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December 16, 2024

Ms. Lisa Felice *Via E-File*
Michigan Public Service Commission
7109 W. Saginaw Hwy.
Lansing, MI 48909

RE: MPSC Case No. U-21305

Dear Ms. Felice:

Attached please find the enclosed documents for filing:

- Comments by Michigan Environmental Council, Natural Resources Defense Council, Sierra Club, and Citizens Utility Board of Michigan.

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

Sincerely,

Holly L. Hillyer
Digitally signed by Holly Hillyer
Date: 2024.12.16 16:05:03 -05'00'

Holly L. Hillyer
holly@tropospherelegal.com

CC: Parties to Case No. U-21305

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own motion, to investigate, audit and review the methods employed by **DTE ELECTRIC COMPANY and CONSUMERS ENERGY COMPANY** to secure good electric service and the safety of the public pursuant to MCL 460.555 and MCL 460.556.	Case No. U-21305

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

ON LIBERTY AUDIT REPORTS AND CONSUMERS AND DTE RESPONSES

December 16, 2024

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I. INTRODUCTION

As invited by the Commission's September 26, 2024 Order in Case No. U-21305, the Michigan Environmental Council (MEC), Citizens Utility Board of Michigan (CUB), Natural Resources Defense Council (NRDC), and Sierra Club (SC) (collectively MNSC) submit the following comments on The Liberty Consulting Group's (Liberty) Final Report: Utility Distribution Audit of Consumers Energy and Final Report: Utility Distribution Audit of DTE Energy filed September 23, 2024, and the Comments of Consumers Energy Company and Implementation Plan for the DTE Electric Audit Report filed November 15, 2024, in response to the audit reports .

The Liberty audits are the recent culmination of decades of Commission efforts to fix deeply entrenched reliability, restoration, and safety problems with the Consumers Energy (Consumers) and DTE Electric (DTE) distribution systems. The Commission has opened nearly two dozen dockets to investigate and address these and other grid-related issues.[1] Before ordering the audit, the Commission reviewed its long history of investigating DTE and Consumers' poor outage restoration track records and stated:

> The Commission finds that simply commencing another examination of the response of the utilities to increasingly predictable extreme weather conditions is no longer the reasonable and prudent course of action. As listed in the August 25 order and quoted above, the Commission has taken this route many times, and the results remain unacceptable. Taking the same action yet again and expecting a different result is not working in the best interests of Michigan's customers. Additional measures are necessary.[2]

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[1] See MNSC comments on DTE's 2023 Distribution Grid Plan (DGP) filed March 15, 2024, Case No. U-20147, pp 1-4.

[2] Case No. U-21305, October 5, 2022 Order, p 4 (citing Case No. U-21122, August 25, 2022 Order).

Then, the Commission directed its Staff to hire a consultant to "perform an independent third-party audit and review" of Consumers and DTE distribution systems focusing on "actions necessary to reduce the total number of outages and the duration of outages, and on the identification of needed improvements to safety particularly with respect to the potential for contact with the electrical distribution system by the public."[3]

Liberty described its audit methodology and process in a progress report filed December 21, 2023, in this docket. The audits were to contain two parts reflecting the Commission's directives: Part I would include a physical audit of the Company's existing installed infrastructure and Part II would include an audit of programs and processes to determine their sufficiency with respect to emergency preparedness, storm restoration, distribution system maintenance, equity, climate change, and changing load profiles. Part II would include a review of the Company's engineering standards and inspection and maintenance programs, the "accounting process for the distribution system to ensure costs are being accurately managed and recorded," operations, Company management, and internal policies and procedures. Liberty described its focus as "the identification of cost effective actions necessary to reduce the total numbers and durations of outages and of improvements to safety particularly with respect to the potential for contact with the electrical distribution system by the public."

The final audit reports reflect the methodology, process, and focus Liberty described in its 2023 progress report. They are generally objective and detailed. While MNSC does not agree with Liberty on every issue, on balance, Liberty's findings, conclusions, and recommendations appear

[3] *Id.*, p 15.

reasonable and provide a starting point to improve distribution system planning. The audits consider affordability and pragmatism that has been lacking in Consumers and DTE's distribution planning and investments. If executed with transparency, accountability, and firm regulatory oversight, these audits have the potential to improve long-overdue reliability for ratepayers in a way that is more cost-effective than the path the utilities are presently on. The Commission should consider them in guiding and evaluating future distribution plans filed in Case No. U-20147. More importantly, the audit findings, conclusions, and recommendations provide a useful lens for evaluating Consumers and DTE spending proposals in rate cases.

MNSC identified three key themes emerging from the Liberty audits, applicable to both Consumers and DTE:

1. It is clear the utilities have not optimized operations and maintenance (O&M) opportunities with proven reliability benefits – particularly line clearing (vegetation management) and condition-based inspections. Shorter line-clearing and inspection cycles are likely to improve reliability performance with relative cost-effectiveness and efficiency.
2. Across multiple programs, projects, and activities, both utilities plan novel and/or costly capital spending justified in the name of reliability but unsupported by realistic or proven projections of reliability benefits. Examples include replacing non-defective non-standard equipment, undergrounding overhead lines, and rebuilding substations. Liberty recommends limited deployment with robust collection of cost and performance data to evaluate the potential to scale-up such programs cost-effectively.

3. Liberty is concerned about the customer experience from both reliability and affordability perspectives. It emphasizes opportunities to improve reliability with proven programs, not by rebuilding these distribution systems.

These themes are unsurprising; they reflect inherent tension in public utility regulation between equity and cost responsibility. What is refreshing is the source – these themes originated on behalf of the Commission in its regulatory role. Liberty has provided an unbiased perspective incorporating its national perspective on industry best practices. These audit reports follow Liberty's extensive assessment of the utilities' distribution systems and open engagement with utility distribution management. The next challenge is to galvanize Liberty's findings, conclusions, and recommendations into utility distribution plans and regulatory spending decisions.

To ensure the Liberty audit findings, conclusions, and recommendations produce meaningful regulatory oversight of these two utility distribution systems, the Commission should require Consumers and DTE to fully address them in their next distribution plans and rate cases as discussed in detail in MNSC's Conclusion to these comments. To ensure accountability, the Commission should direct its Staff to review the utilities' distribution plan and rate case filings for conformity with the audits and identify any undisclosed or unexplained discrepancies. The Commission should also release the underlying audit data to promote greater transparency and public participation in distribution planning, the rate case process, and other Commission decision-making. A clear mandate to address the audits comprehensively in future distribution plans and rate cases will help them avoid becoming two more regulatory reports that sit on shelves, obsolete before the ink is dry.

MNSC's comments generally address recommendations that the Commission Staff categorized as relating to distribution planning because those recommendations address the primary drivers of Consumers' and DTE's skyrocketing spending and ever-increasing rates, where distribution-related costs are allocated disproportionately to residential customers.

Given the scope of the audits and responses and the resources dedicated by Liberty and the utilities to develop them, it would be unrealistic to expect stakeholders to match their depth or address every part of every issue covered in the audits. MNSC's silence on any findings, conclusions, recommendations, or any other aspect of the Liberty audit reports or utility responses does not indicate agreement or even acceptance of the content of the audits or utility responses. MNSC reserves the right to fully evaluate and litigate issues addressed in the audits and responsive utility comments in planning, rate, and other proceedings.

II. COMMENTS ON CONSUMERS AUDIT REPORT AND RESPONSE

A. Introduction to section

The Liberty audit confirms that Consumers' current distribution planning philosophy is backwards. Consumers plans massive increases in unproven distribution capital spending without first seriously considering alternative strategies and cost-effectiveness. Consumers' comments indicate that it remains committed to this approach. Although Consumers contends a culture of continuous improvement, it seems more interested in defending its established positions than learning from Liberty's expertise.

MNSC largely supports Liberty's findings, conclusions, and recommendations, but disagrees that Consumers should plan to delay achievement of its reliability goals. There is ample evidence in this docket and in rate cases supporting the conclusion that Consumers can dramatically improve reliability by prioritizing spending on highly cost-effective and impactful measures like aggressive tree trimming over expensive and unproven capital investments. MNSC also notes that, while it does not disagree that Consumers' current approach to storm restoration budgeting and cost recovery needs improvement, any changes to how Consumers recovers storm restoration costs must be proposed and fully evaluated in a rate case.

B. The Liberty audit correctly concluded that Consumers' distribution capital spending has not improved reliability.

i. Consumers' Historical Performance

Liberty found that, "despite the increases in ***total capital and O&M expenditures*** both Total SAIDI and SAIDI excluding MEDs have remained fairly stable, with a slight upward trend."[4] This finding is consistent with MNSC's analyses in Consumers' prior rate cases and the distribution planning docket, Case No. U-20147.

In response, Consumers attempts to obfuscate reality by contriving a less accurate but more favorable metric. Consumers claims it "generally prefers to use a five-year average SAIDI when baselining trends over time to limit variability in year-to-year performance while maintaining consistency with Institute of Electrical and Electronics Engineers ("IEEE") Standard 1366-2012,"[5] which shows its performance has been improving. This metric is neither standard nor reliable, and Consumers' claimed preference for using it is not credible.

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[4] Consumers Audit Report, Part I, p 61.

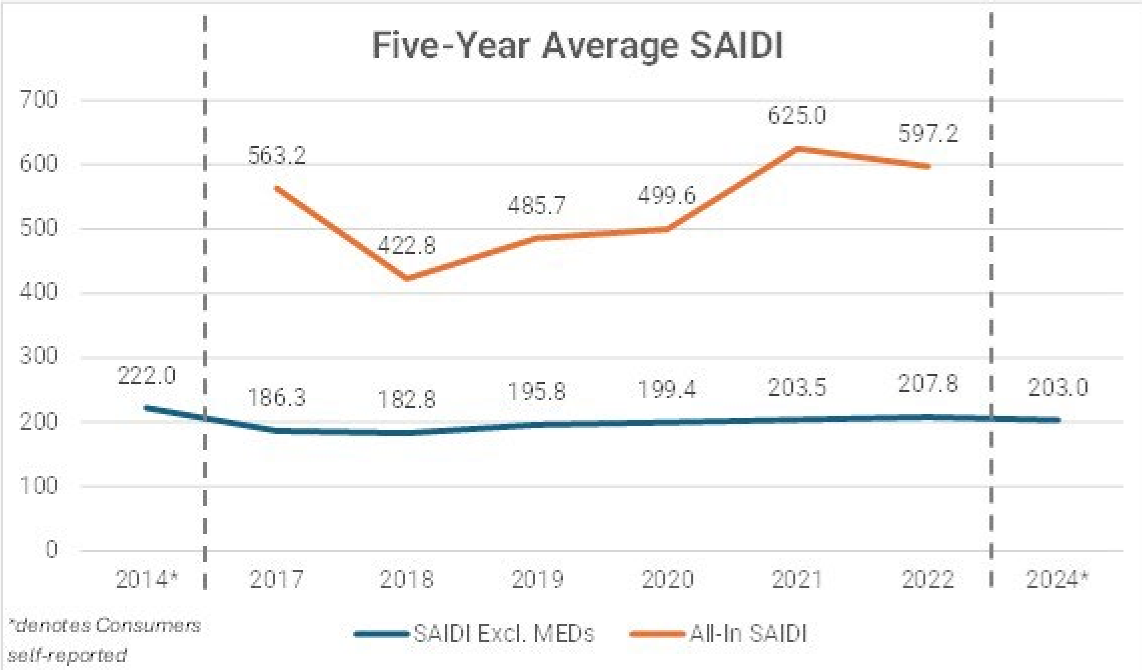
[5] Consumers Comments, p 8.

First, except for the one instance of using a rolling five-year average that Consumers cites in its comments, Consumers used annual SAIDI numbers throughout its 2023 Electric Distribution Infrastructure Investment Plan (EDIIP).[6] Second, IEEE Standard 1366-2012 is about determining major event days (MEDs), not evaluating SAIDI reliability performance. Third, the five-year averages presented in Consumers' comments appear to exclude MEDs and therefore do not measure performance during severe weather and significant outages. Fourth, Consumers uses this metric to measure the change from 2014 to 2024 without showing what happened between those years. Consumers' reliability performance has been heavily variable such that only looking at two years' snapshots could create a false sense of steady improvement.

In fact, it is exactly the case that the "improvement" Consumers claims is simply a result of up-and-down variability and not real sustained improvement. While it did not readily have sufficient data to go back to 2010 (for a five-year period prior to 2014), MNSC was able to evaluate the Company's five-year average SAIDI from EIA Form 861 reporting, as displayed in Figure 1 below. To explain this figure, the values displayed for 2017-2022 are the rolling five-year averages for both types of SAIDI metric, such that the 186.3 represents the average SAIDI, excluding MEDs, for Consumers each year (inclusive) from 2014-2017 and 563.2 represents the same time period for all-in SAIDI. For reference, Consumers' self-reported numbers are shown for 2014 and 2024.

[6] Filed September 27, 2023, in Case No. U-20147.

Figure 1

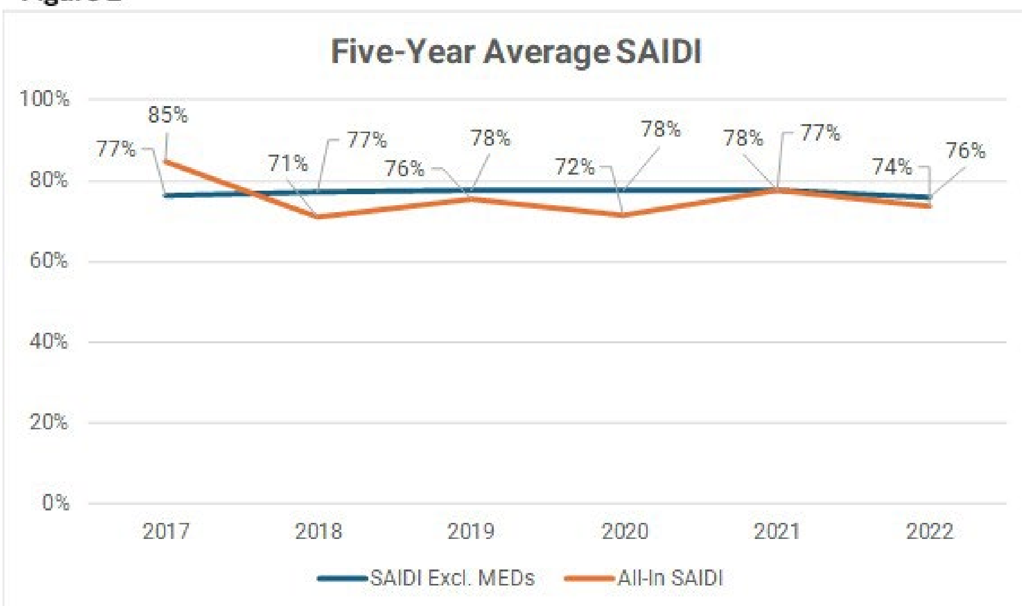


As this Figure demonstrates, Consumers' claim of improvement in five-year average SAIDI (excluding MEDs) is misleading. It may be the case that 2024 SAIDI excluding MEDs was lower than 2014, but it is *higher* than 2017, 2018, 2019, and 2020, and essentially the same as 2021.

Liberty correctly found that Consumers is not improving its reliability outcomes. This remains true whether using yearly actuals or five-year averages, and when looking at all-in SAIDI, which for 2022 was higher than every year between 2017 and 2020.

In its comments, Consumers also suggests it has improved more than its peers. Any credibility in this statement is based more on a technicality than on reality. MNSC evaluated the five-year average SAIDI of all utilities in the US[7] and put together a percentile ranking based on this five-year average performance. The results of this analysis are shown in Figure 2 below for 2017-2022. To clarify, the 77% value in 2017 means that Consumers' five-year average SAIDI for 2014-2017 was higher than 77% of its peers.

Figure 2



As shown above, despite an improvement from 2017-2018, Consumers has consistently performed worse than more than 70% of its peers in its five-year average SAIDI, both including and excluding MEDs. There has been no material improvement in the Company's performance relative to its peers. Not only is Consumers unable to improve its own performance, Consumers' claims that it outperformed its peers are misleading and inaccurate when looking at the whole picture.

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[7] As reported for all US utilities on EIA Form 861.

The analyses below provide additional support for Liberty's finding using yearly actual SAIDI and Consumers spending (as opposed to the five-year average method just discussed). Figure 3 shows Consumers' annual SAIDI performance compared to its annual capital spend:[8]

Figure 3

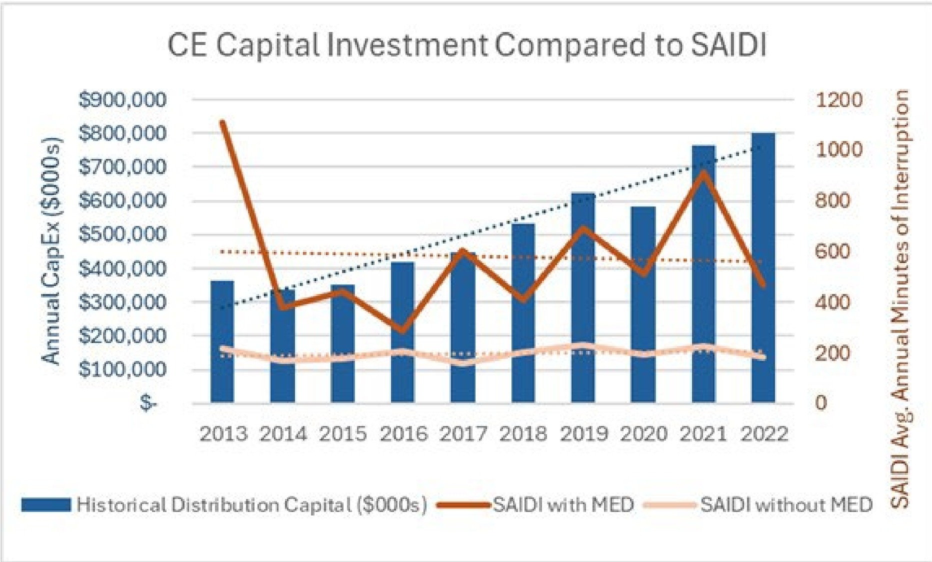

Figure 3 demonstrates that Consumers has a massive increasing trend in capital spending without commensurate or material improvements in reliability, whether including or excluding MEDs.

The next two visuals show Consumers' historical performance compared to its peers for the major reliability metrics as well as the average price of electricity. Consumers' SAIDI and CAIDI often underperform their high rates (resultant of their high spending).[9]

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[8] SAIDI data is as reported for EIA Form 861; capital spend is sourced from Consumers' previous rate case filings.

[9] Price and reliability metrics sourced from EIA Form 861 reporting.

Figure 4

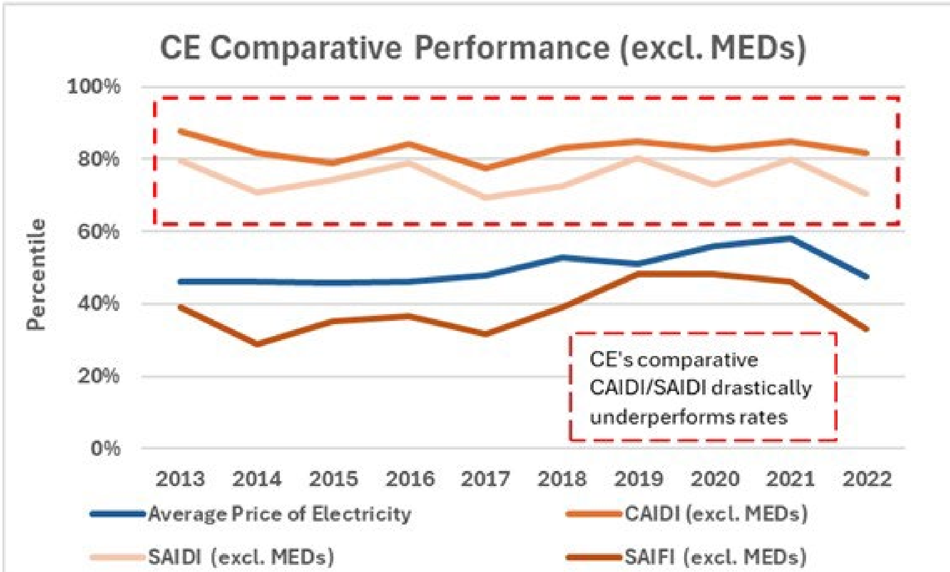
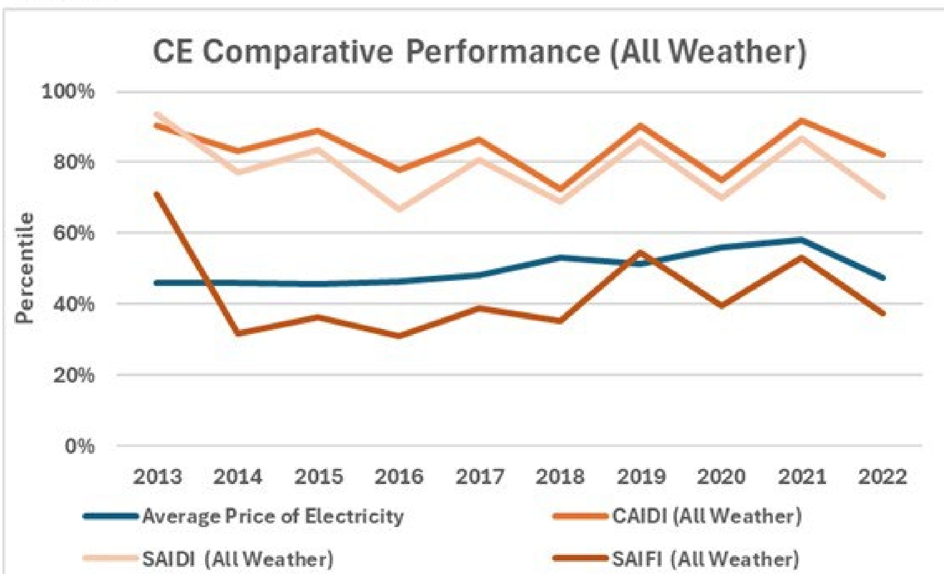


Figure 5



In summary, whether examining yearly actuals or a rolling five-year average, Liberty's finding that Consumers' reliability has not improved is accurate, and Consumers has not shown otherwise. Consumers has neither improved its reliability outcomes nor outperformed its peers.

ii. Consumers' Forward-Facing Projections

The Liberty audit also illuminates the dubious projections and forecasts Consumers uses to justify its requested spending increases – particularly its projections of the benefits from such spending. Liberty did not find reason to believe that Consumers has "fully vetted means for determining contribution to reliability performance for new initiatives or programs, greatly expanded ones, or for assessing the individual contributions of measures that work together to produce reliability improvements."[10]

Consumers could use this finding as an opportunity to reevaluate and improve, but instead disputes it. Consumers argues that it has "ably demonstrated in its Reliability Roadmap the reliability benefits it expects from planned projects within the EDIIP planning horizon."[11] MNSC disagrees with Consumers and concurs with Liberty that Consumers has not fully vetted its reliability projections.

Consumers claims previous reliability improvements show its future projections are sound and accurate. This argument falls flat given that the Company has not actually moved the SAIDI needle as discussed above. Consumers again uses snapshots from points in time to create the illusion of improvement by obscuring its year-to-year variation.[12]

Liberty's identification of gaps in the vetting of Consumers' future projections is consistent MNSC's previous analysis and findings. Consumers has demonstrated a pattern of presenting

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[10] Consumers Audit Report, p. 59.

[11] Consumers Comments, p 28.

[12] See Figures 1 to 5 and the related discussion above.

inflated benefit projections that do not materialize in its reliability results. For example, in Consumers' pending rate case, Case No. U-21585, Consumers supported its spending requests with projections of avoided customer-minutes interrupted (CMI) from its proposed investments. MNSC found that, for LVD substations and other investments, Consumers projected CMI savings that exceeded historic CMI it has actually experienced. This supports Liberty's findings that Consumers is not carefully vetting its forward-looking projections of reliability benefits.

iii. Consumers' Pace of Work

Liberty found both that Consumers has been historically unable to realize improvements from its investments and that its future forecasts of such improvements are unreliable. MNSC agrees as discussed above. Given these findings and the increasing financial burden on ratepayers, Liberty recommends slowing the pace of investment in achieving Consumers' reliability goals.

MNSC agrees to the extent Consumers prioritizes capital investments while failing to prioritize cost-effective O&M programs and activities including line clearing improvements, shorter outage restoration times, more robust equipment inspections– including technology-based inspections, and other opportunities for reliability improvement measures.

Consumers says it is willing to evaluate a longer time horizon but, in the interim, wants to maintain rapidly accelerating spending plans and skyrocketing rates. This is the opposite of reasonableness and prudence. Ramping up capital spending at ratepayers' expense should occur only *after* Consumers has presented sufficient evidence that it is necessary and sufficiently beneficial. Massive increases in capital programs should not be the default to later be adjusted down. Instead, they must be justified up from the existing baseline.

MNSC recognizes and shares the Commission's concerns around reliability and the state of Consumers' grid. But massive capital spending is not the answer. When investment is not targeted toward the right measures, precious ratepayer dollars are wasted for little to no reliability benefit. This has been the case for Consumers over the last several years, and the proof is in the data. Consumers must show that it can achieve commensurate reliability benefits for its proposed spending. Ratepayer dollars are not unlimited. If Consumers spends too much on the wrong things now, it will exhaust the resources needed for effective projects and programs in the future.

Liberty's recommendation to slow spending to a more reasonable pace is sound as applied to capital programs. The Commission would be wise to "measure twice, cut once" lest all the metaphorical lumber is ruined before the house can be built. In that spirit, Liberty offers a reasonable and proven starting point for where the Company can prioritize its resources to yield commensurate results: Line Clearing. Ratepayers need not endure poor reliability while the Company simply draws out its capital programs over a longer period of time. Liberty identified multiple opportunities to improve reliability through O&M programs – shorter line clearing and inspection cycles – that are both proven and more cost-effective than Consumers' capital programs. MNSC supports reprioritization of investments, not delaying the goals of improved reliability.

C. The Liberty audit supports accelerating the shortening of Consumers' vegetation management cycle.

Liberty correctly found that Consumers is far behind the norm for line clearing cycle times, with its so-called seven-year "effective" cycle substantially longer than accepted best practice (typically around four years). The audit offers examples of Ameren Illinois, ComEd, and Lansing Board of Water & Light as utilities similar to Consumers but with much shorter trimming cycles and, consequently, much better reliability performance. It is no coincidence that utilities that emphasize line clearing see improved reliability. It is also no coincidence that Consumers, which has exceedingly long clearing cycles, has seen no material change in its consistently poor reliability – and certainly not change commensurate with the massive amounts of capital it has deployed.

MNSC finds hollow the Company's stated concerns in its comments about ratepayer costs. These concerns are notably absent when the Company discusses its skyrocketing unproven capital spend (on which the Company earns a return) and emerge only when discussing a proven and impactful recommendation for line clearing O&M (on which the Company does not earn a return).

The Company does not dispute the benefits of a four-year cycle. Its own optimization analysis determined that a massive net benefit exists from this cycle over the costs to achieve it.[13] The Company's argument that the costs are disproportional for residential customers does not undermine the net value of the four-year cycle, but rather suggests a cost allocation issue. This may prompt a reevaluation of the allocation of line clearing costs but should not deter the Commission or the Company from a four-year cycle.

The Company contends that Liberty likely did not have the opportunity to consider its optimization analysis before publishing its findings, and, if it had, that the analysis may have influenced the outcome of the report. However, this is a red herring to deter the Commission from supporting an outcome the Company does not favor. If anything, it is more likely that the analysis

[13] Case No. U-20697, Report: Consumers Energy Company's Line Clearing Program Formal Optimization Analysis of Line Clearing Cycles, filed September 3, 2024.

would have bolstered Liberty's findings, as it quantitatively supports the net value of a four-year cycle.

Another point bolstering Liberty's recommendation is the unusual and ineffective nature of Consumers' misleadingly named seven-year "effective" cycle. Only about 18% of the Company's circuits will be trimmed every 6-8 years, while most (53%) will be trimmed every 8-10 years. This is a far cry from the industry standard of 4-5 years. Cycle variations are also based primarily on voltage class – not actual risk drivers such as vegetation presence, construction standard, span length, or anything related to actual outage causation.

Consumers mentions the emerging industry trend of adjusting cycles based on data-driven optimization for programs of targeted or condition-based vegetation management. There is promise in this concept, but it is unproven and unnecessary at this time. The Company should first meet the proven standard of a four-to-five year cycle. From there, a condition-based program that varies cycles and specifications based on satellite/LiDAR tree coverage and infrastructure conditions could be piloted to evaluate its value.

Liberty's recommendation of a four- to five-year cycle is sound and comports with utility best practice and real-world results. Consumers has presented no evidence that its seven-year "effective" cycle is optimal and has even provided evidence that the four-year cycle is net optimal. The Commission should strongly consider Consumers' potential financial motivations when it comes to its attitudes on this topic.

D. Consumers should improve the accuracy of its outage cause codes.

When discussing the benefit of more frequent line clearing, it is key to identify the Company's defects in its outage cause coding. Due to Consumers' use of the vague and unhelpful cause codes of “Unknown” and “Weather,” it is likely that additional tree-caused outages are being misclassified, meaning the benefits of line clearing activities are even higher than discussed above.

Liberty recommends subdividing or eliminating the “Weather” cause code and eliminating the “Unknown” cause code, given the tendency of those cause codes to mask the actual cause of outages. The Unknown cause code represented 11% of outages, making it the fourth leading cause code for 2022 and 2023. Liberty also notes that DTE recently eliminated Unknown as a cause code.

In its comments, the Company agrees that these cause codes represent an area for potential improvement and references plans it is currently developing to improve training in this area. However, it does not provide any substantive information on these plans nor does it state any intention to eliminate Unknown as a code or subdivide Weather as Liberty recommended.

MNSC supports Liberty’s recommendations related to these two cause codes. The cause of an outage should never be unknown. If the cause of an outage was truly unknown, then the outage could never be restored, and it is highly unlikely that Consumers has perpetual undiagnosed and unmitigated outages on its system. DTE was successfully able to eliminate the Unknown cause code, and Consumers should do the same.

The “Weather” category should be subdivided into relevant weather event types. Where the outage was caused by an interaction of weather and vegetation, then an appropriate vegetation cause code should be utilized – not the weather-related code.

Consumers needs accurate outage cause data to optimize its strategies to improve grid reliability. If the true causes of outages are masked behind vague and inaccurate cause codes, the Company’s solutions will be misaligned. This is especially acute as changes are considered for

Consumers line clearance cycles, as many additional vegetation outages are likely masked behind Weather and Unknown codes. By uncovering those outages and increasing the accuracy of causal data, both the Company and regulator can better evaluate the cost/benefit of more rapid trim cycles. Ratepayers deserve the transparency and accountability benefits associated with Liberty's recommended improvements in this area.

E. The Liberty audit makes reasonable recommendations for improving Consumers' methodology for programmatic investment.

As the audit report confirms, Consumers' historic investment has been unimpactful, its future projections unreliable, and its decision-making biased against proven tactics like enhanced vegetation management. It is not surprising, then, that the audit also found concerning issues in the Company's approach to allocating the funds it prefers to spend, namely its capital programs. The findings by Liberty are sound, comport with accepted best practice, and are supported by the results (or lack thereof) that Consumers has seen from its investment programs.

i. Overreliance on Age

The first identified methodology issue is Consumers' overreliance on age in determining asset health and replacement plans. This theme emerged in multiple places, and one primary example was in the Company's initial plans to replace all poles older than 45 years on its system. While MNSC is pleased the Company has adopted Liberty's recommendation to discontinue these plans, it remains concerned that the Company still over-relies on age.

After poles, the next most prevalent example of this flawed criterion is found in substation transformer risk and replacement. Liberty rightfully concludes that replacement should be driven by inspection and testing, and recommends age be removed as a factor in the risk model.

Consumers contests this recommendation, noting that the model places a 14% weight for age on transformers older than 50 years. However, the Company provides its own counterfactual for this methodology in stating that when transformers are starting to fail due to age, higher dissolved gases will appear in dissolved gas analysis (DGA) testing. Therefore, DGA testing (which is a widely accepted industry practice) is sufficient for risk-profiling transformers. If a transformer is failing due to age, it will show in the DGA, thus essentially double-counting age in the current method. If a transformer is old but not failing, the current model will factor in age at a 14% weight for no reason.

This practice, and any other use of age as a proxy for health, should be eliminated in favor of actual inspection and condition-driven practices. If assets are deteriorating due to age, this will be apparent from inspection and testing, and this practice will eliminate the possibility of unnecessarily investing money to replace aged assets that are otherwise low risk.

Liberty's recommendation on this concept remains sound and supported by facts and best practice. This is evident by Consumers' agreement to cancel its plans to replace poles solely on the basis of age and instead reinstate pole groundline testing. The Company should take a similar approach to all other age-driven mechanisms it has. Inspection, testing, and condition-driven programs address known issues and have demonstrable value, and they should take high priority, after shorter line clearance cycles, in Consumers' investment plans.

ii. Ignoring Best Practice for Programmatic Asset Replacements

A similar example of the Company's tendency to ignore accepted best practice and replace functional assets is its plans to rebuild HVD infrastructure solely on the basis of non-standard configuration. Liberty appropriately notes that the value of such rebuilds is dubious and unproven, especially when more proven methods exist to improve reliability (such as line clearance).

The Company confusingly contends that non-standard configurations are the second leading cause of outages on the HVD system. It is unclear how configuration alone could cause an outage. Given the known issues with Consumers' outage cause coding, it is more likely that other confounding variables, such as vegetation or weather, are the true primary cause. Non-standard configurations may have some interaction in these outages, but it does not comport with common sense that the configurations alone are the true root causes.

Consumers provides information that rebuilding these non-standard lines has improved reliability. This may be true, but there are many methods for improving reliability that are much less expensive than a full rebuild. It makes no sense to build a new house because the roof is leaking – both achieve the desired result, but one is not cost-effective. And there are many other places where the funds spent on rebuilding could be deployed for better reasons than non-standard configurations. Consumers provides no evidence that it has evaluated anything other than capital-intensive rebuilds as a solution for these outages. Once again, it demonstrates a bias towards unusual and unproven methods that Liberty rightfully questions.

Liberty also discusses Consumers' plans to programmatically replace its open wire secondary, noting this is not a common industry practice and is not expected to have a SAIDI benefit proportional to its $100 million cost. Consumers admits this is the case but identifies environmental justice (EJ) concerns as well as contributions to CELID and CEMI from open wire configurations as drivers for its plans to continue this programmatic replacement. Since MNSC does not have the source data for these claims, it is not able to fully evaluate them.

Given that the programmatic replacement of open wire is unusual for the industry, these plans should be reviewed thoroughly in a contested docket before any spending is approved. It is important that the Commission fully understand the cost and benefits of this program and ask itself (and Consumers) if this is the optimal usage of $100 million to improve EJ, CELID, and CEMI outcomes. It is likely that a more reasonable alternative is to simply replace open wire with multiplex when it fails, as opposed to the programmatic approach the Company is proposing. This tactic also better comports with industry best practice.

iii. Tendency to Rush Capital Increases: Undergrounding Example

Consumers' undergrounding plans provide another example of Consumers' tendency to rush deployment of massive amounts of unproven capital. Liberty recommends a judicious approach, continuing pilots to carefully validate the cost/benefit of undergrounding before deploying such expensive work at massive scale.

Again, Consumers wants to charge ahead with unproven investments at significant ratepayer expense. Consumers asserts that Liberty recognizes other utilities using undergrounding as a resiliency measure, but cites a quote referencing tropical storm exposure in Florida and wildfire exposure in California. Neither example is applicable to Michigan. Undergrounding specific to Consumers' system needs to fully vetted before significant additional resources are added at ratepayer expense. Ample data shows undergrounding is not a cost-effective way to improve reliability.

F. Any changes to how Consumers recovers its storm restoration costs must be evaluated in a rate case.

Liberty recommends Consumers changes how it develops storm restoration budgets by incorporating weather and distribution system improvement data instead of relying solely on five-year historic cost data.[14] Liberty further recommends that Consumers "[e]xplore means to balance company and customer interests in addressing highly volatile restoration costs" after implementing the new budgeting methodology, including deferred accounting for cost recovery.[15] MNSC does not disagree that Consumers' current approach to storm restoration budgeting and cost recovery needs improvement. But any changes to how Consumers recovers storm restoration costs must be proposed and fully evaluated in a rate case, not through an uncontested docket. MNSC would welcome the opportunity to explore options with Consumers, the Commission Staff, and other stakeholders before Consumers develops a proposal for presentation in a future rate case.

III. COMMENTS ON DTE AUDIT REPORT AND RESPONSE

A. Introduction to section

As discussed in the Introduction to these comments, the Liberty audit is generally reasonable and well-supported. DTE's comments in response to the audit, however, merit little weight. They ignore the Commission's instructions for responding to the audit and, while DTE calls them an "Implementation Plan," they indicate that DTE has little intention of implementing several of Liberty's key recommendations. To the extent DTE disagrees with Liberty, it offers

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[14] Consumers Audit Report, pp 117-118.

[15] *Id.*, pp 118-119.

little more than bare assertions unsupported by any evidence, let alone the detailed and thorough evidence Liberty collected, analyzed, and presented to support its recommendations.

The Commission Staff identified 42 recommendations in Liberty's DTE audit and categorized them as relating to 1) safety, 2) internal compliance, or 3) distribution planning. The Commission directed DTE to respond to Liberty's recommendations differently depending on how Staff categorized them. For each safety-related recommendation[16], DTE was to state whether it agreed there was an underlying safety issue and, if so, state whether it agreed with the recommendation to address it; if DTE agreed with the recommendation, it was to provide an implementation plan and timeline. For each compliance-related recommendation[17], DTE was to "detail a proposed plan and schedule of actions" to address the compliance issues.[18] For distribution planning recommendations, DTE was to "identify recommendations in this category and detail how the company will incorporate each proposed action in the utility's next distribution investment and maintenance plan in accordance with current guidance available in Case No. U-20147."[19]

In its comments responding to the audit, DTE identified 16 recommendations relating to its distribution plan.[20] But DTE declined to detail how it would incorporate several key

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[16] DTE Audit Report, Part II, recommendations 1-11, 1-12, 2-10, 3-6, and 3-7. Case No. U-21305, September 26, 2024 Order, p 4.

[17] DTE Audit Report, Part II, recommendations 1-2, 1-4, 1-5, 1-6, 1-9, 1-10, 1-13, 1-14, 1-17, 2-4, 2-6, 3-1, 3-2, 3-3, 3-4, 3-5, 3-8, 3-9, 4-1, 4-1, and 4-3. Case No. U-21305, September 26, 2024 Order, pp 5-6.

[18] Case No. U-21305, September 26, 2024 Order, p 5.

[19] *Id.*, p 6.

[20] Recommendations 1-1, 1-3, 1-7, 1-8, 1-15, 1-16, 2-1, 2-2, 2-3, 2-5, 2-7, 2-8, 2-9, 2-11, 2-12, and 2-13. DTE Comments, pp 1-2.

recommendations into its next distribution plan and instead expressed uninvited disagreement with them. For example, as discussed further below, in response to Liberty's recommendation that DTE modify its Distribution Grid Plan (DGP) to extend the time it would take to reach its SAIDI performance goal, which Liberty supported with several pages of analysis, DTE simply said it "d[id] not agree that it is in the best interest of customers" to implement the recommendation and provided no information about how it would incorporate the recommendation into its next DGP.

Even when DTE did not disagree with Liberty's recommendations, its "Implementation Action" descriptions were frequently perfunctory, lacking in detail, and detached from context. Liberty presented its recommendations as one-sentence headers that typically followed many pages of findings and conclusions and were themselves followed by additional discussion. Several DTE responses addressed the one-sentence recommendations while ignoring the surrounding discussion. For example, after about a dozen pages discussing "Inspection and Maintenance," including DTE's pole top maintenance and modernization (PTMM) program[21], Liberty recommended that DTE "[a]dopt a four-to-five year visual overhead circuit inspection program, focusing on securing visual control of the system and adjusting repair/replacement scope in the first cycle to account for what can be expected to be very high first-cycle costs."[22] Liberty discussed this recommendation at length, explaining how DTE should carefully prioritize and space out repairs, including by "through sound prioritization, defer[ring] some of the less critical work that can be bundled for completion later" and "revisit[ing] its recent PTMM changes" to

[21] DTE Audit Report, Part II, pp 31-42.

[22] *Id.*, p 43.

"identify provisional measures that would mitigate first-cycle cost increases."[23] In response, DTE said only that it would "evaluate the scope, cost, and reliability impacts" of shortening the inspection cycle and "consider prioritizing the remediation of identified defects by severity."[24] DTE provided no timeline beyond stating that it "currently anticipates submitting a more complete proposal to the Commission as part of a future rate case."[25]

DTE also responded to critical Liberty findings and conclusions with hollow reassurances and spin. Discussing its conclusion that DTE's planned timeline for achieving its SAIDI goal is "too aggressive," Liberty explained:

> DTE must close an extremely-large SAIDI gap to reach mid-second quartile performance. It must make extraordinarily high expenditures to get there under its DGP and its Reliability Model. Very large uncertainties surround DTE's measurements of expected reliability improvements by program, measure, and activity. These combinations make reaching that elevated level of reliability performance for the amounts planned questionable.

Later, Liberty stated:

> The annual levels of improvement necessary to [achieve DTE's SAIDI goal] over the short run are extraordinary. Not only that, but closing DTE's great SAIDI gap, as the DGP plans to do, relies on assumptions about reliability improvements from particular programs and measures not yet underlain by enough experience to validate them.[26]

[23] *Id.*

[24] DTE Comments, p 15.

[25] *Id.*

[26] DTE Audit Report, Part II, p 57.

In response, DTE minimized the audit as just "point[ing] out that the plan is both ambitious and aggressive" and blithely proclaimed that DTE would "accept that challenge."[27] DTE did not, however, present any evidence indicating that its plan is realistic, let alone cost-effective.

The Liberty audit report confirms many of MNSC's positions in its comments on DTE's DGP and in past rate cases. DTE is spending too much too fast on distribution capital investments without evidence that those investments improve reliability.

MNSC first addresses Liberty's gloss of DTE's prioritization model and 4.8kV Hardening program, with which MNSC generally disagrees. The model, which was only recently provided outside the Company in DTE's pending rate case, has been improperly invoked through multiple grid plans and rate cases to rationalize enormous and seemingly ineffective capital investments. The 4.8kV Hardening program is set to add nearly a billion dollars in capital spending to achieve what might have been achieved more cost effectively with line clearing and arc wire removal.

B. DTE should work towards aggressive SAIDI improvements by focusing on proven and cost-effective line clearing and other O&M opportunities.

Liberty considered DTE's plan to improve SAIDI too aggressive and recommended slowing it down to optimize the scope of programs, measures, activities, and expenditures over a 10-year period rather than a 5-year period.[28] Liberty noted the projected improvements necessary to achieve its 5-year goal rely on assumptions that lack solid foundation.[29] Liberty cautions against extrapolating benefits achieved from a few targeted programs across the system due to diminishing

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[27] DTE Comments, p 5.

[28] DTE Audit Report, Part II, pp 67-68.

[29] *Id.*, p 57.

returns and other challenges. Liberty discusses the importance of isolating the contribution of individual programs and measures to SAIDI benefits, but recognized DTE is still at the early stage of gathering the necessary data. Liberty acknowledged DTE's Reliability Model as the source of reliability projections and discussed the model's assumptions and projections under various program discussions.[30]

As noted above, DTE cursorily disagreed with the recommendation to slow its SAIDI aspirations, asserting it is "not in the best interest of customers to extend the period to reach the communicated reliability goals."[31] DTE addressed the Reliability Model in its Audit Report Clarifications, where it reiterated model methodology and committed to "measure reliability benefits of the modelled programs and update expected benefits as additional data and analysis is available."[32]

MNSC concurs with Liberty that DTE's projections of reliability, which are mostly developed in its Reliability Model, are unreliable and provide an unsound basis to support massive investments in new, expensive capital programs, like PTMM and Distribution Automation. MNSC addressed the limitations of the Reliability Model in briefing in the pending rate case (U-21534). MNSC concurs with the auditors' discussion about improving data collection and projections. DTE should focus on actual performance before and after treatment to isolate program benefits and prove program cost-effectiveness before ramping up program spending. Until data is collected and

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[30] See, e.g., DTE Audit Report, pp 63-66, 69, 71, 73, 80, 81, 83, 87.

[31] DTE Comments, p 47 (Category 3 – Recommendation 2-1).

[32] *Id.*, p 61.

the Reliability Model is improved to produce more credible and verifiable projections of reliability benefits from new programs extrapolated over time, capital program spending should not increase.

However, MNSC also concurs with DTE that customers deserve improved reliability and should not experience another decade of continued poor reliability. DTE must find cost-effective ways to aggressively improve reliability. This is likely to come largely from improved line clearing and maintenance inspections and condition-based repairs rather than through capital replacements. Liberty addressed the correlation between vegetation and reliability at length in Part I of the audit.[33] Liberty discussed opportunities to improve tree trimming, including a shorter trim cycle,[34] and recommended improving line clearing through further examination of shorter trim cycles and through "tuning and adjusting" tree trimming work.[35] Additional opportunities to improve reliability aggressively may include shorter trim cycles, service line tree trimming, variable trim cycles, targeted zonal trimming, technology-driven line clearing and inspections, and other O&M programs. The audit does not justify extending the achievement of the SAIDI goals to a 10-year timeline. DTE should halt capital spending, improve its Reliability Model to evaluate potential reliability benefits from improving O&M programs including line clearing, and update its DGP with a new plan to improve reliability sooner and more cost-effectively by prioritizing line clearing and inspections over capital investments.

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[33] DTE Audit Report, Part I, pp. 79-90.

[34] DTE Audit Report, Part II, pp 47-53, 68-70.

[35] *Id.*, pp 53, 70.

C. MNSC maintains that DTE's Global Prioritization Model is flawed.

Liberty considered DTE's Global Prioritization Model (GPM) in its evaluation of DTE's Distribution System Organization, Management and Processes, under the Planning heading.[36] The audit describes the model approach to scoring various capital projects and programs across several "dimensions," purportedly to prioritize among them.[37] Liberty found the GPM "balanced and logical application of the 'best fit, most reasonable cost" economic approach to investment optimization" and consistent with "other utility strategic investment good practices" that Liberty has experienced."[38] Liberty made no recommendations related to the model.

DTE addressed the GPM under its "Audit Report Clarifications" section at the end of its Implementation Plan, where DTE clarifies that "expected reliability benefits are included in the … GPM."[39]

MNSC comments briefly to reiterate its concerns about the integrity and value of the GPM, as applied by DTE in the 2023 (and prior) DGP and rate cases to justify substantial capital spending. It does not appear that Liberty analyzed the GPM assumptions and methodology in any depth, while MNSC has examined its practical application in several cases, most recently in U-21534. As the Commission is aware, DTE maintained the GPM as a confidential model until this most recent rate. MNSC addressed its methodological shortcomings in testimony and briefing in

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[36] *Id.*, pp 16-26.

[37] *Id.*, pp 17-18.

[38] *Id.*, pp 24-25.

[39] DTE Comments, p 65.

U-21534 and need not repeat the evidence here. In summary, the key problems with the GPM are as follows:

1. It is subjective and easily manipulated to achieve desired outcomes;
2. It ranks whole programs against discrete projects;
3. It is not a cost-benefit analysis; and
4. It appears to justify rather than guide DTE capital investment decision-making.

The Commission should not elevate the audit's conclusion about the GPM above an acknowledge that such a prioritization framework is generally appropriate for decision-making. Liberty did not identify in the audit the "other utility strategic investment good practices" that it has experienced, nor did it provide examples of objective and effective prioritization models. There are undoubtedly utility- or third-party-developed prioritization models that fairly evaluate capital investment projects on an apples-to-apples basis, but DTE has not shown the GPM to be such a model. The model's value in the DGP and rate cases remains limited until DTE addresses the shortcomings discussed in MNSC comments in the 2023 DGP docket (U-20147) and briefing in the latest rate case (U-21534).

D. The Liberty audit left issues with DTE's 4.8kV hardening program unaddressed.

Liberty addresses DTE's 4.8kV Hardening program in three paragraphs.[40] Its notes the program is "already well-advanced," that about half the 1,464 miles were hardened between 2018 and 2023, and the program is projected to "finish[]" in 2026. Liberty does not provide the total program spend to date nor to "finish." The Audit asserts wires down performance, SAIFI and

[40] DTE Audit Report, Part I, p 27; Part II, p 73.

SAIDI "all show very substantial improvement" after hardening. Liberty notes that the program "addresses" the oldest part of the network, and that concluding the program means replacement of all poles that failed inspection and all "defective" pole top equipment, as well as eliminating obsolete and unused arc wire, which is "substantially coincident" with the 4.8kV circuits." Liberty concludes: "Completion of this City of Detroit 4.8kV hardening program as the DPG plans is sound."[41] It made no recommendation related to 4.8kV Hardening.

DTE did not address the audit discussion nor conclusion on 4.8kV Hardening.

MNSC comments briefly on the Audit's cursory treatment of the 4.8kV Hardening program. These comments have been well developed through MNSC testimony and briefing in the last 3 rate cases (U-21534, U-21297, U-20836), so the points are not belabored here.

1. To the extent this program has been justified at times on the basis of arc wire removal, it has been a painfully slow and costly arc wire removal program. From 2018 through 2026, DTE estimates it will have spent $733 million and removed 1,015 miles of arc wire. Per DTE testimony in U-21534, there will be 253 miles of arc wire still remaining after the Hardening is "finished" in 2026.[42]
2. Contrary to Liberty's recitation of program actions, DTE hardening replaces *all* wooden pole-top cross arms with fiberglass cross arms, together with pole top equipment, irrespective of need or defect.[43] Replacing non-defective equipment is non-effective.

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[41] DTE Audit Report, Part II, p 75.

[42] *See* testimony of Morgan Elliot-Andahazy filed in Case No. U-21534, 4 TR 926.

[43] DTE 2023 DGP, p 71.

3. Hardening starts with line clearing; most hardened circuits have not been cleared in many years. Part 1 of the audit recognizes this: "many of the overhead lines are located in brush and tree filled alleys."[44] It also notes that DTE clears the line before commencing "modernization work."[45] The audit does not mention that DTE has never isolated benefits of hardening ("modernization work") from line clearing. MNSC presented evidence in U-21534 that Hardening improves tree-outages but not non-tree outages, consistent with the premise that most benefits of hardening derive from the first step in hardening – *i.e.*, line clearing.
4. The safety (wire down) and reliability benefits of Hardening are on par with the benefits of line clearing, which is far more cost effective.

DTE should cease hardening immediately, as was its plan in U-21297, and instead focus on the components of the program that are proven effective and more cost effective – *i.e.*, line clearing, pole inspections, replacement of defective poles and pole top equipment (*i.e.*, condition-based replacements), and arc wire removal.

DTE should also provide the Commission with a thorough program accounting for the approaching $1 billion ratepayer investment in 4.8kV Hardening. How much was spent on what (trimming, pole replacement, arc wire removal, etc.) and what actual benefits has the program provided ratepayers net of tree trimming? It is disappointing but understandable that the Liberty audit did not provide such analysis since it understood the program is nearly finished. It appears

[44] DTE Audit Report, Part I, p 27.

[45] *Id.*

Liberty simply accepted DTE's presentation of program benefits without any evaluation. Ratepayers deserve accountability for DTE's massive hardening investment.

E. The Liberty audit generally confirmed that DTE is spending too much too fast on the wrong things.

i. <u>Pole Top Maintenance and Modernization (PTMM)</u>

Liberty considered the components of DTE's Pole Top Maintenance and Modernization (PTMM) program, which includes pole and pole top inspections on a 10-30 year cycle plus equipment replacements.[46] Liberty noted DTE's proposed ramp-up in PTMM spending towards a 10-year cycle for the program and that its reliability benefit projections lack foundation and are likely "overly optimistic."[47] The audit notes that line clearing precedes PTMM work, making it complex to assign reliability benefits among multiple contributing activities. Liberty concluded that DTE's inspection cycle is way too long – it should be on a four- to five-year inspection cycle, with a "tightening [of] . . . rejection criteria and work scope and material standards" to offset the cost of a shorter inspection cycle.[48] Liberty recommended taking a "new approach" to the PTMM program, including establishing a shorter cycle.[49] It noted that shortening the cycle is not inherently more expensive if DTE establishes system control, but DTE presently lacks sufficient knowledge to get that control. The recommendation is essentially to maintain the inspections but revisit the repair and replacement parts of the program to manage costs. But first, DTE must get "a usable set

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[46] DTE Audit Report, Part II, pp 73-77.

[47] *Id.*, p 72.

[48] *Id.,* p 75.

[49] *Id.*, p 76.

of data and analysis" and prepare "a credible analysis of the costs of moving to a short cycle," which it presently lacks.[50]

DTE responds by selectively agreeing to target more frequent visual inspections of the overhead system and evaluating the costs and impacts of the shift in a future rate case.[51] DTE makes no mention of the numerous Liberty concerns and recommendations to address the efficacy and costs of DTE's current iteration of the PTMM program.

MNSC has addressed the flaws in the PTMM program – particularly massive spending increases and unreliable projections of reliability benefits – in the last several DTE rate cases. The Commission has generally concurred that the evidence does not support DTE's proposed PTMM spending increase requests. The audit is generally consistent with MSNC's perspective and the Commission's concerns. MNSC agrees with Liberty's recommendation to develop a shorter inspection cycle while tightening up the specifications to control costs and developing a solid data set and analysis to project costs and benefits. MNSC supports treating PTMM on a pilot-type basis until DTE provides a foundation to support replacement specifications and spending increases.

ii. Equipment Replacement

Liberty addresses system equipment in the context of the DGP and also system inspections and maintenance.[52] Libert recommends slowing the pace of DTE's planned investments to replace system equipment, including overhead, underground, and substation equipment. Liberty notes the

[50] *Id.*, p 77.

[51] DTE Comments, p 22 (Category 2, Recommendation 2-4).

[52] DTE Audit Report, Part II, pp 31-45, 73-77.

Reliability Model – the primary tool to quantify projected reliability benefits from planned investments – assigns no improvement metrics to this spending category.

DTE resists the recommendations to slow system equipment on the basis system equipment is aging and asset health deteriorates with age.[53]

MNSC generally supports the audit recommendation to ensure equipment replacement is driven by poor performance and targets known equipment failures and defects identified during inspections. DTE's focus on equipment age to justify equipment replacement misses the mark. DTE should capture field information about equipment causing outages, such as equipment type and age, to support any proposed equipment replacement not identified as defective in inspections – *i.e.*, age- or vintage-driven replacements. Moreover, DTE should back its replacement plans with reasonable projections of reliability benefits – where equipment failure causes outages, replacement should result in measurable reliability benefits. Ratepayers deserve an explanation of the likely benefits of equipment replacement.

iii. <u>4.8kV conversions</u>

Liberty found DTE's plan to achieve its mid-second quartile SAIDI goal unrealistic. For the 4.8kV conversion component of the plan, Liberty noted that DTE plans to spend $25 billion by 2040, a figure Liberty cautioned is likely to rise because of the "high levels of uncertainty attendant upon preliminary estimates of megaprojects."[54] Liberty observed that this amounts to "$2 billion or more per year," which "will come on top of whatever other needs the system will

[53] DTE Comments, pp 41-44 (Category 3 – Recommendations 1-7, 1-8), 50-51 (Category 3 – Recommendation 2-5).

[54] DTE Audit Report, p 58.

inevitably continue to face."[55] Liberty recommended that DTE change its plans to lengthen the timeline and "reflect a range of approaches regarding full-scale 4.8kV conversion."[56] Liberty also recommended that DTE "[l]imit 4.8kV conversions to those necessary for substantial capacity reasons," and "[r]e-examine the justification of the Pontiac conversion."[57]

In response, DTE flatly disagrees with the recommendations to slow its pace and reexamine its justification for the Pontiac conversion and expressed its intention to "plan and execute all proposed 4.8kV conversion projects for the next 5 years since all are driven by capacity needs."[58]

The Liberty audit supports MNSC's position, expressed in past rate cases and comments responding to the DGP, that DTE's 4.8kV conversion program presently lacks sufficient justification for its extraordinarily high cost and short timeline. Liberty also noted that DTE "will need to continue to determine objectively and continually which programs, projects, and activities contribute most to tangible improvements for the least cost not only to date, but as can be expected going forward."[59] The Commission should require DTE to analyze actual costs and benefits to refine future plans, and present comprehensive cost-benefit analyses for large conversion projects before considering them for possible approval.

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[55] *Id.*

[56] *Id.*, p 68 (recommendation 2-1).

[57] *Id.*, p 85 (recommendations 2-9, 2-11).

[58] DTE Comments, pp 47, 55-57.

[59] DTE Audit Report, Part II, p 17.

iv. Subtransmission Redesign and Rebuild Program

Liberty evaluated DTE's program to improve subtransmission reliability, safety, and efficiency, and identified the program as a candidate for slowing down large capital investments.[60] Liberty noted that reliability partly drives the spending, but this part of the system is not a significant contributor to outages and the Reliability Model does not attribute reliability benefits to this program. The audit recognizes "process improvement opportunity" to support future spending proposals in this program.

DTE partly agrees with the Liberty recommendation, asserting that the majority of near and long-term projects are driven by overloads and capacity needs.[61] DTE also maintains that there are areas where reliability needs may warrant investments in this program.

MNSC agrees with Liberty that this is a program that would benefit from slowing down and further evaluation. MNSC addressed this program in U-21534 on the basis the large scope of spending is not reasonable, and also that it lacks transparency – a spotty record of historic spending and thin rationales supporting project planning. Moreover, even to the extent projects are ostensibly justified on the basis of capacity and loading, the record suggests the Company exaggerates the need for full redundancy and its own load data does not support planned spending. In short, Liberty is right to recommend slowing this program, and DTE's superficial response provides nothing substantive undermining the recommendation.

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[60] DTE Audit Report, Part II, pp 79-80, 83

[61] DTE Comments, pp 53-54 (Category 3 – Recommendation 2-8).

v. Distribution Automation

Liberty addressed its concerns about components of DTE's proposed investment in Grid Automation, particularly the "Grid Automation" program within Grid Automation.[62] The auditors noted DTE's proposed massive ramp-up in Viper recloser installations and associated projected benefits, but did not find them persuasive.[63] Liberty recommended maintaining the 2024 pace of installation into 2025 "to develop sounder information about current and projected reliability benefits as penetration of the devices increases."[64]

DTE generally objects to slowing down this part of its Grid Automation program, though DTE commits to "continue to identify and review the expected reliability benefits of this program and prioritize the circuit deployment accordingly."[65] DTE maintains that benchmarking with other utilities and its own experience so far in 2024 supports its planned $1 billion investment in Vipers.

Liberty's assessment of DTE's proposed investment is accurate and reasonable and warrants consideration, notwithstanding DTE's resistance. MNSC addressed the Company's reliance on other utility's experience with automation, as well as the Company's own data, in briefing in U-21534. As discussed there at length, DTE benchmarking is unavailing and does not support the circuit-level reliability benefits DTE has projected from Grid Automation. Rather, the literature supports slowing deployment while DTE develops circuit-level experience and measurable data regarding reliability benefits and program cost-effectiveness. This is consistent

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[62] DTE Audit Report, Part II, pp 86-88, 92-93.

[63] *Id.*, pp 92, 94.

[64] *Id.*, p 94.

[65] DTE Comments, p 59.

with Liberty's point of view – slow down, gain experience, measure effectiveness, consider next steps.

IV. CONCLUSION

MNSC appreciates the Commission taking the important step of obtaining an independent, third-party audit of Consumers and DTE's distribution systems to help it determine how it can ensure an affordable, reliable, and safe grid. MNSC also agrees that Liberty's recommendations must be addressed comprehensively in the next iteration of the utilities' respective distribution plans. However, because both the audit reports and the distribution plans are filed in uncontested dockets where they are not subject to discovery and the Commission does not evaluate specific spending proposals, more is needed.

MNSC respectfully requests that the Commission take the following six additional steps to build on the progress it has made by obtaining the Liberty audits:

1. The Commission should direct Consumers and DTE to identify in future distribution plans filed in Case No. U-20147 all plan elements contrary to or inconsistent with Liberty's findings, conclusions, and recommendations and provide a detailed explanation for the divergence. While the Commission's September 26 Order in this docket directed Consumers and DTE to explain in their comments how they will incorporate certain audit recommendations into their next distribution plans, further direction from the Commission is necessary to ensure that the audit findings, conclusions, and recommendations are actually incorporated into each utility's distribution planning process.

2. The Commission should direct its Staff to review Consumers and DTE's future distribution plans for conformity with the audits' findings, conclusions, and recommendations and flag any undisclosed or unexplained discrepancies or deviations. Staff should file reports detailing the conformity analysis for each utility.
3. The Commission should direct Consumers and DTE to address the audit findings, conclusions, and recommendations in future rate cases, including by identifying any spending proposals contrary to Liberty's findings, conclusions, and recommendations and justifying the divergence.
4. The Commission should direct its Staff to review Consumers' future rate case proposals for conformity with the audits' findings, conclusions, and recommendations; flag any undisclosed or unexplained discrepancies; and file reports or testimony detailing its conformity analyses.
5. The Commission should consider Liberty's findings, conclusions, and recommendations in evaluating Consumers and DTE's rate case spending proposals. In particular, where Consumers and DTE disagree with Liberty, the Commission should consider Liberty's relative neutrality compared to the potential for utilities to be motivated by self-interest and an inherent bias in favor of capital spending that generates a return for shareholders but may not generate commensurate benefits for ratepayers.
6. The Commission should make the underlying audit report data available to the public – especially rate case intervenors. Doing so would support the Commission's recent efforts in Case Nos. U-21637 and U-21638 to improve the ratemaking process, promote

greater transparency, and increase opportunities for public participation in Commission decision-making.