



August 16, 2024

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

Via E-File

RE: MPSC Case No. U-21534

Dear Ms. Felice:

Attached please find the enclosed documents for filing:

- Rebuttal Testimony of Douglas B. Jester on behalf of Citizens Utility Board of Michigan, Sierra Club, Michigan Environmental Council, and Natural Resources Defense Council; and
- Proof of Service.

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

Sincerely,

Christopher M. Bzdok
chris@tropospherelegal.com

CC: Parties to Case No. U-21534

STATE OF MICHIGAN

MICHIGAN PUBLIC SERVICE COMMISSION

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

Case No. U-21534

REBUTTAL TESTIMONY OF DOUGLAS B. JESTER

ON BEHALF OF

**CITIZENS UTILITY BOARD OF MICHIGAN, SIERRA CLUB,
MICHIGAN ENVIRONMENTAL COUNCIL, AND
NATURAL RESOURCES DEFENSE COUNCIL**

August 16, 2024

REBUTTAL TESTIMONY OF DOUGLAS B JESTER FOR MNSC
CASE NO. U-21534

TABLE OF CONTENTS

I. INTRODUCTION AND QUALIFICATIONS 1

II. REBUTTAL TO STAFF EV TESTIMONY 1

REBUTTAL TESTIMONY OF DOUGLAS B JESTER FOR MNSC
CASE NO. U-21534

1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. State your name, business name and address.**

3 A. My name is Douglas Jester, and I am a Managing Partner of 5 Lakes Energy with mailing
4 address PO Box 869, Northport MI 49670.

5 **Q. On whose behalf are you appearing in this case?**

6 A. I am appearing here as an expert witness on behalf of Citizens Utility Board of
7 Michigan, Sierra Club, Michigan Environmental Council, and Natural Resources
8 Defense Council, collectively referred to as “MNSC”.

9 **Q. Are you the same Douglas Jester who provided direct testimony in this proceeding?**

10 A. Yes, I am.

11 **II. REBUTTAL TO STAFF EV TESTIMONY**

12 **Q. What is the purpose of your rebuttal testimony?**

13 A. The purpose of my rebuttal testimony is to respond to the direct testimony of Staff
14 witnesses Allan D. Freeman and Nicholas M. Revere regarding electric vehicles (“EVs”).

15 **Q. What aspects of witness Freeman and Revere’s testimony will you address?**

16 A. I am rebutting Mr. Freeman’s testimony regarding:

17 a) the consideration of DTE Electric’s Transportation Electrification Plan (“TEP”) in this
18 and other rate cases;

19 b) his recommendation to disallow \$8 million of DTE Electric’s proposed spending on
20 eFleet and Business Charger rebates; and

REBUTTAL TESTIMONY OF DOUGLAS B JESTER FOR MNSC
CASE NO. U-21534

1 c) his recommendation to disallow \$1 million of DTE Electric’s proposed spending for
2 Residential Customer rebates.

3 I am rebutting Mr. Revere’s testimony regarding his recommendation to require customer-
4 level cost benefit analyses for “Fleet – Other DCFCs” and “Fleet – Other Level 2” rebate
5 recipients.

6 **Q. What does witness Freeman testify regarding consideration of DTE Electric’s**
7 **Transportation Electrification Plan?**

8 A. Witness Freeman represents that the Staff view is that the discussion and evaluation of
9 DTE Electric’s TEP be deferred to a future date and proceeding.¹ He specifically asserts
10 that “The Company’s current rate case is not the appropriate venue for discussion and
11 criticism of its TEP.”² I am not a lawyer, but that assertion appears to deny intervenors the
12 ability to examine the evidence supporting proposed spending and accounting practices in
13 the present case and would therefore deny due process rights of affected persons. Until and
14 unless the Commission provides a different venue in which discovery, testimony, and cross
15 examination are available in a contested case culminating in Commission decisions on
16 matters presented in the TEP, the Commission should not limit the consideration of the
17 TEP in the rate case wherein the Commission might approve spending and accounting

¹ Direct testimony of Allan D. Freeman, 10:5-6.

² Direct testimony of Allan D. Freeman, 7:9-10.

REBUTTAL TESTIMONY OF DOUGLAS B JESTER FOR MNSC
CASE NO. U-21534

1 authorizations.

2 Witness Freeman’s rationale is, in part, that “Staff proposed to adopt a similar strategy as
3 the Commission is employing in Case No. U-20147 for its examination of distribution
4 plans.”³ My perspective as a frequent participant in rate cases on subjects that are covered
5 in distribution plans filed in U-20147 is that that process is not working well. MNSC
6 comments in docket U-20147 thoroughly present our perspective on the efficacy of the
7 current distribution plan process.⁴ In short, consideration of distribution plans in a non-
8 contested case that are then used as the basis for utility proposals in rate cases has not
9 simplified rate cases nor substantially improved utility accountability for results.

10 **Q. How should the Commission respond to the Staff recommendation that the DTE**
11 **Electric TEP not be considered in this case?**

12 **A.** The Commission should reject that recommendation and consider the TEP in this case.

13 **Q. What is the basis for witness Freeman’s recommendation to disallow \$8 million of**
14 **DTE Electric’s proposed spending on eFleet and Business Charger rebates?**

15 **A.** Witness Freeman states:

16 “The Business and eFleet Charger Rebates \$16 million request is the
17 foundational piece of the Company’s overall \$24,980,000 proposed EV
18 budget request. Staff is uncomfortable with this large, requested amount. It
19 represents a significant increase from past rebate programs. Instead, Staff
20 would like to see the Company implement a scaled down rebate effort. By
21 moving at a more deliberate speed, DTE Electric would still be able to
22 discover if its revised rebates plans accomplish their intended goals.”

REBUTTAL TESTIMONY OF DOUGLAS B JESTER FOR MNSC
CASE NO. U-21534

1 **Q. What is your response to this recommendation by witness Freeman?**

2 **A.** The Commission should reject this recommendation.

3 First, the Commission should note that DTE Electric’s benefit-cost analysis (“BCA”),
4 which I testified in direct testimony is a ratepayer impact analysis and not a benefit-cost
5 analysis, clearly shows that DTE Electric and therefore its non-participating customers
6 obtain revenue from EV adoption that exceeds the cost of providing charging services.⁵
7 Thus any barrier to EV adoption harms non-EV customers by increasing future rates.

8 Second, DTE proposes to defer recovery of all rebate spending as a regulatory asset. Thus,
9 there is no effect of the proposed Business and eFleet Charger Rebates on the rates to be
10 adopted as an outcome of the present case. Thus, if actual spending on these rebates is less
11 than projected by DTE Electric, those projected costs will not be recovered. There is no
12 risk to customers that DTE Electric will receive revenue to pay for these rebates without
13 the rebates actually being paid.

14 Third, each of the Business and eFleet Charger rebates proposed by DTE Electric is likely
15 to occur only as a result of EV adoption driving demand for charging. Each of these rebates
16 requires material investment by the charging host that they are unlikely to make without
17 reasonable expectation of usage. It is therefore unlikely that DTE Electric will actually pay
18 out rebates inconsistent with EV adoption and consequent charging revenues to DTE
19 Electric that will more than cover the rebates. This can be reviewed and confirmed when
20 the deferred costs are rolled into future rates and the amortization period can be adjusted

⁵ Direct testimony of Pina Bennett, PB-56:17 through PB-58:5.

REBUTTAL TESTIMONY OF DOUGLAS B JESTER FOR MNSC
CASE NO. U-21534

1 to ensure that these EV charging investments are paid for by EV charging revenues.

2 **Q. What is the basis for witness Freeman’s proposal to disallow \$1 million of DTE**
3 **Electric’s proposed spending on Residential Customer Rebates?**

4 **A.** The Commission should note that the proposed Residential Customer Rebates are targeted
5 to low-income households.⁶ Witness Freeman asserts:

6 “Staff agrees with DTE Electric that the low-income segment faces unique
7 challenges for EV adoption and infrastructure. The Company is proposing
8 some changes to its existing EV programs to better focus on this segment.
9 Before awarding the full \$3,126,000, Staff would like to see if the
10 Company’s efforts successfully address these challenges. If the revised
11 programs have a real impact, DTE Electric can seek additional funding in a
12 subsequent rate case. Consequently, Staff recommends a \$1,000,000
13 disallowance.”

14 **Q. What is your response to this recommendation by witness Freeman?**

15 **A.** As is the case for the eFleet and Business Charger rebates discussed above, these
16 Residential Charger Rebates will only be spent if qualifying households are acquiring EVs,
17 and when they acquire EVs the charging revenues should pay for the rebates. Because
18 recovery of these rebates will be deferred to a regulatory asset, there is no risk of rates
19 including funding of rebates that are not paid out. Therefore, this disallowance is not
20 warranted.

21 **Q. Do you have any further observations regarding the testimony of Witness Freeman?**

22 **A.** Yes. The specific recommendations of witness Freeman reflect an invalid framing of EV
23 programs by Staff. They appear to view EV program spending as costly to other customers.

⁶ Direct testimony of Pina Bennett, PB-37, Table 8.

REBUTTAL TESTIMONY OF DOUGLAS B JESTER FOR MNSC
CASE NO. U-21534

1 In fact, EV adoption dilutes rates for other customers to the extent that EV charging
2 revenues exceed utility costs for EV programs, power supply for EVs, and distribution
3 system costs for EV charging. So long as that condition is satisfied, all utility customers
4 are better off if EV adoption is rapid. Thus, there should not be functional quantitative
5 limits on EV charging programs, but rather a clear linkage to EV adoption that assures that
6 all costs of EV programs are ultimately paid for by EV charging revenues.

7 **Q. What is the basis for Witness Revere’s recommendation that DTE perform individual**
8 **customer-level benefit cost analyses for Fleet customers and to require that each**
9 **project produce net ratepayer benefits?**

10 A. Witness Revere proposes that the net benefits of the “Fleet – Other DCFCs” and “Fleet –
11 Other Level 2” presented by DTE Electric in its direct testimony can be achieved with
12 “proper project selection” but that to ensure the claimed benefits a cost-benefit analysis
13 should be performed on each potential project to ensure that the “expected benefits to the
14 ratepayers supporting the program through rates from the increased grid utilization
15 outweigh the costs of any rebates or increased system costs creating upward pressure on
16 rates”.⁷

17 **Q. What is your concern regarding Witness Revere’s testimony on this matter?**

18 A. As I discussed in my direct testimony in the present case, the “benefit-cost analysis”
19 provided by DTE Electric is not a benefit-cost analysis, but a ratepayer impact analysis.
20 Witness Revere’s testimony on this topic reflects that his view is that only positive

⁷ Direct testimony of Nicholas M. Revere, 7:1-8.

REBUTTAL TESTIMONY OF DOUGLAS B JESTER FOR MNSC
CASE NO. U-21534

1 ratepayer impact, in the form of diluted rates for all other customers, is a net benefit.
2 Witness Revere would apply that standard to charging infrastructure for individual fleet
3 customers using either DCFC or Level 2 chargers. While I mostly agree with his view that
4 utility programs supporting transportation electrification should be tailored to avoid or limit
5 net cost to other customers, I do not agree that this criterion should be applied to each
6 instance of charging infrastructure.

7 I appreciate that Witness Revere now appears to accept my long-standing argument that
8 network effects are important, and that public charging infrastructure need not provide full
9 cost recovery for each charging site. His view appears to be that the criterion of net
10 ratepayer benefits need only apply to the public charger programs in aggregate but not to
11 each charging site, while my testimony is that public charging program costs may also be
12 justified by net revenue from all public and private charging.

13 Regarding utility support for private fleet charging, other than for school busses and transit
14 vehicles, I would concur with Witness Revere's view that these facilities do not provide
15 significant network effects that warrant consideration of net revenue from private charging
16 as an offset to public charging costs. However, I view a net benefit to other customers from
17 the *overall* fleet charging program as sufficient and appropriate.

18 The addition of fleet charging in any given location is subject to the same considerations
19 that I raised in direct testimony with respect to all charging. If EV charging is projected to
20 be common, the costs of utility distribution system upgrades should be socialized and those
21 socialized costs should be netted out of aggregate charging revenue before considering that
22 the net revenue from individual chargers is available for rebates or other support for

REBUTTAL TESTIMONY OF DOUGLAS B JESTER FOR MNSC
CASE NO. U-21534

1 individual customers. If each individual charging installation is subject to cost recovery,
2 substantial inequities may result. For example, a fleet charging facility might not trigger an
3 upgrade of a primary circuit because it has adequate capacity while a fleet charging facility
4 in another location or a subsequent fleet charging facility on the same circuit might trigger
5 an upgrade because of EV charging already situated on that same shared distribution
6 facility.

7 Fleet charging may have particularly high societal benefits that Witness Revere excludes
8 from consideration, and ignoring those benefits while requiring a positive ratepayer impact
9 for individual fleet charging facilities may do significant harm to certain communities. For
10 example, a fleet charging location that supports significant local heavy-duty vehicle traffic
11 might have very large local emissions and health effects for modest miles traveled that
12 would mean modest incremental electricity sales. For many environmental justice
13 communities, these types of facilities are key issues. Examples of these types of facilities
14 are ports, intermodal facilities, transloading facilities, drayage operations at logistics
15 centers, or trucks that transport parts to assembly plants. Because Staff would exclude these
16 types of benefits from consideration in a site-specific benefit-cost analysis, I recommend
17 that the Commission not require each individual facility to produce net revenue to the
18 utility in order to partake in utility transportation electrification programs.

19 **Q. Does that complete your rebuttal testimony?**

20 **A.** Yes.

STATE OF MICHIGAN

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Proof of Service

On the date below, an electronic copy of **Rebuttal Testimony of Douglas B. Jester on behalf of Citizens Utility Board of Michigan, Sierra Club, Michigan Environmental Council, and Natural Resources Defense Council** was served on the following:

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{signature on following page}

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

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

Date: August 16, 2024

By: _____

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