



CITY OF ANN ARBOR, MICHIGAN

301 E. Huron St., P.O. Box 8647 • Ann Arbor, Michigan 48107-8647

a2gov.org • facebook.com/thecityofannarbor • twitter.com/a2gov

October 3, 2024

VIA ELECTRONIC CASE FILING

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

RE: MPSC Case No. U-21534

Dear Ms. Felice,

Attached please find the **Initial Brief by the City of Ann Arbor and Proof of Service** for the above referenced case.

Please contact me if you have any questions.

Sincerely,

Valerie Jackson
Assistant City Attorney,
City of Ann Arbor

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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

U-21534

INITIAL BRIEF BY THE CITY OF ANN ARBOR

The City of Ann Arbor (“Ann Arbor” or “the City”) is a municipal corporation and is itself a customer of DTE Electric Company (“DTE” or “the Company”), as are its residents and businesses. This brief addresses Ann Arbor’s positions and recommendations regarding DTE’s proposed rate increase.

Table of Contents

I. INTRODUCTION	1
II. TEST YEAR	5
III. RATE BASE	5
IV. CAPITAL STRUCTURE AND RATE OF RETURN	6
A. The Commission Should Reject DTE’S Request to Increase Its Rate of Return on Equity.	6
V. ADJUSTED OPERATING INCOME	9
A. The Commission Should Deny DTE’s Outage Credit Recovery Proposal.	9
B. The Commission Should Disallow \$39.232 Million of DTE’s Proposed Incentive Compensation Expense.	12
VI. COST OF SERVICE	13
VII. RATE DESIGN AND TARIFFS	13
A. Customers That Paid a CIAC to Proactively Convert From HID to LED Streetlights Should Receive a Credit.	13
VIII. PILOT PROGRAMS	15
A. The Commission Should Require DTE to Raise the Income-Qualified Threshold for Home Charger Rebates to More Meaningfully Incentivize EV Adoption.	15
B. The Commission Should Disallow the Home Generator Pilot and Associated Costs.	17
C. DTE Should Conduct Strategic Undergrounding Pilot Projects Outside the City of Detroit and Establish a Transparent Project Selection Process.	19
IX. OTHER ISSUES	21
A. The Commission Should Deny DTE’s Proposed Storm Restoration Cost Sharing Mechanism and Reduce DTE’s Projected Storm Restoration Expense.	21
B. The CIAC Charged to a Developer for Increasing the Electrical Load Capacity of a Site Served By a 4.8kV System Should Be No More Than a Site Served By a 13.2kV System.	25
C. The Commission Should Not Permit DTE to Purposefully Fall Behind Its Pole and Pole-top Inspection Cycle.	27
D. DTE Did Not Sufficiently Comply with the Commission’s Directive Regarding Coordination with Local Governments.	29
X. CONCLUSION	32

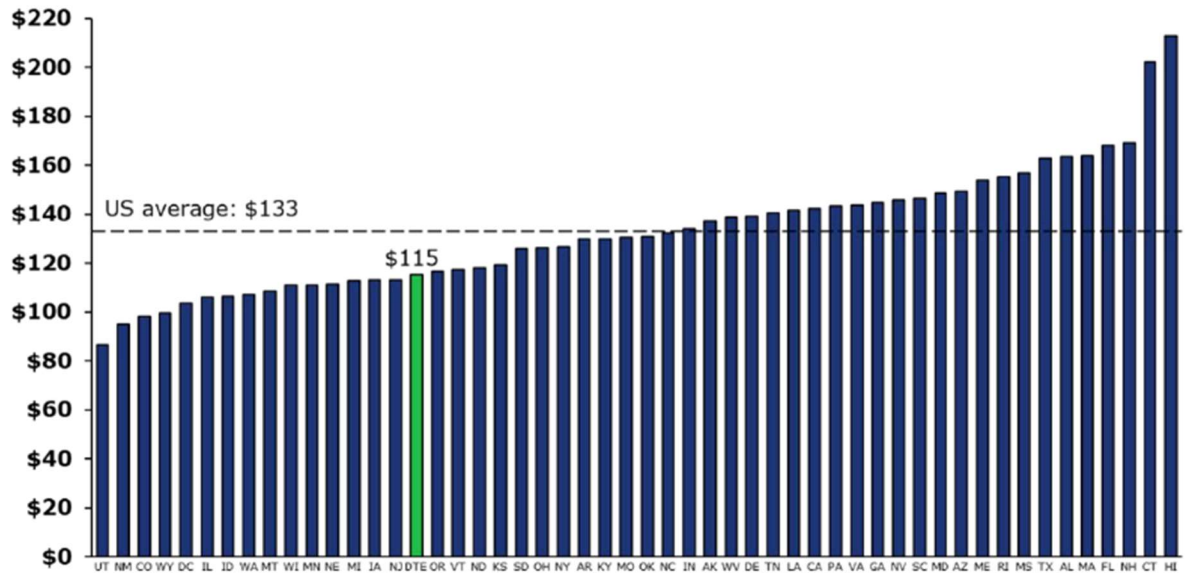
I. INTRODUCTION

The Company is before the Commission requesting an increase in rates that would add \$456.4 million in annual revenues. This request came not even four months after DTE received approval to implement rates that increased its annual revenues by over \$368 million. If the Commission were to authorize this rate increase as requested by DTE, that would mean an increase of \$1.566 billion in just eight years. *See*, Stults, 6 Tr 4248, fn. 2. Expecting ratepayers to shoulder an average increase of almost \$200 million per year is simply not sustainable, especially when ratepayers are not seeing an improvement in service that might justify their ever-increasing electric bills.

The Company's average All Weather SAIDI for the three-year period from 2021 through 2023 was over double that of the three-year period from 2018 through 2020 (1,018 minutes versus 448 minutes). Kryscynski, 3 Tr 311, Figure 2. Comparing the All Weather SAIFI for the same two three-year periods shows an increase of over 13% (1.34 for 2018-2020 versus 1.52 for 2021-2023). Kryscynski, 3 Tr 312, Figure 4.

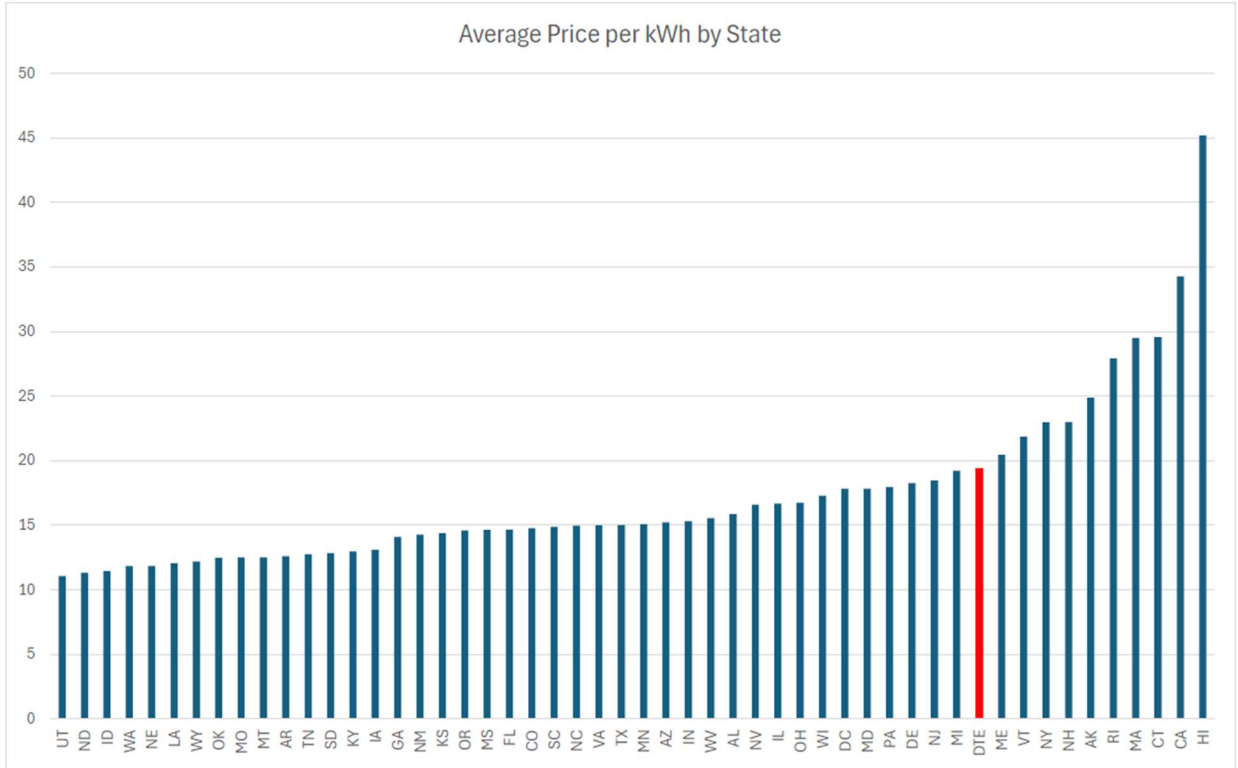
Yet, DTE still tries to justify its continual rate increases by presenting data in a misleading way to make the Company's rates seem reasonable. For example, DTE witness Foley included the following figure for the purpose of demonstrating that the average residential bill for DTE customers is less than the national average:

Figure 8 2023 Average Residential Electric Bills⁶



However, as Ann Arbor witness Dr. Stults pointed out, this figure merely shows the average total residential bill with no consideration for the amount of electricity the bill represents, which does not make for a meaningful comparison because residents in many states use electricity (rather than gas – as is most common in Michigan) for space heating, and are thus using more electricity and would be expected to have higher electric bills. The reasonableness of DTE’s rates is better understood through a comparison of the average cost of electricity per unit (i.e., kWh), as in the figure below, which Dr. Stults included as Figure 1 in her testimony (6 Tr 4251):

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



When the data is compared on a per-unit basis, it is apparent that DTE customers are actually paying some of the highest rates in the nation – and the highest rates in the Midwest. When compared to the 50 states and the District of Columbia, DTE charges the 11th highest price per kWh, placing it in the top quartile of most expensive electricity per-unit in the country.

The Commission must hold DTE accountable and protect ratepayers from the Company’s annual attempt to squeeze more and more out of its customers for the promise of improved service – a promise that has been empty thus far. Thus, for the reasons discussed in this brief, Ann Arbor recommends the following:

- 1) The Commission should reject DTE's request to increase its rate of return on equity;
- 2) The Commission should take DTE's performance and the value of service it provides to its customers into consideration when setting the Company's rate of return on equity;
- 3) The Commission should reject DTE's outage credit recovery proposal;
- 4) The Commission should reduce DTE's proposed incentive compensation expense by \$39.232 million because ratepayers should not bear the cost related to the achievement of financial measures;
- 5) The Commission should require DTE to provide bill credits to communities that paid a CIAC to proactively convert from HID to LED streetlights;
- 6) The Commission should require DTE to increase the income-qualified threshold for Home Charger Rebates to 400% of the federal poverty limit;
- 7) The Commission should require DTE to conduct strategic undergrounding pilot projects in communities outside of the City of Detroit;
- 8) The Commission should require DTE to provide a more transparent process for selecting communities for its strategic undergrounding pilot projects;
- 9) The Commission should reject DTE's proposed Storm Restoration Cost Sharing Mechanism;
- 10) The Commission should reduce DTE's proposed storm restoration expense to reflect the increased costs of storm recovery that resulted from the Company's management decisions around tree trimming using the formula presented in Dr. Stults' testimony at 6 Tr 4262-63: $\{[(\text{Projected Storm Costs} \times 2/3) \times \% \text{ of trees trimmed 5+ years prior}] / 2\}$;

- 11) The Commission should require DTE to cover the cost to increase the capacity of a site by 2.5 times before any CIAC for increased capacity is charged to a developer for projects that are served by a 4.8kV system to ensure older communities are not penalized despite the costs they paid to install more modern systems in newer areas;
- 12) The Commission should require DTE to continue to conduct inspections on poles and pole-top equipment at a rate that will keep the Company on a 10-to-12-year inspection cycle, to allow proper periodization, quantification, and prioritization of the backlog of necessary maintenance work; and
- 13) The Commission should require DTE to provide evidence of better coordination practices, including, at a minimum, reviewing publicly available Capital Improvements Plans for communities in the Company's service territory, as well as capital plans for large public school systems, in the Company's capital planning process to identify opportunities for coordination, in order to continue receiving full cost recovery for infrastructure projects.

II. TEST YEAR

The City of Ann Arbor does not take a position on any issues that fall under this heading. The City's lack of position on these issues should not be taken as approval of or opposition to any of the positions taken by other parties in this case.

III. RATE BASE

The City of Ann Arbor does not take a position on any issues that fall under this heading. The City's lack of position on these issues should not be taken as approval of or opposition to any of the positions taken by other parties in this case.

IV. CAPITAL STRUCTURE AND RATE OF RETURN

A. The Commission Should Reject DTE’S Request to Increase Its Rate of Return on Equity.

(Direct: Stults, 6 Tr 4252-56; Villadsen, 2406-46. Rebuttal: Villadsen, 6 Tr 2489-2500, 2530-32. Exhibits AA-17 through AA-27)

i. *DTE Has a History of Requesting Rates of Return on Equity that Are Unreasonably High.*

DTE is requesting a rate of return on equity (“ROE”) of 10.5%, which is an increase of 60 basis points from its currently authorized ROE of 9.9%. DTE witness Dr. Villadsen testified that a 10.5% ROE is “conservative and a modest move towards today’s indicated cost of equity.” She supported her recommendation, in part, by claiming that DTE has “a higher business risk than the comparable electric utilities,” because, among other things, the Company has a “higher than average need for infrastructure investments.” This is an interesting way of admitting the Company’s own management decisions have increased its risks – notably by not properly maintaining its assets. Companies that make penny-wise and pound-foolish decisions should not profit more than companies that have conducted their business with prudence.

As Ann Arbor witness Stults testified, Dr. Villadsen has recommended an ROE of 10.25% in the past two general rate cases (Case Nos. U-20836 and U-21297), each time claiming DTE has a higher business risk than similar companies. In both cases, the Commission found DTE’s recommended ROE to be “excessive and unsupported on [the] record,” and authorized an ROE of 9.9%. Following Case No. U-21297, Fitch Ratings (“Fitch”) stated the authorized ROE of 9.9% “compares favorably with industry averages,” and “is credit-supportive and reflects a constructive regulatory environment in Michigan.” Following Case No. U-20836, Fitch stated the authorized ROE of 9.9% “compares favorably with industry averages.”

The Commission’s authorization of ROEs lower than DTE’s recommendations has not negatively impacted the Company’s financial health. For example, DTE has maintained a Long-Term Issuer Default Rating of A- since well before the Commission’s order in November 2022 in Case No. U-20836. Moreover, DTE has continually made claims to its shareholders regarding its strong financial health over the past few years (e.g., the Company delivers “premium shareholder returns;” the “[c]onstructive rate case order supports customer-focused investments;” the Company’s “[s]trong balance sheet and solid investment-grade profile support capital investment;” the Company is able to provide “a healthy dividend.”).

The testimony and evidence presented by Dr. Stults demonstrates a continued pattern of Dr. Villadsen overestimating the ROE necessary for the Company to continue attracting investors and providing sufficient shareholder returns. Dr. Villadsen’s calculations of the cost of equity have consistently proven to result in ROE recommendations that are too high, largely due to her overestimation of the riskiness of the Company. Despite the Commission authorizing an ROE significantly below the rate she recommended in the past two rate cases and evidence that such authorizations did not negatively impact the Company’s ability to attract equity investors, Dr. Villadsen is now recommending an ROE that is 25 basis points *higher* than her already unreasonably high recommendation in the previous two cases and 60 basis points higher than the Company’s currently authorized ROE. Thus, her testimony supporting DTE’s proposed ROE should be given little weight by the Commission, and the Commission should reject her recommendation to increase the Company’s ROE.

ii. *The Commission Should Take DTE’s Performance Into Consideration When Setting the Company’s Rate of Return on Equity.*

As Ann Arbor has argued in several past proceedings, DTE’s performance should be a factor in setting the Company’s ROE. The Commission has previously noted that “one major

purpose of regulation is...to insure so far as practical that [the utility] is in a similar position to enterprises in the competitive sector.” *Detroit Edison Co v Pub Serv Com'n*, 127 Mich App 499, 523; 342 NW2d 273, 284 (1983). One of the key aspects of duplicating competitive pressure is creating financial consequences for subpar performance and poor management choices.

Statutorily, one of the ways the Commission must do this is to consider a number of factors when setting rates, including the “value of service to the customer” of the provision of those services. MCL 460.557(2).

As discussed in Section I above, DTE’s electric rates are among the highest (in the top quartile) in the nation, and the Company does not provide the service to justify these rates. Despite continual rate hikes, DTE’s reliability and resilience has not improved in any meaningful way (and in many instances has actually gotten worse). It is unreasonable for ratepayers to continue to shoulder rate hike after rate hike and get nothing in exchange for their increased burden, especially when part of the ever-increasing rates goes toward DTE’s investors earning higher and higher profits. This simply would not happen in the competitive sector. Ann Arbor urges the Commission to use its authority to put an end to this rather ridiculous practice. The record contains ample evidence that the quality of DTE’s service is not commensurate with the rates customers are paying. The Commission should take this into consideration when setting DTE’s authorized ROE as part of its imperative to consider the “value of service to the customer” in setting rates. Rather than continuing the trend of maintaining the authorized ROE of 9.9%, perhaps it is time for the Commission to consider whether a lower ROE is appropriate.

iii. *The Testimony of Ann Arbor Witness Dr. Melissa Stults Merits Consideration on the Issue of Return on Equity.*

In rebuttal, Dr. Villadsen argued, “Financial models are needed to estimate the current cost of equity, so testimonies without such analysis like Dr. Stults ... should not be considered,”

and “Dr. Stults does not perform any analysis of the current cost of equity such as DTE Electric is [sic] and therefore has no basis for suggesting a lower ROE.” 6 Tr 2495, 2499.

Dr. Stults does not make a recommendation on a specific rate of return on equity, nor does she indicate that she has any expertise in calculating the cost of equity. Rather, Dr. Stults’ testimony on this subject is presented to illustrate Dr. Villadsen’s lack of credibility as a witness on the issue of ROE based on her past testimony, past Commission orders, and the opinions of financial ratings agencies. Information that goes to the credibility of the witness offering testimony is valid for consideration, especially given that other witnesses have used differing methodologies in their testimonies. It was not necessary for Dr. Stults to create an independent financial model for her to review this evidence and come to a conclusion regarding the likelihood that Dr. Villadsen’s methods have a history of producing inaccurate results that consistently overstate the ROE necessary to raise capital.

Accordingly, the Commission should consider the testimony of Dr. Stults on this issue.

V. ADJUSTED OPERATING INCOME

A. The Commission Should Deny DTE’s Outage Credit Recovery Proposal.

(Direct: Stults, 6 Tr 4256-59; Foley, 2 Tr 96-99; Koepfel, 6 Tr 4395-97; Watts, 6 Tr 4674; Orr, 6 Tr 4705-06; Richter, 6 Tr 4858-64; Evans, 6 Tr 5229-32; Jester, 6 Tr 3792-94. Rebuttal: Foley, 2 Tr 145-51.)

Under the Company’s proposed outage credit recovery mechanism, DTE would be able to recover certain outage credits it has paid to customers pursuant to the Service Quality and Reliability Standards for Electric Distribution Systems (R 460.744 and R 460.745) (“Service Quality Standards”). DTE proposes it should be able to recover credits paid for exceeding the outage duration limit set by the Service Quality Standards if the underlying outage was caused by (1) the transmission operator or another utility, (2) public interference, or (3) animal

interference, and to recover credits paid for exceeding the outage frequency limit set by the Service Quality Standards for outages caused by the three previously listed events, in addition to outages caused by (1) ice, (2) lightning, (3) wind, or (4) other weather.

The Commission should reject this proposal because it is, as MNSC witness Jester said, “reflective of DTE Electric’s continuing resistance to accountability for its performance as owner and operator of its distribution system.” Several other intervenors, as well as MPSC Staff, agree that DTE’s proposal is unreasonable and should be rejected – at least in part.

MPSC Staff witness Evans testified that the Company should not be able to recover outage credits for outages caused by animal interference or weather, which are the same outage causes for which Ann Arbor witness Stults expressed particular concern regarding DTE’s proposal. As Staff witness Evans testified, “the utility should be hardening or otherwise upgrading its distribution system to reduce or eliminate the occurrences of these types of outages.”

The Company has already spent a significant amount of ratepayer money – and is planning to spend billions more over the next several years – to allegedly improve the grid. The capital invested to harden and/or upgrade the grid is added to the Company’s rate base, which means not only is the cost of these investments borne by ratepayers, but DTE’s shareholders also earn a return on these investments, which is also funded by ratepayers. In return, ratepayers should get a more reliable and resilient grid. The Commission apparently agrees and has established certain conditions under which customers will receive a credit for DTE not meeting its end of the bargain (i.e., the outage duration and frequency limits set forth in the Service Quality Standards).

Through its outage credit recovery proposal, DTE is attempting to claw back some of the credits paid for the grid's failure from customers who have already paid for investments intended to improve the grid, plus a return on those investments. The Company claims it is appropriate for it to be reimbursed for credits paid for outages caused by events outside its control. However, the Company does not provide a reason ratepayers should bear the cost of these outages that are inarguably far less within their nexus of control than the Company's.

Further, as Dr. Stults pointed out, the credits DTE is attempting to recover from ratepayers "do not come close to making whole the customers who were without power long enough or frequently enough to receive an outage credit." These customers get a credit of just \$38/day as compensation for likely throwing away hundreds of dollars in perishable food, spending hundreds more to replace that food, losing hours of productivity, potentially experiencing property damage, and possibly covering the cost of alternative shelter. Attempting to get ratepayers to foot the bill for the grid's failure by reimbursing the Company for credits paid pursuant to the Service Quality Standards – particularly in the case of outages caused by animal interference or weather – is not only unreasonable, but as Dr. Stults stated, it is also "insulting that DTE has even spent time on this issue."

The Commission should deny the Company's outage credit recovery proposal as an unreasonable attempt to squeeze more out of already overburdened ratepayers for failures of equipment that ratepayers have already paid for through rates, and on which shareholders continue to earn a profit.

B. The Commission Should Disallow \$39.232 Million of DTE’s Proposed Incentive Compensation Expense.

(Direct: Stults, 6 Tr 4263-65; Fix, 6 Tr 2875-96; McMillan-Sepkoski, 6 Tr 4922-25; York, 6 Tr 3343-47. Exhibits: A-3, Schedule C19; A-21, Schedules K1 through K6; S-7.1.)

The Company is requesting that an incentive compensation expense of \$59.504 million related to its short-term and long-term incentive compensation plans be included in its revenue requirement. This amount is made up of \$39.232 million for financial measures and \$20.271 for operating measures. Ann Arbor witness Stults and MPSC Staff witness McMillan-Sepkoski recommended that the \$39.232 million of DTE’s projected incentive compensation related to financial measures should be disallowed.

The Commission has made it clear that financially based incentive compensation should not be funded by ratepayers. In July 2024, the Commission issued an order in Indiana Michigan Power Company’s (“I&M”) general rate case, in which it dedicated several pages to reinforcing its position on this issue. In that case, the Commission disallowed I&M’s financially based incentive expenses, finding them to be “unreasonable and imprudent because they are inextricably connected to earnings and cash flow and disproportionately benefit shareholders and should not be paid for by ratepayers.” The Commission noted “the Commission’s long history of unequivocally disallowing financially based incentive compensation, whether it be an O&M expense or capital expense,” and stated that “for nearly two decades, it has disallowed financially based incentive compensation in utility rates.” Case No. U-21461, Order, July 2, 2024, p. 84-87. This recent order is clear guidance from the Commission that financially based incentive compensation should not be included in utility rates.

Thus, \$39.232 million of the Company’s incentive compensation expense should be disallowed because it is based on the achievement of financial measures (such as the total return

to shareholders and operating earnings per share) that ultimately benefit DTE's shareholders and should not be borne by its ratepayers.

VI. COST OF SERVICE

The City of Ann Arbor does not take a position on any issues that fall under this heading. The City's lack of position on these issues should not be taken as approval of or opposition to any of the positions taken by other parties in this case.

VII. RATE DESIGN AND TARIFFS

A. Customers That Paid a CIAC to Proactively Convert From HID to LED Streetlights Should Receive a Credit.

(Direct: Naheedy, 6 Tr 4225-31; Stults, 6 Tr 4274-76; Bunch, 6 Tr 4300-11.

Rebuttal: Bellini, 6 Tr 3145-58, 3180-81; Isakson, 6 Tr 4913-14. Exhibits: AA-8; AA-11; A-25, Schedule O3.)

Ann Arbor witness Naheedy testified that if the City pays a CIAC for converting its remaining HID streetlight fixtures to LEDs, it should get a bill credit equal to the amount other customers will not have to pay to convert Ann Arbor's streetlights because otherwise the City would not only have to pay the full cost of LED installations in Ann Arbor, but it would also be subsidizing the transition of other customers who will not have to pay a CIAC for LED installations in the future. Ann Arbor witness Stults agreed with Mr. Naheedy and argued that communities who paid a CIAC up front to proactively convert their streetlights to LEDs should receive a credit "so that they are not paying both for the entirety of their own conversion and a portion of others."

Michigan Municipal Association for Utility Issues ("MI-MAUI") witness Bunch also recommended that customers who paid a CIAC to proactively convert to LED streetlighting should receive bill credits. Mr. Bunch referenced the fact that Consumers Energy Company

discontinued charging CIAC for HID to LED conversions several years ago and adopted a system of bill credits for customers who had paid a CIAC for LED conversions. He also proposed a general scheme for DTE to implement to distribute bill credits to its customers who proactively converted to LED streetlights.

DTE witness Bellini argued that the Commission should reject both Ann Arbor and MI-MAUI's proposals to provide credits to customers who paid a CIAC to proactively convert to LED streetlights. Mr. Bellini reasoned that a bill credit scheme "would have an adverse effect on all municipal streetlight customer rates."

MPSC Staff witness Isakson recommended that the Commission approve MI-MAUI's streetlight conversion credit proposal and reject Ann Arbor's "recommendations regarding a specific credit for Ann Arbor." Ann Arbor notes that it did not intend to suggest that a credit for proactive conversions should only apply to the City. Rather, Ann Arbor agrees with MPSC Staff witness Isakson that adoption of MI-MAUI's proposed bill credits would address Ann Arbor's concerns, and thus the City also supports the adoption of MI-MAUI's streetlight conversion credit proposal.

DTE notified its community lighting customers in November of 2023 that it would begin replacing failed HPS streetlights with LEDs after its existing inventory of HPS streetlights is depleted due to the discontinuation of the production of HPS streetlights by its manufacturers. In other words, DTE was finally forced to acknowledge that LED fixtures are the standard technology for streetlighting and that the Company will not reasonably be able to make customers cover the cost of converting to LEDs indefinitely. In fact, DTE is proposing a change to its E1 Option I and D9 tariff to include language notifying customers that all HPS fixtures will be converted to LEDs upon failure starting on January 1, 2025.

Despite the fact that LEDs are now DTE’s standard streetlight offering, and all HPS streetlights will eventually be replaced with LEDs by DTE at no cost to the customer if the customer waits until each of its HPS fixtures fails, DTE still intends to charge customers a CIAC for proactive group conversions and has no intention of paying a credit to customers who already paid a CIAC to convert to LEDs. This means that communities that saved other communities from contributing to the cost of their LED conversions by covering the entirety of the cost up front (and thus preventing the cost from being added to the rate base) will now have to pay through streetlighting rates for other communities to convert to all LED streetlighting. As Dr. Stults stated, this is “an absurd and unfair result.”

Thus, the Commission should adopt MI-MAUI’s streetlight conversion credit proposal, which is aligned with the positions of both the MPSC Staff and the City of Ann Arbor.

VIII. PILOT PROGRAMS

A. The Commission Should Require DTE to Raise the Income-Qualified Threshold for Home Charger Rebates to More Meaningfully Incentivize EV Adoption.

(Direct: Stults, 6 Tr 4271-72; Bennett, 6 Tr 1931-32, 1957-59; Sherman, 6 Tr 4082-87. Rebuttal: Revere, 6 Tr 4984.)

DTE proposes an investment of \$24 million for Home Charger Rebates for low-income residential customers. Each rebate in this program would cover the cost of a Level 2 EV charger and its installation – an average cost of \$2,200 per rebate. To qualify for a Home Charger Rebate, a customer must meet the income eligibility threshold, which is 200% of the federal poverty limit (approximately \$60,000 for a four-person household). DTE witness Bennett testified that it will be “critical to monitor and adjust the income eligibility threshold based on market dynamics and EV adoption,” and “DTE Electric may need to adjust the income threshold

... upwards to meaningfully support this segment and encourage EV adoption in Southeast Michigan.”

Ann Arbor witness Stults and MEIU witness Sherman both testified that DTE’s proposed income eligibility threshold of only 200% of the federal poverty limit is too low and recommended increasing it to 400% of the federal poverty limit. Dr. Stults alternatively recommended increasing the threshold to 300% of the federal poverty limit at minimum.

MPSC Staff witness Revere testified in rebuttal that he disagrees with Dr. Stults’ recommendation to increase the income eligibility threshold because MPSC Staff does not agree that access to rebates for households at 300% or 400% of the federal poverty level “is consistent with the spirit of the income-qualified rebate.” 6 Tr 4984.

The income-qualified Home Charger Rebate is part of DTE’s overall Transportation Electrification Plan (“TEP”), the goal of which is “to power and enable a cleaner energy future for its customers through transportation electrification.” One of the guiding principles of DTE’s TEP is to “[s]upport and accelerate EV adoption by facilitating charger deployment while ensuring that the portfolio maintains affordability benefits for all DTE Electric customers.”.

Ann Arbor and MEIU share the same concern regarding DTE’s proposed income eligibility threshold: it is simply too restrictive to result in the successful deployment of low-income rebates. As Dr. Stults testified, “[t]he EV market does not offer an affordable enough option at this point,” which means households at or below 200% of the federal poverty limit are generally not purchasing EVs. Increasing the income threshold will make the low-income Home Charger Rebate available to more households (including households for which purchasing an EV is more reasonably attainable), which aligns with the Company’s guiding principle of supporting and accelerating EV adoption by facilitating charger deployment.

DTE's own witness acknowledged that this program will need to be monitored, and that the income threshold may need to be adjusted upwards to meaningfully support lower-income households and incentivize EV adoption. Two witnesses with experience in electrification initiatives and equity testified that the income threshold should be raised for the program to be successful. It is reasonable to follow the advice of these experts and adopt a higher income threshold to enable the program's early success, and then, if necessary, it could be adjusted downward in the future, whether based on the number of rebates processed or the EV market.

Accordingly, Ann Arbor recommends the income threshold for the low-income Home Charger Rebate be increased to 400% of the federal poverty limit to incentivize EV adoption and help the Company meet the goals of its TEP.

B. The Commission Should Disallow the Home Generator Pilot and Associated Costs.

(Direct: Stults, 6 Tr 4272-73; Farrell, 6 Tr 2696-99. Rebuttal: Farrell, 6 Tr 2715-17.)

The Company's home generator pilot is one of DTE's demand response ("DR") pilots, wherein DTE uses real-time telemetry to shift participating customers' electric load to their gas generators during DR events. Ann Arbor witness Stults argued that this pilot and its associated costs should be disallowed because "explor[ing] the ability to remotely shift a customer's electric load to a gas generator as a demand response solution is simply not in line with the Company's stated climate goals or its claims regarding protecting our planet and planning for our future." She testified that it would be better to explore demand response options through a pilot that uses batteries as the remotely accessible power source, rather than generators that rely on fossil gas.

In rebuttal, DTE witness Farrell stated that Dr. Stults "appears to misunderstand the purpose of the residential home generator pilot." He explained that the pilot targets customers who already own generators and incentivizes them to let DTE shift their electric load to their

generator, rather than incentivizing customers to purchase generators, and that the main objective of the pilot is “to determine whether customers would be willing to actively participate and allow for real-time telemetry to control their generators during an event.” He also testified that this pilot could become the framework for a residential battery pilot.

Dr. Stults did not misunderstand the purpose of the home generator pilot. Determining whether customers are willing to allow DTE to remotely access their generators to shift their electrical load to a means of powering their homes that burns fossil gas is not a reasonable pursuit when fossil gas use should be phased out as much as possible and the amount of wear and tear on such generators should be limited instead of increased, given the frequent and lengthy outages on the system that they are meant to endure. Dr. Stults’ argument – that it is unreasonable and imprudent for the Company to spend ratepayers’ money exploring a program that will shift electric use to a generator that burns fossil gas – stands. The use of generators in this fashion also creates noise and air pollution for neighboring residents that will receive no direct financial benefit from the operation of those systems. Moreover, using the generators in this way reduces the likelihood they will be able to run for many days in emergency conditions, which will impose further costs on local governments responding to lengthy outages.

Thus, Ann Arbor recommends the costs associated with DTE’s home generator pilot be disallowed.

C. DTE Should Conduct Strategic Undergrounding Pilot Projects Outside the City of Detroit and Establish a Transparent Project Selection Process.

(Direct: Stults, 6 Tr 4273-74; Deol, 5 Tr 1191-1204; Stephens, 6 Tr 4025-26.

Rebuttal: Deol, 5 Tr 1263-65. Exhibits: A-23, Schedule M13.)

- i. *The Commission Should Require DTE to Expand its Strategic Undergrounding Pilot Projects Beyond the City of Detroit.*

DTE’s strategic undergrounding program explores the viability of undergrounding power lines when circuits are being converted (e.g., from 4.8kV to 13.2kV). The Company has conducted, or is in the process of conducting, strategic undergrounding pilot projects in two neighborhoods in the City of Detroit (“Detroit”) but has not conducted such a project outside Detroit. DTE witness Deol said the purpose of these pilot projects is “to understand the challenges of undergrounding in a mature urban setting, define scenarios and situations when undergrounding can reap of [sic] rewards of safety, reliability, and resiliency benefits, and refine underground construction processes to gain cost efficiency on the installation.”

Ann Arbor witness Stults recommended that the Company expand its strategic undergrounding pilot projects to locations outside the City of Detroit. As indicated in DTE witness Deol’s testimony, there are many benefits to undergrounding power lines, including increased resiliency, improved reliability, reduced maintenance and repair costs, reduced storm restoration costs, and improved safety. It is unfair to concentrate these benefits in one community when all DTE ratepayers cover the costs of these pilot projects. DTE’s service territory includes several communities that could provide a “mature urban setting” in which to explore the viability of undergrounding.

DTE did not specifically rebut Ann Arbor witness Stults’ recommendation. However, Mr. Deol used Ann Arbor’s interest in having undergrounding pilot projects in the City as support for his rebuttal to the AG’s recommendation to completely deny cost recovery for strategic

undergrounding pilot projects. Ann Arbor notes it supports rejecting the AG’s recommendation to deny cost recovery at this point because the City acknowledges the importance of exploring the feasibility of undergrounding. However, Ann Arbor urges the Commission to require DTE to conduct strategic undergrounding pilot projects in other communities in its territory – not just in the City of Detroit.

ii. *The Commission Should Require DTE to Provide More Transparency in its Selection Process for Strategic Undergrounding Pilot Projects.*

According to the Company’s testimony, it intends to pursue additional strategic undergrounding pilot projects to continue exploring ways to reduce costs and increase the benefit to cost ratio of undergrounding power lines. DTE witness Deol claims that future projects are planned to include a mix of urban, suburban, and rural geographies, but the Company has not submitted any evidence regarding how it will select locations for future strategic undergrounding pilot projects.

Ann Arbor witness Stults testified that Ann Arbor has indicated its interest in locating strategic undergrounding pilot projects in the City to coincide with largescale street projects, but DTE has neither taken full advantage of this coordination opportunity, nor provided the City with a reason for not selecting it for a strategic undergrounding project.

As indicated above, there are many benefits to undergrounding, and these benefits are desired by all communities – particularly those still served by a 4.8kV system (such as Ann Arbor). The process for determining where the Company will conduct strategic undergrounding pilot projects should be transparent so communities can understand why they were or were not selected as a project location, and to ensure some level of fairness in the process.

IX. OTHER ISSUES

A. **The Commission Should Deny DTE’s Proposed Storm Restoration Cost Sharing Mechanism and Reduce DTE’s Projected Storm Restoration Expense.**

(Direct: Stults, 6 Tr 4259-63; Giacobazzi, 6 Tr 4214-19; Foley, 2 Tr 128-36; Steudle, 2964; Duell, 6 Tr 5147-50; Denzler, 6 Tr 3769-74. Rebuttal: Foley, 2 Tr 163-72. Exhibits: A-13, Schedule C5.6, p 2; AA-3; AA-4; AA-26; AA-27)

i. *The Commission Should Deny DTE’s Proposed Storm Restoration Cost Sharing Mechanism.*

DTE is requesting the Commission authorize the handling of storm restoration O&M expenses through its proposed Storm Restoration Cost Sharing Mechanism (“SRCSM”). Under the proposed SRCSM, projected storm restoration O&M expenses (based on the five-year trailing average) would continue to be authorized for recovery through base rates, however, at the end of each calendar year, the actual storm restoration O&M expenses would be compared to the authorized amount, and the difference between the actual and authorized amounts would be “shared” by the Company and ratepayers. The SRCSM proposes sharing these costs by returning to customers half of the difference if actual expenses are less than authorized expenses (i.e., recording a regulatory liability) and by recovering from customers half of the difference if actual expenses are more than authorized expenses (i.e., recording a regulatory asset). The resulting regulatory liability or asset from each year would be included in the Company’s next general rate case.

Witnesses for Ann Arbor, MPSC Staff, and NRDC recommended the Commission reject DTE’s proposed SRCSM. NRDC witness Denzler cited “the imbalance to the share of risk,” “the Company’s poor Storm performance,” and “the likelihood for misaligned incentives” as reasons for recommending rejection of the SRCSM. MPSC Staff witness Duell noted that customers may never see a benefit from the proposed SRCSM, and further reasoned that “the way the Company

currently recovers storm restoration expenses provides a stronger incentive to control costs than the [SRCSM].” Ann Arbor witness Stults identified several concerns with the SRCSM, including the creation of problematic incentives for gamesmanship with the classification of expenses related to storm restoration, for over-projecting storm restoration costs, and for underspending on non-storm related O&M. She also testified regarding the impact of falling behind on tree trimming on storm restoration costs and presented a formula for reducing the Company’s proposed storm restoration expense to account for costs caused by the Company’s failure to maintain its tree-trimming cycle.

In rebuttal, DTE witness Foley argued that the SRCSM is designed to enhance the existing approach to storm restoration cost recovery, rather than replace it. He expressed disagreement with MPSC Staff’s suggestion that customers may never see a benefit from the proposal, and stated the only way such an outcome would occur would be if actual storm restoration costs were always above the authorized level of storm restoration costs. He also argued that the SRCSM “maintains a significant incentive to control these costs,” and “protect[s] customers and the Company against financial risk.” DTE did not respond to MPSC Staff witness Duell’s concern regarding her “difficulty finding in testimony from the Company a description stating what it is spending storm restoration expenses on and what the Company defines as a storm restoration expense.”

DTE’s failure to address MPSC Staff’s statement regarding the lack of clarity in what the Company considers a storm restoration expense reinforces Dr. Stults’ concern that the SRCSM could motivate the Company’s to classify certain costs as storm restoration expenses or to exclude them from this category based on which classification will benefit the Company. Also problematic is the fact that ratepayers already pay for investments meant to improve the

resiliency of the grid. Such investments should result in lower storm restoration costs. The SRCSM creates a situation where half the benefit of reduced storm restoration costs will go to the Company instead of the ratepayers who funded the investments through increased rates.

Regarding DTE witness Foley's argument that the only way customers will never see a benefit from the SRCSM would be if actual storm restoration costs were always above the authorized level of storm restoration costs, Ann Arbor posits that customers lose either way under the SRCSM. If DTE spends less than the projected amount, customers only get half the amount returned to them, and if DTE spends more than the projected amount, their rates will go up because DTE is permitted to record half of that amount as a regulatory asset.

Accordingly, the Commission should adopt the position of Ann Arbor, MPSC Staff, and NRDC and reject the Company's proposed SRCSM.

- ii. *The Commission Should Reduce the Company's Projected Storm Restoration Costs to Account for the Amount that Could Have Been Prevented Through Proper Maintenance and Tree Trimming.*

Whether the Commission approves the SRCSM or not, it should reduce the Company's projected storm restoration expense by the amount that could have been prevented through proper maintenance and achieving and maintaining an appropriate tree trimming cycle. It is unreasonable to pass these preventable costs, which result from management decisions by the Company, on to ratepayers.

Ann Arbor witness Giacobazzi, a certified arborist and the Urban Forestry & Natural Resources Planning Coordinator for the City of Ann Arbor, presented evidence that City trees that either had never been trimmed to the City's standard or had been trimmed to the City's standard five or more years prior to being damaged were between 1.7 and 2.1 times more likely to need reactive maintenance than trees that had been trimmed to the City's standard less than five years prior to being damaged. Based on this data, Ms. Giacobazzi opined, "getting all City

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

DTE witness Steudle testified that “tree interference remains one of the leading drivers of customer outages,” and “[h]istorically, tree-caused outages accounted for two-thirds of the time that customers spent without power.” Both DTE witness Steudle and Ann Arbor witness Giacobazzi agree that the best way to reduce outages caused by tree interference is a robust tree-trimming program. As witness Giacobazzi testified, “Regular trimming improves the health of trees ... A healthy, properly trimmed tree is less likely to fail in a way that may interfere with a power line than a tree that is not properly maintained.” Thus, as witness Giacobazzi opined, both the number of outages due to tree interference and the Company’s storm restoration expenses would be expected to be higher if DTE fell behind on its tree trimming cycle than if it maintained its tree trimming cycle. Specifically, witness Giacobazzi testified that she “would expect storm restoration costs to increase at a rate that approximately corresponds with the rate that DTE fell behind on trimming.”

As Ann Arbor witness Stults pointed out, DTE departed from its five-year tree trimming cycle in 2013 and has been trying (and failing) to catch up since through a series of “enhancements” and surge funding requests to attempt to address its backlog of untrimmed circuits (at points DTE was three to four years behind cycle). It follows that DTE’s storm restoration expenses during this time have been higher than they would have been if DTE had maintained its five-year tree trimming cycle. Thus, whether the Commission approves the SRCSM or not, it should reduce the Company’s projected storm restoration costs by the amount that could have been avoided had DTE not fallen behind on tree trimming. It can do so by using

the following formula, which is set forth in detail in Dr. Stults' testimony: $\{[(\text{Projected Storm Costs} \times 2/3) \times \% \text{ of trees trimmed 5+ years prior}] / 2\}$. 6 Tr 4262-63.

B. The CIAC Charged to a Developer for Increasing the Electrical Load Capacity of a Site Served By a 4.8kV System Should Be No More Than a Site Served By a 13.2kV System.

(Direct: Stults, 6 Tr 4267-69. Rebuttal: Hill, 6 Tr 3091-92. Exhibits: AA-30 through AA-33.)

Ann Arbor witness Stults testified regarding the City's receipt of complaints about the wide variation in cost estimates for expanding electrical capacity for development projects depending on their location, and her concern that part of the reason developers were receiving large cost estimates for projects located in Ann Arbor is that the City is still served by a 4.8kV system, and thus generally does not have as much capacity as a community served by a 13.2kV system. In his rebuttal testimony, DTE witness Hill stated that DTE is "not aware of situations in which similarly situated customers on the 4.8kV and 13.2kV systems have paid substantially different CIAC fees based on the voltage of the system they are connected to." He also testified, "Not charging developers for their share of required system upgrades and extensions will shift that burden to all customers."

When asked pointed discovery questions on this issue, DTE did not provide meaningful responses. *See*, Exhibit AA-31 ("The Company has not performed an analysis on hypothetical examples of development projects that involve increasing the load capacity for a site.") and Exhibit AA-30 ("The Company has not performed the analysis as requested."). However, in response to a discovery request from MNSC, the Company stated, "When compared to 4.8kV, 13.2kV equipment has 2.5 times the power capacity." Exhibit AA-32. This suggests that it would generally be more costly to upgrade the electrical infrastructure to meet a certain load capacity at

a location served by a 4.8kV system than to upgrade the electrical infrastructure to meet that same load capacity at another location served by a 13.2kV system.

DTE plans to eventually convert all 4.8kV grid infrastructure to 13.2kV. Thus, it is not fair or reasonable to charge a developer a CIAC for expanding the electrical load capacity for a site served by a 4.8kV system that includes an amount it would not have been charged if the project were located in a newer or upgraded community that is served by a 13.2kV system. There is also no proposal to refund any costs when the Company eventually converts the grid in that location at a lower cost due to the customer-funded infrastructure upgrade. To use DTE witness Hill's terminology, this would be more than these developers' "share of required system upgrades," and instead should be borne by all customers just as other 4.8kV-to-13.2kV projects are. As Dr. Stults opined, requiring the developer to cover the cost differential necessary to increase the capacity from that of a 4.8kV system to that of a 13.2kV system "is unreasonable because it unfairly favors projects in newer communities and discourages increasing development density in older cities like Ann Arbor, Detroit, Grosse Pointe, and Highland Park that have not yet been upgraded to a 13.2kV system."

Accordingly, Ann Arbor requests that the Commission require DTE to cover the cost for increasing the electrical load capacity by 2.5 times before any CIAC is charged to a developer for expanding electrical load capacity for development projects that are served by a 4.8kV system.

C. The Commission Should Not Permit DTE to Purposefully Fall Behind Its Pole and Pole-top Inspection Cycle.

(Direct: Stults, 6 Tr 4269-71; Elliott Andahazy, 4 Tr 932-59; Cross Exam: Elliott Andahazy, 4 Tr 1069-71.)

Pole and pole-top inspections are a vital piece of DTE's Pole Top Maintenance and Modernization ("PTMM") program. As DTE witness Elliott Andahazy stated, "Poles and pole-top equipment are some of the most critical and visible parts of the distribution and subtransmission grid, and are continually exposed to harsh conditions ... causing them to degrade, weaken, and fail over time." In November 2009, the MPSC Staff published the "Utility Pole Inspection Program Investigation Staff Report," which recommended a 10- to 12-year pole inspection cycle frequency to match the standard recommended by the USDA Rural Utility Service.

The Company maintained the recommended 10- to 12-year inspection cycle frequency through 2022, but, as Ms. Elliott Andahazy testified in cross examination, in the year 2023, the Company "only inspected just over 12,000, almost 13,000 poles, which, if you do the math, puts us on a much larger pole inspection cycle... I believe it's between a 70- to 80-year for the inspection." The reasoning provided by DTE for inspecting so few poles in 2023 is that the Company has been unable to keep up with the construction activities necessary to remediate all the poles and pole-top equipment that have failed inspection and "did not want to continue to increase the backlog of necessary construction." For 2024 and 2025, DTE only plans to conduct inspections on "the amount the PTMM program is funded to complete the associated construction activities," which means the Company will continue to fall far short of the recommended 10- to 12-year inspection cycle frequency.

Ann Arbor witness Stults testified regarding her concerns with DTE's decision to pause inspections due to the significant backlog of uncompleted PTMM work. It is unreasonable and imprudent for DTE to purposefully fall behind the recommended inspection cycle, despite DTE's reasoning that more inspections will lead to a bigger backlog of work. As Dr. Stults testified, performing fewer inspections "does not magically create a situation where fewer poles are in need of repair or replacement." Rather, the same number of poles and pole-top equipment will be failing, but DTE will be unaware of the condition of a greater portion of its equipment. As Dr. Stults stated, "Ignoring the existence of this failing equipment may make it appear that there is a smaller backlog, but it will not mean there physically will not be a backlog."

DTE did not address Dr. Stults' concerns in rebuttal.

By purposefully falling further and further behind the recommended inspection cycle, the Company is creating a situation where it is unaware of the condition of more and more of this extremely important equipment, which means it will be unable to properly prioritize repairs and replacements. In the short term, DTE's backlog numbers may appear better, but longer inspection cycles will cost the Company more in the long run. Understanding the condition of a greater portion of its equipment – even if that means an ever-growing backlog of work – means DTE will be better informed about which equipment should be prioritized for immediate repair or replacement and which equipment may be able to last a little longer while the grid's most urgent needs are being attended to. The condition of this equipment is also a key piece of information in determining a proper depreciation schedule because the actual physical life is best verified by inspecting the equipment in question.

Moreover, the longer the inspection cycle becomes, the more equipment must be categorized as in need of repair or replacement, making it increasingly unlikely the Company can

“catch up” to the intended inspection cycle. If, as Ms. Elliott Andahazy indicated, the amount of equipment DTE is now planning to inspect puts them on a 70- to 80- year inspection cycle frequency, then the Company will essentially have to categorize all equipment as in need of repair or replacement because it will all almost certainly fail in the next 70 to 80 years when the Company can next reasonably expect to inspect it. This will lead to premature repair, replacement, and/or retirement of expensive equipment, which will unnecessarily drive up rates.

Accordingly, the Commission should require DTE to maintain a 10- to 12-year inspection cycle frequency in order to fully recover the costs of its PTMM program.

D. DTE Did Not Sufficiently Comply with the Commission’s Directive Regarding Coordination with Local Governments.

(Direct: Stults, 6 Tr 4265-67; Stewart, 6 Tr 4235-40; Bunch, 6 Tr 4354-64. Rebuttal: Kryscynski, 3 Tr 101-02. Rebuttal: Kryscynski, 3 Tr 457-65. Exhibits: AA-13; AA-14; AA-28; AA-29.)

In DTE’s last rate case, the Commission ordered, “in its next rate case, DTE Electric shall include a demonstration of its efforts to improve communication and coordination with local governments regarding construction activities.” Order, p. 361, Case No. U-21297 (Dec. 1, 2023). Ann Arbor witness Stults asserted that DTE did not include a demonstration of such efforts in its application and direct testimony, which included approximately one page of testimony regarding coordination, half of which discussed DTE’s current (and past) practice of communicating already-planned projects to local governments. MI-MAUI witness Bunch also opined that DTE’s direct testimony fell short of responding to the Commission’s order. Dr. Stults testified that the purpose of the Commission’s directive in Case No. U-21297 was “for DTE to include local governments in the planning and coordination of projects in their early stages in an effort to

identify cost savings and efficiencies, not merely communicate DTE's pre-planned projects to communities."

Ann Arbor witness Stewart testified regarding the importance of coordination among the various utilities that share the rights of way in the City. Coordinating projects among these utilities allows for cost savings and limits disruptions to residents. Part of Ann Arbor's coordination process is to include the City's upcoming infrastructure projects in its Capital Improvements Plan ("CIP"), which is publicly available online. In discovery, DTE admitted that it does not routinely review municipal CIPs to identify projects for potential coordination. This is troubling, considering MI-MAUI witness Bunch testified that the CIPs of MI-MAUI members are "easy to locate and download ... using simple web search methods."

Witness Stewart testified that there has been some recent improvement in communications from DTE Electric and DTE Gas, with both companies reaching out to schedule meetings about upcoming projects. However, most of these projects are scheduled in the next two years, and most of these conversations focus on informing the City about DTE's planned work, not how to align future work between the two entities. As such, the amount of meaningful coordination that can be achieved through these conversations is fundamentally limited compared to involving the City earlier in the planning process.

Witness Stewart provided an example of a near-missed opportunity between DTE Gas Company ("DTE Gas") and the City, which ultimately resulted in estimated savings for DTE Gas of \$70,459 (approximately 14% of the \$500,000 gas main project cost) due to the City covering the cost of resurfacing the right of way. As witness Stewart testified, similar savings are potentially available for DTE Electric projects that involve digging up and resurfacing the right

of way. But, in order for these savings to be realized, the opportunities for coordination must be discovered.

Though not between the Company and local governments, Dr. Stults suggested a coordination opportunity for DTE with its sister company, DTE Gas. Because the work of both companies brings them into contact with trees, and the health of trees could significantly impact DTE and its customers, it would be beneficial to establish a process for two-way communication between the companies regarding tree health. DTE Electric could report to DTE Gas when its tree trimming crews come across trees that show signs of a gas leak, and DTE Gas could report to DTE Electric when it repairs a gas leak and discovers a nearby tree with damage that needs trimming to avoid possible interference with a power line. This would be a low-cost means of coordination between the two companies that could avoid potential damage to power lines and/or complications due to gas leaks.

In rebuttal, DTE witness Kryscynski presented a list of ways the Company “routinely engages with municipalities, municipal organizations, and others” – most of which are merely communicating DTE’s plans and updates, and none of which are responsive to the Commission’s directive in Case U-21297 to demonstrate efforts to improve coordination. Regarding such efforts, witness Kryscynski discussed new tree trimming and reliability maps, its Power Improvements Map, which provides localized information about past, current, and planned infrastructure projects, and a new permitting team. Of these alleged efforts to improve coordination, only the new permitting team appears to have potential to lead to any meaningful coordination with local governments. Witness Kryscynski also discussed the existing processes for coordination at the regional and state level, which are irrelevant to the Commission’s

directive to improve coordination efforts with local governments where the majority of distribution infrastructure is located.

Ann Arbor remains hopeful that more meaningful coordination can be achieved with the Company. Witness Kryscynski acknowledged that “there are always opportunities to improve communication and coordination,” and that DTE “is willing to explore improving coordination with all stakeholders.”

To ensure the trend toward meaningful coordination continues, Ann Arbor requests the Commission provide a more explicit directive requiring DTE to coordinate in an effort to prevent ratepayers from bearing needlessly duplicative, easily avoidable costs by involving local governments earlier in DTE’s planning process. The Commission should put DTE on notice that its cost recovery may be reduced in future rate cases if it does not provide evidence of improved efforts to coordinate, including, at minimum, reviewing the CIPs of local governments and capital plans for large school systems in its service territory in its capital planning process.

X. CONCLUSION

Accordingly, and for the reasons discussed above, the City of Ann Arbor recommends:

- 1) The Commission should reject DTE’s request to increase its ROE;
- 2) The Commission should take DTE’s performance and the value of service it provides to its customers into consideration when setting the Company’s ROE;
- 3) The Commission should reject DTE’s outage credit recovery proposal;
- 4) The Commission should reduce DTE’s proposed incentive compensation expense by \$39.232 million because ratepayers should not bear the cost related to the achievement of financial measures;
- 5) The Commission should require DTE to provide bill credits to communities that paid a CIAC to proactively convert from HID to LED streetlights;

- 6) The Commission should require DTE to increase the income-qualified threshold for Home Charger Rebates to 400% of the federal poverty limit;
- 7) The Commission should require DTE to conduct strategic undergrounding pilot projects in communities outside of the City of Detroit;
- 8) The Commission should require DTE to provide a more transparent process for selecting communities for its strategic undergrounding pilot projects;
- 9) The Commission should reject DTE's proposed Storm Restoration Cost Sharing Mechanism;
- 10) The Commission should reduce DTE's proposed storm restoration expense using the formula presented in Dr. Stults' testimony at 6 Tr 4262-63: $\{[(\text{Projected Storm Costs} \times 2/3) \times \% \text{ of trees trimmed 5+ years prior}] / 2\}$;
- 11) The Commission should require DTE to cover the cost to increase the capacity of a site by 2.5 times before any CIAC for increased capacity is charged to a developer for projects that are served by a 4.8kV system to ensure older communities are not penalized despite the costs they paid to install more modern systems in newer areas;
- 12) The Commission should require DTE to continue to conduct inspections on poles and pole-top equipment at a rate that will keep the Company on a 10-to-12-year inspection cycle; and
- 13) The Commission should require DTE to provide evidence of better coordination practices, including, at a minimum, reviewing publicly available Capital Improvements Plans for communities and capital plans for large school systems in the Company's service territory to identify opportunities for coordination, in order to continue receiving full cost recovery for infrastructure projects.

October 3, 2024

CITY OF ANN ARBOR



By: _____

Valerie Jackson
Assistant City Attorney,
City of Ann Arbor
Guy C. Larcom City Hall
301 E. Huron Street
Ann Arbor, MI 48104
(734) 794-6000 ext. 41871
vjackson@a2gov.org

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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

U-21534

PROOF OF SERVICE

On the date below, an electronic copy of the **Initial Brief by the City of Ann Arbor** was served on the following:

Name/Party	E-mail Address
Michigan Office of Administrative Hearings and Rules Sally L. Wallace, ALJ	wallaces2@michigan.gov
DTE Electric Company Jon P. Christinidis Paula Johnson-Bacon Andrea E. Hayden John A. Janiszewski Breanne K. Reitzel	mpscfilings@dteenergy.com jon.christinidis@dteenergy.com paula.bacon@dteenergy.com andrea.hayden@dteenergy.com john.janiszewski@dteenergy.com breanne.reitzel@dteenergy.com
MPSC Staff Lori Mayabb Michael J. Orris Monica M. Stephens Amit T. Singh Heather M.S. Durian	mayabbl@michigan.gov orrism@michigan.gov stephensm11@michigan.gov singha9@michigan.gov durianh@michigan.gov
Attorney General Dana Nessel Joel B. King	ag-enra-spec-lit@michigan.gov KingJ38@mich.gov
City of Ann Arbor Valerie J.M. Brader Valerie Jackson	ecf@rivenoaklaw.com valerie@rivenoaklaw.com vjackson@a2gov.org

<p>Michigan Environmental Council; Citizens Utility Board of Michigan; Natural Resources Defense Council; Sierra Club</p> <p>Christopher M. Bzdok Tracy Jane Andrews Breanna Thomas</p>	<p>chris@tropospherelegal.com tjandrews@tropospherelegal.com breanna@tropospherelegal.com</p>
<p>Environmental Law & Policy Center</p> <p>Nicholas Wallace Daniel Abrams Carolyn Boyce Alondra Estrada</p>	<p>nwallace@elpc.org dabrams@elpc.org cboyce@elpc.org MPSCDocket@elpc.org aestrada@elpc.org</p>
<p>Michigan Energy Innovation Business Council; Institute for Energy Innovation; Advanced Energy United; The Foundry Association of Michigan</p> <p>Laura A. Chappelle Timothy J. Lundgren Justin K. Ooms</p>	<p>lchappelle@potomaclaw.com tlundgren@potomaclaw.com jooms@potomaclaw.com</p>
<p>Kroger</p> <p>Kurt J. Boehm Jody Kyler Cohn Michael L. Kurtz Justin Bieber</p>	<p>kboehm@BKLawfirm.com JKylerCohn@BKLawfirm.com mkurtz@BKLawfirm.com jbieber@energystrat.com</p>
<p>Local 223, Utility Workers Union of America, AFL-CIO</p> <p>Benjamin L. King</p>	<p>bking@michiganworkerlaw.com</p>
<p>Michigan Municipal Association for Utility Issues</p> <p>Valerie J.M. Brader Linda Hofrichter Rick Bunch</p>	<p>ecf@rivenoaklaw.com valerie@rivenoaklaw.com lhd@rivenoaklaw.com rick@mi-maui.org</p>
<p>We Want Green, Too; Soulardarity</p> <p>Amanda Urban Mark Templeton Jacob Schuhardt Sam Heppell Madison S. Wilson</p>	<p>t-9aurba@lawclinic.uchicago.edu templeton@uchicago.edu jschuhardt@uchicago.edu heppell@uchicago.edu madisonswilson@uchicago.edu</p>
<p>Great Lakes Renewable Energy Association</p> <p>Don L. Keskey Brian W. Coyer</p>	<p>donkeskey@publiclawresourcecenter.com bwcoyer@publiclawresourcecenter.com</p>
<p>Walmart, Inc.</p> <p>Melissa M. Horne</p>	<p>mhorne@hcc-law.com</p>

Association of Businesses Advocating Tariff Equity Michael J. Patwell Stephen A. Campbell Jessica York	mpattwell@clarkhill.com scampbell@clarkhill.com jyork@consultbai.com
EVgo Services, LLC Nikhil Vijaykar Michael G. Oliva Alicia Zaloga Lindsey Stegall	nvijaykar@keyesfox.com moliva@fosterswift.com azaloga@keyesfox.com Lindsey.Stegall@evgo.com
International Transmission Company Richard J. Aaron Courtney F. Kissel Olivia R.C.A. Flower Hannah E. Buzolits	RAaron@dykema.com CKissel@dykema.com OFlower@dykema.com HBuzolits@dykema.com
Michigan Cable Telecommunications Association Sean P. Gallagher Justin Mann	sgallagher@fraserlawfirm.com jmann@fraserlawfirm.com

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

Dated October 3, 2024

CITY OF ANN ARBOR



By: _____

Valerie Jackson

Assistant City Attorney,
City of Ann Arbor
Guy C. Larcom City Hall
301 E. Huron Street
Ann Arbor, MI 48104
(734) 794-6000 ext. 41871
vjackson@a2gov.org