



## ENVIRONMENTAL LAW & POLICY CENTER

July 16, 2024

Ms. Lisa Felice  
Michigan Public Service Commission  
7109 W. Saginaw Hwy.  
P. O. Box 30221  
Lansing, MI 48909

RE: MPSC Case No. U-21291

Dear Ms. Felice:

Please see attached for electronic filing in this matter the Opening Brief of The Ecology Center, The Environmental Law & Policy Center, Union of Concerned Scientists, and Vote Solar (collectively, the “Clean Energy Organizations” (“CEO”)) with proof of service.

Sincerely,

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**STATE OF MICHIGAN  
MICHIGAN PUBLIC SERVICE COMMISSION**

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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, and for miscellaneous )  
accounting authority. )

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Case No. U-21291

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

**July 16, 2024**

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The Ecology Center, the Environmental Law & Policy Center (“ELPC”), Union of Concerned Scientists (“UCS”), and Vote Solar (collectively, the Clean Energy Organizations (“CEO”)), file its Opening Brief in the above-captioned DTE Gas Company (“DTE” or the “Company”) contested rate case. While the DTE rate case encompasses myriad complex issues, the CEO limits its focus to the following issues: (1) the Company’s business-as-usual approach to capital investments which fails to account for a rapidly changing energy landscape; (2) the Company’s proposed renewal of its Investment Recovery Mechanism (“IRM”); (3) the Company’s discontinuance of its demand response programs; (4) the need for the Company to incorporate environmental justice metrics and mapping into its spending decisions and processes; and (5) the Company’s proposed procurement of responsibly sourced gas (“RSG”).

## **I. INTRODUCTION**

DTE filed its rate case application without considering the significant changes affecting the energy landscape, as Michigan focuses on carbon reduction. The Company proposes to increase its spending by \$266 million for the 2025 test year, Telang Direct, 4 TR 1841–42, and spend an average of \$734 million per year over the next ten years. Ex. CEO-2. However, DTE’s plans fail to account for three well-known converging trends which will depress demand, reduce sales and reduce the need for continued significant capital investment in the gas system. First, the Company is experiencing declining demand and has for the last two decades. Cebulko Refiled Direct, 4 TR 720. Second, the State of Michigan set emissions reduction goals which the Company must ultimately comply with. Third, the Company’s forecast does not include building electrification. Ex. CEO-3. The Commission should find that the Company’s rate case application is incomplete without consideration of these critical factors and order the Company to refile its case addressing these three trends.

The Company also too quickly abandoned its demand response programs, failing to propose a reasonable replacement. Demand response is a critical aspect of the future energy system, which alleviates the strain on the system during peak demand events, and obviates the need for capital investment. The Company must utilize innovative solutions in managing its system such as demand response, pipeline repair and non-pipeline alternatives in order to effectively serve its customers while recognizing the declining demand for natural gas.

The Company's case reflects a "business-as-usual" approach which fails to recognize the shifting energy landscape and regulatory realities of the moment. As discussed above, the Company's application fails to grapple with the significant changes underway in how consumers engage with the energy system. Equally important, the Company did not conduct *any* environmental or energy justice analyses in this case, despite DTE Electric's utilization of the MiEJScreen tool for several years. The Company's failure to ensure equitable service for its low-income and environmental justice ("EJ") customers ignores the Commission's increased focus on equity. In two recent electric rate cases, the Commission recognized the importance of energy justice and grid equity, ordering both DTE Electric and Consumers Energy to undertake significant analysis related to grid equity including: reliability performance based on MiEJScreen score, greater transparency around the impacts of future "projects, programs, and deployment locations" on EJ communities, and better stakeholder engagement going forward. *See In re DTE Electric*, Case No. U-21297, Order at 375 (Dec. 1, 2023); *see also In re Consumers Energy*, Case No. U-21389, Order at 313 (Mar. 1, 2024) (ordering the Company to implement a similar set of "grid equity recommendations").

DTE's underlying error regarding each of these critical issues is a failure to properly plan. Planning and process are an essential foundation in a changing landscape, and DTE Gas

proposes to spend over a billion dollars in the next decade, without properly accounting for the changes ahead. DTE must use its Gas Delivery Plan and its other planning processes to account for the impacts of declining demand, evaluate alternatives to capital investment where appropriate, and identify decarbonization pathways including but not limited to responsibly sourced gas. Instead of comprehensively planning for the future, the Company cites the “uncertainty” of future impacts and forges ahead as if nothing has changed. Ex. CEO-3. That is not just and reasonable. The Commission must order the Company to refile its rate case and demonstrate that its spending proposals fit into a long-term plan consistent with Michigan’s carbon reduction policy that won’t leave its customers paying for stranded assets.

## **II. LEGAL STANDARD**

MCL 460.6a requires a utility seeking to increase its rates or to alter, change or amend any rate or rate schedules to place in evidence facts it relies on to support the justness and reasonableness of the proposals in its application. MCL 460.6a. DTE has the burden of proof to establish that its proposals in this proceeding are just and reasonable. *See In re Michigan Gas Utilities Co.*, Case No. U-7484, Order at 10 (Aug. 30, 1983); *In re Detroit Edison Co.*, Case No. U-8030-R, Order at 16–17 (July 8, 1987); *In re DTE Gas Co.*, Case No. U-20940, Order at 149 (Dec. 9, 2021). That evidence must be “thorough, detailed, and meaningful” in order for the Commission to approve DTE’s application. *See Consumers Energy*, Case No. U-16794, Order at 13 (June 7, 2014) (“in the absence of thorough, detailed, and meaningful evidence, the Commission’s hands are tied.”).

“[I]n matters before the Commission where statutory law is silent regarding the correct quantum of proof needed to review a utility’s costs, the Commission assesses those costs using the preponderance of the evidence standard adopted in civil cases.” *Residential Ratepayer Consortium*

*v. Pub. Serv. Comm'n*, 497 N.W.2d 558, 561 (Mich. Ct. App. 1993). Preponderance of the evidence means “such evidence weighed with that opposed to it, has more convincing force and the greater probability of truth.” *People v. Pugh*, 210 N.W.2d 376, 378 (Mich. Ct. App. 1973). Hence, DTE cannot rely on simply stating its position, it must support the merit of its proposals by a preponderance of evidence.

When analyzing DTE’s proposal, the Commission possesses sufficient discretion to consider equity issues. Case law shows that the Commission has significant discretion to “determine what factors are relevant in a particular case.” *In re Consumers*, 278 Mich.App. 547, 563 (2008) (citing *Attorney General v. Pub. Serv. Comm’n*, 231 Mich.App. 76, 79 (1998)). The Michigan Supreme Court in *Michigan Bell Telephone*, wrote that “[b]etween the point where a rate may be said to be so low as to be confiscatory and the point where it must be said to be so high as to be oppressive upon the public . . . the commission may operate without judicial interference. *Michigan Bell Tel. Co. v. Michigan Pub. Serv. Comm’n*, 332 Mich. 7, 26 (1952). “Court[s] do[] not weigh the economic and public policy factors that underlie the actions taken by the PSC.” *Attorney General v. Michigan Pub. Serv. Comm’n*, 262 Mich.App. 649, 655 (Mich. Ct. App. 2004) (citing *Consumer Power Co. v. Pub. Serv. Comm’n*, 460 Mich. 148, 156 (1999)).

### III. ARGUMENT

#### A. The Company’s Business-As-Usual Approach is Costly and Risky for Customers in a Rapidly Changing Energy Landscape

In this rate case, DTE proposes to increase its spending by \$266 million in the 2025 test year<sup>1</sup> and outlines a plan to spend \$764 million per year over the next 10 years for a total of \$8.4 billion by 2033. *Telang Direct*, 4 TR 1842; Ex. CEO-2. The Company’s proposal ignores several

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<sup>1</sup> DTE’s total revenue shortfall is \$266 million, however \$106 million of that total are effectively in rates through the IRM surcharge. The Company’s “actual net revenue shortfall is \$160 million, and likewise this is a \$160 million increase for customers . . . .” *Telang Direct*, 4 TR 1842.

converging trends in the energy and policy space, which make this significant outlay unjust and unreasonable. First, DTE proposes this significant investment despite experiencing declining demand for its product over the last twenty years. Ex. CEO-4 (showing DTE’s annual sales have declined over the past 20 years); Ex. CEO-5 (showing DTE’s actual peak demand has declined over the past twenty years). Second, the Company’s bullish investment plan fails to account for the Company and the State of Michigan’s emissions reductions goals. Third, the Company entirely failed to consider and incorporate projected changes to gas consumption brought on by the electrification of the building sector.

Both the Company and the Commission must change the way they view operation and maintenance of the gas system. No one disputes DTE must maintain a safe and reliable system. However, the Company must change its approach to investment and shift its focus to alternatives to intensive capital investment which will keep costs down as demand declines. The Company must properly analyze the role that pipeline repair and non-pipeline alternative can play in serving its customers. DTE should use its Gas Delivery Plan to create frameworks for alternatives analysis which dictate when and how it can utilize pipeline repair and non-pipeline alternative to properly and safely maintain the system and delay investment in a distribution grid that is likely to be used less in the future.

1. *DTE’s Spending Proposals Do Not Address Declining Demand on the Gas System and Therefore Create Unreasonable Risk for DTE’s Customers*

DTE’s spending in this rate case fails to properly account for a significant long-term trend in its territory—declining gas demand. Annual sales and peak demand have declined over the past 20 years. Cebulko Refiled Direct, 4 TR 719; Ex. CEO-4. CEO expert Witness Brad Cebulko determined that this decline has occurred, and will persist, despite DTE adding customers. According to Cebulko, “[t]he Company is forecasting annual demand decreases

through at least 2028. Although the Company is expecting to continue to add new customers to the system, use-per-customer (“UPC”) is expected to continue to decrease. The net impact is a decrease in annual and peak demand.” Cebulko Refiled Direct, 4 TR 721; Ex. CEO-5. Spending over a billion dollars in a system that customers will use less and less is not a “just and reasonable” investment, nor should DTE’s customers be forced to shoulder the rate increases, despite less consumption. As Cebulko concluded, “[a]ll else equal, when the Company increases its investments in its delivery system, but demand declines, customer rates must increase.” Cebulko Refiled Direct, 4 TR 722.

DTE’s plan to increase spending in the face of declining demand will disproportionately impact low-income customers. Mr. Cebulko points out, “As fixed costs are spread over fewer and fewer therms, the cost per therm goes up. Ultimately, low-income customers bear a disproportionate burden of the increasing rates.” Cebulko Refiled Direct, 4 TR 722. He further notes that low-income customers bear this burden because (1) they have less disposable income; (2) they are less able to take actions to reduce their bills like weatherization, energy efficiency, and beneficial electrification; and (3) they are more likely to be renters. Cebulko Refiled Direct, 4 TR 722–23. As Frontline Organizations (“FLO”) Witness Justin Schott explains, the Company’s “9% rate increase will exacerbate energy burdens for low-income customers that in many cases already exceed 15%, while the vast majority of customers with incomes above the median would still have energy burdens below 3%.” Schott Direct, 4 TR 1076. Just as DTE has failed to reconcile its spending levels with a customer base using less gas, it has also failed to provide a solution to increasing rates, that without proper attention from the Commission will inequitably fall on low-income customers.

DTE bears the burden of proving that its spending proposals in this case are supported by the evidence to meet the just and reasonable standard. *In re DTE Gas Co.*, Case No. U-20940, Order at 149 (Dec. 9, 2021). The Company's spending proposals do not align with the consumption patterns of its customers, and the Company has not sufficiently explained why the Commission should be authorize it to spend millions on system upgrades while customers use less gas. While the Company certainly must spend what it takes to maintain a safe and reliable system, it must balance that need with declining demand. In order to do that, the Company must more carefully scrutinize investments intended to modernize and expand its system. As discussed below, the Company must analyze alternatives to intensive capital investment such as pipe repair and non-pipe alternatives. The Commission should order DTE to refile its rate case and demonstrate that it properly considered the impacts of declining demand on its spending proposals.

2. *DTE Does Not Have a Plan For Achieving Emissions Reduction Goals*

The Commission must also view the Company's significant spending proposals against the backdrop of State emissions reduction goals set by the Michigan Legislature in 2020. Villadsen Direct, 4 TR 2494. Michigan set a goal to achieve economy-wide neutrality by 2050 and achieve net negative emissions thereafter. Villadsen Direct, 4 TR 2494. The State set interim targets to reduce GHG emissions by 28% by 2025 and 52% by 2030. Villadsen Direct, 4 TR 2494. In addition to the State's goals, the Company also aims to reach net zero from its own emissions by 2050, as well as helping its customers reduce emissions by 35% by 2050 (from 2005). Decker Direct, 2 TR 68. Despite the targets set by the State, the Company never explains how its capital impacts compliance with the State's goals. Cebulko Refiled Direct, 4 TR 717; Exs. CEO-12–CEO-15.

Four years after the release of the State's and its own goals, the Company has failed to take meaningful proactive steps to ensure it achieves these goals. Instead, through a series of discovery responses to the CEO it appears that the "Company's plans remain indeterminate due to uncertainty, cost, and feasibility of technology deployment." Cebulko Refiled Direct, 4 TR 732; Exs. CEO-12–CEO-15. The Company has not set interim goals to achieve emissions reductions in line with the State's goals for its upstream suppliers, its own operations or its customers' emissions. Ex. CEO-23; 2 TR 184. Without a plan, adequate analysis or interim targets, the Company does not appear to seriously account for the State's emissions reduction requirements. While the CEO acknowledge the complexity of the issue, the Company's failure to analyze pathways is unreasonable. According to Witness Cebulko, "[i]t seems the Company does not know how it will achieve its goals in part because the Company has not conducted basic analysis into key inputs and assumptions." Cebulko Refiled Direct, 4 TR 732. In fact, the Company appears no further along in achieving its emissions reduction goals today as when it set its goals four years ago.

To illustrate the lack of planning and preparation on the Company's part, the CEO asked a series of discovery questions about potential pathways to decarbonize, and the Company responded that, it had not: (1) conducted a pricing analysis of renewable natural gas ("RNG"), Ex. CEO-16; (2) forecasted the percentage of emissions reductions that can be achieved through use of RNG, Ex. CEO-17; (3) conducted a pricing analysis on green hydrogen, Ex. CEO-18; (4) forecasted the percentage of emissions reductions that can be achieved through the use of green hydrogen, Ex. CEO-19; (5) conducted a pricing analysis of gas heat pumps, Ex. CEO-21; (6) forecasted annual gas heat pump deployment, Ex. CEO-20; or (7) forecasted the percentage of emissions reductions that can be achieved through use of gas heat pumps. Ex. CEO-22. In order

to set itself on a path to achieve the State’s goals, and at the same time, to ensure that its spending in this case aligns with those goals, the Company must study these basic decarbonization pathways.

Without proper analysis of decarbonization pathways and a set of interim targets to ensure its on track to comply with the State’s emissions reduction goals, the Company moves forward without a true plan. The Company has not carried its “burden of proof” to show that it properly considered the State’s goals. *In re DTE Gas Co.*, Case No. U-20940, Order at 149 (Dec. 9, 2021). The Company’s spending proposals, without consideration for this important aspect of this case are not just and reasonable.

3. *The Company Does Not Properly Account for Electrification in its Application*

The Company’s rate case application, which proposes persistent, aggressive capital spending, also ignores a third layer of impact which will further depress demand, thus risking stranded costs on the gas distribution system—electrification. The Company, in its own words, did not consider electrification when building its demand forecast and planning this rate case. DTE responded to discovery from the CEO stating, “[t]he Company’s demand forecast does not include impacts of building electrification.” Ex. CEO-3. The Company justifies this omission by explaining that “there is too much uncertainty related to the adoption of electrification technologies to accurately forecast. To date, the Company has not seen any impact of electrification and therefore does not include it in current forecasts.” Ex. CEO-3.

The Inflation Reduction Act and the technology underlying electrification will spur further decline in gas demand over the coming decade, which DTE must account for in accurately projecting the needs of its system. *See* MNSC Witness Hopkins Direct, 4 TR 841. Witness Cebulko testified regarding these emerging trends, highlighting the technological

advancement in cold climate heat pumps coupled with significant declining costs for this new technology. Cebulko Refiled Direct, 4 TR 723–24; *see also* Hopkins Direct, 4 TR 840–42. Importantly, Witness Cebulko observed that “electric heat pumps have now outsold gas furnaces two years in a row.” Cebulko Refiled Direct, 4 TR 723–24. This acceleration of heat pump adoption does not factor in the Inflation Reduction Act which offers generous rebates and tax incentives to these new, decarbonizing technologies. Cebulko Refiled Direct, 4 TR 724. In failing to account for the changes to its market, DTE risks overbuilding its system and saddling customers with unwarranted costs.

In its rebuttal testimony, the Company attempts to paper over this omission by arguing that historic sales adequately account for future adoption of heat pumps and other technologies that drive electrification. Company Witness Decker, responding to CEO Witness Cebulko, states that, “DTE Gas’s current forecasting methodology based on historical data is sufficient to capture trends in customer usage including the energy transition.” Decker Rebuttal, 2 TR 136. More specifically, the Company argues that Witness Cebulko’s evidence regarding heat pumps does not change the calculus for the Company because “[t]he impacts of heat pump adoption would be reflected in forecasts based on historical usage.” Decker Rebuttal, 2 TR 138. However, on cross examination, Mr. Decker admitted DTE does not know how many customers in its territory have heat pumps, and has no forecast for heat pump adoption. 2 TR 189–90.

As Witness Cebulko showed, DTE’s customers have begun to electrify and with the help of the Inflation Reduction Act, that transition will only accelerate. He testified, “[a]t the current pace, the number of homes with electric space heating could surpass homes with gas space heating by 2032.” Cebulko Refiled Direct, 4 TR 727; Ex. CEO-7. Historic data inadequately considers this important trend.

Electrification poses a threat to the Company’s sales and incorporated into the Company’s future plans. However, as of today, the Company believes it is “premature to speculate” on the impacts of electrification, Ex. CEO-9, and that “[t]o date, the Company has not seen any impact of electrification.” Ex. CEO-3. Yet as Witness Cebulko points out, “[t]he Company has developed processes for addressing uncertainty in other areas of the business.” Cebulko Refiled Direct, 4 TR 730.

One intended purpose of long-term planning is to address difficult questions like how to adjust gas system strategy to account for decarbonization. While uncertainty abounds in this space, not planning for the future is not an option. DTE should follow the example of its neighboring utility, Consumers Energy, which “[i]n its most recent Delivery Plan . . . explored the relative costs and benefits of various decarbonization pathways as well as potential pipeline composition in 2050 by scenario.” Cebulko Refiled Direct, 4 TR 736. The Commission should order the Company to revise its rate case to properly account for electrification, and present a set of reasonable decarbonization pathways and alternatives to intensive capital spending that reflects Michigan’s carbon reduction goals.

4. *DTE Must Address These Significant Trends Through Deliberate Planning and Robust Alternatives Analysis*
  - a) *DTE’s Gas Delivery Plan Fails to Identify and Analyze the Risks Associated With Declining Demand*

As detailed above, DTE failed to incorporate the foreseeable impacts of declining demand, compliance with the State emissions reduction goals and electrification into this rate case. DTE can utilize its existing processes, particularly its Gas Delivery Plan, to investigate and analyze these trends. The Gas Delivery Plan (“GDP”) is a ten-year demand and supply plan. *See* DTE Ex. A-12 Sch. B5.6. The Company developed the GDP after its settlement in U-20642 in July 17, 2020. Fedele Direct, 4 TR 1893. In the GDP, the Company analyzes the “top industry

risks” and outlines its pathway to “providing safe, reliable, affordable and environmentally responsible natural gas service.” GDP at 6. In its 2024 Plan, the Company identifies the top industry risks as gas supply and deliverability, transmission pipeline failures, distribution gas leaks, system overpressure, storage well unintended gas release, cyber/physical security, and excavation damage. GDP at 5.

While each of these risks deserve the Company’s attention, CEO Witness Cebulko points out, “the Company does not use its GDP to explore how variables both within and outside its control could impact affordability and meet its emissions goals.” Cebulko Refiled Direct, 4 TR 734. As stated above, DTE does not analyze potential impacts of electrification or compliance with its emissions goals in its rate case application or its GDP; nor does the Company explore alternatives to capital investment which could prolong the life of the system at a lower cost. The Commission should require DTE to do this analysis before approving DTE’s capital investments in this docket.

The Illinois Commerce Commission (“ICC”) ordered similar relief in a recent set of gas rate cases in Illinois. In the 2023 rate cases for Ameren, Peoples Gas, and Nicor, the ICC concluded that each of the three Companies’ had not properly incorporated electrification and other downward demand pressures into their forecasts and spending proposals. The ICC ordered each utility to refile its plan inclusive of proper consideration of these issues and also ordered a Future of Gas proceeding to “better define infrastructure spending by the State’s natural gas utility companies and lay the framework for how gas system operations will help meet the State’s clean energy goals.” *The Peoples Gas Light & Coke Co.*, Docket No. 23-0069, Order at 121, Illinois Commerce Commission (Nov. 16, 2023). In particular in the People’s Gas case, the Commission found that the Company failed to properly analyze alternatives to large capital

investment projects, ultimately concluding that “the record does not contain sufficient evidence demonstrating that the newly constructed facilities were prudent.” *Id.* at 55.

The Commission should find based on the record in this case, that DTE failed to properly consider the impacts of declining demand, compliance with the State’s emissions reduction goals, and the impact of electrification. Likewise, DTE did not adequately consider alternatives to intensive capital projects, that may prolong the life of the system and limit rate impacts. Like the ICC, the Commission should order DTE to refile its rate case with proper consideration of these important factors.

If the Commission does not require DTE to conduct the proper analysis before setting new rates, it should make it clear that the Company’s next GDP must comprehensively address the challenges of electrification and compliance with the State emissions goals. To start, the Company “should be exploring the potential impact of electrification on its demand through scenario and sensitivity analysis.” Cebulko Refiled Direct, 4 TR 735.

b) *DTE Must Conduct a Robust Alternatives Analysis to Intensive Capital Investment*

DTE must reframe how it views operation and maintenance of its system in light of the downward pressures on demand explained above. The Company should use the Gas Delivery Plan to analyze its capital spending plans, and weigh them against potential alternatives, while simultaneously considering the State’s emissions goals and potential decarbonization pathways. The Company must focus on consideration of alternatives to intensive capital spending. In particular, Witness Cebulko discussed two types of alternatives, which the Company did not adequately examine in this rate case, and must comprehensively consider going forward: (1) pipeline repairs and (2) non-pipeline alternatives. Cebulko Refiled Direct, 4 TR 736.

Pipeline repairs are often an effective and more economical alternative to outright pipe replacement, akin to a car owner replacing a faulty part instead of buying a new vehicle. *See* Cebulko Refiled Direct, 4 TR 736. As Witness Cebulko described, “[r]epairs can safely extend the serviceable lives of the existing pipe without making an additional investment in new pipe that can have a depreciable life of 40 to 65 years.” Cebulko Refiled Direct, 4 TR 737. He cited a 2023 study conducted by Gas Safety USA which concluded that pipeline repairs can accomplish similar objectives to pipeline replacement at between one tenth and one hundredth of the total cost. Cebulko Refiled Direct, 4 TR 737. The Company did not even rebut Witness Cebulko’s testimony on pipeline repairs. In a shifting energy landscape, cost-effective alternatives like pipeline repairs must take front and center in the Company’s offering.

Similar to pipeline repairs, non-pipeline alternatives or “NPAs” are “activities or investments that delay, reduce, or avoid the need to build or upgrade traditional gas system infrastructure such as pipelines, storage, and peaking resources.” Cebulko Refiled Direct, 4 TR 737; *see also* Ex. CEO-25. “Typical NPA resources include demand response, energy efficiency, electrification of heat, behavioral programs, and on-system gas supply, such as compressed or liquified natural gas.” Cebulko Refiled Direct, 4 TR 737. Like pipeline repairs, if properly studied and applied to the correct situation, DTE can utilize NPAs instead of capital intensive system upgrades, thereby alleviating pressure on rates, and reducing the risk of stranded gas assets as the energy system electrifies. Like Witness Cebulko’s testimony on pipeline repair, the Company did not address his recommendations regarding NPA in rebuttal testimony.

The Commission should order the Company to work with stakeholders to develop a non-pipeline alternative framework for analyzing capital investment projects. This framework should

identify the types of projects that are eligible and threshold criteria using best practices from across the industry.

The Commission can look to examples from other states on how to create a framework that helps ascertain the viability and deployment of non-pipeline alternatives. In Massachusetts, utilities now carry “the burden to demonstrate the consideration of NPAs as a condition of recovering additional investment in pipeline and distribution mains.” Cebulko Refiled Direct, 4 TR 738. In Colorado, projects over \$3 million require an NPA analysis. Cebulko Refiled Direct, 4 TR 738. In Rhode Island, the threshold for an NPA analysis is projects over \$0.5 million. Cebulko Refiled Direct, 4 TR 738.

The CEO have recommended improvements to the Company’s planning and processes to better consider emerging trends that will undoubtedly impact the Company’s future gas sales, as well as opportunities to prolong the life of the existing system and save customers money through alternatives to capital investment. To this point, the Company has operated as if gas sales will indefinitely continue apace, without consideration of the shifting policy and economic landscape. DTE’s business-as-usual approach is not just and reasonable. The Commission should order the Company to refile this rate case with proper consideration of alternatives to intensive capital spending like pipeline repair and NPA.

**B. The Commission Should Not Reauthorize the IRM**

Similar to Witness Cebulko’s analysis on the Gas Delivery Plan and the Company’s failure to adequately analyze alternatives, he also points out that the Commission should handle the Company’s Investment Recovery Mechanism or “IRM” differently. Cebulko Rebuttal, 4 TR 769–72.

The Company describes its IRM as “the program for a series of capital expenditures that support long-term improvements to DTE Gas’s infrastructure.” Janess Direct, 4 TR 588. The program includes (1) Gas Renewal Program; (2) Meter Assembly Check-Meter Move-Out; and (3) Pipeline integrity. *Id.* Through the IRM, the Company receives pre-approval for all spending on these select categories. *Id.* In this proceeding, “the Company seeks to recover its cost related to IRM capital expenditures from January 2025 through 2029 using a new IRM surcharge.” *Id.*

The Company’s proposed IRM, which “green-lights” spending, conflicts with the more cautious approach necessary to maintain the system while keeping costs down due to foreseeable decreased sales in the future. MNSC Witness Napoloen raised several critical issues with the IRM including that it disincentivizes DTE from minimizing costs and that, once authorized, the IRM “lacks meaningful external review and opportunity for contestation.” Napoleon Direct, 4 TR 905. Witness Napoloen also highlighted that “[o]ver three-quarters of the proposed IRM expenditure is for replacing old pipes (which may or may not be leak prone).” *Id.* As discussed above, DTE must seriously entertain pipeline repair instead of replacement to contain costs and prepare for a future where its customers use less gas.

Witness Cebulko concluded that “[t]he Company’s IRM delivers certainty of recovery and pre-approval of investments—moving the Company further away from the careful planning necessary to contain costs and properly maintain the system in light of the transformative change on the horizon.” Cebulko Rebuttal, 4 TR 771. The Commission should deny future approval for the IRM which has too little oversight, delivers the Company too great a degree of certainty, and ensures significant capital investment where the Company should be carefully reviewing alternatives.

**C. DTE Should Not Abandon Its Demand Response Programs Based on Flawed Pilots, Instead the Company Must Renew Focus on Demand Response and Propose New Programs**

DTE did not propose any demand response programs in this case. The Company just completed a set of two-season pilots in 2022 and 2023. Decker Direct, 2 TR 111. The Company ran one commercial pilot and two residential pilots. Ultimately, it determined each of the three demand response pilots were not viable programs and chose to discontinue them. Decker Direct, 2 TR 115.

The Company rolled out its commercial demand response pilot to two high schools. Decker Direct, 2 TR 115. The Company provided free telemetry equipment to the two schools. Decker Direct, 2 TR 115. The Company asked the two participating schools to reduce their load during events which were to last no longer than eight hours. Decker Direct, 2 TR 112.

The Company's two residential demand response pilots were called the Smart Saver program and Energy Action Days. The Company designed the Smart Saver program for customers with a wi-fi enabled smart thermostat, and each customer received a fifty dollar gift card at the start and end of the season as an incentive to participate. Decker Direct, 2 TR 111. DTE enrolled 6,138 devices in its Smart Savers pilot. Decker Direct, 2 TR 111. The Company called five events. Decker Direct, 2 TR 112.

The Company designed the Energy Action Days program as an automatic enrollment program which customers could opt-out of. Decker Direct, 2 TR 111–12. According to DTE, 112,434 households participated in the program as of June 12, 2023 with an attrition rate of 1.5%. Ex. CEO-41. Pilot participants received resources that encouraged energy efficient behavior and peak demand savings the day before an event. Decker Direct, 2 TR 112.

The Company ultimately concluded that each of the three pilots failed to produce sufficient benefits to warrant expansion to full programs, and it chose to discontinue them. Decker Direct, 2 TR 115. For the Smart Savers program, DTE cited “snapback” or the increased consumption of gas after a demand response event ended. Farrell Rebuttal, 3 TR 470–71. For the Energy Action Days pilot, the Company observed no “significant gas reductions across any of the events.” Decker Direct, 2 TR 113. For the commercial pilot, the Company gathered “qualitative feedback from the customers that indicated the difficulty in curtailing any natural gas consumption.” Decker Direct, 2 TR 115.

1. *DTE’s Initial Demand Response Pilots Suffered From a Lack of Clear Objectives or Evaluation Criteria*

While the CEO acknowledge the programs did not produce optimal results, DTE’s program design led to many of the issues the Company points to as justification for discontinuing the programs. As Michigan addresses colder peak days while its overall demand diminishes, the Commission should not allow DTE to discontinue programs that have the potential to lower peaks. When CEO Witness Cebulko evaluated the program results, he identified promising aspects of the Smart Savers and commercial demand response programs and concluded that DTE should refine each program to continue running them.

The Company’s problem started with ill-defined and nebulous objectives for the programs stated as: (1) determining the effectiveness of gas demand response as a requirement of the Commission in its Statewide Energy Assessment, and (2) assisting in understanding the opportunity that may exist within the gas demand response space and to determine whether future programs, if any, should be offered. Decker Direct, 2 TR 116. Witness Cebulko noted that the Company did not explain what it meant by either of these objectives, or how it would evaluate them. Cebulko Refiled Direct, 4 TR 742.

The Company's lack of clear objectives for the pilots flowed directly into a failure to properly evaluate the viability of each program. The Company did not perform a cost-benefit analysis on any of the three pilots, either before or after. Ex. CEO-28–CEO-33. Nor did the Company track the costs of each pilot individually, instead it “tracked the costs of three programs in aggregate.” Cebulko Refiled Direct, 4 TR 744; Ex. CEO-35. Witness Cebulko observed that he had “never seen a utility dismiss a program much less a pilot without conducting a cost-benefit analysis.” Cebulko Refiled Direct, 4 TR 744. When the CEO asked the Company about a set of quantifiable and qualitative benefits upon which they evaluated the program, the Company responded with a list of goals. But, as Mr. Cebulko pointed out, “pilot goals are not the same as benefits of a pilot.” Cebulko Refiled Direct, 4 TR 743. As Witness Cebulko detailed in testimony, demand response programs provide a suite of benefits, any of which could be delivered by a well-crafted program, including avoided transmission capacity, avoided distribution capacity, avoided gas purchases, and avoided emissions. Cebulko Refiled Direct, 4 TR 743–44. Witness Cebulko concluded that the Company's reflection on the pilots consisted of “vague generalized statements that lacked insight or analysis.” Cebulko Refiled Direct, 7 TR 745.

a) *Commercial Pilot*

Witness Cebulko also testified regarding several specific flaws in the implementation and evaluation of the commercial pilot. Cebulko Refiled Direct, 4 TR 746. The program suffered from a limited sample size in both customer selection and called events. First, the Company rolled the program out to only two customers, both high schools. Cebulko Refiled Direct, 4 TR 747–48. The Company had at least three other commercial customers interested in the program, but could not procure the necessary equipment in a timely fashion. Cebulko Refiled Direct, 4 TR

746. Witness Cebulko observed that “the Company is dismissing a very large group of customers, nonresidential customers, based on the experience of two high schools . . . .” Cebulko Refiled Direct, 4 TR 746. Second, the Company only called two events during the course of the pilot program. As Witness Cebulko concluded, “two events for two similarly situated customers” is not “a robust data set for which it is reasonable to draw conclusions about a customer class as large and diverse a[s] the commercial customer class.” Cebulko Refiled Direct, 4 TR 748. He also noted that neither high school received financial incentive for participating, nor did they have an alternative heating source to rely on during the event. Cebulko Refiled Direct, 4 TR 748.

The Company responded to Witness Cebulko’s critique by pointing to the telemetry equipment as compensation for participation. Farrell Rebuttal, 3 TR 467. However, both customers returned the telemetry equipment at the end of the program, demonstrating a lack of value in the equipment. Farrell Rebuttal, 3 TR 469.

b) *Residential Pilots*

Witness Cebulko also concluded that the Company misinterpreted its own data from the residential Smart Savers program, which could reduce demand in peak situations if revised and continued. In fact, Cebulko determined that “the Smart Savers pilot successfully reduced usage during the events.” Cebulko Refiled Direct, 4 TR 748. The Company called five events during the Smart Savers pilot which reduced demand by 42%, 29%, 50%, 36% and 36%, respectively. Ex. CEO-42.

The Company wrote off the Smart Savers program, at least in part, because it experienced “snapback.” Snapback is “a well-known phenomenon whereby after the [demand response called] event, customer demand rises.” Cebulko Refiled Direct, 4 TR 748. The Company determined that because of snapback it “did not observe any statistically significant savings in

gas consumption for dual fuel customers and observed higher than forecasted usage during events for gas only customers.” Farrell Rebuttal, 3 TR 471.

However, given the issues DTE must address related to future use of its system and the State’s efforts to decarbonize, the Company’s focus on snapback should not lead to the discontinuation of the Smart Saver program without adjusting the design. First, DTE should tolerate some snapback as long as it “does not occur concurrent with system peak.” Cebulko Refiled Direct, 4 TR 749. Second, Witness Cebulko observed that the Company could employ “industry-known opportunities for mitigating snapback” and thereby reduce its impact. Cebulko Refiled Direct, 4 TR 749. Witness Cebulko provided examples of two ways DTE Gas could manage snapback, it “could stagger customer reintegration or control the pace of a customer’s increase in demand.” Cebulko Refiled Direct, 4 TR 749.

The Company disagreed with Cebulko’s conclusion about the significance of snapback stating that “[s]napback that increases gas consumption is an issue regardless if it is concurrent with the system peak or not.” Farrell Rebuttal, 3 TR 472. However, this response does not stand up to the basic construction and premises of utility regulation. If DTE’s system is sized to meet peak demand on the coldest day of the year, then shifting demand off of that peak will reduce the need to invest capital in a larger system.

The Company also countered Witness Cebulko’s premise of tolerable snapback by stating that gas peak often lasts “an entire day or days” and therefore “any pilot or program that has significant snapback may pose additional issues during peak demand.” Farrell Rebuttal, 3 TR 472. However, if gas peak lasts so long, then the Company designed the pilot poorly, as the Smart Savers called events only lasted two hours. Decker Direct, 2 TR 113. Moreover, the

Company's own testimony shows that there was a cumulative reduction in demand during four of the five events the Company called. Decker Direct, 2 TR 113.

The Energy Action Days pilot failed in part because the Company did not provide an incentive to participate in those events, and did not even study the possibility of incentivizing participation. *See* Ex. CEO-26; CEO-38; CEO-39. The Company did not examine financial incentive despite it being "one of the most common tools in demand response." Cebulko Refiled Direct, 4 TR 747. Notably, the Company also acknowledged that one challenge after Year 1 of the program was "lack of incentive for customers." Ex. CEO-41. Eliminating this program without testing other ways to spur customer behavior is inappropriate, especially where, as demonstrated above, DTE must begin exploring ways to offset or delay capital investment in the system in light of declining demand and trends that will exacerbate that decline. The Commission should order DTE to work with stakeholders to fix the flaws in these programs and reintroduce them as soon as practicable.

2. *The Company Should Work With Stakeholders to Modify and Restart Its Demand Response Programs*

The Company improperly concluded that demand response programs had no place in its portfolio based on a set of poorly designed and poorly evaluated pilot programs. As Witness Cebulko observed, each of the three programs had promising aspects, that when properly modified, could be developed into successful programs. The Company should revise each program, with the help of interested stakeholders, and refine and restart its demand response portfolio. Now more than ever, the Company must seek alternatives to capital investment to meet demand and the State's emissions reduction goals—demand response can accomplish both. As it relates to the three demand response programs DTE has already run, the Company should: (1) track their costs individually; (2) set clear objectives and evaluation criteria in advance; (3) test

the efficacy of financial incentives; (4) call more events to get a more robust data set; and (5) properly educate participants including on snapback and how to manage it. Cebulko Refiled Direct, 4 TR 752.

In addition to its existing programs, the Company should develop an interruptible tariff. “An interruptible tariff is a schedule open to specific sizes of customers who, in exchange for a lower rate, agree to be curtailed during certain types of events.” Cebulko Refiled Direct at 41. According to Witness Cebulko, “[t]he benefit of an interruptible tariff to the utility and the rest of its customers is that the utility does not need to plan to meet interruptible customers’ demand during peak periods thus lowering the design day costs for customers.” Cebulko Refiled Direct, 4 TR 750.

The significant trends and shifting landscape of the energy sector require DTE to think creatively about ways to meet its demand without investing further capital in its system. DTE must incorporate demand response into its suite of solutions to address demand. Demand response is proven on the electric side, and even based on the small sample of results from the pilots DTE Gas ran, demand response programs when properly crafted can shave peak. The Company was too quick to abandon demand response as a viable solution. The Commission should order the Company to work together with stakeholders and refine and restart its demand response programs.

**D. The Company Must Incorporate Granular Data and Mapping Into Its Planning Processes to Ensure Equitable Gas Service**

1. *Energy Justice and Its Role in Utility Regulation*

In recent years, the CEO and other advocates have raised concerns regarding the inequities in the electric system including significant variations in energy burden, reliability, access to energy efficiency and clean energy. The Commission has recognized these inequities

and required DTE Electric to address them. In DTE’s 2022 electric rate case, the Commission explicitly stated that the Company must “incorporate equity and environmental justice considerations” in its planning and decision-making processes. *In re DTE Electric*, Case No. U-20836, Final Order at 458 (Nov. 18, 2022). Along the same lines, in DTE’s next electric rate case, the Commission ordered DTE to implement “grid equity” recommendations including requirements to provide community vulnerability information in environmental analyses and greater transparency for projects and programs in future rate cases. *In re DTE Electric*, Case No. U-21297, Order at 375 (Dec. 1, 2023).

Similarly, other Midwest states require their utilities to consider equity and energy justice in grid planning and rate cases. In Minnesota, advocates argued in Xcel Energy’s last rate case that utilities should apply the principles of energy justice—recognition justice, procedural justice, distributional justice, and restorative justice—in rate case proceedings. The Minnesota Commission agreed, and explicitly recognized that the “tenets of energy justice . . . [were] relevant to the rate case proceeding.” *In re Xcel Energy*, Docket No. E-002/GR-21-630, Final Order at 139, Minnesota Public Utilities Commission, (July 17, 2023). The Commission specifically found that energy justice is relevant to setting rates. *Id.* The Illinois General Assembly has taken similar steps, recognizing the role of energy justice within grid planning and rate cases in Illinois. 220 ILCS 5/16-105.17. The Commission must continue to build off its past rate case decisions which recognize the importance of equity and environmental justice considerations in the utility planning process.

Consistent with the Commission’s obligation to consider equity issues, the State’s MI Healthy Climate Plan recognizes the importance of considering equity and environmental justice in climate planning. Specifically, the Plan states that “[e]nvironmental justice considerations are

a key component of equitable climate action and will continue to be a priority for the state as it works to eliminate racial disparities impacting the health and wellbeing of Michiganders.”

Cebulko Refiled Direct, 4 TR 752 (citing MI Healthy Climate Plan).<sup>2</sup> The Plan continues that “many disadvantaged communities live and work in subpar buildings, face higher energy burden, and are subject to health-related impacts from natural gas appliances, all while lacking access to the investments in energy efficiency and onsite renewable energy seen in other communities.”

Cebulko Refiled Direct, 4 TR 754 (citing MI Healthy Climate Plan). The Plan seeks to ensure that the State’s response to climate change does not reinforce challenges that historically disadvantaged communities, and requires that the State must proactively and intentionally plan for equity and environmental justice. Cebulko Refiled Direct, 4 TR 754 (citing MI Healthy Climate Plan).

2. *DTE Should Conduct Granular Mapping Analyses to Better Understand Its Customers and Ensure Reasonable and Prudent Provision of Service*

DTE’s proposal to spend over a billion dollars in the next decade will undoubtedly impact the Company’s low-income customers. Ex. CEO-2. In order to properly address and mitigate the rate impacts and other effects, the Company must incorporate consideration of energy justice communities into its spending and planning processes. The Company can model its approach on its companion company, DTE Electric’s, use of the MiEJScreen tool as well as the energy justice work of other utilities throughout the Midwest.

As FLO Witness Justin Schott explains in his testimony, there is a dramatic variation in the energy burden of DTE’s customers. Schott states, over 99% of Michigan households earning above the state median income spend 3% or less of their income on energy. Schott Direct, 4 TR

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<sup>2</sup>Department of Environment, Great Lakes, and Energy, “MI Healthy Climate Plan.” April 2022, available at: <https://www.michigan.gov/egle/about/organization/climate-and-energy/mi-healthy-climate-plan>

1076. By contrast, 44% of Michigan households earning below the poverty line spend more than 20% of their income on energy. Schott Direct, 4 TR 1076. These serious disparities in energy burden must be addressed.

In order to address these disparities, DTE needs to better understand the system and the first step to better understanding the system requires that DTE depict system characteristics on a map. To assist the Company to incorporate equity and environmental justice considerations into its planning and program design, Witness Cebulko explained that the State has developed an interactive mapping tool called MiEJScreen. Cebulko Refiled Direct, 4 TR 754–55. The map allows users to identify specific environmental, health, and socioeconomic conditions with a defined geographic community or region. Cebulko Refiled Direct, 4 TR 755.

Witness Cebulko’s testimony explains the numerous equity and environmental justice benefits that a mapping tool offers. Specifically, “a mapping tool can provide granular, geographic-specific information regarding aspects of the system and customer experience.” Cebulko Refiled Direct, 4 TR 755. Witness Cebulko further explained that a mapping tool can be used to “identify geographic areas where there are: high concentrations of poverty, high concentrations of people of color, higher levels of pollution, and parts of the system which may be older than other areas.” Cebulko Refiled Direct, 4 TR 755. By honing in on specific geographic areas which may be energy burdened or otherwise underserved, DTE Gas can better target capital investments directly to those areas, thereby meeting its obligation to provide service equitably and to consider environmental justice factors in its planning and programs. Cebulko Refiled Direct, 4 TR 755.

Witness Cebulko provided an example of how the Company could use the MiEJScreen tool for its capital investment decisions. He explained that when the Company is “considering

the need for a route of a new distribution main or transmission pipe, the Company would use the MiEJScreen to assess the potential impact to environmental justice communities, as well as the impact of alternatives proposals to meet the Company's need." Cebulko Refiled Direct, 4 TR 757. The Commission should then require DTE to demonstrate that the preferred solution, either the original capital investment proposal or an alternative, does not disproportionately negatively impact environmental justice communities. Cebulko Refiled Direct, 4 TR 757.

In addition to recommending that DTE Gas utilize the MiEJScreen tool to target investments and programming, CEO urges the Commission to require DTE to track six additional measures. Mr. Cebulko recommends that the Company track and report on: (1) average energy burden at the census block group level; (2) percentage of residential customers disconnected per census block; (3) percentage of low-income customers in each census block group that participated in one or more energy assistance programs in a year; (4) percentage of low-income customers in each census block group that participated in a payment plan; (5) percentage of residential customers in each census block group enrolled in Shutoff Protection Plan in a year; and (6) percentage of low-income residential customers in each census block group that participated in the Company's energy efficiency program in a year. Cebulko Refiled Direct, 4 TR 758–59. In addition to the metrics proposed by Witness Cebulko, FLO witness Jackson Koepfel recommended several metrics that could be tracked that would provide additional visibility into the system for the purpose of planning related to investments and programs. Koepfel Rebuttal, 4 TR 1049. Generally, CEO support tracking these additional metrics.

As an example of a utility effectively using mapping, Witness Cebulko explained that, in Minnesota Xcel Energy (a dual-fuel utility like DTE) created its own interactive map of its

electric and gas service territories which Xcel Energy's gas division uses to track many of the same indicators recommended above. Cebulko Refiled Direct, 4 TR 762.

Witness Cebulko noted that, using its interactive mapping tool, Xcel Energy recently filed a proposal with the Minnesota Public Utilities Commission to automatically reduce customers' electric bills in high energy burdened census block groups. Specifically, Xcel Energy's proposal, if approved, will provide an automatic bill credit which will bring the median electric energy burden in all census block groups in Xcel Energy's service territory down to 4%. Cebulko Refiled Direct, 4 TR 763. Given the wide variation in energy burden in DTE's service territory, CEO proposes the Commission take a similar automatic bill credit approach that reduces bills for energy burdened customers which could be extremely useful.

In response to Witness Cebulko's recommendations to use the MiEJ Screen tool, Witness Decker testified that the Company's "existing methodology for risk and prioritization is appropriate, reasonable, and prudent for capital investment decisions." Decker Rebuttal, 2 TR 139. Witness Decker then indicated that at the time of the most recent planning, the MiEJScreen tool was still in draft form. Decker Rebuttal, 2 TR 139. However, while Witness Decker states that the MiEJScreen tool is a "draft" tool, DTE Electric has been utilizing the MiEJScreen tool for several years to inform its capital investment and planning decisions. Moreover, Mr. Decker acknowledged that the Company "intends to explore how the MiEJ Screen tool can be incorporated into the Company's existing planning process" and will outline its findings in the GDP included in the Company's next rate case. Decker Rebuttal, 2 TR 140.

The CEO appreciate the Company's willingness to explore using the MiEJ Screen tool to help inform capital investment decisions. The CEO believe that the MiEJ Screen tool, as well as the additional, six measures set forth above will be helpful for the Company to better understand

where there may be discrepancies in the system, and how to better target investment and programming to reduce those disparities.

The CEO recommend the Commission order the Company to begin using the existing MiEJScreen tool to help guide its own internal processes for how best to use this type of mapping tool for planning, developing, and implementing investments and programs in the future. The CEO recommend that the Commission order the Company to provide a plan for how it plans to use the MiEJScreen tool by July 1, 2025 or its next rate case, whichever comes first. Once the Company has designed its approach to mapping, the CEO recommend that the Company begin tracking the six additional measures outlined above by July 1, 2025 or its next rate case. The CEO recommend the Commission order the Company to report the six additional measures on a map by July 1, 2025 or its next rate case.

**E. The Company Has Not Presented a Reasonable Plan to Decarbonize**

1. *The Company's Proposed Purchase of Responsibly Sourced Gas*

A significant focus of the Company's decarbonization efforts in this case is a proposal to purchase responsibly sourced gas or "RSG". Responsibly Sourced Gas is a natural gas with "upstream methane emissions [which] have been evaluated based on criteria established" by third party evaluators. Siddique Refiled Direct, 4 TR 783. Those third-party evaluators "verify and certify the gas based on its performance on emissions management and ESG criteria." *Id.* Essentially, RSG is "a market-based product designed to create demand for lower emissions-intensity natural gas from buyers and downstream users." *Id.* at 783–84.

In this case, the Company proposes "a purchase of 4,000,000 Dth of RSG gas for the test period, which is 2.5% of their total projected purchase of natural gas." Decker Direct, 2 TR 81.

The Company estimates paying a premium price of \$0.045 per Dth based on current market conditions, for a total premium of \$180,000. Decker Direct, 2 TR 81.

2. *The Company Must Develop a Comprehensive Decarbonization Strategy*

The Company's proposed purchase of RSG represents a very modest step forward in reaching its emissions goals and setting out a pathway towards decarbonization. CEO Witness Saad Siddique calculated the impacts of the Company's RSG purchase and found it would barely make a dent in the Company's supplier emissions, let alone the Company's overall emissions. In particular, Siddique concluded that, "[t]he Company's projected CO<sub>2</sub>e emissions reduction estimation through RSG is *an extremely small proportion of total emissions.*" Siddique Refiled Direct, 4 TR 785 (emphasis added). Total emissions reduced from RSG purchased in the test year will be a minimal 0.047%–0.095%. Siddique Refiled Direct, 4 TR 785. Siddique's calculations match up with DTE Witness Decker's answers during cross-examination where he stated that RSG would reduce total carbon emissions by roughly 4 out of 2,800 or .0014%. 2 TR 188. Siddique concluded that, in this context, the Company failed to fully support its proposal to purchase RSG and must provide a more complete cost-benefit analysis in order for the Commission to approve such a purchase. Siddique Refiled Direct, 4 TR 785.

The Company's miniscule marginal reduction in emissions from the purchase of RSG cannot be the centerpiece of its decarbonization strategy, as it is simply too small to make a meaningful difference. Company Witness Decker testified during cross examination that upstream suppliers make up 5% of emissions, its own operations make up 15%, and its customers' emissions make up 80% of total emissions. 2 TR 185. It is not reasonable for the Company to focus so much effort on such a small percentage of the smallest category of its emissions. As CEO Witness Siddique concluded, "[t]he Company's focus on reducing methane

leakage at the wellhead and gathering lines is misplaced. The vast majority of the Company's emissions occur with end use combustion, and the Company never justifies the premium it pays for RSG." Siddique Refiled Direct, 4 TR 785.

Ultimately, RSG may be a part of DTE's strategy, but it must be part of a comprehensive plan that goes well beyond RSG. In particular, Witness Siddique recommends that "[t]he Company needs a carbon reduction plan which analyzes the premium it pays for RSG as part of a long-term strategy to reduce all of its carbon emission." Siddique Refiled Direct, 4 TR 785–86.

The Company responded to the CEO and other Intervenors' concerns around RSG and its overall decarbonization strategy by claiming to be "in an exploratory stage" regarding decarbonization. Decker Rebuttal, 2 TR 132. According to the Company, it is "still developing an overall net zero strategy." Decker Rebuttal, 2 TR 132. However, the Company and the State of Michigan released their carbon reduction goals four years ago. Climate change and decarbonization are no longer new concepts. And the Company testified that climate change is "one of the defining public policy issues of our time and it demands a bold response." Decker Direct, 2 TR 68. Certainly, a rate case proposal to reduce less than one percent of overall emissions is not the bold action the Company contemplated.

In order to meaningfully address the State's emissions goals, the Company must commit to demand response, energy efficiency, and other means to reduce its customers' emissions. Instead of nibbling at the edges of its carbon emissions, the Company must develop a full life-cycle decarbonization strategy that addresses upstream emissions, emissions from its own operations and from its customers' use of natural gas.


#### **IV. Conclusion**

Each of the issues raised by the CEO in this brief interrelate to one another. The Company's business-as-usual approach will no longer work. For example, the Company's reliance on its historic sales will not adequately project heat pump adoption in its territory. Instead, the Company must proactively consider electrification and compliance with the State's emissions goals. The Company must look ahead, comprehensively plan, and follow through on its planning. Relatedly, the Company must look for pathways to decarbonize while also limiting capital investment in the face of declining demand. In this regard, the Company must commit to robust alternatives analysis of pipeline repairs and NPAs, and revise and offer an updated demand response program. Overall, the Company needs to recalibrate how it thinks of its system and how it serves its customers equitably. The Commission must reinforce this important pivot required by the Company. It must start with foundational planning and reformation of processes.

Accordingly, the CEO respectfully request that the Commission:

1. Order DTE to refile this rate case with appropriate consideration of declining demand, compliance with the State's emissions reduction goals, and the impacts of electrification and a corresponding analysis of alternatives to intensive capital investment including pipeline repair and non-pipeline alternatives.
2. Deny the Company's requested re-authorization of the Investment Recovery Mechanism.
3. Order DTE to work with stakeholders to revise and resubmit its demand response programs.
4. Order DTE to utilize the MiEJScreen Tool and track and report on the six metrics recommended by the CEO by July 1, 2025 or its next rate case.
5. Order DTE to utilize the MiEJScreen Tool in developing its spending proposals and programs going forward. The Company should include in testimony a discussion of how it incorporated energy justice and the MiEJScreen Tool into its decisionmaking processes.
6. Order DTE to develop a comprehensive decarbonization plan which adequately examines various pathways to decarbonization and sets interim targets for the Company to meet.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Daniel Abrams', is written over a horizontal line.

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Dated: July 16, 2024

**STATE OF MICHIGAN  
MICHIGAN PUBLIC SERVICE COMMISSION**

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

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**PROOF OF SERVICE**

I hereby certify that a true copy of the foregoing *Opening Brief of the Ecology Center, the Environmental Law & Policy Center, Union of Concerned Scientists, and Vote Solar* was served by electronic mail upon the following Parties of Record, this Tuesday, July 16, 2024.

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