

In The Matter Of:
U-21906

U-21906 Transcript v2 - Cross-Exam 11-18-25
November 18, 2025



**SYNERGY
LITIGATION
SERVICES**

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

in the matter of the application of
Consumers Energy Company for
reconciliation of its 2024 demands
programming costs

Case No. U-21906

Volume 2

Public Record

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APPEARANCES :

FOR CONSUMERS :

EVAN B. KEIMACH

FOR STAFF :

NICHOLAS TAYLOR

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1 (On the record at 8:58 a.m.)

2 MR. VARCHETTI: All right. Well, it is now nine
3 o'clock, and let's begin today's hearing. So good morning
4 everyone. We are now on the record in CASE U-21906, which
5 is captioned in the matter of the application of Consumers
6 Energy Company for reconciliation of its 2024 demands
7 programming costs. Today is Tuesday, November 18, and
8 this is the date of the time schedule for cross exam in
9 this case. My name is James Varchetti. I'm the
10 administrative law judge assigned to this matter on behalf
11 of the Michigan Public Service Commission. I'd like to
12 start today by having the attorneys present place their
13 appearances on the record, starting with counsel for
14 Consumers Energy.

15 MR. KEIMACH: Good morning, Your Honor. Evan
16 Keimach on behalf of Consumers Energy Company.

17 MR. VARCHETTI: Thank you. And good morning,
18 Mr. Keimach.

19 And let's have the appearance for the commission
20 staff.

21 MR. TAYLOR: Good morning, Your Honor. Nicholas
22 Taylor, appearing on behalf of the Michigan Public Service
23 Commission Staff. Also appearing on behalf of -- of staff
24 in this matter are Anna Sterling and Alena Clark. Thank
25 you.

1 MR. VARCHETTI: And good morning. All right.
2 So today was the scheduled day for cross examination,
3 however it's my understanding that the company and staff
4 have waived cross-examination of the witnesses. So all
5 that is left to do is to bind in testimony and admit
6 exhibits. So let's begin then with the testimony and
7 exhibits offered by the company.

8 MR. KEIMACH: Thank you, Your Honor. Pursuant
9 to the group -- parties, I move to bind in the testimony
10 and the exhibits of Consumers Energy witnesses. Starting
11 first with the direct testimony of Alex M Gast, which
12 consists of a cover page and 10 pages of questions and
13 answers. Mr. Gast additionally sponsored rebuttal
14 testimony consisting of a cover page and seven pages of
15 questions and answers. Mr. Gast also sponsored exhibits
16 A-4, A-5, A-6, A-9 and A-10.

17 MR. VARCHETTI: All right. Are there any
18 objections to the admission of the testimony of Mr. Gast
19 or the named exhibits?

20 I'm hearing no -- no objections from staff. So
21 in that case, the direct and rebuttal testimony of Mr.
22 Gast as well as exhibits A-4, A-5, A-6, A-9, and A-10 are
23 admitted.

24 (AT 9:02 a.m, direct and rebuttal testimony of
25 Alex M Gast bound into record.)

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(At 9:02 a.m., Exhibit A-4, A-5, A-6, A-9, and
A-10 admitted.)

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
CONSUMERS ENERGY COMPANY)
for reconciliation of its 2024 demand)
response program costs.)
_____)

Case No. U-21906

DIRECT TESTIMONY

OF

ALEX M. GAST

ON BEHALF OF

CONSUMERS ENERGY COMPANY

ALEX M. GAST
U-21906 DIRECT TESTIMONY

1 **Q. Please state your name and business address.**

2 A. My name is Alex M. Gast, and my business address is One Energy Plaza, Jackson,
3 Michigan 49201.

4 **Q. What is your position with Consumers Energy Company (“Consumers Energy” or**
5 **the “Company”)?**

6 A. I am the Manager of Customer Regulatory Strategy in the Customer Experience
7 department.

8 **Q. Please state your educational background and work experience.**

9 A. In 2011, I graduated from Central Michigan University with a Bachelor of Science degree
10 in Business Administration, with a major in accounting. In 2013, I graduated from Spring
11 Arbor University with a Master of Arts degree in Business Administration. I am also a
12 Certified Public Accountant registered in the State of Michigan.

13 From 2012 to 2014, I was employed by Plante & Moran as a Staff Auditor. My
14 responsibilities included the planning and execution of financial statement audits, reviews,
15 and consulting engagements for a variety of non-profit, healthcare, and manufacturing
16 clients.

17 In 2014, I joined Consumers Energy as a Business Support Advisor in the
18 Distribution, Operations, Engineering, and Transmission department. My responsibilities
19 included managing financial budgets, forecasts, and long-term financial plans for natural
20 gas and electric programs. In 2015, I joined the Energy Resources department as a
21 Financial Analyst where I worked on business plans and performance metrics and was
22 promoted to the lead of that team in 2016. In 2018, I joined the Pricing section of the Rates
23 and Regulation department, and my responsibilities included cost of service studies, rate

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1 design, research and development of additional services, analyses for Senior Management,
2 and customer-specific rate analyses. In 2023, I joined the Customer Experience department
3 as a Principal Rate Analyst and was promoted to Manager of Customer Regulatory Strategy
4 in 2025. I am responsible for regulatory strategy and filings related to the Company's clean
5 energy plan, including Demand Response ("DR") and Energy Waste Reduction ("EWR").

6 **Q. Have you previously filed testimony with the Michigan Public Service Commission**
7 **("MPSC" or the "Commission")?**

8 A. Yes. I filed testimony on behalf of the Company in the following proceedings before the
9 Commission:

10 Case No. U-20365 2018 EWR Reconciliation;

11 Case No. U-20372 2020-2023 EWR Plan;

12 Case No. U-20650 General Gas Rate Case;

13 Case No. U-20702 2019 EWR Reconciliation;

14 Case No. U-20865 2020 EWR Reconciliation;

15 Case No. U-20875 2022-2025 EWR Plan;

16 Case No. U-20893 Investment Recovery Mechanism Reconciliation;

17 Case No. U-21148 General Gas Rate Case;

18 Case No. U-21389 General Electric Rate Case; and

19 Case No. U-21647 2023 DR Reconciliation.

20 **Q. What is the purpose of your direct testimony in this case?**

21 A. The purpose of my direct testimony is to: (i) present the approved and actual revenue
22 requirement for the capital spending in the Company's Residential and Business DR
23 programs for the 2024 reconciliation period; (ii) present the levelized cost calculations;

ALEX M. GAST
U-21906 DIRECT TESTIMONY

1 (iii) request approval of the 2024 performance incentive; and (iv) request a change to the
2 regulatory treatment of DR.

3 **Q. Are you sponsoring any exhibits?**

4 A. Yes, I am sponsoring the following exhibits:

5 Exhibit A-4 (AMG-1) DR Revenue Requirement Calculation for the 2024
6 Reconciliation Period;

7 Exhibit A-5 (AMG-2) Calculation of DR Levelized Costs; and

8 Exhibit A-6 (AMG-3) Calculation of DR Financial Incentive.

9 **Q. Were these exhibits prepared by you or under your supervision?**

10 A. Yes.

11 **Q. Please describe the exhibits you are sponsoring.**

12 A. Exhibit A-4 (AMG-1) provides the revenue requirement calculation for capital spending
13 associated with the DR programs for the calendar year 2024. Exhibit A-4 (AMG-1),
14 columns (b) through (d), provide the approved total revenue requirement calculation
15 included in rates for the calendar year 2024, and columns (e) through (g) provide the
16 revenue requirement calculation for 2024 incorporating actual DR capital spending.
17 Exhibit A-4 (AMG-1), line 6, provides the difference between the actual 2024 revenue
18 requirement and the approved 2024 revenue requirement. Exhibit A-5 (AMG-2) is the
19 levelized cost calculation for the 2015 to 2044 period. Exhibit A-6 (AMG-3) shows the
20 Company's proposed 2024 DR performance incentive calculation using the shared savings
21 calculation developed as part of meetings with MPSC Staff ("Staff") as required by the
22 approved settlement agreement in Case No. U-21647, the Company's 2023 DR
23 Reconciliation.

ALEX M. GAST
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1 **I. REVENUE REQUIREMENT CALCULATION**

2 **Q. Please explain how the revenue requirement for both the approved and the actual DR**
3 **programs was developed.**

4 A. The revenue requirement for the DR programs uses the approved and actual rate base for
5 the 2024 period multiplied by the pre-tax rate of return, resulting in a return-on-investment
6 amount. The depreciation expense and Real and Personal Property (“R&PP”) tax is added
7 to the return on investment resulting in the total revenue requirement, as shown on Exhibit
8 A-4 (AMG-1), line 5.

9 **Q. Please explain how the approved total rate base amounts on Exhibit A-4 (AMG-1),**
10 **line 1, were developed.**

11 A. Approved plant in service (“PIS”), construction work in progress (“CWIP”), and
12 depreciation reserve balances for the DR programs were developed by taking the average
13 of the balances at 12 months ended December 2023 and 12 months ended December 2024,
14 based on prorated approved amounts in Case No. U-21224, the Company’s 2022 electric
15 rate case and Case No. U-21389, the Company’s 2023 electric rate case. Then, the
16 approved total rate base was calculated by adding the average PIS and average CWIP
17 balances, minus the average depreciation reserve balance.

18 **Q. Please explain how the actual total rate base amounts on Exhibit A-4 (AMG-1), line 1,**
19 **were developed.**

20 A. Actual PIS, CWIP, and depreciation reserve balances for the DR programs were developed
21 by taking the average of the actual balances at 12 months ended December 2023 and
22 12 months ended December 2024, consistent with the reconciliation period presented in

ALEX M. GAST
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1 this case. Then, the actual total rate base was calculated by adding the average PIS and
2 average CWIP balances, minus the average depreciation reserve balance.

3 **Q. Exhibit A-4 (AMG-1), line 2, provides a prorated pre-tax rate of return of 7.22%.
4 What is the source of this pre-tax rate of return?**

5 A. The pre-tax rate of return of 7.22% is the prorated amount calculated using the settlement
6 agreement approved in Case No. U-21224 and the final order in Case No. U-21389.

7 **Q. How is the approved and actual depreciation and R&PP tax expenses as shown on
8 Exhibit A-4 (AMG-1), line 4, calculated?**

9 A. Approved depreciation expense has been calculated by applying the depreciation and
10 property tax rates prorated between the settlement agreement approved in Case No.
11 U-21224 and the final order in Case No. U-21389 to depreciable balances, as calculated
12 using prorated approved capital spending. Actual depreciation expense has been calculated
13 using the 2024 depreciation recorded by the Company and applying the prorated property
14 tax rates to depreciable balances, as calculated using actual capital spending.

15 **II. LEVELIZED COST CALCULATIONS**

16 **Q. Did the Company evaluate DR programs and the DR portfolio for cost-effectiveness?**

17 A. Yes. The Company calculated a levelized cost of the DR portfolio in Exhibit A-5 (AMG-2)
18 based on the 30-year period from 2015 to 2044. The analysis is based on actual costs and
19 MW enrolled for the 2024 reconciliation period along with projected costs and MW
20 enrollment for the 2015-2044 timeframe. The enrollments, MW, and costs are in line with
21 the Company's 2021 Integrated Resource Plan ("IRP") filing in Case No. U-21090,
22 adjusted to account for changes that have occurred since. Based on this analysis, the DR

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1 portfolio including the proposed performance incentive has a levelized cost of \$82,255 per
2 MW-year, which is lower than the Cost of New Entry (“CONE”) value¹ of \$127,135.

2024 Programs	Levelized Cost \$/MW-year	Enrolled MW
Air Conditioning Peak Cycling (“ACPC”)	\$193,671	56.0
Dynamic Peak Pricing (“DPP”)	\$24,491	37.4
Smart Thermostat Program (“STP”)	\$134,565	53.9
Commercial & Industrial (“C&I”)	\$53,147	508.5
DR Portfolio Excluding Performance Incentive	\$73,066	655.8
DR Portfolio Including Performance Incentive	\$82,255	655.8

3 The Company’s DR program provides agile MW reductions that prevent or delay
4 the Company’s need to invest in more expensive supply side resources. The Company
5 recognizes the importance of cost effectiveness when determining how to allocate
6 resources, but cost effectiveness is most important at the portfolio level. MW growth in
7 DR, as long as the portfolio remains cost effective, is a high priority, and to ensure a robust
8 and competitive portfolio, the Company should be able to experiment with new
9 technologies and new ways of reaching underutilized markets. The Company’s DR
10 portfolio, as it stands today and as planned into the future, remains a cost-effective resource
11 that can be relied upon in the IRP process.

12 To ensure the Company continues to grow a cost-effective portfolio, the Company
13 has and will continue to target growth in the Commercial and Industrial (“C&I”) Program
14 area. The other individual programs are also essential as they provide different benefits
15 and participation options for customers, along with valuable opportunities for the Company
16 to learn what the best DR solutions are for its customers. Overall, the Company has found

¹ For MISO Zone 7 for the 2024/2025 planning year.

ALEX M. GAST
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1 that the DR portfolio offers a cost-effective addition to meeting the Company's resource
2 needs.

3 **III. PERFORMANCE INCENTIVE**

4 **Q. Is the Company proposing a 2024 DR performance incentive for approval by the**
5 **Commission?**

6 A. Yes. A performance incentive encourages the Company to continue to invest in DR.
7 Because of the successful history with the DR performance incentive, the Company has
8 continued to grow its cost-effective DR programs and is choosing to invest in DR over
9 other resources. To that end, the Company is proposing a Whole Home Optimization pilot
10 to begin in 2026. The Company has, and will continue to operate DR to meet the
11 requirements of the approved IRP and past orders requiring voluntary DR. Though, absent
12 a performance incentive, innovation like the proposed pilot with its heavy skew towards
13 operating and maintenance ("O&M") costs instead of capital intensive investments in
14 traditional generation earning a return on the equity portion of financing, would be at risk,
15 effectively stalling DR growth into new areas.

16 As stated above, the Company has met all the necessary requirements to earn the
17 full financial incentive originally approved by the Commission in Case No. U-20164 and
18 updated in subsequent Commission orders. As illustrated in Exhibit A-5 (AMG-2), lines 1
19 and 2, the Company achieved 655.8 MW of peak demand reduction as of December 31,
20 2024 which exceeds the IRP target of 630 MW.

ALEX M. GAST
U-21906 DIRECT TESTIMONY

1 **Q. Is the Company proposing the percentage of spend methodology for the 2024**
2 **performance incentive, consistent with the prior reconciliation orders?**

3 A. No. The Company met with Staff following the order approving settlement in the 2023
4 DR Reconciliation case, Case No. U-21647, and developed a shared savings mechanism
5 without a cap structure. The proposed calculation uses the levelized costs of the
6 Company's DR programs, less 75% of CONE, weighted by the number of MW registered
7 with Midcontinent Independent System Operator, Inc. ("MISO") as Load Modifying
8 Resources. The sum of the difference, multiplied by a shared savings factor, is the
9 Company's proposed performance incentive. The Company proposes 50% of the weighted
10 difference between the levelized cost of the DR programs and 75% of CONE to be the
11 performance incentive, as shown on Exhibit A-6 (AMG-3).

12 **Q. How does the Company propose to recover the 2024 DR Performance Incentive?**

13 A. The Company proposes to recover the DR financial incentive of \$6,812,402 as shown on
14 Exhibit A-6 (AMG-3), line 5, through the DR surcharge described by Company witness
15 S. Austin Smith.

16 **Q. How does the Company propose to recover the 2023 DR Performance Incentive?**

17 A. As discussed by Company witness Smith, the Company also proposes to recover the 2023
18 DR financial incentive through the updated surcharge amount. Prior to approval of the DR
19 surcharge, the Company would receive approval for the DR performance incentive and
20 then include the costs into base rates in its subsequent electric rate case. With the approval
21 of the DR surcharge, the Company will now update the incentive and regulatory
22 asset/liability portion in the reconciliation process. In this first iteration of the new process,
23 the Company is proposing a one-time catch-up including both the 2023 and 2024

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1 performance incentives and refunding of the regulatory liability balances. This approach
2 greatly enhances the alignment between when revenue is recorded and when it is collected.
3 Under the alternative revenue standard of the Accounting Standards Codification, a
4 performance incentive must be collected within 24 months of being recognized. The net
5 impact is a reduction of \$1,359,040, with \$13,633,509 of over-recovery plus interest of
6 \$1,322,379 and \$13,596,848 of performance incentives.

7 **Q. Does the Company propose any other changes for the performance incentive?**

8 A. Yes. As described in more detail below, the Company proposes that new DR pilots be
9 excluded from the shared savings calculation for the performance incentive and that IRP
10 MW targets no longer be required for the Company to receive a performance incentive.

11 **Q. Why should new DR pilots be excluded from the performance incentive shared
12 savings calculation?**

13 A. Pilots are inherently not cost effective in the early stages. The Company is testing new
14 products and approaches to find what works best. The Whole Home Optimization pilot
15 proposed to begin in 2026 will test customer-owned smart home energy management
16 systems, battery storage, and load management devices. Innovation would be stifled as the
17 Company would not invest in pilots if it were penalized with a reduced performance
18 incentive. Therefore, the Company proposes to exclude pilots from the shared savings
19 calculation for a period of three years from its commencement, at which point the Company
20 would decide to continue and include in the shared savings performance incentive
21 calculation or terminate with no additional consequences.

ALEX M. GAST
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1 **Q. Why should the DR levels approved in the Company's IRP no longer remain the**
2 **target for the Company to receive the performance incentive?**

3 A. For 2024 and beyond, if the Company's performance incentive is calculated using the
4 shared savings mechanism, hitting the IRP MW targets may no longer be prudent. Instead,
5 the Company would be incentivized, with the shared savings calculation, to increase MW
6 enrolled and registered with MISO in the most cost-effective way. If DR MW in the IRP
7 remained the target, the Company could be forced to invest in less cost-effective programs
8 to drive MW higher. The Commission should approve the removal of the MW target for
9 DR and instead incentivize cost effectiveness through the shared savings mechanism.

10 **IV. REGULATORY CONSTRUCT**

11 **Q. What changes to the DR regulatory construct does the Company suggest?**

12 A. With the approval of the DR surcharge in the Company's recent electric rate case order in
13 Case No. U-21585, the Commission could further refine the DR regulatory construct. The
14 Company proposes that consideration and approval of DR capital and O&M spend be
15 removed completely from the rate case and instead the annual reconciliation filing will
16 operate both like a plan and a reconciliation. In the annual reconciliation, the Company
17 proposes to reconcile DR spend and incentive, while also requesting approval for spending
18 in the subsequent year. This change would further reduce the regulatory lag and
19 complexity of DR in multiple cases. This change should be effective for the 2027 planning
20 year so the DR Reconciliation filed by the Company in 2026 would include reconciliation
21 of 2025 and planned spend for 2027.

22 **Q. Does this complete your direct testimony?**

23 A. Yes.

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
CONSUMERS ENERGY COMPANY)
for reconciliation of its 2024 demand)
response program costs.)
_____)

Case No. U-21906

REBUTTAL TESTIMONY
OF
ALEX M. GAST
ON BEHALF OF
CONSUMERS ENERGY COMPANY

October 2025

ALEX M. GAST
U-21906 REBUTTAL TESTIMONY

1 **Q. Please state your name and business address.**

2 A. My name is Alex M. Gast, and my business address is One Energy Plaza, Jackson, MI
3 49201.

4 **Q. Are you the same Alex M. Gast who previously submitted testimony in this case on
5 behalf of Consumers Energy Company (“Consumers Energy” or the “Company”)?**

6 A. Yes.

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

8 A. The purpose of my rebuttal testimony is to rebut the direct testimony of Michigan Public
9 Service Commission (“MPSC” or the “Commission”) Staff (“Staff”) witness Cody S.
10 Matthews’ position on the Demand Response (“DR”) Performance Incentive Mechanism
11 (“PIM”) and Staff witness Joshua S. Towslee’s testimony regarding levelized cost of DR
12 programs and the DR regulatory framework.

13 **Q. Are you sponsoring any exhibits?**

14 A. Yes. I am sponsoring the following exhibits:

15 Exhibit A-9 (AMG-4) Updated Calculation of DR Levelized Costs; and

16 Exhibit A-10 (AMG-5) Updated Calculation of DR Financial Incentive.

17 **Q. Were these exhibits prepared by you or under your supervision?**

18 A. Yes.

19 **DR PIM**

20 **Q. Beginning on page 5, line 18 of testimony, Staff witness Matthews states the conditions
21 that led to the implementation of the DR PIM are no longer relevant or applicable.
22 How does the Company respond?**

23 A. The Company disagrees. The DR PIM remains just as critical today as when it was first
24 authorized by the Commission. Staff states that the Integrated Resource Plan (“IRP”)

ALEX M. GAST
U-21906 REBUTTAL TESTIMONY

1 modeling includes DR and consequently it does not need to be incentivized to be built.
2 This is inaccurate and oversimplified. The Company would not include DR in the IRP
3 modeling at the current level if it were not incentivized to do so. If not incentivized, the
4 Company would only offer limited voluntary DR to customers and would cease all
5 expenses other than those necessary to operate the most basic functions, which would be
6 reflected in the Company's next IRP filing.

7 DR is a net benefit to customers, but the Company also has an obligation to
8 shareholders who require a return on their investment. Even without DR the IRP would
9 still show a net benefit to customers, and the Company would not be exposed to the
10 financial risk of investing in DR and not seeing a meaningful return. In its September 15,
11 2017 Order in Case No. U-18369, developing the regulatory framework for DR, the
12 Commission quoted the Advanced Energy Management Alliance ("AEMA"):

13 DR will not truly be on equal footing with generation, even
14 if there is comparable consideration in the regulatory
15 process. From a utility's perspective, they are worse off if
16 they invest in a program for which they cannot earn a return
17 than if they invest in a capital project where returns are
18 guaranteed. Given a fiduciary duty to shareholders this may
19 be an imprudent choice for the utility even if it is the best
20 choice for their customers.

21
22 The Commission agreed with AEMA that a financial incentive for DR is
23 reasonable. The Company believes that AEMA's reasoning is still valid.

ALEX M. GAST
U-21906 REBUTTAL TESTIMONY

1 **Q. Staff witness Matthews’ testimony in the Company’s DR Reconciliations has**
2 **repeatedly called for the elimination of the DR PIM. How does the Company**
3 **respond?**

4 A. For the Company to continue investing in DR the Company will need regulatory certainty
5 as to the long-term stability of its ability to earn a PIM. Staff has proposed eliminating the
6 PIM in both the instant case and the previous, Case No. U-21647. The Company proposed
7 a new pilot program in its electric rate case (Case No. U-21870) showing that the Company
8 would like to continue to grow DR, as it is beneficial to all customers, but cannot continue
9 to develop DR if there is regulatory uncertainty around the PIM. Removing the incentive
10 would stifle growth and lead the Company to make very conservative decisions, such as it
11 has in the recent DR potential study and the initial stages of modeling for its next IRP.

12 Furthermore, DR is similar to Energy Waste Reduction (“EWR”) in that it
13 diminishes the Company’s traditional method of earning a return on capital expenditure.
14 EWR earns an incentive, which is defined in statute. Just two years ago in the 2022 DR
15 Reconciliation, Case No. U-21410, in the Commission’s order the DR incentive was found
16 to be reasonable, rejecting Staff’s proposal to require the Company to justify the need for
17 a PIM and the Company made strategic investments in DR based on the expectation of a
18 return. Removing that incentive after such commitments undermines the sustainability of
19 any investment for an investor-owned utility.

ALEX M. GAST
U-21906 REBUTTAL TESTIMONY

1 **Q. Starting on page 7, line 5 of testimony, Staff witness Matthews states that if a PIM**
2 **were approved, it should not be primarily based on the amounts the Company spent**
3 **on its DR programs. How does the Company respond?**

4 A. The Company agrees and has presented this in the shared savings PIM calculation. By
5 taking the weighted benefit of its DR programs and subtracting the weighted levelized
6 cost, the Company has calculated a net benefit. To increase its incentive, under this
7 methodology, the Company would deliver more DR MW and spend less, effectively
8 incentivizing the Company to be as cost-effective with its DR programs as possible.

9 **Q. Starting on page 7, line 15 of testimony, Staff witness Matthews explains Staff's**
10 **concerns regarding the Company's proposed DR PIM shared savings methodology.**
11 **How does the Company respond?**

12 A. Staff states that if an incentive were approved, the shared savings methodology is
13 reasonable, but the amount shared as a PIM for the Company should be decreased from the
14 proposed 50% to 25%. The Company holds that 50% is still the reasonable amount to be
15 shared as it is equal to what Staff witness Matthews proposed in Case No. U-21410¹. This
16 amount effectively compensates the Company for offsetting investment in generation
17 assets, and this shared savings methodology, with 50% shared, can be relied upon so the
18 Company can deliver consistent results in DR. With more certainty from the Commission,
19 the Company would be comfortable expanding its DR portfolio.

¹ Direct testimony of Cody S. Matthews in Case No. U-21410, page 9, line 17.

ALEX M. GAST
U-21906 REBUTTAL TESTIMONY

1 **Device Cycling Program, Smart Thermostat Program (“STP”) and proposed changes to the**
2 **DR regulatory construct**

3 **Q. Starting on page 3, line 8 of testimony, Staff witness Towslee recommends the**
4 **Company explore ways to bring the levelized costs of its Device Cycling Program**
5 **down and present in its next DR filing. How does the Company respond?**

6 A. The Company agrees in part with Staff witness Towslee and wants to lower the cost of the
7 Device Cycling Program. However, as the program is in maintenance mode, there are
8 relatively few options left to further reduce costs. The levelized cost is especially not likely
9 to come down much further because this includes all the capital and O&M the Company
10 has spent ramping this program up. The levelized cost calculation is the present value of
11 all historical costs, including depreciation over the useful life of the capital assets, and
12 remaining cost forecast just to maintain the program’s existence.

13 **Q. Starting on page 3, line 8 of testimony, Staff witness Towslee also recommends the**
14 **Company consider closing the Device Cycling Program entirely. How does the**
15 **Company respond?**

16 A. The Company is against closing the program at this time. While enrollment is declining,
17 the remaining benefit of this program exceeds the marginal cost and so the program should
18 be maintained.

19 **Q. Starting on page 4, line 10 of testimony, Staff witness Towslee recommends the**
20 **Company present cost savings for STP in its next filing. How does the Company**
21 **respond?**

22 A. The Company agrees and will present cost savings for STP in its next filing.

ALEX M. GAST
U-21906 REBUTTAL TESTIMONY

1 **Q. Starting on page 5, line 4 of testimony, Staff witness Towslee has suggested that the**
2 **Company’s proposed changes to the DR regulatory construct be deferred to the**
3 **Commission’s decision in Case No. U-21637. Does the Company agree?**

4 A. No. Staff supported the Company’s proposal to change the DR regulatory framework to
5 end the inclusion of DR in electric rate cases and instead file a DR case in 2026 that would
6 reconcile 2025 to plan and introduce 2027 planned spend. Because the Company’s
7 proposed change would be included in its 2026 DR filing, which takes place in May 2026,
8 the Company would need a decision sooner than that anticipated in Case No. U-21637,
9 which has no definitive schedule for a Commission order. If the Commission were not to
10 decide on this issue in the instant case or the pending electric rate case (Case No. U-21870),
11 the Company would likely not be able to file planned DR costs for 2027 and would have
12 to include planned DR spend in its subsequent electric rate case filing. This change should
13 be approved to ease both the regulatory lag and the complexity of including DR in multiple
14 cases.

15 **Staff witness Gretchen M. Wagner regarding the audit of the Company’s revenue**
16 **requirement calculations**

17 **Q. Starting on page 10, line 7 of testimony, Staff witness Wagner summarizes Staff’s**
18 **calculation of the total amount to be included in the DR surcharge, consisting of the**
19 **regulatory liability, over-recovery and interest. How does the Company respond?**

20 A. The Company agrees with Staff witness Wagner’s calculations that the total amount of
21 (\$15,427,707), including the 2024 over-recovery, 2023 over-recovery, and interest for
22 2023 through 2026, should be included in the updated DR surcharge, beginning January
23 2026. The DR PIM should also be included in the updated DR surcharge totaling
24 \$13,601,837, which is made up of the approved 2023 PIM from the 2023 DR

ALEX M. GAST
U-21906 REBUTTAL TESTIMONY

1 Reconciliation, Case No. U-21647, and the updated 2024 PIM of \$6,817,391 shown in
2 Exhibit A-10 (AMG-5). The net impact is (\$1,825,870). Including the values from both
3 years in the new surcharge would be a one-time catch-up to greatly enhance the alignment
4 between when revenue is recorded and when it is collected. Under the alternative revenue
5 standard of the Accounting Standards Codification, a performance incentive must be
6 collected within 24 months of being recognized.

7 **Q. Explain the purpose of Exhibit A-9 (AMG-4) and Exhibit A-10 (AMG-5).**

8 A. Exhibit A-9 (AMG-4) presents the updated levelized costs for the Company's DR
9 programs and the Exhibit A-10 (AMG-5) presents the updated PIM calculation. The
10 Company made these changes because of the updated revenue requirement inputs, aligned
11 with Staff witness Wagner's testimony and exhibits. The impact of these changes is very
12 minor with almost no change to the levelized cost and only about \$5,000 to the 2024 PIM.

13 **Q. Does this conclude your rebuttal testimony?**

14 A. Yes.

1 MR. KEIMACH: Thank you, Your Honor.

2 Next we have the direct testimony of Svitlana
3 Lykhytska consisting of a cover page and six pages of
4 questions and answers for a total of seven pages.

5 MR. VARCHETTI: Are there any objections to the
6 admission of this testimony?

7 I'm hearing none, it is bound into the record.

8 (At 9:02 a.m., direct testimony of Svitlana
9 Lykhytska bound in.)

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STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
CONSUMERS ENERGY COMPANY)
for reconciliation of its 2024 demand)
response program costs.)
_____)

Case No. U-21906

DIRECT TESTIMONY
OF
SVITLANA LYKHYTSKA
ON BEHALF OF
CONSUMERS ENERGY COMPANY

May 2025

SVITLANA LYKHITSKA
U-21906 DIRECT TESTIMONY

1 **Q. Please state your name and business address.**

2 A. My name is Svitlana Lykhitska, and my business address is One Energy Plaza, Jackson,
3 Michigan, 49201.

4 **Q. Please describe your position and responsibilities.**

5 A. I am employed by Consumers Energy Company (“Consumers Energy” or the “Company”)
6 as Accounting Manager in the General Accounting department. I am responsible for
7 regulatory accounting and reporting for the Company.

8 **Q. Please describe your education and professional experience.**

9 A. I received a bachelor’s degree and a qualification of engineer - economist (with a
10 specialization in economics and organization of consumer goods industry) from the
11 Technologic Institute of Light Industry of Kyiv, Ukraine in 1988. In 2002, I received a
12 Bachelor of Science in Business Administration degree in Accounting from Michigan State
13 University. In 2002, I started my career at Consumers Energy in the General Accounting
14 department where I progressed from Accounting Analyst in 2002 to Senior Accounting
15 Analyst Lead in 2014, Principal Accounting Analyst in 2016, and Accounting Manager in
16 2023. I obtained my Certified Management Accountant and Certified Financial Manager
17 certifications in 2007.

18 **Q. Have you provided testimony before the Michigan Public Service Commission**
19 **(“MPSC” or the “Commission”)?**

20 A. Yes, I have provided testimony in the following cases:

<u>Case No.</u>	<u>Description</u>
21 U-17831	2014 Energy Optimization Plan Reconciliation;
22 U-18025	2015 Energy Optimization Plan Reconciliation;

SVITLANA LYKHITSKA
U-21906 DIRECT TESTIMONY

1	U-18261	2018 – 2021 Energy Waste Reduction (“EWR”) Plan;
2	U-18331	2016 Energy Optimization Plan Reconciliation;
3	U-20028	2017 EWR Plan Reconciliation;
4	U-20365	2018 EWR Plan Reconciliation;
5	U-20372	2020 – 2023 EWR Plan;
6	U-20563	2018 Demand Response (“DR”) Reconciliation;
7	U-20702	2019 EWR Plan Reconciliation;
8	U-20766	2019 DR Reconciliation;
9	U-20865	2020 EWR Plan Reconciliation;
10	U-21080	2020 DR Reconciliation;
11	U-20875	2022 – 2025 EWR Plan;
12	U-21233	2021 DR Reconciliation;
13	U-21205	2021 EWR Plan Reconciliation;
14	U-21321	2024 – 2025 EWR Plan;
15	U-21410	2022 DR Reconciliation;
16	U-21312	2022 EWR Plan Reconciliation;
17	U-21647	2023 DR Reconciliation; and
18	U-21557	2023 EWR Plan Reconciliation.

19 **Q. What is the purpose of your direct testimony?**

20 A. The purpose of my direct testimony is to address the 2024 DR regulatory balance as
21 reflected in the Company’s General Ledger and to discuss a collection period for the 2024
22 DR financial incentive as required under Generally Accepted Accounting Principles
23 (“GAAP”).

SVITLANA LYKHITSKA
U-21906 DIRECT TESTIMONY

1 **Q. Are you sponsoring any exhibits with your direct testimony?**

2 A. No, I am not sponsoring any exhibits.

3 **DR Program Cost Deferred Accounting**

4 **Q. Please explain the Commission's requirement on accounting for DR Program costs.**

5 A. Per the September 15, 2017 Order in Case No. U-18369, "costs associated with DR should
6 follow deferred regulatory accounting with return." However, the Commission stated that
7 "deferred regulatory accounting for capital expenditures and O&M is not permitted for
8 items that have been previously approved and already included in rates."

9 **Q. Was deferred regulatory accounting treatment applied on over/underspending
10 related to the 2024 DR Program costs?**

11 A. Yes, it was. According to the direct testimony of Company witness Emily A. McGraw,
12 actual revenue requirement for the reconciliation year was \$11,396,183 lower when
13 compared to the approved revenue requirement for the 2024 program year (see Exhibit A-1
14 (EAM-1)). The total revenue sufficiency of \$11,396,183 was deferred and recorded as a
15 regulatory liability on the Company's books.

16 **Q. Will carrying costs on the over-recovery balances be recorded, and if so, at what
17 interest rate?**

18 A. Yes, the Company is recording carrying costs on over-recovery balances starting from
19 January 2025 until the regulatory balances are fully refunded. The carrying cost rate used
20 for the over-recovery balances will be the Company's short-term borrowing rate. This
21 process is consistent with the application of carrying costs in the Company's EWR
22 Program.

SVITLANA LYKHITSKA
U-21906 DIRECT TESTIMONY

1 **DR Program Incentive Accounting**

2 **Q. Is the Company proposing a DR financial incentive in this case?**

3 A. Yes.

4 **Q. Is the DR financial incentive revenue classified as normal revenue?**

5 A. No, the DR incentive revenue falls under an alternative revenue program according to
6 Accounting Standards Codification (“ASC”) 980-605-25.

7 **Q. What is alternative revenue?**

8 A. Alternative revenue is generally segregated into two programs. The first program adjusts
9 billings for the effects of abnormal weather patterns, energy conservation efforts, or from
10 broad external factors such as a general recession. Revenue recorded through decoupling
11 falls under this program. The second program provides for additional billings if the utility
12 achieves certain objectives, such as reducing costs, reaching specified milestones, or
13 improving customer service. Revenue recorded through the DR financial incentive falls
14 under this latter program.

15 **Q. What are the alternative revenue recognition criteria?**

16 A. ASC 980-605-25 states that revenue recognition is appropriate when all of the following
17 criteria are met:

- 18 • Criteria A: The program is established by an order from the utility’s regulatory
19 commission that allows for automatic adjustment of future rates. Verification
20 of the adjustment of future rates by the regulator does not preclude the
21 adjustment from being considered automatic;
- 22 • Criteria B: The amount of additional revenues for the period is objectively
23 determinable and recovery is probable; and
- 24 • Criteria C: The additional revenues will be collected within the 24 months
25 following the end of the annual period in which they are recognized.

SVITLANA LYKHITSKA
U-21906 DIRECT TESTIMONY

1 **Q. Does the DR Financial Incentive in this proceeding meet Criteria A?**

2 A. Yes, Criteria A has been met. The Commission's July 18, 2019, Order in Case No.
3 U-20164 authorized a financial incentive mechanism for Consumers Energy beginning
4 with its 2019 DR Reconciliation.

5 **Q. Does the DR incentive in this proceeding meet Criteria B?**

6 A. Yes, the DR incentive is objectively determinable under the mechanism approved by the
7 Commission.

8 **Q. Does the DR incentive in this proceeding meet Criteria C?**

9 A. Yes, but only if the collection of the incentive occurs within 24 months from the period the
10 incentive was recognized.

11 **Q. What is the Company's proposed collection period for the annual DR incentive
12 revenue?**

13 A. The annual DR financial incentive revenue is recognized on Consumers Energy's books at
14 the end of the calendar year it pertains to. In order to comply with the 24-month collection
15 requirement (Criteria C) it needs to be certain that the annual incentive will be fully
16 collected within 24 months from the date it is recorded in the Company's financial
17 statements. To ensure collection within 24 months, the Company requests a DR incentive
18 surcharge similar to the EWR surcharge to collect the DR incentive as discussed in the
19 testimony of Company witness S. Austin Smith. To ensure collection within the 24-month
20 time frame, the Company proposes a one-year collection period following a final order in
21 the reconciliation case. This approach would establish the collection period and allow the
22 surcharge to be adjusted or turned off to ensure full collection or prevent an over collection
23 of the incentive.

SVITLANA LYKHITSKA
U-21906 DIRECT TESTIMONY

1 **Q. What are the implications if the revenue is not fully collected within 24 months from**
2 **the end of the incentive year?**

3 A. If the DR incentive is not fully collected within 24 months from the end of its incentive
4 year, GAAP would require a determination that the revenue was recorded out of period and
5 should have been recognized when billed to the customer. The requirements of ASC 980-
6 605-25 stipulate that the revenue must be collected within 24 months and allows no
7 flexibility. Failing to collect within 24 months from the end of its incentive year would
8 then require a reversal of the DR incentive revenue that was already recognized by the
9 Company.

10 **Q. Does this conclude your direct testimony?**

11 A. Yes.

1 MR. KEIMACH: Thank you. Next we had the direct
2 testimony of Emily A Mcgraw consisting of a cover page and
3 25 pages of questions and answers. Ms. Mcgraw also
4 sponsored exhibits A-1, A-2, and A-3.

5 MR. VARCHETTI: Any objections from staff
6 regarding the testimony of Ms. Mcgraw or exhibits A-1,
7 a-2, AND a-3?

8 Hearing none. They are bound into the record
9 and admitted.

10 (AT 9:02 a.m., direct testimony of Emily A
11 Mcgraw bound in.)

12 (AT 9:02 a.m., Exhibit A-1, A-2, A-3 admitted.)
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STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
CONSUMERS ENERGY COMPANY)
for reconciliation of its 2024 demand)
response program costs.)
_____)

Case No. U-21906

DIRECT TESTIMONY
OF
EMILY A. MCGRAW
ON BEHALF OF
CONSUMERS ENERGY COMPANY

May 2025

EMILY A. MCGRAW
U-21906 DIRECT TESTIMONY

1 **Q. Please state your name and business address.**

2 A. My name is Emily A. McGraw, and my business address is One Energy Plaza, Jackson,
3 Michigan 49201.

4 **Q. By whom are you employed and what is your present position?**

5 A. I am employed by Consumers Energy Company (“Consumers Energy” or the “Company”)
6 as Executive Director of Product Management.

7 **Q. Please review your educational background.**

8 A. I graduated from Michigan State University with a Bachelor of Science in Mechanical
9 Engineering.

10 **Q. Please describe your business and professional experience.**

11 A. I started my career at Consumers Energy in 2005 as a gas engineer in a rotational program
12 designed for recent college graduates. During this time, I rotated through four gas business
13 units working on short-term projects.

14 In 2006, I took a position as a gas transmission pipeline engineer where I was
15 responsible for designing high pressure gas pipeline facility installations.

16 In 2010, I took a position as a Project Manager for Gas Storage, Compression,
17 Pipeline, and Metering & Regulation capital construction projects. There, I was
18 responsible for managing the cost, scope, and schedule by developing project plans,
19 managing project budgets, contractor oversight, and managing project schedules to meet
20 equipment outage windows.

21 In 2014, I took a position as a Program Manager for Residential Energy Efficiency
22 Programs and was responsible for program design, management, and coordination of
23 energy efficiency programs to deliver energy savings goals. In 2018, I was promoted to

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U-21906 DIRECT TESTIMONY

1 Director of Residential Demand Response (“DR”), and in 2021, I was promoted to
2 Executive Director of Product Management.

3 **Q. What are your responsibilities as Executive Director of Product Management?**

4 A. In this position, I am responsible for the Company’s DR and Energy Waste Reduction
5 (“EWR”) programs.

6 **Q. Have you previously testified before the Michigan Public Service Commission
7 (“MPSC” or the “Commission”)?**

8 A. Yes. I have sponsored testimony in the following cases:

<u>Case No.</u>	<u>Description</u>
U-20563	2018 DR Reconciliation;
U-20766	2019 DR Reconciliation;
U-21080	2020 DR Reconciliation;
U-21090	2021 Integrated Resource Plan (“IRP”);
U-21233	2021 DR Reconciliation;
U-21410	2022 DR Reconciliation;
U-21647	2023 DR Reconciliation;
U-21557	2023 EWR Reconciliation; and
U-21321	2024 – 2025 EWR Plan.

19 **Q. What is the purpose of your direct testimony in this proceeding?**

20 A. The purpose of my direct testimony is to (i) provide an overview of the Company’s filing
21 in this case and its overall DR portfolio, (ii) submit the reconciliation of anticipated capital
22 expenditures and Operations and Maintenance (“O&M”) expenses approved in general
23 Electric Rate Case Nos. U-21224 and U-21389 to actual capital expenditures and O&M

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1 expenses for the 2024 DR Program year, (iii) provide an overview of the Company's
2 Residential DR programs and the achievements and investments associated with them,
3 (iv) provide an overview of the Company's Business DR programs and the achievements
4 and investments associated with them, and (v) describe the Company's DR program
5 capacity achievement and procedures used by the Company to call savings days outside of
6 a Midcontinent Independent System Operator, Inc. ("MISO") emergency.

7 **Q. How is your direct testimony organized?**

8 A. My direct testimony is organized as follows:

9 I. OVERVIEW

10 II. DR PORTFOLIO

11 III. PROJECTED AND ACTUAL COSTS

12 IV. RESIDENTIAL DR OVERVIEW

13 V. PROJECTED AND ACTUAL RESIDENTIAL COSTS

14 VI. RESIDENTIAL MW ACHIEVEMENTS

15 VII. PROPOSED RESIDENTIAL PROGRAM CHANGES

16 VIII. BUSINESS DR OVERVIEW

17 IX. UTILIZATION OF DR RESOURCES

18 X. SUMMARY

19 **Q. Are you sponsoring any exhibits?**

20 A. I am sponsoring the following exhibits:

21 Exhibit A-1 (EAM-1) 2024 Annual Demand Response Investments by
22 Portfolio and Program;

23 Exhibit A-2 (EAM-2) 2024 Customer Enrollments; and

24 Exhibit A-3 (EAM-3) 2024 Demand Response Annual Report.

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1 **Q. Were these exhibits prepared by you or under your supervision?**

2 A. Yes.

3 **Q. Is the Company proposing any changes to the DR Annual Report?**

4 A. Yes, the Company proposes that the Annual Report should be reduced to what is now titled
5 Attachment A and the Company will continue to submit that attachment as an Annual
6 Report in its DR Reconciliation filings. All of the other information included in the Annual
7 Report is duplicative of what is filed in the DR Reconciliation proceeding.

8 **Q. Please describe the additional direct testimony filed in this case.**

9 A. Company witness Megan L. Metz describes 2024 MISO capacity accreditation and
10 registration of DR resources and DR performance; Company witness Alex M. Gast
11 provides the revenue requirement for DR program capital spending, the DR program
12 levelized cost calculation, and the 2024 performance incentive methodology, calculation,
13 and proposed shared savings calculation; Company witness Svitlana Lykhytska describes
14 Generally Accepted Accounting Principle accounting rules and the Company's request to
15 collect the 2024 financial incentive; and Company witness S. Austin Smith sponsors the
16 Company's proposed recovery of the DR financial incentive earned in 2024 and refund of
17 the over-recovery of the DR revenue requirement.

18 **I. OVERVIEW**

19 **Q. Please provide an overview of the Company's request in this proceeding.**

20 A. In its September 15, 2017 Order in Case No. U-18369, the Commission approved the
21 MPSC Staff's recommended three-phase approach for approval, cost recovery, and
22 reconciliation of DR programs, with program design and capital expenses approved in the
23 IRP, capital and operating expenses recovered through the general electric rate case, and

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U-21906 DIRECT TESTIMONY

1 an annual reconciliation of DR expenses and MW targets in a reconciliation proceeding.
2 The 2024 DR Reconciliation is being filed with the Commission to (i) reconcile projected
3 capital expenditures and O&M expenses to actual costs for the 2023 and 2024 DR Program
4 years, (ii) request approval of the 2024 DR Financial Incentive of \$6,812,402, and
5 (iii) propose the collection of the 2024 DR Financial Incentive and the 2023 DR Financial
6 Incentive of \$6,784,446 through a 12-month surcharge to be implemented beginning with
7 the January 2026 billing cycle. The Company is requesting to simultaneously reconcile
8 both years, thereby bringing the Company up to date and ready to reconcile expenditures
9 and recover the Financial Incentives annually beginning with the 2025 DR Reconciliation
10 case.

11 **Q. Please describe the exhibits you are sponsoring.**

12 A. Exhibit A-1 (EAM-1), page 1 provides 2024 DR Program planned and actual costs and
13 revenue requirements and page 2 identifies Residential and Business investments by
14 program. Exhibit A-2 (EAM-2) provides the 2024 DR Program enrollments by total
15 portfolio. Exhibit A-3 (EAM-3) is the 2024 DR Annual Report designed to provide an
16 overview of the Company's 2024 DR Portfolio and to share achievements and key
17 learnings of the Company's 2024 DR programs.

18 **Q. Does the Company's 2024 DR annual report comply with the reporting requirement**
19 **in the Commission's October 29, 2020 Order in Case No. U-20628?**

20 A. Yes.

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1 **II. DR PORTFOLIO**

2 **Q. Please describe the Company's DR portfolio.**

3 A. The Company offers a DR portfolio comprising both business and residential programs.
4 The DR portfolio helps balance Michigan's electricity need to help protect the grid, react
5 to emergencies, and avoid the cost of additional generation infrastructure to serve system
6 peaks. The reduction in peak load resulting from the DR portfolio is intended to relieve
7 stress on the electric system in a more cost-effective manner than purchasing capacity from
8 the market or building additional generation resources to meet peak demand. Exhibit A-3
9 (EAM-3), the 2024 DR Annual Report, provides an overview of 2024 DR programs,
10 activities, and achievements.

11 **III. PROJECTED AND ACTUAL COSTS**

12 **Q. What were the total DR portfolio costs in 2024?**

13 A. Capital spending for the 2024 DR portfolio totaled \$5,092,721 as shown on Exhibit A-1
14 (EAM-1), page 1, line 9, column (a). O&M spending for the DR portfolio totaled
15 \$31,263,559 which includes business customer incentive payments of \$6,575,441.
16 Customer tariff credits of \$10,829,152 are shown on Exhibit A-1 (EAM-1), page 1, line 6,
17 column (a). Based on amounts approved in Case Nos. U-21224 and U-21389, the
18 Company's actual 2024 DR capital spending was, in total, \$2,412,685 lower as shown on
19 Exhibit A-1 (EAM-1), page 1, line 9, column (c) and the Company's actual O&M spending
20 was \$8,828,628 lower than approved amounts as shown on Exhibit A-1 (EAM-1), page 1,
21 line 5, column (c). The lower actual investment reflects the Company's efforts to reduce
22 operating costs in program delivery to improve cost-effectiveness. This included decisions

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1 to put programs in maintenance mode that did not provide cost-effective DR options for
2 customers.

3 **Q. What is the variance of the DR revenue requirement for the program year?**

4 A. The difference in the actual revenue requirement as compared to the approved revenue
5 requirement for the DR Program portfolio is \$11,396,183. This over recovery variance is
6 shown on Exhibit A-1 (EAM-1), page 1, line 12, column (c).

7 **Q. How does the Company propose to address the difference in revenue requirements?**

8 A. The Company proposes to refund the \$11,396,183 over-collection and collect the
9 performance incentive as presented by Company witness Gast, through a 12-month
10 surcharge to be implemented beginning with the January 2026 billing cycle, as described
11 by Company witness Smith. The DR surcharge was approved in the Commission's
12 March 21, 2025 Order in Case No. U-21585.

13 **Q. Did the Company invest in any emergent Information Technology ("IT") projects in
14 2024?**

15 A. Yes. The Company began a Commercial & Industrial Demand Response Application Suite
16 Project to bring in-house functionality that previously lived exclusively on a single laptop
17 only accessible by a single contractor and without a way to provide support in the event
18 that the tools malfunctioned. The Company re-developed the applications in house
19 according to Company policies, including developing accompanying support
20 documentation, and can now support the solution going forward. The tools are also now
21 accessible by all employees whose job responsibilities require it. The suite of applications
22 manages several operations including event calculations and reports, collecting meter
23 histories, and loading and viewing interval data, allowing for enhanced transparency into

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1 event auditing, expedited responses to customer inquiries, and streamlined program
2 operations. The project is expected to be complete in June 2025.

3 **Q. Is the Company proposing a 2024 DR performance incentive for approval by the**
4 **Commission?**

5 A. Yes, the Company is requesting a 2024 performance incentive of \$6,812,402 to be
6 recovered through a 12-month surcharge as supported by the testimony and exhibits of
7 Company witness Smith. Please see the testimony and exhibits of Company witness Gast
8 for the Company's proposed methodology and calculation of the 2024 DR performance
9 incentive.

10 **Q. How does the Company plan to reconcile the approved 2023 over-recovery and**
11 **Financial Incentive?**

12 A. The Company plans to reconcile the approved over-recovery and Financial Incentive
13 through the same 12-month surcharge that was approved in the 2024 Electric Rate Case,
14 Case No. U-21585, which will be implemented beginning with the January 2026 bill
15 month. Please see the testimony and exhibits of Company witness Gast for the Company's
16 proposed recovery of the 2023 DR Performance Incentive.

17 **Q. Did the Company assess DR portfolio cost-effectiveness?**

18 A. Yes. Company witness Gast provides the levelized cost analysis that demonstrates overall
19 cost-effectiveness of the Company's DR portfolio.

20 **IV. RESIDENTIAL DR OVERVIEW**

21 **Q. Please describe the Company's 2024 Residential DR programs.**

22 A. In 2024, the Company continued to offer three residential programs: Device Cycling
23 (previously referred to as Air Conditioning Peak Cycling ("ACPC")), Dynamic Peak

EMILY A. MCGRAW
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1 Pricing (“DPP”), and the Residential Smart Thermostat Program (“STP”). Like the
2 Business DR programs, the Residential DR programs are designed to give the Company a
3 flexible demand-side resource that can be used during times of peak electricity demand to
4 reduce power supply costs that directly impact all the Company’s customers.

5 **Q. Please describe the Device Cycling Residential DR Program.**

6 A. The Device Cycling Residential DR Program is a direct load control program where the
7 Company installs a load control switch on the outside of a customer’s home on or near their
8 central Air Conditioning (“AC”) unit. Load management may occur any weekday
9 (excluding holidays) between 7 a.m. and 8 p.m. for no more than an eight-hour period in
10 any one day and may be implemented to maintain system integrity, for economic reasons,
11 or when there is insufficient system generation available to meet anticipated system load.
12 Load management may only occur outside of the hours of 7 a.m. and 8 p.m. during a
13 declared MISO emergency.

14 On Event days, the Company activates the switch to cycle the output of the central
15 AC unit. The Company installs two different types of switches depending on the
16 circumstances at the residence. One uses a Zigbee protocol for two-way communication
17 through the Company’s smart meters back to the demand response management system
18 (“DRMS”). This switch requires close, line-of-sight proximity to the meter to complete
19 the last leg connection. The other uses a cellular modem for two-way communication. The
20 cellular switch is also capable of controlling up to four independently registered AC units

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1 from a single switch. Approximately 25% of the switches installed in the field are cellular
2 switches.

3 The Company analyzed the cost effectiveness of DR programs and determined the
4 Device Cycling Program is no longer cost effective. Based on these findings, the Company
5 made the decision that beginning in 2025, Device Cycling would enter maintenance mode.
6 In maintenance mode, the only enrollment path into the Device Cycling Program is when
7 a customer moves into a home that already has a switch installed. All other enrollment
8 pathways will shut down and the installation of new switches for new participants will end.

9 In 2024, the Company continued to target customers in homes where switches were
10 installed but not enrolled to maximize the value of the already installed switches. Due to
11 these efforts, the Device Cycling Residential DR Program expanded from 91,181 net
12 cumulative customers at year-end 2023 to 95,555 net cumulative customers at year-end
13 2024.

14 **Q. How are customers incentivized to participate in the Device Cycling Residential DR**
15 **Program?**

16 A. Customers enrolling central AC units in Device Cycling received a prepaid gift card and a
17 monthly bill credit of \$8.00 during the June 1 through August 31 summer DR season.

18 **Q. What program enhancements were made for Device Cycling?**

19 A. The program rolled out the Choice Digital incentive program, which allowed customers to
20 select from an array of retailers for an easier to use pre-paid gift card. The prior pre-paid
21 cards had limitations on where and what the funds could be used for, making the new
22 pre-paid cards a better experience for customers.

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1 **Q. Please describe the DPP Program.**

2 A. The Company's DPP Program is designed to encourage customers to move energy
3 consumption to off-peak hours by providing less expensive rates at these times. In
4 addition, the program provides incentives for customers to reduce their energy use during
5 DR events. The more energy participants shift from peak hours, the more they can save.
6 This program is a great first step for a customer to participate in DR and a good opportunity
7 for customers without a central AC unit. The DPP Program expanded from 143,612 net
8 cumulative customers at year-end 2023 to 176,026 net cumulative customers at year-end
9 2024.

10 Currently, the Company offers two pricing options under the program, Critical Peak
11 Pricing ("CPP") and Peak Time Rewards ("PTR"). The goals of the two pricing options
12 are identical, but the approach to achieve them differs. The CPP option charges customers
13 a significantly higher rate during a DR event. In exchange, customers are offered a
14 discount on their rate during weekends, holidays, and all hours of the day except 2 p.m. to
15 7 p.m. The CPP Program is generally referred to as a "stick" incentive - using strong
16 pricing signals to reduce consumption during an event. Alternatively, the PTR option
17 offers customers a payment for reducing their energy during DR events. The more energy
18 participants shift outside of the hours of the event, as compared to their baseline use, the
19 more they will save.

20 **Q. What program enhancements were implemented in 2024 for the DPP Program?**

21 A. In 2024, there were no enhancements to the DPP Program. Operational emails were
22 updated and the Customer Service Representative ("CSR") Incentive Program continued
23 as planned.

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1 **Q. Please describe the Smart Thermostat Program (“STP”).**

2 A. The STP launched as a pilot in 2019 and commercialized to a full-scale program in 2020.
3 Eligible customers enroll in the program either by purchasing a pre-enrolled thermostat
4 through the Consumers Energy Marketplace (online store) or by enrolling with an eligible
5 thermostat through the Bring Your Own Device (“BYOD”) option. STP is a direct load
6 control program that utilizes cloud-based software deployed through the customer’s Wi-Fi
7 thermostat to control the AC load of residential customers’ homes. The vendor software
8 features algorithms customized on a per-home basis that balance demand reduction while
9 maintaining individual customer comfort preferences. Load management may occur on
10 any weekday (excluding holidays) between 10 a.m. and 8 p.m. for no more than a four-hour
11 period in any one day and may be implemented to maintain system integrity, for economic
12 reasons, or when there is insufficient system generation available to meet anticipated
13 system load from June 1 through August 31. Load management may also occur during a
14 MISO emergency, including weekends and holidays, between the hours of 7:00 a.m. and
15 8:00 p.m., with little or no notice, typically lasting no more than a four-hour period in any
16 one day during Conservative Operations, Severe Weather Alerts, Min/Max Gen
17 Alert/Warnings, or Emergency Events as directed by MISO. The STP expanded from
18 51,803 net cumulative customers in 2023 to 58,917 net cumulative customers in 2024.

19 **Q. What program enhancements were made for the STP?**

20 A. The Company launched a vendor transition project, migrating all the enrolled thermostat
21 devices from Uplight to EnergyHub’s portal in December 2024. This transition gives the
22 Company more visibility in event data and analytics, accessible reporting that can be
23 downloaded from EnergyHub’s portal in real time, and more eligible thermostat devices

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1 from Amazon, Lux, Alarm.com, and Vivint. The Company can also view near real time
2 MISO load that's included in EnergyHub's DRMS platform. Customer groupings will also
3 be included to differentiate between Demand Response Pre-Enroll ("DRPE") customers
4 that purchase a thermostat through the Company's Marketplace store and BYOD type
5 devices. This allows the Company to track and analyze enrollment data for improved
6 targeted marketing efforts that provide customers with the opportunity to join STP, whether
7 they have a smart thermostat or not. Tracking this data will help the Company learn where
8 we need to focus our future spend for enrollment in the program.

9 The Company may also establish locational based groupings for future DR
10 opportunities (i.e., distribution or circuit constraints) to help mitigate load constraint at
11 specific areas during high demand days on the electric grid.

12 **Q. How are customers incentivized to participate in the STP?**

13 A. Customers participating in the STP receive an incentive for signing up in the program. If
14 the customer already has a participating device (Google Nest, Ecobee, Honeywell TCC, or
15 Emerson), the customer will sign up through the BYOD path and receive a Pre-Paid
16 Mastercard. If the customer does not already have a participating smart thermostat, they
17 may purchase through the Consumers Energy Residential Online Store and receive an
18 incentive credit toward the purchase of the new pre-enrolled Smart Thermostat. Both paths
19 receive an annual Pre-Paid Mastercard at the end of event season for participation in the
20 program.

21 **Q. Did the Company conduct any residential pilots in 2024?**

22 A. No.

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1 **V. PROJECTED AND ACTUAL RESIDENTIAL COSTS**

2 **Q. What were the actual Residential DR portfolio costs in 2023?**

3 A. The costs for the 2024 Residential DR portfolio included capital expenditures of
4 \$4,856,253 and O&M expenses of \$17,552,948 (including \$2,994,719 of Customer Tariff
5 Credits) as shown on Exhibit A-1 (EAM-1), page 2, lines 6, 11, and 17, column (a).

6 **Q. How do the actual 2024 Residential DR Program costs compare to the expected costs
7 from Case Nos. U-21224 and U-21389?**

8 A. The costs for the 2024 Residential DR Program were approved in Case Nos. U-21224 and
9 U-21389 and included \$7,040,881 for capital expenditures and \$22,632,670 for O&M
10 expenses (including \$4,061,710 of Customer Tariff Credits). 2024 actual capital
11 expenditures were \$2,184,628 below, 2024 actual O&M expenses were \$4,012,731 below,
12 and 2024 Customer Tariff Credits were \$1,066,991 below the approved amounts as shown
13 on Exhibit A-1 (EAM-1), page 2, lines 11, 6, and 17, column (e).

14 **Q. What drove the variance between 2024 planned and actual costs?**

15 A. For O&M, the primary driver of variance was within the STP. The Company was able to
16 find cost reductions, achieving savings by testing a cost-effective new enrollment strategy
17 as well as transitioning to a new vendor. For STP's largest enrollment campaign of the
18 year, cost savings were achieved via bulk discount pricing and splitting incentive costs
19 with the CE Marketplace. The new vendor is helping the Company identify and remove
20 offline devices, reducing annual device fees and year-end incentive costs. For capital
21 expenditures, the primary driver of variance was within the Device Cycling program. The

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1 Company began ramping down new enrollment and installation work in November 2024,
2 in preparation for maintenance mode to take place in January 2025.

3 **Q. What components make up the capital expenditures for the Device Cycling Program?**

4 A. Capital costs for the Device Cycling Program include: (i) management labor costs for the
5 call center, scheduling, and route planning; (ii) switch installation, removals, and materials;
6 (iii) permits and processing costs; and (iv) other direct costs such as warehousing,
7 equipment, and taxes.

8 **Q. What components make up the O&M costs for the Device Cycling Program?**

9 A. The O&M cost components for the Device Cycling Program include: (i) program
10 management, IT support, field inspection, and service call costs; (ii) customer acquisition
11 expenses including website development, direct mail, bill inserts, and other customer
12 communications and program materials; (iii) customer incentives and associated
13 processing activities; and (iv) other direct costs such as software licensing and taxes.

14 **Q. What components make up the costs for the DPP Program?**

15 A. The DPP Program is comprised entirely of O&M costs. These costs include: (i) program
16 management, IT support, and Evaluation, Measurement, and Verification; (ii) customer
17 acquisition expenses including website development, direct mail, bill inserts, and other
18 customer communications and program materials; and (iii) other direct costs such as
19 software licensing and taxes.

20 **Q. What components make up the costs for the STP?**

21 A. The STP is comprised entirely of O&M costs. These costs include: (i) program
22 management, IT support, and Evaluation, Measurement, and Verification; (ii) customer
23 acquisition expenses including website development, direct mail, bill inserts, and other

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1 customer communications and program materials; and (iii) other direct costs such as
2 software licensing and taxes.

3 **VI. RESIDENTIAL MW ACHIEVEMENTS**

4 **Q. What were the Company's residential MW achievements for 2024?**

5 A. The Company enrolled 55.6 MW for the Device Cycling Program, 33.6 MW for the DPP
6 Program, and 50 MW for the STP for a spring (May 31) residential portfolio achievement
7 of 139.2 MW. The Company enrolled 55 MW for the Device Cycling Program, 37.4 MW
8 for the DPP Program, and 53.9 MW for the STP for a fall (November 30) residential
9 portfolio achievement of 146.3 MW, shown on Exhibit A-2 (EAM-2).

10 **Q. Please explain the details upon which the achievement is based.**

11 A. At the end of the fall season, the Company had 91,643 participants in the Device Cycling
12 Program, 173,543 participants in the DPP Program, and 58,600 participants in the STP as
13 shown on Exhibit A-2 (EAM-2).

14 **Q. What were the 2024 per customer load reduction assumptions for the Residential DR
15 Device Cycling, STP, and DPP programs?**

16 A. The Company's 2024 projected peak demand reductions were based on the post-2023 DR
17 season event evaluations performed by third-party evaluator Cadmus, as no statistically
18 significant events were called during the summer 2023 season. As presented in the
19 Company's 2022 DR Reconciliation filing, Case No. U-21410, the Company adopted per
20 customer response rates of 0.60 kW, 0.25 kW, 0.21 kW, and 0.92 kW per customer for the
21 Device Cycling, CPP, PTR, and STP programs, respectively, for the 2024 DR Event
22 Season.

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1 **VII. PROPOSED RESIDENTIAL PROGRAM CHANGES**

2 **Q. Is the Company proposing any changes to its residential DR portfolio?**

3 A. Yes. While the Company does not plan on making major changes to the residential DR
4 portfolio, it does plan to make some changes to the residential DR programs. The Company
5 plans to look at incentive reductions for PTR and may look at implementing an incentive
6 cap mechanism for each customer, during called energy savings events to help improve the
7 cost effectiveness of this program.

8 Additionally, the Company is planning to roll out on-going offline device
9 management, to ensure the STP Program continuously has active and online devices
10 enrolled. Owners of any device that reaches an offline status of 60 days or more will
11 receive email reminders to connect their device back to Wi-Fi. After 90 days, the device
12 will be removed. These efforts will ensure the program only has devices enrolled to
13 contribute to demand savings during called DR events. This will also support the cost-
14 effectiveness goal of the program by no longer incentivizing offline devices for their
15 participation and increasing the Company's kW/device savings during called energy
16 savings events.

17 Finally, the Company will be proposing a Whole Home Optimization pilot program
18 in its upcoming Electric Rate Case, which will test customer-owned smart home energy
19 management systems, battery storage, and load management devices. This work will allow
20 the Company to test how customers respond to and interact with energy usage and demand
21 analytics, customer-controlled responses and behavior, and aggregation of resources within
22 their home. The key technologies evaluated in this pilot are smart home energy
23 management systems, battery storage, and load management devices.

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1 **Q. Has the Company adjusted the residential per-customer load reduction planning**
2 **factors for the 2024 DR Event Season?**

3 A. No. All program per-customer load reduction planning factors remained constant for the
4 2024 DR Event Season.

5 **VIII. BUSINESS DR OVERVIEW**

6 **Q. Please describe the Business DR Contractual Program.**

7 A. The Business DR Contractual Program is targeted toward business customers that can
8 curtail load (kW) and are not currently on an interruptible or retail open access rate. Each
9 business customer that signs up for the program is contracted for a specified load (kW)
10 reduction during events for the program year of June 1 through August 31. In 2023, the
11 Business Contractual DR Program adjusted its summer season to run June 1 through
12 August 31 to align with MISO's new seasonal construct comprising Summer (June 1
13 through August 31), Fall (September 1 through November 30), Winter (December 1
14 through the last day of February), and Spring (March 1 through May 30) seasons. Under
15 this new construct there can be up to 16 emergency events per year, with a maximum of
16 five events each for Summer and Winter seasons and three events each for Spring and Fall.
17 Customers have the option to enroll and participate in one or multiple seasons and/or years.
18 The contract sets forth the program parameters including the program period, timing, and
19 frequency of events, mandatory versus voluntary economic events, minimum advanced
20 notification time, primary contacts to receive event notifications, how performance will be
21 calculated, rules regarding non-performance, and the compensation the customer will
22 receive for the capacity provided. The Company's Business DR Program offers an
23 emergency program only.

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1 **Q. How does the Business DR Contractual Program operate?**

2 A. When MISO expects the grid to be strained because of high electric demand or during high
3 market costs, a notification is sent out by the Company ahead of the event, informing them
4 of when they need to reduce load. When the event occurs, business customers follow their
5 established energy reduction plan, thus decreasing their electric demand.

6 **Q. How does the Company work with Business DR Contractual customers?**

7 A. The Company works with business customers to set up an energy reduction plan at their
8 facility that can be called upon during peak times of system usage, when electricity demand
9 and cost are highest, to reduce overall electricity demand. As part of the program,
10 participants nominating greater than 100 kW at their location may receive access to an
11 energy dashboard that details near real-time energy consumption data that is leveraged to
12 effectively manage their facilities during DR events. These dashboards show baseline load
13 curves, actual load, target load graphs, event compliance, actual curtailment percent, the
14 customers' energy reduction plans and the contracted demand reduction commitment.
15 With a single screen, customers can monitor their load curtailment compared to their
16 committed nomination to the Business DR Contractual Program. Additionally, the same
17 operating system allows the utility to monitor, manage, and document customer
18 performance individually or as a portfolio for effective and reliable performance.

19 Prior to the start of and during the DR season, the Company completes notification
20 testing to ensure contacts and communication methods are in working order. Enrolled
21 customers also have the option to participate in a voluntary pre-season test that simulates
22 the calling of a 30-minute emergency event. Customers can schedule a date and time
23 suitable to their operation and are notified of the scheduled test event 30 minutes prior to

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1 the start. At that time the customer would then implement their energy reduction plan and
2 monitor their performance on their energy dashboard. Customers receive a report showing
3 their performance during the test event.

4 **Q. How are participants compensated for reducing their electric load during peak**
5 **demand events?**

6 A. The capacity payment is tied to kW of reduction delivered, and the energy payment is based
7 on kWh reduction during events. Both are measured from an established baseline.
8 Incentive payments are priced for market competitiveness and are a component of the
9 overall cost of having and managing a DR capacity resource. These payments are made to
10 customers through a bill credit or a direct payment via check at the end of the program
11 year. In the table below the variance for capacity payments is based on the duration of the
12 contract.

Table 1. Business DR Contractual Capacity & Energy Payments				
	Summer	Fall	Winter	Spring
Capacity Payments				
One-year Contract	\$20/kW	\$8/kW	\$8/kW	\$8/kW
Two-year Contract	\$25/kW	\$9/kW	\$9/kW	\$9/kW
Capacity Payment Notes	<ul style="list-style-type: none"> • One-time payment for standing by and being on-call for an event • Represents largest portion of total payments 			
Energy Payments				
One & Two-year Contracts	\$0.45/kWh	\$0.45/kWh	\$0.45/kWh	\$0.45/kWh
Energy Payment Notes	<ul style="list-style-type: none"> • Compensation is for every hour or each event dispatch, based on dispatch performance • Represents smaller portion of total payments 			

13 **Q. How does the Business DR Contractual Program differ from the General**
14 **Interruptible (“GI”) rates?**

15 A. GI and GI2 are rate provisions with specific capacity and energy billing parameters which
16 include a year-round commitment, with no cap on events or event duration whereas the
17 Company’s Business DR Contractual Program is a seasonal commitment agreed upon

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1 through a contract with customers for reducing demand during events. Like the GI and
2 GI2 capacity resources, the Business DR Contractual Program is made up of demand
3 curtailment commitments of a portfolio of business customers. Unlike GI rates, the
4 consequences to participants who do not shed load during events include the reduction of
5 incentive payments/credits (i.e. payments for capacity and energy at the time the demand
6 event is called), reduction of capacity nomination level to the level of actual event
7 performance, and/or risk of being withdrawn from the program. For participating GI
8 customers, non-compliance of enrolled demand is billed at (i) the higher of the actual
9 damages incurred by the Company or (ii) the rate of \$25.00 per kW for the highest
10 15-minute kW of Interruptible On-Peak Billing demand created during the interruption
11 period, in addition to the prescribed monthly rate. In addition, the interruptible contract
12 capacity of a customer who does not interrupt within one hour following notice will be
13 immediately reduced by the amount which the customer failed to interrupt, unless the
14 customer demonstrates that failure to interrupt was beyond its control. Additionally, the
15 contract has a Surcharge that may be applied for Failure to Perform for those customers
16 who do not meet their obligation unlike that of GI rate provisions. The Surcharge is the
17 real-time \$/MWh MISO commodity price during the event, capped at \$1,000/MWh. The
18 financial benefit and underperformance impact to participating business customers is less
19 significant with Contractual DR than with rates GI and GI2 to recognize the reduced risk
20 for customers. Differences are summarized in Table 2 below.

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Table 2. Business DR Contractual and GI rate Differences		
	Business DR Contractual	GI rate
Enrollment Period	Seasonal	Year-round
Incentive Payment Delivery Method	Bill credit or check	Bill credit
Non-Compliance Consequences	No penalty	Customer is required by program to deliver 100% of their interruptible load nomination. \$25/kW of highest 15 Min. Interval of non-compliance in addition to normal applicable charges. In addition, the interruptible contract capacity of a customer who does not interrupt within one hour following notice will have nomination and associated credit reduced to the amount they were able to comply.

1 **Q. Please describe the cost components of the Business DR Contractual Program.**

2 A. Business DR Contractual Program costs are divided into three major segments:
3 (i) materials; (ii) labor; and (iii) incentives. The first segment includes the cost of all
4 material, infrastructure to manage and validate participation, and marketing material
5 associated with the customer education process. Infrastructure includes meters, software,
6 software licenses, platform fees to enable program management and visualization, as well
7 as metering and validation of program outcomes. The second segment includes cost to
8 manage the programs, staff the network operations center, and sales staff to acquire
9 Business DR Contractual Program customers. The third segment constitutes payments to
10 participants. The incentive payments to DR participants reference the payments made for
11 capacity and energy supply.

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1 **Q. What does the Company plan to do differently in 2025 with Business DR?**

2 A. In 2025, the Company has transitioned the Business DR Contractual Program to a seasonal
3 structure and will launch its first year-round season on June 1, 2025. Early results from
4 this new approach have been encouraging, with seasonal contracts demonstrating strong
5 participation and improved customer engagement. The Company anticipates continued
6 growth in registered megawatts each season as we refine and optimize the program. The
7 Business DR Contractual Program will also continue to explore different payment
8 structures that are more performance and event based. The flexibility built into the
9 contractual framework allows the Company to provide timely program upgrades and adapt
10 to evolving customer market needs.

11 **Q. What are the 2024 Business DR Contractual Program costs included in this filing?**

12 A. The 2024 Business DR Contractual Program costs included in this reconciliation are capital
13 expenditures of \$236,468 and Operations and Maintenance (“O&M”) expenses of
14 \$16,705,331, as shown on Exhibit A-1 (EAM-1), page 2, lines 24 and 21, column (a). The
15 O&M expenses include customer payments of \$6,575,441, as provided on Exhibit A-1
16 (EAM-1), page 2, line 20. Customer Tariff Credits of \$7,834,433 are also provided on
17 Exhibit A-1 (EAM-1), page 2, line 28.

18 **Q. How do the actual Business DR costs compare to the expected costs from Case Nos.
19 U-21224 and U-21389?**

20 A. Business DR Program 2024 capital investment was \$228,057 below approved amounts and
21 2024 O&M expense was \$265,529 below approved costs as shown on Exhibit A-1
22 (EAM-1), page 2, lines 24 and 21, column (e).

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1 **Q. What drove the variance between planned and actual costs?**

2 A. The capital investment variance was due to lower than projected switch installation costs
3 while the O&M variance reflects lower than expected customer payments.

4 **Q. Did the Company conduct any Business DR pilots in 2024?**

5 A. No.

6 **IX. UTILIZATION OF DR RESOURCES**

7 **Q. Please describe the utilization of DR Resources.**

8 A. As described in the direct testimony of Ms. Metz, DR resources are utilized to reduce strain
9 on the grid during MISO emergency events. The Company may also deploy Residential
10 DR for non-emergency events in either the Day-Ahead market, when electric loads are
11 expected to exceed a trigger condition, or in the Real-Time Energy markets. In addition to
12 emergency events called by MISO, the Company may call up to 10 economic events in the
13 summer for the Residential Device Cycling Program, up to 14 events for the Residential
14 DPP Program, and up to 7 events for Residential STP.

15 **Q. Under what conditions did Consumers Energy deploy its DR resources during 2024?**

16 A. The Company called two economic events for residential demand response programs.
17 Event 1 on 07/31/24 resulted in 38.4 MW response from DR Residential STP and 41 MW
18 from DR Residential Device Cycling. Event 2 on 08/27/24 was cancelled halfway through
19 due to a storm, and it resulted in 21.3 MW response from DR Residential STP and 9.5 MW
20 from DR Residential Device Cycling.

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1 **X. SUMMARY**

2 **Q. Please summarize your direct testimony.**

3 A. The Company achieved a 599.9 MW May 31, 2024, DR Portfolio. Further, the Company
4 achieved a November 30 DR portfolio of 654.8 MW. The Company prudently incurred
5 capital expenses of \$5,092,721 and O&M expenses of \$31,263,559 which resulted in an
6 actual revenue requirement \$11,396,183 lower than the approved amounts from Case Nos.
7 U-21224 and U-21389. In this filing, the Company is specifically requesting the
8 Commission to:

- 9 • Approve the refund of the \$11,396,183 lower revenue requirement when
10 compared to Case Nos. U-21224 and U-21389 to be implemented through a
11 12-month surcharge beginning with the January 2026 billing cycle along with
12 the approved 2023 refund of \$2,237,028; and
- 13 • Approve the DR financial incentive of \$6,812,402 and approve recovery of the
14 financial incentive through a 12-month surcharge to be implemented beginning
15 with the January 2026 billing cycle along with the 2023 incentive of
16 \$6,784,446.

17 **Q. Does this conclude your direct testimony in this proceeding?**

18 A. Yes.

1 MR. KEIMACH: Thank you, Your Honor. Next we
2 have company witness, the direct -- the direct testimony
3 company witness Megan L Metz, consisting of a cover page
4 and five pages of questions and answers.

5 MR. VARCHETTI: Any objection from staff
6 regarding the testimony of Ms. Metz?

7 Hearing none. Then that is bound into the record.

8 (At 9:03 a.m. direct testimony of Megan L Metz
9 bound in.)

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STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
CONSUMERS ENERGY COMPANY)
for reconciliation of its 2024 demand)
response program costs.)
_____)

Case No. U-21906

DIRECT TESTIMONY
OF
MEGAN L. METZ
ON BEHALF OF
CONSUMERS ENERGY COMPANY

MEGAN L. METZ
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1 **Q. Please state your name and business address.**

2 A. My name is Megan L. Metz, and my business address is 1945 West Parnall Road, Jackson,
3 Michigan 49201.

4 **Q. By whom are you employed?**

5 A. I am employed by Consumers Energy Company (“Consumers Energy” or the “Company”).

6 **Q. In what capacity are you employed?**

7 A. I am the Director of Electric Supply Operations and Power Supply Cost Recovery
8 (“PSCR”) within the Electric Supply Organization.

9 **QUALIFICATIONS**

10 **Q. Please describe your educational background and business experience.**

11 A. I received a Bachelor of Science degree in Industrial and Operational Engineering from
12 University of Michigan in 2002 and a Master of Business Administration degree from
13 Spring Arbor University in 2007. I have been employed by Consumers Energy since 2002,
14 in roles primarily related to Electric Generation and with increasing levels of responsibility.
15 From 2002 to 2010, I held engineering positions in Production Cost Modeling, Fuel
16 Supply, Plant Operations, and Strategy Development. From 2010 to 2013, I was Plant
17 Compliance and Economic Analysis Director, responsible for coordinating the long-term
18 financial plan and budget for Electric Generation, economic analysis of projects, outage
19 scheduling and environmental, health and safety, and North American Reliability
20 Corporation (“NERC”) compliance. From 2013 to 2014, I was Production Engineer at the
21 J.H. Campbell Units 1 & 2 facility, performing outage management and operations support
22 and supervision. From 2014 to 2017, I was the Fuel Procurement Director, responsible for
23 purchasing coal and gas for Consumers Energy’s generation facilities. From 2017 to 2020,

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1 I was Director of Electric Regulatory Compliance, responsible for Federal Energy
2 Regulatory Commission (“FERC”), NERC, Michigan Public Service Commission
3 (“MPSC” or the “Commission”), Electric Code, and Midcontinent Independent System
4 Operator, Inc. (“MISO”) regulation compliance. In 2020, I was promoted to my current
5 position of Director of Electric Supply Operations.

6 **Q. What are your current responsibilities as the Director of Electric Supply Operations?**

7 A. I am responsible for the Company’s Merchant Operations center, which is a 24x7 control
8 center that interfaces with MISO and manages the dispatch of electric generation to meet
9 customer load. In addition, I am responsible for production cost modeling and managing
10 the Company’s generation capacity through the Planning Resource Auction (“PRA”).
11 Specific to Demand Response (“DR”), I am responsible for registration of DR resources
12 with MISO, initiating dispatch of DR resources, and responding to MISO Maximum
13 Generation Emergency Event Step 2a which could include dispatch of DR resources.

14 **Q. Have you previously testified before the Commission?**

15 A. Yes, I testified in the Company’s 2023 Electric Rate Case, Case No. U-21389, 2023
16 Electric Rate Case, Case No. U-21389, and 2023 Demand Response Reconciliation, Case
17 No. U-21647.

18 **Q. What is the purpose of your direct testimony?**

19 A. The purpose of my direct testimony is to describe the MISO capacity accreditation and
20 registration of DR resources and DR performance in 2024.

21 **Q. Are you sponsoring any exhibits?**

22 A. No.

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1 **Q. Does MISO accredit Demand Resources?**

2 A. Yes, MISO considers Demand Resources as a subset of one of three types of planning
3 resources used to achieve long-term resource adequacy. MISO identifies the three types
4 of planning resources as Capacity Resources, Load Modifying Resources (“LMRs”), and
5 Energy Efficiency Resources. A Demand Resource that can commit to responding to
6 MISO emergencies is considered an LMR, which is a resource that reduces load by a
7 specific amount or reduces load to a defined baseline level during MISO emergencies.
8 However, the Company does not have a “must offer obligation” in the MISO energy market
9 for an LMR like it does with Capacity Resources. Zonal credits are awarded by MISO for
10 LMRs, which Load Serving Entities (“LSEs”), such as Consumers Energy, can use to meet
11 their respective Planning Reserve Margin Requirement (“PRMR”). Although Demand
12 Resources that cannot commit to responding to MISO emergencies are not awarded LMR
13 status, they can be used by LSEs to reduce load during days with high prices and high peak
14 demand. The Company’s Rate EIP and Residential Dynamic Peak Pricing (“DPP”) fall in
15 this category.

16 **Q. Please explain the MISO seasonal resource adequacy construct and impact to DR.**

17 A. On August 31, 2022, FERC accepted MISO’s proposal to implement seasonal resource
18 adequacy requirements effective for the 2023/2024 planning year (see Case No. ER22-495-
19 000, et al.). MISO’s new “seasonal construct” requires LSEs to meet the peak demand and
20 load requirements for one peak hour per season (Summer, Fall, Winter, Spring). Summer
21 season is defined as June 1 through August 31, Fall season is defined as September 1
22 through November 30, Winter season is defined as December 1 through last day in
23 February, and Spring season is defined as March 1 through May 31.

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1 To align with the new seasonal construct, DR resources that were previously
2 available from June through September were only registered with MISO for the Summer
3 season. These resources are Device Cycling (formerly Air Conditioning Peak Cycling
4 (“ACPC”)), Smart Thermostat Program (“STP”), and DR Contracts. There was no change
5 to year-round contracts which are Rate GI Reduce To and Rate GI Reduce By.

6 **Q. What was included in Consumers Energy’s DR portfolio registered as an LMR for**
7 **the 2024 DR season?**

8 A. The Company was awarded a total of 511.4 MW of DR as an LMR in 2024 in the MISO
9 PRA for Planning Year 2024/2025, which comprised Rate GI Reduce By (15.4 MW), Rate
10 GI Reduce To (185 MW), DR Contracts (220 MW), ACPC (44 MW), and STP (42 MW).

11 **Q. How does the Company value Demand Resources?**

12 A. The Company approximates the value of DR resources registered as LMRs at 75% of
13 MISO’s Cost of New Entry (“CONE”). For Consumers Energy’s Planning Year
14 2024/2025 DR portfolio projected to total 511.4 ZRCs, this was valued at about
15 \$48.7 million based on an estimated value of capacity of \$95,351 ZRC-Year.¹

16 **Q. Under what conditions does Consumers Energy typically deploy its DR resources?**

17 A. The Company typically deploys DR resources during a MISO Maximum Generation
18 Emergency Event Step 2a.

19 **Q. Did MISO call any emergency events in 2024?**

20 A. No.

¹ Based on 75% of MISO’s calculated Planning Year 2024/2025 CONE.

MEGAN L. METZ
U-21906 DIRECT TESTIMONY

1 **Q. Did the Company call any non-emergency DR events in 2024?**

2 A. The Company called two economic events for the residential demand response customer.
3 Event 1 on July 31, 2024 resulted in 38.4 MW response from DR Residential STP and
4 41 MW from DR Residential ACPC. Event 2 on August 27, 2024 was cancelled halfway
5 through due to a storm, and it resulted in 21.3 MW response from DR Residential STP and
6 9.5 MW from DR Residential ACPC.

7 **Q. How does the Company determine use of DR resources outside of a MISO**
8 **emergency?**

9 A. Please see the testimony of Company witness Emily A. McGraw for information related to
10 non-emergency conditions that may be considered for utilization of DR customer
11 programs.

12 **Q. Does this conclude your direct testimony?**

13 A. Yes.

1 MR. KEIMACH: All right. Thank you, Your Honor.
2 Next we have the direct testimony of Austin Smith
3 consisting of a cover page and five pages of questions and
4 answers. Mr. Smith also sponsored exhibits A-7 and A-8.

5 MR. VARCHETTI: All right. Any objections to
6 admitting the testimony of Mr. Smith or exhibits A-7 and
7 A-8?

8 Hearing none. Then the testimony of Mr. Smith
9 is bound into the record and the exhibits are admitted.

10 (AT 9:03 a.m., Direct testimony of Austin Smith
11 bound in.)

12 (AT 9:03 a.m., Exhibits A-7 and A-8 admitted.)
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STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
CONSUMERS ENERGY COMPANY)
for reconciliation of its 2024 demand)
response program costs.)
_____)

Case No. U-21906

DIRECT TESTIMONY
OF
S. AUSTIN SMITH
ON BEHALF OF
CONSUMERS ENERGY COMPANY

May 2025

S. AUSTIN SMITH
U-21906 DIRECT TESTIMONY

1 **Q. Please state your name and business address.**

2 A. My name is S. Austin Smith, and my business address is One Energy Plaza, Jackson,
3 Michigan 49201.

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

5 A. I am employed by Consumers Energy Company (“Consumers Energy” or the “Company”)
6 as a Rate Analyst II in the Pricing Section of the Rates and Regulation Department.

7 **Q. Please describe your educational background and business experience.**

8 A. I received a Bachelor of Business Administration degree with an emphasis in Accounting
9 in April 2014 from Alma College. In Spring 2019, I earned a Master of Business
10 Administration degree from Spring Arbor University. In August 2016, I began
11 employment as a Rate Analyst I in the Pricing Section of the Rates and Regulation
12 Department at Consumers Energy. My responsibilities included preparing various electric
13 and gas rate analyses, supporting witnesses in general electric and gas rate case filings,
14 sponsoring the recovery of Energy Waste Reduction (“EWR”) costs and financial
15 incentives in EWR Plan and Reconciliation case filings, preparing and maintaining
16 monthly benchmarking reports, and validating electric and gas charges as part of the
17 Company’s billing process. In March 2019, I was promoted to a Rate Analyst II and in
18 September 2024 I was promoted to my current position as a Senior Rates Analyst.

19 **Q. What are your responsibilities as a Senior Rates Analyst for Consumers Energy?**

20 A. My current responsibilities include the preparation of rate case filings, reconciliation
21 filings, research, analyses for Senior Management, and customer-specific rate analyses.

S. AUSTIN SMITH
U-21906 DIRECT TESTIMONY

1 **Q. Have you previously filed testimony with the Michigan Public Service Commission**
2 **(“MPSC” or the “Commission”)?**

3 A. Yes. I have filed testimony in the following cases:

4 Case No. U-17771 (Amended) Energy Optimization Plan, Rate Design;

5 Case No. U-18261 EWR Plan, Rate Design;

6 Case No. U-18331 EWR Reconciliation, Rate Design;

7 Case No. U-20028 EWR Reconciliation, Rate Design;

8 Case No. U-20275 Electric Self-Implementation Reconciliation, Rate Design;

9 Case No. U-20356 Gas Revenue Decoupling Reconciliation, Rate Design;

10 Case No. U-20671 Gas Revenue Decoupling Reconciliation, Rate Design;

11 Case No. U-21205 EWR Reconciliation;

12 Case No. U-21233 Demand Response (“DR”) Reconciliation;

13 Case No. U-21344 Gas Revenue Decoupling Reconciliation, Rate Design;

14 Case No. U-21490 General Gas Rate Case, Rate Design;

15 Case No. U-21647 DR Reconciliation;

16 Case No. U-21806 General Gas Rate Case, Rate Design; and

17 Case No. U-21784 Voluntary Refund Reconciliation.

18 **PURPOSE OF TESTIMONY**

19 **Q. What is the purpose of your direct testimony in this filing?**

20 A. The purpose of my testimony is to sponsor the Company’s proposed: (i) collection of the
21 over recovery of the DR revenue requirement; (ii) recovery of the DR Financial Incentive
22 earned in 2024 and 2023; and (iii) tariff sheet for the surcharges.
23

S. AUSTIN SMITH
U-21906 DIRECT TESTIMONY

1 **Q. Are you sponsoring any exhibits?**

2 A. Yes, I am sponsoring the following exhibits:

<u>Exhibit</u>	<u>Description</u>
A-7 (SAS-1)	Calculation of the 2026 Demand Response Reconciliation Surcharge; and
A-8 (SAS-2)	Proposed Demand Response Reconciliation Surcharge Tariff.

8 **Q. Were these exhibits prepared by you or under your direction?**

9 A. Yes.

10 **Q. Please explain the proposed DR Revenue Requirement Recovery Surcharge?**

11 A. As discussed in the testimony of Company witness Emily A. McGraw, the total 2024 DR
12 program over-recovery of \$11,396,183 is based on the difference between the actual 2024
13 DR revenue requirement and the approved 2024 revenue requirement. The Company is
14 proposing to refund the 2024 over-recovery plus interest through a 12-month surcharge to
15 be implemented beginning with the January 2026 bill month. The Company also plans to
16 refund the approved 2023 over-recovery of \$2,237,028 plus interest through the same
17 surcharge, as described in Company witness McGraw's testimony.

18 **Q. How was the DR Revenue Requirement Recovery Surcharge Calculated?**

19 A. The total over recovery provided by Company witness McGraw was allocated based on the
20 Cost of Service allocation for capacity approved in Case No. U-21585. The factors used
21 to allocate the 2024 and approved 2023 DR program over-recovery are shown in Exhibit
22 A-7 (SAS-1), page 2, column (b). The allocated over-recovery inclusive of interest is
23 divided by the corresponding forecasted sales and demand for 2026 to calculate a per kWh
24 or per kW surcharge by rate schedule, as shown in Exhibit A-7 (SAS-1), page 1, column (c)
25 and column (d).

S. AUSTIN SMITH
U-21906 DIRECT TESTIMONY

1 **Q. Did the Company earn DR Financial Incentives in 2024 and 2023?**

2 A. Yes. As discussed in the direct testimony of Company witness Alex M. Gast and shown
3 on Exhibit A-6 (AMG-3), line 5, the Company earned an incentive of \$6,812,402 in 2024,
4 as well as \$6,784,446 in 2023, as approved in the 2023 DR Reconciliation, Case No.
5 U-21647.

6 **Q. How does the Company propose to collect these incentives?**

7 A. The Company proposes to collect both of these incentives through a single 12-month
8 surcharge to be implemented beginning with the January 2026 bill month.

9 **Q. How was the Financial Incentive Surcharge calculated?**

10 A. The Financial Incentive Surcharge was calculated using the same methodology described
11 above for the calculation of the DR Revenue Requirement Recovery Surcharge.

12 **Q. How is the Company proposing to display the DR Revenue Requirement Recovery
13 Surcharge and Financial Incentive Surcharge on customer bills?**

14 A. The Company is proposing to display a consolidated surcharge on customer bills but will
15 track each component separately in its accounting and billing systems for use in the DR
16 Reconciliations.

17 **Q. Why is the Company proposing to collect the incentive over 12 months?**

18 A. As discussed by Company witness Svitlana Lykhytska, Generally Accepted Accounting
19 Principles require the Company to collect the financial incentive no later than
20 December 31, 2026. As such, the Company recommends recovering the financial incentive
21 over the 12-month billing period in 2026 to ensure it complies with the accounting rules
22 described by Company witness Lykhytska.

S. AUSTIN SMITH
U-21906 DIRECT TESTIMONY

1 **Q. How would the Company adjust the surcharge if recovery of the financial incentive**
2 **was not approved until after the January 2026 bill month?**

3 A. The Company would adjust the energy and demand determinants shown in column (h) of
4 Exhibit A-7 (SAS-1), page 2, to align with the remaining billing period in 2026.

5 **Q. Please describe Exhibit A-8 (SAS-2) Proposed DR Revenue Requirement Recovery**
6 **and Incentive Tariff.**

7 A. Exhibit A-8 (SAS-2) is the proposed surcharge tariff sheet for customers to reference.

8 **Q. Does this conclude your direct testimony?**

9 A. Yes.

1 MR. KEIMACH: Thank you. That concludes it
2 company's presentation.

3 MR. VARCHETTI: Excellent. Thank you. In that
4 case we can move on then to staff. So, Mr. Taylor, if
5 you'd like to present staff's testimony and exhibits.

6 MR. TAYLOR: Yes. Thank you, Your Honor. At
7 this time, staff moves to bind in the qualifications and
8 direct testimony of Cody S Matthews which consists of a
9 cover page and eight pages of questions and answers.
10 Witness Matthews also sponsored Exhibit S-1.0, which staff
11 moves to admit.

12 MR. VARCHETTI: All right. Any objections from
13 the company that regarding the testimony of Mr. Matthews
14 or Exhibit S-1.0?

15 Hearing none. The testimony is bound into the
16 record and the exhibit is admitted.

17 (AT 9:04 a.m., direct testimony of Cody S
18 Matthews bound in.)

19 (AT 9:04 a.m., Exhibit S-1.0 admitted.)

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STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * *

In the matter of the application of)
CONSUMERS ENERGY COMPANY)
for reconciliation of its 2024 demand)
response program costs)
_____)

Case No. U-21906

QUALIFICATIONS AND DIRECT TESTIMONY OF
CODY S. MATTHEWS
MICHIGAN PUBLIC SERVICE COMMISSION

September 25, 2025

QUALIFICATIONS OF CODY S. MATTHEWS
CASE NUMBER U-21906
PART I

1 Q. Please state your name and business address.

2 A. My name is Cody S. Matthews. My business address is 7109 W. Saginaw Hwy.,
3 Lansing, Michigan 48917.

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

5 A. I am employed by the Michigan Public Service Commission (MPSC or
6 Commission) as the manager of the Interconnection and Distributed Energy
7 Resources Section of the Energy Operations Division.

8 Q. Please describe your educational background.

9 A. I earned a Bachelor of Science degree in Engineering from Michigan State
10 University in 2014.

11 Q. Would you please describe your professional background.

12 A. In 2014 I began working for the MPSC in the Smart Grid Section. I reviewed
13 sections of utility rate case filings that pertained to smart grid, advanced metering
14 infrastructure (AMI), demand response (DR), information technology (IT), and
15 cyber security. In 2019 I transferred into the Renewable Energy Section, which
16 was renamed the Interconnection and DER section as of August 2022. In 2024 I
17 was promoted to manager of the Interconnection and DER section and am
18 focusing on electric utility interconnection, interconnection procedures, demand
19 response (DR), distributed energy resources (DERs), and distributed generation
20 (DG) programs.

21 Q. Have you received any work-related training since starting your employment with
22 the MPSC?

QUALIFICATIONS OF CODY S. MATTHEWS
CASE NUMBER U-21906
PART I

1 A. Yes. I have attended several programs hosted by the Institute of Public Utilities at
2 Michigan State University, including Introduction to Public Utility Regulation,
3 the full two-week fundamental and intermediate course, and the Advanced
4 Regulatory Studies Program, as well as the Michigan Forum on Economic
5 Regulatory Policy and the Rate Making Course. Additionally, I have participated
6 in several conferences both in person and online concerning cyber security, IEEE
7 1547, interconnection, demand response, aggregation, virtual power plants, and
8 other renewable energy related topics.

9 Q. Have you previously testified before the Commission?

10 A. Yes, I have testified in the following cases:

<u>Case Number</u>	<u>Company</u>	<u>Case Type/Subject</u>
12 U-17767	DTE Electric Company	Rate Case
13 U-17999	Consumers Gas Company	Rate Case
14 U-18014	DTE Electric Company	Rate Case
15 U-18255	DTE Electric Company	Rate Case
16 U-18370	Indiana Michigan Power Co.	Rate Case
17 U-18999	DTE Gas Company	Rate Case
18 U-20137	Indiana Michigan Power Co.	Opt-Out Tariff
19 U-20162	DTE Electric Company	Rate Case
20 U-20165	Consumers Energy Company	IRP
21 U-15800	Commission's Own Motion	2019 Transfer Price
22 U-18091	DTE Electric Company	Avoided Cost Update
23 U-20350	Upper Peninsula Power Co.	IRP

QUALIFICATIONS OF CODY S. MATTHEWS
CASE NUMBER U-21906
PART I

1	U-20471	DTE Electric Company	IRP
2	U-20485	Indiana Michigan Power Co.	RE Recon
3	U-20591	Indiana Michigan Power Co.	IRP
4	U-15800	Commission's Own Motion	2020 Transfer Price
5	U-20561	DTE Electric Company	Rate Case
6	U-18232	DTE Electric Company	RE Plan
7	U-20697	Consumers Energy Company	Rate Case
8	U-20713	DTE Electric Company	VGP
9	U-15800	Commission's Own Motion	2021 Transfer Price
10	U-20851	DTE Electric Company	RE Plan
11	U-20963	Consumers Energy Company	Rate Case
12	U-21090	Consumers Energy Company	IRP
13	U-21009	Consumers Energy Company	RE Plan
14	U-21081	UMERC	IRP
15	U-21010	DTE Electric Company	RE Recon
16	U-21148	Consumers Energy Company	Rate Case
17	U-15800	Commission's Own Motion	2022 Transfer Price
18	U-21189	Indiana Michigan Power Co.	IRP
19	U-20836	DTE Electric Company	Rate Case
20	U-21224	Consumers Energy Company	Rate Case
21	U-21286	Upper Peninsula Power Co.	Rate Case
22	U-20803	Consumers Energy Company	PSCR Recon
23	U-21198	DTE Electric Company	RE Recon

QUALIFICATIONS OF CODY S. MATTHEWS
CASE NUMBER U-21906
PART I

1	U-21197	Consumers Energy Company	RE Recon
2	U-21193	DTE Electric Company	IRP
3	U-21172	DTE Electric Company	VGP
4	U-21297	DTE Electric Company	Rate Case
5	U-15800	Commission's Own Motion	2023 Transfer Price
6	U-21389	Consumers Energy Company	Rate Case
7	U-21410	Consumers Energy Company	DR Recon
8	U-21374	Consumers Energy Company	VGP
9	U-21353	DTE Electric Company	RE Recon
10	U-21352	Consumers Energy Company	RE Recon
11	U-18091	DTE Electric Company	Avoided Cost Update
12	U-15800	Commission's Own Motion	2024 Transfer Price
13	U-21534	DTE Electric Company	Rate Case
14	U-21555	Upper Peninsula Power Co.	Rate Case
15	U-21482	DTE Electric Company	Interconnection Procedures
16	U-21260	DTE Electric Company	2023 PSCR Plan
17	U-21860	DTE Electric Company	Rate Case

QUALIFICATIONS OF CODY S. MATTHEWS
CASE NUMBER U-21906
PART II

1 Q. What is the purpose of your testimony?

2 A. The purpose of my testimony is to present the MPSC Staff's (Staff)
3 recommendations for Consumers Energy Company's (Consumers or the
4 Company) demand response (DR) incentive and surcharge.

5 Q. Are you sponsoring any exhibits in the proceeding?

6 A. Yes. I am sponsoring the following exhibits:

7 S-1.0 -Staff alternative calculation for DR incentive

8 Q. Were these exhibits prepared by you or under your supervision?

9 A. Yes.

10 Q. Is DR the most cost-effective solution to managing the Company's load?

11 A. Possibly. While the DR programs generally are less expensive than building
12 generation, the Company should evaluate all options when proposing alternative
13 capacity resources. This is done through the integrated resource plan (IRP)
14 process, which evaluates the costs of each resource and selects the most prudent
15 and cost-effective proposed course of action (PCA). Managing load is a standard
16 utility function and should be accomplished in the most cost-effective manner,
17 which may or may not be the most cost-intensive solution.

18 Q. In Staff's view, are the conditions that supported the original implementation of
19 the demand response incentive still relevant and applicable today?

20 A. No. When the initial incentive structure was established, the Company had a
21 much smaller demand response program. The initial incentive structure was
22 developed to incentivize the growth of the demand response programs, as Staff
23 recognized a potential cost savings for customers if the Company effectively

QUALIFICATIONS OF CODY S. MATTHEWS
CASE NUMBER U-21906
PART II

1 utilized DR. Since that time, the Company has grown its demand response
2 programs considerably. Additionally, DR is now selected in appropriate amounts
3 as a capacity resource in IRPs and therefore does not need to be incentivized to be
4 built. In the IRP filings, the Company's model is used to select the most
5 reasonable PCA. To adhere to its IRP, the Company is obligated to build and
6 procure at a minimum the amount of DR selected by its model.

7 Q. Does Staff believe that an incentive is necessary for the Company's demand
8 response program to properly function today?

9 A. No. As I pointed out, Staff supported the incentive at a time when the demand
10 response programs were still very small. Currently, Consumers has a much more
11 substantial DR portfolio than it did at that time, and DR levels are now being
12 decided as a part of an overall capacity portfolio in accordance with IRPs.
13 Through the IRP process, DR levels are selected as capacity resources by the
14 Company's modeling and included in the Company's PCA. That process has
15 identified DR as a cost-effective solution and determined the levels at which it
16 should therefore be acquired. As previously stated, management of load and
17 capacity is a standard utility function which the Company should be doing in the
18 most cost-effective way possible. The DR incentive, as it is currently
19 implemented, is simply a cost adder to the DR program levels that the Company
20 has already selected in its IRP. The Company notes on its website that it is
21 committed to reliable, affordable, and sustainable energy.¹ Because the DR

¹ <https://www.consumersenergy.com/about-us/who-we-are/reliable-energy>

QUALIFICATIONS OF CODY S. MATTHEWS
CASE NUMBER U-21906
PART II

1 incentive adds to the expense of the Company meeting the DR targets it selected
2 in its IRP, Staff recommends ending DR incentives. Adoption of this
3 recommendation would aid the Company in meeting its affordability goals by
4 reducing customer costs.

5 Q. What are Staff's concerns with the proposed methodology if a DR incentive were
6 approved?

7 A. If the Company is allowed to continue collecting a DR incentive, a shared savings
8 methodology is reasonable, but the proposed split between the customer and
9 Company incentive should be adjusted. Additionally, the proposed methodology
10 results in an incentive on all O&M spending, thus the Company's spending
11 remains a significant factor for the incentive. Given the current state of DR in
12 Michigan, Staff holds the position that any DR incentive the Company may be
13 awarded should be primarily based on the efficacy of its programs rather than the
14 amounts it spends on them.

15 Q. Please explain how Staff's concerns could be addressed.

16 A. Staff's concern with the methodology could be addressed by changing the
17 proportion of the split between the Company and its customers. In its filing, the
18 Company proposed a 50/50 split of the savings. While Staff agrees that a shared
19 savings mechanism is more appropriate, Staff also believes that a split that favors
20 customers would be more reasonable. Staff Exhibit S-2 uses the Company's
21 proposed model and changes the split from 50/50 to 25/75 in favor of customers.
22 Staff's concern with incentivizing all DR O&M spending could be addressed by
23 simply limiting the incentivized O&M spend to only that spending which results

QUALIFICATIONS OF CODY S. MATTHEWS
CASE NUMBER U-21906
PART II

1 in DR totals above the Company's IRP target. This would incentivize the
2 Company to achieve levels above its IRP target with cost-effective DR, which
3 Staff believes is more appropriate than incentivizing any and all DR O&M
4 spending.

5 Q. Has Staff calculated what the DR incentive amount would be using the 25/75
6 split?

7 A. Yes. Using the Company's calculation and changing the percent split, line 7
8 column (a), from 50% as proposed by the Company to 25%. This changes the
9 financial incentive to \$3,406,201 as shown in Exhibit S-1.0.

10 Q. Did Staff recalculate a surcharge based on its recommendations?

11 A. Not at this time. The surcharge is a simple calculation, and Staff does not take
12 issue with the Company's method of determining the surcharge.

13 Q. Does Staff have any other concerns with the surcharge?

14 A. No.

15 Q. Does this conclude your testimony?

16 A. Yes.

1 MR. TAYLOR: Thank you. Staff moves to bind in
2 the qualifications and direct testimony of Joshua A
3 Towslee, which consists of a cover page and six pages of
4 questions and answers. Witness Towslee did not sponsor
5 any exhibits.

6 MR. VARCHETTI: All right. Any objections from
7 the company regarding Mr. Towslee's testimony.

8 Hearing none. That it is bound into the record.

9 (At 9:04 a.m., direct testimony of Joshua A
10 Towslee bound in.)

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * *

In the matter of the application of)
CONSUMERS ENERGY COMPANY)
for the reconciliation of its 2024 demand)
response program costs)
_____)

Case No. U-21906

QUALIFICATIONS AND DIRECT TESTIMONY OF
JOSHUA S. TOWSLEE
MICHIGAN PUBLIC SERVICE COMMISSION

September 25, 2025

**QUALIFICATIONS OF JOSHUA S. TOWSLEE
CASE NUMBER U-21906
PART I**

1 Q. Please state your name and business address.

2 A. My name is Joshua S. Towslee (he/him/his). My business address is 7109 W.
3 Saginaw Hwy., Lansing, Michigan 48917.

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

5 A. I am employed by the Michigan Public Service Commission (MPSC or
6 Commission) as a Departmental Analyst in the Interconnection and Distributed
7 Energy Resources Section within the Energy Operations Division.

8 Q. Please describe your educational background.

9 A. I earned a Bachelor of Arts in Professional Communication from Siena Heights
10 University in 2019. Prior to that, I studied computer science on an engineering
11 track at Michigan State University.

12 Q. Please describe your professional background.

13 A. My employment at the MPSC began in 2017 as a Student Assistant in the
14 Strategic Operations Division. After graduating in 2019, I became a
15 Departmental Analyst in the Communications Section within the Strategic
16 Operations Division.

17 In 2021, I accepted a position as a Communications Manager at
18 Michigan State University, working jointly for the Institute for Water Research
19 and the College of Agriculture and Natural Science’s Department of Fisheries and
20 Wildlife.

21 In 2022, I returned to the MPSC as a Departmental Analyst in the
22 IDER Section. My current job duties include case coordination, analysis, and
23 internal project management for demand response (DR), interconnection, and

**QUALIFICATIONS OF JOSHUA S. TOWSLEE
CASE NUMBER U-21906
PART I**

1 distributed generation-related matters. I am currently serving as the Case
2 Coordinator for MPSC Staff in multiple DR reconciliation cases.

3 Q. Have you received any work-related training since starting your employment with
4 the MPSC?

5 A. Yes. I have attended several training sessions hosted by Michigan State
6 University’s Institute of Public Utilities, including Grid School and Ratemaking
7 Courses. I have also completed EUCI courses on Electricity and Electric Utilities.

8 Q. Have you previously testified before the Commission?

9 A. Yes, I have testified in the following cases:

10	<u>Case Number</u>	<u>Company</u>	<u>Case Type/Subject</u>
11	U-21403	DTE Electric Company	DR Reconciliation
12	U-21585	Consumers Energy	Electric Rate Case
13	U-21658	DTE Electric Company	DR Reconciliation
14	U-21809	Upper Peninsula Power Co.	IRP
15	U-21860	DTE Electric Company	Electric Rate Case

QUALIFICATIONS OF JOSHUA S. TOWSLEE
CASE NUMBER U-21906
PART II

1 Q. What is the purpose of your testimony?

2 A. The purpose of my testimony is to present the MPSC Staff’s (Staff) analysis and
3 recommendations regarding Consumers Energy Company’s (Consumers or the
4 Company) DR programs and suggested changes to the demand response
5 regulatory construct.

6 Q. Are you sponsoring any exhibits in the proceeding?

7 A. No.

8 Q. What are Staff’s recommendations regarding Consumers DR programs?

9 A. In 2024, two of the programs in the Company’s residential DR portfolio were the
10 Device Cycling Program (formerly referred to as Air Conditioning Peak Cycling,
11 or ACPC), in which Consumers installs switches on customers’ air conditioning
12 units, and the Smart Thermostat Program (STP), which is a bring your own device
13 program. These programs had enrollments of 56 and 53.9 megawatts (MW),
14 respectively. As described in Witness Gast’s testimony, the Company’s “DR
15 portfolio including the proposed performance incentive has a levelized cost of
16 \$82,255 per MW-year,” which is well below the stated cost of new entry (CONE)
17 value of \$127,135. However, the Device Cycling Program and STP were both
18 found to have levelized cost higher than CONE: \$193,761/MW-year for Device
19 Cycling and \$134,565/MW-year for STP.¹

20 Consumers determined Device Cycling to not be cost-effective and put
21 the program in maintenance mode, whereby new enrollments would be limited to

¹ Direct Testimony of Alex Gast, pp 5-6.

QUALIFICATIONS OF JOSHUA S. TOWSLEE
CASE NUMBER U-21906
PART II

1 customers moving into homes where the requisite equipment is already installed.²
2 Staff is encouraged by the Company's action to curtail programs that are not cost-
3 effective, but concerns remain about the costs associated with continuing to
4 operate this program for existing Device Cycling customers and any new
5 enrollments through the remaining pathway. Staff recommends the Company
6 either: (1) explore ways to bring the levelized costs of this program closer to
7 CONE and present these as proposed changes in its next DR filing; or (2) consider
8 closing the program entirely and transitioning the existing customers to a
9 different, more cost-effective program.

10 The Company is hoping to support the cost effectiveness of STP by
11 implementing offline device management measures which will allow Consumers
12 to, among other things, ensure that participation incentives are not awarded to
13 customers whose devices are offline during events.³ Staff recommends the
14 Company present in its next DR filing any cost reductions for STP attributable to
15 these measures. Additionally, if the device management alone is not enough to
16 bring the levelized cost to or below CONE, the Company should include
17 discussion about further improving the cost effectiveness of the program.

18 Q. What are the Company's suggestions regarding the DR regulatory construct?

19 A. The Company proposes consideration and approval of DR capital and O&M
20 spend be handled completely outside the rate case and moved to an annual
21 reconciliation filing which it envisions would operate as both a DR plan case and

² Direct Testimony of Emily McGraw, p 10.

³ Direct Testimony of Emily McGraw, p 17.

QUALIFICATIONS OF JOSHUA S. TOWSLEE
CASE NUMBER U-21906
PART II

1 a reconciliation, effective for the 2027 planning year. Under this framework,
2 Consumers would file in 2026 a DR case including its 2025 reconciliation and
3 2027 planned spend.⁴

4 Q. Does Staff support this suggestion?

5 A. While Staff is in favor of changes to the current DR framework, it should be noted
6 that this issue is currently under consideration in Case No. U-21637, wherein the
7 Commission seeks “to investigate opportunities for improving the process by
8 which it reviews applications filed under Section 6a.”⁵ Section 6a refers to
9 Section 6a of Public Act 3 of 1939 (MCL 460.6a), as amended, the statute that
10 governs the rate case process which the Commission was directed to review by
11 Public Act 231 of 2023. On July 10, 2025, the Commission issued an Order in
12 that case which requested additional comment on, among other things, a new DR
13 process. The deadline for those comments was September 10, 2025.⁶ Thus, Staff’s
14 opinion is that the Case No. U-21637 docket is a more appropriate venue for
15 discussion of changes to the DR process, and any consideration of the Company’s
16 suggested changes to the regulatory construct should be deferred pending the
17 Commission’s decision in that case.

18 Q. Does Staff have other recommendations regarding the Company’s DR programs
19 or suggested changes to the DR framework?

20 A. No.

21 Q. Please summarize your testimony.

⁴ Direct Testimony of Alex Gast, p 10.

⁵ May 23, 2024 Order in Case No. U-21637, p. 1.

⁶ July 10, 2025 Order in Case No. U-21637, p. 41.

**QUALIFICATIONS OF JOSHUA S. TOWSLEE
CASE NUMBER U-21906
PART II**

1 A. Staff recommends the Company propose in its next DR filing methods to reduce
2 the levelized cost of for the Device Cycling Program or consider closing it
3 entirely and transitioning its existing customer to another, more cost-effective
4 program. Staff also recommends Consumers include in its next DR filing any
5 reduction in levelized cost for the STP attributable to the offline device
6 management measures it plans to implement. Finally, Staff recommends any
7 decisions regarding changes to the DR regulatory framework defer to the
8 Commission’s decision(s) in Case No. U-21637.

9 Q. Does this conclude your testimony?

10 A. Yes.

1 MR. TAYLOR: Thank you, Your Honor. Staff moves
2 to bid in the qualifications and direct testimony of
3 Gretchen M Wagner, which consists of a cover page and 10
4 pages of questions and answers. Witness Wagner also
5 sponsored Exhibit S-2.0 through S-2.5 inclusive which
6 staff moves to admit.

7 MR. VARCHETTI: All right. Any objections from
8 the company regarding Ms. Wagner's testimony or the
9 associated exhibits?

10 I'm hearing none. So in that case, Ms. Wagner's
11 testimony is bound into the record. And exhibit S 2.1
12 through S-2.5 are admitted.

13 (At 9:05 a.m., direct testimony of Gretchen M
14 Wagner bound in.)

15 (At 9:05 a.m., Exhibit S-2.0 through S-2.5
16 admitted.)

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STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * *

In the matter of the application of)	
CONSUMERS ENERGY COMPANY)	
for reconciliation of its 2024 demand)	Case No. U-21906
response program costs.)	
_____)	

QUALIFICATIONS AND DIRECT TESTIMONY OF

GRETCHEN M. WAGNER

MICHIGAN PUBLIC SERVICE COMMISSION

September 25, 2025

QUALIFICATIONS OF GRETCHEN M. WAGNER
CASE NUMBER U-21906
PART I

1 Q. Please state your name and business address.

2 A. My name is Gretchen M. Wagner. My business address is 7109 West Saginaw
3 Hwy., Lansing, Michigan 48917.

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

5 A. I am employed by the Michigan Public Service Commission (MPSC or
6 Commission) as an Auditing Specialist in the Renewable Energy Section of the
7 Energy Resources Division.

8 Q. Please outline your educational background.

9 A. I earned a Bachelor of Arts Degree in Accounting from Michigan State University
10 in 2003 and a Master of Science Degree in Accounting, with a Concentration in
11 Taxation, from Michigan State University in 2004.

12 Q. Please describe your professional background.

13 A. I have been an Auditor for the Commission since February 2009. From 2009
14 until September 2018, I worked in the Act 304 Reconciliation Section. In
15 September 2018, I accepted the Utility Depreciation Auditor position in the Act
16 304 Reconciliation Section. In March 2020, I transferred to the Renewable
17 Energy Section that later moved to the Energy Operations Division and renamed
18 the Interconnection and DER Section. In February 2025, I transferred to the re-
19 established Renewable Energy Section. Prior to my employment with the
20 Commission, I was employed by Oakland University as an Internal Auditor, and
21 by Iannuzzi and Darling, LLC as a Field Auditor. While in school, I was
22 employed by Maner, Costerisan & Ellis, P.C. as a Tax Intern and also by Charles
23 K. Poor, C.P.A., P.C. as an Accountant.

QUALIFICATIONS OF GRETCHEN M. WAGNER
CASE NUMBER U-21906
PART I

1 Q. Have you received any work-related training since starting your employment with
2 the MPSC?

3 A. Yes. I have attended several programs hosted by the Institute of Public Utilities
4 (IPU) at Michigan State University, including the full two-week Annual
5 Regulatory Studies Program, the Advanced Regulatory Studies Program, the
6 Introduction to Public Utility Regulation and Ratemaking workshop, Grid School
7 and the Ratemaking Course. I have also attended various IPU Annual and
8 Advanced Regulatory Studies courses on a drop-in basis. I have attended the
9 EUCI Fundamentals of Utility Depreciation and Advanced Utility Depreciation
10 Courses. I have also attended numerous training sessions on rate case auditing,
11 ratemaking, and other regulatory issues.

12 Q. Have you obtained any certificates?

13 A. Yes. I obtained a Tier I Certificate of Continuing Regulatory Education in
14 December 2014 from the IPU Regulatory Research and Education Program.

15 Q. Briefly discuss your experience with the MPSC.

16 A. In my current position, I serve as the auditor for Renewable Energy Plan (REP)
17 related matters and Renewable Energy reconciliation (RE Recon) cases, Act 295
18 contract review cases, Voluntary Green Pricing (VGP) cases and various other
19 renewable energy-related issues. I also serve as the auditor for the Demand
20 Response (DR) reconciliations and previously for the Financial Compensation
21 Mechanism (FCM). I performed the above responsibilities while severing as the
22 auditor in the Interconnection and DER Section. In my previous position, I
23 served as the auditor and case coordinator for depreciation cases. The

**QUALIFICATIONS OF GRETCHEN M. WAGNER
CASE NUMBER U-21906
PART I**

1 responsibilities of this position included auditing depreciation rate calculation
 2 source data, performing depreciation rate calculations, and verifying and
 3 confirming depreciation rates used in general rate cases. I also continued to audit
 4 Act 304 reconciliation cases during this time. For the first nine years of my career
 5 at the MPSC, I served as the lead auditor, case coordinator, and/or performed
 6 audit work on numerous cases, including general rate cases and the following
 7 reconciliation cases: Power Supply Cost Recovery (PSCR), Gas Cost Recovery
 8 (GCR), Times Interest Earned Ratio (TIER), Uncollectible Expense True-up
 9 Mechanism (UETM), Enhanced Infrastructure Replacement Program (EIRP),
 10 Self-implementation Refund (SIR), and Choice Incentive Mechanism (CIM).

11 Q. Have you previously filed testimony before the MPSC?

12 A. Yes, I have filed testimony in the following cases:

<u>Case Number</u>	<u>Company</u>	<u>Case Type/Subject</u>
U-15452-R	SEMCO Energy Gas Co.-MPSC	GCR
U-15702-R	SEMCO Energy Gas Co.-MPSC	GCR
U-15981	Wisconsin Electric Power Co.	Rate Case (taxes)
U-16146-R	MichCon Gas Co.	GCR
U-16147-R	SEMCO Energy Gas Co.-MPSC	GCR
U-16427-R	Ontonagon	PSCR & TIER
U-16447	MichCon Gas Co.	SIR
U-16482-R	MichCon Gas Co.	GCR
U-16483-R	SEMCO Energy Gas Co.-MPSC	GCR
U-16484-R	SEMCO Energy Gas Co.-BC	GCR

QUALIFICATIONS OF GRETCHEN M. WAGNER
CASE NUMBER U-21906
PART I

1	<u>Case Number</u>	<u>Company</u>	<u>Case Type/Subject</u>
2	U-16830	Wisconsin Electric Power Co.	Rate Case (taxes)
3	U-16921-R	DTE Gas Company	GCR
4	U-16952	Detroit Edison Co.	CIM
5	U-16999	MichCon Gas Co.	Rate Case (Uncollectible Exp.)
6	U-17097-R	Detroit Edison Co.	PSCR
7	U-17131-R	DTE Gas Company	GCR
8	U-17332-R	DTE Gas Company	GCR
9	U-17680-R	DTE Electric Company	PSCR
10	U-17678-R	Consumers Energy Co.	PSCR
11	U-17918-R	Consumers Energy Co.	PSCR
12	U-17941-R	DTE Gas Company	GCR
13	U-20068	Consumers Energy Co.	PSCR
14	U-20076	DTE Gas Company	GCR
15	U-20202	Consumers Energy Co.	PSCR
16	U-20210	DTE Gas Company	GCR
17	U-20766	Consumers Energy Co.	DR
18	U-20793	DTE Electric Company	DR
19	U-20803	Consumers Energy Co.	PSCR (FCM)
20	U-21009	Consumers Energy Co.	RE Recon
21	U-21010	DTE Electric Company	RE Recon
22	U-21044	DTE Electric Company	DR
23	U-21049	Consumers Energy Co.	PSCR (FCM)

QUALIFICATIONS OF GRETCHEN M. WAGNER
CASE NUMBER U-21906
PART I

	<u>Case Number</u>	<u>Company</u>	<u>Case Type/Subject</u>
1			
2	U-21197	Consumers Energy Co.	RE Recon
3	U-21198	DTE Electric Company	RE Recon
4	U-21233	Consumers Energy Co.	DR
5	U-21242	DTE Electric Company	DR
6	U-21352	Consumers Energy Co.	RE Recon
7	U-21353	DTE Electric Company	RE Recon
8	U-21403	DTE Electric Company	DR
9	U-21410	Consumers Energy Co.	DR
10	U-21549	Consumers Energy Co.	RE Recon
11	U-21550	DTE Electric Company	RE Recon
12	U-21647	Consumers Energy Co.	DR
13	U-21658	DTE Electric Company	DR

**DIRECT TESTIMONY OF GRETCHEN M. WAGNER
CASE NUMBER U-21906
PART II**

1 Q. What is the purpose of your testimony?

2 A. The purpose of my testimony is to present the MPSC Staff’s (Staff) audit findings
3 for Consumers Energy Company’s (Consumers or the Company) Demand
4 Response (DR) reconciliation for the 12-month period, ending on December 31,
5 2024, related to the Company’s calculated approved and actual operating and
6 maintenance (O&M) expenses, and capital expenditures (Cap Ex) and the
7 approved and actual revenue requirement (RR) calculations.

8 Q. Are you sponsoring any exhibits in the proceeding?

9 A. Yes, I am sponsoring the following exhibits.

<u>Exhibit</u>	<u>Title</u>
10 S-2.0	Staff’s Reconciliation of Actual to Approved
11 S-2.1	Staff’s Capex Revenue Requirement Calculation
12 S-2.2	Audit Response to GMW-1, Question 2
13 S-2.3	Audit Response to GMW-1, Question 4
14 S-2.4	Audit Response to GMW-6, Question 1
15 S-2.5	Audit Response to GMW-6, Question 3

17 Q. What did Staff’s audit consist of?

18 A. Staff verified the mathematical accuracy of the Company exhibits and
19 workpapers used in the calculation of the revenue requirement under/(over)
20 recovery and performed analytical tests for reasonableness. Staff obtained
21 additional supporting documentation, as needed, from the Company, and
22 compared them to Consumer’s exhibits and workpapers, to verify the Company’s
23 supporting calculations and inputs. Staff reviewed two Commission rate case

DIRECT TESTIMONY OF GRETCHEN M. WAGNER
CASE NUMBER U-21906
PART II

1 orders and other associated documents in MPSC Case Nos. U-21224, and U-
2 21389, with orders dated January 19, 2003, and March 1, 2024, respectively, to
3 determine the approved operating and capital expenses. The actual expenses were
4 compared to the Company's general ledger accounts to determine that the
5 Company's exhibits and booked DR figures were consistent. Staff also reviewed
6 the Company's calculations of the revenue requirement of capital expenditures for
7 reasonableness and accuracy to the Company's supporting documentation. Staff
8 reviewed the Company's prior DR reconciliation case approved in the January 23,
9 2025 Order in MPSC Case No. U-21647, to obtain the Commission's ordered
10 disallowances and other requirements and to determine the impacts of the order
11 on the case at bar.

12 Q. Did Staff identify any inconsistencies or areas of concern while conducting its
13 audit?

14 A. Yes. In response to a Staff information request the Company indicated that they
15 had an input error in a workpaper. Staff noted that the Company included a
16 portion of the customer tariff credits twice. Staff also noted that the Company did
17 not include the ordered beginning balance. These adjustments and their
18 corresponding impacts are presented on Staff's exhibits and are discussed in more
19 detail below.

20 Q. Did Staff make any other adjustments to the Company's filed case?

21 A. Yes. Staff updated interest rates used by the Company in its interest calculation.
22 This adjustment and its corresponding impacts are presented on Staff's exhibits
23 and are discussed in more detail below.

DIRECT TESTIMONY OF GRETCHEN M. WAGNER
CASE NUMBER U-21906
PART II

1 Q. How does Staff's Exhibit S-2.1 differ from the Company's filed equivalent,
2 Exhibit A-4 (AMG-1)?

3 A. Staff's correction of the Company's keying error resulted in Staff's actual
4 residential Total Rate Base, on line 1 in column (e), of \$40,395,263, which is
5 \$4,123 more than the Company's. The Company indicated to Staff in its response
6 to audit request GMW-1, Question 2, Exhibit S-2.2, that it incorrectly included an
7 input to the cost of removal as a positive value instead of a negative value in a
8 workpaper, which increased total residential rate base. The increase in rate base
9 led to an increase in the calculated residential Return On Investment, on line 3 in
10 column (e), by \$298. The increase in the return on investment resulted in the
11 residential Total Capex Revenue Requirement of \$7,587,914, on line 5 of column
12 (e). The above also increased the actual totals for rate base, return on investment
13 and capex revenue requirement, in column (g). Staff's actual Total Capex
14 Revenue Requirement is \$8,671,123, on line 5 in column (g). This amount is also
15 shown on Exhibit S-2.0, line 10 in column (a). The calculated amounts for
16 residential and total on line 6, also updated as a result of the above changes.

17 Q. How does Staff's Exhibit S-2.0 differ from the Company's filed equivalent,
18 Exhibit A-1 (EMA-1)?

19 A. Staff reduced the Customer Tariff Credits on line 6 in column (a). The Company
20 indicated it inadvertently included \$225,103 of customer tariff credits from its
21 Energy Intensive Primary Rate (EIP) program twice in response to audit request
22 GMW-1, Question 4, Exhibit S-2.3. Staff's reduction resulted in its calculated
23 actual Customer Tariff Credits of \$10,604,049 on line 6 in column (a), which is

DIRECT TESTIMONY OF GRETCHEN M. WAGNER
CASE NUMBER U-21906
PART II

1 \$1,112,103 less than the approved amount as shown in column (c). The input
2 error discussed above also affected the actual Device Installations expense on line
3 7 in column (a), which increased actual Total Capital Expenses on line 9 to
4 \$5,100,968 and the variance in column (c) to \$2,404,438 less than the approved
5 amount. The Return, Depreciation and Personal Property Tax on line 10 of
6 column (a) is \$8,671,123 and is calculated on Exhibit S-2.1, as discussed above.
7 Staff's calculated amount on line 10 is the same amount as filed by the Company
8 on Exhibit A-1, page 1, line 10 in column (a), even though Staff's calculated
9 capex revenue requirement on Exhibit S-2.1 did not tie to the Company's filed
10 figure in Exhibit A-4, line 5 in column (g). Next, Staff included the over recovery
11 ordered in the Case No. U-21647 order of \$2,452,924, as its approved 2023
12 recovery amount on line 13. In response to audit request GMW-6, Question 1,
13 Exhibit S-2.4, the Company stated it inadvertently used its over recovery from its
14 supplemental filing in the 2023 reconciliation case instead of the ordered amount.
15 Staff updated the estimated interest rates used by the Company in its filing for the
16 months of April through July 2025, to use the actual interest rates acquired from
17 the Company in response to audit request GMW-6, Question 4, Exhibit S-2.5.
18 Staff also used the July 2025 rate as its estimated rate for the months of August
19 2025 through December 2026. Staff's use of the most recent actual interest rate
20 as its forecast rate for future months is the same method used by the Company in
21 the case at bar.

22 Q. What are the results of Staff's adjustments to Exhibit S-2.0?

DIRECT TESTIMONY OF GRETCHEN M. WAGNER
CASE NUMBER U-21906
PART II

1 A. The results of Staff's adjustments to Exhibit S-2.0 are a Total 2024 Over
2 Recovery (regulatory liability) of \$11,621,286, as reflected on lines 11 and 12.
3 This is calculated by totaling the variances in column (c) on line 5 of \$8,828,628,
4 on line 6 of \$1,112,103 and on line 11 of \$1,680,555. Staff's increase to the 2023
5 over recovery and the 2023 through 2026 interest, result in a total to include in the
6 surcharge of \$15,427,707, on line 15.

7 Q. What is Staff's recommendation?

8 A. Staff recommends the Commission approve Staff's calculated regulatory liability
9 totaling \$11,621,286, which incorporates Staff's proposed adjustments to the
10 customer tariff credits, capital spending and to the return, depreciation and
11 personal property tax calculations. Staff also recommends the Commission
12 approve Staff's calculated total to be included in the surcharge calculation of
13 \$15,427,707, which incorporates the regulatory liability, approved 2023 over
14 recovery and interest for 2023 through 2026.

15 Q. Does this conclude your testimony?

16 A. Yes, it does.

1 MR. TAYLOR: Yeah. And Your Honor, just a
2 clarification. I think it's 2.0 through 2.5.

3 MR. VARCHETTI: Certainly, 2.0 though 2.5.
4 Thank you for that clarification.

5 MR. TAYLOR: Thank you, Your Honor. And with
6 that, staff is concluded.

7 MR. VARCHETTI: All right. Excellent. In that
8 case, it appears that we have finished binding in the
9 evidence in this case. I've already filed the scheduling
10 memorandum that cancels tomorrow's scheduled hearing for
11 cross-examination, because it's no longer needed. I look
12 forward to reading your briefs and reply briefs in -- in
13 this matter, which are due on December 19 and January 6,
14 respectively. So thank you for appearing today. And that
15 includes this hearing we're now off the record and
16 adjourned.

17 (Off the record at 9:06 a.m.)
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1 STATE OF MICHIGAN)
 2)ss
 3 COUNTY OF OAKLAND)

CERTIFICATION

5 I certify that this transcript, consisting of 17
 6 pages, is a complete, true, and correct record of the Case
 7 U-21906 taken in this case on Tuesday, November 18, 2025.

8 I also certify that I am not a relative of,
 9 employee of, or an attorney for a party; nor am I
 10 financially interested in the action.

11 
 12 _____

13 Sara Yousif, CER 16328

14 Notary Public, Macomb County, Michigan

15 My Commission Expires: 09/06/30

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