

S T A T E O F M I C H I G A N
B E F O R E T H E M I C H I G A N P U B L I C S E R V I C E C O M M I S S I O N

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**In the matter on 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
ELAINA M. BRAUNSCHWEIG
MICHIGAN PUBLIC SERVICE COMMISSION

August 16, 2024

**REBUTTAL TESTIMONY OF ELAINA M. BRAUNSCHWEIG
CASE NUMBER U-21534**

1 Q. Are you the same Elaina M. Braunschweig who filed direct testimony on behalf
2 of the Michigan Public Service Commission Staff (Staff) in the instant case?

3 A. Yes, I am.

4 Q. What is the purpose and structure of your rebuttal testimony?

5 A. The purpose of my rebuttal testimony is to present Staff's response to certain
6 positions taken by Soulardarity and We Want Green, Too, (together the Detroit
7 Area Advocacy Organizations or DAAO) witnesses Jackson Koepfel, Justin
8 Schott, Toyia Watts, Yunus Kinkhabwala, and Arjun Makhijani. Additionally, I'll
9 address positions taken by Environmental Law and Policy Center's (ELPC)
10 witness Willian Kenworthy and Natural Resources Defense Council/Michigan
11 Environmental Council's (NRDC/MEC) witness Roger Colton. Since the
12 testimonies share many similar recommendations, my testimony will be structured
13 based on categories of issues in the following order:

- 14 1. Affordability-Based Rates Arguments
- 15 2. Percentage of Income Payment Plan Proposals
- 16 3. Closing the Energy Burden/Affordability Gap
- 17 4. Research and Study Proposals
- 18 5. Low Income Assistance Credit and Residential Income Assistance
19 Credit Reform Proposals
- 20 6. Summary

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22
23

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1. Affordability-Based Rates Arguments

1
2 Q. Please summarize the arguments made in testimonies regarding affordability-
3 based rates.

4 A. DAAO witnesses Jackson Koepfel and Arjun Makhijani made recommendations
5 on pages 24 and 63 of DAAO witness Koepfel’s testimony and page 56 of
6 DAAO witness Makhijani’s direct testimony to seek Commission approval for a
7 universal affordability program that would be available to all residential
8 customers. DAAO witness Justin Schott also recommended a unified affordability
9 program on page 58 of direct testimony and, on page 69, capping all customers’
10 rates at 6% of their income.

11 Q. What is your position on these proposals?

12 A. My position is that these proposals not be approved by the Commission due to
13 prevailing statutes.

14 Q. What statutes do you cite?

15 A. I cite MCL 460.11, subsections 1 and 2 and MCL 460.10(t) to raise the issue of
16 eligibility for low-income rates and revenue allocation. Legal application of
17 statutes will, however, occur in brief. Additionally, I raise the issue of verifying
18 all incomes with universal enrollment.¹ Hurdles to implementing a percent-of-
19 income rate proposal for all residential customers include building necessary trust
20 with customers to collect sensitive data (like income), the difficulty to get all
21 customers to respond to an income query and the likelihood of high staffing costs
22 to update income annually. Staff supports customers reaching out and receiving

¹ “Universal enrollment” is enrolling all residential customers regardless of their income level.

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1 assistance if eligible but does not currently support requiring income reporting of
2 all customers.

2. Percentage of Income Payment Plan (PIPP) Proposals

3
4 Q. Please summarize the proposals relating to PIPPs in direct testimonies of
5 intervening parties' witnesses.

6 A. A brief summary is as follows: DAAO witness Justin Schott proposed on page 68
7 of direct testimony to accelerate the development of PIPPs. DAAO witness Toyia
8 Watts proposed on page 15 of direct testimony to approve a unified form of
9 assistance or a PIPP. On pages 18 through 19 of direct testimony, DAAO witness
10 Yunus Kinkhabwala proposed a PIPP as the most comprehensive bill-assistance
11 approach to reducing energy burdens and that it should be implemented for
12 customers whose income is at or below 200% of the federal poverty level (FPL).

13 Q. Do you support these proposals?

14 A. No; as described in my direct testimony, evaluating the cost and effectiveness of
15 Consumers Energy's and DTE Energy's PIPP pilots is what the EAAC's
16 Affordability, Alignment, and Assistance subcommittee and Staff are currently
17 working on. Staff does not support the premature approval of a full-scale PIPP
18 and recommends the Commission allow this analysis and energy assistance
19 restructuring recommendations to come from the AAA and Staff and hold off on
20 utility energy assistance programmatic changes until that point.

21 Additionally, it is relevant to reference the statute MCL 460.11(2) and its
22 corresponding list of eligibility criteria under MCL 460.10(t) as in the previous
23 section. Legal interpretation of statutes, will, however, occur in Staff's brief.

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3. Closing the Energy Burden/Affordability Gap

1
2 Q. What proposals were made to financially quantify and close the gap between the
3 current energy assistance available (in dollars) and what is considered
4 “affordable?”

5 A. On page 24 of direct testimony, DAAO witness Koeppel proposed the
6 Commission approving a charge of 0.743 cents per kWh for all customers, which
7 is what DAAO witness Makhijani estimated as the cost to close the energy
8 affordability gap for all residential customers based on DTE’s projections.²
9 Additionally, DAAO witness Kinkhabwala also proposed approving a charge of
10 0.18 cents per kWh to just fund an additional \$10 million in energy assistance on
11 page 30 of direct testimony. On pages 8 and 9 of DAAO witness Kinkhabwala’s
12 testimony, they calculate \$90 million of “available” funding for their proposed
13 PIPP by including federal Low-Income Home Energy Assistance Program
14 (LIHEAP) and Michigan Energy Assistance Program (MEAP) dollars. I could not
15 find a calculation for how witness Kinkhabwala calculated that number.

16 Q. What is your reaction to these proposals?

17 A. It is unclear how these funding factors would be levied on all customers if DAAO
18 also proposes limiting all residential customer bills to 6% of income. Approving
19 these proposals could lead to significant revenue shortfalls or increases in the
20 residential class and could complicate the Commission’s compliance with MCL
21 460.11(1) and MCL 460.11(2), since it seems DAAO witness Koeppel’s 0.743
22 cent per kWh surcharge would fund a universal affordability program for all

² Direct testimony of DAAO witness Arjun Makhijani, page 28

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1 customers that express a difficulty paying their bills.³ Furthermore, there is an
2 additional issue with generating the revenue through a surcharge to fund the
3 proposal. Customers with capped bills may not generate any revenue via the
4 surcharge due to their bill being capped, which would lead to a revenue shortfall
5 for both funding the initiative *and* for base rates. If the revenue from a customer's
6 bill is applied to the surcharge first, then the capped-bill customer would
7 contribute even less to base rates, thus exacerbating the revenue shortfall from the
8 residential class.

9 I therefore do not support these proposals and instead reiterate the Commission
10 should allow analysis of energy assistance restructuring and associated
11 recommendations to come from the AAA and Staff reports and hold off on utility
12 energy assistance programmatic changes until that point. DAAO's witnesses'
13 proposals would complicate the energy assistance landscape even more, which
14 conflicts with DAAO witness Watts' testimony to make energy assistance more
15 unified.⁴ Staff supports streamlining assistance, but recommends it be
16 accomplished in the Commission's EAAC in a coordinated and collaborative
17 fashion across all investor-owned utilities, as the workgroup has already dedicated
18 time and education to how energy assistance can be better utilized and
19 streamlined.

4. Research and Study Proposals

³ Direct testimony of DAAO witness Koepfel, page 25

⁴ Direct testimony of DAAO witness Watts, page 15

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1 Q. What research and studies did intervening parties’ witnesses propose in direct
2 testimonies?

3 A. On page 77 of direct testimony, DAAO witness Schott recommended the
4 Commission’s low-income workgroups research and submit affordability
5 structures to the Commission 90 to 120 days after the final order in the instant
6 case.

7 Q. What is your reaction to these recommendations?

8 A. DAAO witness Schott’s recommendation is, if I interpret “affordability
9 structures” correctly, already underway in the development of utility PIPP reports
10 and in the AAA subcommittee as the group and Staff work to ensure bill impact is
11 considered in the analysis of utility energy assistance. The Commission should
12 therefore not approve this duplicative work, the proposed deadline for which
13 should coincide with Staff’s timeline for PIPP reporting and analysis, mentioned
14 in my direct testimony.

15
16 **5. Low Income Assistance Credit (LIA) and Residential Income**
17 **Assistance Credit (RIA) Reform Proposals**

18 Q. Please summarize the testimony making recommendations to restructure the RIA
19 and LIA credits.

20 A. NRDC/MEC witness Roger Colton provided testimony recommending the RIA
21 remain at \$8.50 per month but redirecting RIA credits to those with special needs⁵
22 up to 250% of the federal poverty level (FPL) or 60% of state median income

⁵ He seems to define “special needs” as those who are on protection plans on page 27 of his testimony.

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1 (SMI),⁶ making public assistance a qualifier for RIA,⁷ transfer RIA customers to
2 become LIA customers,⁸ put those new LIA customers on a tiered LIA credit
3 structure,⁹ and reconcile costs on an annual basis.¹⁰ Additionally, he recommends
4 removing the capped enrollment on RIA and LIA¹¹ and expanding LIA
5 enrollment to include self-attestation of other benefits.¹²

6 Q. Do you agree with witness Colton’s proposals mentioned above?

7 A. No, I do not. As I already mentioned in direct testimony and in this rebuttal
8 testimony, Staff recommends the Commission allow energy assistance
9 restructuring analysis and recommendations to come from the AAA and Staff
10 reporting on LIA, RIA, and PIPP pilots and hold off on utility energy assistance
11 programmatic changes until that point.
12 Staff’s rebuttal of NRDC/MEC witness Colton and many other intervenors’
13 recommendations reinforce the importance of allowing this work to occur through
14 the chronological format of a utility report, Staff-response, a comment-period, and
15 Commission order. Staff’s issues with many of witness Colton’s
16 recommendations show how the complicated landscape of energy assistance can
17 lead to misunderstandings and recommendations that have significant hurdles to
18 implement—or recommendations that are already occurring or have been
19 identified as problem-areas by the EAAC. Ultimately, however, the Commission

⁶ Direct Testimony of NRDC/MEC witness Roger Colton, p. 4

⁷ *Id.*

⁸ Direct Testimony of NRDC/MEC witness Roger Colton, p. 5

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.*

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1 does not have jurisdiction over many areas of the energy assistance landscape, as I
2 will discuss in order of the listed recommendations, above.

3 Responding to NRDC/MEC witness Colton’s first proposal Staff identified, the
4 RIA and LIA are the Commission’s initial fulfillment of and authorized under
5 MCL 460.11(2), with eligibility defined in MCL 460.10(t), and Staff recommends
6 utility-based low-income programs adhere to those statutes. For clarification, the
7 RIA is currently held equal to the residential customer charge, so it could change
8 amounts consistent with the Commission’s final order on the customer charge in
9 the instant case. It is unclear from NRDC/MEC witness Colton’s testimony if the
10 RIA and LIA would have overlapping customers from 0-150% of the FPL under
11 his proposal or explicitly how the RIA and LIA would have distinct customer
12 pools. In response to the identified second proposal, many forms of public
13 assistance are qualifiers for the RIA,¹³ however, only LIHEAP programs¹⁴ and
14 MEAP programs can realistically automatically enroll a customer in the RIA
15 because of privacy restrictions within the Michigan Department of Health and
16 Human Services (MDHHS). So, even though SNAP and Medicaid are eligibility
17 criteria under statute, MDHHS does not currently allow the release of those
18 recipients’ information or corresponding utility accounts to be shared with
19 utilities. This is something that the AAA discussed and tried to (unsuccessfully)
20 negotiate with MDHHS representatives. Third, Staff does not support
21 programmatic changes being made to the RIA and LIA at this time, since these

¹³ SNAP, Medicaid, MEAP and LIHEAP programs

¹⁴ State Emergency Relief, Home Heating Credit, and programs such as Energy Direct that MDHHS may allocate additional dollars to.

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1 programs are under review. This includes but is not limited to changing the
2 structure of how the credit is used, increasing the credit amount of and increasing
3 enrollment of the LIA credit. Staff responds to NRDC/MEC witness Colton’s
4 statements, however, by noting that the RIA is already an uncapped program,
5 meaning all that qualify and/or apply can receive the credit. Its enrollment is
6 simply projected in each rate case and costs are recovered by ratepayers. Fourth, I
7 find it imprudent to not have a cost estimate or study done to know how much
8 NRDC/MEC witness Colton’s tiered LIA would cost, even if its cost differences
9 would be reconciled, according to pages 37 and 38 of witness Colton’s direct
10 testimony. This is one reason why Staff supported a percentage of income
11 payment plan pilot, since pilots allow interested parties to understand the costs
12 and outcomes of energy assistance programs.

13 Finally, to my understanding, DTE offers self-attestation to RIA customers even
14 though it is not explicit in the tariff, so I therefore propose to add language to the
15 RIA and LIA tariff language to explicitly say that:

16 “If a customer does not meet any of the above requirements, a low-income
17 verification form will be provided by the Company for the customer to complete
18 and return.” This is standard language that has been approved by the Commission
19 for other utilities. Most notably in MPSC Case No. U-20917 for DTE Gas
20 Company, in which language similar to the above language was added to the
21 Income Assistance Service Provision (RIA).¹⁵ Since Staff believes this practice is
22 already occurring, the language should be added to both the RIA and LIA

¹⁵ See MPSC Case No. U-20917 1/21/2021, Order and 12/2/2020 revised Attachment 1.

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1 (currently rate schedule D1.6) regardless of the Commission's decision on
2 discontinuing schedule D1.6.

6. Summary

3
4 Q. Please summarize your rebuttal testimony.

5 A. I recommend the Commission reject the following proposals from intervening
6 parties:

7 Offering universal residential percentage of income capped rates;

8 Implementing percentage of income payment plans for income-qualified

9 customers before the Commission reviews the outcomes of the Company's pilot;

10 Implementing surcharges to close the energy affordability gap;

11 Having the EAAC provide duplicative analyses on affordability structures; and

12 Reworking the entire structure of the RIA and LIA and expanding the LIA

13 program.

14 However, Staff does support making the self-attestation option for the RIA and

15 LIA explicit in the Company's tariff and the Commission should approve adding

16 that language to the tariff language that Staff is already proposing.

17 Q. Does this conclude your rebuttal testimony?

18 A. Yes, it does.

S T A T E O F M I C H I G A N
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * *

In the matter of the Application of)	
DTE ELECTRIC COMPANY)	
for authority to increase its rates, amend)	Case No. U-21534
its rate schedules and rules governing the)	
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<u>for miscellaneous accounting authority.</u>)	

REBUTTAL TESTIMONY OF
DAVID W. ISAKSON
MICHIGAN PUBLIC SERVICE COMMISSION

August 16, 2024

**REBUTTAL TESTIMONY OF DAVID W. ISAKSON
CASE NUMBER U-21534**

1 Q. Are you the same David W. Isakson who sponsored direct testimony on behalf of
2 Michigan Public Service Commission (MPSC) Staff (Staff) in the instant case?

3 A. Yes.

4 Q. What is the purpose of your rebuttal testimony?

5 A. In my rebuttal testimony I will provide Staffs response and recommendations
6 regarding the direct testimony of the following parties' witnesses: Great Lakes
7 Renewable Energy Association (GLREA); Clean Energy Organizations (CEO)¹;
8 Detroit Area Advocacy Organizations (DAAO)²; MNSC³; CUB, MEC, and
9 NRDC⁴; and the City of Ann Arbor (Ann Arbor).

GLREA

Demand response critical peak rebate (CPR) pilot

13 Q. GLREA witness John Richter recommends that the Company should propose a
14 CPR pilot in its next rate case or demand response (DR) reconciliation case.⁵

15 Does Staff have any concerns about CPR rates?

16 A. Yes. CPR rates typically produce less per customer demand reduction than
17 dynamic peak pricing (DPP) rates. A DPP rate, like the Company's Rate D1.8, is
18 basically the inverse of a CPR. Rather than offer a bill credit for load reduction
19 during an event a DPP rate has a very high energy charge during peak events. The

¹ CEO is made up of the Ecology Center, the Environmental Law & Policy Center, the Union of Concerned Scientists, and Vote Solar.

² DAAO is made up of Soulardarity and We Want Green, Too.

³ MNSC is made up of Michigan Environmental Council, Natural Resources Defense Council, Sierra Club, and Citizens Utility Board of Michigan.

⁴ Citizens Utility Board of Michigan, Michigan Environmental Council, and Natural Resources Defense Council.

⁵ Direct testimony of GLREA witness John Richter, p 46, lines 2-5.

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1 two key differences between the rates are that a CPR measures load reduction
2 against a baseline, which must be imputed on historic usage data, and the cost of
3 bill credits for CPR get spread to all customers. DPP rates on the other hand offset
4 the very high peak event energy charge with a rate discount for all off-peak hours.
5 CPR customers are rewarded with a bill credit for load reductions during peak
6 events, whereas DPP customers are rewarded during off-peak hours. A DPP rate
7 is effectively a more extreme time-of-use (TOU) rate with a variable peak day.
8 This is all to say that excess revenue created during the peak event offsets the
9 discount on a DPP rate, making the load reduction effectively revenue neutral for
10 all power supply customers. Meanwhile all customers must pay for the bill credits
11 of CPR customers because there is no offsetting charge in its design. This has the
12 effect of making CPR rates both less effective for demand reduction and at a
13 greater cost than the alternative DPP rate. Staff's concern does not mean the
14 Commission should reject GLREA witness Richter's proposal, but instead Staff is
15 providing additional context to the discussion of whether or not CPR rates are a
16 worthwhile endeavor. GLREA witness Richter provided a list of other utilities
17 across the country that offer CPR rates but did not include details on those
18 programs' cost effectiveness. Should the Commission approve GLREA witness
19 Richter's proposal for the Company to propose a CPR rate then the Commission
20 should also carefully consider its cost effectiveness.

CEO

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Regression analysis

1
2 Q. Should the Commission rely on the regression analysis provided by CEO witness
3 Boratha Tan when making determinations in the instant case?

4 A. No. As mentioned by CEO witness Tan, the Company, CEO, and Staff have been
5 meeting and working on a regression analysis of customer demographics and
6 reliability.⁶ Rather than dispute the veracity of CEO witness Tan's regression
7 analysis Staff recommends that the Commission rely on the product of Staff, CEO
8 and the Company's joint effort of creating a statistically reasonable and
9 informative regression analysis.

DAAO

Eliminating Rate D1.6

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11
12
13 Q. If the Commission denies the Company's proposal to eliminate Rate D1.6 should
14 the low-income assistance (LIA) credit and its associated tariff language be made
15 available to all other residential rate schedules?⁷

16 A. Yes. Closing Rate D1.6 and making the LIA credit available to customers on all
17 residential rates are separate issues. The Commission need not approve the
18 entirety of the Company's proposal regarding D1.6, though Staff recommends the
19 Commission do so. DAAO witness Jackson Koepfel recommends that the
20 Commission reject the Company's proposal to retire Rate D1.6 and also require
21 the Company to provide another analysis of the potential impacts of TOU rates

⁶ Direct Testimony of CEO witness Boratha Tan, p 6, line 3 through p 7, line 12.

⁷ Direct Testimony of Company witness Aaron Willis, p 25, lines 6-11.

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1 for low-income customers.⁸ However, in his description of the Company's
2 proposal to transition current Rate D1.6 customers to other residential rates
3 DAAO witness Koepfel fails to mention the fact that those customers would
4 *continue to receive the \$40 per month LIA credit on their new rates.*⁹ This is only
5 made possible by updating the tariffs for all other residential rates as proposed by
6 Staff witness Elaina Braunschweig.¹⁰

7 For these reasons and those provided in my direct testimony¹¹ Staff
8 recommends that the Commission approve the Company's proposal to make the
9 LIA credit available on all residential base rate schedules, transition Rate D1.6
10 customers to the default residential Rate D1.11, and retire Rate D1.6.

MNSC

Rate design

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12
13
14 Q. Is MNSC witness Douglas Jester correct in his description of the Company's
15 residential and commercial electric heating rates?

16 A. No. MSNC witness Jester avers that the Company currently offers residential and
17 commercial electric heating rates, but that those rates are not a substitute for
18 conducting a class cost of service study (COSS)¹² with separate classes for multi-
19 family and electric space heating customers. MSNC witness Jester describes these
20 rates as mostly interruptible, requiring separate metering, or only available for

⁸ Direct Testimony of DAAO witness Jackson Koepfel, p 40, lines 11-16.

⁹ Direct Testimony of DAAO witness Jackson Koepfel, p 34, lines 5-13.

¹⁰ Direct Testimony of Staff witness Elaina Braunschweig, p 9, lines 1-35.

¹¹ Direct Testimony of Staff witness David Isakson, p 8, lines 1-13.

¹² Utility Cost of Service Study (UCOS), Class Cost of Service Study (CCOSS), and Cost of Service Study (COSS) are all different names for the same analysis.

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1 geothermal space conditioning.¹³ Except for rate D1.7, the geothermal space
2 conditioning rate, MSNC witness Jester's description of electric space heating
3 rates is not accurate.

4 Q. Please describe Rate D2.

5 A. Rate D2 is the residential electric space heating rate and is the only one of its kind
6 in the Company's service offering. That rate is not interruptible and does not
7 require a separate meter. Rate D2 is already separate from other residential
8 customers in the COSS, and thus offers some degree of insight into the costs
9 caused and recovered by electric heating customers. The rate does not include any
10 time-of-use (TOU) pricing mechanisms but does have seasonal capacity charges.
11 Rate D2 is also notable in that it charges much less per kWh of power supply
12 (\$0.0708/kWh) compared to the standard residential Rate D1.11 (\$0.0922/kWh),
13 or the more comparably designed non-transmitting meter Rate D1
14 (\$0.0938/kWh). Electric heating requires a substantial amount of energy for space
15 heating, so the average total bill on Rate D2 is still higher than for other
16 residential customers despite the disparity in prices. Rate D2 has been closed to
17 new customers since December 17, 2015.

18 Q. What does Staff recommend regarding MNSC witness Jester's recommendation
19 that the Company be required to submit an alternative COSS that separates
20 residential customers into Multi-Family, Single-Family with electric heat, and
21 Single-Family with non-electric heat?¹⁴

¹³ Direct Testimony of MNSC witness Douglas Jester, p 25, lines 7-15.

¹⁴ Direct Testimony of MNSC witness Douglas Jester, p 28, lines 4-8.

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1 A. Staff recommends that if the Commission were to approve MNSC witness Jester's
2 recommendation that the alternative COSS also separate Multi-Family residential
3 customers by heating type. This would result in a COSS that had separate
4 residential classes for:

- 5 1. Multi-family with electric space heating
- 6 2. Multi-family without electric space heating
- 7 3. Single-family with electric space heating
- 8 4. Single-family without electric space heating

9 It is not reasonable to only distinguish between method of space heating for
10 single-family customers and not multi-family if one expects to find differences
11 between those customers. If service for single-family customers and multi-family
12 customers is unlike then it is for a different reason than how service for electric
13 space heating and non-electric space heating customers is unlike.

14 Q. Please provide Staff's analysis of MNSC witness Jester's rate design changes.

15 A. The rate design changes described by MNSC witness Jester would affect the
16 different customer classes to incredibly different degrees, and it has to do with
17 how rates are structured for each class and the number of customers on each rate
18 design.¹⁵ The changes would range from being duplicative to currently approved
19 rate design to totally upending customers' bills. It also depends on which method
20 of production plan cost allocation the Commission approves, under MNSC
21 witness Jester's proposed rate design change.

22 Q. How would MNSC witness Jester's rate design affect residential rates?

¹⁵ Direct Testimony of MNSC witness Douglas Jester, p 22, line 3 through p 23, line 7.

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1 A. Under MNSC witness Jester’s proposal residential rates would largely remain the
2 same save for a longer peak season and therefore shorter off season. The majority
3 of residential customers are served on the default Rate D1.11, which is a TOU
4 rate where more revenue collection is designed to happen during on-peak summer
5 periods. One of the key pillars of MNSC witness Jester’s rate design is
6 seasonality, and virtually all residential customers already take service on a
7 seasonal rate. Adjusting the length of those seasons would likely not affect the
8 charges paid by customers materially. Power supply capacity charges already
9 collect less revenue than non-capacity charges so any changes to how capacity
10 revenue is collected would be much less noticeable on the customer’s bill. A
11 typical customer’s main price signal is their overall monthly bill, so Staff finds it
12 unlikely that a change to rate design as described by MNSC witness Jester would
13 be very effective.

14 MNSC witness Jester’s proposal is not specific in how to design its
15 intended effect vis-a-vie on-peak and off-peak charges within any season.
16 Currently, the price differential between on-peak and off-peak charges is based on
17 the relative difference in locational marginal prices (LMP) for each season (i.e.
18 summer and non-summer.) Theoretically this design is meant to act as a proxy for
19 the actual changes in cost that a power supplier faces, which is in line with
20 MNSC’s goal of producing price signals that match actual cost.¹⁶ In other words,
21 currently approved rate design for most residential customers likely already
22 achieves MNSC’s aim. In either scenario, where the Commission adopts MNSC

¹⁶ Direct Testimony of MNSC witness Douglas Jester, p 22, lines 2-6.

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1 witness Jester's 9CP method or the recommended weights of class share method
2 for allocating production plant costs, it is likely not necessary to develop a new
3 residential rate design.

4 Q. How would MNSC witness Jester's rate design changes affect commercial
5 secondary and primary customers?

6 A. Commercial secondary customers with seasonal or TOU rates would be relatively
7 unaffected for the same reasons as their residential counterparts. However,
8 customers that pay demand capacity charges, such as on Large General Service
9 Rate D-4 or the main Primary Supply Rate D-11, are not currently charged
10 seasonal rates and would therefore see the most impact of MNSC witness Jester's
11 rate design changes. Again, MNSC witness Jester does not propose to implement
12 any of its rate design changes in the instant case and instead recommends that the
13 Company propose them in its next rate case. Adopting the 9CP method and
14 charging zero or near-zero demand charges for capacity in the winter would
15 seriously skew customer bills within any given year. The affected customer's
16 winter bill would be substantially less than its bills for the remaining 9 months,
17 obviously, but charges for those remaining months would also be higher than they
18 otherwise would be for non-seasonal rates because the same revenue target would
19 need to be collected over fewer MW of demand. Rates could be designed to be
20 revenue-neutral over the duration of the test year, but seasonal differences on
21 customers' monthly bills would be significant. This is not an argument against
22 MNSC witness Jester's rate design changes. Instead, like with the transition to

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1 seasonal TOU pricing for the residential class, these rate design changes should
2 be thoroughly studied and debated before implementation.

CUB, MEC, and NRDC

Electric space heating COSS and rate design

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5
6 Q. Does Staff agree with CUB, MEC, and NRDC witness David Gard that the
7 Commission should direct the Company to provide a “robustly time-differentiated
8 rate structure that is available to electric heating customers and to treat those
9 customers as a separate class for the purpose of COS analysis and rate design?”¹⁷

10 A. Staff maintains the same recommendation regarding an alternative residential
11 COSS with classes differentiated by both single vs. multi-family dwelling and by
12 electric vs. non-electric space heating as described earlier in my rebuttal
13 testimony. This would accomplish the goal of CUB, MEC, and NRDC witness
14 Gard’s recommendation. On the notion of a “robust” time-differentiation in rate
15 design Staff emphasizes that such a rate must be designed to reflect actual cost
16 differences by season or time-of-use. Demand response rates such as residential
17 Rate D1.2 are designed to encourage load shifting to off-peak hours, but a default
18 rate design for all residential customers with electric space heating must be based
19 on some measure of cost difference (i.e. residential Rate D1.11’s reliance on
20 differences in LMP.) By law DR rates must be voluntary, which is why the design
21 and justification for default (i.e. not voluntary) rates must be cost-based.¹⁸

¹⁷ Direct Testimony of CUB, MEC, and NRDC witness David Gard, p 11, lines 11-13.

¹⁸ MCL 460.1095 (1) (a).

**REBUTTAL TESTIMONY OF DAVID W. ISAKSON
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1 Q. What does Staff recommend?

2 A. Staff recommends that if the Commission approves CUB, MEC, and NRDC
3 witness Gard’s recommendation to create a “robust” electric space heating rate
4 design that said design be based on actual cost differences during seasonal or
5 time-of-day time periods.

6

7

Ann Arbor

8

Streetlighting LED conversion credits

9 Q. Ann Arbor witness Cyrus Naheedy thinks that Ann Arbor should get a credit on
10 its bill equal to the monies other customers will not have to pay to convert Ann
11 Arbor’s streetlights.¹⁹ Does Staff agree?

12 A. No. Ann Arbor witness Naheedy does not find it fair that Ann Arbor will pay up
13 front to convert to LEDs but not receive any recognition that it has relieved other
14 customers of paying for Ann Arbor’s conversion costs.²⁰ As described by MI-
15 MAUI witness Richard Bunch, if all customers will begin to be upgraded to LED
16 service via spending in base rates, then it is appropriate for customers that paid
17 CIAC on their conversions to be made whole.²¹ Staff argues that MI-MAUI’s
18 proposed remedy of a bill credit would assuage Ann Arbor witness Naheedy’s
19 concerns regarding making customers whole for early conversion to LED service.
20 For this reason Staff recommends that the Commission approve MI-MAUI’s

¹⁹ Direct Testimony of Ann Arbor witness Cyrus Naheedy, p 9, lines 6-7.

²⁰ Direct Testimony of Ann Arbor witness Cyrus Naheedy, p 9, lines 3-6.

²¹ Direct Testimony of MI-MAUI witness Richard Bunch, p 25, lines 9-14.

**REBUTTAL TESTIMONY OF DAVID W. ISAKSON
CASE NUMBER U-21534**

1 streetlighting conversion credit proposal and reject Ann Arbor witness Naheedy's
2 recommendations regarding a specific credit for Ann Arbor.²²
3

4 **Recommendations Summary**

5 Q. Please summarize your recommendations.

6 A. Staff's recommendations are as follows:

7 1. Staff recommends that if the Commission approves GLREA witness
8 Richter's proposal to require the Company to propose a critical peak rebate pilot
9 in its next case, that the Commission scrutinize the cost effectiveness of the
10 proposal.

11 2. Staff recommends that the Commission approve the Company's proposal
12 to make the low-income assistance credit available on all base residential rates,
13 transition customers from Rate D1.6 to Rate D1.11, and retire Rate D1.6. Staff
14 recommends that the Commission treats those three steps separately in its
15 determination regarding Rate D1.6.

16 3. Staff recommends that the Commission disregard CEO witness Tan's
17 regression analysis and instead use the collaborative regression analysis
18 conducted by CEO, Staff, and the Company when it becomes available.

19 4. Staff recommends that if the Commission approves MNSC witness
20 Jester's recommendation to require the Company to provide a cost of service
21 study with separate residential classes for single-family dwelling, multi-family

²² Direct Testimony of MI-MAUI witness Richard Bunch, p 29, lines 1-4

**REBUTTAL TESTIMONY OF DAVID W. ISAKSON
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1 dwelling, and electric space heating that the Commission should also split the
2 multi-family dwelling class by heating type.

3 5. Staff recommends that if the Commission approves CUB, MEC, and
4 NRDC witness Gard's recommendation to direct the Company to create a robust
5 electric space heating rate that said rate must be cost-based.

6 6. Staff recommends that the Commission reject Ann Arbor witness
7 Naheedy's proposal for streetlighting conversion credits and approve MI-MAUI's
8 proposal for streetlighting conversion credits instead.

9 Q. Does this conclude your rebuttal testimony?

10 A. Yes, it does.

11

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * *

In the matter on the Application of)
DTE ELECTRIC COMPANY)
for authority to increase its rates for)
the generation and distribution of)
electricity and for other relief.)
_____)

Case No. U-21534

QUALIFICATIONS AND REBUTTAL TESTIMONY OF
KEVIN S. KRAUSE
MICHIGAN PUBLIC SERVICE COMMISSION

August 16, 2024

QUALIFICATIONS OF KEVIN S. KRAUSE

CASE NUMBER U-21534

PART I

1 Q. Please state your name and business address.

2 A. My name is Kevin S. Krause, and my business address is 7109 W. Saginaw Highway,
3 Lansing, MI 48917.

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

5 A. I am employed by the Michigan Public Service Commission (Commission or MPSC) as a
6 Gas Cost of Service Specialist within the Regulated Energy Division, Rates and Tariff
7 Section.

8 Q. How long have you been employed by the MPSC and what are your duties?

9 A. I have been employed by the MPSC since February of 2009. I was assigned to the Revenue
10 Requirements Section to analyze and make recommendations regarding Rate Base, Net
11 Operating Income, and Depreciation issues in general rate cases and depreciation rate
12 cases. In August of 2012, I was transferred to the Renewable Energy Section. In
13 November of 2016, I was transferred to the Rates and Tariff Section.

14 Q. Please describe your educational background.

15 A. I graduated from the University of Michigan in 1990 with a Bachelor of Science degree in
16 Nuclear Engineering. I received a Masters of Nuclear Engineering from the same school
17 in 1991. I also received a Masters in Business Administration from Michigan State
18 University in 1999. I have taken classes as part of the Certified Public Accountant
19 preparation program at Lansing Community College. I also attended the Institute of Public
20 Utilities - Regulatory Studies Program at Michigan State University. In the fall of 2010, I
21 completed the Depreciation Basics Training conducted by the Society of Depreciation
22 Professionals (SDP).

23 Q. Please describe your professional background.

QUALIFICATIONS OF KEVIN S. KRAUSE
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1 A. From 1992 to 1997, I worked as a Nuclear Engineer for B & W Fuel Company in
2 Lynchburg, Virginia. My duties there included performing fuel cycle analysis and related
3 calculations. In 1998, I was a procurement intern with Public Service Electric and Gas
4 Company of Newark, New Jersey. From 2002 to 2010, I was an adjunct professor of
5 Mathematics at Lansing Community College.

6 Q. Have you previously presented testimony or helped develop the Commission Staff's (Staff)
7 position in cases before the MPSC?

8 A. Yes, I have filed or developed Staff's position in the following cases with area of testimony
9 specified:

10 U-15768: Detroit Edison Electric - AFUDC

11 U-15935: Alpena Power - Operations and Maintenance (O&M) Expense

12 U-15985: Michigan Consolidated Gas Case - Revenue Deficiency

13 U-15986: Consumers Energy Gas Case - Rate Base

14 U-16180: Indiana Michigan Electric Case - Rate Base

15 U-16166: Upper Peninsula Power Company – O&M Expense

16 U-16169: SEMCO Energy Gas Company – O&M Expense

17 U-16417: Upper Peninsula Power Company Electric Case - Revenue Deficiency

18 U-16475: Northern States Power Company Electric Case - Revenue Deficiency

19 U-16794: Consumers Energy Electric Case - Rate Base

20 U-16801: Indiana Michigan Electric Case - Rate Base

21 U-16855: Consumers Energy Gas Case - Rate Base

22 U-17026: Indiana Michigan Certificate of Necessity – Accounting

23 U-17303: Indiana Michigan Renewable Energy Plan

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- 1 U-17321: Consumers Energy 2012 Renewable Reconciliation
- 2 U-17323: Indiana Michigan 2012 Renewable Reconciliation
- 3 U-17429: Consumers Energy Certificate of Necessity – Accounting
- 4 U-17631: Consumers Energy 2013 Renewable Reconciliation
- 5 U-17632: DTE Electric 2013 Renewable Reconciliation - Rebuttal
- 6 U-17633: Indiana Michigan 2013 Renewable Reconciliation
- 7 U-17767: DTE Electric Rate Case – Certain Nuclear Expenses
- 8 U-17803: Consumers Energy 2014 Renewable Reconciliation
- 9 U-18014: DTE Electric Rate Case – Renewable Expenses
- 10 U-18090: Consumers Energy – Avoided Cost
- 11 U-18091: DTE Electric – Avoided Cost
- 12 U-18322: Consumers Energy – Standby Rates – Rebuttal
- 13 U-18255: DTE Electric – Standby Rates – Rebuttal
- 14 U-18259: Presque Isle Gas – Cost of Service and Rate Design
- 15 U-18424: Consumers Energy Gas Rate Case – Other Gas Revenue
- 16 U-18999: DTE Gas Rate Case – Other Gas Revenue and Rate Design
- 17 U-20106: DTE Gas – Credit A
- 18 U-20115: SEMCO Energy Gas Company – Credit A
- 19 U-20182: SEMCO Energy Gas Company – Credit B
- 20 U-20134: Consumers Energy Rate Case – Standby and Electric Vehicle Rates
- 21 U-20162: DTE Electric Rate Case – DG tariff, Standby and Electric Vehicle Rates
- 22 U-20276: UPPCO Electric Rate Case – Rate Design
- 23 U-20479: SEMCO Gas Rate Case – Cost of Service

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- 1 U-20359: Indiana Michigan Rate Case – Demand Charge pilot and DG tariff rebuttal
- 2 U-20561: DTE Electric - DG tariff rebuttal
- 3 U-20642: DTE Gas Rate Case – Cost of Service
- 4 U-20650: Consumers Energy Gas Rate Case – Cost of Service
- 5 U-20697: Consumers Energy Electric Rate Case - DG Tariff
- 6 U-20940: DTE Gas Rate Case – Cost of Service
- 7 U-20718: MGU Gas Rate Case – Cost of Service
- 8 U-21090: Consumers Energy Integrated Resource Plan
- 9 U-21148: Consumers Energy Gas Rate Case – Cost of Service
- 10 U-20836: DTE Electric – DG tariff and Electric Vehicles
- 11 U-21226: NSP Gas Rate Case – Cost of Service
- 12 U-21308: Consumers Energy Gas Rate Case – Cost of Service
- 13 U-21366: MGU Gas Rate Case – Cost of Service
- 14 U-21297: DTE Electric Rate Case – Electric Vehicles
- 15 U-21389: Consumers Energy Electric Rate Case – Electric Vehicles
- 16 U-21461: Indiana Michigan Electric Rate Case – DG tariff rebuttal
- 17 U-21374: Consumers Electric Voluntary Green Pricing Case - rebuttal
- 18 U-21490: Consumers Energy Gas Rate Case – Cost of Service
- 19 U-21291: DTE Gas Rate Case - Cost of Service

REBUTTAL TESTIMONY OF KEVIN S. KRAUSE
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1 Q. What is the purpose of your rebuttal testimony?

2 A. The purpose of my testimony is to provide certain of Staff's recommendations on
3 Community Solar, Microgrids, Electric Vehicle (EV) tariffs and rate design in response
4 to intervening witnesses' direct testimony.

5 Q. Are you filing any exhibits?

6 A. No.

7 Community Solar

8 Q. Detroit Area Advocacy Organization's (DAAO) witness Yunus Kinkhabwala models
9 Community Solar bill savings of 20%,¹ what does the witness use to support these
10 savings?

11 A. The witness points to a DOE aim to increase bill savings from Community Solar to 10-
12 20% and a program in Illinois that guarantees bill savings of 50% for low income
13 customers.²

14 Q. Is the analysis supported by any solar cost or accepted compensation structures in
15 Michigan?

16 A. No.

17 Q. What is Staff's recommendation?

18 A. Without knowing the costs of proposed Community Solar arrays, nor the compensation
19 structure that is going to used for these programs, it is premature to promise any bill
20 savings whatsoever. In fact, it is possible that to achieve those bill savings that a
21 community solar program may need compensation that far exceeds anything that exists in

¹ DAAO witness Yunus Kinkhabwala direct testimony, page 26.

² Ibid.

REBUTTAL TESTIMONY OF KEVIN S. KRAUSE
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1 Michigan's legal and regulatory framework today or what could be considered
2 reasonable. Absent sufficient understanding as to how these savings will be achieved it is
3 not appropriate to guarantee them.

4 Microgrids

5 Q. Are microgrids an issue in the instant case?

6 A. Yes. Several witnesses, including DAAO witness Arjun Makhijani, Great Lakes
7 Renewable Energy Association (GLREA) witness Rob Rafson, and Clean Energy
8 Organizations (CEO) witness Curt Volkmann, discuss microgrids.

9 Q. GLREA witness Rafson defines a nanogrid as a single customer able to island from the
10 grid,³ does Staff accept this definition?

11 A. For the purposes of this case, Staff accepts the definition and will use it in the same way
12 that witness Rafson presents it.

13 Q. Is microgridding complex?

14 A. Microgrids are more complex than what would be considered traditional standard service
15 from an electric utility. They involve additional hardware and software in order to
16 balance the microgrid as well as manage the interconnection to the main grid.

17 Q. Can microgrids increase reliability and resilience?

18 A. Theoretically, yes, for customers within them. If an outage occurs due to something
19 outside of the microgrid then the microgrid should be able to successfully island and ride
20 through an outage, depending upon how long the outage lasts. At the same time, it is also

³ GLREA witness Rob Rafson direct testimony, page 7.

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1 possible that individuals within the microgrid experience an outage due to distribution or
2 generation problems within the microgrid.

3 Q. DAAO witness Makhijani states that “it is evident that in all cases except a typical
4 commercial building, increasing resilience incurs net costs when benefits such as food
5 not lost, shelter provided, and avoided CO2 emissions are not included.”⁴ Do microgrids
6 cost more than traditional service?

7 A. Yes. The additional hardware and software needed to make the microgrid island as well
8 as balance properly would add costs to the system that would be in addition to the costs
9 of traditional standard service. As DAAO witness Makhijani suggests, societal benefits
10 need to be included to justify the value of microgrids.

11 Q. Does the NREL analysis provided referenced by DAAO witness Makhijani assume that
12 microgrid customers will pay for the microgrid?

13 A. It seems to, as the cost benefit analysis seems to imply that the costs will be paid for by
14 those using the microgrid. The customers that should be required to cover microgrid
15 costs will be discussed in more detail later in this testimony.

16 Q. DAAO witness Makhijani ends direct testimony by stating some issues with Michigan
17 statute and possible resolutions.⁵ Does Staff agree?

18 A. Staff finds no flaw in the witnesses’ analysis regarding ownership and community choice
19 aggregation, and agrees that the proposed resolution could repair the issues, without
20 taking a position on the proposal. Staff notes a few things that were not considered,

⁴ DAAO witness Arjun Makhijani direct testimony, page 43

⁵ DAAO witness Arjun Makhijani direct testimony, pages 51-53.

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1 though. A community solar program might be able to be used in conjunction with a
2 microgrid, with the caveat being no one outside the microgrid would be able to
3 participate in that segment of the community solar program. Also, some of the NREL
4 microgrid scenarios include fossil generation and it is unclear how fossil generation
5 owned by the Company on a microgrid would interact with Michigan’s clean energy
6 standard from Act 235 that requires 100% clean energy by 2040. Other potential issues
7 related to tariffs will be addressed next.

8 Q. DAAO witness Makhijani states “For instance, net metering and compensation for
9 exported electricity should reflect the fact that the entire region benefits when people are
10 sheltered and that businesses can maintain critical services like selling food and fuel.”⁶

11 Is Net Metering the appropriate compensation?

12 A. No. Acts 341 and 342 of 2016 replaced Net Metering as a compensation scheme. The
13 appropriate tariffs for export would likely be DG (Rider 18), PURPA (Rider 5), and other
14 Distributed Generation (Rider 14). These will be discussed in turn.

15 Q. Are there reasons that exports should not be on DG (Rider 18)?

16 A. Yes. DAAO witness Makhijani’s states, with regard to the Ernest T. Ford recreation
17 center, “I base my analysis on the case in which there is no limit on the solar system
18 capacity for the Center.”⁷ However, the DG program is limited to 110% of the annual
19 load of the customer. Behind the meter installations would need to meet the conditions
20 of the DG program to qualify for Rider 18. A resilience hub like this would need an
21 exception to qualify for Rider 18 and the DG program.

⁶ DAAO witness Arjun Makhijani direct testimony, page 60.

⁷ DAAO witness Arjun Makhijani direct testimony, page 42.

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1 Another reason a microgrid may not qualify for Rider 18 is the use of fossil generation.

2 It may be possible to use Rider 18 for microgrid if there is a way to guarantee and verify
3 that a fossil generator is not operating while exports are taking place. The easiest way to
4 accomplish this would be to have no fossil generation at all.

5 Q. Are there reasons that exports should not be on PURPA (Rider 5)?

6 A. Yes. Using PURPA solves the size issue mentioned for Rider 18, but it does not solve
7 the fossil generation issue. In past cases, some have suggested using renewable diesel,
8 which may be a possibility, again subject to guarantees and verification. As mentioned
9 with Rider 18, no fossil generation would be the most expedient way to qualify for this
10 Rider.

11 Q. Please describe Rider 14.

12 A. Rider 14 appears that it would be the rider that would govern microgrid exports if it fails
13 to qualify for either Rider 18 or Rider 5. To quote from the tariff, "For the purposes of
14 this Rider, eligible distributed resources include reciprocating engine generator sets,
15 small turbine generators, fuel cells, regenerative dynamometers and renewable
16 resources." This would include everything that has been proposed for microgrid
17 generation.

18 Q. Please describe Rider 3.

19 A. Rider 3 is called the "PARALLEL OPERATION AND STANDBY SERVICE AND
20 STATION POWER STANDBY SERVICE". It is for large self-service generators that
21 require the utility to be ready to serve the customer if their generation goes off-line, and
22 to provide power during maintenance outages. This requires the Company to plan for
23 the necessary generation and having distribution in place necessary to serve that load.

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1 Q. Do microgrids look like large self-service customers?

2 A. To a significant extent, they do. However, a large self-generator may have one generator,
3 while a microgrid is likely to have multiple generators, and the probability of losing all
4 those resources at the same time is significantly smaller.

5 Q. Should microgrids be subject to Rider 3?

6 A. It is unclear. There would need to be serious discussions between the utility and the
7 microgrid customers surrounding peak inflow through the microgrid interconnection.

8 Q. Who should pay for microgrid costs?

9 A. Generally speaking it is the customers of the microgrid who will experience the reliability
10 and resilience benefits, so they are the ones that should be paying for the service.

11 Arguments have been made that there are important customers to society that need access
12 to reliable energy, including first responders, hospitals, etc. If these arguments are
13 accepted by the Commission, such sites could be reasonably considered for microgrids
14 that are socialized by all customers so long as all customers have access to the benefits.
15 Beyond this the arguments get considerably weaker. Establishments with a profit motive
16 like grocery stores and gas stations should consider their outage risk and decide for
17 themselves whether they want to self-fund their own backup generation for all or critical
18 loads.

19 Q. Why should microgrid customers pay a different amount from those on standard
20 electrical service?

21 A. They have significantly higher reliability and resilience enabled by expenditures specific
22 to them. This essentially means they are receiving a different type of service that should
23 have different rates.

REBUTTAL TESTIMONY OF KEVIN S. KRAUSE
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1 Q. How would these different rates be achieved?

2 A. There are several ways; one would be a surcharge to recover microgrid specific costs or
3 incremental costs for serving the microgrid. Another way would be to create a separate
4 cost of service class specifically for microgrid users. A separate class may be
5 reasonable because they are receiving a different type of service.

6 Q. CEO witness Volkmann states “DTEE must move more quickly from pilots to
7 programs”,⁸ does Staff agree?

8 A. No. With regard to pilots, including the Port Austin microgrid pilot, it is appropriate to
9 collect data and perform a thorough evaluation of the pilot before hastily proceeding to a
10 full program status. Assuming that every customer in DTEs service territory will
11 eventually be on a microgrid is speculative, particularly considering our current
12 familiarity with microgrids as well their affordability with respect to everything else that
13 is going on in the utility space.

14 Q. GLREA witness Rafson states “If microgrid owners submeter with neighbors (as utilities
15 presently allow for large industrial customers) then DTE may have fewer customers.”⁹
16 Does Staff agree with this recommendation?

17 A. No. GLREA witness Rafson provides no citation or explanation for this claim. This
18 idea should be rejected given the lack of evidence presented.

19 Q. GLREA witness Rafson says “Nanogrids can become the hub of micro-grids allowing
20 neighbors to share in stable power.”¹⁰ Does Staff agree?

⁸ CEO witness Curt Volkmann direct testimony, pages 26-29.

⁹ GLREA witness Robert Rafson direct testimony, page 13.

¹⁰ GLREA witness Robert Rafson direct testimony, page 8.

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1 A. No. Similar to the submetering idea above, nanogrids should not be expanded beyond the
2 meter of the nanogrid. Staff also disagrees with the use of the word sharing here. Does
3 sharing mean providing it to your neighbor without expectation for compensation?
4 When compensation is expected that is selling, not sharing. Staff is unsure if neighbors
5 sharing power falls within Michigan’s current legal and regulatory framework.

6 Q. Later in testimony witness Rafson states, “GLREA requests the Commission to allow
7 neighbors to expand and share their nanogrids.”¹¹ Does Staff agree?

8 A. Again, Staff suspects that witness Rafson is talking here about selling and not sharing.
9 Staff believes that selling power between different legal entities is essentially wheeling, if
10 not effectively utility service provision, even if they are small residential customers.
11 Running wire between different legal entities constitutes providing a distribution service
12 if there is compensation and may constitute a distribution system if it is permanent and
13 there is no compensation. The Company is the sole distribution service provider in its’
14 service territory.

15 EVs

16 Demand Charge Holiday

17 Q. What does Electrify America witness Jigar Shah state with regard to DCFC rates?

18 A. Electrify America witness Shah states, “DTE should therefore modify its tariff language
19 to allow DCFC sites built before a specified date, preferably by 2028 or later, to be able
20 to take service under the D3 rate.”¹²

21 Q. What does Walmart witness Lisa Perry state with regard to DCFC rates?

¹¹ GLREA witness Robert Rafson direct testimony, page 13.

¹² Electrify American witness Jigar Shah direct testimony, page 5.

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1 A. Walmart witness Perry states, “Walmart recommends that the Commission either remove
2 the two-year limitation from Rate Schedule D3 or require the Company to collaborate
3 with interested parties to develop a public EV charging-specific rate that is informed by
4 data from the alternative COSS presented in this case as well as future data, and require
5 the Company to seek approval of such rate in its next general rate case.”¹³

6 Q. What does Michigan EIBC, IEI, and Advanced Energy United (“United”), collectively
7 referred to as “MEIU” state with regard to DCFC rates?

8 A. MEIU witness Laura Sherman states, “I recommend that both existing and new
9 customers should be allowed to access this rate schedule without the demand restriction
10 for at least four additional years, until January 1, 2030.”¹⁴

11 Q. Please provide background on the demand charge holiday.

12 A. Rate D3 was modified in Case No. U-20162 on May 2, 2019 to be open to fast charging
13 customers over the otherwise applicable 1,000 kW limit until June 1, 2024, a period of
14 five years. In case No. U-21297 rate D3 was modified to extend the date until June 1,
15 2026 and on a rolling basis for 2 years for every new DCFC site added after June 1, 2024,
16 making the longest possible holiday equal to seven years, while new stations going
17 forward can be on rate D3 for their initial two years of service. Staff also points out that
18 stations under the 1,000 kW limit can still join and remain on rate D3 as long as they
19 remain under the 1,000 kW limit.

20 Q. Should the demand charge holiday be extended?

¹³ Walmart witness Lisa Perry direct testimony, page 24.

¹⁴ MEIU witness Laura Sherman direct testimony, pages 52-53.

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1 A. No. The demand charge holiday that began five years ago and will not end for another
2 two years and will be available for two rolling years to all new fast charging customers
3 has been sufficient to get the market started. The demand charge holiday should not
4 extend until market maturity or stabilization.

5 Q. Walmart witness Perry states, “However, Walmart is concerned that limiting the
6 application of Rate Schedule D3 to only two years, without a replacement EV charging
7 rate, could deter companies from investing in public EV chargers within the Company's
8 service territory due to the economic uncertainty created by rate instability.”¹⁵ Does
9 Staff agree?

10 A. No. After two years on Rate D3, the customer should assume they will be moved to rate
11 D4 if their demand is more than 1,000 kW. While the switch to rate D4 may not be
12 desirable it is incorrect to characterize it as uncertainty, or instability. If their demand is
13 less than 1,000 kW then they can remain on rate D3 and the claim of uncertainty is even
14 more specious.

15 Q. What about Walmart witness Perry’s request, mentioned previously, to calculate a new
16 fast charging rate going forward?

17 A. Staff takes no position in the instant case, as a fully-formed proposal has not been
18 presented by the witness. Staff requests, as Walmart suggests, that the rate is informed
19 by costs to serve those fast-charging customers. Staff continues to believe that a cost-of-
20 service study with fast charging as a separate class may be necessary to inform this new

¹⁵ Walmart witness Lisa Perry direct testimony, page 24.

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1 rate, and Staff has no issue with such being presented in either the next rate case, as
2 Walmart suggests, or the case after that.

3 Q. MEIU witness Laura Sherman states “my recommendation will ensure that demand-
4 based rates do not inhibit the expansion of DCFC for sites with high demand but low
5 utilization rates in the interim.”¹⁶ Does Staff agree?

6 A. Staff disagrees. If you do not charge enough for something, then economically you will
7 get too much demand for it. Therefore, inhibiting the expansion of DCFC is preferable to
8 encouraging the growth of something that is paying less than its cost to serve.

9 Residential Contributions In Aid of Construction (CIAC) for EV charging

10 Q. After a discussion of residential CIAC MIEU witness Laura Sherman states, “The only
11 appropriate resolution is to socialize the cost of distribution system upgrades made
12 necessary by the accumulation of EV charging load.”¹⁷ Does Staff agree?

13 A. As Staff has said in previous cases, not entirely, no. It is appropriate to waive CIAC
14 requirements within reason, but it is also appropriate to set limits such that customers do
15 not place an undue strain on the system. Staff suggests that the following limits for
16 residential are appropriate:

17 All residential customers are allowed one (1) 48-amp or lower charger without
18 being assessed any costs for distribution upgrades. [Staff’s understanding is that a
19 48-amp charger requires a 60-amp circuit.]

20 Selection of any charger greater than 48-amps, or multiple chargers exceeding 48-
21 amps may trigger incremental CIAC contributions by the customer.

¹⁶ MEIU witness Laura Sherman direct testimony, page 53.

¹⁷ MEIU witness Laura Sherman direct testimony, page 49.

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1 MNSC witness Douglas Jester states the following, “I therefore recommend that the
2 Commission direct DTE to waive CIAC for all new residential and commercial
3 installations of EV charging.”¹⁸ Staff responds that the limits suggested above are
4 appropriate for residential. With the help of interested parties, similar limits, if any
5 waiver of CIAC is determined to be appropriate for business customers providing (and
6 likely charging) for the service provided by the chargers, could be set for different sizes
7 of commercial customers based on voltage level of service, maximum annual demand, or
8 other characteristics that may be deemed important.

9 Cost-Benefit Analysis

10 Q. MEIU witness Laura Sherman states “After this initial forecast, BCAs may include as
11 benefits estimated revenue from charging, expected state and federal incentives, any
12 customer contributions under CIAC policies....”¹⁹ Does Staff agree with this list?

13 A. Not entirely, no. With regard to state and federal incentives, these are benefits in the
14 context of the utility cost test because they are moneys that are external to utilities and to
15 the rate making/revenue earning process, so consideration of them as benefits is
16 appropriate. When you get to the societal cost test however, these state and federal
17 incentives are paid for by taxpayers, which means they are paid for by society. In other
18 words, they are a societal cost. See also Staff witness Nicholas Revere on this subject.

19 Q. Does this conclude your testimony?

20 A. Yes.

¹⁸ MNSC witness Douglas Jester direct testimony, page 33.

¹⁹ MEIU witness Laura Sherman direct testimony, page 14.

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * *

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

Case No. U-21534

REBUTTAL TESTIMONY OF
NICHOLAS M. REVERE
MICHIGAN PUBLIC SERVICE COMMISSION

August 16, 2024

**REBUTTAL TESTIMONY OF NICHOLAS M. REVERE
CASE NUMBER U-21534**

1 Q. Are you the same Nicholas M. Revere who filed direct testimony in the instant case?

2 A. Yes.

3 Q. What is the purpose of your rebuttal testimony in this proceeding?

4 A. I will be presenting Staff's response to certain positions taken and claims made by
5 Energy Michigan (EM) witness Alex J. Zakem regarding the state reliability mechanism
6 (SRM) and capacity obligations; Citizens Utility Board of Michigan (CUB), Sierra Club
7 (SC), Michigan environmental Council (MEC), and Natural Resources Defense Council
8 (NRDC, collectively MNSC) witness Douglas B. Jester regarding how the Company
9 serves its customers with its generation and electric vehicles (EV); Electrify America
10 LLC witnesses Jigar J. Shah and Rhiannon Davis regarding EVs; EVgo Services, LLC
11 (EVgo) witness Lindsey R. Stegall regarding EVs; City of Ann Arbor (AA) witness
12 Melissa Stults regarding EVs; and Michigan EIBC, IEI, and Advanced Energy United
13 (collectively MEIU) witness Laura S. Sherman on EVs. My rebuttal will mostly be
14 organized by topic, as some witness claims I will be responding to overlap.

15 Q. Are you sponsoring any exhibits with your rebuttal testimony?

16 A. No.

17 **State Reliability Mechanism**

18 Q. EM witness Zakem claims that "MISO¹ imposes the capacity obligation on LSEs² by
19 charging LSEs the MISO Auction Clearing Price ("ACP") (in dollars) multiplied by
20 PRMR (in MW) of the LSE."³ Does Staff agree?

¹ Midcontinent Independent System Operator

² Load Serving Entity

³ EM witness Zakem Direct Testimony, p. 15.

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1 A. No. The auction associated with the ACP is not how the obligation is imposed, it is
2 imposed by MISO telling LSEs the amount of capacity they are required to cover. The
3 auction pays and charges for the supply and requirements of each LSE respectively,
4 effectively netting out the amount that LSEs have supplied and only charging for the
5 amount they are short. EM witness Zakem claims this construct means that “an LSE
6 satisfies its capacity obligation to MISO with money.”⁴ Again, this is incorrect. An LSE
7 satisfies its capacity obligation by *providing Zonal Resource Credits (ZRCs)*. To the
8 extent that they fail to do so, applying the auction price to that shortfall acts more as a
9 penalty than the price of the capacity the LSE failed to acquire.

10 Q. EM witness Zakem also claims that the cost of satisfying the capacity requirement is the
11 ACP.⁵ Does Staff agree?

12 A. No. To the extent an LSE has the ZRCs to support its Planning Reserve Margin
13 Requirement (PRMR), the cost of satisfying the requirement is the cost of obtaining those
14 ZRCs. The Company utilizes all capacity resources at its disposal to serve its capacity
15 customers, including any AES customers whose AES has failed to procure sufficient
16 capacity. The law recognizes this by requiring that the capacity charge not differ
17 between full-service and AES load. The charge functions to ensure that, should an AES
18 not be able to supply capacity for its customers, the utility does so at the same cost to
19 those customers that it does for its full-service customers. This cost *is not the ACP*.

20 The current capacity charge utilizes the Commission-approved method of
21 determining the Company’s cost of providing capacity service to any customers to which

⁴ EM witness Zakem Direct Testimony, p. 15.

⁵ EM witness Zakem Direct Testimony, p. 17.

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1 it provides that service, which is based on the cost of the agreements and assets the
2 Company so uses. To do as EM witness Zakem suggests would fail to charge for the cost
3 of satisfying the obligation and incorrectly calculate the charge, running afoul of the very
4 statutes claimed to be attempted to harmonize with the proposal. The current method
5 does, in fact, harmonize the statutes in question. In addition, this makes EM witness
6 Zakem's further claim that full-service customers would not be harmed by the proposal⁶
7 incorrect as well. Full-service customers would end up bearing the difference in cost
8 between the Company's *actual* cost of providing capacity and the ACP, likely
9 subsidizing the AES's customers to whom the Company provided capacity service. For
10 these reasons, EM witness Zakem's proposed changes to the SRM capacity charge
11 discussed above should be rejected.

12 Q. EM witness Zakem also seems to imply throughout direct testimony that the LSE is
13 financially responsible for paying the capacity charge to the Company. Does Staff agree
14 that this is how the charge should be applied?

15 A. No. Based on the Commission's determination in U-18239,⁷ the capacity revenue
16 requirement (which is also used to calculate the overall SRM capacity charge) is
17 allocated amongst the classes based on the 4 CP allocator, and then computed into a
18 capacity rate for each rate schedule. This capacity rate is what would be charged to a
19 customer's power supply capacity billing determinants in proportion to the amount of that
20 customer's capacity that the Company, rather than the AES, is responsible for covering.

⁶ EM witness Zakem Direct Testimony, p. 20.

⁷ See pages 68-77 of the 11/21/17 Commission Order in U-18239.

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1 EM witness Zakem’s seemingly implied claim also ignores the Commission’s
2 determination in MPSC Case No. U-18239:

3 In making their argument, the intervenors emphasize the wording of Section
4 6w(6), which requires an “electric provider” that has previously made a
5 satisfactory demonstration to give notice to the Commission if it expects to be
6 unable to make its demonstration in the next (four-year-out) planning year “and
7 instead expects to pay a capacity charge.” The Commission finds that this
8 sentence must be read in the context of Section 6w as a whole. Johnson, 492 Mich
9 at 177. There is no entity that could give such notice other than the AES, since
10 only the AES knows whether it intends to provide its customers with sufficient
11 capacity or intends to provide something less. ROA customers are incapable of
12 providing such notice, even though they are the parties that will be paying the
13 charge.

14
15 The Legislature has chosen to make incumbent utilities (which are subject to rate
16 regulation) the capacity suppliers of last resort under Section 6w(7). The capacity
17 charge is a retail rate, designed to recover the incumbent utility’s cost of
18 providing capacity service, to whatever type of customer load – bundled or
19 choice. [11/21/17 Order in MPSC Case No. U-18239, p. 73., internal citation
20 omitted]
21

22 Based on the Commission’s determination, an “electric provider” in this context *must* be
23 an AES, so therefore the capacity charge *must* be the tariffed rates meant to be applied to
24 capacity service, whether provided to an AES customer or a full-service customer. For
25 the reasons discussed previously, to the extent Staff is correct about EM witness Zakem’s
26 implied claims related to this, the claims should be rejected.

27 **Capacity Obligation**

28 Q. What do EM witness Zakem and MNSC witness Jester claim with regard to capacity
29 obligations and how/whether the Company’s customers are served by its generation?

30 A. EM witness Zakem claims that, since MISO started dispatching plants in 2005, “it has not
31 been accurate to think that DTE’s power plants serve DTE’s customers or any other

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1 specified group of customers.”⁸ MNSC witness Jester claims that, as the Company
2 participates in MISO, it “is not directly responsible for meeting the power generation
3 requirements of its customers,” and that the Company “buys from MISO all of the power
4 that it sells to its customers and sells all of the power it generates to MISO.”⁹ At least for
5 the application of these ideas to cost allocation and the rates the Company charges, Staff
6 disagrees. As discussed above, the Company has to meet a capacity obligation at MISO
7 by providing ZRCs, and the ZRCs it uses to do so are nearly (if not) all provided by its
8 plants and PPAs. The costs borne by customers through rates are the costs of the PPAs
9 and plants used to produce these ZRCs. Similarly, with the energy used by the
10 Company’s customers, the market construct nets out the LMP for power produced by the
11 Company, only paying for the energy used by customers over the Company’s energy
12 supplied or requiring payment for the inverse. The costs for energy borne by customers
13 in rates is not the LMP but for the small amount of net interchange that occurs as
14 described; it is the cost the Company incurs either to run its plants or under its PPAs. In
15 addition, the Company is required to demonstrate it either owns or has under contract
16 capacity to serve its customers 4 years forward. Therefore, in spite of MISO being in
17 charge of dispatch and the appearance of a market for energy and capacity, what
18 customers pay in rates is effectively the cost of the Company’s owned generation or the
19 generation under its PPAs. It is also worth noting that dispatch is based on the day-ahead
20 bids made by market participants, including the Company, which are based on the costs
21 of running the generation. For this reason, arguments claiming generation capacity and

⁸ EM witness Zakem Direct Testimony, pp. 21-22.

⁹ MNSC witness Jester Direct Testimony, p. 17.

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1 energy actually come from MISO have no value in the determination of the cost the
2 Company's customers' rates are calculated based on, and should not be relied on by the
3 Commission in its determinations.

4 **EV Revenue Treatment and Contributions in Aid of Construction (CIAC)**

5 Q. What do intervening witnesses claim with regard to revenue from EV charging?

6 A. MNSC witness Jester claims that costs associated with grid upgrades necessary to
7 connect EV chargers should be socialized, as they "can then be paid out of the aggregate
8 new revenue that will be provided by electric vehicle charging across DTE's distribution
9 system."¹⁰ MNSC witness Jester also claims that "electric vehicle charging revenue that
10 exceeds the utility costs of electric vehicle charging support by the utility is a subsidy by
11 electric vehicle drivers to other customers,"¹¹ and that "DTE should assess marginal
12 revenues from EVs on a service territory and system-wide basis."¹² MEIU witness
13 Sherman makes similar claims.¹³ Staff disagrees with these claims. First, it is worth
14 pointing out that these arguments and claims bear a striking resemblance to those made
15 by representatives for large commercial and industrial customers seeking discounted
16 and/or economic development rates. Effectively, the witnesses are arguing that any
17 revenue above the "marginal" cost to serve EV load can (and likely should) be dedicated
18 to further EV programs, and any amount of that revenue that accrues to the benefit of
19 other customers is a subsidy from EV drivers to other customers. This is incorrect for
20 several reasons. In Staff's opinion, the goal of these ratepayer-funded programs should
21 be to maximize the net benefit to all ratepayers as ratepayers. Eliminating or reducing the

¹⁰ MNSC witness Jester Direct Testimony, p. 33.

¹¹ MNSC witness Jester Direct Testimony, p. 40.

¹² MNSC witness Jester Direct Testimony, p. 42.

¹³ MEIU witness Sherman Direct Testimony, pp. 21-23.

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1 net benefit by allowing it to accrue to the benefit of EV owners alone is not supportive of
2 this goal; it is, in fact, antagonistic to it. MNSC witness Jester has provided no
3 reasonable support for why non-EV owning ratepayers should subsidize EV owners in
4 pursuit of Michigan’s climate goals. In addition, the “marginal” cost of service to a
5 customer has little direct use in the setting of utility rates (or any considerations related
6 thereto) for a number of reasons. First and foremost is that no customer actually pays the
7 “marginal” rate, as rates are determined by spreading the totality of the Company’s costs
8 across all usage. Requesting a “marginal” rate, as a large customer might do, or
9 assuming all revenues above “marginal” costs are a subsidy, is effectively asking to not
10 be required to pay or account for the costs of the utility beyond the direct marginal costs,
11 even though *all other customers* must bear those costs. Any customer paying fully-
12 allocated embedded cost rates could claim they were subsidizing others under such a set
13 of assumptions, which highlights how little weight should be given to the claim. In
14 addition, Staff has maintained the view (that the Commission has repeatedly supported)
15 that the goal of the Company’s EV programs should be to maximize the net benefit to
16 non-participating customers, as that benefit is the most important justification for these
17 programs to be funded by ratepayers. Claiming all incremental revenues, however
18 defined, is antithetical to this goal and should be rejected. MNSC witness Jester further
19 claims such use of these “incremental” revenues is justified by analogy to CIAC.¹⁴
20 MEIU witness Sherman makes a similar argument, claiming “CIAC costs are typically
21 limited to the amount of marginal revenue not expected to be recovered by the new load.
22 In other words, a customer only has to cover costs up to the amount that they will not be

¹⁴ MNSC witness Jester Direct Testimony, p. 43.

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1 contributing over time through the new electricity purchases they will make.”¹⁵ Line
2 extension policies generally allow only a portion of gross margin from expected added
3 usage and load from connecting a customer to be used as an offset to the connection
4 costs. This usually consists of only 2-3 years of expected revenue, often offset by the
5 portion of power supply costs that flow through the Power Supply Reconciliation (PSCR)
6 mechanism as a proxy for incremental power supply costs of the load. For example,
7 DTE’s overhead line extension policy for commercial and industrial customers smaller
8 than 1,000 kW of load uses only 2 years of gross margin to offset extension costs.¹⁶ In
9 addition, to the extent that the costs of necessary distribution upgrades are not covered by
10 the customer installing chargers, they are borne by others and should be considered a cost
11 of the program in determining net benefits. In addition, employing such a limited period
12 of time substantially reduces the concerns associated with exactly how accurate a
13 “marginal” view of costs might be, and ensures that benefits accrue to other customers
14 from the new load. These last two issues will be discussed further in response to cost-
15 benefit analysis arguments made by various witnesses next in my testimony. For the
16 reasons discussed above, the Commission should reject the intervening witnesses’ claims
17 regarding charging revenue.

18 **EV Cost-Benefit Analysis (CBA) and Regressive Taxation**

19 Q. What categories of intervenor claims with regard to the Company’s EV programs’ CBA
20 are you addressing?

¹⁵ MEIU witness Sherman Direct Testimony, p. 11.

¹⁶ Sections C6.2(3)(a)&(b), DTE ELECTRIC COMPANY RATE BOOK FOR ELECTRIC SERVICE, Sheet No. C-29.00.

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1 A. I will be addressing claims that fall into the following categories: revenue to be
2 considered, the extent to which social costs and benefits should be considered and
3 appropriate cost tests, and I will also be addressing how funding these programs through
4 utility rates has the same effect as regressive taxation.

5 Q. What do intervenors claim with regard to the amount of revenue from charging to be
6 considered in the CBA?

7 A. MNSC witness Jester claims that all EV charging revenues, rather than the Company's
8 attempt to identify those related to the Company's EV programs, should be considered in
9 the context of a CBA for those programs.¹⁷ Staff disagrees. In addition to the previous
10 discussion on net revenue, the appropriate costs and benefits to consider in a CBA for a
11 ratepayer-funded program are those to ratepayers. Ascribing benefits to usage that would
12 have occurred absent the program is inappropriate. Therefore, the Company's adjustment
13 to remove a reasonable estimate of the revenue from EV charging that would have
14 occurred absent the program is appropriate, and MNSC witness Jester's claim and related
15 requested relief should be denied. MEIU witness Sherman makes a similar claim¹⁸ that
16 should be denied for the same reasons.

17 Q. What claims do intervening witnesses make with regard to appropriate cost tests and the
18 inclusion of societal costs and benefits?

19 A. MNSC witness Jester implies that a ratepayer-impact analysis (a.k.a. the utility cost test
20 [UCT]) inappropriately considers net revenues from charging as a benefit to ratepayers,
21 claiming that it is a transfer payment and not a true benefit in a CBA. Staff disagrees.

¹⁷ MNSC witness Jester Direct Testimony, pp. 42-43.

¹⁸ MEIBC/IEI/AEU witness Sherman Direct Testimony, pp. 21-23.

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1 While in a societal cost test (SCT) or total resource cost test (TRC) this may be true, for a
2 participant cost test the revenue would be a cost and for a UCT this revenue would be a
3 benefit (appropriately defined). This fact does not make the UCT or PCT not CBAs; they
4 each just concentrate on the costs and benefits from different perspectives, and any CBA
5 requires a perspective from which to define costs and benefits. MNSC witness Jester
6 goes on to imply that the only true CBA is a SCT.¹⁹ Again, Staff disagrees. Each type of
7 CBA, or perspective from which they are conducted, has value in the Commission's
8 consideration of the programs they are examining. The UCT shows the impact to
9 ratepayers and the utility, which is important for informing whether or not utility rates are
10 the appropriate way to fund a program (along with other considerations discussed later).
11 The PCT, in spite of MNSC witness Jester's dismissal of its necessity,²⁰ is useful in
12 determining whether the program will be attractive to participants. The SCT is useful in
13 determining if there are societal benefits or costs that are not included in the others,
14 providing a more holistic view of the overall CBA, but not the only perspective that
15 should matter to the Commission. In fact, using a CBA that includes societal benefits or
16 costs (such as the SCT) as the sole determining factor of whether or not a given program
17 should be funded by ratepayers would be inappropriate, as it may be more appropriate to
18 fund those programs through governmental (or societal) funding, as that is where the
19 benefits accrue. The reasons this may be more appropriate are discussed throughout this
20 rebuttal, as well as that of Staff witness Krause.

¹⁹ MNSC witness Jester Direct Testimony, pp. 41-42.

²⁰ MNSC witness Jester Direct Testimony, p. 42.

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1 Q. MEIU witness Sherman expresses concern that the Company’s CBA “fails to account for
2 any of the societal benefits realized as a result of transportation electrification.”²¹ Does
3 Staff share this concern?

4 A. While Staff agrees that an SCT or other cost test incorporating societal costs and benefits
5 can provide important information to the Commission, and appreciates the more nuanced
6 discussion MEIU witness Sherman provides regarding appropriate use of the various cost
7 tests previously discussed, as discussed above in response to MNSC witness Jester, such
8 a cost test is not appropriate to use to determine the amount to which such programs
9 should be funded by utility customers regardless of the societal benefits they may
10 produce as discussed throughout this rebuttal, as well as that of Staff witness Krause.

11 Q. How does funding programs for EVs through utility rates, particularly if social benefits
12 are part of the justification for doing so, affect the how the burden of such funding is
13 distributed?

14 A. Income taxes are based on income in two ways; first through the fact that they are based
15 on a percentage of income, and second as the tax rate that applies to increasing levels of
16 income also increases, known as “progressive” taxation. Generally, the effective tax rate
17 increases with income, as does the nominal amount of the tax levied. Indeed, taxes for
18 certain income levels are zero or effectively negative due both to the structure of the tax
19 system and programs such as the earned income tax credit. Income taxes are one of the
20 main ways governments collect revenues, and those revenues are then used to fund
21 programs that, at least theoretically, provide societal benefits or public goods. Utility
22 rates are not currently based on income, but the costs of the Company and customer

²¹ MEIU witness Sherman Direct Testimony, p. 24.

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1 determinants. As a number of witnesses in the instant case have shown, the burden of
2 utility rates increases as income decreases. The effect of this fact is that the burden of
3 funding such programs falls disproportionately on lower income customers, who happen
4 to be the very customers least likely to directly benefit from the current EV programs, at
5 least in the short term. While lower-income customers may share equally (or even
6 receive a disproportionate share of) the benefits such programs can provide to non-
7 participating customers, that would be the case regardless of the method used to fund
8 them, meaning funding through utility rates is still equivalent to regressive taxation as far
9 as the impact to those customers is concerned. Even if rates were based on income, the
10 resulting burden would be more regressive than if it were levied through taxation. The
11 Commission should seriously consider this issue in determining how much funding
12 ratepayers should provide for EV programs.

13 **Choice EV Rebate**

14 Q. MNSC witness Jester claims the Company's proposed discounted EV rebate for choice
15 customers, or those who do not receive their power supply from the Company, is
16 inappropriate as net revenue removes the cost of power supply to calculate net revenue,
17 and net revenue is therefore the same regardless of where the customer acquires their
18 power supply.²² Does Staff agree?

19 A. No. Given the issues with net revenue as used by MNSC witness Jester discussed
20 previously in this rebuttal, it is not accurate to claim that net revenue is the same between
21 the two groups of customers. It is also worth noting that choice customers are not
22 currently eligible for rebates due to concerns about this issue, and the Company's

²² MNSC witness Jester Direct Testimony, p. 34.

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1 proposal represents a reasonable proposal to allow for choice customer EV rebates. For
2 this reason, the opposition to the Company’s proposal should be rejected.

3 **EV Charger Make-Ready Costs/CIAC Waiver**

4 Q. What claims do intervening party witnesses make with regard to EV charger make-ready
5 costs and the Company’s proposed elimination of the CIAC waiver for EV charger
6 installations (which has the effect of no longer making other customers cover utility make
7 ready costs)?

8 A. MNSC witness Jester claims that use of EV rebates supplied by the Company should be
9 allowed to be applied to both utility and customer “make-ready” costs, at least partially
10 because NEVI funds are not allowed to be used for this purpose, and implying this is a
11 clarification as opposed to a change in policy.²³ Electrify America witness Shah opposes
12 the Company’s proposal to eliminate the EV charging CIAC waiver, claiming it
13 “undercuts DTE’s goals of expanding public charging infrastructure and reducing range
14 anxiety.”²⁴

15 Q. Does Staff agree with these claims or the requested relief?

16 A. Not currently. Allowing rebates to cover make-ready costs, whether utility or customer,
17 has the effect of making sites that are more expensive at which to install a charger
18 relatively more attractive to the detriment of other customers, as they would bear the cost
19 through the rebate recovery rather than the installing customer as under normal CIAC
20 procedures. Additionally, covering customer make-ready costs extends the cost
21 responsibility for other customers beyond what is allowed now, and it is Staff’s opinion

²³ MNSC witness Jester Direct Testimony, p. 38.

²⁴ Electrify America Shah Direct Testimony, p. 6.

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1 that the justification to do so is insufficient for the reasons given above. These same
2 arguments apply to maintaining the current CIAC waiver for EV charging installations,
3 as the effect of that waiver is other customers paying all utility make-ready costs. In
4 addition, the goal of the Company’s programs is not to expand public charging at any
5 cost, it is to maximize the net benefits of EV charging to utility customers, and allowing
6 for more expensive chargers to be installed on other customers’ dime is not supportive of
7 this goal. Electrify America witness Shah’s claim that this would somehow lead to
8 higher-cost utility-owned chargers and implication that it is therefore anti-competitive are
9 both unfounded and should not be considered. For these reasons, the Commission should
10 reject the proposals to allow EV rebates to cover make-ready costs and approve the
11 Company’s removal of the EV Charging CIAC waiver.

12 **The Company’s Criteria for DCFC Rebates**

13 Q. What do intervening witnesses claim with regard to the Company’s criteria for DCFC
14 rebates?

15 A. Intervening witnesses make a number of such claims. Electrify America witness Davis
16 takes issue with the Company’s proposed 97% uptime requirement, stating the primary
17 concern is with potential anti-competitive applications of the requirement.²⁵ Specifically,
18 Electrify America witness Davis claims that, as the Company may at some point in the
19 future install chargers it owns, the collection of uptime data (which the witness claims is
20 “confidential and competitively sensitive”) could provide the Company a competitive
21 advantage.²⁶ In Staff’s opinion, this concern relies on a number of speculative future

²⁵ Electrify America witness Davis Direct Testimony, p. 4.

²⁶ Electrify America witness Davis Direct Testimony, pp. 4-5.

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1 events, and is not outweighed by the benefit of those receiving rebates funded by
2 ratepayers to install chargers showing that those rebates have not been wasted. For this
3 reason, the Commission should reject the concern and approve the requirement.

4 Electrify America witness Davis also expresses a desire for “destination” DCFCs
5 to not be excluded from receiving rebates as proposed by the Company, claiming that
6 previous deployments of DCFCs by businesses partnered with Electrify America have
7 been beneficial for both parties, and that the effect would be to “artificially” limit DCFC
8 sites.²⁷ First, whether rebates funded by ratepayers for DCFCs are good for those who
9 would otherwise have to pay for them out-of-pocket and/or the companies selling
10 chargers is not of primary concern to Staff, nor should it be to the Commission. The
11 concern should be maximizing net benefits to non-participating customers. Second, the
12 limit is not “artificial”; it is removing rebates for sites that are not necessary to achieve
13 the goal of a skeleton network to reduce range anxiety to gain the benefit of home
14 charging, which assists in achieving the actual goal.

15 EVgo witness Stegall expresses concern that the Company’s proposal to no longer
16 provide rebates to destination chargers “could result in the inequitable distribution of
17 chargers in DTE’s service territory, especially for multifamily housing residents and
18 others who rely on public charging,” and that “it could limit program participation.”²⁸
19 EVgo witness Stegall also claims a “need” for the Company’s programs to serve those
20 who cannot charge at home, claims the Company did not properly support the proposal,
21 and claims “a successful program that effectively drives charging infrastructure

²⁷ Electrify America witness Davis Direct Testimony, pp. 6-7.

²⁸ EVgo witness Stegall Direct Testimony, p. 3.

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1 deployment will maximize DTE ratepayer benefits.”²⁹ As discussed in response to
2 Electrify America witness Shah, limiting program participation to that most beneficial to
3 other ratepayers is a feature, not a bug, of the Company’s proposal. In addition, those
4 who rely exclusively on public DCFC charging are not producing the very benefit that is
5 produced by the residential EV program and basically the entire reason for ratepayers
6 funding the program in the first place, spreading out of costs through off-peak charging,
7 and should therefore not receive rebates regardless of what other sites that do assist in
8 providing these benefits are allowed the rebates. In essence, the claim that driving
9 infrastructure development without concern for the benefits produced does the opposite
10 of what the witness claims. Rather than maximizing ratepayer benefits, it dilutes them by
11 paying for chargers that do not produce them. In Staff’s opinion, regardless of the
12 Company’s support for the proposal, that is sufficient reason to approve it.

13 MEIU witness Sherman also expresses concern about eliminating “destination”
14 DCFCs’ eligibility for rebates, specifically that there may be certain places where a
15 “destination” charger acts more as an on-route charger. The Company’s focus on on-
16 route DCFC charging, in effect creating a skeleton network of DCFCs to reduce range
17 anxiety, is completely appropriate and consistent with the goals of the Company’s EV
18 programs. In Staff’s opinion MEIU witness Sherman’s concern is potentially valid, but
19 as it is speculative with no actual examples of the situation described occurring, it is
20 insufficient to deny the Company’s proposal and the associated benefits. Should the
21 hypothetical become real, there will be plenty of opportunity to rectify the issue prior to it

²⁹ EVgo witness Stegall Direct Testimony, p. 8-10, 15.

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1 becoming a real problem. For these reasons, the request to supply rebates to destination
2 DCFCs should be rejected.

3 **Low-Income EV Rebate Income Level**

4 Q. AA witness Stults proposes increasing the eligible income level for the Company's
5 income-qualified Home Charger Rebates to 300%³⁰ or 400%³¹ of the federal poverty
6 level from the current 200%, claiming providing such rebates only for families of four
7 making less than \$60,000³² is insufficient.³³ Does Staff agree?

8 A. No. Staff does not agree it is appropriate that households of four persons making nearly
9 or above \$100,000 a year is consistent with the spirit of the income-qualified rebate. For
10 reference, the median income for a family of 4 in Michigan is approximately \$100,000.³⁴
11 This proposal should be rejected.

12 Q. Does this conclude your testimony?

13 A. Yes, it does.

³⁰ 2024 FPL for family of four = \$31,200 times 3 = \$93,600

³¹ 2024 FPL for family of four = \$31,200 times 4 = \$124,800

³² 2024 FPL for family of four = \$31,200 times 2 = \$62,400

³³ AA witness Stults Direct Testimony, pp. 28-29.

³⁴ U.S. DOJ, https://www.justice.gov/ust/eo/bapcpa/20220401/bci_data/median_income_table.htm

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)	Case No. U-21534
distribution and supply of electric energy, and)	
<u>for miscellaneous accounting authority</u>)	

PROOF OF SERVICE

Jillian Bowden, being duly sworn, deposes and says that on August 16, 2024, A.D., she emailed a copy of the attached MPSC Rebuttal Testimony to the persons as shown on the attached list.

Jillian Bowden

Jillian Bowden

Subscribed and sworn to before me this
16th day of August 2024.

Michelle L. Conarton, Notary Public
State of Michigan, County of Ingham
Acting in the County of Eaton
My Commission Expires: 6-18-2026

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