



July 25, 2024

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

Via E-File

RE: MPSC Case No. U-21534

Dear Ms. Felice:

Attached please find the enclosed documents for filing:

- Direct Testimony and Exhibits of Roger G. Colton on behalf of Natural Resources Defense Council and Michigan Environmental Council (Exhibit NRD-1); and
- Proof of Service.

Thank you for your assistance in this matter. If you have any questions, please feel free to contact me.

Sincerely,

Christopher M. Bzdok
chris@tropospherelegal.com

CC: Parties to Case No. U-21534

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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

U-21534

DIRECT TESTIMONY OF ROGER COLTON
ON BEHALF OF
NATURAL RESOURCES DEFENSE COUNCIL AND
MICHIGAN ENVIRONMENTAL COUNCIL

July 25, 2024

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1 **I. INTRODUCTION**

2 **Q. Pleas state your name and address.**

3 A. My name is Roger Colton. My address is 34 Warwick Road, Belmont, Massachusetts.

4 **Q. By whom are you employed and in what position?**

5 A. I am owner of the firm of Fisher Sheehan & Colton, Public Finance and General Economics
6 of Belmont, Massachusetts. In that capacity, I provide technical assistance to a variety of
7 federal and state agencies, consumer organizations and public utilities on rate and customer
8 service issues involving water/sewer, natural gas and electric utilities.

9 **Q. On whose behalf are you testifying in this proceeding?**

10 A. I am testifying on behalf of the Natural Resources Defense Council (NRDC) and Michigan
11 Environmental Council (MEC).

12 **Q. Please describe your professional background.**

13 A. I work primarily on low-income utility issues. This involves regulatory work on rate and
14 customer service issues, as well as research into low-income usage, payment patterns, and
15 affordability programs. At present, I am working on various projects in the states of
16 Massachusetts, Connecticut, Maryland, Pennsylvania, Ohio, Michigan, Wisconsin, Illinois,
17 Missouri, Oregon and Washington, as well as in the Canadian provinces of Nova Scotia
18 and British Columbia. My clients include state agencies (e.g., Pennsylvania Office of
19 Consumer Advocate, Maryland Office of People’s Counsel, Connecticut Office of
20 Consumers Counsel), federal agencies (e.g., the U.S. Department of Health and Human
21 Services), community-based organizations (e.g., Cleveland Legal Aid Society, Legal
22 Action of Chicago, Sierra Club), and public and private utilities (e.g., Toledo Water, BC

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1 Hydro). Examples of my work include my current projects to assist the Connecticut Office
2 of Consumers Counsel (OCC) in the annual review of the low-income affordability
3 initiatives of that state’s utilities by the Public Utilities Regulatory Authority. I am also
4 assisting the Massachusetts Attorney General’s Office (AGO) in the generic investigation
5 by the Department of Public Utilities (DPU) into the design of low-income affordability
6 programs. I am currently under contract to develop a universal service plan for British
7 Columbia and recently completed the preparation of a universal service plan for Nova
8 Scotia. In addition to state-specific and utility-specific work, I engage in national work
9 throughout the United States and Canada. For example, I have recently completed a project
10 with the Natural Resources Defense Council to develop a tool by which to assess the
11 financial impact of differing types of low-income bill assistance. I continue to be “of
12 counsel” to the National Coalition for Legislation on Affordable Water (NCLA-Water). A
13 brief description of my professional background is provided in Exhibit NRD-1.

14 **Q. Please describe your educational background.**

15 A. After receiving my undergraduate degree in 1975 (Iowa State University), I obtained
16 further training in both law and economics. I received my law degree in 1981 (University
17 of Florida). I received my Master’s Degree (Regulatory Economics) from the MacGregor
18 School (Antioch University) in 1993.

19 **Q. Have you ever published on public utility regulatory issues?**

20 A. Yes. I have published three books and more than 80 articles in scholarly and trade journals,
21 primarily on low-income utility and housing issues. I have published an equal number of
22 technical reports for various clients on energy, water, telecommunications and other

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1 associated low-income utility issues. A summary of my publications is included in Exhibit
2 RDC-1.

3 **Q. Have you ever testified before this or other utility commissions?**

4 A. Yes. I have testified on multiple occasions before the Michigan Public Service Commission
5 (“Commission” or “PSC”) regarding both the natural gas and electric Energy Waste
6 Reduction (“EWR”) plans of DTE Energy and Consumers Energy as well as in a variety
7 of rate cases. I have previously testified before the Commission in the following cases:

- 8 • Case U-18255 (DTE Electric Company’s 2017 General Rate Case);
- 9 • Case U-18262 (DTE Electric Company’s 2018–19 EWR Plan);
- 10 • Case U-20373 (DTE Electric Company’s 2020–21 EWR Plan);
- 11 • Case U-20429 (DTE Gas Company’s 2020–21 EWR Plan);
- 12 • Case U-20561 (DTE Electric Company’s 2020 General Rate Case);
- 13 • Case U-20875 (Consumers Energy 2022 – 2023 EWR Plan);
- 14 • Case U-20876 (DTE Electric Company’s 2022–23 EWR Plan);
- 15 • Case U-20881 (DTE Gas 2022-2023 EWR Plan); and
- 16 • Case U-21189 (Indiana Michigan Power Company IRP).

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1 My testimony has specifically included testimony in various proceedings involving low-
2 income program design and operation, along with various rate design issues as they affect
3 low-income customers. Overall, I have testified in more than 340 judicial and regulatory
4 proceedings in 43 states and various Canadian provinces on a wide range of utility issues.
5 A list of the jurisdictions in which I have testified is listed in Exhibit NRD-1.

6 **II. SUMMARY**

7 **Q. Please explain the purpose of your direct testimony.**

8 A. The purpose of my Direct Testimony is to address the following topics:

- 9 ➤ The affordability of DTE electric rates to low-income customers;
- 10 ➤ The structure and operation of DTE's Residential Income Assistance Credits
11 (RIA) and DTE's Low-Income Assistance (LIA) Bill Credits; and
- 12 ➤ The structure and operation of DTE's Arrearage Management Program (AMP).

13 **Q. Please summarize the recommendations you make throughout your testimony which**
14 **follows.**

15 A. Based on the data and analysis I present throughout my testimony, I recommend:

- 16 ➤ I recommend that the RIA credit remain at \$8.50 per month. However, I
17 recommend that those credits be redirected to a different population. I
18 recommend that the RIA program be restructured to provide assistance to
19 customers establishing special needs when those customers have documented
20 income not to exceed 250% of the Federal Poverty Level or 60% of the State
21 Median Income, whichever is greater. Rather than funding these redirected
22 benefits through new costs to ratepayers, this restructured program should be
23 funded through dollars that are already planned to be directed to RIA recipients
24 with income at or below 150% of Poverty Level.
- 25 ➤ I recommend that DTE's outreach and intake procedures remain as they are.
26 To the extent that a public assistance program would demonstrate an income-
27 eligibility for the RIA, proof of participation in that assistance program should

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1 be accepted as proof of eligibility for the RIA. To the extent that a household
2 does not participate in such a public assistance program, the Company should
3 accept documentation from one of its community-based intake organizations
4 that the customer is income-eligible. It should not be difficult for DTE to
5 identify customers with income up to 200% of the Poverty Level. DTE
6 Electric’s seasonal protections extend up to 200% of Poverty Level. DTE
7 Electric has established procedures for identifying households with income up
8 to 200% of Poverty Level. A household that has been so identified appears
9 in the customer profile of the DTE Electric Customer Relational
10 Management (“CRM”) program. A customer who has been qualified
11 for the seasonal protections should be found to have established “special
12 needs” for purposes of the redirected RIA credits. Customers with incomes at
13 or below 150% FPL and participating in the current RIA would be redirected
14 to the LIA program.

- 15 ➤ I recommend that DTE move away from offering a flat across-the-board bill
16 credit through its LIA initiative. More specifically, I recommend that the LIA
17 program be modified to adopt the following tiered bill credits: (1) income at 0
18 – 50% FPL: bill credit of \$95/month; (2) income at 50 – 100% FPL: bill credit
19 of \$80/month; and (3) income at 100 – 150% FPL: bill credit of \$45/month.
- 20 ➤ I recommend that DTE be allowed to reconcile its actual LIA costs to its
21 projected LIA costs on an annual basis. Whether those costs are under-
22 recovered or over-recovered, the excess or deficit would be tracked by DTE as
23 a regulatory asset to be included in rates in DTE’s next base rate case. When
24 included in rates, the projected costs, along with the over- or under-recovery,
25 would be recovered in base rates as would any other DTE expense.
- 26 ➤ I recommend that the Commission remove the cap on both the RIA and the
27 LIA ceiling enrollment and allow the programs to achieve whatever
28 participation is possible.
- 29 ➤ I recommend that DTE expand its LIA program to provide for the enrollment
30 of self-attested recipients of assistance through the federal Supplemental
31 Nutrition Assistance Program (SNAP) (formerly known as Food Stamps).
32 Additional programs, a determination of eligibility for which would also
33 establish a household’s low-income status, should be included, also, over time
34 as the Commission determines which programs would serve the purpose of
35 facilitating enrollment by eliminating administrative barriers to enrollment.
36 For example, such programs might include, but not be limited to, Medicaid,
37 LIHEAP, Free School Lunches, and the like.

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1 ➤ I recommend two modifications to the manner in which DTE grants its
2 arrearage forgiveness credits. First, I recommend that rather than providing
3 arrearage forgiveness credits only at three program points (the beginning of
4 participation, the 12-month mark, the 24-month mark), program participants
5 receive a pro rata forgiveness of their pre-program arrears for each complete
6 bill payment they make over their 24-months of participation. In this fashion,
7 the arrearage forgiveness program responds to complete bill payments by
8 allowing program participants to see a continuing reduction in their pre-
9 program arrearage balance. Second, I recommend that arrearage credits be
10 provided for each complete payment, and that retroactive credits be provided
11 when a previously missed payment is “cured” such that the bill balance is
12 brought to \$0.

13 ➤ I recommend a tiering of arrearage forgiveness benefits. Even after providing
14 the EIA credit, the customers in this lowest income range will have the most
15 difficulty paying their bills in a complete fashion over a full 24-month period.

16 This impact can be offset by recognizing the increased payment difficulty
17 which even a modified LIA credit imposes on the lowest income participants.
18 This recognition can, and should, be accomplished by allowing customers with
19 income in this lowest income bracket (0 – 50% FPL) to earn their complete
20 arrearage forgiveness over a 12-month period rather than a 24-month period.
21 This tiering of forgiveness credits sends the message that the program
22 recognizes the higher payment problems which remain, even after adopting a
23 tiered LIA credit, but will thus reward full payment over a shorter period of
24 time.

25 **III. PART 1. THE AFFORDABILITY OF DTE ELECTRIC RATES**

26 **Q. Please explain the purpose of this section of your testimony.**

27 A. In this section of my testimony, I examine the affordability of DTE electricity rates. First,
28 I examine the particular importance of examining the affordability of electricity in this
29 period of high inflation rates faced by customers. I explain how, and why, inflation has a
30 particularly adverse impact on low-income customers. Second, I examine the growth in
31 DTE electricity prices over time. Finally, I examine the affordability of DTE’s existing

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1 rates and the affordability of DTE rates as the Company proposes to increase them in this
2 proceeding.

3 **A. The Impact of Inflation on Low-Income Customers.**

4 **Q. Is there a particular concern about the impacts of higher DTE bills in today's**
5 **economic environment?**

6 A. Yes. Inflation in today's economic environment is disproportionately affecting lower-
7 income households. Given the Commission's obligation to balance the interests of
8 investors and ratepayers in setting a reasonable return on equity, the Commission should
9 consider the greater adverse impacts that inflation has imposed on low-income ratepayers
10 when setting rates.

11 **Q. Please explain how inflation has a particularly adverse impact on lower income**
12 **households.**

13 A. The impact of inflation is felt most severely by low-income households. Research by the
14 U.S. Department of Labor's Bureau of Labor Statistics, the agency that calculates and
15 reports the "rate of inflation" (i.e., the Consumer Price Index [CPI]) each month, reports
16 that "consumers with different incomes experience inflation quite differently."¹ According
17 to this research, households earning lower incomes spend a higher share of their household
18 budget on household necessities such as rent, food and medical care.

¹ Klick and Stockburger (December 2022). Spotlight on Statistics: Inflation Experiences for Lower and Higher Income Households, U.S. Department of Labor, Bureau of Labor Statistics, available at <https://www.bls.gov/spotlight/2022/inflation-experiences-for-lower-and-higher-income-households/home.htm>

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Expenditure	Lowest Income Quartile	Highest Income Quartile
Rent (including owner’s equivalent rent)	34.93%	27.93%
Food at home	9.44%	6.58%
Medical care	8.36%	8.09%
Household utilities	4.36%	2.73%
Motor fuels	3.46%	3.42%
Motor vehicle operation	3.44%	3.40%
Telephone service	2.32%	2.00%

1 While low income households pay more of their budgeted income for this basket of
2 essential goods, it is also important to note that the BLS researchers found that “prices for
3 motor fuel, medical care, fuel and utilities, and shelter rose faster than the overall average.
4 . . .”³ Thus, “[b]ecause the lowest income households dedicate more of their spending on
5 these categories,” the BLS researchers found, “their overall inflation rates grew faster than
6 the highest income households.”

² *Id.*

³ *Id.*

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Item	2005–2020 average 12-month change (%)
Tuition, other school fees, and childcare	4.03
Motor Fuel*	3.45
Medical Care*	3.28
Rent*	3.06
Food away from home	2.86
Fuel and utilities*	2.71
All items	2.00
Food at home*	1.89
Lodging away from home	1.16
Recreation	0.74
New and used motor vehicles	0.43
Apparel	-0.10
Telephone services*	-0.20

1 The Federal Reserve Bank of Dallas similarly found that

2 Families have grappled with surging prices over the past 18 months, as the cost

3 of meeting basic needs rose. Consumer prices were 7.1 percent higher in

4 November 2022 than one year earlier.

5 Although inflation may have peaked, prices remain elevated, with food costs

6 up 10.6 percent, gasoline rising 10.1 percent, rent increasing 7.9 percent and

7 medical care services up 4.4 percent.

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1 Drawing upon recent household survey data, we show that high inflation is
2 disproportionately hurting low-income households, including Black and
3 Hispanic households and renters.⁴

4 **Q. Do low-income households have the same tools to adapt to higher prices, resulting**
5 **from inflation, as non-low-income households?**

6 A. No. The Federal Reserve researchers found that the “stress” being placed on households
7 by high inflation is much greater for low-income households. They explained:

8 Prior research suggests that inflation hits low-income households hardest for
9 several reasons. They spend more of their income on necessities such as food,
10 gas and rent—categories with greater-than-average inflation rates—leaving
11 few ways to reduce spending. When prices rise, middle-income households
12 may react by consuming cheaper goods and buying more generic brands. Low-
13 income households do not have the same flexibility; in many cases, they are
14 already consuming the cheapest products.

15 Additionally, many low-income households lack the ability of higher-income
16 households to stock up when prices are discounted, buy in bulk and save, delay
17 purchases if there is an opportunity to save in the future or buy more cheaply
18 online. Low-income households are also likely to have smaller cash buffers to
19 tide them over a period of high inflation.

20 The recent Household Pulse Survey data confirm these tendencies. Households
21 with incomes ranging from \$25,000 to \$35,000 in 2021 were about 19.3
22 percentage points more likely to be very stressed by inflation than households
23 with incomes in the \$75,000 to \$100,000 range.

24 The data is clear and it is consistent. Lower income families expend a greater share of their
25 income on necessities (which tend to have higher inflation rates); have smaller financial
26 cushions to mitigate the impact of inflation; and may have less of an ability to switch to

⁴ Jayashankar and Murphy (January 2023). High inflation disproportionately hurts low-income households, Federal Reserve Bank of Dallas, available at <https://www.dallasfed.org/research/economics/2023/0110#:~:text=Low%2Dincome%20households%20most%20stressed,few%20ways%20to%20reduce%20spending%20>.

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1 lower-priced alternatives. As Lael Brainard, a member of the Board of Governors of the
2 Federal Reserve System, concluded, “All Americans are confronting higher prices, but the
3 burden is particularly great for households with more limited resources.”⁵

4 **Q. What do you conclude?**

5 A. The Commission is obligated to balance the interests of investors and ratepayers in setting
6 reasonable rates. That balancing might occur in setting a return on equity. It should also
7 occur in deciding upon rate design issues involving the fixed monthly customer charge and
8 upon other issues. In so doing, the Commission should consider not merely the
9 affordability impacts of DTE’s request for higher rates, but should consider, also, the
10 greater adverse impacts that inflation has imposed on low-income ratepayers as I have
11 discussed above.

12 **B. The Growth in DTE Electricity Rates Over Time.**

13 **Q. Have you examined the growth in DTE Electric rates over time?**

14 A. Yes. Using the data which DTE files with the federal Energy Information Administration
15 (EIA) each year in its EIA Form 861,⁶ I examined the price per kWh charged to residential
16 customers for the years 2014 through 2024 (YTD-April). I examined the growth by setting
17 the 2014 price equal to 100. Each subsequent year shows the movement in price relative
18 to 2014.⁷ As can be seen, after three years of relative stability in electricity prices (2016 –

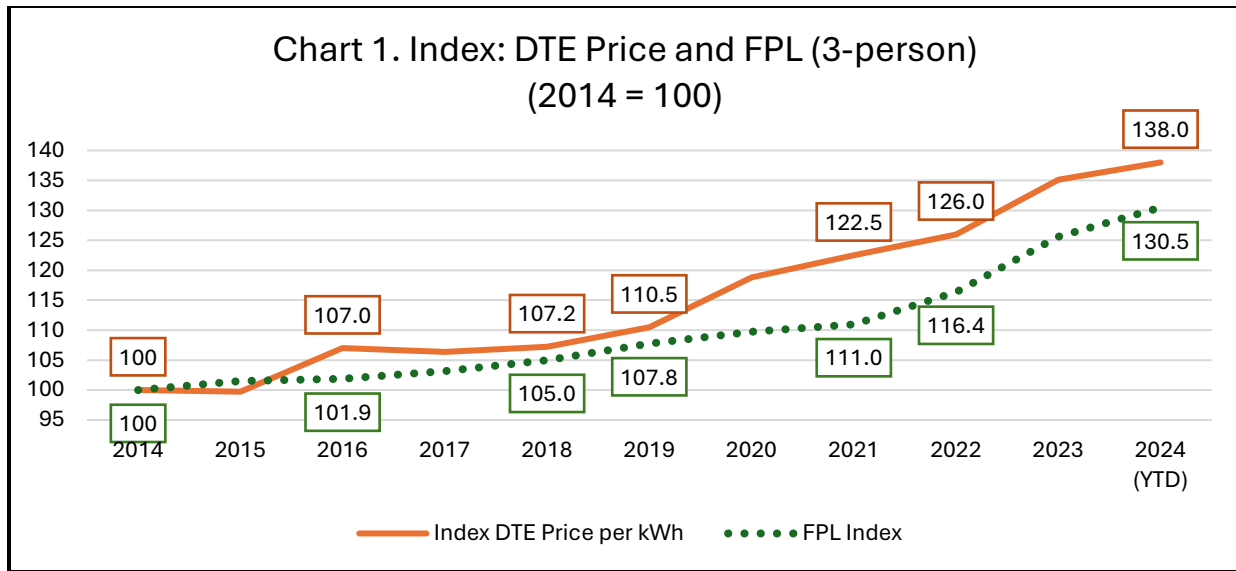
⁵ Brainard (April 2022). Variations in the inflation experiences of households, available at <https://www.federalreserve.gov/newsevents/speech/brainard20220405a.htm>.

⁶ Available at <https://www.eia.gov/electricity/data/eia861/>.

⁷ This is the same methodology used by the U.S. Department of Labor Statistics in showing the Consumer Price Index (i.e., rate of inflation).

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1 2018), DTE’s electricity prices have seen a sharp increase through 2024 (YTD-April).
2 From 2014 through 2024, DTE’s electricity prices have grown by nearly 40%. In contrast,
3 over the same time period, the Federal Poverty Level for a 3-person household increased
4 by only 30%. While the growth in DTE electricity rates only slightly exceeded the growth
5 in the FPL through 2019, a more substantial gap appeared from 2020 through 2024.



6
7 **Q. What is the significance of this growth in the gap between federal poverty level and**
8 **DTE’s electricity prices?**

9 A. Within the low-income population, high energy prices create a competition between a
10 household’s ability to pay their home energy bill and their ability to pay other essential life
11 expenses. The escalation of DTE’s electricity prices at a rate sharply greater than the
12 escalation of incomes not only exacerbates that competition, but makes it less likely that
13 DTE bills can and will be paid on a sustainable basis. The most recent (2020) Residential
14 Energy Consumption Survey (RECS) by the U.S. Department of Energy’s Energy

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1 Information Administration (DOE/EIA)⁸ documents these results. The Table below shows
2 that as incomes decline, the extent of “household energy insecurity” increases.

2020 annual household income	Total U.S.	Any household energy insecurity	Reducing or forgoing food or medicine to pay energy costs	Leaving home at unhealthy temperature	Receiving disconnect or delivery stop notice	Unable to use heating equipment	Unable to use air-conditioning equipment
Less than \$5,000	100%	58%	47%	25%	27%	11%	12%
\$5,000 to \$9,999	100%	56%	47%	21%	19%	9%	8%
\$10,000 to \$19,999	100%	47%	38%	21%	18%	8%	9%
\$20,000 to \$39,999	100%	40%	31%	15%	14%	6%	8%
\$40,000 to \$59,999	100%	29%	22%	9%	11%	4%	6%
\$60,000 to \$99,999	100%	20%	13%	6%	7%	2%	3%
\$100,000 to \$149,999	100%	11%	6%	4%	4%	1%	2%
\$150,000 or more	100%	7%	3%	3%	2%	1%	1%

3 **Q. Do you have reason to believe that these “energy insecurities” exist in the DTE service**
4 **territory as well?**

5 A. Yes. The U.S. Census Bureau publishes a periodic “PULSE Survey” examining in relevant
6 part the difficulties, if any, that households have in paying their normal household expenses
7 “in the last seven days.” The most recent PULSE Survey data release was for the period
8 April 30 through May 27, 2024.⁹ While the PULSE Survey does not report data by utility
9 service territory, it does provide state-specific data, including data for Michigan. The
10 Michigan data is set forth in the Table below. Several observations are important. First,

⁸ Available at <https://www.eia.gov/consumption/residential/data/2020/#household>.

⁹ Available at <https://www.census.gov/data/tables/2024/demo/hhp/cycle05.html>.

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1 nearly three-fifths (59.6%) of households with income less than \$25,000 reported finding
2 it either “somewhat difficult” or “very difficult” to pay for usual household expenses in the
3 last seven days. More than one-quarter (27%) of households with income less than
4 \$25,000, and nearly one-quarter (24.1%) of households with income between \$25,000 and
5 \$35,000, found it “very difficult” to pay their usual household expenses. A significant drop
6 in the percentage of households finding it “very difficult” occurs for households with
7 income exceeding \$35,000, just as a significant increase in the percentage of households
8 finding it “not at all difficult” occurs for households with income greater than \$25,000.

Table 4. Difficulty in paying for usual household expenses in the last 7 days (Michigan) (April 30 – May 27, 2024)					
	Not at all difficult	A little difficult	Somewhat difficult	Very difficult	Total
Less than \$25,000	17.7%	22.7%	32.6%	27.0%	100.0%
\$25,000 - \$34,999	31.5%	25.6%	18.8%	24.1%	100.0%
\$35,000 - \$49,999	22.2%	31.9%	29.7%	16.2%	100.0%
\$50,000 - \$74,999	32.2%	29.0%	20.4%	18.5%	100.0%
\$75,000 - \$99,999	38.2%	24.8%	20.7%	16.2%	100.0%
\$100,000 - \$149,999	49.1%	28.3%	16.5%	6.2%	100.0%
\$150,000 - \$199,999	65.7%	21.6%	10.5%	1.2%	99.0%
\$200,000 and above	79.3%	15.2%	5.5%	---	100.0%

9 Given this very recent Michigan-specific data, and the assumption that DTE electricity bills
10 are considered “usual household expenses,” it is evident that the “home energy
11 insecurities” reported by the RECS as I discuss above exist today in the DTE service
12 territory.

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1 **C. The Affordability of Existing and Proposed Rates.**

2 **Q. Please explain the purpose of this section of your testimony.**

3 A. In this section of my testimony, I examine the impact which DTE’s proposed electricity
4 rate increase in this proceeding will have on the affordability of bills to low-income
5 customers. I begin with an examination of electricity burdens at different annual incomes,
6 in tiers ranging from “less than \$10,000” up to “\$35,000 to \$39,999.” The impact of DTE’s
7 rate increase proposed in this proceeding is set forth in the Table below. As can be seen,
8 under both existing and proposed rates, DTE electricity bills are unaffordable (using a 4%
9 burden as the demarcation of electricity affordability)¹⁰ for households with income less
10 than \$35,000.¹¹ For households with income in the range of \$35,000 to \$39,999, while
11 DTE’s bills were marginally affordable at existing rates, they become marginally
12 unaffordable at DTE’s proposed rates.

13 For households in the two highest income ranges, I then separately calculated the burdens
14 at the lowest point in the range and at the highest point in the range. At existing rates, in
15 other words, the DTE burdens range from 4.7% to 4.0% for households with income in the

¹⁰ It is commonly accepted that a reasonable demarcation of “affordability” for *total* home energy is 6% of income. When a household is facing a single fuel (electricity, natural gas), however, that 6% is needs to be allocated between the two fuels. Two alternative allocations are reasonable: (1) simply to split the 6% half-and-half and allocate 3% to each; or (2) to allocate 4% to electricity and 2% to natural gas. Each of these decisions has a reasonable basis. Because the Department of Energy’s Residential Energy Consumption Survey appear to document that electricity consumes a somewhat higher portion of a household’s home energy expenditures, I tend to recommend a 4%/2% split. I would not, however, “argue” should the Commission decide, for simplicity’s sake, to allocate the total home energy burden 50-50, and adopt an affordable electricity burden of 3%. My objection extends only to those who might assert that the allocation occur at a precision incorporating tenths of one percent (e.g., 3.8% vs. 2.2%). That allocation implies a precision in the allocation that simply does not exist.

¹¹ Note that I use the mid-point of each range for the calculation of the DTE electricity burden.

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1 range of \$30,000 to \$34,999 (with a mid-point of 4.4%). The DTE burdens range from
 2 4.0% to 3.5% (with a mid-point of 3.8%) for households with income in the range of
 3 \$35,000 to \$39,999. In contrast, at proposed rates, the DTE electricity burdens range from
 4 4.4% to 5.2% for households with income in the range of \$30,000 to \$34,999 (with a mid-
 5 point of 4.8%), while they range from 4.4% to 3.9% for households with income in the
 6 range of \$35,000 to \$39,999 (with a mid-point of 4.1%).

	Existing Rates		Proposed Rates	
	Monthly Bill at Existing Rates ¹²	Burden Given Bills at Existing Rates ¹³	Monthly Bill at Proposed Rates ¹⁴	Burden Given Bills at Proposed Rates ¹⁵
Total: Less than \$10,000	\$117.96	28.3%	\$129.08	31.0%
Total: \$10,000 to \$14,999	\$117.96	11.3%	\$129.08	12.4%
Total: \$15,000 to \$19,999	\$117.96	8.1%	\$129.08	8.9%
Total: \$20,000 to \$24,999	\$117.96	6.3%	\$129.08	6.9%
Total: \$25,000 to \$29,999	\$117.96	5.1%	\$129.08	5.6%
Total: \$30,000 to \$34,999	\$117.96	4.4%	\$129.08	4.8%
Total: \$35,000 to \$39,999	\$117.96	3.8%	\$129.08	4.1%
At \$30,000	\$117.96	4.7%	\$129.08	5.2%
At \$35,000	\$117.96	4.0%	\$129.08	4.4%
At \$40,000	\$117.96	3.5%	\$129.08	3.9%

¹² DTE Filing, Attachment 3.

¹³ Monthly bill at existing rates as reported by DTE in its Filing (Attachment 3) annualized by multiplying by 12 months.

¹⁴ *Id.*

¹⁵ Monthly bill at proposed rates as reported by DTE in its Filing (Attachment 3) annualized by multiplying by 12 months.

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1 Due to the nature of the calculation, in other words, within each income range, there is a
2 variation in DTE burdens from the burden at the mid-point depending on whether the
3 household is at the “top” or at the “bottom” of the range.

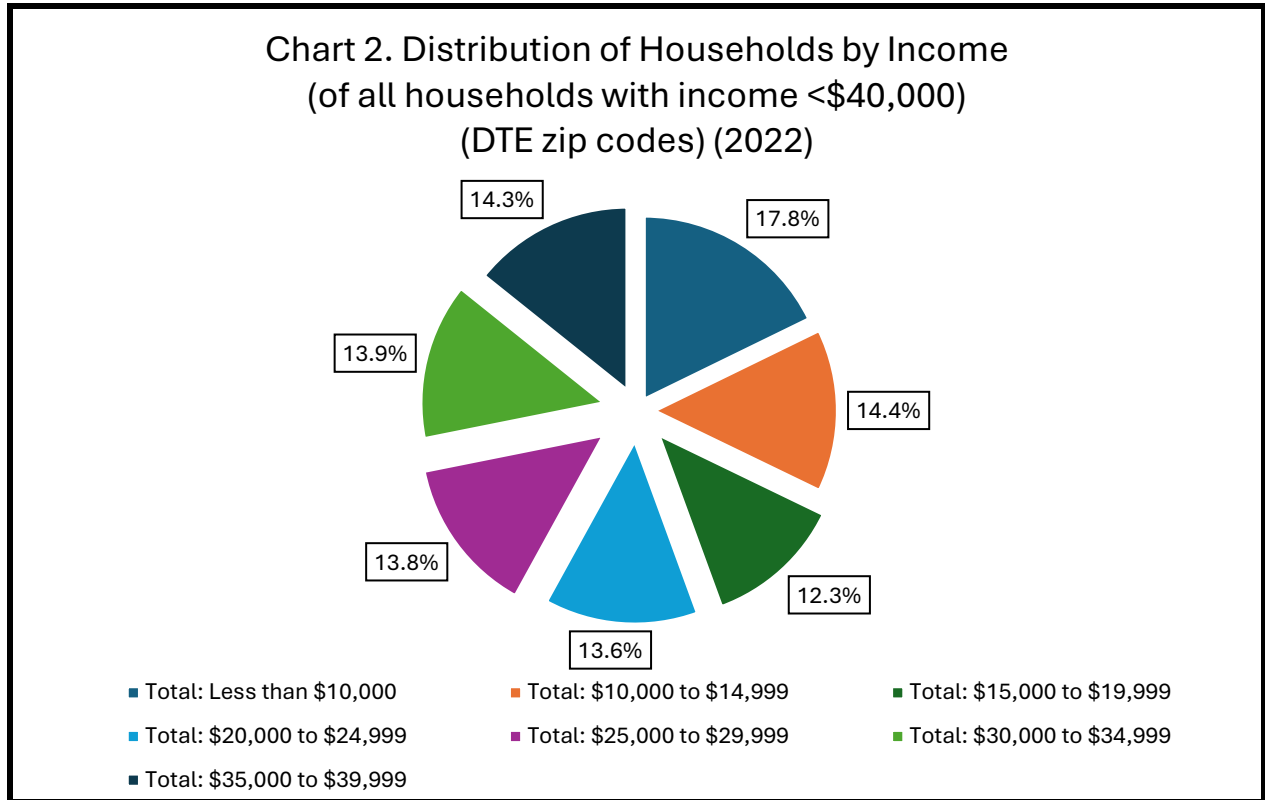
4 **Q. Why are these burdens significant for this proceeding involving DTE Electric rates?**

5 A. The burdens set forth in the Table above are significant for this proceeding in two respects.
6 First, there is a substantial range of unaffordability from the lowest incomes to the higher
7 incomes within a low-income population. Because of this variation, I will further address
8 the need to provide “tiered” benefits in my testimony below.

9 Second, the burdens are significant in that there are substantial numbers of households in
10 the DTE service territory which live with incomes in the ranges I report in Table 5 above.
11 In the zip codes comprising the DTE service territory, there were a total of 819,913
12 households living with income at or below \$40,000. The Chart below shows the
13 distribution of those households at the differing income ranges.

14 The Chart shows that nearly 20% of the households with income less than \$40,000 in fact
15 have income less than \$10,000. Indeed, the population with income less than \$10,000 is
16 the biggest sub-group of the total population with income less than \$40,000. Otherwise,
17 the other ranges of income are reasonably closely distributed (with between 12% and 14%
18 of households in each income range).

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The first lesson to be learned from the Chart above is not only that the DTE customers experience unaffordable burdens in each income range, but also that there are substantial numbers of customers at each income range.

Q. Have you found the same results through any other analysis?

A. Yes. In my second inquiry, I consider the DTE burdens at existing and proposed rates disaggregated by ranges of Federal Poverty Level (FPL) rather than by ranges of dollars of income. FPL determines the low-income status of a household taking into account both annual income and household size. In 2024, for example, while 100% of FPL is \$15,060 for a one-person household, it is \$25,820 for a three-person household. Table 6 shows the same results as I found above. First, there is substantial unaffordability in the DTE service territory. Second, the difference in unaffordability is substantial as between the lowest income households (0 – 50% FPL) and the higher income households (100-200% FPL;

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1 200-300% FPL). Third, the increased rates proposed by DTE in this proceeding will have
 2 a noticeable impact on burdens becoming even more unaffordable than they already are.
 3 Indeed, for households falling in the income range of 150% to 200% FPL, the rate increases
 4 proposed in this proceeding (at the mid-point of that income range) are what finally drives
 5 DTE electricity burdens to the level of being at the income mid-point, or above the income
 6 mid-point (at higher parts of this income range), an unaffordable burden of 4% of income.

Table 6. DTE Electricity Burdens at Existing and Proposed Rates (by range of 2024 Federal Poverty Level)				
	Existing Rates		Proposed Rates	
	Bill at Existing Rates ¹⁶	Burden at Existing Rates	Bill at Proposed Rates ¹⁷	Burden at Proposed Rates
0-50 FPL	\$1,416	15.5%	\$1,549	17.0%
50-75 FPL	\$1,416	9.9%	\$1,549	10.9%
75-100 FPL	\$1,416	7.1%	\$1,549	7.8%
100-125 FPL	\$1,416	5.5%	\$1,549	6.0%
125-150 FPL	\$1,416	4.5%	\$1,549	4.9%
150-200 FPL	\$1,416	3.5%	\$1,549	3.9%
200-300 FPL	\$1,416	2.5%	\$1,549	2.7%

7 As I note above, in my testimony below, I will recommend a remedy for the wide variance
 8 in burdens between the lower and upper tiers of low-income status in the DTE service
 9 territory.

¹⁶ \$117.96/month x 12 months.

¹⁷ \$129.08/month x 12 months.

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D. Estimated vs. Known Low-Income Customers.

Q. Please explain why DTE’s offer of its low-income assistance programs does not resolve the issues you identify above.

A. Even if I limit program participation to customers with income at or below 200% of FPL, I find that DTE programs reach only a fraction of its potentially eligible program participants. Based on 2022 Census data (the most recent available), I find that 26.1% of the population age 18 or older in DTE’s zip codes have income at or below 200% of FPL. Applying that to DTE’s average 2024 residential customer base (January through April) (2,064,746), as reported by the Company in its EIA Form 861M, DTE would have nearly 540,000 customers with income at or below 200% FPL ($2,064,746 \times 0.261 = 538,899$). In contrast, the sum of participants in DTE’s RIA and LSP low-income discount programs reaches only a fraction of that estimated low-income customer population.

Q. Doesn’t the Federal LIHEAP program resolve much of the affordability problem that you have identified?

A. The existence of LIHEAP does not resolve the affordability problems that I identified above for three reasons. First, while Michigan reports that its LIHEAP program enrolls 90% of its state-income eligible population (431,842 of 481,913), most of the State’s LIHEAP benefits are *not* devoted to assistance provided for *current* bills. Instead, according to data published by the National Energy and Utility Affordability Coalition (NEUAC),¹⁸ of Michigan’s 2023 LIHEAP appropriation of \$287,098,293, the state distributed \$172,524,560 (60%) in *crisis* assistance. Indeed, NEUAC reports that

¹⁸ NEUAC is a broad-based national coalition of stakeholders advocating for programs to assist vulnerable households meet their home energy needs.

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1 Michigan used only \$48,349,580 of LIHEAP benefits (17%) as assistance paid to offset
2 current monthly bills. As such, Michigan LIHEAP dollars are not generally being used to
3 reduce bills as a percentage of income.

4 Second, due to reduced Congressional appropriations, LIHEAP funding to Michigan (as
5 with all other states) saw substantial reductions in 2023 (which reductions carried over to
6 2024). While Michigan received \$419 million in LIHEAP funding in FY2021, and \$406
7 million in FY2022, that funding was reduced to \$287 million in FY2023.

8 Finally, and perhaps most significantly, neither DTE (nor the Commission) may reduce the
9 level of utility discounts because of the availability of LIHEAP. The federal LIHEAP
10 statute is quite explicit in this regard. The statute states that “the amount of any home
11 energy assistance payments or allowances provided directly to, or indirectly for the benefit
12 of, an eligible household under this title shall not be considered income or resources of
13 such household (or any member thereof) for any purpose under any Federal or State law. .
14 .”¹⁹ Moreover, the federal LIHEAP office has found that using the existence of a LIHEAP
15 grant as the basis to reduce the level of a discount offered to low-income households has
16 the inappropriate impact of redirecting that grant away from benefitting the recipient to the
17 benefit of other utility ratepayers.

18 Whether one agrees or disagrees with the impact of the federal LIHEAP statute on program
19 design is not now an issue presented by DTE. Nonetheless, the lesson to be learned here

¹⁹ 42 U.S.C. section 8623(f)(1).

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1 is that LIHEAP benefits may not be considered by the Commission in deciding upon the
2 structure and operation of DTE's low-income discounts.

3 **Q. Is the affordability analysis you present above applicable to any other aspect of this**
4 **DTE rate proceeding?**

5 A. Yes. A consideration of affordability is a critical task to undertake within the structure of
6 any utility rate case. As bills become increasingly unaffordable, the payment difficulties
7 of those customers who face unaffordability become increasingly substantial as well. One
8 impact of the unaffordability I identify is its impact on the operating costs (e.g., collection
9 costs, working capital, uncollectible expenses) that are then normalized and passed on to
10 other ratepayers. Also, DTE's proposals, such as increasing the residential customer charge,
11 have disproportionate adverse effects on low-income customers who already are facing
12 substantial unaffordability.

13 In addition, establishing a Return on Equity (ROE) is fundamentally predicated on
14 balancing customer and investor interests. It is necessary for the Commission to
15 understand the customer interests in order to appropriately balance them against the
16 competing investor interests. The obligation of the Commission in deciding on the
17 appropriate ROE and the reasonable mix of debt and equity securities should balance
18 customer and investor interests. (*FPC v. Natural Gas Pipeline Co.*, 315 U.S. 575, 606-607
19 - 608). Indeed, of the customer issues that are important drivers of the just and reasonable
20 ROE determination, one of the most significant is the concern about affordability. If a
21 sizable portion of customers cannot afford to pay the rates imposed by the Commission,
22 the Commission can hardly be said to have approved just and reasonable rates. In addition,
23 as DTE adds more and more expensive plant, this increases rates, which may in turn put

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1 downward pressure on the just and reasonable ROE not for financial reasons, but because
2 of affordability concerns.

3 In sum, the concerns I identify with respect to the unaffordability of DTE rates can (and
4 should) be considered in this rate case even outside the consideration of the specific
5 proposals I advance with respect to specific low-income initiatives.

6 **IV. PART 2. THE STRUCTURE AND OPERATION OF DTE'S RATE DISCOUNTS**

7 **Q. Please explain the purpose of this section of your testimony.**

8 A. In this section of my testimony, I review the structure and operation of the rate discounts
9 which DTE currently provides to low-income customers. The two discounts that I examine
10 will include DTE's Residential Income Assistance Credits (RIA) and DTE's Low-Income
11 Assistance (LIA) Bill Credits.

12 **A. The Structure and Operation of the RIA Bill Credits.**

13 **Q. Please describe your understanding of the Residential Income Assistance Credits**
14 **(RIA).**

15 A. My understanding of the Residential Income Assistance Credits (RIA) is based on a reading
16 of the testimony of DTE witness Jason Sparks in this proceeding. According to Mr. Sparks,
17 the RIA credit offers low-income electric customers an \$8.50 per month credit on their bill.
18 To be eligible, the total household income cannot exceed 150% FPL, as verified by an
19 authorized State or Federal agency. The credit is renewed annually based on the eligibility
20 requirements. Customers may not receive both an electric RIA and electric LIA credit at
21 the same time. Witness Sparks continued on to state that "[c]ustomers who receive energy
22 assistance in the form of a Home Heating Credit (HHC), State Emergency Relief (SER),

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1 or one time assistance are automatically enrolled to receive the RIA credit.”²⁰ Sparks
2 testified that “Over 160,000 unique electric customers received the RIA credit in 2023 with
3 an annual monthly average of 75,522.”²¹ He said “In the projected test year, the Company
4 is forecasting the RIA credit enrollment monthly average of 83,000 customers.”²²

5 **Q. Have you had occasion to examine what impact receipt of an RIA credit has on low-**
6 **income electric bill burdens for DTE’s low-income customers?**

7 A. Yes. The results of my examination of how the provision of RIA credits to customers with
8 income at or below 150% of Federal Poverty Level (FPL) are set forth in Table 7 below.
9 The second column of data presents bill burdens at the rates proposed by DTE in this
10 proceeding with customers *not* having received an RIA credit. The fourth column of data
11 presents bill burdens at the rates proposed by DTE in this proceeding *after* receipt of an
12 RIA bill credit.

13 As can be seen, the RIA bill credit has a minimal impact on improving the affordability of
14 electric bills for DTE’s RIA participants. At the lowest FPL range, bill burdens remain
15 nearly four times higher than an affordable electric burden of 4% of income (15.9%). At
16 incomes of between 50% and 75% FPL, bill burdens are more than two-and-a-half times
17 higher than the affordable level. Even at the higher income range within this population of
18 customers with annual income at or below 150% of FPL, bill burdens *after receiving the*
19 *bill credit* remain at unaffordable levels. At the bottom of this income range, bill burdens

²⁰ Direct Testimony of Jason E. Sparks, at 15.

²¹ *Id.*, at 16.

²² *Id.*

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1 would substantially exceed the 4% demarcation of affordability, while at the top of the
2 range, burdens would more closely approach the 4% marker of affordability.

Federal Poverty Level	Without RIA Credit		Federal Poverty Level	With RIA Credit	
	Bill without RIA ²³	Bill Burden w/o RIA		Bill with RIA ²⁴	Bill Burden w/ RIA
0 – 50% FPL	\$1,549	17.0%	0 – 50% FPL	\$1,447	15.9%
50 – 75% FPL	\$1,549	10.9%	50 – 75% FPL	\$1,447	10.2%
75 – 100% FPL	\$1,549	7.8%	75 – 100% FPL	\$1,447	7.3%
100 – 125% FPL	\$1,549	6.0%	100 – 125% FPL	\$1,447	5.6%
125 – 150% FPL	\$1,549	4.9%	125 – 150% FPL	\$1,447	4.6%

3 It is evident from the data above that the RIA is an ineffective mechanism through which
4 to distribute affordability assistance to customers with income at or below 150% of FPL.
5 Customers who have difficulty paying their bills having not received the RIA credit are
6 likely to continue to have difficulty paying their bills after receiving the RIA.

7 **Q. What do you recommend for the RIA Credit Program?**

8 A. I recommend that the RIA credit remain at \$8.50 per month. However, I recommend that
9 those credits be redirected to a different population. I recommend that the RIA program be
10 restructured to provide assistance to customers establishing special needs when those
11 customers have documented income not to exceed 250% of the Federal Poverty Level or
12 60% of the State Median Income, whichever is greater. Rather than funding these redirected

²³ \$129.08/month x 12 months.

²⁴ \$1,549 – (\$8.50/month x 12 months).

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1 benefits through new costs to ratepayers, this restructured program should be funded
2 through dollars that are already planned to be directed to RIA recipients with income at or
3 below 150% of Poverty Level.

4 This concern for customers with income up to 60% of State Median is not unusual.
5 Pursuant to the federal LIHEAP statute, the allowable maximum income eligibility for
6 LIHEAP is set at the greater of 150% of FPL or 60% of State Median Income.

7 **Q. Have you compared 60% of state median income to the poverty level in Michigan?**

8 A. Yes. A comparison of 60% of State Median Income for Michigan to the Federal Poverty
9 Level is set forth in the Table below. As can be seen, both SMI and FPL vary based on
10 household size. In Michigan, 60% of SMI (for households with one to four persons) ranges
11 from 215% to 231% of FPL.

HH Size	60% SMI ²⁵	FPL	Ratio
1	\$34,849	\$15,060	231%
2	\$45,752	\$20,440	224%
3	\$56,295	\$25,820	218%
4	\$67,019	\$31,200	215%

12 **Q. What outreach and intake procedures would you recommend?**

13 A. I recommend that DTE's outreach and intake procedures remain as they are. To the extent
14 that a public assistance program would demonstrate an income-eligibility for the RIA,

²⁵ https://www.acf.hhs.gov/sites/default/files/documents/ocs/COMM_LIHEAP_IM%202024-02_Att4SMITable_0.pdf.

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1 proof of participation in that assistance program should be accepted as proof of eligibility
2 for the RIA. To the extent that a household does not participate in such a public assistance
3 program, the Company should accept documentation from one of its community-based
4 intake organizations that the customer is income-eligible. It should not be difficult for DTE
5 to identify customers with income up to 200% of the Poverty Level. DTE Electric's
6 seasonal protections extend up to 200% of Poverty Level. DTE Electric has established
7 procedures for identifying households with income up to 200% of Poverty. A household
8 that has been so identified appears in the customer profile of the DTE Electric Customer
9 Relational Management ("CRM") program. A customer who has been qualified for the
10 seasonal protections should be found to have established "special needs" for purposes of
11 the redirected RIA credits.

12 Customers with incomes at or below 150% FPL and participating in the current RIA would
13 be redirected to the LIA program as I described below.

14 **Q. Please explain why you propose that RIA credits be redirected toward these higher**
15 **income customers.**

16 A. My recommendation has two foundations. First, I have described in detail above how
17 customers who are in these higher income ranges may have somewhat higher incomes (in
18 dollar terms), but they are also customers who have more *fragile* incomes. These customers
19 are those who are commonly referred to as the "working poor." They have incomes that
20 are too high to qualify for benefits but too low to be able to sustainably make payments for
21 their basic household necessities. The Census Bureau's PULSE Survey data which I
22 discuss above (Table 4 and accompanying text) shows that customers falling into these

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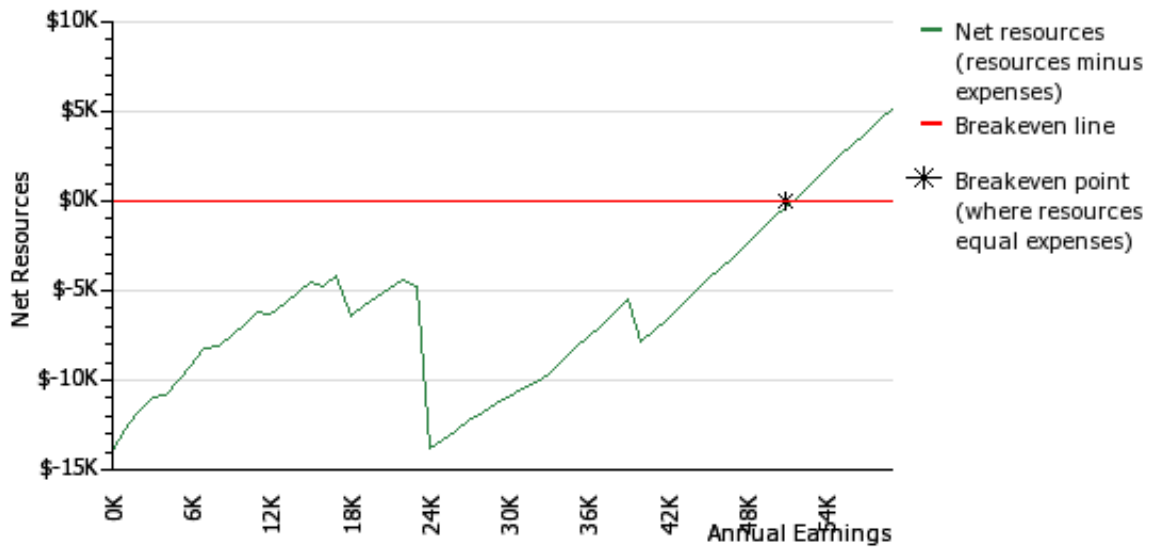
1 income ranges that are likely to be the working poor (\$35,000 - \$75,000) still report having
2 substantial difficulties in paying their “usual household expenses.”

3 Second, simply because income increases does not mean that total household resources
4 available to pay DTE electric bills increases. As incomes increase, a family becomes
5 eligible for fewer and fewer public assistance benefits. For example, for a family of three
6 (one parent, one pre-school child, one school-age child), when income reaches not quite
7 \$24,000, total household resources plummet due to the household becoming ineligible for
8 public assistance. I have exercised the “family resource simulator” of the National Center
9 for Children in Poverty for households living in Detroit (MI) to show this impact.²⁶ Another
10 drop in total resources for this three-person household occurs when the household’s annual
11 income exceeds just over \$36,000. While this simulation is limited to 2006 data, the
12 impacts of having rising incomes reduce total resources due to a household becoming
13 ineligible for assistance has not changed over time.

²⁶ The family resource simulator can be accessed at <http://www.nccp.org/tools/frs/index.php>.

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Net Family Resources (resources minus expenses)



© National Center for Children in Poverty
Family Resource Simulator, Michigan 2006 (Results reflect user choices.)

1

2

As this simulation demonstrates, a household is not uniformly financially “better off” simply because the household’s income increases. Even as family “income” may increase, the net family resources available to pay necessary expenses such as DTE Electric bills does not.

5

6 **Q. Have you been able to compare the net family resources you identify above with**
7 **federal poverty level?**

8

A. In the Chart above, the first major reduction in net family resources (\$24,000) occurs at roughly 150% of FPL. My proposal for RIA is to redirect toward households who face that precipitous drop in net family resources.

9

10

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1 **B. The Structure and Operation of the LIA Bill Credits.**

2 **Q. Please describe your understanding of the structure and operation of the Low-Income**
3 **Assistance (LIA) credits.**

4 A. My understanding of the Company’s Low-Income Assistance (LIA) Bill Credits is again
5 based on the testimony of DTE witness Sparks in this proceeding. Witness Sparks states
6 that “The LIA credit (contained in Rate Schedule D1.6) offers qualifying low-income
7 electric customers a \$40 per month credit on their bill. . .To qualify for this rate an electric
8 customer must have a total household income at or below 150% FPL.” He explains that
9 any qualifying low-income customer currently is eligible to receive the LIA credit, “though
10 the Company prioritizes customers who are enrolled in the Company’s APP or already
11 receiving the RIA credit.”²⁷ Witness Sparks stated that “Over 38,000 unique households
12 receive the electric LIA credit with an annual monthly average of 32,125.”²⁸

13 Witness Sparks finally explained the relationship between DTE’s LIA and the Company’s
14 Low-Income Self-sufficiency Program (LSP). He stated that “There are several ways a
15 customer may receive the LIA credit. (1) Customers who become enrolled in the LSP
16 program are also enrolled to receive the LIA credit; (2) Graduates of LSP may continue to
17 receive the LIA credit if maintaining their low-income eligibility status; [and] (3) At the
18 Company’s discretion, customers receiving the RIA credit can transition to LIA when there
19 is availability.”²⁹

²⁷ *Id.*, at 17.

²⁸ *Id.*

²⁹ *Id.*

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1 **Q. Is DTE proposing any change to the LIA Credit in this proceeding?**

2 A. Yes. In this proceeding, DTE is proposing to increase the LIA Bill Credit from \$40 per
3 month to \$50 per month.³⁰

4 **Q. Given the connection between the LIA Bill Credit and the Low-Income Self-
5 Sufficiency Program (LSP), is it important to understand what LSP offers?**

6 A. Yes. According to DTE witness Sparks, the Low-Income Self-Sufficiency Plan (LSP) “is
7 the Company’s [Affordable Payment Plan].” The LSP and APP, in other words, are the
8 same program by different names. According to witness Sparks, the LSP “is a 2-year
9 payment plan for vulnerable families at or below 150% Federal Poverty Level (FPL) to
10 make affordable monthly payments based on income and energy usage.” Sparks explains
11 that “[t]he plan eliminates any future late payment charges, and past due energy charges
12 are frozen while the customer receives a monthly arrears forgiveness credit.”³¹

13 **Q. Have you had an opportunity to consider the impacts of the Low-Income Assistance
14 (LIA) Credit on bill burdens?**

15 A. Yes. Table 8 below shows the impact which DTE’s LSP bill credits have on bill burdens
16 experienced by participating low-income customers. These bill burdens examine only the
17 bill for current service. They do not consider the impact on burdens associated with retiring
18 any arrears associated with the account.

19 As can be seen, while the LIA bill credit has some impact on bill affordability, that impact
20 depends largely on the income range into which DTE customers fall with which to begin.

³⁰ *Id.*, at 19.

³¹ *Id.*, at 4.

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1 For DTE’s customers with income at or below 150% of FPL, a significant number of
 2 customers at the lowest income ranges will continue to receive unaffordable bills even after
 3 receiving an LSP credit. Indeed, even given DTE’s proposal to increase the LSP credit
 4 from \$40/month to \$50/month, customers with income less than 100% of FPL will have
 5 burdens exceeding an affordable 4% target. Customers with income in the lowest FPL tier
 6 (less than 50% of FPL) will have bill-to-income ratios (i.e., bill burdens) that are more than
 7 2½ times higher than the 4% demarcation of affordability.

8 As would be expected, as incomes increase, bill burdens after receipt of an LSP credit
 9 decrease. In the FPL range of 100 to 125% of FPL, the LSP credits result in an affordable
 10 burden of 3.7%. Customers with incomes lower in that range would be at or above the 4%
 11 affordable level, while customers with incomes higher in that range would have bills that
 12 are more affordable.

Table 9. DTE Bill Burdens After LIA Bill Credit Applied (existing and proposed)				
Poverty Level Range	Existing LIA Credit		Proposed LIA Credit	
	Bill with Existing LIA Credit (\$40) ³²	Burden with Existing LIA Credit (\$40)	Bill with Proposed LIA Credit ³³	Burden with Proposed LIA Credit (\$50)
0-50 FPL	\$1,069	11.7%	\$949	10.4%
50-75 FPL	\$1,069	7.5%	\$949	6.7%
75-100 FPL	\$1,069	5.4%	\$949	4.8%
100-125 FPL	\$1,069	4.2%	\$949	3.7%
125-150 FPL	\$1,069	3.4%	\$949	3.0%

³² \$1,549 – (\$40/month x 12 months).

³³ \$1,549 – (\$50/month x 12 months).

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1 The Table further demonstrates that increasing the LSP credit from \$40/month to
2 \$50/month would result in little impact on the affordability of bills. For customers at 0 –
3 50% of FPL, the increase would only result in a reduction in bill burdens from 11.7% to
4 10.4%, still well above the 4% affordability marker. Customers with income at between
5 100% and 150% of FPL would experience a reduction in their bill bill-to-income ratios of
6 only between 0.4% (from 3.4% down to 3.0%) and 0.5% (from 4.2% down to 3.7%).

7 **Q. Do you find that the LIA Program is fatally flawed based on your discussion above?**

8 A. No. Unlike the RIA program, whose ineffectiveness represents a fatal flaw in program
9 design, I do not find the LIA program to be so flawed as to merit discontinuation. Instead,
10 the LIA program can and should be modified in ways that would improve its delivery of
11 low-income bill assistance.

12 **Q. On a general level, what modification do you recommend be made to the LIA**
13 **Program?**

14 A. I recommend that DTE move away from offering a flat across-the-board bill credit through
15 its LIA initiative. As states today move toward adopting low-income assistance, they have
16 largely abandoned the offer of flat across-the-board discounts. As DTE witness Sparks
17 notes, DTE’s LIA was first adopted in 2012. Since that time, the “learning” that has arisen
18 has demonstrated the advantage of more closely targeting the bill affordability assistance
19 to different levels of income.

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1 **Q. Can you illustrate what you mean by this “learning” from the offer of tiered**
2 **assistance?**

3 A. Yes. The State of New Hampshire offers what it refers to as a “tiered rate discount” through
4 its Electricity Assistance Program (EAP). I consulted for the New Hampshire commission
5 to help develop the program when it was first adopted. The New Hampshire program
6 provides electricity discounts which vary based on five different tiers of income. The
7 specifics of the tiers, and the specific levels of discount, are not important here. Suffice it
8 to say that each tier was designed so that at average consumption and average incomes in
9 each tier, the discount would result in an affordable electricity burden.

10 In 2022, I was again asked to review the program to assess what changes, if any, might be
11 merited given that the program had not been reviewed since 2007. In my review of the
12 EAP, I found that New Hampshire’s low-income population, without EAP, faces substantial
13 energy burdens. These burdens are four to five times higher than the commonly accepted
14 definition of an affordable percentage of income for total home energy (6%). My
15 evaluation of the New Hampshire EAP documented the importance of the tiering of
16 discounts. I found, in relevant part:

17 EAP participants appear to have four distinct regimes of arrearage balances.
18 The first range includes EAP participants with percentage of income burdens
19 of 4% of income or less. These customers tend to have arrearage balances of
20 well below \$100 in each month of the study period. The group of EAP
21 participants with percentage of income burdens of between 4% and 8% of
22 income have somewhat higher unpaid balances, with a third grouping
23 encompassing those participants with burdens between 8% of income and 20%
24 of income. When burdens exceed 20% of income, the resulting average unpaid
25 balance substantially increases to reflect the higher burden.

26 As bill burdens increase the contribution that those higher burden households
27 make to the total level of arrears increases as well. While nearly 40% of all

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1 EAP accounts have bill burdens of 4% of income or less, the total unpaid
2 account balances appearing on the accounts of those low-burden EAP
3 participants ranges from only 9% to 13%. In contrast, EAP participants with
4 higher burdens have a higher proportion of arrears. In October 2020, for
5 example, 22% of the total unpaid EAP balances appear on EAP bills
6 representing bills burdens of 12% of income or more, even though only 6% of
7 all EAP participants have percentage of income burdens that high. Moreover,
8 44% of all unpaid balances appear on bills of EAP participants with a bill
9 burden of 8% of income or more, even though only 15% of all EAP participants
10 have percentage of income burdens that high.³⁴

11 As the tiered burdens reduced bills to an affordable percentage of income, in other words,
12 the payment patterns of program participants correspondingly improved as well.

13 **Q. What specific modifications do you recommend for the DTE LIA Initiative?**

14 A. DTE need not adopt a tiered rate discount in order to adopt the principle that its bill
15 affordability assistance should be more closely targeted to customer needs based on
16 household income. DTE should, however, adopt the principle of tiering its LIA benefits
17 based on income. More specifically, I recommend that the LIA program be modified to
18 adopt the following tiered bill credits: (1) income at 0-50% FPL: bill credit of \$95/month;
19 (2) income at 50-100% FPL: bill credit of \$80/month; and (3) income at 100 – 150% FPL:
20 bill credit of \$45/month.

21 **Q. Have you been able to review the impact of this tiered bill credit on DTE bill
22 affordability?**

23 A. Yes. Note that while my proposed LIA tiers reduce the bill burdens for the two lowest
24 income ranges (0 – 50% FPL; 50 – 100% FPL), it results in a somewhat increased burden

³⁴ Colton (2023). New Hampshire Electric Assistance Program (EAP): Review of Performance / Future Directions, at 38.

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1 for the highest range (100 – 150% FPL). The reason for that, of course, is that while DTE
 2 proposes a flat \$50 bill credit for all income ranges (an increase from the existing \$40 bill
 3 credit), I recommend that the bill credit for that third tier (100 – 150% FPL) be increased
 4 to only \$45/month. Even though I recommend a somewhat lower bill credit for the third
 5 tier, the bill burdens that are achieved as a result remain below the 4% demarcation of
 6 affordability.
 7

Table 10. Bill Burdens at Proposed LIA Flat Credit and at Tiered LIA Credit				
Income Range	DTE Proposed LIA Credit		Tiered LIA Credit	
	Bill at Proposed LIA Flat Credit ³⁵	Bill Burden at Proposed LIA Flat Credit	Bill at Tiered LIA Credit ³⁶	Bill Burden at Tiered LIA Credit
0 – 50% FPL	\$949	10.4%	\$409	4.5%
50 – 75% FPL	\$949	6.7%	\$589	4.1%
75 – 100% FPL	\$949	4.8%	\$589	3.0%
100 – 125% FPL	\$949	3.7%	\$1,009	3.9%
125 – 150% FPL	\$949	3.0%	\$1,009	3.2%

8 **Q. Do you have any final observations about the RIA credits?**

9 A. Yes. This observation, however, applies to *both* the RIA *and* the LIA programs. DTE
 10 should ensure that application of the RIA and LIA credits are not applied simply to bills for
 11 current service. As I discuss elsewhere in this testimony, there are substantial numbers of
 12 low-income/senior customers with long-term arrears. The particular impact of that
 13 observation is that these customers not only bear the cost of bills for monthly service, but

³⁵ \$1,549 – (\$50/month x 12 months).

³⁶ \$1,549 – (tiered credit/month x 12 months). Tiered credits = \$95 for 0 – 50% FPL; \$80 for 50 – 100% FPL; \$45 for \$100-150% FPL.

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1 also bear the cost of late payment charges imposed on the arrears. Those additional costs
2 contribute to a household's energy burden no less than the bills for current service do.
3 Accordingly, DTE should ensure that its RIA and LIA credits will be applied to the *total*
4 bill, irrespective of whether the bill is comprised of charges for current service or
5 comprised (in part) of late payment charges.

6 **C. Cost Recovery for the LIA Program.**

7 **Q. Have you developed a cost estimate for your modified LIA credits?**

8 A. No. The cost of my modified LIA credits depends on three inputs, only one of which I
9 currently have. First, I need the total size of the population receiving LIA credits. Second,
10 however, I need the distribution of the population receiving LIA credits over income
11 ranges. It is not sufficient, in other words, to project that "x" number of customers are
12 expected to receive LIA credits. It is necessary, also, to know that, within that "x"
13 population, "a" number of customers are receiving a Tier 1 credit (\$95/month); "b" number
14 of customers are receiving a Tier 2 credit (\$80/month); and "c" number of customers are
15 receiving a Tier 3 credit (\$45/month). Third, I need to know the total average number of
16 months of participation in any given year. Not every participant will receive a bill credit
17 in every month in a year. If, for example someone enrolls in June, that customer will
18 contribute only seven months (June – December) of costs to the program budget. Not all
19 program participants will be in the LIA for a full twelve months.

20 **Q. How do you address these unknowns in allowing DTE cost recovery?**

21 A. I recommend that DTE be allowed to reconcile its actual LIA costs to its projected LIA
22 costs on an annual basis. Whether those costs are under-recovered or over-recovered, the
23 excess or deficit would be tracked by DTE as a regulatory asset to be included in rates in

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1 DTE's next base rate case. When included in rates, the projected costs, along with the over-
2 or under-recovery, would be recovered in base rates as would any other DTE expense.

3 **Q. Is there a regulatory advantage to including LIA costs in base rates as you**
4 **recommend?**

5 A. Yes. Including the costs of the LIA in base rates largely renders moot the question of the
6 extent to which we are tracking only the gross costs of the program for inclusion in rates
7 as compared to the true cost of the program. The true cost of the LIA discount program is
8 not solely the gross cost of the program. It also factors in the net incremental costs of the
9 program as well. Therefore, for costs to be recovered, a DTE cost-analysis on the Bill
10 Discount Program should show that (1) only the *incremental* costs of the program should
11 be recovered; and (2) only the *net* costs of the program should be recovered.

12 **Q. Define "gross" program costs.**

13 A. The "gross costs" of the proposed discounts represent the difference between bills to
14 program participants at standard residential rates and the bills to program participants at
15 discounted rates. If, for example, aggregate bills to low-income customers at standard
16 residential rates were \$1,000, and aggregate bills to low-income customers at the
17 discounted rates were \$650, the "gross cost" of the program would be \$350.

18 **Q. Define "incremental" program costs.**

19 A. The "incremental costs" of the proposed discounts are those costs that would not have been
20 incurred had the discounts not existed. If costs would have existed even in the absence of
21 the program, those costs are already being recovered in revenue requirement and thus
22 should not be recovered *again* under the guise of low-income rate discounts.

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1 **Q. Define “net” program costs.**

2 A. The “net costs” of the proposed discounts are determined by beginning with the
3 incremental program costs, subtracting cost reductions, and then subtracting revenue
4 enhancements. If adoption of the low-income discount programs generates either enhanced
5 revenues or reduced expenditures, the net costs of the program are reduced.

6 **Q. What are the consequences of considering only the gross program costs?**

7 A. Considering *only* the “gross costs” is based on two fatal assumptions. First, such a
8 consideration assumes that, in the absence of discounts, DTE would collect 100% of the
9 revenue which it bills to low-income customers. Second, DTE would assume that
10 providing more affordable bills to low-income customers would generate no offsetting cost
11 reductions and no offsetting revenue enhancements. Both assumptions are false.

12 **Q. Please describe how a bill for current service is rendered and why that is relevant to
13 an examination of program costs.**

14 A. A bill for *current* service rendered to a participant in the Company’s Bill Discount Program
15 is comprised of two parts: 1) at portion of the bill that is charged to participants (the non-
16 discounted portion of the bill); and 2) the portion of the bill that is not charged to program
17 participants and is instead charged to non-participants (the discounted portion of the bill.
18 A cost-recovery analysis that skips over the second part is flawed.

19 **Q. Please explain how a low-income customer’s bill is treated *before* a customer becomes
20 an LIA participant.**

21 A. Before a low-income customer becomes a discount participant, the two parts of the bill are
22 not separately recognized. The low-income customer who is not receiving a bill discount

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1 receives a single bill. When that customer cannot afford to pay his or her total bill, the
2 customer frequently pays *less* than the full amount of the bill at standard rates. The cost of
3 filling that gap of revenues that have been billed at standard rates, but not paid, are included
4 in base rates. The gap may be seen in the level of uncollectibles. It is even more often seen
5 in chronically high levels of arrears.

6 **Q. How does the treatment of the bill change after the customer enrolls in the LIA?**

7 A. When a customer enrolls in the LIA, those two parts of the bill are *separately* recognized.
8 After a customer enrolls in LIA, the discount participant is provided a discounted bill
9 (discounted bill), which the participant is expected to pay. The remainder of the bill
10 (discount amount) is charged to other *non*-participants. Accordingly, when a low-income
11 customer enrolls in the LIA, the portion of the bill that the customer previously could not
12 pay, and was paid for in base rates, now becomes the discount amount and is recovered on
13 that basis.

14 **Q. Why is that significant?**

15 This treatment is significant because as LIA participation occurs, DTE collects the amount
16 of the discounted dollars as though the shortfall attributable to the discount is a “new”
17 expense. The participation by low-income customers in the bill discount program,
18 however, does not create “new” costs. Instead, participation in the discount program
19 simply *moves* the unpaid bills out of the group of customers known as “residential”
20 customers and into the group of customers known as “bill discount participants.” To allow
21 the dollars of discount credits to be added to rates without correspondingly adjusting for
22 those dollars that already have been included in base rates allows the Company to collect
23 those dollars in *both* places.

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1 **Q. Please explain the significance of your reference to “net” costs.**

2 A. If one examines only the dollar amount of the discount, the cost recovery is ignoring the
3 program benefits (i.e., reduced costs, enhanced revenues) that the LIA rate credits would
4 also generate. The most important benefit that is likely ignored is the reduction of arrearage
5 balances and the corresponding impact on reduced working capital. Other benefits include
6 reductions in collections expenses, uncollectable expenses, and enhanced revenues for the
7 program.

8 **Q. Is it unusual for a utility to consider offsetting savings from a utility investment?**

9 A. Of course not. It is a fundamental predicate of utility ratemaking. In energy efficiency
10 planning, for example, one fundamental element is to identify and consider the offsetting
11 “avoided costs” from the efficiency investments. One does not consider simply the gross
12 costs of the investment. In addition, when I litigated rate cases as an attorney, one issue I
13 litigated was whether self-insurance was justified by the offsetting cost reductions from
14 avoided insurance premium payments. One issue we litigated also was whether
15 maintaining compensating bank balances generated offsetting cost reductions in avoided
16 bank fees. To ignore the savings from a utility expenditure by allowing the cost without
17 netting out the avoided costs as savings would be an unmerited exception to fundamental
18 principles of utility ratemaking.

19 **Q. Please explain why DTE would be expected to have a reduction in working capital
20 that it should consider in a determination of LIA cost recovery.**

21 A. Working capital expense is driven by two factors: (1) the *level* of arrears; and (2) the *age*
22 of arrears. For example: (1) an arrearage of \$1,500 generates a greater working capital
23 expense than an arrearage of \$500 (all else equal). (2) An arrearage that is 120 days old

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1 generates a greater working capital expense than an arrearage that is 60 days old (all else
2 equal). So, if an appropriately designed, targeted, and funded low-income discount
3 program can reduce the number of low-income customers in arrears, the dollars of arrears
4 which low-income customers carry, or the length of time that arrearages remain
5 outstanding, there is a working capital reduction that redounds to the benefit of all
6 ratepayers.

7 **Q. How and why are the “net” costs relevant to a discussion of LIA cost recovery?**

8 A. DTE’s LIA program will generate working capital savings for the Company by reducing
9 both the level of arrears and the age of arrears. My proposal will generate savings by
10 reducing the level of arrears; it will also generate savings by reducing the age of arrears.
11 In addition, it will generate additional offsets by enhancing revenue and reducing costs
12 such as credit and collection expenditures and uncollectible expenses. In calculating the
13 impacts of the LIA on nonparticipating ratepayers, it is necessary to consider not only the
14 ways in which LIA will increase costs, but also the ways in which the LIA will decrease
15 costs.

16 **Q. Please summarize why this discussion supports inclusion of LIA costs in base rates
17 rather than through a rider?**

18 A. Even if cost recovery is reconciled as I recommend above, recovering LIA costs only
19 through base rates allows the Company (and the Commission) to avoid the need to
20 specifically dollarize and quantify the cost savings to offset LIA program costs. The
21 recognition of reduced expenses would occur in the overall determination of what DTE’s
22 revenue requirement would be. Unless one wants to know for some theoretical reason what
23 the revenue requirement would have been in the absence of the LIA, the savings and other

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1 benefits generated by the LIA are captured in the rate-setting process. All that would need
2 to be done is to assure that historic uncollectibles and working capital are adjusted to ensure
3 that bills historically not paid by program participants are not double-collected.

4 **D. Expanding Participation of the LIA Population.**

5 **Q. What are the implications to program enrollment arising from your discussion of the**
6 **cost advantages derived from the LIA?**

7 A. The discussion above demonstrates that DTE derives real advantages to itself and its
8 nonparticipating ratepayers from expanding the enrollment of LIA participants. Even
9 should DTE find that it does not generate sufficient financial benefits to completely offset
10 the costs of providing LIA credits, it is not possible to reach any conclusion other than that
11 the net incremental cost of LIA will be substantially less than the gross costs of providing
12 the credits. For that reason, imposing a ceiling on program participation as a cost control
13 measure no longer is justified. Accordingly, I recommend that the Commission remove the
14 cap on both the RIA and the LIA ceiling enrollment and allow the programs to achieve
15 whatever participation is possible.

16 **Q. Is there a second program enrollment impact that should result from the cost**
17 **advantages derived from the LIA?**

18 A. Yes. I recommend that DTE expand its LIA program to provide for the enrollment of self-
19 attested recipients of assistance through the federal Supplemental Nutrition Assistance
20 Program (SNAP) (formerly known as Food Stamps). Additional programs, a determination
21 of eligibility for which would also establish a household's low-income status, should be
22 included, also, over time as the Commission determines which programs would serve the
23 purpose of facilitating enrollment by eliminating administrative barriers to enrollment. For

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1 example, such programs might include, but not be limited to, Medicaid, LIHEAP, Free
2 School Lunches, and the like.

3 Adding additional programs is not unusual. Work I did in Rhode Island on behalf of the
4 Department of Public Utilities resulted in Narragansett Electric Company providing a 25%
5 discount on total bills for income-qualified customers. However, if customers participate
6 in particular programs generally associated with very low incomes (Medicaid, Rhode
7 Island Works Program, Public Assistance), the utility provides a 30% discount. In this
8 fashion, the utility offers greater assistance to customers with the lowest income.

9 In addition, Massachusetts has an expanded approach to determining eligibility for its low-
10 income discount. In Massachusetts, enrollment in the discount program(s) is automatic
11 once a customer provides evidence of enrollment (such as a program ID or a program
12 acceptance letter) in one of a dozen income-qualified programs: LIHEAP; Emergency Aid
13 to Elders, Disabled, and Children (EAEDC); Food Stamps (SNAP); Head Start;
14 MassHealth (Medicaid); National School Lunch Program; Public Housing; School
15 Breakfast Program; Supplemental Security Income (SSI); Transitional Aid to Families with
16 Dependent Children (TAFDC); various Veterans' benefits programs; or Women, Infants
17 and Children (WIC). Care must be taken, however, in thinking of Massachusetts as directly
18 applicable. While the Massachusetts enrollment is expansive, care must be taken to
19 consider the trade-offs for this "automatic enrollment" process. Massachusetts can rely on
20 this type of eligibility determination only because the program requires utilities to know
21 only whether a customer is low-income. Given that every customer receives the same level
22 of discount, knowing the actual income of the customer (or the actual Poverty Level) is not
23 necessary, since it is not used in any determination.

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1 Vermont’s largest gas utility has adopted an approach akin to that used in Massachusetts.
2 The utility offers an across-the-board 20% discount to customers with income at or below
3 185% of Federal Poverty Level. Customers enroll through an application form processed
4 through the State Department for Children and Families. On that application form, a
5 customer checks-off whether they participate in a range of programs that would also
6 income-qualify them for the natural gas discount. Once the Department confirms that
7 participation, it notifies the utility, which then enrolls the customer in the discount program.
8 While program enrollment is thus widely available, program benefits are a yes/no toggle.
9 A customer is either eligible or is not eligible. No differentiation in benefits is provided
10 based on income.

11 I conclude that while the type of expedited enrollment I discuss further below is not
12 uncommon, there are multiple ways in which it can be implemented. DTE should work
13 with stakeholders to develop the approach that would be most appropriate for Michigan.

14 **Q. How many SNAP recipients live in the DTE Electric service territory?**

15 A. The SNAP program does not report participation data disaggregated by utility service
16 territory. Nonetheless, it is possible to obtain a reasonable estimate of the number of DTE
17 customers who are SNAP recipients. Using the same list of DTE zip code I explained
18 above, I determined that 12.53% of the total number of households in zip codes served by
19 DTE receive SNAP benefits.³⁷ DTE’s EIA Form 861M data for the first four months of
20 2024 –the most recent 861M data available—then reports that DTE served an average of
21 2,064,746 customers a month in 2024. Combining those two numbers yields an estimated

³⁷ American Community Survey (5-year data) (2022), Table B22002.

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1 SNAP population in DTE’s service territory of 258,713 (rounded to 260,000) households).
2 Achieving an additional new participation of even 25% of these SNAP households would
3 generate an additional LIA participation of 65,000 households.

4 **Q. Please explain why you recommend automatic enrollment for food stamp**
5 **participants.**

6 A. I explain in detail earlier in my testimony the relationship between low-income status and
7 payment difficulties. In particular, I explain the relationship between home electric *burdens*
8 and the unaffordability of home electric service. SNAP participants in DTE’s electric
9 service territories have average incomes³⁸ that would indicate that their home electric
10 burdens would be high. In the 445 DTE zip codes reporting median incomes for SNAP
11 recipients, only 98 would have a DTE electric burden of less than 4% of income at the rates
12 proposed in this proceeding. In contrast, 30 would have a DTE electric burden of 10% or
13 more, 74 would have a DTE electric burden of 8% or more, and 133 would have a DTE
14 electric burden of 6% of income or more.

15 **Q. Please explain what you mean by self-attested enrollment.**

16 A. DTE’s tariff for its D1.6 Pilot Program already provides as follows:

17 To qualify for this pilot rate a customer must also provide annual evidence of
18 receiving a Home Heating Credit (HHC) energy draft or warrant, *or* must
19 provide confirmation by an authorized State or Federal agency verifying that
20 the customer's total household income does not exceed 150% of the poverty
21 level as published by the United States department of health and human
22 services *or* if the customer receives any of the following: i) Assistance from a
23 state emergency relief program; ii) Food stamps or iii) Medicaid. Service under
24 this rate shall be limited to an annual average of 32,000 customers.

³⁸ American Community Survey (5-year data) (2022), Table B22008.

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1 (emphasis added). What I propose, therefore, is not an expansion of the eligibility to
2 receive LIA credits. DTE'[s use of the term "or" means that the three listed criteria are
3 alternative means of establishing eligibility. A customer may, but need not, have their
4 household income verified by a state or federal agency. Rather an expanding the eligibility
5 criteria, I simply recommend an expansion of the specific manner in which a DTE customer
6 may document that they meet the eligibility criteria that *already exist* in the program. What
7 I recommend is that a customer should be enrolled to receive LIA credits if they can provide
8 documentation of their participation in the SNAP (Food Stamp) program. No further
9 income certification, and no further application process, would be required.

10 **Q. Please explain why you recommend that this self-attested enrollment of SNAP**
11 **recipients be adopted.**

12 A. One advantage of extending the LIA credit to self-attested SNAP recipients is to maximize
13 the synergies between the receipt of SNAP and improvements in DTE bill payment patterns
14 by low-income customers. Research at the University of Michigan's National Poverty Center
15 documents that the receipt of benefits through the Supplemental Nutrition Assistance Program
16 (SNAP, formerly known as Food Stamps) helps low-income customers improve their utility
17 bill payments.³⁹ The research of Shaeffer and Gutierrez was designed to examine the impact,
18 if any, of SNAP assistance on the reduction of "material hardships," beyond food hardships,
19 on households with and without children.

³⁹ H. Luke Shaeffer and Italo A. Gutierrez, "The Supplemental Nutrition Assistance Program and Material Hardships among Low-Income Households with Children," *Social Service Review* 87, no. 4 (December 2013): 753-779.

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1 Nonpayment of utility bills was one of the “material hardships” considered. The study
2 reported that “we find a statistically significant and substantively large negative relationship
3 between SNAP participation and both food insecurity and the ability of families to pay
4 essential household expenses, particularly, housing expenses.” According to the researchers,
5 “SNAP participation may reduce other aspects of material hardship as well by allowing
6 recipients to reallocate resources originally directed toward the purchase of food to other
7 essential expenses such as housing and utility costs.”

8 Their findings stated that "SNAP has a sizeable effect not just on the food security of
9 households with children, but also on their non-food material well-being also." In particular,
10 the study found a "statically significant negative relationship between SNAP participation and
11 the risk that households will fall behind on their. . .utilities." The receipt of SNAP reduced the
12 percentage of households with children not paying their utility bills by 46.8% (from 33.5% to
13 17.8%).

14 Given the benefits that the receipt of SNAP benefits generates to DTE, it is reasonable to
15 allow those SNAP recipients to avail themselves of the LIA credit.

16 **E. Relationship to DTE’s Pilot Percentage of Income Program.**

17 **Q. Please explain the relationship between your recommendations above and DTE’s pilot**
18 **Percentage of Income Program.**

19 **A.** There is no relationship between my recommendations above and the Company’s ongoing
20 efforts to deliver and evaluate a Percentage of Income Program (PIP). I understand that the
21 Pilot process is a continuing process. That process should be allowed to finish. My
22 recommendations above, therefore, are independent of the existing Pilot PIP.

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1 **V. PART 3. PROPOSED MODIFICATIONS TO DTE’S ARREARAGE**
2 **FORGIVINESS PROGRAM (AFP)**

3 **Q. Please explain the purpose of this section of your testimony.**

4 A. In this section of my testimony, I recommend modest modifications to improve the
5 operation of DTE’s Arrearage Forgiveness Program. I recommend modifying DTE’s
6 existing arrearage forgiveness program in the following four ways: (1) to allow program
7 participants to earn forgiveness of a pro rata portion of participants’ pre-program arrears
8 for each month they make a complete payment; (2) to allow for forgiveness for each
9 “complete” payment made whether or not that payment was made in a “timely” fashion;
10 (3) to allow for complete forgiveness of a program participant’s entire arrears over a two-
11 year period; and (4) to allow a tiering of arrearage forgiveness to provide greater benefits
12 to the lowest income customers.

13 **Q. What is your understanding of DTE’s arrearage forgiveness program?**

14 A. As with my discussion of the RIA and LIA programs above, my understanding of the three
15 aspects of DTE’s arrearage forgiveness program which I recommend being modified is
16 based on my reading of the Direct Testimony of DTE witness Jason Sparks. Witness Sparks
17 explained the arrearage forgiveness program. Sparks testified that arrears are forgiven over
18 a 24 month period, with an upfront forgiveness of up to \$600, a second \$600 forgiveness
19 at 12 months, and a final payment of \$1,800 at the “completion” of the plan.⁴⁰ Sparks does
20 not define what it means to “complete” a plan. He does introduce, however, two different
21 concepts. First, there is the concept of being “successful” on the plan. He states that “in
22 the current LSP program, a household is considered successful when completing the fiscal

⁴⁰ Direct Testimony of Jason Sparks, at 9.

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1 year without being removed for non-payment.”⁴¹ He further explained that the measure of
2 “success” on an annual basis is “customers avoiding disconnect due to missed payments.”⁴²
3 It should be clear, however, that simply because a customer had not been disconnected for
4 nonpayment does not mean the customer was not having payment difficulties. In DTE’s
5 Monthly COVID-19 Response Data Report (Docket U-20757) for the month of May 2024,
6 for example, DTE reported that it had issued 11,602 discontinuation notices to “senior/low-
7 income” electric customers in May 2024, but actually physically disconnected service to
8 only 259 of those customers. While not distinguishing between gas and electric customers
9 and/or arrears, DTE further reported in that May 2024 filing that it had 104,022
10 “senior/low-income” customers 90 days or more in arrears,⁴³ and an *additional* 9,382
11 “senior/low-income” customers 61 – 90 days in arrears.⁴⁴ The number of senior/low-
12 income customers⁴⁵ in arrears were substantially in arrears. The average dollar arrears of
13 senior/low-income customers 90 days or more in arrears was \$760.

14 Second, witness Sparks introduces the notion of “graduating” from the LSP. He states,
15 however, that “in the current program format, in addition to customers achieving a zero
16 balance for graduation status, customers are provided 24 months of eligibility on the
17 program and graduation can occur for those customers who complete the 24 months even

⁴¹ *Id.*, at 9.

⁴² *Id.*, at 10.

⁴³ This is defined as including accounts where the oldest arrears is in the 90+ day bucket as of month end.

⁴⁴ Likewise, this is defined as including accounts where the oldest arrears is in the 61 – 90 day bucket as of month end.

⁴⁵ “Low-income” is defined as 200% of Federal Poverty Level or less. “Senior” is defined as age 65 or older.

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1 with a balance.”⁴⁶ As is seen, in other words, being “successful” on the LSP and
2 “graduating” from the LSP are two *different* concepts. It is not clear whether to “complete”
3 an LSP plan means to be “successful” (as defined by Sparks), to “graduate” from LSP (as
4 defined by Sparks), or something entirely different.

5 **Q. What percentage of LSP customers “graduate” from the LSP?**

6 A. According to witness Sparks, for the three most recent program years (2020-2021, 2021-
7 2022, 2022-2023), DTE had an average of 24,453 participants in LSP, of whom a total of
8 15,299 were “eligible” for graduation. Of those “eligible” for graduation, a total of 10,561
9 actually “graduated.”⁴⁷ Mr. Sparks said that being “eligible” for “graduation” means either
10 that the program participant achieved a zero balance *or* that the program participant had
11 been on the LSP for 24 months. He did not report how many, or what percentage, of LSP
12 participants completed the LSP “with a balance.”

13 **Q. Would you expect the “graduation” rates in the 2020-2021 and 2021-2022 program**
14 **years to be artificially high?**

15 A. Yes. Particularly in the 2021-2022 program years (the year in which LSP graduation
16 climbed to 74% of those eligible), the federal government distributed an historically high
17 amount of LIHEAP assistance. Comparisons to this program year are thus not helpful to
18 any determination of what might reasonably be expected on an ongoing basis. Consider,
19 for example, what one White House announcement stated:

⁴⁶ Direct Testimony of Jason Sparks, at 11.

⁴⁷ *Id.*

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1 Michigan has received a record \$384.7 million for the Low Income Home
2 Energy Assistance Program (LIHEAP) available this fiscal year (October 2021
3 to September 2022). As part of a state-by-state breakdown of funding, the
4 Administration reported that in addition to an annual appropriation of \$146.5
5 million for Michigan, the state received an additional \$238.2 million in funds
6 from the American Rescue Plan – *more than double the state’s typical annual*
7 *funding. The total of \$384.7 million is the highest amount Michigan has ever*
8 *received in LIHEAP* to help families struggling with the costs of home heating.
9 (emphasis added)⁴⁸

10 The White House announcement stated: “In 2021, the Biden-Harris Administration and
11 Congressional Democrats delivered \$8 billion in LIHEAP funding nationally, **more than**
12 **doubling typical annual appropriations** due to \$4.5 billion provided by the American
13 Rescue Plan. This is the largest appropriation in a single year since the program was
14 established in 1981. These resources are already allowing states across the country to
15 provide more home energy relief than ever before.”⁴⁹ It would be unreasonable to expect
16 LIA graduation rates to continue at the same level as federal LIHEAP appropriations return
17 to their historic norms.

18 **Q. What do you recommend?**

19 A. I recommend two modifications to the manner in which DTE grants its arrearage
20 forgiveness credits. First, I recommend that rather than providing arrearage forgiveness
21 credits only at three program points (the beginning of participation, the 12-month mark,
22 the 24-month mark), program participants receive a pro rata forgiveness of their pre-
23 program arrears for each complete bill payment they make over their 24-months of
24 participation. In this fashion, the arrearage forgiveness program responds to complete bill

⁴⁸ Available at <https://www.whitehouse.gov/wp-content/uploads/2022/01/LIHEAP-michigan.pdf>.

⁴⁹ *Id.*, emphasis in original.

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1 payments by allowing program participants to see a continuing reduction in their pre-
2 program arrearage balance. Second, I recommend that arrearage credits be provided for
3 each complete payment, and that retroactive credits be provided when a previously missed
4 payment is “cured” such that the bill balance is brought to \$0.

5 **Q. Why do you not recommend that credits be provided when payments are both full**
6 **and “timely”?**

7 I specifically decline to recommend that arrearage credits be granted only upon a full and
8 timely basis. Imposing a “timeliness” requirement does not recognize the economic
9 realities facing low-income households. One attribute of the income of households
10 considered to be “low-income” is not merely the *level* of income, but also is what is known
11 as the *fragility* of income as well. Low-income workers can have their ability to pay utility
12 bills threatened due to unavoidable disruptions in their economic lives as discussed above.
13 A personal illness requiring time off or the illness of a child requiring time off generally
14 represents a permanent loss of income. The jobs of low-wage workers simply do not
15 provide the paid leave required to respond to such circumstances. The lack of flexible work
16 arrangements to lower wage workers also presents situations leading to a potential inability
17 to pay utility bills at a particular time.

18 **Q. Is there a potential “middle ground” between providing arrears credits for full**
19 **payments and providing arrearage credits for full and timely payments?**

20 A. Yes. While I do not recommend it since it does not allow a customer to see a continuing
21 decline in their pre-program arrearage balance, a potential middle ground is to provide
22 arrearage credits only for full and timely payments on a month-to-month basis. However,
23 in addition, if a customer completes the 24 month forgiveness period with a \$0 balance,

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1 whatever pre-program arrears remained on the participant's account that had not been
2 forgiven (due to the lack of a timely payment) would be forgiven at that time. This
3 approach rewards timely payments each month, but also recognizes the fact that a program
4 participant's entire bill had been paid over the 24-month period.

5 **Q. Is there a final modification you recommend for DTE's arrearage forgiveness**
6 **program?**

7 A. Yes. As I demonstrate in my testimony above, my recommended tiering of LIA benefits
8 substantially reduces the DTE electric burdens to participating customers. For customers
9 with income at 0 – 50% of FPL, however, while my recommended LIA credit would reduce
10 their DTE electric burden from 10.4% to 4.5% (Table 9), the DTE electric burden for this
11 lowest income customer base remains somewhat above the 4% demarcation of
12 affordability. Even under my recommendation, in other words, customers with the least
13 ability to pay will be required to pay the highest DTE electric burdens. Accordingly, even
14 after providing the EIA credit, the customers in this lowest income range will have the most
15 difficulty paying their bills in a complete fashion over a full 24-month period.

16 This impact can be offset by recognizing the increased payment difficulty which even a
17 modified LIA credit imposes on the lowest income participants. This recognition can, and
18 should, be accomplished by allowing customers with income in this lowest income bracket
19 (0 – 50% FPL) to earn their complete arrearage forgiveness over a 12-month period rather
20 than a 24-month period. This tiering of forgiveness credits sends the message that the
21 program recognizes the higher payment problems which remain, even after adopting a
22 tiered LIA credit, but will thus reward full payment over a shorter period of time.

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- 1 **Q.** Does this complete your direct testimony?
- 2 **A.** Yes, it does.

Roger Colton
Fisher, Sheehan & Colton
Public Finance and General Economics
Belmont, MA

* * * * *

Education:

J.D. (Order of the Coif, Phi Kappa Phi), University of Florida (1981)

M.A. (Regulatory Economics), McGregor School, Antioch University (1993)

B.A. Iowa State University (1975) (journalism, political science, speech)

Professional Experience:

Fisher, Sheehan and Colton, Public Finance and General Economics: 1985 - present.

As a co-founder of this economics consulting partnership, Colton provides services in a variety of areas, including: regulatory economics, poverty law and economics, public benefits, fair housing, community development, energy efficiency, utility law and economics (energy, telecommunications, water/sewer), government budgeting, and planning and zoning.

Colton has testified in state and federal courts in the United States and Canada, as well as before regulatory and legislative bodies in more than three dozen states. He is particularly noted for creative program design and implementation within tight budget constraints.

Professional Affiliations:

- Past Chair: Belmont Zoning By-law Review Working Committee (climate change)
- Past member: Board of Directors, Massachusetts Rivers Alliance
- Columnist: Belmont Citizen-Herald
- Former producer: Belmont Media Center: BMC Podcast Network
- Former host: Belmont Media Center: Belmont Journal
- Member: Belmont Town Meeting
- Vice-chair: Belmont Light General Manager Screening Committee
- Past Chair: Belmont Goes Solar
- Coordinator: BelmontBudget.org (Belmont's Community Budget Forum)
- Coordinator: Belmont Affordable Shelter Fund (BASf)
- Past Chair: Belmont Solar Initiative Oversight Committee
- Past Member: City of Detroit Blue Ribbon Panel on Water Affordability
- Past Chair: Belmont Energy Committee
- Member: Massachusetts Municipal Energy Group (Mass Municipal Association)

- Past Chair: Housing Work Group, Belmont (MA) Comprehensive Planning Process
- Past Chair: Board of Directors, Belmont Housing Trust, Inc.
- Past Chair: Waverley Square Fire Station Re-use Study Committee (Belmont MA)
- Past Member: Belmont (MA) Energy and Facilities Work Group
- Past Member: Belmont (MA) Uplands Advisory Committee
- Past Member: Advisory Board: Fair Housing Center of Greater Boston.
- Past Chair: Fair Housing Committee, Town of Belmont (MA)
- Past Member: Aggregation Advisory Committee, NYSERDA.
- Past Member: Board of Directors, Vermont Energy Investment Corporation.
- Past Member: Board of Directors, National Fuel Funds Network
- Past Member: Board of Directors, Affordable Comfort, Inc.
- Past Member: National Advisory Committee, U.S. Department of Health and Human Services, Administration for Children and Families, Performance Goals for Low-Income Home Energy Assistance.
- Past Member: Editorial Advisory Board, International Library, *Public Utility Law Anthology*.
- Past Member: ASHRAE Guidelines Committee, GPC-8, *Energy Cost Allocation of Comfort HVAC Systems for Multiple Occupancy Buildings*
- Past Member: National Advisory Committee, U.S. Department of Housing and Urban Development, Calculation of Utility Allowances for Public Housing.
- Past Member: National Advisory Board: Energy Financing Alternatives for Subsidized Housing, New York State Energy Research and Development Authority.

Professional Associations:

- National Association of Housing and Redevelopment Officials (NAHRO)
- National Society of Newspaper Columnists (NSNC)
- Association for Enterprise Opportunity (AEO)
- Iowa State Bar Association
- Energy Bar Association
- Association for Institutional Thought (AFIT)
- Association for Evolutionary Economics (AEE)
- Society for the Study of Social Problems (SSSO)
- Association for Social Economics

Books

Colton, *et al.*, *Access to Utility Service*, National Consumer Law Center: Boston (4th edition 2008).

Colton, *et al.*, *Tenants' Rights to Utility Service*, National Consumer Law Center: Boston (1994).

Colton, *The Regulation of Rural Electric Cooperatives*, National Consumer Law Center: Boston (1992).

Book Chapters

Colton (2018). The equities of efficiency: distributing energy usage reduction dollars, Chapter in Energy Justice: US and International Perspectives (Edited by Raya Salter, Carmen Gonzalez and Elizabeth Ann Kronk Warner), Edward Elgar Publishing (London, England).

Journal Publications

65 publications in industry and academic journals, primarily involving utility regulation and affordable housing. (list available upon request)

Technical Reports

200 technical reports for public-sector and private-sector clients (list available upon request)

Jurisdictions in which Expert Witness Provided

- | | | |
|-----------------------------|---------------------------|---------------------------|
| 1. Maine | 17. Tennessee | 33. Montana |
| 2. New Hampshire | 18. Kentucky | 34. Colorado |
| 3. Vermont | 19. Ohio | 35. New Mexico |
| 4. Massachusetts | 20. Indiana | 36. Arizona |
| 5. Rhode Island | 21. Michigan | 37. Utah |
| 6. Connecticut | 22. Wisconsin | 38. Nevada |
| 7. New Jersey | 23. Illinois | 39. Idaho |
| 8. Maryland | 24. Minnesota | 40. California |
| 9. Pennsylvania | 25. Iowa | 41. Oregon |
| 10. Washington D.C. | 26. Missouri | 42. Washington |
| 11. Virginia | 27. Arkansas | 43. Hawaii |
| 12. North Carolina | 28. Louisiana | Canadian Provinces |
| 13. South Carolina | 29. Texas (Federal Court) | 1. Nova Scotia |
| 14. Florida (Federal Court) | 30. Kansas | 2. Ontario |
| 15. Alabama | 31. South Dakota | 3. Manitoba |
| 16. Mississippi | 32. North Dakota | 4. British Columbia |

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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

Case No. U-21534

Proof of Service

On the date below, an electronic copy of **Direct Testimony and Exhibits of Roger G. Colton on behalf of Natural Resources Defense Council and Michigan Environmental Council (Exhibit NRD-1)** was served on the following:

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{signature on following page}

The statements above are true to the best of my knowledge, information and belief.

Troposphere Legal, PLC
Counsel for MEC, NRDC, SC & CUB

Date: July 25, 2024

By: _____

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