



ENVIRONMENTAL LAW & POLICY CENTER

October 3, 2024

Ms. Lisa Felice
Michigan Public Service Commission
7109 W. Saginaw Hwy.
P. O. Box 30221
Lansing, MI 48909

RE: MPSC Case No. U-21534

Dear Ms. Felice:

**Opening Brief of The Ecology Center, The Environmental Law & Policy
Center, Union of Concerned Scientists, and Vote Solar**

Proof of Service

Sincerely,

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csb
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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) Case No. U-21534
rules governing the distribution and supply of)
electric energy, and for miscellaneous)
accounting authority.)

OPENING BRIEF OF THE ECOLOGY CENTER, THE ENVIRONMENTAL
LAW & POLICY CENTER, UNION OF CONCERNED SCIENTISTS, AND VOTE
SOLAR

October 3, 2024

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The Ecology Center, the Environmental Law & Policy Center (“ELPC”), and Vote Solar (collectively, the Clean Energy Organizations (“CEO”)), hereby file their Opening Brief in the above-captioned DTE Electric Company (“DTE,” “DTEE” or the “Company”) contested rate case. While the DTE rate case encompasses myriad complex issues, the CEO focus on the following issues: (1) DTE’s updated distribution investment planning tools; (2) MNSC Witness Douglas Jester’s proposal to divide the residential class into subgroups based on dwelling type and type of home heating; (3) the Company’s proposed transition to the default D1.11 time of use rate for the residential class; (4) the need for the Company to further develop non-conventional solutions like distributed energy resources, microgrids, virtual power plants and geo-targeted demand response and energy waste reduction programs; (5) the Company’s equity and energy justice efforts; and (6) the Company’s proposed spending on electric vehicle infrastructure.

I. INTRODUCTION

On the heels of the Company’s 2023 Distribution Grid Plan, this rate case comes at a pivotal moment for DTE Electric. The Company’s historic reliability performance has resulted in below standard electric service for DTE customers. Volkmann Direct, 6 TR 3240. The Company’s historic practices, despite significant investment, have failed to improve its reliability performance. As CEO Witness Curt Volkmann notes, “DTEE faces a monumental task to transform its aging distribution system and to cost-effectively improve reliability.” Volkmann Direct, 6 TR 3240.

Over the last few rate cases and in its grid plan, spurred on by the Commission, Staff and Intervenors, the Company began the critical task of developing foundational processes and tools to fully justify a new spending plan to improve reliability performance. For the first time in this case, DTE introduced cost-effectiveness analyses for two of its important distribution system programs, pole top maintenance and modernization (“PTMM”) and strategic undergrounding. *See* DTE Ex. A-23, Sch. M-13. The CEO called for years for DTE to develop the processes and

planning principles necessary for the Commission to have more confidence in DTE's investment decisions. Now, the CEO believe the Company is on the right track.

This qualified optimism comes with several caveats. DTE must continue to expand the scope of its cost-effectiveness analysis to include more programs such as 4.8 kV hardening and conversion, distribution automation, subtransmission redesign and rebuild, and many other impactful distribution programs identified in CEO Witness Volkmann's testimony. Equally important, DTE must begin to improve the accuracy of its modeling tools by replacing the assumptions and estimates that it currently uses as inputs to the model with actual DTE system data. The Company must also take the opportunity to use the Commission's DGP and IRP planning dockets to more fully articulate a vision for the future of its grid to guide its investments in future rate cases. The Company plans to spend \$9 billion on its distribution system over the next five years. Foley Rebuttal, 2 TR 140. The Commission must ensure this large investment aligns with a broader vision that does more than simply replace aging infrastructure.

The Company must upgrade its system with a vision for the grid of the future, which better harnesses distributed energy resources and other non-conventional solutions to benefit customers and achieve the state's clean energy goals. Kenworthy Direct, 6 TR 3193. Further, the Company must construct its grid of the future equitably, ensuring that low-income and vulnerable customers see reliability improvements, reduced energy burdens, and have equitable access to distributed energy resources and other new technologies. The Company has demonstrated progress towards these goals in this rate case, but the work must continue. Better, more transparent process must ultimately result in better outcomes for DTE's customers. The Company introduced a critical set of processes in this case, and the CEO look forward to verifying their accuracy and the impact of the associated investments in the next few rate cases.

With that in mind, the Commission should recognize the improvements made by DTE in this case and in its grid plan on its foundational distribution system models, but also order the modifications to its model and planning tools that will continue the Company on its trajectory towards improving reliability and modernizing its grid. The Commission must also spur further improvement from the Company on its current deployment strategy for non-conventional solutions and use of equity in planning. The Company must strategically graduate its non-conventional solution offering from pilots to permanent programs and expand its equity analysis from its current reliability focus to a more expanded view of the ways that customers experience their electric service. DTE must establish and improve these processes *before* spending \$9 billion on the distribution grid in order to ensure that the Company plans for a modern, decentralized, low-carbon, equitable distribution grid.

II. BACKGROUND

A. DTE’s 2023 Distribution Grid Plan

DTE filed its latest Distribution Grid Plan (“DGP”) on September 29, 2023. Kryscynski Direct, 3 TR 322; DTE Ex. A-23, Sch. M-8. The 2023 DGP is the third iteration of DTE’s grid plan, covering the period from 2024 through 2028. In that timeframe, DTE proposes to spend \$9.3 billion in capital investments, after spending \$5 billion over the prior five years. *Id.* at 21.

In its Grid Plan, the Company discusses the strategic investments it plans to make in the planning window. The Company uses its Global Prioritization Model (GPM), to rank projects based on ten impact dimensions. *Id.* at 165. In this plan, the Company added two new impact dimensions; system average interruption frequency index (SAIFI) and a dimension that captures “investment in EJ communities.” Kryscynski Direct, 3 TR 352. DTE runs each of its programs through the GPM which then ranks them in order of priority. In the 2023 DTE rate case, decided after the Company filed its 2023 grid plan, the Commission compared the GPM to a “black box”

and urged the Company to provide Staff and Intervenors more transparency into DTE's decision-making processes related to its distribution capital investments. Case No. U-21297, Final Order at 72 (December 1, 2023).

In comments on the Grid Plan, the CEO recommended that the Company further develop its processes to increase transparency and ensure cost-effectiveness of its proposed \$9 billion worth of spending. Volkmann Direct, 6 TR 3241. In addition, the CEO recommended that the Company develop more complete cost-effectiveness analysis beyond the simple ranking system of the GPM to better ensure that customer benefits would exceed the costs of the significant proposed spending. *Id.* Finally, the CEO discussed the importance of non-wires alternatives and other non-conventional solutions that must be an essential component of the Company's path forward in modernizing its distribution grid. *Id.*

On September 26, 2024, the Commission released an order in the grid planning docket, U-20147, that made several critical findings about the role of grid planning as well as what utilities must include in their plans going forward. The Commission reiterated the role of the grid plan as the proper forum for "a utility's strategy for its distribution system over the next 5 years with rate cases connecting to and supporting that strategy." U-20147, Final Order at 137 (September 26, 2024). The Commission also reaffirmed that grid plans must focus on potential "improvements in long-term reliability" driven by "DERs, NWAs, and other technologies." *Id.* at 140. The Commission also acknowledged the severe impact on rates of the proposed distribution expenditures in each plan and urged the utilities to better address "customer affordability, rate impacts and cost effectiveness" going forward. *Id.* at 139.

B. DTE's Current Reliability Performance and Proposed Improvements

The impetus for the Company's aggressive spending plans for its distribution grid is the Company's poor reliability performance. According to CEO Witness Curt Volkmann, DTE's

reliability performance has been fourth quartile in all-weather system average interruption duration index (“SAIDI”) for six of the last seven years. Volkmann Direct, 6 TR 3240. DTE primarily focuses, in this case and going forward, on improving this poor performance.

In this case, DTE proposes to begin implementing the strategic spending proposals it outlined in the 2023 distribution grid plan. The Company plans to spend \$9 billion in the next five years to “rebuild, modernize and automate 46,000 miles of electric circuits to achieve reliability that is better than industry average by 2029.” Volkmann Direct, 6 TR 3240. DTE projects that its investment will improve all-weather SAIDI by 69% by 2029; all-weather SAIFI by 34% by 2029 and provide \$15 billion in economic benefit to customers. Volkmann Direct, 6 TR 3240; Foley Direct, 2 TR 74. As observed by CEO Witness Volkmann, “DTEE faces a monumental task to transform its aging distribution system and to cost-effectively improve reliability.” Volkmann Direct, 6 TR 3240.

III. LEGAL STANDARD

DTE has the burden of proof to establish that its proposals in this proceeding are just and reasonable. *See Consumers Energy*, Case No. U-18322, Order at 6 (Mar. 29, 2018). MCL 460.6a requires a utility seeking to increase its rates or to alter, change or amend any rate or rate schedules to place in evidence facts it relies on to support the justness and reasonableness of the proposals in its application. MCL 460.6a. That evidence must be “thorough, detailed, and meaningful” in order for the Commission to approve DTE’s application. *See Consumers Energy*, Case No. U-16794, Order at 13 (June 7, 2014) (“in the absence of thorough, detailed, and meaningful evidence, the Commission’s hands are tied.”).

“[I]n matters before the Commission where statutory law is silent regarding the correct quantum of proof needed to review a utility’s costs, the Commission assesses those costs using the preponderance of the evidence standard adopted in civil cases.” *Residential Ratepayer Consortium*

v. Pub. Serv. Comm'n, 497 N.W.2d 558, 561 (Mich. Ct. App., Feb. 1, 1993). Preponderance of the evidence means “such evidence as, when weighed with that opposed to it, has more convincing force and the greater probability of truth.” *People v. Pugh*, 210 N.W.2d 376, 378 (Mich. Ct. App., June 28, 1973). According to the Michigan Supreme Court, preponderance of the evidence means “[n]o essential issue may be left to surmise, guess, or conjecture.” *See* Case No. U-18224, Order at 14 (Oct. 25, 2017) (quoting *Dillon v. Lapeer State Home & Training Sch.*, 364 Mich. 1, 8 (1961) (quotation marks and citation omitted)). Where the utility fails to provide thorough, detailed, and meaningful evidence demonstrating that its proposals are just and reasonable by a preponderance of the evidence, therefore, the Commission should reject the utility’s application or the proposals in it.

In pursuit of “just and reasonable rates” the Commission “may, in the exercise of its discretion, determine what factors are relevant in a particular case.” *In re Consumers*, 278 Mich.App. 547, 563 (2008) (citing *Attorney General v. Pub. Serv. Comm'n.*, 231 Mich.App. 76, 79 (1998); *Attorney General v. Pub. Serv. Comm'n. #1*, 133 Mich.App. 719, 725-26 (1984). Further, the Commission is “not bound by any particular ratemaking method and can make pragmatic adjustments in order to respond to particular circumstances of any given case.” *Id.* The Michigan Supreme Court in *Michigan Bell Telephone*, wrote that “[b]etween the point where a rate may be said to be so low as to be confiscatory and the point where it must be said to be so high as to be oppressive upon the public...the Commission may operate without judicial interference. *Michigan Bell Telephone Co. v. Pub. Serv. Comm'n.*, 332 Mich. 7, 26 (1952). “Court[s] do[] not weigh the economic and public policy factors that underlie the actions taken by the PSC.” *Attorney General v. Pub. Serv. Comm'n.*, 262 Mich.App. 649, 655 (Mich. Ct. App. 2004) (citing *Consumer Power Co. v. Pub. Serv. Comm'n.*, 460 Mich. 148, 156 (1999).

Moreover, the Commission’s authority in this case is not limited to approving or rejecting DTE’s application or the proposals in it. While the Commission does not have the authority to make management decisions for utilities, *Union Carbide Corp. v. Pub. Serv. Comm’n*, 431 Mich. 135, 148-150 (1988), the Commission has broad authority to regulate rates under Chapter 460 of the Michigan Compiled Laws. *In re Consumers Energy Co.*, 913 N.W.2d 406, 413 (Mich. Ct. App., Dec. 28, 2017). The Commission has exercised that authority to, for example, require the amendment of a tariff provision (*see DTE Electric Co.*, Case No. U-20162, Order at 105-106 (May 2, 2019)); require the applicant utility to work with stakeholders to carry out an investigation or study (*see Ind. Mich. Power Co.*, Case No. U-18404, 2019 WL 2448491, at *7, Order (June 7, 2019)); and direct the applicant utility to provide the Commission with reports, information or analysis (MCL 460.55; *see DTE Electric Co.*, Case No. U-18014, Order at 40 (Jan. 31, 2017)).

ARGUMENT

IV. SECTION I—Rate Base

A. ISSUES: DO Capital Strategic Capital (Line 6); DO Capital 4.8 kV Hardening (Line 9); DO Capital—PTMM (Line 10); DO Capital—Subtransmission (Line 11); DO Capital—Undergrounding (Line 12); DO Capital Line 13 (URD replacement programs)¹

CEO POSITION: The Commission Should Acknowledge DTE’s Progress on Foundational Distribution Planning Models, But Should Direct the Company to Fix and Improve Its Reliability, Distribution Automation, and Benefit-Cost Analysis Models

1. *The Company Positively Responded To Several CEO Recommendations From the Grid Planning Process*

The Company built its proposals and programs presented in this rate case around the 2023 distribution grid plan. Kryscynski Direct, 3 TR 322-23. As discussed above, the CEO commented

¹ Relevant Record: DTE Witness Kryscynski Direct, 3 TR 322-394; Rebuttal 3 TR 445-448; DTE Ex. A-23 Sch. M-8; DTE Ex. A-23, Sch. M-13; CEO Witness Kenworthy Direct, 6 TR 3191-95; CEO Witness Volkmann Direct, 6 TR 3240-54; MNS-AG Witness Alvarez Direct, 6 TR 3958-3972; MNS-AG Stephens Direct, 6 TR 3986-4026; DAAO Witness Koepfel Rebuttal, 6 TR 4440-43.

on the Company's grid plans, and suggested process improvements regarding cost-effectiveness, transparency, and alternatives analysis. In the six months between the grid plan and the presentation of the rate case, the Company took several positive steps forward in responding to the CEO's recommendations.

The Company answered the Commission, the CEO, and other Intervenors' calls for increased transparency in their planning processes. Through discovery, the Company presented detailed information about the Global Prioritization Model for the first time. The GPM is a complex model, and DTE took important steps to socialize its inner-workings with the interested parties. Volkmann Direct, 6 TR 3244-45.

The CEO were particularly focused on how the Company would incorporate equity and environmental justice into the GPM, and found the added impact dimension of "investment in EJ community" to be a good first step towards fully incorporating equity into its decision-making processes. Volkmann Direct, 6 TR 3244; Kenworthy Direct, 6 TR 3194. Ultimately, the CEO recommend that the Company "provide additional information about EJ community impacts in its next DGP, including how customers are benefitting from investments and confirming that these benefits are the ones the communities prioritize." Volkmann Direct, 6 TR 3244. Relatedly, CEO Witness Kenworthy suggested that DTE "track GPM scores and progress on how EJ impacts GPM scores" over time. Kenworthy Direct, 6 TR 3209.

In addition to increased transparency around the GPM, the Company fully disclosed to Staff and the CEO its Reliability Model and Distribution Automation Prioritization ("DA") Model. Volkmann Direct, 6 TR 3243. Beyond just providing the model, the Company hosted calls with the CEO to explain the models and answer questions about them. *Id.* These meetings provided

invaluable information about the Company's processes that gave the CEO more confidence in the robustness of the models.

DTE also responded to CEO comments and Commission guidance around the need for cost-effectiveness analysis to underlie the significant capital expenditure proposed in the distribution grid planning period. The Company hired the 1898 Company consulting firm to analyze the costs and benefits of two programs – strategic undergrounding and pole top maintenance and modernization (“PTMM”). DTE Ex. A-23, Sch. M-13. The Company's consultants found that the costs of strategic undergrounding exceed the benefits, but in the case of PTMM, the benefits exceed the costs for 95% of circuits. *Id.* at 22. CEO Witness Volkmann found the initial benefit-cost analysis to be “a good first step forward,” that required some additional refinement. Volkmann Direct, 6 TR 3253-54.

While the Company started small by limiting the analysis to two programs, the Company's deployment of benefit-cost analysis and a cost-effectiveness framework necessarily starts the important work of quantifying investment impacts for customers. As explained by CEO Witness Kenworthy, “the magnitude of th[e] projected spending highlights the vital role of rigorous cost-benefit analysis to ensure these investments are justified and will provide the maximum benefits to customers.” Kenworthy Direct, 4 TR 3192.

The Company's response on alternatives analysis and new technology development was more limited but still trends in the right direction. The Company did expand the deployment of conservation voltage reduction/volt-var optimization (“CVR/VVO”) in this case, which the CEO support. Volkmann Direct, 6 TR 3242. The Company also discussed and continues to effectively pilot certain non-conventional solution projects. *Id.* However, as discussed below in Section VI., the Company needs to develop a framework that creates guidelines for transitioning pilots into

programs. Additionally, the Commission should ensure that the Company uses its next grid planning process to identify opportunities to deploy these non-conventional solutions and alternatives strategically to meet the grid's needs and optimize their value.

2. *The Company Must Improve Its Foundational Models By Expanding Their Scope and Using Actual Circuit Performance Data*

DTE's introduction of the Reliability Model and the DA model along with increased clarity around the Global Prioritization Model progressed the Company towards essential foundational, repeatable processes that better quantify the reliability impacts and associated benefits for all customers. As discussed above, the CEO appreciate the Company's willingness to share the inner-workings of these models and came away impressed with the Company's efforts to improve. Volkmann Direct, 6 TR 3243. After CEO Witness Curt Volkmann's review of the three models, he concluded that the Company needed to take two categories of steps to improve them. First – expand the scope of the models and second, increase the accuracy of the models by replacing assumptions with actual DTE data.

The Company used its Reliability Model as the basis to estimate the improvements in performance it expects from the investments in its distribution grid. Using the model, DTE estimated a 69% improvement in all-weather SAIDI and a 34% improvement in all-weather SAIFI by 2029. Volkmann Direct, 6 TR 3240. While the Reliability Model represents an important step forward in quantifying the benefit of its proposed investments, the model's limited scope and reliance on estimates and assumptions limits its value.

The Company's model estimates its improvements based on the implementation of the PTMM program, tree trimming, 4.8 kV hardening, 4.8 kV conversions and distribution automation. Kryscynski Direct, 3 TR 363. However, the reliability model does not include potential improvements from URD replacement, cable replacement, breaker replacement, and

substation risk. Volkmann Direct, 6 TR 3248. If the Company had included these programs in their reliability model, it would be more accurate, and also likely predict even greater reliability improvements than what the Company testified to. In rebuttal, the Company argued that expanding the scope of the reliability model would add significant complexity with limited value. Kryscynski Rebuttal, 3 TR 447. The CEO will continue to work with the Company to understand the tradeoffs between added complexity and accuracy.

The CEO also recommend that DTE incorporate actual circuit performance data into the models to strengthen them. In this iteration of the model, DTE used subject matter expert assumptions and other estimates to project the performance improvements in the model. Volkmann Direct, 6 TR 3247. As the Company receives more data, it must replace these assumptions with actual performance results. Volkmann Direct, 6 TR 3247. At that point, DTE can begin to verify whether the proposed investments it plans had the actual impact the Company estimated. The CEO note that in rebuttal testimony, DTE Witness Kryscynski committed to “refine [reliability] model assumptions as outage data is collected and analysis is performed.” Kryscynski Rebuttal, 3 TR 447.

This is a critical point for the CEO. The Company’s set of incremental steps in this case put it on the right trajectory to standardize critical processes to deliver improved reliability and better grid performance. But, these foundational process improvements must be followed by *actual* performance results on the system and better outcomes for customers. DTE must get this right prior to spending billions of dollars in the distribution grid. The CEO intend to keep a close eye on the Company’s performance and ensure that in subsequent rate cases the business and cost-effectiveness cases for each of the Company’s cornerstone reliability programs deliver the benefits the Company estimates.

The Company also rolled out its DA Model in this case to support its grid automation spending. Distribution automation gives the Company the “ability to isolate outages into smaller sections and the ability to reroute power around damage.” Volkmann Direct, 6 TR 3248. CEO Witness Curt Volkmann agrees with DTE’s focus on distribution automation as a critical component of a modern grid that will be particularly useful on DTE’s ungrounded 4.8 kV system because it “improve[s] ground detection and isolation, thus reducing the risk of energized downed wire.” Volkmann Direct, 6 TR 3249.

The DA model represents a positive step forward for the Company, but the CEO recommend two modifications that will improve the model and strengthen the Company’s case to make these investments. First, the DA model is a prioritization model, like the GPM, not a cost-effectiveness analysis. Volkmann Direct, 6 TR 3249. This means that the DA model ranks projects in the sequence that DTE should implement them, but it does not estimate or tell the Company whether the project is cost-effective. *Id.* As discussed below, DTE must expand its benefit-cost analysis from the two programs it analyzed to include a wider array of its distribution investment programs, including distribution automation. Second, like the Reliability Model, the DA model does not incorporate real DTE performance data. Over time, DTE must replace the assumptions and estimates it uses to populate the model with actual DTE data about the performance of its automation equipment in the field. Notably in rebuttal testimony, the Company committed to “refresh the [DA] model assumptions with new data and learnings as long as the model remains in use.” Kryscynski Rebuttal, 3 TR 447. The Commission should memorialize this important commitment in its Final Order in this case.

DTE’s Reliability Model and its DA model represent important pieces of DTE’s foundational support for the significant distribution investment it proposes in the next five years.

The models both reasonably estimate the Company's performance improvements through the proposed investments, but those estimates must be verified with performance data over time. DTE must come back and prove up its assumptions in the next rate case. The Commission must ensure that the Company accurately estimates the customer benefit of these programs at the outset of the Company's significant spending proposals.

3. *The Commission Should Order the Company To Modify Its Cost-Benefit Analysis to Be More Accurate and Expand the Analysis To Other Programs*

As discussed above, the Commission directed DTE in the prior rate case to justify its aggressive spending proposals with a benefit-cost analysis or BCA. In this case, the Company "engaged an external consultant to develop a BCA methodology for PTMM and Strategic Undergrounding." Volkmann Direct, 6 TR 3251; *see also* DTE Ex. A-23, Sch. M-13.

As with the other process improvements the Company made in this case, the BCA methodology represents an important step forward, but the Company must make improvements in order for the Commission to effectively evaluate the Company's proposals. In short, DTE's first attempt at a BCA methodology omits important benefits of its programs and understates the cost of its programs, thereby both overestimating and underestimating the impacts of its programs. The Company included the benefits of avoided reactive costs, avoided customer outage costs, and avoided vegetation management costs in the modeling but could have more thoroughly captured the benefit of reliability improvement through use of more advanced metrics. DTE Ex. A-23, Sch. M-13 at 5. For example, the Company could have employed a model like the POET model used by ComEd in Illinois, which evaluates the impacts of widespread, long-duration power interruption scenarios and the impacts of potential resilience investments. Volkmann Direct, 6 TR 3252. On the cost side, the Company considered only the capital investment costs of each given project instead of the full revenue requirement of its investments which would have reflected the true all-

in cost to customers of every dollar spent. *Id.* at 3253. In this regard, the Company underestimated the full customer costs of PTMM and strategic undergrounding in its first attempt at a BCA methodology. In rebuttal testimony, the Company stated that it “will consider” using the full revenue requirement “in future BCA efforts.” Kryscynski Rebuttal, 3 TR 448. The Commission should ensure that it does.

In addition, the Company did not incorporate actual DTE performance data into the BCA, instead relying on assumptions and estimates from its consultants. This creates risks that DTE will make decisions based on incorrect information. Volkmann Direct, 6 TR 3253. In order to verify the efficacy of these programs and ensure that its BCA methodology actually reflects the benefits these investments deliver to customers, DTE must “make the necessary modifications to its outage management system to begin collecting actual failure rate data to incorporate into its PTMM BCA.” Volkmann Direct, 6 TR 3252. The Commission should ensure that this occurs.

Finally, the Company’s methodology only covered two programs in its distribution system portfolio. *Id.* at 3254. In an ideal world, the Commission and Intervenors could vet all of the Company’s major programs through a benefit-cost analysis. The Company did not commit to expand its BCA but instead in rebuttal testimony stated that it was “exploring options to conduct BCAs on additional projects or programs.” Kryscynski Rebuttal, 3 TR 448. The Commission should order DTE to expand its BCA approach to all of its major distribution system programs.

The Company must work to refine its methodology and then expand its reach to its other major program areas like 4.8 kV hardening, conversion, distribution automation, frequent outage, subtransmission redesign & rebuild, breaker replacement, and URD/cable replacement programs. Volkmann Direct, 6 TR 3254. By improving the BCA methodology and expanding its scope, the Company can create “standardized repeatable process[es], that ensure cost-effective, strategic

management and operation of the distribution system.” Kenworthy Direct, 6 TR 3192. Accordingly, the Commission should order the Company to make the necessary changes to improve the accuracy of the model and also to expand its application to the rest of its major distribution system programs.

V. SECTION VII— Rate Design & Tariff Issues

A. ISSUE: Electric Heating Customers (Line 79)²

CEO POSITION: The Commission Should Order DTE To Implement MNSC Witnesses Jester and Gard’s Recommendation to Create A Space Heating Rate

In opening testimony, MNSC Witness Jester recommended that the Commission direct the Company to “present in its next rate case a cost-of-service study and corresponding rates” for customers based on the type of dwelling unit (single family or multi-family) and the type of space heating they use (electric or non-electric). Jester Revised Direct, 6 TR 3796. Witness Jester suggested that DTE divide residential customers into three groups: (1) multi-family; (2) single family with electric space heating; and (3) single-family with fossil-fueled space heating. Jester Revised Direct, 6 TR 3796. Witness Jester justified these distinctions based on differing load profiles and infrastructure requirements between these groups. Jester Revised Direct, 6 TR 3796. Witness Jester based his recommendations on analysis completed by MNSC Witness Gard who emphasized “the distinct load profile differences between single-family and multi-family dwellings, particularly in terms of electric space heating, with single-family residences showing higher summer peaks and lower winter loads.” Kenworthy Rebuttal, 6 TR 3215; Gard Direct, 6 TR 3824.

² Also found on the disputed issue chart in Section IX, Line 107 (Rate Case Design). Relevant Record—DTE Witness Willis Rebuttal, 6 TR 2620-26; CEO Witness Kenworthy Rebuttal, 6 TR 3214-3221; MNSC Witness Jester Revised Direct, 6 TR 3795-3800; CUB MEC NRDC Witness Gard Direct, 6 TR 3823-3831.

In rebuttal testimony, CEO Witness Kenworthy agreed with Witness Jester's recommendation with one slight modification. Witness Kenworthy described a similar rate design utilized by Illinois utility ComEd, which offers four, rather than three, subclasses. Kenworthy Rebuttal, 6 TR 3216. Instead of the one rate for multi-family dwellings proposed by Witness Jester, ComEd also differentiates multi-family dwellings by electric versus fossil-fueled heating. *Id.* ComEd also utilizes differing demand charges and volumetric charges for each class that reflect the ways in which they use the grid. *See* Kenworthy Rebuttal, 6 TR 3217. Those differences are justified because “[e]lectric heating customers have a higher fixed customer charge which corresponds to higher demand peaks, but electric heating customers also pay significantly lower in volumetric distribution delivery charges because of higher load factors and higher usage during times of low grid utilization.” Kenworthy Rebuttal, 6 TR 3218.

Beyond more accurately reflecting cost causation, the Commission should adopt a four-tiered residential rate structure because it will advance the State's decarbonization goals and encourage electrification. As explained by CEO Witness Kenworthy, “[b]y recognizing the different cost implications and grid impacts of electric versus non-electric heating, this approach would create rate structures that encourage the electrification of building heat, a key strategy in reducing carbon emissions.” Kenworthy Rebuttal, 6 TR 3219. Witness Jester's recommended rate structure would have the additional benefit of making electrification more accessible to low-income households by reducing energy bills for such consumption. *Id.* The CEO support this recommendation because it would more closely align rates with drivers of cost for each class, and spur further electrification growth.

B. ISSUE: D1.6 and D1.11 TOU Rate (Line 80)³

CEO POSITION: If the Commission Allows DTE to Transition Customers From D1.6 to D1.11, It Should Require DTE to Implement Additional Mitigation Measures For Vulnerable Customers

As part of its case, DTE proposes to close its D1.6 rate, a declining block rate, and transition residential customers currently on this rate to the D1.11 rate, which is a time-of-use (“TOU”) rate. Willis Direct, 6 TR 2591. In testimony, Detroit Area Advocacy Organization (“DAAO”) Witness Koeppel expressed concerns that transitioning customers from the D1.6 rate to the D1.11 TOU rate could negatively impact low-income and vulnerable customers. Koeppel Direct, 6 TR 4406-09. Witness Koeppel argued that TOU rates might not align well with the energy consumption patterns of these customers, thereby leading to higher bills or difficulty managing energy usage during peak periods. Koeppel Direct, 6 TR 4408. Ultimately, Witness Koeppel emphasized the need for comprehensive analysis of the potential impacts on low-income and vulnerable customers before making the transition. Koeppel Direct, 6 TR 4409.

DTE did not complete the type of comprehensive analysis that Witness Koeppel recommended. In particular, DTE’s analysis of the implications of its transition did not evaluate the financial and practical implications for customers currently on the D1.6 rate. Koeppel Direct, 6 TR 4406. Witness Koeppel suggested that DTE conduct “a more comprehensive and collaborative study of the potential impacts and opportunities of TOU rates for low-income customers.” Koeppel Direct, 6 TR 4409. The CEO agree. On rebuttal, Witness Kenworthy added that “[t]his study should include an assessment of energy consumption patterns, the ability of these

³ Relevant Record: DTE Witness Willis, Revised Direct, 6 TR 2590-95; CEO Witness Kenworthy Rebuttal, 3226-32; DAAO Witness Koeppel Direct, 6 TR 4403-4409; MPSC Staff Witness Isakson Direct, 6 TR 4899-4900; Rebuttal 6 TR 4906-07.

customers to shift usage to off-peak times, and the potential financial impacts of the rate change.” Kenworthy Rebuttal, 6 TR 3228.

In his rebuttal testimony, CEO Witness Kenworthy “conducted a preliminary analysis to determine the savings or losses that low-income customers would have experienced had they been on the D1.11 Time-Of-Use (TOU) rate rather than the D1.6 declining block rate in previous years.” Kenworthy Rebuttal, 6 TR 3228. Specifically, Kenworthy compared the charges customers would have incurred under the D1.11 rate with the charges they incurred under the D1.6 rates for the years 2021 through 2023. *Id.* Witness Kenworthy’s analysis focused on volumetric power supply costs only. *Id.* Witness Kenworthy’s preliminary analysis found that “nearly two-thirds (65.7%) would have been better off under the TOU rate.” Kenworthy Rebuttal, 6 TR 3229. Importantly, the magnitude of savings for those who were better off exceeded the rate increases for the remaining one-third. *Id.*

Despite the promising results of this preliminary analysis, the CEO concur with DAAO that DTE must conduct a more thorough analysis before transitioning to a default time of use rate. However, if the Commission approves D1.11 as the default rate in this case, it should also order the Company to study and adopt mitigation measures aimed at reducing the bill impacts for the roughly one-third of low-income customers that would be worse off under the new rate. This should include expanded outreach to low-income customers focused on “educating them about opportunities to save money and providing them with tools – such as low-income energy efficiency programs, weatherization, and technology like smart thermostats – to further reduce their bills without compromising comfort or safety.” Kenworthy Rebuttal, 6 TR 3230. Further, the Commission should direct DTE to develop “a plan to use smart meter data to identify and address customers who engage in energy-limiting behavior that is averse to health and safety.” *Id.*

VI. SECTION VIII—Pilot Programs

A. ISSUES: Slocum Battery (Line 92); NWA Adaptive Microgrid (Line 93)⁴

CEO POSITION: The Commission Should Order DTE To Develop a Framework for the Deployment of Non-Conventional Solutions

As the Company seeks to improve its reliability performance and modernize the grid, it must look beyond traditional-only upgrades and toward non-conventional solutions to meet today’s challenges. The CEO envision a grid of the future, which is decentralized, effectively uses DERs to provide critical grid services, reduce peak load, and alleviate strain on the system. Kenworthy Direct, 6 TR 3193. The Company must utilize DERs to achieve the State’s emissions goals and align with the Commission’s strategic vision in its Mi Power Grid docket. *Id.*; *see e.g.* U-20898.

In testimony, CEO Witness Curt Volkmann discussed five types of “non-conventional solutions” that the Company must include in its repertoire to cost-effectively meet the needs of the system. Volkmann Direct, 6 TR 3255-57. First, Volkmann describes conservation voltage reduction/volt-var optimization (“CVR/VVO”) which “maintains customer voltage at the circuit level in the lower portion of the allowable voltage ranges, thus reducing system losses, peak demand and energy consumption,” and “manages system-wide reactive power flow to reduce losses, manage circuit level voltage, and/or optimize power factors.” *Id.* at 3255. Witness Volkmann favors CVR/VVO because “it requires no customer behavioral change to achieve significant energy and peak demand reduction.” *Id.* at 3255. Second, Volkmann discussed geo-targeted energy waste reduction (“EWR”) and demand response (“DR”). *Id.* at 3256. While the Company already deploys both EWR and DR, geo-targeted programs would strategically identify

⁴ Also relates to Section IX—Distributed Generation (Line 106); Geo-targeted incentives for customer-owned DG systems; nanogrids and microgrids (Line 115). Relevant Record: DTE Witness Kryscynski Rebuttal, 3 TR 446; CEO Witness Volkmann Direct, 6 TR 3254-64; DAAO Witness Makhijani Direct, 6 TR 4599-4623; GLREA Witness Rafson Direct, 6 TR 4872-78; GLREA Witness Richter Direct, 6 TR 4845-55.

local circuit or substation loads and target EWR and DR deployment in those areas. Third, Volkmann discussed the use of battery storage, particularly in combination with solar as a non-conventional solution, which can offset the need for traditional grid investment. *Id.* Fourth, Volkmann reviewed microgrids which are “a group of interconnected loads and DER that acts as a single controllable entity with respect to the grid.” *Id.* at 3256. “Microgrids can improve customer reliability and resilience to grid disturbance.” *Id.* Finally, Volkmann discussed virtual power plants or VPP which are “aggregations of customer-owned DER such as rooftop solar with behind-the-meter (“BTM”) batteries, electric vehicles and chargers, electric water heaters, smart buildings and their controls, and flexible commercial and industrial loads that can balance electricity demand and supply and provide utility-scale and localized grid services.” Volkmann Direct, 6 TR 3257.

DTE already employs some of these technologies at a limited or pilot scale. DTE is in the process of scaling up its deployment of CVR/VVO. *Id.* at 3257. The Company operates active pilot programs that deploy geo-targeted EWR and DR at the Hancock and Fisher substations, solar plus storage at Port Austin and O’Shea, and a VPP pilot at Veridian. *Id.* at 3257-58. DTE is, therefore, not starting from scratch. DTE can utilize these programs as the basis for expanded deployment of non-conventional solutions.

On rebuttal, Company Witness Kryscynski responded to CEO Witness Volkmann stating “[t]he Company screens load-related strategic investments for NWA opportunities and typically finds the load constraints that are being addressed are generally not suitable for NWA projects. The Company is committed to completing the pilots underway and communicating lessons learned in order to inform discussions on how to scale the piloted technologies.” Kryscynski Rebuttal, 6 TR 446. The Commission must ensure that the Company’s commitment becomes a reality by

ordering DTE to create a framework for the deployment of NWA as part of its next distribution grid plan.

Importantly, CEO Witness Volkmann observed that, to-date, the Company “primarily rel[ies] on DTEE-owned assets.” Volkmann Direct, 6 TR 3257. Going forward, DTE must engage with third-party aggregators and customer-owned equipment in order to maximize the impact that non-conventional solutions can have on the grid. Accordingly, the Commission should order the Company to explore the use of third-party aggregators and ultimately implement a pilot which utilizes third-party owned or aggregated resources.

DTE must also take the critical next step of transitioning its pilot projects and preliminary understanding of non-conventional solutions into permanent, repeatable programs that strategically site these non-conventional solutions to alleviate grid strain and maximize each solution’s value to the system. DTE does not have a holistic framework or criteria for how it will convert these pilots into programs, something the CEO asked for in the grid planning process as well. As CEO Witness Volkmann stated, “[n]on-conventional solutions are an important component of the future grid and DTEE, while off to a good start with the pilots, should do more to define actionable next steps to move from pilots to demonstrations to full deployment.” Volkmann Direct, 6 TR 3263. In thinking through deploying non-conventional solutions at greater scale, DTE must “identify and plan for the strategic, technical and economic barriers to scaling from the outset of each pilot project.” *Id.* at 3263. Additionally, DTE “should define how it will incorporate lessons-learned from the pilots, the cost/timing thresholds and evaluation criteria the Company intends to employ to determine whether an NWA may be an appropriate solution for a projected grid need.” *Id.* at 3263-64. The Commission should order DTE to complete a framework for non-conventional solutions and discuss specific locational applications in its next grid plan.

VII. SECTION IX—Future Rate Cases

A. ISSUES: Affordability (Line 105); Equity and Energy Justice (Not Listed)⁵

CEO POSITION: The Company Must Incorporate Granular Data and Mapping Into Its Planning Processes to Ensure Equitable Electric Service

1. Energy Justice and Its Role in Utility Regulation

In recent years, the CEO and other Intervenors have raised concerns regarding the inequities in the energy system, including significant variations in energy burden, reliability, and access to energy efficiency and clean energy. The Commission has recognized these inequities and required DTE to address them. In DTE’s 2022 electric rate case, the Commission explicitly stated that the Company must “incorporate equity and environmental justice considerations” in its planning and decision-making processes. *In re DTE Electric*, Case No. U-20836, Final Order at 458 (Nov. 18, 2022). Along the same lines, in DTE’s next electric rate case, the Commission ordered the Company to implement “grid equity” recommendations including requirements to provide community vulnerability information in environmental analyses and greater transparency for projects and programs in future rate cases. *In re DTE Electric*, Case No. U-21297, Order at 375 (Dec. 1, 2023).

Similarly, other Midwest states require their utilities to consider equity and energy justice in planning and rate cases. In Minnesota, advocates argued in Xcel Energy’s last rate case that utilities should apply the principles of energy justice – recognition justice, procedural justice, distributional justice, and restorative justice – in rate case proceedings. The Minnesota Commission agreed, and explicitly recognized that the “tenets of energy justice . . . [were] relevant to the rate case proceeding.” The Commission specifically found that energy justice is relevant to

⁵ Relevant Record: DTE Witness Kryscynski Direct, 3 TR 369-394; Rebuttal, 3 TR 448-457; CEO Witness Kenworthy, 6 TR 3195-3210; Rebuttal 6 TR 3222-26; CEO Witness Tan, 6 TR 3271-83; MPSC Staff Witness Isakson, 6 TR 4906; DAAO Witness Koepfel, 6 TR 4378-4434; DAAO Witness Schott Direct, 6 TR 4449-4526; DAAO Witness Kinkhabwala Direct, 6 TR 4534-4567.

setting rates. *In re Xcel Energy*, Docket No. E-002/GR-21-630, Final Order at 139, Minnesota Public Utilities Commission, (July 17, 2023). The Washington Utilities and Transportation Commission has similarly recognized the importance of equity and energy justice stating “[w]e expect PSE and all other utilities to prioritize principles of energy justice, afford meaningful opportunities for public participation, and conduct thorough equity analyses” and explaining that “[a]chieving equitable access to essential utility services is a vital public interest.” Docket No. UE-220066 (Order, May 16, 2024).

Consistent with the Commission’s prior orders and DTE’s obligation to consider equity issues, the State’s Healthy Climate Plan recognizes the importance of considering equity and environmental justice in climate planning. Specifically, the Plan states that “[e]nvironmental justice considerations are a key component of equitable climate action and will continue to be a priority for the state as it works to eliminate racial disparities impacting the health and wellbeing of Michiganders.”⁶ The Plan continues that “many disadvantaged communities live and work in subpar buildings, face higher energy burden, and are subject to health-related impacts from natural gas appliances, all while lacking access to the investments in energy efficiency and onsite renewable energy seen in other communities.” MI Healthy Climate Plan. The Plan seeks to ensure that the State’s response to climate change does not reinforce challenges that historically disadvantaged communities face and requires that the State must proactively and intentionally plan for equity and environmental justice. MI Healthy Climate Plan.

The CEO urge the MPSC to continue to reinforce its past rate case decisions and decisions from Commissions across the country, which recognizes the importance of equity and environmental justice considerations in the utility planning process. Specifically, we recommend

⁶ Department of Environment, Great Lakes, and Energy, “MI Healthy Climate Plan.” April 2022, available at: <https://www.michigan.gov/egle/about/organization/climate-and-energy/mi-healthy-climate-plan>.

the Commission order DTE to continue to incorporate equity and environmental justice considerations in its planning processes, particularly in ways that go beyond reliability analysis.

The CEO provide more detailed recommendations below.

2. *DTE Should Conduct Granular Mapping Analyses to Better Understand Its Customers and Ensure Reasonable and Prudent Provision of Service*

As DAAO Witness Jackson Koeppel explains, low-income households face extremely high energy burdens. Koeppel Direct, 6 TR 4390. As of 2022, households below 50% of the federal poverty level in Michigan faced an average energy burden of over 30%, while those between 50% and 100% of the poverty level had an average burden of 20%. *Id.* at 4390. In addition, Witness Justin Schott provides further testimony on the extreme energy burden on low-income customers. As Schott states, 59% of DTE’s residential customers earning less than 30% of Area Median Income face extreme energy burdens of 15% or more. Schott Direct, 6 TR 4483. Schott’s testimony explains that many energy-burdened households under-consume energy due to their inability to afford their energy bills and that nearly half of households earning less than \$25,000 report keeping their homes at unsafe or uncomfortable temperatures. *Id.* at 4484. This high energy burden underscores the urgent need for policies prioritizing energy affordability for DTE’s most vulnerable customers.

In order to address these disparities, DTE first needs to better understand the system. The first step to better understanding the system requires that DTE depict system characteristics on a map. To assist the Company in incorporating equity and environmental justice considerations into its planning and program design, Witness Kenworthy explained that the State developed an interactive mapping tool called MiEJScreen. Kenworthy Direct, 6 TR 3197. The map allows users to identify specific environmental, health, and socioeconomic conditions with a defined geographic community or region. Kenworthy Direct, 6 TR 3197.

Witness Kenworthy's testimony explains the numerous equity and environmental justice benefits that a mapping tool offers. Specifically, a mapping tool "can provide granular, geographic-specific information regarding aspects of the system and customer experience." *Id.* at 3198. Witness Kenworthy further explained that a mapping tool can be used to "identify geographic areas where there are: high concentrations of poverty, high concentrations of people of color, higher levels of pollution, and parts of the system which may be older than other areas." *Id.* at 3198. By honing in on specific geographic areas which may be energy burdened or otherwise underserved, DTE can better target capital investments and programs directly to those areas, thereby meeting its obligation to provide equitable electric service and to consider environmental justice factors in its planning and programs.

Witness Kenworthy provided a recommendation of how the Company could use the MiEJScreen tool. He explained that the Company "should include visualizations of reliability and other utility performance characteristics that can aid in utility planning, inform Commission evaluation of investment plans, and educate customers and other stakeholders on progress toward the utility achieving its goals." *Id.* at 3198.

In addition to recommending that DTE utilize the MiEJScreen tool to target investments and programming, the CEO recommend that the Commission require DTE to track six additional measures. While the Commission and DTE's past focus on reliability in EJ communities was certainly warranted by grid conditions, energy justice includes more than just reliability concerns. Specifically, Witness Kenworthy recommends: (1) average energy burden at the census block group level; (2) percentage of residential customers disconnected per census block; (3) percentage of low-income customers in each census block group that participated in one or more energy assistance programs in a year; (4) percentage of low-income customers in each census block group

that participated in a payment plan; (5) percentage of residential customers in each census block group enrolled in Shutoff Protection Plan in a year; and (6) percentage of low-income residential customers in each census block group that participated in the Company's energy efficiency program in a year. Kenworthy Direct, 6 TR 3200.

As an example of a utility effectively using mapping, Witness Kenworthy explained that Xcel Energy in Minnesota (a dual-fuel utility like DTE) created its own interactive map of its electric and gas service territories which Xcel Energy's electric division uses to track many of the same indicators recommended above. *Id.* at 3202.

Witness Kenworthy noted that, using its interactive mapping tool, Xcel Energy has recently filed a proposal with the Minnesota Public Utilities Commission to automatically reduce customers' electric bills in high energy burdened census block groups. Specifically, Xcel Energy's proposal, if approved, will provide an automatic bill credit which will bring the median electric energy burden in all census block groups in Xcel Energy's service territory down to 4%. *Id.* at 3203. Given the wide variation in energy burden in DTE's service territory, CEO recommend that the Commission order DTE to explore a similar automatic bill credit approach that reduces bills for energy burdened customers.

In response to Witness Kenworthy's recommendations to use the MiEJ Screen tool, Witness Kryscynski testified that the Company "does not believe that a Commission order requiring additional EJ analysis is needed at this time." Kryscynski Rebuttal, 3 TR 449. The CEO respectfully disagree. Some of DTE's customers face an extremely high energy burden, and DTE can and should utilize the mapping tools to help these customers. Likewise, many of DTE's customers lack access to energy efficiency measures and face extremely unreliable service. By

utilizing the mapping tools, DTE can better understand which geographic areas to target for improvements.

The CEO believe that the MiEJ Screen tool, as well as the additional six measures set forth above will be helpful for the Company to better understand where there may be discrepancies in the system, and how to better target investment and programming to reduce those disparities.

The CEO recommend the MPSC order the Company to begin using the existing MiEJScreen tool to help guide its own internal processes for how best to use this type of mapping tool to plan, develop, and implement investments and programs in the future. The CEO further recommend that the MPSC order the Company to provide a plan for how it will utilize the MiEJScreen tool prior to the next rate case. Once the Company has designed its approach to mapping, the CEO recommend that the Company begin tracking the six additional measures outlined above in the next rate case. The CEO recommend the MPSC order the Company to report the six additional measures on a map in the next rate case.

3. *DTE Should Conduct Regression Analysis In Rate Cases Not Just Distribution Planning Dockets*

In DTE's last rate case, CEO Witness Boratha Tan offered a regression model to analyze grid reliability as a function of various demographics including race, population density, and income. Tan Direct, 6 TR 3273. Regression analysis is an analytical tool "used to understand how . . . independent variables can predict (or influence) the outcome of the dependent variable." *Id.* at 3272. In this context, regression can be useful to "interpret reliability metrics with external data, that would otherwise be excluded when observing said reliability metrics alone." Tan Direct, 6 TR 3272. Witness Tan found that "more densely populated communities experienced fewer minutes of service interruption, while more BIPOC and higher income communities experienced more minutes of service interruptions." *Id.* at 3273. As a result of Witness Tan's analysis, the

Commission ordered DTE to “work with the Commission Staff and stakeholders to develop a detailed regression analysis of customer demographics and reliability for vulnerable communities to be used in the company’s distribution case.” Case No. U-21297, Final Order at 375 (Dec. 1, 2023). DTE has begun meeting with Staff and the CEO to review regression modeling basics and determine the appropriate data sets and variables to use. Tan Direct, 6 TR 3274. Based on those meetings, the CEO believe the Company is on the right path in regards to regression. *Id.*

Despite DTE’s progress in building towards a regression analysis, the CEO re-ran its regression analysis in this case to reiterate the important role that regression should play in rate case proceedings. Like in his 2023 analysis, Witness Tan’s regression analysis in this case found that, “more heavily BIPOC and higher income communities experienced worse SAIDI.” *Id.* at 3276. Witness Tan described three reasons why re-running his regression analysis was important in this case. First, regression is an important tool to observe the relationship between reliability performance and demographic data, that cannot be observed using reliability statistics alone. *Id.* at 3278. Such critical analysis cannot wait the two to three years between grid plans. Second, Witness Tan used regression in this case to improve upon the modeling he performed in the last case and learn from the critiques lodged by DTE and Staff. *Id.* at 3278. Finally, Witness Tan’s updated analysis demonstrated that “regression analysis, when iterated on itself, is a good tool to benchmark grid reliability over time.” *Id.* at 3278.

The CEO understand why DTE did not conduct a regression analysis in this case. However, the CEO urge the Company and the Commission to reconsider the proper forum for regression in the future. The Commission approves key investment decisions in litigated rate cases. The Company, Staff and Intervenors can draw important conclusions from regression analyses that bear on the Company’s proposals. Further, once the ground rules are set for a regression analysis,

updating the data is relatively easy. Tan Direct, 6 TR 3278. The CEO recommend that the Company continue to work with Staff and the CEO on its regression analysis but also request that the Commission order DTE to share its analysis in rate cases and grid plan dockets going forward.

4. *The Commission Should Order DTE to Create a Comprehensive Affordability Program and Look to Illinois as an Example*

In testimony, DAAO Witness Koeppel proposed the creation of a comprehensive low-income affordability program within DTE Electric's rate structure. Koeppel Direct, 6 TR 4393-94. As discussed above, DAAO Witnesses Koeppel and Schott described the extreme high energy burdens that many of DTE's customers currently endure. Overall, DAAO identified an electricity affordability gap of \$380 million in DTE Electric's service territory. Kinkhabwala Direct, 6 TR 4565. After accounting for existing affordability programs, Witness Koeppel estimated that an additional \$304 million would be needed to close the affordability gap. Koeppel Direct, 6 TR 4393. Witness Koeppel ultimately proposed to treat this amount as an operating expense in DTE's Electric revenue requirement, which would be distributed equally across all customer bills to help cover the affordability gap. *Id.* at 4394.

The CEO support the findings of the DAAO group regarding the affordability gap and the need for DTE to create a comprehensive affordability strategy to address excessive energy burden. Affordability is a key component of an equitable grid of the future. In order to facilitate equitable access to the grid, the Company must improve its reliability and stabilize its customers' energy burdens. Once DTE meets these basic needs, DTE's low-income customers will be in position to participate in and benefit from the energy transition.

In rebuttal testimony, CEO Witness Kenworthy described two potential alternatives to Witness Koeppel's affordability proposal that the Commission can consider in determining the best way to address affordability issues in DTE's territory. CEO Witness Kenworthy did not

examine the rate impact of these programs in DTE's territory. Instead, Witness Kenworthy intended to provide the Commission with examples of Midwest utilities proposing and implementing comprehensive affordability schemes.

First, in Illinois, ComEd currently proposes to provide low-income customers a percentage discount on their electricity bills. Kenworthy Rebuttal, 6 TR 3224. The program includes five income tiers, with customers with incomes between 0% and 300% of the Federal Poverty Level qualifying for the program. ComEd designed the program to lower rates to reach the accepted energy burden threshold of 3% for electric-only households and 6% for electric space heating customers. The costs of this program will be recovered from all customers. Second, as discussed above, Xcel Energy in Minnesota proposes to automatically apply bill credits to all customers in certain low-income, high energy burdened areas. *Id.* at 3225-26. The program aims to bring the energy burden down to 4% and would automatically enroll 23,000 households in the initial pilot. By utilizing automatic enrollment, Xcel eliminated the need for high energy burden customers to apply for relief. Additionally, the CEO agree with DAAO's proposal to convene a stakeholder process to implement a comprehensive affordability program.

Ultimately, the Commission must order DTE to take this issue seriously in rate cases in order for meaningful change to occur. The Company proposes billions in investment in the next decade and to proceed without a plan for how to bring along low-income customers would not be just and reasonable. In order to pave the way for an equitable grid modernization, DTE must improve its reliability and deliver more affordable electric service to its customers. The Commission should order DTE to present a comprehensive affordability program in its next rate case in order to address the severe energy burdens borne by its customers.

B. ISSUE: EV Programs—Analysis (Line 119)⁷

CEO POSITION: The Commission Should Reject Staff and the AG’s Proposed Disallowances for DTE’s EV Programs and Direct the Company to Expand its Residential, Workplace, and Community DCFC Charging Rebate Programs

As part of its case, DTE proposed to expand its spending on electric-vehicle charging infrastructure. Bennett Direct, 6 TR 1977. DTE’s proposed increased spending corresponds to similar projections in the Company’s Transportation Electrification Plan (“TEP”). *Id.* at 1955. As part of that plan, the Company forecasts an increase to 326,000 EV registrations in 2028, up from only 46,000 EVs registered in DTE’s service territory today. Bennett Direct, 6 TR 1940. DTE estimates that approximately 238,000 additional chargers will be needed in its service territory in order to support this EV growth. *Id.* at 1942. Based on this estimate, DTE estimates the “gap” in EV charging infrastructure to be roughly \$1.9 billion. *Id.* at 1945. In this case, DTE proposes to spend \$25 million on its EV program for rebates, outreach and education, and IT and administration. *Id.* at 1955. The Company proposes to spend another \$189 million on the grid-side for “make-ready” expenditures over the course of the TEP planning period. Bennett Direct, 6 TR 1970. DTE found in its cost/benefit analysis that the proposed spending would result in \$56 million of net positive benefit to its customers from the TEP investments, while considering only 10% of the anticipated EV load growth through 2030. Bennett Direct, 6 TR 1974.

In testimony, MPSC Staff and the Attorney General both recommended disallowances to the Company’s proposed spending on electric vehicles. Staff Witness Freeman proposes \$8 million worth of disallowances to the Business and eFleet Charger rebate program. Freeman Direct, 6 TR 5087. Witness Freeman argues that the Company should delay spending to further evaluate the

⁷ Relevant Record: DTE Witness Bennet Direct, 6 TR 1922-88; Rebuttal, 6 TR 1990-2018; MPSC Staff Witness Freeman Direct, 6 TR 5083-89; AG Witness Coppola Direct, 6 TR 3607-9, 3637-8; MNSC Witness Jester Revised Direct, 6 TR 3800-16; Rebuttal, 6 TR 4034-41; MEIU Witness Sherman Direct, 6 TR 4053-99.

success of the program and is “uncomfortable” with the size of the proposed \$16 million Business and eFleet program. *Id.* at 5087. Witness Freeman also proposes another \$1 million disallowance for the Residential rebate program. Similarly, AG Witness Coppola recommended roughly 45% cuts to the EV Charging Forward Program due to concerns that the EV market may be slowing. Coppola Direct, 6 TR 3608, 3638.

The CEO urge the Commission to approve the Company’s EV spending. The CEO find the Company’s analysis well-grounded and supported based on the record. The Company found a net benefit in its proposed spending which Staff and the AG do not specifically refute. As discussed below, the Company’s cost-benefit analysis likely underestimated the potential benefits of the program. Further, the Company’s EV program advances transportation electrification which supports the State’s decarbonization efforts. Ultimately, setting artificially conservative spending levels harms customers who could benefit from the proposed EV infrastructure investments, as well as ratepayers who would benefit from the downward pressure on rates that would result from the increased revenues.

The CEO also support the work of other Intervenors who advocated for improvements to the Company’s cost-benefit analysis in pursuit of further EV infrastructure development. First, MNSC Witness Jester argued that the Company underestimates the benefit of its EV investments because the Company only counts a portion of net revenues instead of their full value. Jester Revised Direct, 6 TR 3812. Witness Jester ultimately supported additional charging rebates, particularly for workplaces that include non-private parking options. *Id.* at 3806. Second, MEIU Witness Sherman argued that the Company should expand spending on residential charging and community DCFC charging. Sherman Direct, 6 TR 4090. MEIU Witness Sherman also argued that the Company should include total revenue in its CBA analysis. *Id.* at 4069.

The CEO support MEIU and MNSC on each of these points. The Company's TEP and spending in this case demonstrate a proactive approach to EV infrastructure. The Commission should approve this spending because the Company properly demonstrated the cost effectiveness of the spending and because it facilitates the decarbonization of the transportation sector. The Commission should also direct the Company to expand its rebates for residential charging, non-private workplace charging, and community-based DCFC charging.

VIII. CONCLUSION

The CEO respectfully request that:

1. The Commission order the Company to provide more information on the EJ impact dimension in the GPM including how customers are benefitting from investments and confirming that these benefits are the ones the communities prioritize.
2. The Commission order the Company track GPM scores over time to see how the introduction of the EJ flag influences program prioritization.
3. The Commission order the Company to expand the scope of projects analyzed in its Reliability Model to include other distribution programs including URD replacement, cable replacement, breaker replacement, and substation risk.
4. The Commission order DTE to use actual DTE performance data in its Reliability Model, Distribution Automation Model, and future benefit-cost analyses.
5. The Commission order DTE to use the revenue requirement rather than only capital costs of its projects in future benefit-cost analyses.
6. The Commission order DTE to expand the analysis of benefits of system improvements in future benefit-cost analyses using a model like ComEd's POET model.
7. The Commission order DTE to expand its use of benefit-cost analyses to its other major distribution programs including: 4.8 kV hardening; 4.8 kV conversions, distribution automation, subtransmission redesign and rebuild.
8. The Commission order DTE to propose new tariffs to match the distinct load profiles of residential customers based on: home type (single family or multi-family) and heating type (electric or fossil-fueled).
9. If the Commission approves DTE's proposed transition from the D1.6 to D1.11 rate as the default residential rate, it should order DTE to study and implement

mitigation measures to address the roughly one-third of low-income customers that would be worse off under the new rate.

10. The Commission approve DTE's proposed CVR/VVO spending.
11. The Commission order DTE to pilot a virtual power plant program working directly with third-party aggregators.
12. The Commission order DTE to develop a non-conventional solutions framework that (a) examines the use cases for new technologies; (b) identifies congested circuits that could be candidates for deployment of non-conventional solutions; and (c) discusses criteria for transitioning pilot programs into scalable repeatable permanent programs.
13. The Commission order the Company to expand its use of the MiEJScreen Tool to begin tracking the six additional metrics recommended by the CEO in Section VII.A.2 in its next rate case.
14. The Commission order DTE to run regression analysis in future rate cases.
15. The Commission order DTE to explore a comprehensive affordability program that addresses high energy burdens in its territory, including specific analysis of the ComEd and Xcel proposals discussed in Section VII.A.4.
16. The Commission order DTE to convene a stakeholder process to implement a comprehensive affordability program.
17. The Commission order DTE to present a comprehensive affordability program in its next rate case in order to address the severe energy burdens borne by its customers.
18. The Commission approve DTE's proposed EV spending.
19. The Commission order the Company to expand its rebates for residential charging, non-private workplace charging, and community-based DCFC charging.

Respectfully submitted,



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Dated: October 3, 2024

STATE OF MICHIGAN
MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the Application of **DTE**)
ELECTRIC COMPANY for authority to)
increase its rates, amend its rate schedules and) Case No. U-21534
rules governing the distribution and supply of)
electric energy, and for miscellaneous)
accounting authority.)

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing *Opening Brief on Behalf of the Ecology Center, the Environmental Law & Policy Center, Union of Concerned Scientists, and Vote Solar* and the Official Exhibits was served by electronic mail upon the following Parties of Record, this Thursday, October 3, 2024.

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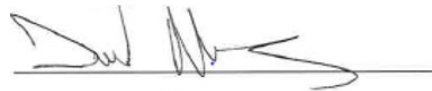
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