the AIP and  
24 REP components based on the relative AIP and REP expense for each measure.

25

Line  
No.

1 **Q113. How did you quantify the benefit of improvements in the Customer**  
2 **Satisfaction measures?**

3 A113. The benefits of achieving the 2023 Target of 39 Net Promoter Score (NPS) are  
4 based on the expectation that improvements in the NPS score will result in fewer  
5 customer calls. The 2023 Target of 39 is expected to produce \$1.5~~5123~~ million of  
6 customer benefits based on avoided Company costs and customer costs.

7

8 The customer benefits of attaining Target performance for MPSC Customer  
9 Complaints measure is based on the avoided costs to both the Company and its  
10 customers due to the reduced time spent by employees and customers resolving  
11 complaints for a total savings of \$~~14,539,57,868~~.

12

13 While the total quantified benefits of \$1.5~~6681~~ million related to the Customer  
14 Satisfaction measures is less than the related expense, there can be little doubt that  
15 an emphasis among the Company's employees on improving the experiences  
16 customers have with the Company results in additional significant non-quantifiable  
17 benefits to both customers and the Commission.

18

19 **Q114. How did you determine the benefits of the Employee Engagement measures?**

20 A114. The quantifiable benefits of a highly engaged workforce are based on three critical  
21 dimensions identified by Gallup: absenteeism, productivity, and safety incidents.  
22 According to Gallup, a 0.1 improvement in the grand mean will result in a 3.1%  
23 reduction in absenteeism, a 1.8% increase in productivity, and a 3.8% reduction in  
24 safety incidents. Compared to the 80th percentile of Gallup survey results for all

Line  
No.

1 companies included in Gallup's database, the achievement of the 2023 Target  
2 Gallup Target will generate O&M savings of ~~\$3.9482.618~~ million.

3

4 **Q115. What are the expected benefits of the Company achieving Target level**  
5 **performance regarding the OSHA Recordable Incident Rate ("RIR")?**

6 A115. The benefits of achieving the OSHA Recordable Incident Rate (RIR) are based on  
7 the estimated direct costs of non-fatal incidents in 2022 of ~~\$50,13646,295~~, based  
8 on study by OSHA in 2021, and a study by Liberty Mutual that estimates the  
9 indirect cost of an OSHA recordable incident is about 3.0 times the direct costs,  
10 results in a total cost of ~~\$200,543185,183~~ per incident, inclusive of both the direct  
11 and indirect costs. Based on Target level performance relative to the 75<sup>th</sup> percentile  
12 performance of the Company's peer group, this results in an estimated benefit of  
13 \$1.~~964134~~ million, net of the savings capitalized. Because the benefits of achieving  
14 the OSHA RIR Target includes all OSHA recordable injuries, the OSHA RIR  
15 benefit is allocated equally to both OSHA RIR and HSIF safety measures.

16

17 **Q116. What are the benefits related to Gas Distribution System Improvement?**

18 A116. Although the benefits of an improvement to the gas distribution system is not  
19 specifically quantifiable, one of the benefits of a reduction in the number of year-  
20 end gas leaks would be a reduction in the cost of Lost and Unaccounted for Gas.  
21 Accordingly, the quantified benefits related to the achievement of budget levels in  
22 2023 for Lost and Unaccounted for Gas, which is based on achieving a Lost and  
23 Unaccounted for Gas of .62% of total throughput compared to the five-year average  
24 of .72% of total throughput produces a reduction in Lost and Unaccounted for Gas

Line  
No.

1 volumes of 822,000 mcf. Based on the projected test year cost of gas of \$4.38/Mcf,  
2 this represents a savings of \$3.602 million.

3

4 **Q117. How did you quantify the benefits of achieving the Target reductions in Gas**  
5 **Distribution Response Time?**

6 A117. The savings that arise from the achievement of the improvements in leak response  
7 time is based on the reduction of 0.44 full time equivalent employees, which results  
8 in an annual savings of ~~\$57,955,56,937~~. Although the quantifiable savings of a  
9 reduction in leak response time is less than the related expense, clearly all  
10 customers realize non-quantifiable benefits of the Company being able to promptly  
11 respond to leak calls.

12

13 **Q118. What are the identified benefits of the achievement of the Target for the**  
14 **Percent of HCA Miles Assessable by ILI?**

15 A118. The benefits of achieving the 2023 Target of 95.5% of HCA Miles Assessable by  
16 ILI were estimated based on the average consequence of failure for the pipelines  
17 identified for improvements in 2023. This produces an avoided cost of ~~\$2,2352,195~~  
18 million. This is a conservative measure of the benefits of increasing the HCA miles  
19 assessable by ILI because the next best alternative to address the pipeline safety  
20 risk is to replace the pipelines, and the estimated replacement costs of the identified  
21 pipelines is over \$20 million.

22

23 **Q119. What benefits are created by achieving the Percent of High Population Miles**  
24 **with TVC Pressure Test Records Remediated?**

Line  
No.

1 A119. The benefits related to the achievement of the Target performance level in 2023 of  
2 8.15% of the High Population Miles with TVC Pressure Test Records Remediated  
3 was estimated based on average consequence of failure for the increase in the  
4 pipeline segments to be remediated in 2023 due to the Company's accelerated  
5 schedule for remediation. While Federal Pipeline Safety regulations (CFR Part  
6 192.624) require all pressure test defects to be remediated by 2035, the 2023 Target  
7 is based on the Company's goal to have all record defects remediated by 2027. The  
8 acceleration of the remediation in 2023 is estimated to produce avoided costs of  
9 ~~\$1.7861.755~~ million.

10

11 **Q120. What is your conclusion regarding the cost effectiveness of the Company's**  
12 **incentive compensation plans?**

13 A120. While not every individual measure has quantified benefits that exceed the related  
14 incentive compensation expense of the measure, the aggregate quantified customer  
15 benefits of the Company achieving Target performance levels for both the financial  
16 and operating measures exceed the related expense. Moreover, in those instances  
17 where the quantified benefits are less than the related expense, the non-quantifiable  
18 benefits are undoubtedly substantial.

19

20 Because the Company's overall employee compensation approximates the market,  
21 inclusive of incentive compensation, and the quantified benefits exceed the  
22 projected incentive compensation expense, the Company's total incentive  
23 compensation expense of \$18.~~511232~~ million should be included in the revenue  
24 requirement adopted by the Commission in this proceeding as a reasonable and  
25 prudently incurred expense.

Line  
No.

1

2 **Q121. Does this complete your direct testimony?**

3 A121. Yes, it does.

4

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of )  
**DTE GAS COMPANY** for authority )  
to increase its rates, amend its rate )  
schedules and rules governing the )  
distribution and supply of natural gas, )  
and for miscellaneous accounting authority )

Case No. U-21291

EXHIBITS

OF

MICHAEL S. COOPER

Michigan Public Service Commission  
DTE Gas Company  
Projected Operation and Maintenance Expenses  
Employee Pensions and Benefits  
Projected 12 Month Period Ending September 30, 2025  
(\$000)

Case No.: U-21291  
Exhibit: A-13  
Schedule: C5-9 Revised  
Witness: M. S. Cooper  
Page: 1 of 2

Line No.	Description	(a)	(b)	(c)	(d)
		<b>Employee Pensions and Benefits Expense</b>			
		<u>Historical Period Ending 12/31/22</u>	<u>Adjustments</u>	<u>Projected Period Ending 9/30/25</u>	
1	<b><u>Post-Retirement Benefits</u></b>				
2	Pension	-	-	-	
3	Post Empl Health Care (OPEB)	-	-	-	
4	New Hire Retiree VEBA	2,437	820	3,256	
5	Employee Savings Plan	10,368	2,798	13,166	
6	Subtotal Post-Retirement	12,804	3,618	16,422	
7	<b><u>Active Healthcare</u></b>				
8	Medical Expenses	16,859	3,723	20,583	
9	Dental Expenses	1,091	241	1,332	
10	Vision Expenses	103	24	126	
11	Subtotal Active Healthcare	18,053	3,988	22,041	
12	<b><u>Other</u></b>				
13	Accrued Vacation Expense	(1,735)	1,457	(278)	
14	Executive & Supplemental Retirement Plan	1,329	(1,329)	-	
15	Supplemental Severance Plan Exp	748	(649)	100	
16	Supplemental Savings Plan	(1,191)	2,068	877	
17	Deferred Compensation Plan	(39)	74	36	
18	Wellness Program Expenses	1,916	262	2,178	
19	Life Insurance	303	26	329	
20	Disability Expenses	368	31	400	
21	Affordable Care Act	7	1	8	
22	General Benefit Expenses	821	76	898	
23	Benefit Plan Administration Fees	2,334	205	2,539	
24	Retirement Administration Fees	124	11	135	
25	Subtotal Other	4,987	2,234	7,221	
26	Total before Other Allocations	35,844	9,839	45,683	
27	A&G Capitalization	(3,467)	(302)	(3,768)	
28	Other Transfers & Allocations	1,531	129	1,660	
29	Eliminate EWR Surcharge Program	-	(412)	(412)	
30	Eliminate Gas Voluntary Renewable Program	-	(38)	(38)	
31	Total Benefit Expense (Account 926)	33,908	9,217	43,125	

Michigan Public Service Commission  
DTE Gas Company  
Projected Operation and Maintenance Expenses  
Employee Pension and Benefits (\$000)  
Projected 12 Month Period Ending September 30, 2025  
(\$000)

Case No.: U-21291  
Exhibit: A-13  
Schedule: C5-9 Revised  
Witness: M. S. Cooper  
Page: 2 of 2

Line No.	(a) Description	(b) Historical Period Ending 12/31/22	(c) Rate Case Adjustments	(d) Adjusted Historical Test Period	(f) Projected Adjustments			(h) Other Adjustments	(i) Total Projected Adjustments	(j) Projected Period Ending 9/30/25
					(e) 1/1/23 - 12/31/23 Inflation 1/	(f) 1/1/24 - 12/31/24 Inflation 1/	(g) 1/1/25 - 9/30/25 Inflation 1/			
				Col. (b) + Col. (c)				Sum (e) thru (h)	Col. (d) + Col. (i)	
1	<b>Post-Retirement Benefits</b>									
2	Pension	-	-	-	-	-	-	-	-	- 2/
3	Post Empl Health Care (OPEB)	-	-	-	-	-	-	-	-	- 3/
4	New Hire Retiree VEBA	2,437	-	2,437	-	-	-	820	820	3,256
5	Employee Savings Plan	10,368	-	10,368	-	-	-	2,798	2,798	13,166
6	Subtotal Post-Retirement	12,804	-	12,804	-	-	-	3,618	3,618	16,422
7	<b>Active Healthcare</b>									
8	Medical Expenses	16,859	1,249 4/	18,108	924	952	599	-	2,475	20,583
9	Dental Expenses	1,091	81 4/	1,172	60	62	39	-	160	1,332
10	Vision Expenses	103	8 4/	111	6	6	4	-	15	126
11	Subtotal Active Healthcare	18,053	1,338	19,391	989	1,019	642	-	2,650	22,041
12	<b>Other</b>									
13	Accrued Vacation Expense	(1,735)	1,479 5/	(256)	(8)	(8)	(6)	-	(22)	(278)
14	Executive & Supplemental Retirement Plan	1,329	(1,329) 6/	-	-	-	-	-	-	-
15	Supplemental Severance Plan Exp	748	-	748	-	-	-	(649)	(649)	100
16	Supplemental Savings Plan	(1,191)	-	(1,191)	-	-	-	2,068	2,068	877
17	Deferred Compensation Plan	(39)	-	(39)	-	-	-	74	74	36
18	Wellness Program Expenses	1,916	-	1,916	98	101	63	-	262	2,178
19	Life Insurance	303	-	303	9	9	7	-	26	329
20	Disability Expenses	368	-	368	11	11	9	-	31	400
21	Affordable Care Act	7	-	7	0	0	0	-	1	8
22	General Benefit Expenses	821	-	821	36	23	18	-	76	898
23	Benefit Plan Administration Fees	2,334	-	2,334	96	61	49	-	205	2,539
24	Retirement Administration Fees	124	-	124	5	3	3	-	11	135
25	Subtotal Other	4,987	150	5,137	247	201	143	1,494	2,084	7,221
26	Total before Other Allocations	35,844	1,488	37,332	1,236	1,220	785	5,111	8,351	45,683
27	A&G Capitalization	(3,467)	-	(3,467)	(142)	(90)	(69)	-	(302)	(3,768)
28	Other Transfers & Allocations	1,531	-	1,531	61	39	30	-	129	1,660
29	Eliminate EWR Surcharge Program	-	(412) 7/	(412)	-	-	-	-	-	(412)
30	Eliminate Gas Voluntary Renewable Program	-	(38) 8/	(38)	-	-	-	-	-	(38)
31	Total Benefit Expense (Account 926)	33,908	1,038	34,946	1,155	1,168	745	5,111	8,178	43,125

1/ Inflation Adjustment Factors: see table below  
2/ Carried from Line 20 of Exhibit A-13 C5.10  
3/ Carried from Line 21 of Exhibit A-13 C5.11

4/ Normalization adjustment to reflect constant-dollar five year average  
5/ Normalization adjustment to reflect five year historical average  
6/ Eliminate Executive & Supplemental Retirement Plan based on Commission's past practice  
7/ Eliminate benefits expense included in separate surcharge mechanism  
8/ Eliminate Gas Voluntary Renewables Program approved in Case No. U-20839

Annual Inflation Rates applied to benefits:

	Annual 2023	Annual 2024	Annual 2025		Annual 2023	Annual 2024	Annual 2025
Medical Expens	5.10%	5.00%	4.00%	Affordable Care Act	5.10%	5.00%	4.00%
Dental Expense	5.10%	5.00%	4.00%	General Benefit Expenses	4.10%	2.50%	2.60%
Vision Expense	5.10%	5.00%	4.00%	Benefit Plan Administration Fee	4.10%	2.50%	2.60%
Accrued Vacatic	3.00%	3.00%	3.00%	Retirement Administration Fee	4.10%	2.50%	2.60%
Wellness Progr	5.10%	5.00%	4.00%	O&M Project Reimbursements	4.10%	2.50%	2.60%
Life Insurance	3.00%	3.00%	3.00%	A&G Capitalization	4.10%	2.50%	2.60%
Disability Expen	3.00%	3.00%	3.00%	Other Transfers & Allocations	4.10%	2.50%	2.60%

Michigan Public Service Commission  
DTE Gas Company  
2023 Incentive Plans Cost/Benefit Analysis  
(\$000's)

Case No.: U-21291  
Exhibit: A-19  
Schedule: **I5 - REVISED**  
Witness: M. S. Cooper  
Page: 1 of 1

Line No.	(a) Description	(b) Long Term Incentive Plan			(e) Annual Incentive Plan			(h) Rewarding Employees Plan			(k) Total Incentive Plans		
		(c) Expense	(c) Benefit	(d) Net	(e) Expense	(f) Benefit	(g) Net	(h) Expense	(i) Benefit	(j) Net	(k) Expense	(l) Benefit	(m) Net
1	Financial Performance												
2	Total DTE Energy Shareholder Return vs. Peer Group	4,723	0	4,723							4,723	0	4,723
3													
4	Three Year Cumulative Operating EPS	1,181	0	1,181							1,181	0	1,181
5													
6	DTE Gas Operating Earnings				78	0	78	949	0	949	1,027	0	1,027
7													
8	DTE Gas Cash From Operations				78	(1,818)	(1,739)	949	(4,316)	(3,367)	1,027	(6,133)	(5,106)
9													
10	DTE Energy Operating Earnings Per Share				663	0	663	1,774	0	1,774	2,437	0	2,437
11													
12	DTE Energy Cash From Operations				610	0	610	1,141	0	1,141	1,751	0	1,751
13													
14	Total Financial Measures	5,904	0	5,904	1,430	(1,818)	(388)	4,813	(4,316)	497	12,146	(6,133)	6,013
15													
16	Customer Satisfaction												
17	Net Promoter Score				334	(501)	(167)	939	(1,050)	(111)	1,273	(1,551)	(278)
18													
19	MPSC Customer Complaints				223	(5)	218	626	(10)	616	849	(15)	834
20													
21	Total Customer Satisfaction Measures				556	(505)	51	1,565	(1,060)	505	2,122	(1,566)	556
22													
23	Safety & Engagement												
24	Employee Engagement-Gallup				139	(3,948)	(3,809)	0	0	0	139	(3,948)	(3,809)
25													
26	OSHA Recordable Incident Rate				139	(317)	(178)	783	(665)	118	922	(982)	(60)
27													
28	DTE Energy High Energy Serious Injury or Fatality				139	(317)	(178)	391	(665)	(274)	530	(982)	(452)
29													
30	Total Employee Engagement Measures				417	(4,582)	(4,165)	1,174	(1,330)	(156)	1,591	(5,912)	(4,321)
31													
32	Operating Excellence												
33	Gas Open Leak Balance				13	(400)	(387)	155	(3,201)	(3,046)	168	(3,602)	(3,434)
34													
35	Gas Distribution Response Time				13	(7)	6	155	(51)	104	168	(58)	110
36													
37	Percent of HCA Miles Assessable by In Line Inspection				26	(822)	(796)	311	(1,413)	(1,102)	337	(2,235)	(1,898)
38													
39	Percent of High Population Miles with TVC												
40	Pressure Test Records Remediated				644	(201)	443	1,335	(1,585)	(250)	1,979	(1,786)	193
41													
42	Total Operating Excellence				695	(1,430)	(734)	1,956	(6,251)	(4,295)	2,652	(7,681)	(5,029)
43													
44	Total Operating Measures				1,669	(6,517)	(4,848)	4,695	(8,640)	(3,945)	6,365	(15,159)	(8,794)
45													
46	Total	5,904	0	5,904	3,099	(8,335)	(5,236)	9,508	(12,956)	(3,448)	18,511	(21,292)	(2,781)

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of )  
DTE GAS COMPANY for authority )  
to increase its rates, amend its rate )  
schedules and rules governing the )  
distribution and supply of natural gas, )  
and for miscellaneous accounting authority )  
\_\_\_\_\_ )

Case No. U-21291

PROOF OF SERVICE

STATE OF MICHIGAN )  
 ) ss.  
COUNTY OF WAYNE )

ESTELLA R. BRANSON states that on April 24, 2024, she served a copy of DTE Gas Company’s revised Direct Testimony of Witness Michael S. Cooper and the Exhibit A-13, revised Schedule C5.9 and Exhibit A-19, revised Schedule I5, in the above captioned matter, via electronic mail upon the persons listed on the attached service list.

\_\_\_\_\_  
ESTELLA R. BRANSON

**MPSC Case No. U-21291  
Service List**

**ADMINISTRATIVE LAW JUDGE**

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**THE ECOLOGY CENTER, THE  
ENVIRONMENTAL LAW & POLICY  
CENTER, UNION OF CONCERNED  
SCIENTISTS, AND VOTE SOLAR**

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**MPSC Case No. U-21291  
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