CITY OF ANN ARBOR, MICHIGAN

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July 26, 2024

VIA ELECTRONIC CASE FILING

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

RE: MPSC Case No. U-21534

Dear Ms. Felice,

Attached please find the **Direct Testimony of Tiffany Giacobazzi, Cyrus Naheedy, Skye Stewart, and Dr. Melissa Stults on behalf of the City of Ann Arbor and Proof of Service** for the above referenced case.

Please contact me if you have any questions.

Sincerely,

Valerie Jackson
Assistant City Attorney,
City of Ann Arbor

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 TIFFANY GIACOBAZZI

ON BEHALF OF

THE CITY OF ANN ARBOR

July 26, 2024

I. INTRODUCTION AND QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Tiffany Giacobazzi. I am the Urban Forestry & Natural Resources Planning Coordinator for the City of Ann Arbor, Michigan. My office is located at 4251 Stone School Road, Ann Arbor, MI 48108.

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

A. My testimony is on behalf of the City of Ann Arbor ("Ann Arbor" or "the City").

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

A. Yes. I testified on behalf of Ann Arbor in Case No. U-20836.

Q. What is your educational background?

A. I have a bachelor's degree in forestry from Michigan Technological University, where I also minored in ecology.

Q. What is your professional background?

A. I have spent the last 15+ years working with communities, local, state, and federal governments, non-profit groups, private landowners, utility companies, and students on numerous projects, programs, and workshops related to urban forestry. I have been an International Society of Arborists ("ISA") Certified Arborist for 15 years, an ISA Tree Risk Assessment Qualified Arborist for 10 years, and recently earned my certification as an ISA Certified Arborist Municipal Specialist. I have managed two state urban forestry programs (South Dakota and Indiana) and two municipal programs (Novi and Ann Arbor). I served as President of ISA, Michigan during 2021. In addition, I worked in the past as a Systems Arborist for ACRT, Inc., where I built and managed a Vegetation Management Program for 5,400 miles of overhead utility lines. I have been in my current

position as the Urban Forestry and Natural Resources Planner for the City of Ann Arbor for over 5 years.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to discuss Ann Arbor's tree trimming practices, my findings based on Ann Arbor's tree damage and pruning data, and the impacts of tree health on power outages.

Q. Are you sponsoring any exhibits?

A. Yes. I am sponsoring the following exhibits:

Exhibit AA-1	Curriculum Vitae of Tiffany Giacobazzi
Exhibit AA-2	Tree Trimming Detailed Specifications
Exhibit AA-3	Tree Damage and Pruning Habits - 2018 to present
Exhibit AA-4	Tree Damage and Pruning Habits - 2024 YTD

II. ANN ARBOR'S TREE TRIMMING PRACTICES

Q. How often does Ann Arbor trim its City-owned street trees?

A. The City is currently in the eighth year of a 10-year tree-trimming cycle, which was implemented in 2017. That means that at some point during the 10 years from 2017 to 2026, the City trimmed (or will trim) all City-owned street trees to its tree trimming standard at least once. The City also trims its trees reactively as needed.

Q. What is the standard to which City-owned street trees are trimmed?

A. City-owned street trees are trimmed to a clearance of 15 feet around roadways and to a clearance of 10 feet around sidewalks. Trimming to the City's standard also includes, but is not limited to, removal of all dead, diseased, broken, or crossing branches that are two inches or more in diameter, leaving trees' crowns as balanced as possible, and making

clean cuts sufficiently close to the trunk or parent limb to allow for proper wound closure. For detailed trimming specifications, *see* Exhibit AA-2.

Q. Is the City on track to complete its current 10-year tree trimming cycle on time?

A. Yes, the City is on track to complete its current 10-year tree trimming cycle in 2026 as planned.

Q. Will the City continue on a 10-year tree trimming cycle going forward?

A. The City intends to move to a 7-year trimming cycle after the completion of the current 10-year cycle.

Q. Why does the City intend to move to a shorter tree trimming cycle in the future?

A. Once the City completes the current tree trimming cycle (in which all City-owned street trees will have been trimmed to the City's standard at least once), it is anticipated that it will take less work and time to trim and maintain those trees to the standard. Thus, Ann Arbor anticipates having the resources (e.g., budget and workforce) to maintain a 7-year tree trimming cycle after the completion of the current cycle.

Q. What are the main goals of the City's tree trimming program?

A. The main goal of the City's tree trimming program is safety. Roadways need to be clear of overhang to allow the safe passage of emergency vehicles and snowplows (as well as civilian traffic), and sidewalks need to provide clearance for pedestrians to safely walk without running into obstacles and without the danger of being struck due to a tree failure. The second priority is the health of the City street trees. Routine trimming creates a healthier tree canopy due to removing dead, dying, or diseased limbs, as well as earlier identification and correction of insect and disease problems. Other major goals include preventing storm damage and avoiding the costs of reactive maintenance, such as the

trimming or removal of damaged trees.

III. FINDINGS BASED ON ANN ARBOR TREE DAMAGE DATA

Q. Is there evidence that trimming trees to the City's standard prevents storm damage and/or avoids reactive maintenance costs?

A. Yes. The City keeps records of when each street tree was last trimmed to the City's standard. The City also tracks when it responds to and performs maintenance on damaged street trees. Based on the City's data, it has responded to 1,437 damaged trees since January 1, 2018, and of those damaged trees 836 had never been trimmed to the City's standard.[1] See Exhibit AA-3. That means that over 58% of reactive tree maintenance was performed on trees that had not been trimmed to the City's standard. In other words, over the past six and a half years, a City tree that had never been trimmed to our standard was 1.4 times more likely to require reactive maintenance than a City tree that had been trimmed to the City's standard within the prior 7 years.

Reviewing the data from the current year reveals similar statistics. Since January 1, 2024, the City has responded to 87 damaged trees. Of those 87 trees, 47 (or just over 54%) had never been pruned to the City's standard.[2] Exhibit AA-4.

Q. What does the City's data indicate about the frequency of reactive maintenance for trees that were trimmed to the City's standard within the last five years?

A. The data on City trees going back to January 1, 2018 demonstrates that trees that had been trimmed to the City's standard less than five years prior to being damaged made up only approximately 37% of reactive maintenance. In other words, City street trees that

[1] This data is accurate as of July 16, 2024.
[2] This data is accurate as of July 16, 2024.

either had never been trimmed to the City's standard or had been trimmed to the City's standard five or more years prior to being damaged were 1.7 times more likely to need reactive maintenance than trees that had been trimmed to the City's standard less than five years prior to being damaged. Exhibit AA-3.

The data from 2024 so far shows that of the 87 damaged street trees the City has responded to, only 25 (less than 29%) had been trimmed to the City's standard less than five years ago. Exhibit AA-4. That means City trees that either had never been trimmed to the City's standard or had been trimmed to the City's standard five or more years ago were 2.1 times more likely to need reactive maintenance this year than trees that had been trimmed to the City's standard less than five years ago.

Q. What do these findings indicate to you about the importance of regular tree trimming?

A. These findings indicate that getting all City trees trimmed to our standard and then maintaining a regular tree trimming cycle should result in the need for less reactive maintenance, which will save the City money, time, and resources while maintaining healthier trees.

IV. IMPACTS OF TREE HEALTH ON OUTAGES

Q. On page 4 of her direct testimony, DTE witness Rachel C. Steudle testified that "tree interference remains one of the leading drivers of customer outages," and that "[h]istorically, tree-caused outages accounted for two-thirds of the time that customers spent without power." In your opinion, and based on Ann Arbor's experience, what would be the best way to reduce outages caused by tree interference?

A. The best way to reduce outages caused by tree interference would be to perform preventive trimming around power lines as often as possible. Regular trimming improves the health of trees by eliminating dead or dying branches, crossing or rubbing branches, and weak branch unions. A healthy, properly trimmed tree is less likely to fail in a way that may interfere with a power line than a tree that is not properly maintained.

Q. If DTE fell behind on its tree trimming cycle, would you expect any impact on outages caused by tree interference?

A. Yes. If DTE fell behind its trimming cycle, I would expect the number of outages due to tree interference to be greater than if DTE maintained its trimming cycle.

2Q. If DTE fell behind on its tree trimming cycle, would you expect any impact on DTE's storm restoration costs?

A. Yes. If DTE fell behind its trimming cycle, I would expect its storm restoration costs to be higher than if it maintained its trimming cycle.

Q. Why would you expect storm restoration costs to be higher if DTE fell behind its tree trimming cycle?

A. Falling behind on a tree trimming cycle means fewer trees have been trimmed than planned, and that means there are more trees than expected with limbs and branches within a close proximity to power lines than there would be if DTE had remained on cycle. Branches and limbs that are not trimmed to the standard clearance are more likely to interfere with power lines should they fail. Thus, I would expect storm restoration costs to increase at a rate that approximately corresponds with the rate that DTE fell behind on trimming. Said another way, the more DTE falls behind on its tree trimming schedule, the more storm restoration costs will go up.

Q. Are you aware of how methane leaks from underground pipelines impact vegetation?

A. Yes. The presence of methane underground results in soil with low oxygen concentration and high carbon dioxide concentration. Trees or other vegetation with roots in that soil often die or suffer damage due to the lack of oxygen. It is common for trees in the resulting oxygen-depleted soil to die from the top down, so a thinning crown is often a symptom of methane exposure.

Q. Would you expect trees exposed to methane in their root systems to cause any greater risk of power outages than trees in healthy soil?

A. Yes. As indicated above, trees exposed to methane generally die from the top down, the result being dead branches at the crown. These branches are more likely than lower branches to impact power lines should they fail. They are also more likely to fail (i.e., break loose) – both on a clear day or during a storm – due to their unhealthy condition. Thus, I would expect trees exposed to methane to pose a greater risk of causing outages than trees in healthy soil.

Q. Have you personally witnessed street trees in Ann Arbor that exhibit this kind of damage?

A. Yes.

Q. To your knowledge, has DTE Gas or DTE Electric ever contacted the City to report possible methane damage to a street tree or notified the City it would be trimming a street tree to address dead branches at the crown due to methane damage?

A. No.

Q. Does this conclude your direct testimony?

A. Yes.

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

A. Yes.

Tiffany Giacobazzi

Tiffany Giacobazzi

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 CYRUS NAHEEDY

ON BEHALF OF

THE CITY OF ANN ARBOR

July 26, 2024

I. INTRODUCTION AND QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Cyrus Naheedy. I am a Transportation Engineer for the City of Ann Arbor, Michigan. My office is located at 301 E. Huron Street, Ann Arbor, MI 48104.

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

A. My testimony is on behalf of the City of Ann Arbor ("Ann Arbor" or "the City").

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

A. No.

Q. What is your educational background?

A. I have a Master of Science in Transportation Planning and Engineering from the Polytechnic Institute of New York University and a Bachelor of Science in Industrial & Operations Engineering from the University of Michigan.

Q. What is your professional background?

A. I have spent the past 14 years working as a transportation engineer for both private companies and public bodies in the states of New York and Michigan. I have been in my current role as a Transportation Engineer for the City of Ann Arbor for over 5 years.

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

A. I am testifying in both capacities. I am an expert in transportation engineering, and in my role, I support the planning and maintenance of City-owned streetlights. I am also presenting first-hand factual testimony related to specific interactions with DTE Electric Company ("DTE" or "the Company") in my current position.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to discuss Ann Arbor's DTE Streetlight Conversion

Project, as well as interactions with DTE relating to streetlighting in Ann Arbor.

Q. Are you sponsoring any exhibits?

A. Yes. I am sponsoring the following exhibits:

Exhibit AA-5	Curriculum Vitae of Cyrus Naheedy
Exhibit AA-6	Excerpt of Direct Testimony of Raymond Hess (Case No. U-20836)
Exhibit AA-7	Discovery Response DEMAUI-2.1 from Case No. U-21297
Exhibit AA-8	Purchase Agreement for LED streetlights
Exhibit AA-9	DTE Community Lighting Catalog
Exhibit AA-10	Letter from DTE dated February 19, 2024
Exhibit AA-11	Discovery Response MAUIDE-4.19a

II. STREETLIGHT RELIABILITY

Q. In past years, Ann Arbor staff have testified in DTE Electric rate proceedings regarding concerns with streetlight reliability. Do you still have these concerns?

A. Yes. I have attached an excerpt of former Ann Arbor staff member Raymond Hess's past testimony regarding streetlight reliability from Case No. U-20836. Exhibit AA-6. Streetlight reliability continues to be a concern for Ann Arbor, both because of the long restoration time and the high number of outages. For instance, from 2020 through 2022, Ann Arbor's City-owned streetlights experienced an average annual outage rate of approximately 9%, while DTE-owned streetlights in Ann Arbor experienced an average outage rate of approximately 26%. Exhibit AA-7. Moreover, the average duration of DTE-owned streetlight outages, which was 3.60 days in 2017, was up to 4.7 days in

2022, and according to very limited data[1] was 4.16 days in 2023. Exhibit A-25, Schedule O1. Interestingly, the format of DTE's outage reporting to the City changed in October of 2023 in a way that makes it more difficult for the City to identify the start date of outages in a way consistent with past reporting, but my impression from my day-to-day work is that DTE's outage response and restoration time is very similar to past years.

Q. Are there any steps the City is taking in regard to DTE-owned streetlights that it hopes will improve streetlight reliability?

A. Yes. The City has secured grant funding to convert all remaining DTE-owned HID streetlights to LEDs, which will involve new fixtures on existing streetlight poles, as I will discuss more in the next section of my testimony. While there are many potential benefits from the project, one expected benefit of having so many new fixtures in place of aged and outdated fixtures is improved reliability.

III. ANN ARBOR'S STREETLIGHT CONVERSION PROJECT

Q. What is Ann Arbor's Streetlight Conversion Project?

A. The Streetlight Conversion Project is the City's plan to use funds from a Carbon Reduction Grant it was awarded in March 2023 from the Southeast Michigan Council of Governments ("SEMCOG") to transition all DTE-owned and maintained streetlights in Ann Arbor from high intensity discharge ("HID") fixtures – the majority of which are high pressure sodium ("HPS") – to light emitting diode ("LED") fixtures in an effort to further the City's goals of advancing sustainable practices and decreasing its carbon

[1] DTE retired its old outage management system ("OMS") in January 2023 and did not migrate to its current OMS until October 2023. DTE claims its interim OMS could not calculate duration metrics, so it only included duration metrics from the current OMS for 2023 (i.e., October forward). Exhibit A-25, Schedule O1.

footprint. A total of 4,087 streetlights will be converted from lower efficiency HIDs to higher efficiency LEDs pursuant to this program.

Q. Why is Ann Arbor transitioning from HID streetlights to LED streetlights?

A. LED streetlights are more environmentally and financially sustainable than HID streetlights. They last longer and use less energy, which means less maintenance and lower operating costs. Moreover, LED fixtures have become the standard technology for streetlighting. In fact, DTE notified its community lighting customers in November 2023 that its streetlight manufacturers discontinued the production of HPS streetlights and that it would begin replacing failed HPS streetlights with LEDs after its existing inventory of HPS streetlights was depleted. Exhibit A-25, Scheduled O3.

Q. Is there a cost to the City for transitioning DTE-owned and maintained streetlights from HID to LED pursuant to its Streetlight Conversion Project?

A. Yes. DTE requires customers who convert "early" from HID to LED to pay a contribution in aid of construction ("CIAC") equal to the total construction cost, including labor, materials, and overhead. In this case, that means Ann Arbor will pay $1,021,700.97 for the conversion of 4,087 streetlights. Exhibit AA-8. As indicated above, the City is able to make this investment because a large portion of the cost is being covered by a Carbon Reduction Grant from SEMCOG.

Q. What is the timeline for the Streetlight Conversion Project?

A. The Streetlight Conversion Project can be broken into four main phases: (1) public engagement, (2) grant acceptance, (3) environmental review, and (4) installation. The public engagement step, which included installing sample lights of different wattages and color temperatures and surveying people about them, began in December 2023 and was

completed in January 2024. We are now in the grant acceptance phase. We expect installation will begin in the fall or winter of 2024 with a completion date in 2025, pursuant to a Purchase Agreement with DTE (Exhibit AA-8) that is pending approval from the Ann Arbor City Council.

Q. Can you describe the lights that were considered as part of the public engagement phase?

A. The City wanted all sample streetlights to meet lighting standard IES RP-8, have a correlated color temperature no higher than 3000K, and restrict the amount of upward-directed light. We felt these criteria would meet the goals of reducing the environmental impact from the streetlights by lowering energy usage and responding to commonly expressed concerns regarding light trespass and how "blue" the light from DTE's standard offerings is. The City had DTE install four sample LED streetlight options at two locations in the City during the winter of 2023-2024. None were "standard offerings" from DTE because all of them had a color temperature lower than what DTE normally offers. Exhibit AA-9. The sample LED streetlights at each location included two low wattage fixtures (29W) and two medium wattage fixtures (58W), and each wattage had two color temperature options (2700K and 3000K), so that the resulting choices were: 29W/2700K, 29W/3000K, 58W/2700K, and 58W/3000K.

Q. What did you learn about public preferences regarding streetlights from the samples installed?

A. The City sought input regarding the public's preferences through a survey, which was open for 5 weeks, during which 56 responses were collected. The public feedback clearly favored streetlights with warmer (i.e., lower) color temperatures. While there was no

clear consensus on wattage, the survey also suggested that most respondents thought the medium wattage option (58W) could be appropriate (i.e., they answered "Yes" or "Maybe") to install on residential streets. In an experience that is common to other public comment exercises, every light had some individual responses saying the light was too bright, and others saying it was too dim.

Q. If DTE had a 58W streetlight with a lower color temperature as one of its standard offerings, would the City have considered it?

A. Absolutely. One of the most time-intensive aspects of this project has been attempting to determine what the requirements would be if the City did not use a standard offering from DTE, especially regarding the amount of storage space we would have to provide and the extra amount we would have to spend on backstock. These added practical and cost considerations had to be weighed when considering whether we wanted a single model of light or more than one model of light (e.g., different wattages for different locations). Had there been a standard offering of a lower color temperature, we would certainly have considered it as a way to both meet our goals and avoid these extra costs and practical considerations.

Q. Besides public feedback and costs like those described above, were there other factors the City considered when determining the optimal wattage and color temperature for LED streetlights in the City?

A. Yes. The City tried to balance many different considerations, with safety and sustainability being the main areas of focus. It is important to the City that the streetlights it chooses to install will promote pedestrian safety, reduce energy usage, reduce energy costs, and avoid light pollution.

Q. Based on these considerations, what wattage and color temperature did Ann Arbor staff recommend for the City's streetlights?

A. Based on these considerations, in addition to the feedback from our public engagement, we determined that LED streetlights with a wattage of 58W and a color temperature of 2700K would meet streetlighting needs for the majority of the City.

Q. What are the consequences to the City for opting to install LED streetlights other than those normally provided by DTE?

A. As I mentioned before, because Ann Arbor's LED fixture of choice is not DTE's recommended LED fixture, and thus, not part of DTE's standard stock, it is considered a special-order material ("SOM") fixture. This means that Ann Arbor is responsible for maintaining a backstock of inventory of its chosen LED fixtures to address outages that require replacements. While DTE generally requires customers who request non-standard offerings to maintain a backstock of 10% of the total quantity installed, which is what Ann Arbor was initially told would be required, in negotiations that occurred after the briefing closed in the last rate case when the City described those additional costs, DTE has agreed to reduce its inventorying requirement. *See*, Exhibit AA-10. To ensure prompt replacement should an outage occur, the City plans to initially procure and store an additional 80 of its chosen LED streetlight fixtures (approximately 2% of the total quantity), which will cost the City approximately $25,000 for the fixtures plus the costs associated with warehousing and managing this backstock, in addition to the $1,021,700.97 CIAC the City is paying to DTE for the installation of 4,087 LED fixtures. We feel 2% is a good balance between keeping an initial backstock sufficient to ensure outages are not of an extended duration and the costs associated with purchasing and

maintaining backstock for brand-new lights.

Q. If, instead of pursuing this conversion project with DTE, Ann Arbor waited until each of its remaining HID fixtures failed, would the City eventually have all LED streetlights with no requirement to pay a CIAC?

A. Yes. As indicated above, DTE notified its streetlighting customers that once its stock of HPS fixtures is depleted, it will begin replacing failed HPS fixtures with LED fixtures. Moreover, according to DTE's response to a discovery request by the Michigan Municipal Association for Utility Issues, Ann Arbor would not have even had to wait for DTE's inventory of HPS fixtures to be depleted: "In the event of a failed HPS fixture – upon request, the Company is amendable to replacing with an equivalent LED fixture. In such cases, customer contributions are not required." Exhibit AA-11.

Q. Why is Ann Arbor going forward with proactively converting to LED streetlights rather than waiting for its HPS fixtures to fail?

A. There are several reasons. The first reason is economic: the City was awarded a grant that covers the bulk of the CIAC Ann Arbor must pay, making the investment financially feasible for the City due to the annual energy cost savings once all lights are converted. The second reason is that Ann Arbor does not want its HPS fixtures to be replaced with any of DTE's current standard offering LED fixtures because they are too high a color temperature. Therefore, if it wanted to meet its other goals, the City would have to pay some amount of money up front to have the LED fixture of its choice installed because it is a "special order material" fixture. Thus, it makes financial sense for Ann Arbor to use the grant funds to have its preferred streetlights installed. The last reason is that the sooner HPS fixtures can be replaced with LED fixtures, the sooner the City will begin

realizing the beneficial environmental and financial impacts of transitioning to LEDs (e.g., reduced energy consumption, less light pollution, etc.).

Q. Does it feel fair that Ann Arbor will pay up front to convert to LEDs, but not receive any recognition that it has relieved other customers of paying for Ann Arbor's conversion costs?

A. No. I think the City should get a credit on its bill equal to the monies other customers will not have to pay to convert the City's streetlights. Otherwise, the City is paying to help with the installation costs for other customers making this transition, but they are not paying anything to help with our transition.

Q. Does this conclude your direct testimony?

A. Yes.

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

A. Yes.

Cyrus Naheedy

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 SKYE STEWART

ON BEHALF OF

THE CITY OF ANN ARBOR

July 26, 2024

I. INTRODUCTION AND QUALIFICATIONS

Q. Please state your name and business address.

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

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

A. My testimony is on behalf of the City of Ann Arbor ("Ann Arbor" or "the City").

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

A. Yes. I testified on behalf of Ann Arbor in Case Nos. U-21297 and U-21291.

Q. What is your educational background?

A. I have a Bachelor's degree in political science and sociology from Birmingham-Southern College and a Master of Public Policy and public administration from the Gerald R. Ford School of Public Policy at the University of Michigan.

Q. What is your professional background?

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

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

A. Yes. Those activities are largely within the public services area, so as part of my job I am

familiar with and often address issues related to use of the rights of way and the provision of water, wastewater, and stormwater utility services by the City of Ann Arbor, which involve underground infrastructure in the City's rights of way.

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

A. I am testifying in both capacities. I am an expert on public administration, including budgeting and execution of public infrastructure projects for city utilities. I am also presenting first-hand factual testimony related to specific interactions with DTE Electric Company ("DTE" or "the Company") in my current position.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to discuss the City's practices regarding coordination of utility work in the rights of way, my experiences regarding opportunities for coordination with DTE, and my role in recent efforts to replace DTE-owned streetlights in the City with LEDs.

Q. Are you sponsoring any exhibits?

A. Yes. I am sponsoring the following exhibit:

Exhibit AA-12	Curriculum Vitae of Skye Stewart
Exhibit AA-13	Discovery Response MAUIDE-2.5
Exhibit AA-14	Page Avenue Project Estimated Savings

II. ANN ARBOR'S COORDINATION PRACTICES

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

A. Yes. As part of the City's annual capital projects planning process, staff identify the infrastructure needs for each of the various public asset groups, including water, wastewater, and stormwater utility infrastructure as well as the roads, sidewalks, bike infrastructure, streetlights, and traffic signals, etc. The individual projects of each asset group are prioritized separately based on a variety of factors like system goals, asset condition, risk of failure, and consequence of failure. Projects are then programmed (or scheduled) in the Capital Improvements Plan ("CIP") based on prioritization rankings, budget availability, staff capacity, and coordination with other projects planned in the same area.

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

A. Yes.

Q. What kind of information does the City require an entity working in the right of way to supply?

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

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

A. The City is responsible for the care and maintenance of nearly all public infrastructure in the public right of way including the drinking water distribution system and the sanitary

sewer collection system, both of which are critical to public health and safety. To limit the risk of damage to these critical utilities, the City requires any private entity to seek permission to occupy or excavate in the public right of way. We have had several problems with underground infrastructure being damaged by private utilities in Ann Arbor. The right of way permit attempts to prevent this from occurring by providing an opportunity for City staff to review proposed work and identify potential conflicts.

Q. Why does the City make efforts to coordinate utility work?

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

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

A. Yes. The City's CIP is a publicly available document that provides a six-year plan for public infrastructure projects. Additionally, as part of planning and designing specific projects in the public rights of way, City project managers notify the various utilities that may be impacted by the projects. Depending on the project, this notification could happen anywhere from six months to two years before construction begins. This is an opportunity for utilities to make any moves, upgrades, or needed repairs before the City resurfaces the road. Once the road has been resurfaced it goes on a Street Cut Moratorium

list for a period of time. This means private entities (including utilities) are generally prevented from re-opening the same area except when the work is necessary for public safety – for anywhere from 3 to 10 years.

Q. Is the City's CIP available on a publicly accessible website, such that DTE could access the CIP and see the City's planned projects for the next six years when undertaking its own capital project planning?

A. Yes.[1]

III. DTE'S COORDINATION PRACTICES WITH ANN ARBOR

Q. Has DTE ever proactively viewed the City's CIP and asked to coordinate a project such that its work is done at the same time as the City's work to reduce costs?

A. Not to my knowledge. In fact, DTE admitted in response to a discovery request by the Michigan Municipal Association for Utility Issues ("MAUI") that it does not routinely review municipal Capital Improvement Plans to identify projects that might be coordinated. Exhibit AA-13. I assume this applies to Ann Arbor's CIP.

Q. When does DTE notify the City of its planned projects in Ann Arbor?

A. Until recently there had been no predictable or established advanced notification process in place. In a discovery response to MAUI, the Company stated, "Once a DTE project is selected to move forward, our local government affairs team reaches out to the affected municipalities to notify them of work and identify potential coordination opportunities." Exhibit AA-13. In the last several months, DTE has been more communicative about their upcoming plans, sharing where they anticipate working in the upcoming year.

[1] The CIP is available at:
https://a2-mi.maps.arcgis.com/apps/dashboards/0fb6f6af7bc744d1a278f061bb3aa84b

Often, the way the City staff receives notice of a planned DTE project is through the Company's application for a right of way permit. Notice at this late stage of a project is not conducive to meaningful coordination or collaboration.

Q. Would there be a benefit to receiving notice earlier in the process of a planned DTE project?

A. Yes. With enough advanced notice, the City could evaluate whether it would be beneficial to advance or push out any City projects planned for the same area at the same time as DTE to avoid the cost and disruption of digging up and restoring the right of way multiple times.

Q. Do you have any examples that demonstrate how much DTE could save by coordinating projects that involve digging up the right of way?

A. Yes. I have an example that involves DTE's sister company, DTE Gas Company ("DTE Gas"), which is the provider of fossil gas in Ann Arbor.

It was discovered during the City's franchise negotiations with DTE Gas that DTE Gas had a project planned in the Page Avenue area, where the City was in the process of designing and scoping work for a street reconstruction and sidewalk gap project. The City informed DTE Gas that if the Company couldn't move its project timeline up to complete it before the City resurfaced the right of way, it would not be able to obtain a right of way permit for excavation because roads in the area would be subject to our Street Cut Moratorium. Moreover, if DTE Gas were able to complete its project while the City had Page Avenue open, DTE Gas would benefit from the City covering the cost of resurfacing the right of way.

The City calculated the estimated savings to DTE Gas of not having to pay resurfacing

costs to be $70,459 (approximately 14% of an assumed $500,000 gas main project cost). Exhibit AA-14.

Q. Would DTE Electric potentially be able to achieve similar savings through coordination with the City as you identify for DTE Gas in the Page Avenue project?

A. Yes, it is possible. The Page Avenue project savings are largely attributable to the City covering the costs of resurfacing the right of way, so similar savings are potentially available for DTE Electric projects that involve underground wiring, including many projects involving underground work for streetlighting.

Q. Have you seen recent improvements in communications regarding infrastructure from DTE?

A. Yes. Both DTE Gas and DTE Electric have reached out to schedule meetings with project management staff about upcoming projects. Unfortunately, most of these projects are in the 0 to 2 year time horizon which limits how much true coordination can happen. However, DTE has been able to advance some work this construction season to align with some ongoing City infrastructure projects. City staff are encouraged by DTE's recent willingness to share information about upcoming projects much farther in advance and we hope that in the future these efforts continue and evolve to a regular process that looks to longer time horizons to allow for true coordination.

IV. STREETLIGHTING SELECTION

Q. Have you been involved in the process by which Ann Arbor is seeking to convert its remaining DTE-owned HID streetlights to LEDs with grant dollars?

A. Yes, in my role I have been part of the team involved in that effort.

Q. Do you agree with the testimony of Witness Naheedy regarding that process,

including several potential sources of increased costs that DTE said would result from the City choosing a light with a lower wattage and warmer color temperature than DTE's standard offering?

A. Yes.

Q. Does this conclude your direct testimony?

A. Yes.

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

A. Yes.

Skye Stewart

Skye Stewart

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 DR. MELISSA STULTS

ON BEHALF OF

THE CITY OF ANN ARBOR

July 26, 2024

I. INTRODUCTION AND QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Dr. Melissa Stults. I am the Sustainability and Innovations Director for the City of Ann Arbor, Michigan. My office is located at 301 E. Huron Street, Ann Arbor, MI 48104.

Q. Please describe your educational background and professional experience.

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

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

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

A. My testimony is on behalf of the City of Ann Arbor ("Ann Arbor" or "the City").

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

A. Yes. I have provided testimony on behalf of Ann Arbor in Case Nos. U-20471, U-20836, U-21172, U-21297, U-21384, and U-21291.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to discuss and provide context for the following recommendations:

1) The Commission should take DTE Electric Company's ("DTE" or "the Company") performance into consideration when setting the Company's rate of return on equity ("ROE"), considering DTE's continued requests for significant rate increases with no corresponding improvement to reliability.
2) The Commission should deny DTE's request to increase its ROE because the Company has a history of requesting ROEs that are unreasonably high.
3) The Commission should deny the Company's outage credit proposal.
4) The Commission should deny DTE's proposed Storm Recovery Cost Sharing Mechanism.
5) The Commission should disallow $39.232 million of the Company's incentive compensation expense.
6) The Commission should find that DTE has not fully complied with its directive from Case No. U-21297 regarding coordination with local governments.
7) The Commission should ensure that costs to increase the load capacity at a

development site that is served by a 4.8kV system are no more than they would be if the site were served by a 13.2kV system.

8) The Commission should not permit DTE to purposefully fall behind its pole and pole-top inspection cycle.

9) The Commission should require DTE to raise the income-qualified threshold for Home Charger Rebates.

10) The Commission should disallow the residential home generator pilot and all its associated costs.

11) The Commission should require DTE to expand its strategic undergrounding pilot projects beyond the City of Detroit and require DTE to be more transparent regarding its selection process for such pilot projects.

12) The Commission should require the Company to pay a credit to communities who proactively converted their streetlights to LEDs and paid a CIAC up front.

Q. Are you sponsoring any exhibits?

A. Yes. I am sponsoring the following exhibits:

Exhibit AA-15	Curriculum Vitae of Dr. Melissa Stults
Exhibit AA-16	U.S. Energy Information Administration Data: Average Price by State
Exhibit AA-17	Excerpt of Direct Testimony of Dr. Bente Villadsen (Case No. U-21297)
Exhibit AA-18	Fitch Ratings Rating Action Commentary (Mar. 21, 2024)
Exhibit AA-19	Excerpt of Direct Testimony of Dr. Bente Villadsen (Case No. U-20836)
Exhibit AA-20	Fitch Ratings Rating Action Commentary (Feb. 27, 2023)

Exhibit AA-21	Fitch Ratings Screenshot Showing Ratings History
Exhibit AA-22	DTE Business Update, June 18, 2024
Exhibit AA-23	DTE Business Update, April 2-3, 2024
Exhibit AA-24	DTE Business Update, Dec. 8, 2023
Exhibit AA-25	DTE Business Update, Apr. 3-4, 2023
Exhibit AA-26	DTE Business Update, Aug. 11, 2020
Exhibit AA-27	DTE Year-end Earnings Conference Call, Feb. 23, 2023
Exhibit AA-28	Discovery Response AADE-1.1
Exhibit AA-29	Discovery Response AADE-1.2
Exhibit AA-30	Discovery Response AADE-3.2
Exhibit AA-31	Discovery Response AADE-3.1
Exhibit AA-32	Discovery Response MNSCDE-13.10b
Exhibit AA-33	Discovery Response MNSCDE-13.10a
Exhibit AA-34	Excerpt of CPUC Root Cause Analyses
Exhibit AA-35	DTE 2022 Sustainability Report

II. CUSTOMERS SHOULD NOT BE EXPECTED TO CONTINUE SUPPORTING DTE'S INVESTMENTS THROUGH UNREASONABLE BILL INCREASES WITH NO CORRESPONDING IMPROVEMENT IN RELIABILITY

Q. What is the revenue deficiency the Company is requesting in this case?

A. Less than four months after receiving approval to implement rates that increased its annual revenues by over $368 million, the Company is again before the Commission requesting a rate increase that would add an additional $456.4 million in annual

revenues.[1] Since 2017, the Commission has authorized six rate increases totaling over $1.1 billion in increased annual revenues.[2] If the Commission authorizes the Company's requested amount in this case, that would mean an increase of $1.566 billion in just eight years, which averages out to almost $200 million per year. That is simply not sustainable for ratepayers.

Q. On pages 5-6 of her direct testimony, Company witness Adella F. Crozier states that DTE plans to invest approximately $9 billion in the grid and $7 billion in cleaner generation between 2024 and 2028, and that "we believe these investments will generate significant benefits and value to our customers." Do you believe customers have seen significant benefits and value from the $1.1 billion increase in DTE's annual revenues over the past seven years?

A. No. Customers continue to pay more and more for service that is not improving. The Company's All Weather SAIDI was 1,063 minutes in 2017 and 1,542 minutes in 2023. The average All Weather SAIDI for the three years from 2018 through 2020 was 448 minutes, whereas the average for the three years from 2021 through 2023 was 1,018 minutes – over *double* the preceding three-year period.[3]

The Company's All Weather SAIFI was 1.39 in 2017 and 1.72 in 2023. The average All

[1] Application, p. 2.
[2] Case No. U-18014 authorized an increase in annual revenues of $184,336,000 (Order, Jan. 31, 2017). Case No. U-18255 authorized an increase in annual revenues of $65,239,000 (Order, Apr. 18, 2018). Case No. 20162 authorized an increase in annual revenues of $273,334,000 (Order, May 2, 2019). Case No. U-20561 authorized an increase in annual revenues of $188,285,000 (Order, May 8, 2020). Case No. U-20836 authorized an increase in annual revenues of $30,557,000 (Order, Nov. 18, 2022). Case No. U-21297 authorized an increase in annual revenues of $368,115,000 (Order, Dec. 1, 2023).
[3] *See*, Kryscynski, p. 19, Figure 2.

Weather SAIFI for the three years from 2018 through 2020 was 1.34, whereas the average for the three years from 2021 through 2023 was 1.52 – over a 13% increase from the previous three-year period.[4] The Commission should not be approving large investments until the audit of DTE's distribution system is complete, to confirm that the Company's projected capital investments will make a measurable impact on reliability.

Q. On page 8 of Company witness Crozier's direct testimony, she states that according to the publicly available Interruption Cost Estimator Calculator, "the Company's forecasted reliability improvements could generate more than $15 billion of positive economic impacts." What is your reaction to that testimony?

A. According to the previous question, the Company is planning to invest a total of $16 billion between 2024 and 2028, so an estimated $15 billion in positive economic impacts will result in a net loss of $1 billion. That does not seem worth the investment.

Q. On page 16 of DTE witness Crozier's direct testimony, there is a figure (Figure 8) showing the 2023 Average Residential Electric Bill in each state compared to DTE. This figure shows that DTE's average residential bills are below the national average. Do you have any concerns with this figure or the implications one may draw from it?

A. Yes. Presenting the data in this way without context is misleading. It seems Ms. Crozier is using this figure to demonstrate that DTE's rates are reasonable because its customers are spending less on electricity on average than their peers. However, this figure does not account for the amount of electricity used in each state, so it does not accurately reflect

[4] *See*, Kryscynski, p. 20, Figure 4.

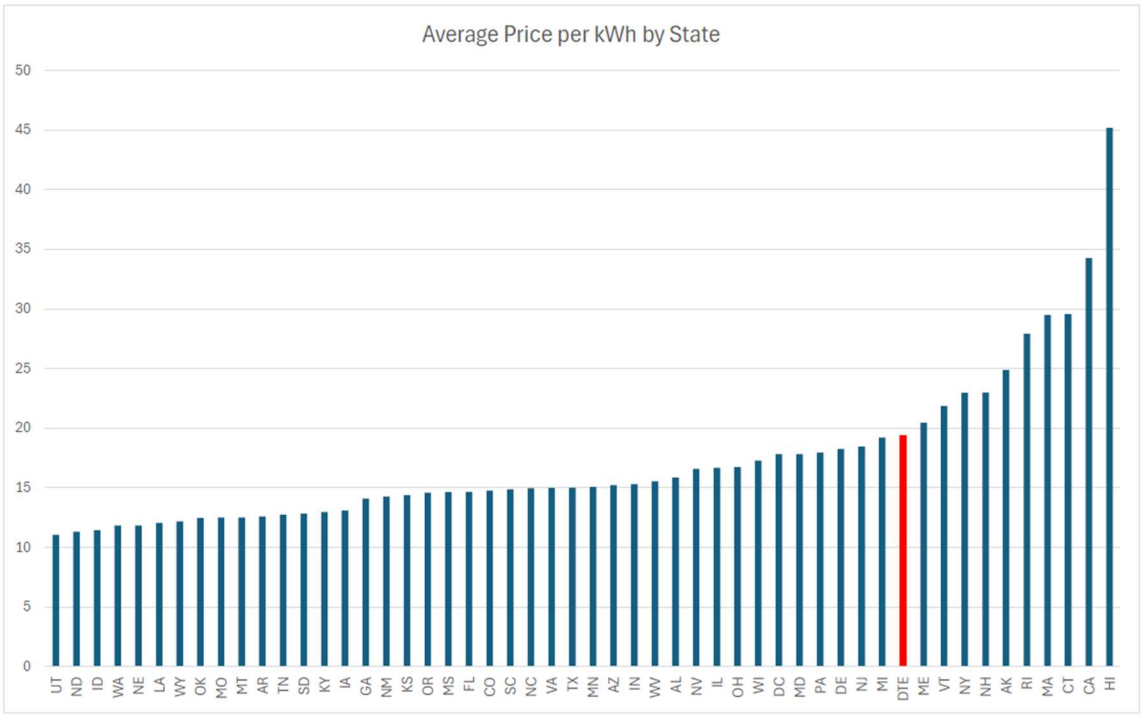
the rate each states' residents pay for electricity on a unit basis. Residents in many of the states included in this figure use electricity (rather than gas) for space heating, which means they are using more electricity and would be expected to receive higher electric bills.

Q. What would be a more accurate comparison regarding the price of electricity for DTE's customers versus customers of other utilities?

A. A more accurate comparison would show the cost of electricity per unit (i.e., kWh). As you can see from Figure 1[5] below, when the data is compared in this way, it's apparent that DTE's customers are actually paying some of the highest per unit rates in the nation. DTE ranks 11th highest in price per kWh when compared to the 50 states and the District of Columbia, placing it in the top quartile. DTE also has higher average rates than all twelve states in the East North Central and West North Central regions (i.e., the entire Midwest). Exhibit AA-16.

[5] Figure 1 was created with data from the U.S. Energy Information Administration reflecting the average price of electricity by state in April 2024. Exhibit AA-16. DTE's average price per kWh was determined using the median present monthly bill ($136.06 / 700 kWh = $0.194) in Attachment 3 to DTE's Application.

Figure 1: Average Price (cents/kWh) by State - April 2024



Q. What is your recommendation based on DTE's continued poor reliability and above average price?

A. I recommend the Commission hold DTE accountable and put an end to its annual attempt to squeeze more and more out of ratepayers for the promise of improved reliability – a promise that is never realized. The Commission has the authority to consider the value of service DTE provides its consumers when setting rates.[6] In the order in the last rate case, the Commission said it "will continue to seek opportunities to better tie DTE Electric's financial performance to the outcomes experienced by its customers through the ongoing Financial Incentives and Disincentives Workgroup."[7] I recommend the Commission use

[6] MCL 460.557(2).
[7] Order, p. 186, Case No. U-21297 (Dec. 1, 2023).

its authority to consider the value of DTE's service to better tie DTE's financial performance to its customers' experience in this case – through denying a large portion of DTE's requested rate increase and taking its performance into consideration when determining an appropriate rate of return on equity ("ROE"). This will better align DTE's "premium" returns with how it would fare in the market if it competed with other utilities, who provide a more reliable product at a lower rate.

III. DTE'S REQUESTED RETURN ON EQUITY IS UNREASONABLY HIGH

Q. Have you reviewed publicly available statements by Fitch Ratings ("Fitch"), a financial ratings agency, stating its views over time about the current and historical MPSC-approved ROE for DTE?

A. Yes. I have reviewed statements Fitch made regarding the approved ROEs and the Long-Term Issuer Default Rating of the Company.

Q. What rate of return on equity ("ROE") is DTE seeking in this case?

A. DTE is requesting an ROE of 10.5%. Application, p. 4. This is an increase of 60 basis points from the currently authorized ROE of 9.9%, which was approved in Case No. U-21297.

Q. What does DTE witness Dr. Bente Villadsen state regarding the Company's requested ROE in this case?

A. Dr. Villadsen recommends that DTE be allowed to earn its requested ROE of 10.5%, and states that this recommendation is "conservative and a modest move towards today's indicated cost of equity."[8] Her recommendation is based in part on her opinion that DTE has a "higher business risk than the comparable electric utilities," because, among other

[8] Revised Direct Testimony of Villadsen, p. 7.

things, the Company has a "higher than average need for infrastructure investments."[9]

Q. Has Dr. Villadsen supported the Company's recommended ROE in any other general rate cases?

A. Yes, Dr. Villadsen supported DTE's recommended ROE in Case Nos. U-20561, U-20836, and U-21297.

Q. What was Dr. Villadsen's recommended ROE in Case No. U-21297?

A. Dr. Villadsen recommended an ROE of 10.25%, in part because she found DTE to have "higher business risk than the comparable electric utilities." Exhibit AA-17.

Q. What ROE did the Commission ultimately authorize in Case No. U-21297?

A. The Commission authorized an ROE of 9.9%, finding DTE's requested ROE of 10.25% to be "excessive and unsupported on [the] record," and emphasizing that "adjusting for financial risk or applying financial leverage adjustments is not appropriate." [10]

Q. Did Fitch make any statements following the Commission's decision in Case U-21297 regarding the authorized ROE?

A. Yes. Fitch stated on March 21, 2024 that the authorized ROE of 9.9% "compares favorably with industry averages," and "the rate order issued in December is credit-supportive and reflects a constructive regulatory environment in Michigan." *See*, Exhibit AA-18.

Q. What was Dr. Villadsen's recommended ROE in Case No. U-20836?

A. Dr. Villadsen recommended an ROE of 10.25%, in part due to DTE's "higher business risk than the electric sample group," and stated that this was a "conservative estimate."

[9] *Id.* at 6-7.
[10] Order, p. 186, Case No. U-21297 (Dec. 1, 2023).

Exhibit AA-19.

Q. What ROE did the Commission ultimately authorize in Case No. U-20836?

A. The Commission authorized an ROE of 9.9%, finding DTE's requested ROE of 10.25% to be "excessive and unsupported on [the] record," and noting that DTE "overstates its business risk."[11]

Q. Did Fitch make any statements following the Commission's decision in the Case U-20836 regarding the authorized ROE?

A. Yes. In February 2023, Fitch stated DTE's authorized ROE of 9.9% "compares favorably with industry averages." Exhibit AA-20.

Q. Did the Commission's approval of authorized ROEs lower than Dr. Villadsen's recommended ROEs in the Company's past two general rate cases negatively impact Fitch's Long-Term Issuer Default Rating of DTE?

A. No. Despite the Commission's authorization of ROEs noticeably lower than those recommended by Dr. Villadsen, the Company has maintained its Long-Term Issuer Default Rating of A- since well before the Commission's November 2022 order in U-20836. Exhibit AA-21.

Q. Have you reviewed any publicly available statements made by the Company to its investors from the time period contemporaneous with the past two rate cases?

A. Yes. I have reviewed DTE's Business Updates from the past few years, all of which are publicly available on the Company's website.

Q. In those Business Updates, did the Company make any statements to its investors

[11] Order, p. 241-43, Case No. U-20836 (Nov. 18, 2022).

regarding shareholder returns, risk of investment, or the regulatory environment in Michigan?

A. Yes. Some examples include:

- In June 2024, DTE indicated one of the ways it delivers best-in-class results for investors is by "Delivering premium shareholder returns." Exhibit AA-22.
- In April 2024, DTE highlighted that one of the ways it is "Delivering premium shareholder returns," is by "Increas[ing] 5-year utility capital investment by $2 billion over previous plan," and then on the next page claimed to be "maintaining affordability." Exhibit AA-23.
- On December 8, 2023 (one week after the Commission authorized an ROE 35 basis below DTE's requested ROE in Case No. U-21297), DTE stated the "Constructive rate case order supports customer-focused investments," and its "Strong balance sheet and solid investment-grade credit profile support capital investment." Exhibit AA-24.
- In April 2023, DTE noted the Company was able to deliver "premium shareholder returns," while "maintaining solid investment-grade credit ratings" and "providing a healthy dividend." Exhibit AA-25, p. 4, 16.

Q. In your review, did you find any instances of the Company reporting to shareholders that it was negatively impacted by the Commission's failure to approve the ROE recommended by its witness?

A. No.

Q. With the benefit of hindsight, do you think the testimony provided by Dr. Villadsen recommending an ROE of 10.25% in the Company's past two general rate cases was reasonable?

A. No. As DTE has itself stated, the Company has been able to consistently deliver "premium" returns to shareholders and maintain a positive and stable credit rating, despite having an authorized ROE substantially lower than Dr. Villadsen claimed was necessary to continue attracting equity investors.

Q. What does this review of the history of DTE's past testimony regarding ROE suggest to you about Dr. Villadsen's testimony in this case?

A. As the review above demonstrates, Dr. Villadsen has a pattern of recommending an above-average ROE based on a claim that the Company is a higher-than-average business risk, despite consistently being proven wrong by the review of rating agencies, the Company's long history of earning its authorized ROE, and its delivery of "premium" shareholder returns even when an ROE significantly below her recommendation is authorized by the Commission. To me, this history is proof that an ROE lower than the one recommended by Dr. Villadsen would be sufficient to allow the Company to mitigate risk and provide an opportunity for reasonable shareholder returns. Therefore, Dr. Villadsen's testimony should be given little weight, and the Commission should reject her recommendation to increase the Company's ROE. Instead, I believe the Commission should strongly consider a lower ROE than previously granted to send a meaningful notice to DTE that until it starts improving reliability, it will not be able to earn as high a rate of return.

IV. DTE SHOULD NOT BE ABLE TO RECOVER OUTAGE CREDITS THROUGH RATES

Q. What is your understanding of DTE's outage credit recovery proposal?

A. DTE is proposing a mechanism that would allow it to recover credits it has paid to

customers as a result of outages that either exceeded the outage duration limits or the outage frequency limits outlined in the Service Quality and Reliability Standards for Electric Distribution Systems ("Service Quality Standards")[12] in certain enumerated situations in subsequent rate cases.

Q. What are the situations under which DTE believes it should be able to recover an outage credit?

A. DTE is proposing that it be able to recover credits paid for exceeding the outage duration limit if the underlying outage was caused by (1) the transmission operator or another utility, (2) public interference, or (3) animal interference, and to recover credits paid for exceeding the outage frequency limit for any of the previously listed reasons, in addition to outages caused by (1) ice, (2) lightning, (3) wind, or (4) other weather.[13]

Q. Do you believe this proposal is reasonable?

A. No.

Q. What do you find unreasonable about this proposal?

A. It is particularly unreasonable that DTE is asking to recover credits for outages caused by weather or animal interference, which a better maintained grid would withstand, considering the Company is planning to spend billions of dollars (and has already spent a significant amount of ratepayer money) to allegedly improve the grid. The Company earns a return – funded by the ratepayers – on these investments in the grid. In return, ratepayers should get a more reliable and resilient grid. The Commission has determined that when that grid fails, and an outage exceeds the outage duration or frequency limits

[12] R 460.744 and R 460.745.
[13] Crozier, p. 32-33; list of outage causes (cleaned up).

set forth in the Service Quality Standards, the Company must pay a credit for its failure to meet its end of the bargain. DTE should not get to go back to the ratepayers who have already paid for the investment in the grid, plus a return on that investment, to try to recover credits paid for the grid's failure.

Moreover, it is unreasonable for the Company to request recovery of outage credits as an attempt to make itself whole for "outages caused by events outside DTE Electric's control,"[14] when the outage credits they are attempting to claw back from ratepayers do not come close to making whole the customers who were without power long enough or frequently enough to receive an outage credit. Customers who go without power long enough to receive a paltry $38 outage credit are likely throwing away hundreds of dollars in perishable food alone, not to mention the cost of purchasing replacement food, lost productivity, possible property damage, and alternative housing in cases of extreme weather. It is insulting that DTE has even spent time on this issue. The Company's resources should be spent on efforts to improve its customers' experience, not on trying to figure out a way to increase rates so that DTE is never actually financially accountable for a portion of the credits the Commission has determined it owes under the Service Quality Standards.

Q. Are there any circumstances under which the Company's recovery of an outage credit through rates may be appropriate?

A. Possibly. But those circumstances would be extremely limited and should be reviewed on a case-by-case basis. In 2022, the Commission stated, "it is reasonable that the company

[14] Crozier, p. 31.

have the ability to recover outage credits when the outage was caused by customer negligence or the transmission system operator, among other limited circumstances."[15] I agree that if the Company paid an outage credit for an outage that is determined to be due to customer negligence, it may be reasonable for the Company to recover that credit. However, attempting to recover a $38 credit does not seem like the best use of the Company's time, and as indicated above, the outage credit amount is comically small in comparison to the actual costs a customer incurs as a result of an outage, so perhaps the Company should consider the rare cases where an outage may have been due to a customer's negligence as a cost of doing business.

Q. What is your recommendation regarding the Company's outage credit proposal?

A. The Commission should deny the Company's outage credit proposal. It is an unreasonable attempt by the Company to squeeze more out of already overly burdened ratepayers for failures of the equipment that the ratepayers are already paying for through their rates and on which shareholders continue to earn a profit.

V. DTE'S STORM RESTORATION COST SHARING MECHANISM SHOULD NOT BE AUTHORIZED

Q. What is your understanding of the Company's proposed Storm Restoration Cost Sharing Mechanism?

A. The Company is proposing a Storm Restoration Cost Sharing Mechanism ("SRCSM") that would allow it to include projected storm restoration operation and maintenance ("O&M") costs in rates and then "share" the difference between the projected costs and the actual costs with ratepayers. It would do this by returning half of the difference to

[15] Order, p. 367, Case No. U-20863 (Nov. 18, 2022).

customers if actual costs are less than projected costs (i.e., recording a regulatory liability) and by recovering half of the difference from customers if actual costs are more than projected costs (i.e., recording a regulatory asset). The resulting regulatory asset or liability from each year would be included in a subsequent rate case.

Q. Is the Company's proposed SRCSM reasonable in design or amount?

A. No.

Q. What do you find unreasonable about the proposed SRCSM design?

A. I see several problems with the proposed SRCSM's design.

First, it creates problematic incentives for the Company, including motivating the Company to play a shell game with capital recovery for repairs, because repairs done before a storm or after a storm would be recovered differently from those that took place immediately after a storm. It essentially gives the Company two bites at recovery: one through the SRCSM, and one through rate recovery. If the Company "puts off" a repair that could be linked to storm recovery but rolls the truck again two weeks later, does that count against the SRCSM or other accounts? Or if something can be classified as storm recovery that would normally be a standard repair, the Company may be incentivized to do that using overtime during a year where storms are relatively mild. If the need for a restoration is directly attributable to the Company's failure to do proper maintenance on infrastructure, will that receive the same level of scrutiny on revenue requirements in the next rate case if recovered through the SRCSM as it would otherwise?

The SRCSM would also reward the Company for projecting very high estimates of storm restoration costs, so it appears to "underspend" its target. Overestimations would allow the Company to recover some monies that were never spent and thus would normally not

be properly included in rate recovery. The Company will get to keep half of every dollar it underspends on storm restoration, which incentivizes the Company to project very high storm damage costs. That is much easier to do if the system's maintenance is substandard, which gives the Company an additional incentive (beyond the normal ROE multiplier for capital vs. cost recovery for non-capital) to underspend on maintenance. Thus, DTE will be motivated to spend as little on storm restoration as possible to maximize the amount of money it can make for doing nothing.

Finally, it creates a situation in which ratepayers will be paying for investments to improve the resiliency of the grid (as well as a return on those investments), which should result in lower storm restoration costs, and then when those investments are successful in reducing such costs, half of the benefit of reduced storm restoration costs (i.e., reduced rates) will not flow to the ratepayers. As I explained in my testimony in the last rate case, DTE has told investors that one of the ways it manages to deliver premium returns is to have its O&M spend rise at half the rate of other utilities, and one of the ways it was planning to "ensure a successful 2023" was through O&M reductions including deferring maintenance. Exhibit AA-26; Exhibit AA-27. The Company's history of underspending on O&M is one of the reasons DTE delivers reliability that is much worse that other utilities. The way the SCRSM as proposed is set up would allow the Company to keep half of the savings that result from coming up to normal maintenance standards. It would be unreasonable for the Company not to pass these savings on to the ratepayers who funded the more resilient grid and suffered due to DTE's decisions to underspend on O&M for more than a decade.

Q. Has DTE been able to maintain its 5-year tree trimming cycle over the past decade?

A. No. The Company departed from its prior practice of maintaining a five-year trim cycle in 2013,[16] and it has been playing a game of catch-up ever since through a series of "enhancements" to its tree trimming program and surge funding requests to address its (at points, "three to four-year") backlog of untrimmed circuits.[17]

Q. In your view does the failure to maintain its tree trimming cycle increase storm response costs?

A. Yes, as Ann Arbor witness Tiffany Giacobazzi explains, failure to meet tree trimming goals increases reactive incidents markedly.

Q. Is the amount that storm costs have been raised by improper maintenance and falling behind on tree trimming quantifiable?

A. Yes. Historically, two-thirds of the time DTE customers spend without power is due to outages caused by tree interference.[18] As Ann Arbor witness Tiffany Giacobazzi discusses in her testimony, Ann Arbor street tree data indicates that trees trimmed less than 5 years ago require less than half the level of reactive maintenance (branches down, damaged) as those that were trimmed five or more years ago. Therefore, if the Commission approves the SRCSM, it should reduce the proposed SRCSM amount for each year using the following formula:

Step 1: Multiply the total proposed storm recovery costs by 2/3rds to account for those due to tree damage;

Step 2: Multiply the amount from Step 1 by the percentage of trees in DTE's

[16] PFD, p. 145-46, Case No. U-20162 (Mar. 6, 2019).
[17] Order, p. 75, Case No. U-20162 (May 2, 2019).
[18] Steudle, p. 5.

vegetation plan that were last trimmed 5 or more years ago;

Step 3: Divide the product from Step 2 by 2 to reflect the amount of reactive maintenance that would have been avoided; and

Step 4: Subtract the result from Step 3 from the proposed SRCSM amount. The resulting difference should be the approved SRCSM amount.

Q. What is your recommendation regarding the proposed SRCSM?

A. The Commission should deny the Company's proposed SRCSM due to its fundamental design flaws. Alternatively, if the Commission approves the SRCSM, it should adjust the amount to ensure the Company cannot escape the consequences of its long practice of deliberately restricting O&M and failing to prioritize tree trimming.

VI. THE COMMISSION SHOULD DISALLOW $39.232 MILLION OF DTE'S INCENTIVE COMPENSATION EXPENSE

Q. What is DTE requesting for incentive compensation expense?

A. DTE is requesting a total incentive compensation expense of $59.504 million. According to Table 3 on page 62 of DTE witness Michael S. Cooper's direct testimony, this amount is made up of $39.232 million for financial measures and $20.271 million for operating measures.

Q. Has the Commission provided any guidance on whether incentive compensation can be included in rates?

A. Yes. In fact, earlier this month, the Commission spent several pages on this issue in Indiana Michigan Power Company's ("I&M") most recent rate case.[19] The Commission began its discussion of the issue by stating, "for nearly two decades, it has disallowed

[19] Order, p. 84-87, Case No. U-21461 (July 2, 2024).

financially based incentive compensation in utility rates."[20] It went on to note "the Commission's long history of unequivocally disallowing financially based incentive compensation, whether it be an O&M expense or capital expenditure."[21] The Commission disallowed I&M's financially based incentive expenditures, finding them to be "unreasonable and imprudent because they are inextricably connected to earnings and cash flow and disproportionately benefit shareholders and should not be paid for by ratepayers."[22]

This is clear guidance from the Commission that ratepayers should not be paying for financially based incentive compensation.

Q. Are there any portions of the Company's incentive compensation expense that are particularly problematic?

A. Yes. The Company's Long-Term Incentive Program ("LTIP"), which accounts for $20.408 million of DTE's request for incentive compensation, is especially problematic. The only two measures for the LTIP are the total return to shareholders and the three-year operating earnings per share, and even DTE has not estimated a benefit to shareholders from the LTIP. *See*, Exhibit A-21, Schedule K6. Thus, it is clear that the expense of LTIP should not be borne by ratepayers.

Q. What is your recommendation regarding the Company's request for $59.504 million in incentive compensation expense?

A. The Commission should disallow $39.232 million of the Company's incentive

[20] *Id.* at 84.
[21] *Id.* at 86.
[22] *Id.* at 87.

compensation expense because it is for financial measures that are inextricably connected to earnings and cash flow and ultimately benefit DTE's shareholders, not its ratepayers.

VII. DTE'S FAILURE TO COMPLY WITH THE COMMISSION'S DIRECTIVE REGARDING COORDINATION IN CASE NO. U-21297

Q. Did the Commission's order in Case No. U-21297 include any directives to DTE regarding coordination with local governments?

A. Yes. The Commission's order stated, "in its next rate case, DTE Electric shall include a demonstration of its efforts to improve communication and coordination with local governments regarding construction activities."[23]

Q. Has DTE included a demonstration of such efforts in this rate case?

A. No. DTE included approximately one single page of testimony regarding its coordination with local governments, and half of that page was an explanation of what the Company currently does (and has done in the past) to communicate its already-planned projects to local governments.[24] The Company's "efforts to improve communication and coordination" include "working to improve the frequency of updates to municipalities and garnering feedback to determine their preferred methods of receiving these updates."[25]

While Ann Arbor has seen recent improvements in communications as Ann Arbor witness Skye Stewart describes, those discussions originated in gas franchise discussions, and I would defer to Michigan Municipal Association for Utilities Issues ("MAUI") witness Bunch on whether other local governments have seen similar improvements.

[23] Dec. 1, 2023 Order, Case No. U-21297, p. 361.
[24] Kryscynski, p. 101-02
[25] *Id.* at 102.

While I welcome improvements in DTE's communications with Ann Arbor, real cost savings for the City will come when the Company actually coordinates with all local governments in the planning of projects, and not just the only municipality that both has a franchise expiring with a sister utility and chooses to intervene on its own in rate cases. I believe DTE must do more to comply with the Commission's directive regarding coordination.

Q. What do you think was the purpose of the Commission's directive regarding coordination in Case No. U-21297?

A. The purpose of the Commission's directive was for DTE to include local governments in the planning and coordination of projects in their early stages in an effort to identify cost savings and efficiencies, not merely to communicate DTE's pre-planned projects to communities.

Q. Ann Arbor witness Skye Stewart shares an example of cost savings from coordination of a DTE Gas Company project with the City. Do you have any suggestions for coordination opportunities the Company could seek?

A. Yes. Though not with local governments, the Company has a low-cost opportunity to coordinate with DTE Gas Company, due to the fact that the work of both companies brings them into contact with trees and other vegetation.

In discovery, DTE admitted that its "tree trimmers are not trained to identify signs of vegetation damage due to gas leaks," and thus do not report signs of vegetation damage due to gas leaks that they observe while performing work related to tree trimming and vegetation clearing. Exhibits AA-28 and AA-29.

As Ann Arbor witness Tiffany Giacobazzi discusses in her testimony, trees damaged by

gas leaks often die from the top down, leaving dead branches at the crown. These high branches are then more likely to break loose and impact a power line than lower, healthy branches.

Thus, two-way communication between DTE Electric and DTE Gas regarding tree and vegetation health would be a low-cost way for the companies to coordinate and avoid possible damage to power lines and/or complications due to gas leaks. DTE Electric could report to DTE Gas when its tree trimming crews come across vegetation that shows signs of a gas leak, and DTE Gas could report to DTE Electric when it repairs a gas leak and discovers a nearby tree with damage that needs trimming to avoid possible electrical damage.

VIII. UNFAIR CIAC PRACTICES FOR PROJECTS THAT INVOLVE INCREASING ELECTRIC LOAD CAPACITY

Q. Has the City received complaints from developers regarding the cost of upgrading the electrical infrastructure for projects in Ann Arbor?

A. Yes. The City has received complaints regarding the wide variation in cost estimates for extending electrical service and/or expanding electrical capacity for development projects depending on their location.

Q. Are you aware of the reason for the wide variation in cost estimates?

A. As indicated in a DTE discovery response, "New development projects have a wide range of variables from site-to-site and project type." Exhibit AA-30. This likely accounts for some variation in cost estimates from site to site, however, I am concerned that the reason developers are facing large cost estimates in Ann Arbor is due to the fact that much of the City is still served by a 4.8kV system, and thus generally does not have as

much capacity as areas served by 13.2kV systems.

Q. Were you able to confirm this?

A. No. When DTE was asked pointed discovery questions on this issue, the Company declined to give a meaningful response. *See*, Exhibit AA-31 ("The Company has not performed an analysis on hypothetical examples of development projects that involve increasing the load capacity for a site.") and Exhibit AA-30 ("The Company has not performed the analysis as requested.").

However, in response to another intervenor's discovery request, the Company stated. "When compared to 4.8kV, 13.2kV equipment has 2.5 times the power capacity. This results in less equipment in the field and an overall less complex system to operate. The lower equipment and operating costs make 13.2kV a more cost effective alternative to the 4.8kV system." Exhibit AA-32.

This suggests that, as a general rule of thumb, it would indeed be more costly to upgrade the electric infrastructure of a site to serve a certain load capacity if that site were served by a 4.8kV system than it would be to upgrade another site to serve that same load capacity if that other site were served by a 13.2kV system.

Q. If it does cost more to upgrade electrical infrastructure to increase the load capacity at a site served by a 4.8kV system than it would to serve the same load capacity at a site served by a 13.2kV system, is it fair to pass that cost on to the developer as a contribution in aid of construction ("CIAC")?

A. No. DTE has stated that it plans to convert all 4.8kV grid infrastructure to a higher

voltage over time.[26] In discovery, DTE stated that the distribution voltage it plans to convert to is 13.2kV. Exhibit AA-33. A developer should not have to pay more for a project because it is sited in an area that is still served by a 4.8kV system. It is unfair for a developer to be required to cover these costs that (a) it would not have to pay if the project were sited in a newer or upgraded community with a 13.2kV system, and (b) the Company would have covered eventually when it converted the grid at that location.

Q. What do you recommend regarding the CIAC for projects that involve increasing the electric load capacity at a site that is still served by a 4.8kV system?

A. I recommend the CIAC be no more than it would be if the site were served by a 13.2kV system – that is the Company should cover the costs for increasing the capacity in the area by 2.5 times before any CIAC is charged to the developer for increased capacity. A developer should not have to pay the cost differential necessary to increase the capacity from that of a 4.8kV system to that of a 13.2kV system. Requiring the developer to cover this cost differential is unreasonable because it unfairly favors projects in newer communities and discourages increasing development density in older cities like Ann Arbor, Detroit, Grosse Pointe, and Highland Park that have not yet been upgraded to a 13.2kV system. However, ratepayers as a whole benefit from increased density by reducing the infrastructure needed to serve the customer base. Thus, it is to everyone's benefit not to adopt a policy that effectively encourages sprawl.

IX. RECOMMENDATIONS REGARDING THE POLE AND POLE-TOP MAINTENANCE AND MODERNIZATION PROGRAM

Q. Do you have any concerns regarding DTE's Pole and Pole-top Maintenance and

[26] *See*, Deol, p. 7.

Modernization ("PTMM") Program?

A. Yes. It is concerning that the backlog of uncompleted PTMM work rose to such a level that the Company paused inspections at the beginning of 2023 to "focus efforts on completing the required construction already identified," and, in 2024 and 2025, only plans to conduct inspections on poles and pole-top equipment until it runs out of funding to complete "the associated construction activities," which means it will fall behind its 10 to 12 year pole inspection cycle.[27]

Q. Why do you find this concerning?

A. As DTE witness Morgan Elliott Andahazy states on page 29 of her testimony, "Poles and pole-top equipment are some of the most critical and visible parts of the distribution and subtransmission grid, and are continually exposed to harsh conditions … causing them to degrade, weaken, and fail over time." DTE needs to be aware of the condition of this extremely important equipment, so it can properly plan for repairs and replacements. Only performing inspections until it runs out of money, rather than staying on the MPSC Staff-recommended 10 to 12 year cycle, is unreasonable and imprudent. The Company's reasoning for limiting inspections is essentially that more inspections will lead to an increased backlog of work. However, failing to inspect poles and pole-top equipment does not magically create a situation where fewer poles are in need of repair or replacement, it is just that fewer of the poles that need such work will be known to DTE. Ignoring the existence of this failing equipment may make it appear that there is a smaller backlog, but it will not mean there physically will not be a backlog. In the short term, this

[27] Andahazy, p. 48-49.

may make DTE feel better about its backlog numbers, but poor inspection processes mean that the utility will not be able to properly plan for its future needs or identify equipment that may need immediate repair or replacement. This is likely to drive up in the longer term and has been shown to be a dangerous strategy for utilities to employ. For instance, using lump-sum inspection payments instead of time and materials contracting that ensured necessary asset inspections would be completed was identified by the California Public Utility Commission as one of the root causes of wildfires for which Pacific Gas and Electric Company was found to be responsible. Exhibit AA-34.

DTE should not be given a pass to fall behind on inspections of PTMM equipment. Doing so would tee up a situation similar to the game of catch-up DTE has been playing (and ratepayers have been paying for) with tree trimming for over a decade.

X. RECOMMENDATIONS REGARDING DTE'S TRANSPORTATION ELECTRIC PLAN PROGRAMS

Q. Do you have any concerns regarding DTE's Transportation Electric Plan ("TEP") programs?

A. Yes. My main concern is that the income eligibility threshold for income-qualified Home Charger Rebates is too low.

Q. What is DTE's proposed threshold to be income-qualified for a Home Charger Rebate?

A. DTE is proposing a threshold of 200% of the federal poverty level, which would be approximately $60,000 for a four-person household.

Q. On page 41 of DTE witness Pina Bennett's direct testimony, she states that this threshold aligns with other DTE low-income programs. Why is it too low for Home

Charger Rebates?

A. Though 200% of the federal poverty level may be an appropriate threshold for other low-income programs, it is simply too low for this program. Generally, households at or below that income level are not purchasing EVs.

Q. Why are such households not purchasing EVs?

A. The EV market does not offer an affordable enough option at this point. Many individuals at that low an income level do not even own a vehicle of any type.

Q. What is your recommendation regarding the income-qualified threshold for Home Charger Rebates?

A. I recommend setting the income-qualified threshold at 400% of the federal poverty level or, alternatively, 300% of the federal poverty level at the very least. On page 42 of DTE witness Bennett's testimony, he states, "DTE Electric may need to adjust the threshold of the Home Charger Rebate program upwards to meaningfully support this segment and encourage EV adoption in Southeast Michigan." If the purpose of this program is to incentivize adoption of EVs (as it should be), it is reasonable to make this rebate available to more households to begin with and adjust the threshold downward if necessary as the EV market changes.

XI. RECOMMENDATIONS REGARDING PILOT PROGRAMS

Q. What is your recommendation regarding the residential home generator pilot?

A. The residential home generator pilot and all costs associated with it should be disallowed. As DTE has acknowledged, "climate change continues to be one of the defining issues of our time." Exhibit AA-35. The Company has a goal of reducing carbon emissions by

65% by 2028 (compared to the 2005 baseline) and of reaching carbon net zero by 2050.[28] Further, DTE has claimed it is "continuing to invest in cleaner sources of power generation," and "protecting our planet, planning for the future, [and] supporting our people and communities." Exhibit AA-35.

A program that explores the ability to remotely shift a customer's electric load to a gas generator as a demand response solution is simply not in line with the Company's stated climate goals or its claims regarding protecting our planet and planning for our future. It is unreasonable and imprudent to spend ratepayers' money exploring a program that will result in *increased* carbon emissions. If the Company wants to explore increased residential resilience and/or demand response options, it could craft a similar pilot using batteries as the remotely accessible power sources, rather than generators that rely on fossil gas.

This pilot and its associated costs should be disallowed.

Q. Do you have any recommendations regarding DTE's strategic undergrounding pilots?

A. Yes. I recommend that DTE (a) expand its strategic undergrounding pilots beyond the City of Detroit, and (b) institute a more transparent and fair process for selecting pilot locations. This goes hand in hand with the need for improved communication and coordination between DTE and local governments.

Ann Arbor has indicated its interest in having DTE do undergrounding pilots in the City to coincide with largescale street projects, but the Company has never taken advantage of

[28] Crozier, p. 9, Figure 3.

this coordination opportunity and never been provided a reason for its failure to be selected for a strategic undergrounding project.

Local governments deserve more transparency and information regarding the pilot selection process and an opportunity to be considered for projects that may be a good fit in our communities.

XII. STREETLIGHTING

Q. Have you had any involvement in Ann Arbor's Streetlight Conversion Project, which is discussed at length in Ann Arbor witness Cyrus Naheedy's testimony?

A. Yes. As the Director of the Office of Sustainability and Innovations, I have been highly involved in this project due to its connection to reducing energy use in the City.

Q. On page 18 of his direct testimony, DTE witness Robert A. Bellini stated, "the Company continues to improve the arrangements for the provision of special-order materials on behalf of municipalities that choose streetlight materials that are not included in DTE's standard streetlight offerings." Can you describe the City's experience in choosing an LED streetlight fixture that was not one of DTE's standard offerings?

A. The City's experience overall with the process of opting for a "special order material" LED fixture has not been positive. It has taken a significant amount of staff time and effort to reach an agreement with DTE regarding the LEDs the City would like to install due to the fact that they are not one of DTE's standard offerings. One of the biggest hurdles the City faced in this process was DTE's initial requirement that the City purchase, maintain, and store backstock in an amount equal to 10% of the lights installed. Though we eventually negotiated this percentage down, it still resulted in City staff

deciding it would be optimal to select only one special order LED streetlight option, even if it determined that different wattages may be better suited to different areas in the City (e.g., main roads vs. residential neighborhoods).

Q. Has DTE indicated whether customers, like Ann Arbor, who have opted to proactively convert to LED streetlights will receive any sort of credit for paying a CIAC up front?

A. No – aside from the $65 per light labor credit that does not come close to reimbursing such customers for their CIAC.

DTE does not appear to intend to offer any sort of future credit to customers who proactively covered the cost of converting to LEDs, despite the fact that all HPS fixtures will be converted to LEDs upon failure starting January 1, 2025.[29]

Q. Why do you believe communities that proactively converted to LEDs should receive a future credit in consideration of their CIAC?

A. Communities that proactively converted to LEDs prevented other communities from contributing to the cost of these conversions by covering the entirety of the cost upfront, so it was never figured into rates. It would be unreasonable, now that LEDs are the standard streetlighting technology and all communities who did not proactively convert will eventually have all their streetlights converted to LEDs at no upfront cost, to not provide a credit to early converters. Otherwise, communities like Ann Arbor will pay for their own LED conversions with no contribution from other communities, and then pay through streetlighting rates for other communities to convert to all LED streetlighting.

[29] Bellini, p. 12.

This is an absurd and unfair result.

Q. What is your recommendation on this issue?

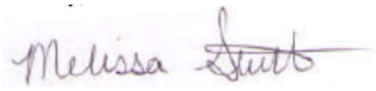
A. Communities who proactively converted their streetlights to LEDs and paid a CIAC up front should receive a credit so that they are not paying both for the entirety of their own conversions and a portion of others'.

Q. Does this conclude your direct testimony?

A. Yes.

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

A. Yes.



Dr. Melissa Stults

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

PROOF OF SERVICE

On the date below, an electronic copy of the **Direct Testimony of Tiffany Giacobazzi, Cyrus Naheedy, Skye Stewart, and Dr. Melissa Stults on behalf of the City of Ann Arbor** was served on the following:

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

Dated July 26, 2024

CITY OF ANN ARBOR

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