

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

Direct Testimony and Exhibit of

Colin T. Fitzhenry

On behalf of

Association of Businesses Advocating Tariff Equity

May 7, 2024



1 “Company”). They primarily take service under DTE’s Extra Large Transportation
2 (“Rate XLT”) service tariff and Extra-Extra Large Transportation (“Rate XXLT”) service
3 tariff.

4 **Q WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

5 A My testimony will address DTE’s Capital and Operation and Maintenance (“O&M”)
6 expenditures.

7 My silence with regard to any position taken by DTE in its application or direct
8 testimony in this proceeding does not indicate my endorsement of that position.

9 **Q PLEASE SUMMARIZE YOUR TESTIMONY.**

10 A My testimony can be summarized as follows:

- 11 • DTE has demonstrated that it is able to improve safety and reliability by replacing
12 Legacy Mains at recent historical levels. The Company can reduce the proposed
13 rate of main replacement and still accomplish its long term gas planning goals. I
14 recommend a slight reduction in the miles of main replaced per year in the Main
15 Replacement Program to reduce the impact to customer rates.
- 16 • Project delays can have significant impacts on rate case capital expenditures and
17 the rate base when a future test year is utilized. If the large capital projects in this
18 proceeding experience project delays, then all or portions of the projects may not
19 be placed into service prior to the end of the future test year period. There is
20 historical evidence to suggest that DTE has not always completed its large capital
21 projects according to the proposed project schedules. I recommend a reduction in
22 the proposed capital expenditures in the future test year period to ensure customers
23 will not have capital investment included in rates for project work that was not
24 completed.
- 25 • I recommend DTE use the Blue Chip GDP Chained Price Index for the O&M
26 inflation factors. The wage inflation rate used by the Company is not well supported,
27 and the Consumer Price Index for Urban Customers (“CPI-U”) non-labor inflation
28 rate is well above the consensus industry experts’ opinion of the GDP Chained Price
29 Index.
- 30 • DTE proposes to include in its revenue requirement incentive compensation tied to
31 financial performance measures. The Michigan Public Service Commission
32 (“MPSC” or “Commission”) has historically disallowed incentive compensation tied

1 to financial measures because it has not been shown to benefit customers, and
2 should do so again here.

3 **II. Capital Expenditures**

4 **Q HAVE YOU REVIEWED THE COMPANY'S PROPOSED CAPITAL**
5 **EXPENDITURES?**

6 A Yes. Company witness Kelly M. Fedele supports the need for the Company's proposed
7 capital expenditures. The capital expenditures fall into four categories: (1) Routine;
8 (2) Large Capital Projects; (3) Infrastructure Recovery Mechanism; and (4) Gas
9 Information Technology. I have provided an overview of the Company's proposed
10 capital expenditures in Table CTF-1 below.

Table CTF-1				
<u>Summary of Proposed Capital Expenditures</u>				
(\$1,000s)				
<u>Description</u>	Historical 12 mos. ended <u>12/31/2022</u>	Bridge Period 21 mos. ending <u>9/30/2024</u>	Test Year 12 mos. ending <u>9/30/2025</u>	<u>Total</u>
Routine	\$284,399	\$527,645	\$289,498	\$1,101,542
Large Capital Projects	73,471	108,277	75,977	257,725
Infrastructure Recovery Mechanism	347,686	630,945	89,584	1,068,215
Gas Information Technology	23,025	22,839	10,240	56,104
Total	<u>\$728,580</u>	<u>\$1,289,707</u>	<u>\$465,299</u>	<u>\$2,483,586</u>

Source: Exhibit A-12, Schedule B5.1

11 As can be seen from Table CTF-1, the Company is proposing to add
12 approximately \$2.5 billion in capital investments over the rate case period. The two
13 largest capital expenditure categories, Routine Distribution Plant and Infrastructure
14 Recovery Mechanism, make up the vast majority of the Company's proposed capital
15 expenditures. A large portion of the Infrastructure Recovery Mechanism investment is
16 related to the Main Replacement Program, which I will address in greater detail below.

1 **II.A. Main Replacement Program**

2 **Q PLEASE DESCRIBE THE COMPANY'S MAIN REPLACEMENT PROGRAM.**

3 A The Company's Main Replacement Program is focused on the replacement of legacy
4 mains in DTE's gas distribution system. Legacy mains refers to mains constructed of
5 cast iron or steel that does not have cathodic protection from corrosion.¹ Historically,
6 the Main Replacement Program was referred to as the Main Renewal Program, but
7 now the program is referred to as the Gas Renewal Program.² Regardless of the name
8 of the program, both programs have targeted the replacement of legacy mains that are
9 more prone to gas leaks.

10 DTE is requesting capital expenditures for the Main Replacement Program of
11 \$265 million in the historical test year, \$468 million in the projected bridge period and
12 \$68 million in the projected test year period, for a total of \$801 million.³ The projected
13 capital investments in the test year period are less than previous years because the
14 Investment Recovery Mechanism ("IRM") capital investments are only included through
15 December 31, 2024, in base rates. DTE is requesting \$274 million per year in main
16 replacement capital expenditures to be recovered in its IRM surcharge for the calendar
17 years beyond the rate case period, 2025 through 2029.

18 **Q PLEASE DESCRIBE THE COMPANY'S HISTORICAL INVESTMENT IN ITS MAIN**
19 **REPLACEMENT PROGRAM.**

20 A DTE has made significant investments in the replacement of its distribution mains in
21 recent years. I have shown the actual capital expenditures for the Company's Main
22 Replacement Program in Table CTF-2.

¹See the Direct Testimony of Eric D. Janness at page 6, lines 17-21.

²See the Direct Testimony of Eric D. Janness at page 5, lines 6-7.

³Exhibit A-12, Schedule B5.3.

<u>Year</u>	<u>2018</u>
2018	\$143,109
2019	\$200,229
2020	\$228,638
2021	\$241,969
2022	<u>\$263,105</u>
Total	<u>\$1,077,050</u>

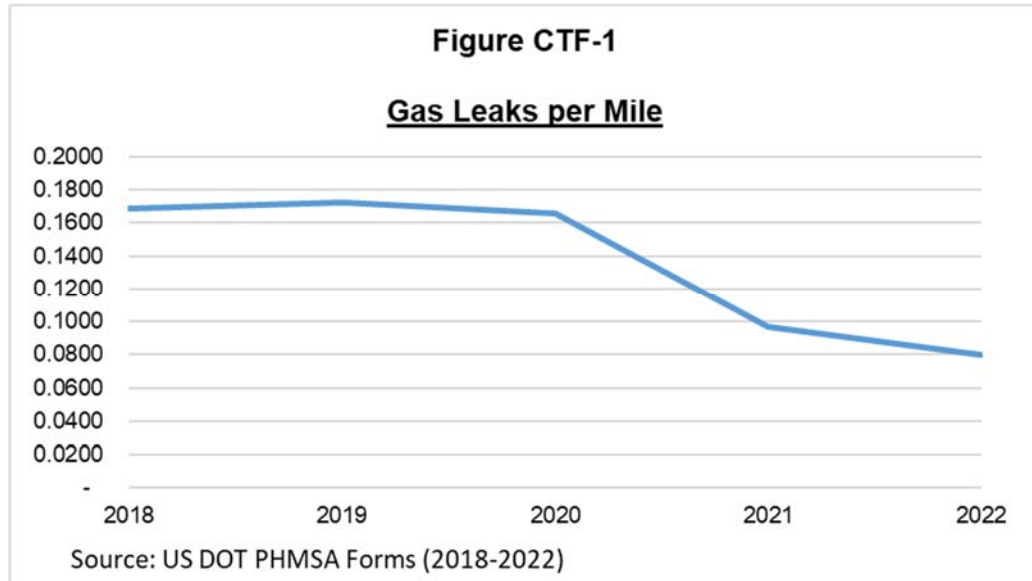
Source: Exhibit A-12, Schedule B6.1

1 As can be seen from Table CTF-2 above, in recent years, the rate of investment
2 in distribution mains has accelerated. In 2022 the Company invested approximately
3 \$263 million in distribution main replacement, approximately \$120 million greater than
4 in 2018, or an 84% increase. The Main Replacement Program capital expenditures
5 made up a significant portion of DTE’s historical distribution plant investment, and as a
6 result, caused significant increases in the Company’s rate base.

7 **Q HAVE THE HISTORICAL INVESTMENTS IN DTE’S MAIN REPLACEMENT**
8 **PROGRAM IMPACTED THE COMPANY’S SAFETY AND RELIABILITY METRICS?**

9 **A**Yes. According to the data reported in the U.S. Department of Transportation’s (“DOT”) Pipeline and Hazardous Materials Safety Administration’s (“PHMSA”) annual reports
10 for 2018 and 2022, DTE reported 3,385 gas leaks in 2018 and only 1,693 in 2022, an
11 approximate 50% reduction.⁴ In order to account for the changes to the number of
12 miles of main in-service and the number of gas leaks, I have shown the number of gas
13 leaks per mile of main over the past five years in Figure CTF-1.
14

⁴<https://www.phmsa.dot.gov/forms/gas-distribution-annual-report-form-f71001-1>.



1 As can be seen from Figure CTF-1, the replacement of legacy gas mains has
2 significantly reduced the average number of gas leaks per mile. Over this time period,
3 DTE has targeted high risk mains and removed 267 miles of unprotected steel and
4 632 miles of Cast/Wrought Iron.⁵

5 **Q DO YOU AGREE THAT THE COMPANY REQUIRES ITS PROPOSED LEVEL OF**
6 **CAPITAL EXPENDITURES FOR ITS MAIN REPLACEMENT PROGRAM TO**
7 **ENSURE SAFETY AND RELIABILITY?**

8 A No. The Company was able to demonstrate it could make system improvements
9 through its Main Replacement Program prior to the elevated level of investment
10 incurred in 2022. In addition, the Company only needs to retire an average of 190 miles
11 of main each year to meet the 18-year pace approved in Case No. U-18999.⁶ This is
12 less than the 206 miles being proposed by the Company.

⁵US DOT, PHMSA Form 7100, 2018 and 2022.

⁶See the Direct Testimony of Eric D. Janness at page 26, lines 11-13.

1 **Q WHAT DO YOU RECOMMEND?**

2 A I recommend that DTE adjust the rate of main replacements in order to reduce the
3 impact of capital expenditures on customers' rates. The Company can still remain on
4 pace with the approved target miles in Case No. U-18999 by replacing 16 less miles of
5 main per year. This would reduce the Main Replacement Program capital expenditures
6 by approximately 8% per year. I have shown the impact of my proposed adjustment to
7 the Main Replacement Program capital expenditures in Table CTF-3 below.

Table CTF-3				
<u>Main Replacement Program Capital Expenditures</u>				
(\$1,000s)				
<u>Description</u>	Historical 12 mos. ended <u>12/31/2022</u>	Bridge Period 21 mos. ending <u>9/30/2024</u>	Test Year 12 mos. ending <u>9/30/2025</u>	<u>Total</u>
Company Proposed	\$264,780	\$467,768	\$68,043	\$800,591
Adjustment	<u>(20,547)</u>	<u>(36,299)</u>	<u>(5,280)</u>	<u>(62,126)</u>
Adjusted Capital Expenditures	244,233	431,469	62,763	738,465

Source: Exhibit A-12, Schedule B5.3

8 As shown in Table CTF-3, the adjustment to the rate of main replacements
9 would reduce the Main Replacement Program capital expenditures by approximately
10 \$62 million.

11 **II.B. Large Capital Projects**

12 **Q HAVE YOU REVIEWED THE COMPANY'S LARGE CAPITAL PROJECTS?**

13 A Yes. These projects, for the most part, have large capital expenditures that are not
14 considered routine in nature and are not part of IRM programs. Many of these projects
15 have long project schedules extending multiple years and will not be completed prior
16 to the end of the projected test year. The Company is proposing to include capital
17 expenditures related to 12 large capital projects in the proposed rate base. From the

1 end of the historical test year through the end of the projected test year, DTE will have
2 incurred \$184.3 million of large project capital expenditures.⁷

3 **Q DO YOU HAVE ANY CONCERNS ABOUT THE PROJECTED TIMELINES FOR THE**
4 **PROPOSED CAPITAL PROJECTS?**

5 A Yes. I have reviewed the projected In-Service dates for the 25 largest capital projects
6 and several of these projects are not expected to be In-Service until after
7 September 30, 2025, the end of the projected test year. If any of these projects
8 experience unforeseen delays due to permitting, labor shortages, material delays, or
9 unforeseen site conditions, it is unlikely that the capital investment being requested by
10 DTE will be realized prior to the end of the projected test year.

11 **Q HAS DTE HISTORICALLY EXPERIENCED ISSUES WITH LARGE CAPITAL**
12 **PROJECT DELAYS?**

13 A Yes. Phase 3 of the Traverse City Alpena Reinforcement Project was completed in
14 2022 rather than 2021 as was proposed in the project Schedule in MPSC Case
15 No. U-20940. This resulted in an actual spend of \$40,667,000 in 2022 as opposed to
16 the proposed spend of \$640,000, a variance of approximately \$40 million. The variance
17 is due to work that was originally planned to be completed in 2021 actually being
18 completed in 2022.⁸

⁷See the Direct Testimony of Kelly M. Fedele at page 25, lines 13-16.

⁸See Data Request ABDG-1.37, subpart e, included in Exhibit AB-3.

1 **Q HOW DO PROJECT DELAYS IMPACT THE COMPANY'S PROPOSED RATE CASE**
2 **CAPITAL EXPENDITURES?**

3 A Project delays impact the rate case capital expenditures in two ways. First, projects
4 with capital investment included in prior rate cases could have additional capital
5 expenditures spill over into the current rate case if the project experiences delays and
6 the work approved in prior rate cases is not completed according to the Company's
7 original project schedules. Second, a similar issue can occur in the projected test year
8 of the current rate case. If the large capital projects in this proceeding experience
9 project delays the proposed level of capital investment will not be realized by the end
10 of the projected test year. The combination of these two issues can create a squeezing
11 effect on the rate case historical and future test year periods, where both historical and
12 future capital expenditures are included in customer rates despite the fact that not all
13 of the proposed capital investments have been placed into service.

14 **Q HOW DO YOU RECOMMEND ADJUSTING FOR THE IMPACT OF PROJECT**
15 **DELAYS?**

16 A I recommend a reduction in the proposed capital expenditures in the future test year
17 period to ensure customers will not have capital investment included in rates for work
18 that was not completed. In Table CTF-4, I removed the last six months of the
19 Company's proposed capital investment for the projects shown from the projected test
20 year to adjust the level of capital investment. Based on the Gantt Charts and projected
21 In-Service dates provided in response to Data Request ABDG-1.30,⁹ I determined that
22 six months was most appropriate period of time to exclude from the projected test year.

⁹See Exhibit AB-3.

<u>Project Description</u>	<u>In-Service Date</u> ¹	<u>Projected Test Year</u>		
		<u>Company Proposed</u> ²	<u>Adjustment</u>	<u>Adjusted CapEx</u>
Fort Street Main Replacement	12/31/2027	\$32,753	(\$16,799)	\$15,954
Austin-Detroit A/B Lines	12/31/2028	\$16,181	(\$9,778)	\$6,404
Belle River - Detroit Interconnect and Loop Project	1/31/2027	\$7,378	(\$4,750)	\$2,628
E-line Interconnect (CMS Line 2700)	11/30/2025	\$4,694	(\$2,937)	\$1,758
ILI Expansion - Muskegon - Ludington (10) - Scottville Tie In	10/31/2025	\$4,101	(\$2,051)	\$2,051
Taggart Compressor Replacement	12/31/2027	\$2,859	(\$2,000)	\$859
ILI Expansion – Belle River Field Headers (24" Traps)	10/30/2025	<u>\$3,263</u>	<u>(\$1,632)</u>	<u>\$1,632</u>
Total	Total	\$71,230	(\$39,945)	\$31,285

Sources:
¹ Attachment: U-21291 ABDG-1.30 - Top 25 Gantt Chart provided in Response to Data Request ABDG-1.30.
² Exhibit A-12, Schedule B5.3.

1 As can be seen from Table CTF-4 above, my proposed adjustment removes
2 approximately \$40 million of proposed capital expenditures from the projected test
3 year. To calculate the adjustment, I reviewed the proposed capital investment by
4 month, and removed the last six months (April 2025 through September 2025) of the
5 proposed investment. This adjustment will ensure that customers will not be subject to
6 the impact of capital expenditures related to project work that was not completed during
7 the rate case period.

8 **III. O&M Expense**

9 **Q HAVE YOU REVIEWED THE COMPANY’S PROPOSED O&M EXPENSE?**

10 A Yes. The Company’s Summary of its Projected O&M Expense is included in
11 Exhibit A-13, Schedule C5, and sponsored by Company witness Theresa M. Uzenski.
12 DTE utilizes a multi-step process to develop the projected test period O&M expense.
13 First, the historical test period is adjusted to account for eliminations, reclasses, and
14 normalization. Then, the adjusted historical test period is adjusted for future inflation

1 and other adjustments identified by the Company. The sum of the adjusted historical
2 test period and the projected adjustments result in the Company's projected test period
3 O&M expense. I have illustrated this process in Table CTF-5 below.

Table CTF-5	
<u>Summary of O&M Expense</u>	
(\$1,000s)	
<u>Description</u>	<u>O&M Expense</u>
Historical Test Period	\$527,617
Eliminations and Reclasses	(71,626)
Normalization Adjustment	7,093
Adjusted Historical Test Period	<u>\$463,084</u>
Inflation 1/1/23-12/31/23	\$11,449
Inflation 1/1/23-12/31/24	10,708
Inflation 1/1/23-12/31/25	8,264
Other Adjustments	44,746
Projected Test Period	<u>\$538,251</u>

Source: Exhibit A-12, Schedule B6.1

4 As can be seen from Table CTF-5, DTE is requesting a projected test period
5 O&M expense of approximately \$538 million, a net increase of \$11 million over the
6 historical test period. I will discuss the inflation factor used to adjust the O&M expense
7 in greater detail below.

8 **III.A. Inflation Factor**

9 **Q PLEASE DESCRIBE THE INFLATION ADJUSTMENT DTE USED TO DEVELOP**
10 **THE PROJECTED TEST PERIOD O&M EXPENSE.**

11 **A** The Company proposes an upward adjustment of \$30.5 million in O&M expense
12 related to inflation. DTE uses labor inflation rates of 3.2% for 2023, 2.9% for 2024, and

1 2.9% for 2025.¹⁰ The labor inflation rates are based on a weighted average of the labor
2 inflation, contractor inflation, and non-labor inflation rates each year. Both the labor
3 and contractor inflation rates are based on the same wage inflation rate of 3.0%
4 sponsored by Company witness Michael S. Cooper. The labor inflation rates are used
5 for all O&M expense categories regardless of the function.

6 **Q HOW DOES THE COMPANY SUPPORT THE USE OF A 3.0% WAGE INFLATION**
7 **FACTOR?**

8 A The Company did not produce any supporting workpapers to support the 3.0%
9 assumption for the expected labor cost escalation assumption. Company witness
10 Mr. Cooper supports the wage inflation factor by relying on historical practices for the
11 non-represented workforce and existing collective bargaining agreements for
12 represented employees.¹¹

13 **Q DO YOU AGREE WITH THE COMPANY'S USE OF A 3.0% WAGE INFLATION**
14 **FACTOR?**

15 A No. If the Company is experiencing increased labor cost, they could have supported
16 the 3.0% wage inflation rate with supporting workpapers, but absence any direct
17 evidence demonstrating increased Company labor cost, the 3.0% wage inflation rate
18 should not be relied on to escalate O&M expense.

¹⁰Exhibit A-13, Schedule C12.

¹¹See the Response to Data Request No. ABDG-1.38 included in Exhibit AB-3.

1 **Q DO YOU HAVE ANY CONCERNS WITH THE NON-LABOR INFLATION RATE USED**
2 **BY THE COMPANY?**

3 A Yes. The Company uses the CPI-U (Consumer Price Index for Urban Customers) to
4 determine the appropriate non-labor inflation rate. The Company's proposed non-labor
5 inflation rate is 4.1% for 2023, 2.9% for 2024, and 2.2% for 2025.¹²

6 I compared these proposed rates to the Blue Chip Economic Indicators industry
7 expert consensus GDP Chained Price Index over the same time period. The GDP
8 chained price index uses a "chained" methodology. Each year, the basket of goods
9 and services is updated to reflect what people are actually buying. This is unlike the
10 CPI, which uses a fixed basket for a set period. This makes the GDP deflator more
11 responsive to consumer substitution – if prices of certain goods rise, people might
12 switch to cheaper alternatives, and the index will reflect that change. In addition, CPI
13 can be heavily weighted by the cost of medical expenses, which is not reflective of the
14 cost of utility expenses. The Blue GDP Chained Price Index is 2.6% for 2023, 2.2%
15 for 2024, and 2.2% for 2025.¹³

16 **Q HOW DO YOU RECOMMEND THE COMPANY UPDATE ITS O&M INFLATION**
17 **FACTORS?**

18 A I recommend DTE use the Blue Chip GDP Chained Price Index for the O&M inflation
19 factors. The wage inflation rate used by the Company is not well supported, and the
20 CPI-U non-labor inflation rate is well above the consensus industry experts' opinion of
21 the GDP Chained Price Index. I have shown the impact of the revised inflation rate on
22 O&M expense in Table CTF-6.

¹²Exhibit A-13, Schedule C12.

¹³Blue Chip Economic Indicators, March 11, 2024, page 5.

<u>Description</u>	1/1/23 - 12/31/23 <u>Inflation</u>	1/1/24 - 12/31/24 <u>Inflation</u>	1/1/25 - 9/30/25 <u>Inflation</u>	<u>Total</u>
Company Proposed	\$11,449	\$10,708	\$8,264	\$30,421
Revised O&M Inflation Adjustment	<u>9,303</u>	<u>8,076</u>	<u>6,190</u>	<u>23,569</u>
O&M Expense Adjustment	<u>(\$2,147)</u>	<u>(\$2,632)</u>	<u>(\$2,074)</u>	<u>(\$6,852)</u>

Source: Exhibit A-13, Schedule C5

1 As can be seen from Table CTF-6 above, the adjustment to the inflation factor
2 reduced the Company's proposed O&M expense by approximately \$6.9 million.

3 **III.B. Incentive Compensation**

4 **Q PLEASE DISCUSS THE AMOUNT OF INCENTIVE COMPENSATION INCLUDED IN**
5 **THE COMPANY'S REVENUE REQUIREMENT.**

6 A The Company proposes to include \$18.2 million of incentive compensation expense in
7 the revenue requirement adopted by the Commission in this case.¹⁴ This represents
8 the non-capitalized portion of incentive compensation related to operating measures
9 associated with the Annual Incentive Plan ("AIP") and Rewarding Employees ("REP"),
10 and the total cost (non-capitalized) associated with the Long-Term Incentive
11 Plan ("LTIP").¹⁵

¹⁴See the Direct Testimony of Michael Cooper at page 44, lines 10-11.

¹⁵*Ibid.* at page 48, lines 15-21.

1 **Q OF THE \$18.2 MILLION INCENTIVE COMPENSATION EXPENSE, WHAT PORTION**
2 **IS ASSOCIATED WITH FINANCIAL PERFORMANCE?**

3 A All three incentive compensation programs contain measures that are impacted by
4 financial performance. These include goals such as realizing the Company's operating
5 earnings objectives, cash from operations, and operating earnings per share.¹⁶ As
6 shown in Table 3 of Mr. Cooper's Direct Testimony, the amount associated with
7 financial performance is \$12.0 million.¹⁷

8 **Q IS IT REASONABLE TO INCLUDE ALL INCENTIVE COMPENSATION COSTS IN A**
9 **COMPANY'S RATEMAKING COST OF SERVICE?**

10 A No. Incentive Compensation Programs that are designed to align the interests of
11 employees with shareholders should be paid for by shareholders. To the extent
12 incentive compensation reflects customer-directed goals such as service reliability,
13 and/or employee safety, only then is it fair and reasonable to recover the costs of those
14 programs from ratepayers if the operational performance metrics are actually achieved.

15 **Q HAS THE COMMISSION PREVIOUSLY REJECTED THE INCLUSION OF**
16 **INCENTIVE COMPENSATION RELATED TO FINANCIAL PERFORMANCE IN THE**
17 **REVENUE REQUIREMENT?**

18 A Yes. As noted in its May 8, 2020 Final Order in DTE's last rate case, Case
19 No. U-20561, for over a decade the Commission has unequivocally and consistently
20 disallowed incentive compensation costs tied to financial measures.¹⁸ In addition, the
21 Commission indicated that it, "has been unwaveringly clear that incentive

¹⁶*Ibid.* at page 50.

¹⁷*Ibid.* at page 56, lines 6-16.

¹⁸Case No. U-20561, May 8, 2020 Final Order at page 17.

1 compensation tied to financial performance measures has not been shown to benefit
2 ratepayers.”¹⁹ Similarly, in Case No. U-20836, the Commission found that, “incentive
3 compensation tied to financial performance measures has not been shown to benefit
4 ratepayers and, thus, should not be recovered through rates.”²⁰

5 **Q HAS DTE PROVIDED EVIDENCE SHOWING THAT CUSTOMERS BENEFIT FROM**
6 **INCENTIVE COMPENSATION TIED TO FINANCIAL PERFORMANCE METRICS?**

7 A No. As shown on DTE’s Exhibit A-19, Schedule I-5, the costs associated with financial
8 performance outweigh the benefits to customers in five out of six metrics, and cost
9 \$12.0 million but only ostensibly provide \$6.1 million in benefits to customers.²¹

10 **Q WHAT IS YOUR RECOMMENDATION WITH RESPECT TO THE INCENTIVE**
11 **COMPENSATION RELATED TO FINANCIAL PERFORMANCE?**

12 A I recommend the Commission reject DTE’s proposal to include \$12.0 million of
13 incentive compensation expense that is associated with financial performance in the
14 revenue requirement adopted in this case, consistent with its findings in prior cases.

15 **IV. Conclusion**

16 **Q PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS.**

17 A I have four recommendations for the Commission: (1) Reduce the Main Replacement
18 Program capital expenditures to recent historical levels; (2) Remove the portions of
19 Large Capital Project capital expenditures that are unlikely to be in-service prior to the
20 end of the projected test period; (3) Revise the O&M inflation adjustment factor; and

¹⁹*Ibid.* at 19.

²⁰Case No. U-20836, November 18, 2022 Final Order at page 301.

²¹Exhibit A-29, Schedule I5, line 14, columns (k) and (l).

1 (4) Remove the portions of Incentive Compensation related to financial performance. I
2 have summarized the impact of my recommendations in Table CTF-7 below.

Table CTF-7			
<u>Summary of Adjustments</u>			
(\$Millions)			
<u>Description</u>	<u>Plant Expense</u>	<u>Rev. Req. Impact</u>	
		<u>At Company Proposed ROR</u>	<u>At ABATE Proposed ROR</u>
Capital Expenditures			
Main Replacement Program	\$62.1	\$2.37	\$2.05
Large Capital Projects	<u>\$39.9</u>	<u>\$1.53</u>	<u>\$1.32</u>
Subtotal	\$102.0	\$3.90	\$3.37
O&M Expenditures			
Inflation Factor Adjustment		\$6.9	\$6.9
Incentive Compensation		<u>\$12.0</u>	<u>\$12.0</u>
Subtotal		\$18.9	\$18.9
Total		\$22.8	\$22.3

3 As shown in Table CTF-7, the total impact of my proposed adjustments is a
4 \$22.8 million reduction in revenue requirement at the Company's proposed ROR and
5 \$22.3 million at ABATE's proposed ROR.

6 **Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

7 **A** Yes, it does

Qualifications of Colin T. Fitzhenry

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

2 A Colin Fitzhenry. My business address is 16690 Swingley Ridge Road, Suite 140,
3 Chesterfield, MO 63017.

4 **Q PLEASE STATE YOUR OCCUPATION.**

5 A I am a Senior Consultant in the field of public utility regulation with the firm of Brubaker
6 & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

7 **Q PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

8 A I received a Bachelor of Science in General Engineering from the University of Illinois
9 Urbana-Champaign, which provided a broad background in mechanics and control
10 systems. Prior to joining BAI, I served as an Engineer Intern for Dynegy Inc., where I
11 was involved with generation operation at both Vermilion Power Station and Tilton
12 Power Station.

13 Since joining BAI in January 2013, I have provided assistance in several
14 regulated utility matters. Some of these include resource planning, transmission
15 planning, fuel cost recovery, environmental compliance plans, mergers, asset transfers,
16 electrical and commodity price forecasting, and power procurement. I have provided
17 testimony in regulatory proceedings before Commissions in Illinois, Maryland,
18 Wyoming, and Georgia.

19 The firm of Drazen-Brubaker & Associates, Inc. was incorporated in 1972 and
20 assumed the utility rate and economic consulting activities of Drazen Associates, Inc.,
21 founded in 1937. In April, 1995 the firm of Brubaker & Associates, Inc. was formed. It
22 includes most of the former DBA principals and staff. Our staff includes consultants

1 with backgrounds in accounting, engineering, economics, finance, mathematics,
2 computer science and business.

3 Brubaker & Associates, Inc. and its predecessor firm have participated in over
4 700 major utility rate and other cases and statewide generic investigations before utility
5 regulatory commissions in 40 states, involving electric, gas, water, and steam rates and
6 other issues. Cases in which the firm has been involved have included more than 80
7 of the 100 largest electric utilities and over 30 gas distribution companies and pipelines.

8 While the firm has always assisted its clients in negotiating contracts for utility
9 services in the regulated environment, increasingly there are opportunities for certain
10 customers to acquire power on a competitive basis from a supplier other than its
11 traditional electric utility. The firm assists clients in identifying and evaluating purchased
12 power options, conducts RFPs and negotiates with suppliers for the acquisition and
13 delivery of supplies. We have prepared option studies and/or conducted RFPs for
14 competitive acquisition of power supply for industrial and other end-use customers
15 throughout the United States and in Canada, involving total needs in excess of 3,000
16 megawatts. The firm is also an associate member of the Electric Reliability Council of
17 Texas.

18 In addition to our main office in St. Louis, the firm also has branch offices in
19 Corpus Christi, Texas; Louisville, Kentucky and Phoenix, Arizona.

495643

MPSC Case No: U-21291

Requester: ABATE

Question No.: ABDG-1.37e

Respondent: K. M. Fedele

Page: 1 of 1

Question: Referring to Column (i), 2022 variance of authorized spending in the historical test year, in Exhibit A-12, Schedule B5, please explain the drivers in variances for the following capital expenditure categories:
e. Traverse City Alpena Reinforcement Project (Line 10);

Answer: The 2022 authorized Traverse City Alpena Reinforcement Project (Line 10) amount was \$640,000 compared to actual spend of \$40,667,000. The variance is due to work that was originally planned to be completed in 2021 actually being completed in 2022. The project schedule in MPSC Case U-20940 was based on a plan to complete Phase 2 (8", Frankfort Loop) and Phase 3 (System Interconnections) in 2021 and complete the project close out in 2022. However, in late 2020, DT Midstream (DTM) had still not obtained the Act-9 Certificate to convert their pipeline to a dry service. Therefore, the decision was made by DTE Gas to complete construction of Phase 2 in 2021, and move the construction of Phase 3 into 2022, to better align our construction with DTM's revised plan.

Attachment: None

MPSC Case No: U-21291

Requester: ABATE

Question No.: ABDG-1.30

Respondent: K. M. Fedele

Page: 1 of 1

Question: Please provide a project schedule in the form of a Gantt chart and the work breakdown structure for all projects included in Exhibit A-12, Schedule B5.5.

Answer: See attachment U-21291 - ABDG-1.30 - Top 25 Gantt Chart

Attachment: U-21291 ABDG-1.30 - Top 25 Gantt Chart

MPSC Case No: U-21291

Requester: ABATE

Question No.: ABDG-1.38

Respondent: M. S. Cooper

Page: 1 of 1

Question: Referring to the direct testimony of Company witness Michael Cooper, Q59 on pages 34 and 35, please provide any supporting workpapers or documents used by the Company to support the use of the 3.0% wage inflation factor.

Answer: The 3.0% expected labor cost escalation assumption is based on both historical practices for the non-represented workforce and existing collective bargaining agreements for represented employees.

While there are no supporting workpapers, the 3.0% assumption is conservative when compared to both recent experiences, as reported by the Bureau of Labor Statistics, which reported wages and salaries increased for the 12 months ended December 2023 of 4.3% and projections, including World at Work's report on projected pay increases in 2024 of 4.1%. See attachments entitled "U-21291 ABDG-1.38 BLS December 2023" and "U-21291 ABDG-1.38 World at Work".

Attachment: U-21291 ABDG-1.38 BLS December 2023
U-21291 ABDG-1.38 World at Work