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October 26, 2026

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

Re: *In the matter of the Application of DTE Electric Company for authority to increase its rates, amend its rate schedules and rules governing the distribution and supply of electric energy, and for miscellaneous accounting authority*
MPSC Case No. U-22046

Attached for filing in the above-referenced matter is MPSC Staff's Initial Brief, together with Proof of Service.

Subject to the Protective Order issued May 6, 2026, a Confidential version will be filed separately with the Executive Business Section of the MPSC.

Sincerely,

A handwritten signature in black ink, appearing to read "Nicholas Q. Taylor".

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Attachment

c: Parties of Record

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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

Case No. **U-22046**
(e-file paperless)

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**MICHIGAN PUBLIC SERVICE COMMISSION STAFF'S
INITIAL BRIEF**

**MICHIGAN PUBLIC SERVICE
COMMISSION STAFF**

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DATED: October 26, 2026

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I. Introduction and Summary

In its initial filing, DTE Electric Company (“DTE” or the “Company”) projects that it will experience a total electric revenue deficiency of \$474.345 million for the test year ending December 31, 2026, (Exhibit A-11, Schedule A1,) alternatively Staff projects that the Company’s total electric revenue deficiency will be \$251.541 million. (Appendix A.) The primary reasons for Staff’s lower projected revenue deficiency are Staff’s lower rate base, return on equity, return on Monroe regulatory assets, higher revenue, and lower operating expenses. This is highlighted as:

- i. DTE’s projected total requested rate base is \$25.868 billion, while Staff’s total projected rate base is \$25.509 billion—\$359.140 million less than the Company’s request. (Appendix B.) It is lower because Staff reduced the Company’s plant in service by \$332.030 million (including adjustments to distribution, demand side management, information technology, and corporate staff), increased the depreciation reserve (an offset to total utility plant) by \$18.108 million, and reduced working capital by \$45.218 million. (Appendix E.)
- ii. DTE’s proposed ROE is 10.25%. Staff’s recommended ROE is 9.90%. (Appendix D.) Staff’s lower ROE, compared to the Company’s request, reduces the Company’s projected revenue deficiency by about \$48.8 million. Staff’s recommended ROE differs from the Company’s by 35 basis points because Staff used several different ROE inputs.
- iii. DTE projects that its total company operating expenses will be \$4.892 billion, while Staff projects that it will be \$4.823 billion. Staff’s projection is \$69.778 million less than the Company projects. (Appendix C.) Staff’s proposed operating expenses are lower because Staff adjusted the Company’s Operation and Maintenance (O&M) expense by \$54.848 million to reduce, among other things, generation, distribution, corporate support, and pension and benefits expense. Additionally, Staff adjusted fuel and purchased power expense, depreciation and amortization expense, and property taxes.

Staff's proposed disallowances are justified and well supported, as demonstrated below and in Staff's testimony. Staff's recommendations strike the right balance between DTE's interests and its ratepayers' interests. Public utilities are entitled to a reasonable opportunity to earn a reasonable rate of return on their investments. *ABATE v Public Service Comm*, 430 Mich 33, 39 (1988).

Simultaneously, ratepayers are entitled to just and reasonable rates. The just-and-reasonable-rate doctrine is "aimed at navigating the straits between gouging utility customers and confiscating utility property." *Verizon Communications, Inc v FCC*, 535 US 467, 481 (2002). Staff's adjustments are well within these bounds.

Staff's objective is recommending "just and reasonable rates that are fair to both ratepayers and the company." MPSC Case No. U-15244, 12/23/08 Order, p 11. Although many of DTE's proposed cost increases are justified, many are not. In several instances, the Company has overreached by increasing its capital expenditure and operating-expense projections beyond reasonable expectations. In other instances, the Company has ignored Commission precedent and asked to recover expenses that it has requested before and been repeatedly denied. Staff's adjustments correct these excesses.

The Company has the burden to demonstrate that each of its requests is reasonable and prudent. MPSC Case No. U-21981, 10/15/2026 Order, p 4. The burden does not shift to Staff or any other party. *Id.* The Company has not justified a \$474.345 million rate increase. However, considering the significant

capital investments in its future, an increase appears warranted. Staff proposes a \$251.541 million rate increase and a 9.90% ROE, which gives the Company a reasonable opportunity to earn a fair rate of return while giving ratepayers access to safe and reliable energy at reasonable rates.

II. Revenue Deficiency

Staff initially projected a revenue deficiency of \$239.094 million, a revenue requirement decrease of \$235.251 million from the Company's originally filed revenue deficiency of \$474.345 million found on Exhibit A-11, Schedule A-1, Line 10. (2 TR 430.) The main factors driving Staff's overall adjustment are Staff's lower rate base, its higher net operating income, and its lower required rate of return. (*Id.*) In this brief, Staff has updated its case and now projects a revenue deficiency of \$251.541 million, a revenue requirement decrease of \$222.804 million from the Company's originally filed revenue deficiency of \$474.345 million. (Appendix A, Line 11.) A reconciliation of the updates Staff has made in this brief can be found in Appendix F, Lines 15–50.

The \$222.804 million difference between the Company's proposed total revenue deficiency of \$474.345 million and Staff's proposed total revenue deficiency of \$251.541 million is due to the following adjustments (revenue requirement impact in millions):

Rate Base	\$ (26.639)
Rate of Return	(79.835)
Revenue (net of fuel & purchased power)	(12.800)

O&M	(54.848)
Depreciation	(45.316)
Property Tax	(0.927)
Return on Monroe Reg. Asset	<u>(2.439)</u>
Total Staff adjustments (rev. req. impact)	\$(222.804)¹

III. Rate Base

“Rate base consists of the capital invested in utility plant, less accumulated depreciation [i.e., net plant], plus the utility’s working capital requirement.” MPSC Case No. U-16472, 10/20/2011 Order, p 5. In this case, rate base also includes net capital lease property, net nuclear fuel property, less: capital lease obligations.

A. Staff recommends a total rate base of \$25.509 billion.

Staff recommends a total rate base of \$28.509 billion, which is \$359.140 million less than the Company’s initial projection of \$25.868 billion. Staff’s net plant is \$313.922 million lower than the Company’s because Staff adjusted the Company’s: 1) distribution; 2) demand side management; 3) information technology; 4) and corporate staff capital expenditures. (Appendix E.) Staff’s capital expenditure adjustments are detailed in Section III.B. Staff also reduced working capital by \$45.218 million. (Appendix E.) Staff’s working capital adjustments are detailed in Section III.A.5.

¹ Appendix A, line 11; Calculations of impacts Appendix F, lines 1–14.

1. Staff recommends a net utility plant of \$23.754 billion.

The first component of rate base is net utility plant. Net utility plant consists of total utility plant minus accumulated depreciation and amortization. Staff's recommended total net utility plant is \$23.754 billion. (Appendix B, Line 8.) Staff's proposed net utility plant is \$313.922 million lower than the Company's net utility plant of \$24.068 billion because of a \$332.030 million reduction to plant in service, and an \$18.108 million increase to accumulated depreciation and amortization. (Appendix B, Lines 2–8, Column d; Appendix E, Line 91, Columns c, d, e.)

a. Staff recommends a total utility plant of \$31.457 billion.

The first component of net utility plant is total utility plant. (Appendix B, Line 6, Column e.) Staff recommends a total utility plant of \$31.457 billion, which is \$332.030 million less than the Company's initial projection of \$31.789 billion. (See Section III.B below and Appendix E for the capital expenditure adjustments.)

b. Staff recommends an accumulated depreciation and amortization reserve of \$7.703 billion.

The second component of net utility plant is the accumulated depreciation and amortization reserve. (Appendix B, Line 7, Column e.) Staff recommends accumulated depreciation of \$7.703 billion, which is \$18.108 million less than the company's initial projection of \$7.722 million. (Section III.A.1.b and Appendix E.)

2. Staff recommends net capital lease property of \$8.367 million.

The second component of rate base is net capital lease property. Staff recommends the Administrative Law Judge (ALJ) and the Commission adopt the Company's projection of \$8.367 million. (Appendix B, Line 9, Column e.)

3. Staff recommends net nuclear fuel property of \$248.876 million.

The third component of rate base is net nuclear fuel property. Staff recommends the ALJ and the Commission adopt the Company's net nuclear fuel property of \$248.876 million. (Appendix B, Line 11, Column e.)

4. Staff recommends capital lease obligations of \$8.831 million.

The fourth component of rate base is capital lease obligations. Staff recommends the ALJ and Commission adopt the Company's projection of \$8.831 million. (Appendix B, Line 13, Column e.)

5. Staff recommends a total working capital of \$1,506,882,000 (approximately \$1.507 billion).

The fifth component of rate base is working capital. The Company forecasted that its total working capital requirement for the projected test year will be \$1,552,100,000. (Exhibit A-12, Schedule B4, line 80, column c; Appendix B, line 15, column c.) Staff's working capital of \$1,506,882,000 (Appendix B, line 15, column e) is \$45.218 million less than the Company's because Staff adjusted other accounts

receivable account, regulatory asset – transportation electrification program, and regulatory asset – pension/OPEB deferrals.

a. Staff recommends a \$5,900,000 reduction to working capital—other accounts receivable.

[References in the record: Hecht, 2 TR 441–442, Exhibit S-2, Schedule B4, Exhibit S-16.2]

Staff recommends a \$5,900,000 reduction to other accounts receivable.

(Appendix E, line 93.)

Staff witness Hecht recommends a \$5,900,000 reduction to other accounts receivable. (2 TR 441–442.) The Company, in response to Staff, confirmed that the account Other Accounts Receivable has an embedded balance that is considered non-recoverable and non-utility related. (Exhibit S-16.2.) Based on the record evidence in this case, and the Company’s non-objection in rebuttal, Staff recommends the ALJ and the Commission reduce the projected test year working capital by \$5,900,000.

b. Staff recommends a \$403,000 reduction to working capital—regulatory asset – transportation electrification program.

[References in the record: Hecht, 2 TR 441, Exhibit S-2, Schedule B4, Freeman, 2 TR 909–910]

Staff recommends a \$403,000 reduction to regulatory asset – transportation electrification program. (Appendix E, line 94.)

Staff witness Freeman recommended a \$500,000 disallowance to the Company’s Emerging Technology Fund (ETF). (2 TR 909–910.) This also results in

a \$403,000 reduction to the Company's regulatory asset – transportation electrification projection. (2 TR 441.) Based on the record evidence in this case, Staff recommends the ALJ and Commission reduce projected test year working capital by \$403,000 if the ALJ and Commission adopt Staff witness Freeman's \$500,000 disallowance to the Company's Emerging Technology Fund.

c. Staff recommends a \$38,915,000 reduction to working capital—regulatory asset – pension/OPEB deferrals.

[References in the record: Hecht, 2 TR 442, Exhibit S-2, Schedule B4; Uzenski, 4 TR 4948–4950, Exhibit A-13, Schedules C5.12.1, C5.12.2 Revised]

Staff recommended a \$38,915,000 reduction to regulatory asset – pension/OPEB deferrals. (Appendix E, line 95.) Staff recommends reducing working capital by \$38,915,000, which is the net of the following adjustments: reduce regulatory asset –pension deferral by \$42,895,000, reduce regulatory liability-other post-employment benefits (OPEB) by \$17,813,000, increase regulatory liability-OPEB capitalized by \$24,445,000 and reduce regulatory liability-pension capitalized by \$10,612,000.

Staff witness Hecht recommended a net working capital reduction of \$38,915,000. These adjustments were the result of Company Witness Uzenski revising her testimony. (2 TR 442; 4 TR 4948–4950.) Based on the record evidence in this case, and the Company's non-objection in rebuttal, Staff recommends the ALJ and the Commission reduce the projected test year working capital by \$38,915,000.

B. Staff recommends several reductions to the Company's capital expenditures, along with some approvals.

As discussed above, Staff's total utility plant is \$332.030 million lower than the Company's because Staff adjusted the Company's: 1) distribution; 2) demand side management; 3) information technology; and 4) corporate staff capital expenditures. (Appendix E.) The adjustments are explained below.

1. The Commission should exclude \$368.538 million from DTE's projected distribution capital expenditures.

Staff recommends the removal of \$368.538 million in distribution capital expenditures, which reduces rate base by \$203.390 million. (Appendix E, Line 41, Columns b and e.) The specific exclusions are discussed in the following.

a. Staff recommends Base Capital Program – Connections and New Load capital expenditures should be reduced by \$48.757 million. (Appendix E, Line 3.)

[References in the record: Ufolla, 2 TR 485; Shi, 2 TR 535–538; Hill, 4 TR 4852, 4892–4897; Coppola, 4 TR 5391–5396; Exhibit A-12, Schedule B5; Exhibit A-48; Exhibit S-8.2; Exhibit S-8.3]

Staff recommends base capital program – connections and new load capital expenditures should be reduced by \$48.757 million, which reduces rate base by \$34.912 million. (Appendix E, line 3.)

Customer Connections and New Load expenditures include small load growth projects, customer connections, new business and incremental infrastructure to support electric vehicle (EV) adoption.

Company witness Hill explained:

Small Load Growth and Customer Connections include projects required to serve new load, address localized loading constraints, and connect customers to the electric system.

These projects typically require less than \$500,000 to complete, are less complex in nature, and are developed and executed locally by regional distribution service centers. Small Load Growth and Customer Connections projects are often customer requested and may include a customer contribution in aid of construction (“CIAC”), whereby customers pay an allocated portion of the cost based on load requirements and service needs. [4 TR 4852.]

Witness Hill further testified that:

New Business projects serve similar purposes—connecting customers, serving new load, or addressing local loading issues—but are larger in scale. These projects typically exceed \$500,000 in cost and require more extensive engineering and design to connect customers to the electric system. New Business projects are also generally customer requested and may include a CIAC component. [*Id.*]

DTE provided the historical and projected expenditures (Exhibit S-8.2 and Exhibit S-8.3), summarized follows:

Year	Expenditure (\$000)
2016	\$103,944
2017	\$132,483
2018	\$135,232
2019	\$142,504
2020	\$137,221
2021	\$184,832
2022	\$214,093
2023	\$214,753
2024	\$261,524
2025	\$290,825

2026	\$307,157
14 months bridge	\$360,682
Test year	\$323,727

[2 TR 535–536.]

DTE subsequently provided the updated year-to-date 2026 expenditure as of the end of May 2026 as \$94.310 million. (*Id.*)

Staff's concern is that DTE's projected bridge-period expenditure of \$360.682 million may not be supported by the Company's actual spending through the end of May 2026. Although Staff recognizes that Connection and New Load expenditures may fluctuate throughout the year and may not occur evenly from month to month, Staff must base its recommendation on the best information available. (2 TR 536–537.)

Accordingly, Staff initially annualized the Company's actual expenditures through May 2026 and applied the inflation factors supported by Staff witness Joe Ufolla, (2 TR 485,) to estimate expenditures for the bridge period and test year. Based on that analysis, Staff recommended disallowances of \$95.719 million for the bridge period and \$91.257 million for the test year. (2 TR 537.)

AG witness Sebastian Coppola testified on the same issues, recommending:

In total for the Customer Connections and New Load Growth programs, I recommend that the Commission remove \$113,973,000 for the bridge period and \$89,822,000 for the projected test year from the capital expenditures forecasted by the Company. [4 TR 5391–5396.]

Staff also acknowledged their willingness to revise its recommendation if the Company provided updated expenditure information demonstrating that higher expenditures were reasonably supported. (2 TR 536–537.)

In his rebuttal testimony, Company witness Hill challenged Staff's initial analysis, asserting that Staff annualized actual expenditures net of CIAC but compared the resulting forecast with the Company's gross expenditure forecast before deducting CIAC. Mr. Hill argued that Staff was therefore comparing net expenditures with gross expenditures; however, he also admitted that it could have resulted from a not so clear explanation from DTE as part of the discovery responses. (4 TR 4892–4897.)

Staff recognizes the importance of consistently accounting for CIAC when comparing actual expenditures with forecasted expenditures.

The Company's revised Exhibit A-12, B5.4, page 4, reproduced in Figure 2, (4 TR 4894,) provided revised forecasts, net of CIAC, of \$301.877 million for the bridge period and \$270.006 million for the test year.

Staff has updated its analysis using the revised forecasts and the Company's actual expenditures through August 2026, as reported in Exhibit A-48 RB-3 (YTD Actuals). Staff continues to apply the same forecasting methodology, updated to reflect the more recent actual expenditure information and the consistent treatment of CIAC.

According to Exhibit A-48 RB-3, the Company's actual expenditures, net of CIAC, for the first eight months of 2026 were as follows:

Program	Actual expenditures
Small Load Growth Projects:	\$27,393,132
Customer Connections:	\$103,643,300
New Business Projects:	\$27,653,595

Incremental Infrastructure: \$0

Total of Connection and New Load: \$158,690,027

Staff annualized these expenditures to estimate total expenditures for 2026:

$$\$158.69 \text{ million} \div 8 \times 12 = \$238.035 \text{ million}$$

Staff then applied an inflation factor of 2.37 percent (2 TR 485,) to estimate 2027 expenditures:

$$\$238.035 \text{ million} \times 1.0237 = \$243.676 \text{ million}$$

The bridge period consists of 12 months of projected 2026 expenditures and the first two months of projected 2027 expenditures.

The projected expenditure for the first two months of 2027 is:

$$\$243.676 \text{ million} \times 2 \div 12 = \$40.613 \text{ million}$$

Accordingly, Staff projects total bridge-period expenditures of:

$$\$238.035 \text{ million} + \$40.613 \text{ million} = \$278.648 \text{ million}$$

Based on the Company's revised bridge-period forecast of \$301.877 million, Staff recommends a bridge-period disallowance of \$23.229 million:

$$\$301.877 \text{ million} - \$278.648 \text{ million} = \$23.229 \text{ million.}$$

Staff applied the same inflation method with 1.97 percent for 2028's inflation rate (as supported in Staff witness Joe Ufolla's testimony), and the two months projected expenditure for 2028 are:

$$\$40.613 \text{ million} \times 1.0197 = \$41.413 \text{ million}$$

The projected expenditure for the remaining ten months of 2027 is:

$$\$243.676 \text{ million} \times 10 \div 12 = \$203.064 \text{ million}$$

Accordingly, Staff projects total test-year expenditures of:

$$\$41.413 \text{ million} + \$203.064 \text{ million} = \$244.477 \text{ million}$$

Based on the Company's revised test-year forecast of \$270.006 million, Staff recommends a test-year disallowance of \$25.529 million.

Therefore, Staff recommends a test-year disallowance of \$25.529 million, calculated as:

$$\$270.006 \text{ million} - \$244.477 \text{ million} = \$25.529 \text{ million}$$

b. Staff recommends Base Capital Program – Electric System Equipment capital expenditures should be reduced by \$19.768 million. (Appendix E, Line 4.)

[References in the record: Shi, 2 TR 539–541; Hill, 4 TR 4858–4859, 4898–4900; Exhibit S-8.3]

Staff recommends base capital program – electric system equipment capital expenditures should be reduced by \$19.768 million, which reduces rate base by \$14.610 million. (Appendix E, line 4.)

As Company witness Hill testified, the Company maintains an inventory of critical spare equipment to support both emergent replacements and planned projects. Maintaining this inventory enables the Company to perform repairs and replacements in a timely manner without relying on vendor delivery schedules. (4 TR 4858.) The reason that DTE needs to have this inventory is “[m]any of these assets have long manufacturing lead times, which have increased in recent years due to global supply chain disruptions and raw material constraints.” (*Id.*)

The Commission approved cost recovery of \$11.5 million for 2025 and \$11.8 million for 2026 in MPSC Case No. U-21860. However, this amount was about \$5.4

million less than originally requested by the Company, according to witness Hill. (4 TR 4858.)

DTE projected \$42.916 million for the bridge period and \$37.907 million for the test year; however, only \$11.575 million had been spent for 2026 at the end of May. (Exhibit S-8.3.)

Staff agreed that maintaining an adequate inventory of electric system equipment is necessary to support reliable operations and timely repairs. However, Staff is also concerned that rapid technological advancements may shorten the practical usefulness of certain equipment. (2 TR 539.) Newer and more advanced technologies are introduced regularly, and equipment that is considered advanced today may no longer represent the best available technology in the very near future. (*Id.*) For example, witness Hill stated that the Company's oldest electric meters are approximately 16 years old. Based on information from the Company's AMI vendor and industry benchmarks, electric meters generally have an expected service life of approximately 20 years. (4 TR 4859.)

Witness Hill further states that: "approximately 20 percent of the Company's meter population—roughly 450,000 AMI meters—are currently unable to receive vendor software updates and therefore do not operate under optimal conditions." (*Id.*)

These statements validate Staff's concern. Although the meters have not yet reached the end of their expected physical service life, approximately 20 percent can no longer receive software updates. This illustrates that technological obsolescence

may occur well before the end of an asset's expected service life. Therefore, Staff does not support the Company's proposed expenditure unless and until the Company is able to provide the following information:

1. A detailed list of all equipment that DTE has maintained in inventory during at least the past five years but that is no longer useful, serviceable, or otherwise has no remaining value, together with an explanation of why such equipment is no longer needed.

2. Detailed inventory information for each of the recent years, consistent with the Commission's recommendation in prior case No. U-21860, including inventory balances and any supporting documentation necessary to evaluate the Company's further purchase requirement.

3. Detailed information regarding the expenditures associated with the equipment DTE proposes to purchase during the bridge period and the test year. For each proposed purchase, DTE should identify the specific equipment to be purchased, the estimated cost, the purpose and intended use of the equipment, the need for the purchase, and the justification for including the expenditure in the bridge period and test year. [2 TR 540.]

Staff applied the same methodology used for Connections and New Load, using DTE's actual expenditures through the end of May 2026.

For the bridge period, Staff projects expenditures of \$32.520 million, calculated as (2 TR 540):

$$\begin{aligned} & \$11.575 \text{ million} \div 5 \times 12 + \$11.575 \text{ million} \div 5 \times 2 \times 1.0237 = \\ & \$32.520 \text{ million} \end{aligned}$$

Accordingly, Staff recommends a bridge-period disallowance of \$10.393 million, calculated as (*Id.*):

$$\$42.913 \text{ million} - \$32.520 \text{ million} = \$10.393 \text{ million}$$

For the test year, Staff projects expenditures of \$28.532 million, calculated as (2 TR 541):

$$\begin{aligned} & \$11.575 \text{ million} \div 5 \times 10 \times 1.0237 + \$11.575 \text{ million} \div 5 \times 2 \times 1.0237 \times \\ & 1.0197 = \$28.532 \text{ million} \end{aligned}$$

Accordingly, Staff recommends a test-year disallowance of \$9.375 million, calculated as (*Id.*):

$$\$37.907 \text{ million} - \$28.532 \text{ million} = \$9.375 \text{ million}$$

In its rebuttal testimony, Company witness Hill disagreed with Staff's recommendation, stating that implementing the proposed information requirements would require a significant data-collection and reporting effort without demonstrating how the requested level of detail would materially improve the evaluation of the Company's forecast. (4 TR 4898–4900.) Staff respectfully disagrees with the Company's position.

Staff recognizes that maintaining an adequate inventory of critical electric system equipment is necessary to support reliable operations and timely repairs. However, the Company must also demonstrate that its projected purchases are reasonable and necessary to meet its operational needs. Without a clear understanding of the equipment currently held in inventory, the equipment purchased and used in prior years, and the equipment that may become obsolete or otherwise unusable, it is difficult to determine whether additional purchases are justified.

Specifically, the Company cannot accurately forecast its future procurement requirements without first establishing what equipment it currently has, what equipment it expects to need, and what equipment may become obsolete or unusable. Furthermore, without this information, the Company cannot fully

determine the appropriate quantities of new equipment required to replace outdated equipment while avoiding unnecessary or duplicative purchases

Staff acknowledges that establishing a comprehensive database for Electric System Equipment inventory may require a substantial initial effort. Nevertheless, developing such a database would be a worthwhile and necessary first step toward improving inventory management, procurement planning, and cost forecasting. A comprehensive inventory database would allow the Company to track existing equipment, identify equipment approaching the end of its useful or technological life, evaluate replacement requirements, and better support its projected expenditures.

Such information would benefit not only ratepayers, by providing greater transparency and accountability regarding the costs included in rates, but also the Company itself, by improving its ability to manage inventory, anticipate equipment replacement needs, and make informed procurement decisions.

Staff's recommendation is not intended to impose unnecessary reporting requirements on the Company. Rather, it is intended to establish a reasonable evidentiary basis for evaluating the necessity and reasonableness of the Company's proposed expenditures. Given the potential for technological obsolescence before the end of an asset's physical service life, as illustrated by the Company's own testimony regarding its advanced metering infrastructure, a systematic inventory tracking process is particularly important.

Accordingly, Staff maintains its original position and recommends disallowances of \$10.393 million for the bridge period and \$9.375 million for the test year, based on Staff's expenditure projections. (2 TR 541.) Staff remains willing to work collaboratively with DTE to identify its actual equipment inventory, assess future procurement and replacement requirements, and develop a practical approach to improving inventory documentation and forecasting in this area.

Staff ultimately recommends the Commission adopt the following disallowances (*Id.*):

Program	Bridge Period	Test Year
Connections and New Load	\$23.229 million	\$25.529 million
Electric System Equipment	\$10.393 million	\$9.375 million

- c. Staff recommends Strategic Capital Program – Pole and Pole Top Maintenance and Modernization (part of IRM) capital expenditures should be reduced by \$107.300 million. (Appendix E, Line 7.)**

[References in the record: Gerken, 2 TR 595–597; Chiu, 4 TR 4362–4363]

Staff recommends strategic capital program – pole and pole top maintenance and modernization capital expenditures should be reduced by \$107.300 million, which reduces baser rate by \$57.880 million. (Appendix E, line 7.)

To align with Staff's recommended IRM capital levels for 2027 and 2028 Staff witness Gerken in direct testimony supported a reduction to the Company's projected Pole and Pole Top Maintenance and Modernization capital expenditures of \$10,567,000 for the two months ending February 28, 2027 of the bridge period and

\$115,633,000 for the test year ending February 29, 2028 because these expenditures would be recovered through an IRM surcharge rather than base rates. 2 TR 595-597

In rebuttal, Company witness Chiu disagreed with Staff's treatment of 2028 IRM investments, stating Staff's base rate recommendation does not fully reflect the difference between the Company's proposed alternative IRM investment levels and Staff's recommended levels. (4 TR 4362–4363.)

Staff agrees with witness Chiu on this point and, with this brief, updates its recommendation for the test year expenditure reduction from \$115,633,000 to \$96,733,000.

Thus, Staff now recommends a reduction to the Company's projected Pole and Pole Top Maintenance and Modernization capital expenditures of \$10,567,000 for the two months ending February 28, 2027 of the bridge period and \$96,733,000 for the test year ending February 29, 2028 should the Commission approve an IRM at Staff's recommend levels.

d. Staff recommends Strategic Capital Program – Breaker Replacement Program (part of IRM) capital expenditures should be reduced by \$2.499 million. (Appendix E, Line 8.)

[References in the record: Gerken, 2 TR 595–597; Chiu, 4 TR 4362–4363]

Staff recommends strategic capital program – Resilience and Hardening – Breaker Replacement Program capital expenditures should be reduced by \$2.499 million, which reduces rate base by \$1.228 million. (Appendix E, line 8.)

To align with Staff's recommended IRM capital levels for 2027 and 2028 Staff witness Gerken in direct testimony supported a reduction to the Company's projected Breaker Replacement program capital expenditures of \$3,333,000 for the test year ending February 29, 2028 because these expenditures would be recovered through an IRM surcharge rather than base rates. (2 TR 595–597.)

In rebuttal, witness Chiu disagreed with Staff's treatment of 2028 IRM investments, stating Staff's base rate recommendation does not fully reflect the difference between the Company's proposed alternative IRM investment levels and Staff's recommend levels. 4 TR 4362-4363

Staff agrees with witness Chiu on this point and with this brief updates its recommendation for the test year expenditure reduction from \$3,333,000 to \$2,499,000.

Thus, Staff now recommends a reduction to the Company's projected Breaker Replacement program capital expenditures of \$2,499,000 for the test year ending February 29, 2028 should the Commission approve an IRM at Staff's recommend levels.

- e. **Staff recommends Strategic Capital Program – URD Replacement Program (part of IRM) capital expenditures should be reduced by \$2.499 million. (Appendix E, Line 9.)**

[References in the record: Gerken, 2 TR 595–597; Chiu, 4 TR 4362–4363]

Staff recommends strategic capital program – Resilience and Hardening – URD Replacement Program capital expenditures should be reduced by \$2.499 million, which reduces base rate by \$1.228 million. (Appendix E, line 9.)

To align with Staff's recommended IRM capital levels for 2027 and 2028 Staff witness Gerken in direct testimony supported a reduction to the Company's projected UHD Replacement program capital expenditures of \$3,333,000 for the test year ending February 29, 2028 because these expenditures would be recovered through an IRM surcharge rather than base rates. (2 TR 595-597.)

In rebuttal, witness Chiu disagreed with Staff's treatment of 2028 IRM investments, stating Staff's base rate recommendation does not fully reflect the difference between the Company's proposed alternative IRM investment levels and Staff's recommend levels. (4 TR 4362–4363.)

Staff agrees with witness Chiu on this point and with this brief updates its recommendation for the test year expenditure reduction from \$3,333,000 to \$2,499,000.

Thus, Staff now recommends a reduction to the Company's projected UHD Replacement program capital expenditures of \$2,499,000 for the test year ending February 29, 2028 should the Commission approve an IRM at Staff's recommend levels.

- f. Staff recommends Strategic Capital Program – 4.8kv CC: Calla Circuit Conversion capital expenditures should be reduced by \$1.500 million. (Appendix E, Line 11.)**

[References in the record: Durfee, 2 TR 767–778; Stowe, 4 TR 3797, 3802–3803, 3829–3830; Stephens, 4 TR 5596–5598]

Staff recommends strategic capital program – redesign and modernization - 4.8kv CC: Calla Circuit Conversion capital expenditures should be reduced by \$1.500 million, which reduces rate base by \$1.168 million. (Appendix E, line 11.) Due to the overlapping rationales, this recommended disallowance will be addressed with ten other strategic capital program disallowances below. (See Section III.B.1.p.)

- g. Staff recommends Strategic Capital Program – 4.8kv CC: I-94 Substation and Circuit Conversion capital expenditures should be reduced by \$2.140 million. (Appendix E, Line 12.)**

[References in the record: Durfee, 2 TR 767–778; Stowe, 4 TR 3797, 3802–3803, 3829–3830; Stephens, 4 TR 5596–5598]

Staff recommends strategic capital program – redesign and modernization - 4.8kv CC: Substation and Circuit Conversion capital expenditures should be reduced by \$2.140 million, which reduces rate base by \$1.891 million. (Appendix E, line 12.) Due to the overlapping rationales, this recommended disallowance will be addressed with ten other strategic capital program disallowances below. (See Section III.B.1.p.)

- h. Staff recommends Strategic Capital Program – 4.8kv CC: New Baltimore capital expenditures should be reduced by \$5.278 million. (Appendix E, Line 13.)**

[References in the record: Durfee, 2 TR 767–778; Stowe, 4 TR 3797, 3802–3803, 3829–3830; Stephens, 4 TR 5596–5598]

Staff recommends strategic capital program – redesign and modernization - 4.8kv CC: New Baltimore capital expenditures should be reduced by \$5.278 million, which reduces rate base by \$0.562 million. (Appendix E, line 13.) Due to the overlapping rationales, this recommended disallowance will be addressed with ten other strategic capital program disallowances below. (See Section III.B.1.p.)

- i. Staff recommends Strategic Capital Program – CODI: Kent/Gibson Conversion Phase 1 capital expenditures should be reduced by \$5.540 million. (Appendix E, Line 14.)**

[References in the record: Durfee, 2 TR 767–778; Stowe, 4 TR 3797, 3802–3803, 3829–3830; Stephens, 4 TR 5596–5598]

Staff recommends strategic capital program – redesign and modernization - CODI: Kent/Gibson Conversion Phase 1 capital expenditures should be reduced by \$5.540 million, which reduces rate base by \$4.411 million. (Appendix E, line 14.) Due to the overlapping rationales, this recommended disallowance will be addressed with ten other strategic capital program disallowances below. (See Section III.B.1.p.)

- j. **Staff recommends Strategic Capital Program – System Loading: Cody capital expenditures should be reduced by \$847 thousand. (Appendix E, Line 15.)**

[References in the record: Durfee, 2 TR 767–778; Stowe, 4 TR 3797, 3802–3803, 3829–3830; Stephens, 4 TR 5596–5598]

Staff recommends strategic capital program – redesign and modernization – System Loading: Cody capital expenditures should be reduced by \$847 thousand, which reduces rate base by \$101 thousand. (Appendix E, line 15.) Due to the overlapping rationales, this recommended disallowance will be addressed with ten other strategic capital program disallowances below. (See Section III.B.1.p.)

- k. **Staff recommends Strategic Capital Program – System Loading: Goodison capital expenditures should be reduced by \$1.773 million. (Appendix E, Line 16.)**

[References in the record: Durfee, 2 TR 767–778; Stowe, 4 TR 3797, 3802–3803, 3829–3830; Stephens, 4 TR 5596–5598]

Staff recommends strategic capital program – redesign and modernization – System Loading: Goodison capital expenditures should be reduced by \$1.773 million, which reduces rate base by \$167 thousand. (Appendix E, line 16.) Due to the overlapping rationales, this recommended disallowance will be addressed with ten other strategic capital program disallowances below. (See Section III.B.1.p.)

- l. Staff recommends Strategic Capital Program – System Loading: Mohican capital expenditures should be reduced by \$50 thousand. (Appendix E, Line 17.)**

[References in the record: Durfee, 2 TR 767–778; Stowe, 4 TR 3797, 3802–3803, 3829–3830; Stephens, 4 TR 5596–5598]

Staff recommends strategic capital program – redesign and modernization – System Loading: Mohican capital expenditures should be reduced by \$50 thousand, which reduces rate base by \$48 thousand. (Appendix E, line 17.) Due to the overlapping rationales, this recommended disallowance will be addressed with ten other strategic capital program disallowances below. (See Section III.B.1.p.)

- m. Staff recommends Strategic Capital Program – System Loading: Richmond/Armada capital expenditures should be reduced by \$893 thousand. (Appendix E, Line 18.)**

[References in the record: Durfee, 2 TR 767–778; Stowe, 4 TR 3797, 3802–3803, 3829–3830; Stephens, 4 TR 5596–5598]

Staff recommends strategic capital program – redesign and modernization – System Loading: Richmond/Armada capital expenditures should be reduced by \$893 thousand, which reduces rate base by \$80 thousand. (Appendix E, line 18.) Due to the overlapping rationales, this recommended disallowance will be addressed with ten other strategic capital program disallowances below. (See Section III.B.1.p.)

- n. Staff recommends Strategic Capital Program – System Loading: Spokane/Seneca capital expenditures should be reduced by \$1.243 million. (Appendix E, Line 19.)**

[References in the record: Durfee, 2 TR 767–778; Stowe, 4 TR 3797, 3802–3803, 3829–3830; Stephens, 4 TR 5596–5598]

Staff recommends strategic capital program – redesign and modernization – System Loading: Spokane/Seneca capital expenditures should be reduced by \$1.243 million, which reduces rate base by \$118 thousand. (Appendix E, line 19.) Due to the overlapping rationales, this recommended disallowance will be addressed with ten other strategic capital program disallowances below. (See Section III.B.1.p.)

- o. Staff recommends Strategic Capital Program – Substation Redesign & Rebuild: Dunn Station capital expenditures should be reduced by \$300 thousand. (Appendix E, Line 20.)**

[References in the record: Durfee, 2 TR 767–778; Stowe, 4 TR 3797, 3802–3803, 3829–3830; Stephens, 4 TR 5596–5598]

Staff recommends strategic capital program – redesign and modernization – Substation Redesign & Rebuild: Dunn Station capital expenditures should be reduced by \$300 thousand, which reduces rate base by \$249 thousand. (Appendix E, line 20.) Due to the overlapping rationales, this recommended disallowance will be addressed with ten other strategic capital program disallowances below. (See Section III.B.1.p.)

- p. Staff recommends Strategic Capital Program – Substation Redesign & Rebuild: Trunk 3509 capital expenditures should be reduced by \$360 thousand. (Appendix E, Line 21.)**

[References in the record: Durfee, 2 TR 767–778; Stowe, 4 TR 3797, 3802–3803, 3829–3830; Stephens, 4 TR 5596–5598]

Staff recommends strategic capital program – redesign and modernization – Substation Redesign & Rebuild: Trunk 3509 capital expenditures should be reduced by \$360 thousand, which reduces rate base by \$345 thousand. (Appendix E, line 21.)

Staff recommended all 11 of these disallowances to the 4.8 kV CC: Calla Circuit Conversion and Phase 2, 4.8 kV CC: I-94 Substation & Circuit Conversion (Promenade) System Conduit, 4.8 kV CC: New Baltimore, CODI: Kent/Gibson Conversion Phase 1, System Loading: Cody, System Loading: Goodison, System Loading: Mohican, System Loading: Richmond/Armada, System Loading: Spokane/Seneca, Subtransmission Redesign & Rebuild: DUNN Station, and Subtransmission Redesign & Rebuild: Trunk 3509 based on the Company-provided year-to-date spend in those projects being only fraction of the projected spend for 2026, showing it is highly unlikely that the projected spending will occur. (2 TR 767–778.)

Company witness Stowe rebutted Staff, stating that the Company’s updated second supplemental discovery response, submitted August 3, 2026, was not used in the calculations. (4 TR 3797.)

Company witness Stowe further rebutted Staff, stating that a simple monthly levelized evaluation of project expenditures is not the correct approach as it

disregards real world construction and project management; however, if such an evaluation is used, then the June 2026 YTD actual expenditures from discovery response STDE-6.1(S2) demonstrate that the Company had invested nearly 50% of its total 2026 capital request through June. (*Id.*)

Witness Stowe also rebutted Staff in stating that the average actual monthly expenditures for the 4.8 kV CC: I-94 Substation and Circuit Conversion (Promenade) - System Conduit, 4.8 kV CC: New Baltimore, System Loading: Goodison, System Loading: Richmond/Armada, and System Loading: Spokane/Seneca increased for the June–July period. This demonstrates that individual project expenditures can increase substantially over a relatively short period. (4 TR 3802–3803.)

In addition, specifically with respect to Staff’s proposed Circuit Conversions Projects disallowance, AG & MEC witness Stephens stated that the Commission should reduce the test year capital spending by the amount equal to the total of the 30 circuit conversion projects for which DTE failed to provide adequate support. (4 TR 5596–5598.)

Witness Stowe rebuts AG & MEC witness Stephens’ recommendation, stating that Witness Stephens’s testimony and exhibits do not meaningfully evaluate the project-specific evidence supporting those investments and instead applies one set of generalized arguments to nearly every project. (4 TR 3829–3830.)

The Commission should approve Staff’s disallowances to the 4.8 kV CC: Calla Circuit Conversion and Phase 2, 4.8 kV CC: I-94 Substation & Circuit Conversion

(Promenade) System Conduit, 4.8 kV CC: New Baltimore, CODI: Kent/Gibson Conversion Phase 1, System Loading: Cody, System Loading: Goodison, System Loading: Mohican, System Loading: Richmond/Armada, System Loading: Spokane/Seneca, Subtransmission Redesign & Rebuild: DUNN Station, and Subtransmission Redesign & Rebuild: Trunk 3509 projects. Considering the Company's data on year-to-date spend up to July of 2026, the actual spend is still below where it should be in order to reach the Company's projected spending despite the arguments raised by witness Stowe.

- q. Staff recommends Strategic Capital Program – Distribution Automation (part of IRM) capital expenditures should be reduced by \$116.667 million. (Appendix E, Line 23.)**

[References in the record: Gerken, 2 TR 595–597; Chiu, 4 TR 4362–4363]

Staff recommends strategic capital program – technology and automation – Distribution Automation capital expenditures should be reduced by \$116.667 million, which reduces base rate by \$65.250 million. (Appendix E, line 23.)

To align with Staff's recommended IRM capital levels for 2027 and 2028 Staff witness Gerken in direct testimony supported a reduction to the Company's projected Distribution Automation capital expenditures of \$16,667,000 for the two months ending February 28, 2027 of the bridge period and \$106,667,000 for the test year ending February 29, 2028 because these expenditures would be recovered through an IRM surcharge rather than base rates. (2 TR 595–597.)

In rebuttal, witness Chiu disagreed with Staff's treatment of 2028 IRM investments, stating Staff's base rate recommendation does not fully reflect the

difference between the Company's proposed alternative IRM investment levels and Staff's recommend levels. (4 TR 4362–4363.)

Staff agrees with witness Chiu on this point and, with this brief, updates its recommendation for the test year expenditure reduction from \$106,667,000 to \$100,000,000.

Thus, Staff now recommends a reduction to the Company's projected Distribution Automation capital expenditures of \$16,667,000 for the two months ending February 28, 2027 of the bridge period and \$100,000,000 for the test year ending February 29, 2028 should the Commission approve an IRM at Staff's recommend levels.

r. Staff recommends Strategic Capital Program – DER Integration capital expenditures should be reduced by \$11.092 million. (Appendix E, Line 24.)

[References in the record: Matthews 2 TR 735–741; Rademacher 4 TR 4224–4228]

Staff recommends strategic capital program – technology and automation – DER Integration capital expenditures should be reduced by \$11.092 million, which reduces rate base by \$8.340 million. (Appendix E, line 24.) Staff addresses both its DER integration and control disallowances in this single section because of the overlap in the topics and Staff's recommended disallowances for both.

The ALJ and Commission should disallow the Company's DER integration and control program expenses because the Company has failed to justify the proposed level of investment in these programs. Staff witness Matthews summarized Staff's recommendation regarding DTE's proposed DER integration

and DER control programs (DER I/C), recommending full disallowance of each program. (2 TR 741.) In that summary, Staff witness Matthews explained that DTE's DER I/C programs are intended to establish the communications, interoperability, and field-control capabilities necessary to connect and manage distributed energy resources. (2 TR 736.) Staff clarified that its understanding of the two programs was that the DER Control program acted primarily as the field hardware used to gather and transmit data and manage DER operations, while DER Integration provided the supporting communications, information technology, and interoperability framework. (*Id.*)

Staff witness Matthews further explained that Staff does not view DERMS as simply another component of DER I/C. Rather, DERMS is understood to be the software and control platform that would utilize the capabilities established through DER I/C to coordinate and manage DER resources at a higher level. Accordingly, DER I/C serve as enabling infrastructure for a future DERMS platform. (2 TR 735.)

While Staff recognizes that DER I/C may serve as an enabling infrastructure for a DERMS platform, Staff notes that the DER I/C programs may provide value through its ability to support programs without the need of a DERMS platform. (*Id.*) While Staff acknowledges the potential value these programs have outside of their use in a DERMS system, Staff does not support DTE's proposed recovery of DER I/C expenditures at this time because DTE has not demonstrated sufficient standalone uses or customer benefits to justify the proposed level of investment. (2

TR 737.) Staff's Exhibit S-19.1 shows some of the Company's use cases of the DER I/C programs, however, the use cases described in that exhibit appear to be designed from the utility's operational perspective to exercise control and provide visibility into DER operations only, rather than from a customer-value perspective. Staff also noted that the Company has not provided a sufficiently detailed plan demonstrating how the DER I/C investments would be used in conjunction with a DERMS platform. (2 TR 737.)

Because Staff witness Johnathon Higgins is recommending disallowance of DTE's proposed DERMS investment and, as previously mentioned, the Company has not demonstrated sufficient standalone benefits for DER I/C, Staff argues that the associated expenditures have not been shown to be reasonable and prudent at this time. (2 TR 739.) Therefore, Staff recommends full disallowance of the proposed DER I/C spending, including \$6.242 million for DER Integration and \$338,000 for DER Control during the bridge period, and \$4.85 million for DER Integration and \$290,000 for DER Control during the test period. (2 TR 741.)

Because there is no apparent plan for the utilization of the DER I/C or DERMS platforms outside of the very basic use case described by the Company, Staff recommended that the Commission require DTE to provide a more thorough business case before seeking recovery of these expenditures. (*Id.*) The business case should identify the specific functionality to be deployed, the programs that functionality would enable, additional investments that would be required, and the expected benefits to customers and the distribution system. (*Id.*) Staff also

recommends measurable objectives that would allow the Commission to evaluate whether the investments produce the benefits used to justify them. (2 TR 742.)

In rebuttal testimony, Company witness Rademacher disagreed with Staff's assessment that the business case for the DER I/C programs was lacking, stating, "the Company provided its DERMS justification, roadmap, and phased implementation approach in the 2026 Distribution System Plan." (4 TR 4224.) Witness Rademacher also noted that the distribution plan addresses the three concerns identified by the Commission. (*Id.*)

Staff does not dispute the fact that the Company has laid out a roadmap for its DERMS implementation as described by the Company, however Staff avers that the provided roadmap does not describe any of the actual project details, implementation requirements, planned customer or utility use cases or how the Company will spend any money it is approved to implement these programs. While the Company did provide what can be called a roadmap, it simply does not provide the level of detail that would be required for Staff to be comfortable recommending approval of this level of spending at this time.

Witness Rademacher also responded to Staff's recommendation regarding this disallowance of the DER I/C programs noting that recommendations are based on an assumed relationship between the programs in question and disallowances related to DERMS. (4 TR 4228.) Witness Rademacher also noted that Staff witness Matthews did not identify an independent deficiency specific to the three programs or the Company's support for those programs. (*Id.*) Witness Rademacher contended

that each investment stands alone, providing value regardless of whether DERMS is implemented. (*Id.*)

Staff disagrees with witness Rademacher's assessment of Staff's position in that Staff acknowledges the potential independent value these programs can provide. However, the Company has not shown or described any of those use cases in its filing. (2 TR 737.) When asked about the DER I/C program the Company laid out some of the use cases for the programs as shown in Staff's Exhibit S-19.1. Staff emphasizes that while there are use cases for these programs, the Company has not demonstrated that it will utilize any of the functionality or use cases outside of simply gathering data. Based on this, the Company has failed to justify its proposed level of expenditures in these programs at this time, and Staff recommends the Commission disallow those amounts.

s. Staff recommends Strategic Capital Program – DER Control capital expenditures should be reduced by \$628 thousand. (Appendix E, Line 25.)

[References in the record: Matthews 2 TR 735–741; Rademacher 4 TR 4224–4228]

Staff recommends strategic capital program – technology and automation – DER Control capital expenditures should be reduced by \$628 thousand, which reduces rate base by \$465 thousand. (Appendix E, line 25.)

For the reasons in the preceding section, which Staff incorporates here by reference, the Commission should adopt Staff's recommended \$628,000 disallowance for Strategic Capital Program – DER Control capital expenditures.

- t. **Staff recommends Strategic Capital Program – Image Acquisitions Platforms capital expenditures should be reduced by \$4.556 million. (Appendix E, Line 26.)**

[References in the record: Boutet 2 TR 715–718; Evans 2 TR 649; Rademacher 4 TR 4108–4109, 4 TR 4250–4253, 4 TR 4255–4256; Exhibit A-12 Schedule B5.4 p 13 l. 15; Exhibit S-18.4 p 1]

Staff recommends strategic capital program – technology and automation – Image Acquisitions Platforms capital expenditures should be reduced by \$4.556 million. (Appendix E, line 26.)

Company witness Rademacher provided support for the Image Acquisition Platforms program, for which the Company requested \$599,000 in the 2-month bridge period, and \$3,957,000 in the test year. (Exhibit A-12 B5.4, p 13.)

Staff recommended a complete disallowance of this program, suggesting that this program among others appears to be a candidate for deferral when considering affordability concerns and the conclusion from the Liberty Consulting Group (“Liberty”) audit that suggests the Company’s proposed measures and programs to improve its reliability metrics are too aggressive. (2 TR 649.) Staff further states in its analysis that this particular program seems to be requesting funding for reasons identical to those used to support the Lidar and Imagery Analysis Platform program in the Company’s prior rate case, MPSC Case No. U-21860. (2 TR 716.) Staff noted that while the Commission approved the Company’s requests for the Lidar and Imagery Analysis Platform program in its February 19, 2026, Order in MSPC Case No. U-21860, the Company appears to have opted to not make those investments at that time and is now requesting approval for the same investments over a different

time period, suggesting that the Company is not in dire need of this technology. (2 TR 717.) Staff inquired about the expected benefits, efficiency gains, and/or reductions to spending in other areas due to investments in the Image Acquisition Platforms program, but the Company struggled to identify any clear and measurable benefits. (Exhibit S-18.4 p 1.) Without dismissing the possible efficiency gains of Light Detection and Ranging (LiDAR) imagery and tools, Staff opines that this investment is a reasonable candidate for deferral while the Company further explores the prudence and benefits of this investment. (2 TR 716.)

Witness Rademacher rebutted Staff's argument, insisting that as this program is an enabling technology, it will provide significant benefit even if those benefits are difficult to identify. (4 TR 4252–4253.) Witness Rademacher additionally argues that the Company's choice to delay this spending by another year is reflective of prudent investment planning and not indicative of a lack of need. (4 TR 4255–4256.)

Staff maintains its position that this investment is a candidate for deferral when considering affordability and the recommendations of the recent Liberty audit and may be more appropriate in a future rate case with more defined benefits, but these costs should be disallowed in this case to the amount of \$599,000 in the 2-month bridge period and \$3,957,000 in the test year.

- u. **Staff no longer recommends a reduction to Strategic Capital Program - Automation Configuration & Test Record Database capital expenditures. (Appendix E, Line 27.)**

[References in the record: Boutet 2 TR 711–712; Rademacher 4 TR 4111–4113, 4 TR 4248–4249; Exhibit A-12 Schedule B5.4 p 13]

Staff no longer recommends the reduction to Strategic Capital Program - Automation Configuration & Test Record Database capital expenditures that it had previously sponsored in testimony. (Appendix E, line 27.)

Company witness Rademacher provided support for the proposed Automation Configuration & Test Record database program, detailing that it is a one-year project to migrate relay and automation data onto a new platform. (4 TR 4112.) Specifically, the Company requested \$1,245,000 for the 12-month bridge period. (Exhibit A-12, B5.4 p 13.)

Staff recommended a 50% disallowance to the bridge period funding for this program, equating to \$622,500, due to current spending trends misaligning with proposed investment plans, with the Company having been on track to only spend approximately 4% of its proposed expenditures in 2026 at the time of Staff's analysis. (2 TR 711–712.)

Witness Rademacher responded in rebuttal, providing evidence that the Company has incurred significant spending since the time of Staff's analysis due to the onset of software licensing and new installations in July. (4 TR 4111–4113.)

Staff finds this new evidence compelling for this individual project and, as a result, now finds that an adjustment based on linear pacing of the Company's spending patterns is no longer the best approach. Staff, therefore, concedes its

adjustment of \$622,500 to the bridge period for this project and supports the Company's initial bridge period request of \$1,245,000.

v. Staff recommends Strategic Capital Program – Meter Improvements capital expenditures should be reduced by \$1.400 million. (Appendix E, Line 28.)

[References in the record: Hansen, 2 TR 584; Rademacher, 4 TR 4241–4242; Exhibit S-12]

Staff recommends strategic capital program – technology and automation – Meter Improvements capital expenditures should be reduced by \$1.400 million, which reduces rate base by \$1.073 million. (Appendix E, line 28.)

Staff witness Hansen recommended a \$1.400 million disallowance connected to validation of the core-next gen AMI Functionality. (2 TR 584.) The Company confirmed that the entirety of these costs in 2026 support the next-gen AMI project. Since Staff recommended disallowance of the next-gen AMI project (see Section III.B.1.ee,) Staff also recommended disallowance of these support costs. (*Id.*)

The Company responded to Staff's recommended disallowance for the 2026 Meter Improvements investment. (4 TR 4241–4242.) The Company stated that this investment funds the Company's meter laboratory and that Staff does not contend that the testing and validation work for this activity is unreasonable or imprudent. (4 TR 4241.) The Company provided that the 2026 activities funded by this line item improves the Company's understanding of both current and future device performance, and interoperability. (4 TR 4241–4242.) This is contrary to what the Company stated in its audit response to Staff when asked how much of this investment supports the Next-Gen AMI project. The Company confirmed that the

entirety of the 2026 expense for this line item supports validation of the Next-Gen AMI solution. (2 TR 584; Exhibit S-12, p 22.) Because Staff is recommending a complete disallowance of the Company's proposed Next-Gen AMI investments, should that recommendation be adopted, there would be no need for further investment that supports the Next-Gen AMI project. Therefore, the Commission should also adopt Staff's recommended disallowance of the Meter Improvements cost.

w. Staff recommends Strategic Capital Program – Customer Power Status Visibility capital expenditures should be reduced by \$153 thousand. (Appendix E, Line 29.)

[References in the record: Hansen, 2 TR 585-586, Exhibit S-12]

Staff recommends strategic capital program – technology and automation – Customer Power Status Visibility capital expenditures should be reduced by \$153 thousand, which reduces rate base by \$117 thousand. (Appendix E, line 29.)

In Staff's direct testimony, it recommended that the Commission disallow costs related to the Company's Customer Power Status Visibility (CPSV) project. (2 TR 585–586.) Staff testified that it asked the Company to explain why its costs in 2026 are higher than in 2025 when it is planning on performing the same amount of work in both years. (*Id.*) The Company's response was that it “reflects nominal annual cost escalation” with no further explanation or justification. (*Id.*) The Company also only provided a breakdown of the costs for this project for 2025 when asked to provide one for both 2025 and 2026. (*Id.*) No party took issue with this

recommendation in rebuttal; therefore, the Commission should make Staff's recommended disallowance.

x. Staff recommends Strategic Capital Program – Customer Power Quality Monitoring capital expenditures should be reduced by \$1.009 million. (Appendix E, Line 30.)

[References in the record: Boutet, 2 TR 715–718; Evans, 2 TR 649; Rademacher, 4 TR 4131–4133, 4 TR 4250–4255; Exhibit A-12 Schedule B5.4, p 13]

Staff recommends strategic capital program – technology and automation – Customer Power Quality Monitoring capital expenditures should be reduced by \$1.009 million, which reduces rate base by zero dollars. (Appendix E, line 30)

Company witness Rademacher provided support for the Customer Power Quality Monitoring & Issue Investigation program, for which the Company requested \$151,000 in the 2-month bridge period and \$858,000 in the test year. (Exhibit A-12, Schedule B5.4, p 13.)

Staff recommended a complete disallowance of this program, suggesting that this program among others appears to be a candidate for deferral when considering affordability concerns and the conclusion from the Liberty audit that suggests the Company's proposed measures and programs to improve its reliability metrics are too aggressive. (2 TR 649.) Staff further states in its analysis that this program appeared to be redundant with the Company's current and previously approved Power Quality Analysis program, both of which appear to present as root cause analysis programs. (2 TR 717.)

Witness Rademacher rebutted Staff's arguments, stating that the Customer Power Quality & Issue Investigation program is sequential to, and not duplicative of, the Power Quality Analysis program. (4 TR 4254–4255.) Rademacher clarifies that the existing Power Quality Analysis program establishes the data and analytics foundation, while the Customer Power Quality & Issue Investigation program supports decision-making and customer issue resolution. (4 TR 4254–4255.)

Staff maintains its position that this investment is a candidate for deferral when considering affordability and the recommendations of the recent Liberty audit as it lacks clearly defined customer benefits, operational efficiency gains, or cost reductions in other areas. Staff opines that this investment may be more appropriate in a future rate case with more clearly defined benefits, but these costs should be disallowed in this case to the amount of \$151,000 in the 2-month bridge period and \$858,000 in the test year.

y. Staff recommends Strategic Capital Program – Interconnection Process Enablement capital expenditures should be reduced by \$432 thousand. (Appendix E, Line 31.)

[References in the record: Boutet 2 TR 714–715; Rademacher 4 TR 4136–4138, 4 TR 4229; Exhibit S-18.3, A-12 Schedule B5.4 p 13]

Staff recommends strategic capital program – technology and automation – Interconnection Process Enablement capital expenditures should be reduced by \$432 thousand, which reduces rate base by \$194 thousand. (Appendix E, line 31.)

Company witness Rademacher provided support for the proposed Interconnection Process Enablement program in his direct testimony, providing details regarding the Company's investment plans in this area for 2026, 2027, and 2028. (4 TR 4136–4138.) Specifically, the Company requested \$2,472,000 for the 12-month bridge period, \$449,000 for the 2-month bridge period, and \$2,677,000 for the test year. (Exhibit A-12, Schedule B5.4, p 13.)

Staff recommended a partial disallowance to this program of \$432,000 in test year expenditures specifically within 2028, as the Company had identified these expenditures as reliant upon Distributed Energy Resource Management Systems (DERMS) approvals and expenditures in the instant case, as seen in Staff Exhibit S-18.3. (Exhibit S-18.3.) Given these statements by the Company and Staff's proposed disallowance of DERMS expenditures in the instant case, as proposed by Staff witness Higgins, it is appropriate to recommend disallowance of associated spending in the Interconnection Process Enablement program. (2 TR 714–715.)

Witness Rademacher rebutted Staff's proposed disallowance to the Interconnection Process Enablement Program, citing that these investments could still position the Company to support enhanced interconnection processes when DERMS is deployed, and could position the Company to support FERC Order No. 2222 when requirements take effect. (4 TR 4229.)

Staff opines that these investments, particularly the \$432,000 cited to be associated with DERMS expenditures in 2028, should still be disallowed in the event that the DERMS expenditures are disallowed in this case, pointing again to

Exhibit S-18.3 which clearly states that the \$432,000 is associated with DERMS expenditures, and it would not be reasonable for the Company to shift these funds to other endeavors such as FERC Order No. 2222 compliance when that is not the original intent of the funding nor was it discussed in the discovery response seen in Exhibit S-18.3. (Exhibit S-18.3.)

z. Staff recommends Strategic Capital Program – Hosting Capacity Enablement capital expenditures should be reduced by \$391 thousand (Appendix E, Line 32.)

[References in the record: Boutet 2 TR 709–710; Rademacher 4 TR 4138–4141, 4 TR 4247–4250; Exhibit A-12, Schedule B5.4, p 13]

Staff recommends strategic capital program – technology and automation – Hosting Capacity Enablement capital expenditures should be reduced by \$391 thousand, which reduces rate base by \$250 thousand. (Appendix E, line 32.)

Company witness Rademacher provided support for the proposed Hosting Capacity Enablement program investment in his direct testimony. (4 TR 4138–4141.) Specifically, the Company requested \$400,000 in the 12-month bridge period, \$50,000 in the 2-month bridge period, and \$333,000 in the test year. (Exhibit A-12, Schedule B5.4, p 13.)

Staff recommended 50% disallowances to both the bridge period and test year for the Hosting Capacity Enablement program due to current spending trends misaligning with proposed investment plans; the Company was on track to spend less than 1% of its projected expenditures for 2026 at the time of Staff’s analysis. (2 TR 709–710.)

Witness Rademacher responded in rebuttal that Staff's linear pacing-based disallowances are not appropriate for technology-based investments such as the Hosting Capacity Enablement program, as investments are driven by milestones and licensing activities such that partial-year spending levels are not a reliable indicator of full-year execution. (4 TR 4247–4250.)

Staff opines that investments for the Hosting Capacity Enablement program should still be disallowed, as no updated spending information relative to this program was provided by the Company in rebuttal. Therefore, Staff maintains its recommended disallowances to the Hosting Capacity Enablement program of \$200,000 in the 12-month bridge period, \$25,000 in the 2-month bridge period, and \$166,000 in the test year.

aa. Staff recommends Strategic Capital Program – Substation Design Tools Upgrade capital expenditures should be reduced by \$1.482 million (Appendix E, Line 33.)

[References in the Record: Boutet, 2 TR 713–714; Rademacher, 4 TR 4142–4143, 4 TR 4247–4250; Exhibit A-12, Schedule B5.4]

Staff recommends strategic capital program – technology and automation – Substation Design Tools Upgrade capital expenditures should be reduced by \$1.482 million, which reduces rate base by \$760 thousand. (Appendix E, line 33.)

Company witness Rademacher provided support for the proposed Substation Design Tools Upgrade program investment in his direct testimony. (4 TR 4142–4143.) Specifically, the Company requested \$1,000,000 for the 12-month bridge

period, \$425,000 in the 2-month bridge period, and \$2,540,000 in the test year.

(Exhibit A-12, B5.4, p 13.)

Staff recommended that funding for the Substation Design Tools Upgrades program be set to the approved test year amount in the Company's most recent electric rate case, MPSC Case No. U-21860, adjusted upwards for inflation, as the Company had reported to have a credit to this program at the time of Staff's analysis and had not incurred any net costs. (2 TR 713–714.)

Witness Rademacher responded in rebuttal that Staff's linear pacing-based disallowances are not appropriate for technology-based investments such as the Substation Design Tools Upgrades program, as investments are driven by milestones and licensing activities such that partial-year spending levels are not a reliable indicator of full-year execution. (4 TR 4247–4250.)

Staff opines that investments for the Substations Design Tool Upgrades program should still be disallowed, as no updated spending information relative to this program was provided by the Company in rebuttal. Therefore, Staff maintains its disallowance to the Substation Design Tools Upgrades program of \$213,770 in the 2-month bridge period and \$1,268,441 in the test year.

bb. Staff recommends Strategic Capital Program – Design Tool Automation capital expenditures should be reduced by \$3.620 million. (Appendix E, Line 34.)

[References in the record: Boutet, 2 TR 715–718; Coppola, 4 TR 5419–5420; Evans, 2 TR 649; Rademacher, 4 TR 4144–4145, 4 TR 4250–4252; Exhibit A-12 Schedule B5.4 p.14 l. 31, S-18.4 p 3]

Staff recommends strategic capital program – technology and automation – Design Tool Automation capital expenditures should be reduced by \$3.620 million, which reduces rate base by zero dollars. (Appendix E, line 34.)

Company witness Rademacher provided support for the Design Tools Automation program, for which the Company requested \$1,200,000 in the 12-month bridge period, \$353,000 in the 2-month bridge period, and \$2,067,000 in the test year. (Exhibit A-12, Schedule B5.4, p 14.)

Staff recommended a complete disallowance of this program, suggesting that this program among others appears to be a candidate for deferral when considering affordability concerns and the conclusion from the Liberty audit that suggests the Company’s proposed measures and programs to improve its reliability metrics are too aggressive. (2 TR 649.) Staff further states in its analysis that this particular program seems to automate work that is already manually performed by the Company and does not appear to support the replacement of unsupported software or aging hardware. (2 TR 716.) Staff inquired about the expected benefits, efficiency gains, and/or reductions to spending in other areas due to investments in the Design Tools Automation program, but the Company struggled to identify any clear and measurable benefits. (Exhibit S-18.4, p 3.) Without dismissing the

possible efficiency gains of automation, Staff opines that this investment is a reasonable candidate for deferral while the Company further explores the prudence and benefits of this investment. (2 TR 716.)

Attorney General witness Sebastian Coppola also opined that the Design Tools Automation investments appear to be in the early stages of development and could be subject to significant changes that will delay forecasted spending. (4 TR 5419.) Due to this uncertainty, witness Coppola recommended a complete disallowance of the Company's requested capital expenditures for this investment. (4 TR 5419--5420.)

Witness Rademacher rebutted Staff's arguments, arguing that enabling technologies, such as the Design Tools Automation program, provide significant value even when the benefits are difficult to quantify. (4 TR 4252.)

Staff maintains its position that this investment is a candidate for deferral when considering affordability and the recommendations of the recent Liberty audit and may be more appropriate in a future rate case with more defined benefits. Staff's position is that these costs should be disallowed in this case to the amount of \$1,200,000 in the 12-month bridge period, \$353,000 in the 2-month bridge period, and \$2,067,000 in the test year.

cc. Staff recommends Strategic Capital Program – Digital Construction Management capital expenditures should be reduced by \$2.443 million. (Appendix E, Line 35.)

[References in the record: Boutet, 2 TR 715–718; Evans, 2 TR 649; Rademacher, 4 TR 4146–4149, 4 TR 4250–4254; Exhibit A-12 Schedule B5.4 p 14 l. 33; Exhibit S-18.4 p 4]

Staff recommends strategic capital program – technology and automation – Digital Construction Management capital expenditures should be reduced by \$2.443 million. (Appendix E, line 35.)

Company witness Rademacher provided support for the Company’s Digital Construction Management program, for which the Company requested \$345,000 in the 2-month bridge period and \$2,098,000 in the test year. (Exhibit A-12, Schedule B5.4, p 14.)

Staff recommended a complete disallowance of this program, suggesting that this program among others appears to be a candidate for deferral when considering affordability concerns and the conclusion from the Liberty audit that suggests the Company’s proposed measures and programs to improve its reliability metrics are too aggressive. (2 TR 649.) Staff also inquired further about expected benefits, efficiency gains, and/or reductions to spending in other areas due to investments in the Digital Construction Management program, but the Company struggled to identify any further clear or measurable benefits. (Exhibit S-18.4, p 4.)

Witness Rademacher rebutted Staff’s arguments, clarifying that despite a lack of defined additional benefits provided in discovery response, the record demonstrates that these investments should reduce the time required to update

system records following construction from 60 days down to roughly 4 days. (4 TR 4253–4254.)

While Staff acknowledges the alleged reduction in time to update system records, Staff opines that the Company has not explained how this reduction translates to customer benefits or cost savings, and that this program is still a viable candidate for deferral when considering affordability and the recommendations of the recent Liberty audit. Therefore, Staff maintains its recommended disallowance of \$345,000 in the 2-month bridge period and \$2,098,000 in the test year.

dd. Staff recommends Strategic Capital Program – Mobile Tools Expansion capital expenditures should be reduced by \$1.768 million. (Appendix E, Line 36.)

[References in the record: Boutet 2 TR 712–713; Rademacher 4 TR 4176–4179; Exhibit S-18.2; Exhibit A-12, Schedule B5.4]

Staff recommends strategic capital program – technology and automation – Mobile Tools Expansion capital expenditures should be reduced by \$1.768 million. (Appendix E, line 36.)

Company witness Rademacher provided support for the proposed Mobile Tools Expansion investments in his direct testimony, providing details regarding the Company’s investment plans for 2026, 2027, and 2028. (4 TR 4176–4179.) Specifically, the Company requested \$2,210,000 for the 12-month bridge period, \$342,000 for the 2-month bridge period, and \$2,050,000 for the test year. (Exhibit A-12, Schedule B5.4, p 14.)

Staff recommended a partial disallowance to this program due to current spending trends misaligning with proposed investment plans, with the Company on track to spend less than 1% of its projected amount for 2026 at the time of Staff's analysis. (2 TR 712–713.)

No other parties weighed in on this topic in direct testimony, nor did the Company respond in its rebuttal. Therefore, Staff maintains its recommended disallowances of \$920,375 in the 12-month bridge period, \$121,968 in the 2-month bridge period, and \$724,459 in the test year.

ee. Staff recommends Strategic Capital Program – Next-Gen AMI and Distribution Intelligence capital expenditures should be reduced by \$6.683 million. (Appendix E, Line 38.)

[References in the record: Hansen, 2 TR 574–585, Ex. S-12; Rademacher, 4 TR 4180–4188, 4 TR 4233–4243; Coppola, 4 TR 5400–5404; Fitzhenry, 3 TR 1413–1416]

Staff recommends strategic capital program – grid edge and distributed intelligence – Next-Gen AMI and Distribution Intelligence capital expenditures should be reduced by \$6.683 million, which reduces rate base by \$4.514 million. (Appendix E, line 38.)

In Staff's direct testimony, it recommended that the Commission disallow costs related to the Company's proposed Next-Gen AMI and Distributed Intelligence expenditures due to a lack of information on how the costs were derived and how they will be used. (2 TR 578.) Staff also testified that the Company overstated the need to transition away from its current meters in its testimony by stating that it has 450,000 meters that can no longer receive firmware updates. (2 TR 581–582.)

Staff's testimony also argued that the Commission has not yet issued further guidance in the Case No. U-22065 docket it opened to address issues related to the future of AMI. (2 TR 583.)

AG witness Coppola and ABATE witness Fitzhenry also recommended full disallowances of the Company's proposed Next-Gen AMI project. (3 TR 1416; 4 TR 5406.) The Attorney General contended that the Company is currently in the preliminary phase of development for this project and the inclusion of capital spending is premature in this rate case. (4 TR 5404.) Witness Coppola also stated that the Company needs to perform substantially more research and provide the specific benefits of the project in order to economically justify the project. (*Id.*) ABATE witness Fitzhenry argued that because the Company's meter manufacturer has committed to supply its meters through 2029, there is no supply or failure constraints forcing the Company to overhaul its meter fleet in this rate case's test period. (3 TR 1416.) Witness Fitzhenry also testified that the Company has failed to provide evidence of any financial or operational benefits to customers, even when asked to do so. (3 TR 1415.)

In rebuttal, Company Witness Rademacher responded to Staff's, the Attorney General's, and ABATE's recommendations for a full-disallowance of the Next-Gen AMI program. (4 TR 4233–4243.) The Company began by stating that it is not requesting funding to deploy a Next-Gen AMI system in this case, but rather it is requesting funding that supports the planning and evaluation activities that will inform future deployment. (4 TR 4233.) This statement by the Company directly

contradicts what it states its requested funding is for in its direct testimony.

Witness Rademacher, in his direct testimony, when asked what the Company plans to accomplish with the investment in the instant case, provides a bullet-point list of activities which includes to “[p]rocure, configure, and deploy the Next-Gen AMI headend system.” (4 TR 4187.) These conflicting statements between the Company’s direct and rebuttal testimonies show that it is unclear what the Company is planning to do with its proposed investments.

Company witness Rademacher responded to Staff’s argument that recovery should be disallowed because the Commission has not yet issued guidance in Case No. U-22065 by stating that its investments proposed in this case are primarily technical evaluation and planning activities needed to inform AMI decisions which will support the Company and other stakeholders in developing a next generation metering plan. (4 TR 4237–4238.) As mentioned above, this is contradictory to the Company’s direct testimony which states that it plans to deploy the next-generation headend system, a vital component of the Next-Gen AMI system.

Witness Rademacher went on to reiterate the statement made in direct testimony that 450,000 of its current meters can no longer receive firmware updates. (4 TR 4240.) He did not however, respond to Staff’s findings outlined in its testimony that the Company has continued to install these meters for 14 years after they could no longer receive these firmware updates in 2012, totaling more than 20,000 installations. (2 TR 581–582.) If these meters were a contributing

factor to the Company's need to transition to next generation AMI, the Company would not have continued to install these meters every year since 2012.

The Company did not respond to Staff's arguments that it cannot find the Next-Gen AMI project reasonable or prudent because it provided no calculations for how the requested costs were derived and could not provide specific details about the pilots it plans to conduct, the headend system it plans to install, or the meters it plans to purchase. The Company's rebuttal does not provide any information that could have persuaded Staff to change its recommendations for disallowances; therefore, the Commission should adopt the disallowances recommended by Staff.

ff. Staff recommends Strategic Capital Program – DERMS capital expenditures should be reduced by \$8.467 million. (Appendix E, Line 39.)

References in the record: Rademacher, 4 TR 4189 lines 2–6; Higgins, 2 TR 756 lines 3–5, 2 TR 758 lines 4–10, 2 TR 758 lines 13–9; Kenworthy, 2 TR 341 lines 7-11; Coppola, 4 TR 5406 lines 7–13]

Staff recommends strategic capital program – grid edge and distributed intelligence – DERMS capital expenditures should be reduced by \$8.467 million. (Appendix E, line 39.)

In the instant case, the Company requested approval for a Distributed Energy Resource Management System (DERMS). The DERMS acts as a centralized control system for grid assets, greatly improving real-time visibility of grid assets and coordinating the dispatch of discrete distributed energy resources (DERs) among other benefits. (4 TR 4188.) The Company proposes to begin the process of acquiring and integrating a DERMS in the instant case, outlining the timeline of

acquisition and integration as well as proposed use of the platform once acquired, and the necessity of this acquisition.

The Company's proposal is to acquire a DERMS platform from a vendor and to begin the process of integrating said platform with currently existing systems in preparation for FERC orders 2222 and 841 on a timeline that would see the grid DERMS integrated and operating fully by 2030. (2 TR 756.) The proposed course of action treats the DERMS as enabling infrastructure that provides no direct ratepayer benefit but instead would act as a foundation for new programs and offerings at a later date.

In short, Staff does not support the proposed DERMS spending without greater plans for utilization and customer benefits.

Staff witness Johnathon L Higgins supports Staffs recommendations regarding the DERMS spending. Though Staff witness Higgins does recognize the importance of adopting a DERMS, Staff cannot support the proposal put forth by the Company in the instant case. (2 TR 758.) Staff witness Higgins' testimony describes how DERMS can provide a broad range of benefits and represent an important component of modern electrical infrastructure. (2 TR 758.) However, in the instant case found that the Company's proposal for a DERMS offers limited customer benefits and serves primarily as regulatory compliance tool for the foreseeable future. (2 TR 757.)

In a time of increasing economic burden on ratepayers, Staff opines that despite the potential importance of a DERMS to the grid in coming years, more

emphasis should be placed on increasing ratepayer benefit wherever possible.

Though the utility DERMS is not necessarily intended to provide direct customer-facing benefits as Company witness Rademacher explains, (4 TR 4216,) to the best of Staff's knowledge the proposed DERMS could be utilized to support near-term programs to provide greater customer benefit. With this capability in mind, Staff continues to hold the position that the proposal does not provide the level of ratepayer benefit that it could for the level of expense it would incur.

Furthermore, witness Rademacher states in rebuttal that, "Conditioning the initiation of the DERMS project upon quantifying discrete customer benefits from a program that has not been defined asks the Company to prove the outcome before building the tool that makes the outcome possible." (*Id.*) Staff finds this position to be unusual and hyperbolic. Staff's recommendation is not predicated on the initiation of a DERMS on quantifiable proof of a guaranteed future success, but instead on the proposition that investment in a DERMS should include actual plans for making use of the DERMS platform to enable the many utility and customer benefits that accompany this type of investment beyond regulatory compliance. To make further use of the analogy of a DERMS as a tool, one could instead posit that it is Staff's opinion that a tool should be created to achieve a goal, not created and then a long-term use found for it at some later date. In this context, Staff finds the goal of compliance a lackluster use of DERMS when viewed in relation to its potential use cases and the cost it would incur.

Company witness Rademacher disagreed with staff witness Higgins' position, primarily making said objection in the three points related to DERMS listed and broadly summarized below. (2 TR 4213.)

1) DERMS is an enabling system, not a standalone customer program; that does not fit a traditional quantifiable customer benefit model.

Company Witness Rademacher contended that the DERMS proposal is not intended to provide direct customer benefit but instead is enabling infrastructure. (2 TR 4215.) The investment is meant to broadly improve upon reliability and enable the at-scale deployment of such assets as VPPs, customer batteries, and flexible interconnection programs. Furthermore, Witness Rademacher stated that, "the Company believes that a business case for the initial implementation of the DERMS should not be predicated on other future load reduction programs that would require their own independent business cases." (2 TR 4216.) Thus, taking the stance that the benefits the acquisition of a DERMS will provide outweigh the initial lack of programs or direct customer benefits.

2) Compliance with aggregation of DERS as called for in FERC Order 2222 is driving the project timing of investments

Company Witness Rademacher expounded upon the need for a DERMS to achieve compliance with FERC Order 2222, explaining the timeline and the Company's plans for compliance and the relationship between the DERMS proposal, and the compliance needs of the Company. In summation, witness Rademacher defended the need for a DERMS in part by explaining the Company's need to begin bringing the system online now to comply with the FERC Order 2222 timeline.

3) DERMS requires staged development; the phased plan starts with utility operational capability and defers advanced use cases

Company witness Rademacher outlined the benefits of the phased implementation strategy proposed by the Company, defending the initial lack of direct customer benefits and programs by illustrating that early efforts will establish foundational operations of the DERMS that can later be expanded upon as conditions evolve.

In summation, witness Rademacher defended the Company's phased rollout approach and utilization of DERMS as a compliance tool as the most prudent path forward, outlining the necessity of a DERMS in coming years. Witness Rademacher continued to elaborate that in the instant case, the proposed DERMS is strictly to be utilized as a utility DERMS and enabling infrastructure, and not as an edge DERMS to interact with DERs directly. As Staff has previously explained, Staff understands the importance of such a tool but finds that the approach of buying a tool with the intentions of developing use cases down the road unreasonable. The Company itself pointed out the many possible capabilities of a DERMS platform, Staff is simply requesting that the Company flesh out those programs to ensure the investment into the DERMS platform is maximized.

Other intervening parties such as the Ecology Center, the Environmental Law & Policy Center, Union of Concerned Scientists, and Vote Solar (Collectively known as CEO) (2 TR 341), and the Attorney General's office offered testimony related to DERMS in the instant case. (4 TR 5406.) These parties opposed the Company's proposal for the acquisition of DERMS as it stands for various reasons,

including the lack of a complete business proposal for the software (2 TR 341,) the lack of attention given to virtual power plants (2 TR 341,) uncertainty of benefits to ratepayers from the acquisition of a DERMS (4 TR 5406,) and other notable issues within those parties own testimony. Given the broad hesitation from intervening parties on the proposed DERMS spending, Staffs recommends the ALJ and Commission adopt Staffs proposed disallowance for the DERMS spending in the instant case.

gg. Staff recommends Strategic Capital Program – Last-Mile Communications capital expenditures should be reduced by \$7.000 million. (Appendix E, Line 40.)

[References in the record: Boutet, 2 TR 720–727; Coppola, 4 TR 5408–5414; Sharma, 4 TR 3607–3623, 4 TR 3626–3643; Exhibits A-12, Schedule B5.4; Exhibit A-64; Exhibit A-28, Schedule R3; Exhibit S-18.6]

Staff recommends strategic capital program – grid edge and distributed intelligence – Last-Mile Communications capital expenditures should be reduced by \$7.000 million, which reduces rate base by \$3.429 million. (Appendix E, line 40.)

Company witness Sharma provided support for the proposed Last Mile Communications program, an effort by the Company to implement a privately-owned cellular network to enhance the safe and reliable delivery of electric service to customers. (4 TR 3607.) The Company requested \$7,000,000 in the test year for this program. (Exhibit A-12, Schedule B5.4, p 15.)

Staff recommended a complete disallowance of the Last Mile Communications program, opining that these investments were pre-mature and would be better suited in a future case when the Company can provide greater

detail on network usage, device counts, cybersecurity concerns, workforce needs, and coordination with other utilities. (2 TR 726–727.) Staff explicitly spelled out several concerns, the first of which has to do with coordination between DTE Electric and DTE Gas where, as seen in Staff Exhibit S-18.6, DTE Electric has confirmed that these investments will support both the gas and electric systems, but has not provided any cost breakdown to analyze to what extent the gas and electric systems individually benefit from these investments, nor to what extent each sector should share in the funding of these investments. (2 TR 722.)

Furthermore, and on a related note, the Company also identified that the most common device which would benefit from a private cellular network implementation would be gas meters, as identified on page 7 of Staff Exhibit S -18.6. (2 TR 724.)

Additionally, Staff identified concerns that Distributed Energy Resource (DER) devices and Advanced Metering Infrastructure (AMI) meters are among the device types benefitting from a private network implementation, and Staff opines that these benefits may not be fully realized by the Company as Staff has recommended disallowances to both the Company’s AMI program and its DERMS, DER Control, and DER Integration programs, possibly leading to reductions in projected device counts in the near term future. (2 TR 724–725.) Staff lastly expressed concerns with cybersecurity issues, workforce staffing, and the expertise needed to operate a private cellular network, opining that the Company had not yet produced compelling evidence regarding staffing and resource needs. (2 TR 725-726.)

AG witness Sebastian Coppola similarly recommended a complete disallowance of the Last Mile Communications program. (4 TR 5414.) Witness Coppola shared many concerns with Staff, citing that the Company needs to investigate a joint project coordinating with other Michigan utilities, the Company needs to provide a more comprehensive business plan with definitive annual cost forecasts, and the Company needs to do more research into the actual experiences and costs incurred by other utilities that have implemented a private network. (4 TR 5413.)

Company witness Sharma responded in rebuttal to both Staff's and the AG's concerns regarding the Last Mile Communications Investments. Witness Sharma first disagrees with Staff's statement that required workforce and resource counts have not yet been determined, by confirming that indeed final resource counts and procurement decisions have not been completed, offering that this is a sign of disciplined planning. (4 TR 3629.) Witness Sharma then states that associated labor and support costs are detailed in supporting schedules, such as page 193 of Exhibit A-28, Schedule R3, and on Exhibit A-64, Schedule RT1.11. (4 TR 3630.) Witness Sharma further confirms that the private cellular network is intended to benefit both DTE Electric and DTE Gas, but no cost allocation has been developed at this time. (4 TR 3630.)

Staff opines that Exhibit A-64, Schedule RT1.11 provides no further detail on labor counts or costs, and again states that workforce requirements have not been determined at this time. (Exhibit A-64, Schedule RT 1.11.) When viewing page 193

of Exhibit A-28, Schedule R3, or more specifically the section that contains page 193, section 5.8.4.1, Staff further opines that there is similarly no further detail on labor counts or costs, and this data only concerns device counts and infrastructure costs. (Exhibit A-28, Schedule R3, p 193.) Therefore, Staff maintains its position that the Company has not fully identified the resources needed to implement a private cellular network, nor has the Company provided sufficient evidence that both DTE Gas and DTE Electric will share in both the funding and benefits of these investments. Staff maintains that the entire \$7 million test year request for this investment should be disallowed.

2. The Commission should disallow \$5.374 million from DTE's projected demand side management capital expenditures. (Appendix E, Line 45.)

Staff recommends two categories of adjustments to demand side management capital expenditures as described below.

- a. **Staff recommends Interruptible Space Conditioning – CoolCurrents capital expenditures should be reduced by \$5.117 million. (Appendix E, line 43.)**

[References in the record: Towslee, 2 TR 747–748; Leuker, 4 TR 2400–2402, 2460–2466; Exhibit A-12, Schedule B5.6, p 1–2; Exhibit S-20 p 5–9]

Staff recommends demand side management – Interruptible Space

Conditioning – CoolCurrents capital expenditures should be reduced by \$5.117 million, which reduces rate base by \$2.303 million. (Appendix E, line 43.)

Staff witness Towslee summarized Staff's position regarding the Company's proposed capital spending during the test year to cover replacement of load control switches for offline devices enrolled in its CoolCurrents demand response program. Staff questioned the reasonableness of the Company's estimates for the number of replacements needed and its ability to achieve its installation target during the test year. Staff recommended the Commission disallow the requested capital because the Company has not demonstrated that it can execute its proposal at the levels described. (2 TR 747–748.)

In its filing, the Company forecasted \$5,117,000 in capital expense during the test year to cover materials, labor, overhead, and contractor costs in support of its effort to install an estimated 15,000 replacement load control switches to restore responsiveness to CoolCurrents customers whose devices have gone offline.

(Exhibit S-20, p 6–8.) In the four-year period from 2021 through 2024, the Company replaced a total of only 7,042 devices, and testimony does not provide a clear number of how many remaining devices actually require replacement.

(Exhibit S-20, p 9.)

In rebuttal, witness Leuker disagreed with Staff's recommended disallowance. He stated that the Company observed that of the devices it has investigated in 2026:

40% of investigations resulted in a repair of the 24-volt line replacement and 40% required a new LCD installation. Installations generally occur when: (1) a new customer enrolls; (2) an investigation determines that a device must be replaced because the trust relationship between the device and the meter cannot be restored; or (3) an obsolete RCU is replaced with an LCD. Items 2 and 3 are typically referred to as replacements. [4 TR 2462.]

Witness Leuker further explained that the Company has identified approximately 82,000 legacy devices that will require replacement, and up to 46,000 additional devices that may require replacement pending investigation, and that the Company plans to conduct 5,000 such investigations during the test year. (4 TR 2463.) The Company asserted that its modified communications strategy, to contact affected customers, switching from an opt-in to an opt-out approach to remedy non-compliant devices, and its plans to execute contracts with external contractors will suffice to enable achievement of its goal to replace 15,000 devices during the test year. (4 TR 2461–2465.)

Staff remains unconvinced that the Company will achieve these goals, and thus that the capital request is prudent, given the remaining unknowns regarding the number of replacements needed and that the Company is apparently still in the planning stage of contracting the necessary field workers. It should be noted that Staff understands and appreciates the importance of bringing these devices into compliance and the costs associated with such efforts, and that Staff is not recommending any adjustments to the requested capital amount for the

replacement effort during the bridge period. Staff recommends the Commission disallow \$5,117,000 in capital expense during the test year for the CoolCurrents program.

b. Staff recommends Other Demand Response Programs and Pilots – Interruptible Water Heating capital expenditures should be reduced by \$257 thousand. (Appendix E, line 44.)

[References in the record: Towslee 2 TR 749–750; Leuker 4 TR 2396, 2468–2471; Exhibit S-20 p 10–13]

Staff recommends demand side management – Other Demand Response Programs and Pilots – Interruptible Water Heating capital expenditures should be reduced by \$257 thousand, which reduces rate base by \$116 thousand. (Appendix E, line 44.)

Witness Towslee provided Staff’s recommendations regarding the Company’s Interruptible Water Heating program. Staff recommended disallowance of the test year capital requested for support of this program and that the Commission direct the Company to cease its operation of the program. (2 TR 749–750.) The Company acknowledged the program is not cost-effective, it is not registered as a MISO-accredited resource, and it has not been utilized through any called events – and thus not reduced any load – for at least the previous three years. (Exhibit S-20, p 10–12.)

The Company’s application and direct testimony do not specifically address this program. It is included only as part of the “Other” category for its DR portfolio requests and projections.

In rebuttal, witness Leuker disagreed with both Staff's recommended disallowance and the recommendation to close the program. He explained that the expense is necessary because the Company occasionally replaces certain legacy devices that may interfere with proper function of the customer's water heater. He also put forth a possibility that the program may become more valuable under new MISO rules. (4 TR 2469–2470.)

Staff maintains its recommendations. The program has, for some time, provided no apparent benefit to customers or the Company, and in fact may interfere with customers' abilities to use their water heaters properly, causing inconvenience for customers and expenses for the Company when it must rectify these situations. Any potential uptick in accreditation benefit due to changed MISO rules does not outweigh the general ineffectiveness of the program and the imprudence of its continuation. Staff recommends the Commission disallow \$256,800 of capital expense of the test year for the operation of the Company's Interruptible Water Heating program and direct the Company to discontinue the program.

3. The Commission should disallow \$173.030 million from DTE's projected information technology capital expenditures.

Staff recommends disallowance of \$173.030 million of the Company's information technology capital expenditures, which reduces rate base by \$102.593 million. (Appendix E, Line 85.) The specific exclusions are discussed in the following.

- a. **Staff recommends level 2 cost estimates capital expenditures should be reduced by \$604 thousand. (Appendix E, line 47.)**

[References in the Record: Rogers 2 TR 661–667; Ambrose 4 TR 2738, 2740, 2742–2744, 2745, 2909–2911; Staff Exhibit S-17.2, Staff Exhibit S-17.3]

Staff recommends level 2 cost estimates capital expenditures should be reduced by \$604 thousand, which reduces rate base by \$272 thousand. (Appendix E, line 47.)

The ALJ and the Commission should disallow 20% of costs associated with IT projects with a Level 2 cost estimate. This recommendation applies to two projects, the Generation Optimization and Energy Accounting Cloud Migration project and the Migrate SAP CR&B to SAP S/4 HANA project, and results in a capital expenditure reduction of \$0.604 million and an O&M reduction of \$51,217 in the test year ending February 29, 2028. (2 TR 662–663; Exhibit S-17.2.)

IT investments are given a Level 2 cost estimate in the fourth phase of the Annual Planning Cycle (APC), Qualified, for project funding and prioritization decisions. Investments in this phase have a business case, a scope of work, a work breakdown, an initial design, and a timeframe for project implementation. (4 TR 2740.) Level 2 cost estimates have more detailed labor, non-labor, and vendor costs than Level 1 cost estimates, and are based on preliminary vendor and contractor quotes, providing a cost range based on the identified solution and assessment of technical and resource requirements. (4 TR 2742–2743.) Level 2 cost estimates have an accuracy range of –15% to +20%. (2 TR 662.)

Staff's recommendation is due to the premature, imprecise, and uncertain nature of Level 2 cost estimates. Investments are given a Level 2 cost estimate more than two years prior to implementation for the purpose of funding and prioritization. With the fast-paced nature of technology, changes are probable within this time period that will affect the cost including changes in scope, changes in timeline, priority within the APC, or the necessity of the project altogether. In fact, the instant case includes 41 investments in which a change in scope, timeline, or priority changed the projected cost, including the Corporate Applications Production Growth project, the Enterprise Automation project, and Server Engineering Support Services project. (2 TR 663.)

Through audit, the Company provided a spreadsheet of the actual project costs in the instant case with the Level 2 cost estimate for each. Staff's analysis of the percent change of these costs shows that of 85 projects with both a Level 2 cost estimate and an actual cost, 42 projects had a Level 2 cost estimate greater than the actual cost, meaning DTE over recovered on 49.41% of these investments. Alternatively, 43 projects had a Level 2 cost estimate that was less than the actual cost, meaning DTE under recovered on 50.59% of these investments. The change in project costs range from 93% over recovery to 235% under recovery. The average percent over recovery was 26.44%. The average percent under recovery was 38.98%. (Exhibit S-17.3.) This data shows that Level 2 cost estimates are well outside the -15%/+20% accuracy range given by the Company and that the Company over recovers on approximately half of their IT investments. Since there

is no process by which to refund customers for this over recovery, to ensure customers are only paying the most accurate cost for IT investments, Staff finds it reasonable and in the best interest of ratepayers to disallow 20% of the projected costs associated with projects with Level 2 cost estimates. (2 TR 663–664.)

In rebuttal testimony, the Company disagreed with Staff's recommendation and the Commission's previous orders. First, the Company argues that Level 2 cost estimates are not "incomplete and indefinite in nature," as stated by the Commission in its December 1, 2023 Order in Case No. U-21297 and cited by Staff in direct testimony. (2 TR 666; 4 TR 2910.)

Staff disagrees with the Company and maintains its position. The Company has chosen to file its rate case application with a projected test year and forecasted expenses by spend period, instead of actual expenses. The Company has also chosen to seek recovery of costs associated with projects whose cost estimates were developed more than two years from implementation. Staff's analysis proves that Level 2 cost estimates are immature and inaccurate. It is unfair and imprudent to pass immature and potentially inaccurate estimates onto ratepayers with no ability to correct for over recovery.

Second, the Company claimed that the disallowance is not tailored to the actual cost estimate accuracy of Level 2 cost estimates. Witness Ambrose also claimed that Staff's analysis shows under recovery for 43 of the 85 projects, resulting in variances in both directions, and does not support a uniform 20% disallowance for all Level 2 cost estimates. (4 TR 2911.)

Staff opposes this argument. As stated by the Commission in its November 18, 2022 order in Case No. U-20836, “[t]he Commission’s determination of reasonableness and prudence (and its obligation to protect ratepayers) involves more than the simple hope that the over- and under-projections balance one another out.”

Additionally, the Company argues a disallowance is unnecessary to protect ratepayers from over recovery because it files Exhibit A-24, Schedule N2, a historical spend variance recovery framework. The Company asserted that this addresses Staff’s concern regarding the cost differences between projected and actual project costs. (4 TR 2911.)

Staff disagrees. Simply filing Exhibit A-24, Schedule N2 does not alleviate Staff’s concern of the difference in cost between projected and actual costs. Those costs must also be justified and deemed reasonable and prudent. Over recovery of costs allows the Company to potentially earn a return of and on expenditures that were never incurred or were incurred but not for their intended purpose.

For these reasons, Staff recommends the ALJ and the Commission disallow \$0.604 million in capital expenditures and \$51,217 in O&M in the test year ending February 29, 2028.

b. Staff recommends level 3 cost estimates capital expenditures should be reduced by \$24.947 million. (Appendix E, line 48.)

[References in the Record: Rogers, 2 TR 667–670; Ambrose, 4 TR 2738, 2740, 2744–2745, 2909–2911; Exhibit S-17.2, Exhibit S-17.3]

Staff recommends level 3 cost estimates capital expenditures should be reduced by \$24.947 million, which reduces rate base by \$16.086 million. (Appendix E, line 48.)

Staff recommends the ALJ and the Commission disallow 10% of costs associated with IT projects with a Level 3 cost estimate. Due to alternate recommendations for 25 projects, this recommendation applies to 88 unique projects and results in a capital expenditure disallowance of \$14.7 million in the 14-month bridge period (\$12.942 million in 2026 and \$1.758 million in the 2 months ending February 28, 2027) and \$10.246 million in the test year ending February 29, 2026, as well as an O&M disallowance of \$1.154 million (see Section V.A.2.b.xxii). (2 TR 667–668; Exhibit S-17.4.)

IT projects are given a Level 3 cost estimate in the sixth phase of the APC, Detailed Estimate. They are used for final funding approvals and execution planning. (4 TR 2740–2741.) Level 3 cost estimates are based on a fully defined scope and have secured vendor cost estimates, full resource plans, documented workstream estimates, validated timelines, milestones and delivery models, strict governance oversight, contract and procurement activities that are initiated or finalized. (4 TR 2744–2745.) The Company stated Level 3 cost estimates have an accuracy range of -10%/+15%. MPSC Case No. U-21860, Staff Exhibit S-12.2m p 1.

Staff's recommended 10% disallowance is due to the immature, inaccurate, and uncertain nature of Level 3 cost estimates. IT projects receive a Level 3 cost estimate more than a year prior to implementation. As stated above, many things can occur in this time period that can change the project cost including a change in scope, a change in timeline, a change in priority, realized efficiencies, or the necessity of the project altogether. (2 TR 668.)

Through audit, the Company provided a list of projects with actual costs in the instant case and a Level 3 cost estimate for each. Staff's analysis shows improvement in cost estimate accuracy, however the percent change in costs is still well outside the -10%/+15% accuracy range. Of 91 projects, 45 had a Level 3 cost estimate greater than the actual cost, meaning DTE Electric over recovered on 49.45% of these investments, with an average percent over recovery of 24.75%. Alternatively, 46 projects had a Level 3 cost estimate that was less than the actual cost, meaning DTE under recovered on 50.55% of these investments with an average percent under recovery of 31.35%. (Exhibit S-17.5.) Staff's analysis proves the immature and often inaccurate nature of Level 3 cost estimates and that Level 3 cost estimates are only slightly more accurate than Level 2 cost estimates. (2 TR 668–669.)

The Company disagreed with the Staff's position in rebuttal testimony. Company witness Ambrose argues that Staff's analysis conflates project execution risks with estimation accuracy. Witness Ambrose stated that changes in cost can occur because of many factors outside of inaccurate cost estimation. He claimed

that a 10% disallowance is not targeted at cost estimation practices but penalizes all Level 3 projects regardless of their maturity, complexity, or novelty. (4 TR 2912.) Further, witness Ambrose claimed it under recovered on more projects than it over recovered on, therefore a blanket 10% disallowance to all projects penalizes the Company because it leaves under recoveries at the Company's risk. (4 TR 2913.)

Staff contests these arguments. Staff understands changes are a normal part of the project planning process, however, regardless of the reason for cost variances and project execution risk, the possibility of changes in projected costs validates the immaturity and uncertainty of Level 3 cost estimates that are given so far ahead of implementation. With their current accuracy range, Level 3 cost estimates are inappropriate for use in ratemaking in their forecasted state. The purpose of Staff's recommended 10% disallowance is not to penalize or reward either the Company or its customers. Because there is no method to provide a refund if over recovery occurs, the goal of Staff's recommendation is to pass on only the most accurate costs. Alternatively, because the Company can file for recovery of excess spent costs in their next rate case, if reasonable and prudent, it will also not be penalized.

For these reasons, Staff recommends the ALJ and the Commission disallow 10% of costs associated with IT projects with a Level 3 cost estimate which results in a capital expenditure disallowance of \$14.7 million in the 14-month bridge period (\$12.942 million in 2026 and \$1.758 million in the 2 months ending February 28,

2027) and \$10.246 million in the test year ending February 29, 2026, as well as an O&M disallowance of \$1.154 million.

c. Staff recommends documentum application health capital expenditures should be reduced by \$984 thousand. (Appendix E, line 50.)

[References in the Record: Rogers, 2 TR 687–689; Ambrose, 4 TR 2811–2812, 2992–2994; Exhibit A-12, Schedule B5.7.1, Line 4; Exhibit A-24, Schedule N3, Revised Lines 156–157; Exhibit A-24, Schedule N1, p 259–262; Exhibit S-17.6, p 22]

Staff recommends corporate applications – documentum application health capital expenditures should be reduced by \$984 thousand, which reduces rate base by \$604 thousand. (Appendix E, line 50.)

Staff recommends the ALJ and the Commission disallow \$0.480 million in the 14-month bridge period (\$0.402 million in 2026 and \$78,200 in the 2 months ending February 28, 2027), and \$0.504 million in the test year ending February 29, 2028, in capital expenditures and \$64,660 in O&M expenditures for the Documentum Application Health project. (2 TR 688–689.)

This is an annual investment that ensures the security and availability of an electronic repository that connects to the Company’s work management system and provides users access to documents while executing work orders. (4 TR 2811–2812.)

Staff does not find the projected cost to perform the scope provided in Company testimony to be reasonable. (2 TR 689.) The testimony of Company witness Ambrose categorizes the Documentum Application Health project as a sustainment investment. When asked for the specific scope for each year of projected expenses, the Company responded that the scope is consistent for 2025

through 2028. (Exhibit S-17.6, p 22.) However, the Company is projecting capital expenditures in 2026–2028 of more than double the 2025 actual cost. The business case for the Documentum Application Health project is nearly identical for business case DMND0001382, which supports the 2025 expenses, and DMND0002486, which supports the 2026–2028 expenses. (Exhibit A-24, Schedule N1, p 259–262.) Since the scope of work is the same for each year, Staff finds it reasonable and prudent to align the 2026–2028 costs with the costs actually incurred in 2025, \$0.395 million. Further, because Staff recommends the test year capital expenditure to be reduced by 56%, Staff also recommends the projected O&M expenses be reduced by 56%.

In rebuttal testimony, the Company disagreed with Staff's recommendation, stating that it is based on the assumption that a consistent scope has a consistent annual cost and does not consider the specific work planned during the projected year. Witness Ambrose reiterated his testimony and highlights Rebuttal Exhibit A-62, Schedule RR64 and Exhibit A-24, Schedule N3 Revised, Lines 154–157 showing a breakdown of the costs. (4 TR 2993–2994.)

Staff maintains its position. Staff's testimony is not based on an assumption, but on evidence provided by the Company in this case. DTE holds the information and Staff cannot know specific work that is not admitted in the case. Additionally, the exhibits highlighted by witness Ambrose show a consistent scope and work planned for 2025–2028, supporting Staff's position that it is unreasonable to approve expenses above the historical actual cost for this investment.

For this reason, Staff recommends the ALJ and the Commission disallow \$0.480 million in the 14-month bridge period (\$0.402 million in 2026 and \$78,200 in the 2 months ending February 28, 2027), and \$0.504 million in the test year ending February 29, 2028, in capital expenditures and \$64,660 in O&M for the Documentum Application Health project.

d. Staff recommends real estate management capital expenditures should be reduced by \$2.576 million. (Appendix E, line 51.)

[References in the Record: Rogers, 2 TR 680–681; Ambrose, 4 TR 2821–2822, 2981–2985; Coppola, 4 TR 5449; Exhibit A-12, Schedule B5.7.1, Line 16; Exhibit A-24, Schedule N3, Revised Line 187; Exhibit A-24, Schedule N1, p 305–306; Exhibit S-17.6 p 11]

Staff recommends corporate applications – real estate management capital expenditures should be reduced by \$2.576 million, which reduces rate base by \$1.338 million. (Appendix E, line 51.)

The ALJ and the Commission should disallow capital expenditures of \$0.412 million in the 2 months ending February 28, 2027, and \$2.164 million in the test year ending February 29, 2028, as well as \$0.217 million in O&M expenditures for the Real Estate Management investment. (2 TR 681.)

This project will implement the SAP Capital Lease Management (“CLM”) platform which will integrate with the existing SAP Employee Central Component, Documentum, and the future SAP S/4 HANA. Currently, lease contracts, easement drawings, and real estate transaction records are stored in different repositories. This investment aims to enhance productivity, eliminate manual processes, and

provide real estate employees with a single platform for document access, streamlining property leasing, tax, and legal boundary verification. (4 TR 2821–2822.)

Staff recommends a full disallowance of costs related to Real Estate Management investment because the Company has not provided enough evidence to ensure confidence it will be implemented. In the Company's past rate case, Case No. U-20561, \$0.903 million was approved in 2019 and \$0.261 million was approved in 2021 for this project. However, it was not implemented due to reprioritization. (Exhibit S-17.6, p 11.) In the Company's last rate case, Case No. U-21860, \$2.336 million in 2026 was approved for this project. In the instant case, the project was deferred to 2027, also due to reprioritization, with a cost of \$2.571 million. Due to the Company's history with this investment and its priority within the APC, Staff is not confident the expenses requested for the Real Estate Management project will be used for its intended purpose. The Company has twice received recovery in previous cases, with no end product. Staff does not believe it is reasonable or prudent to risk this happening yet again. It is an unfair and uncertain cost to pass onto ratepayers with no ability for a refund if the project is again deferred and implementation does not occur. (2 TR 681.)

AG witness Coppola also recommended a full capital disallowance of the Real Estate Management investment stating that the project is not even in the preliminary phase of development and is premature to include in rate base in this rate case. (4 TR 5449.)

Company witness Ambrose disagreed with both Staff's and the AG's recommendations in rebuttal testimony, arguing that the project deferrals in Case Nos. U-20561 and U-21860 are not due to imprudence but instead are proof of the consequences of the Company's "disciplined prioritization under the APC framework." He repeated testimony, explaining the purpose of the investment, and states that its timing is neither speculative nor premature. (4 TR 2982.) He additionally provided that deferring the project did not change the business need or scope to correct a gap in capability and stated that the instant request has a more detailed implementation plan, an identified vendor, and a quantified migration volume. (4 TR 2983.) Lastly, witness Ambrose asserted the investment has received internal management approvals consistent with the Company's investment governance framework. (4 TR 2984.)

Staff maintains its position that the Real Estate Management project is uncertain. In the previous rate case, the investment had a Level 3 cost estimate in the Annual Planning Cycle, the same as in the instant case. Its scope and project prioritization score ("PPS") is also unchanged from the previous rate case. Reprioritization could once again cause the deferral of this investment, rendering the potentially approved costs unused. Further, the Company argues that this project is a necessity because it solves a capability gap, not a functionality gap because there is no other application that will do what this project does. This does not lend confidence to Staff that the Real Estate Management investment will be executed. The same factors that led to reprioritization in the last two cases remain

in the instant case. The Company has functioned without this investment and it was obviously not beneficial enough to be implemented previously. Nothing has changed in importance or priority to convince Staff that the costs related to this project will be used for their intended purpose.

For these reasons, Staff recommends the ALJ and the Commission disallow the full capital and O&M costs associated with the Real Estate Management investment.

e. Staff recommends regulatory compliance capital expenditures should be reduced by \$8.814 million. (Appendix E, line 53.)

[References in the Record: Ambrose, 4 TR 2854–2855, 2926–2927; Klocke, 2 TR 960–963; Exhibit A-12, Schedule B5.7.2, p. 1, line 2, A-24, Schedule N3, lines 275-278, A-62, Schedule RR12; Exhibit S-10.10; Exhibit S-17.1, line 29]

Staff recommends customer IT – regulatory compliance capital expenditures should be reduced by \$8.814 million, which reduces rate base by \$5.379 million. (Appendix E, line 53.) Staff recommends the Commission and ALJ fully disallow the Company’s Regulatory Compliance project capital expenditures in the amounts of \$2,610,000 for the historical year ended 12/31/2025, \$2,873,000 for the bridge year ending 12/31/2026, \$459,000 for the partial bridge year ending 2/28/2027, and \$2,872,000 for the test year ending 2/29/2028.

Staff’s recommended disallowance of the expenditures for this project is based on the fact that the work to be completed under this project for the bridge and test years is emergent work, which results in unknown costs for those years and

risk for over-recovery. (2 TR 961.) The expenditures for the work completed in the historic year were also not well-supported by the Company. (2 TR 961–962.)

In its rebuttal, the Company claimed that the “variable timing of regulatory work is precisely why a predictable, recurring funding level is necessary” and that the Company can “quantify historical annual demand, actual spend, and completed regulatory changes.” (4 TR 2927.) However, the Company does not dispute that the work to be completed in the bridge and test years is emergent, nor does it provide any additional detail regarding the past work completed under this project. (*Id.*) While the variable timing of regulatory work may support recurring funding levels for internal budgeting purposes, emergent or contingent work has long been considered inappropriate for recovery as such expenditures cannot be reviewed by Staff and intervenors for their reasonableness and prudence and this can lead to over-recovery on the part of the Company and higher, unsupported costs for ratepayers. See MPSC Case No. U-21973, 9/10/2026 Order, p 19; MPSC Case No. U-21860, 2/19/2026 Order, p 17, 246; MPSC Case No. U-20162, 5/2/2019 Order, p 6. Given that the Company was unable to provide support for the historical costs and because of the unknown, emergent nature of the future costs, all such expenditures for the Regulatory Compliance project should be disallowed, in accordance with Staff’s direct testimony and this brief.

- f. **Staff recommends MIGP customer – requested renewable energy projects capital expenditures should be reduced by \$15.833 million. (Appendix E, line 54.)**

[**References in the Record:** Coppola, 4 TR 5442–5443; Ambrose, 4 TR 2851–2852, 2915–2919; Exhibit A-12, Schedule B5.7.2, p 1, line 3, A-24, Schedule N3, lines 268-271, A-62, Schedules RR1, RR2, RR3, RR4, RR62; Exhibit S-10.5; Exhibit S-17.1, line 22]

Staff recommends customer IT – MIGP customer – requested renewable energy projects capital expenditures should be reduced by \$15.833 million, which reduces rate base by \$9.918 million. (Appendix E, line 54.) Staff recommends the Commission and ALJ fully disallow the Company’s MIGP Customer-Requested Renewable Energy capital expenditures in the amounts of \$5,875,000 for the historical year ended 12/31/2025, \$6,000,000 for the bridge year ending 12/31/2026, \$479,000 for the partial bridge year ending 2/28/2027, and \$3,479,000 for the test year ending 2/29/2028.

As discussed in Staff’s direct testimony, just four customers have approved contracts with the Company as part of this project, and the Company was unable to provide any further information regarding additional customers or how those customers will be identified or enrolled in this project. (2 TR 947.) The Company was also unable to provide support for the requested expenditures for this project, instead providing a generic response that directed Staff to its Annual Planning Cycle (APC) for IT projects. (*Id.* at 948.) As Staff noted, the infrastructure for this project will interact with and support the Company’s already existing Customer Relationship & Billing system and a new system will not be created as part of this project. (*Id.*)

Attorney General witness Coppola also recommended a disallowance of the requested capital expenditures for this project, noting that “[i]t is difficult to understand why the Company would spend nearly \$16 million between 2025 and February 2028 to develop a computerized system for a handful of customers that could be handled manually and through other much less costly means.” (4 TR 5442.) Staff shares the AG’s concerns regarding the costs and necessity for this project, particularly the fact that “the total cost for this project through the end of 2028 could be in excess of \$20 million, according to projections provided by the Company, and it is even possible that development costs could continue past 2028.” (4 TR 5442–5443.)

In its rebuttal testimony, the Company claimed this project is a “‘must-do’ investment” to honor its executed customer contracts and continue the MIGP program approved by the Commission in Case No. U-20851. (4 TR 2916.) However, whether or not the Company must proceed with the MIGP program does not mean that it needs to implement such a costly project to continue with that work, particularly given the very low number of customers this project will impact. The crux of Staff’s and the AG’s concerns with this project are the high costs, which the Company has never justified. In its rebuttal, the Company once again pointed to its APC as an explanation for the project’s costs; however, using the APC as the sole justification for this project’s costs ignores the fact that the APC is an internal review process known only to the Company and does not automatically make expenditures approved under it reasonable and prudent. (4 TR 2917–2918; 2 TR

948.) Staff agrees with AG witness Coppola, who stated “[t]his is a clear example of a wasteful IT project that should be avoided. Company management should be more attentive to these types of projects where the large costs to develop a new IT project is not commensurate with the benefits derived by the majority of the Company’s customer base.” (4 TR 5443.) For the reasons discussed above and in Staff’s and the AG’s direct testimony, Staff urges the ALJ and Commission to disallow the requested capital expenditures for the MIGP Customer-Requested Renewable Energy project.

- g. Staff recommends MIGP Low Income Solar projects capital expenditures should be reduced by \$2.027 million. (Appendix E, line 55.)**

[References in the Record: Coppola, 4 TR 5443–5444; Ambrose, 4 TR 2852–2853, 2919–2921; Klocke, 2 TR 944–946, 949–950; Exhibit A-12, B5.7.2, p 1, line 5, A-24, Schedule N3, line 273, A-62, Schedules RR2, RR3, RR5, RR6; Exhibit S-10.6; Exhibit S-17.1, line 23]

Staff recommends customer IT – MIGP low-income solar projects capital expenditures should be reduced by \$2.027 million, which reduces rate base by \$1.053 million. (Appendix E, line 55.) Staff recommends the Commission and ALJ fully disallow the Company’s MIGP Low Income Solar Pilot expenditures in the amounts of \$324,000 for the partial bridge year ending 2/28/2027 and \$1,703,000 for the test year ending 2/29/2028.

As discussed in Staff’s direct testimony, this project is too premature for recovery at this time; the pilot is set to begin in 2027, yet the Company does not know how many customers will enroll in it, nor does it know when it will have the

projects developed and begin enrolling customers as part of this project. (2 TR 949.) The supporting IT capabilities for this project are “contingent upon available funding to construct the associated solar facilities and place them in service,” but the Company has applied twice for a grant for such funding and has not yet received it. (*Id.*) In essence, the Company is unable to move forward with this project at this time and thus any funding for it is also premature. AG witness Coppola also recommended disallowance of the requested capital expenditures for this project due to the low customer participation in this pilot, which is estimated at just 50-55 customers. (4 TR 5444.)

In its rebuttal testimony, the Company claimed that because the MIGP Low Income Solar Pilot is a non-discretionary obligation the Company committed to under a Commission-approved settlement, it must implement the associated billing and system functionality for this project. (4 TR 2920.) However, this argument neglects to take into the account that the prematurity and lack of funding received thus far for this project makes it impossible to implement at this time. (2 TR 949.) In the settlement agreement referenced by the Company, approved by the Commission in Case No. U-20713, the Commission stated the following: “DTE Electric will use reasonable efforts to construct and launch three projects with commercial operation dates in 2022 thru 2024. The Company will target one project per year. The Company’s commitment depends upon the availability of suitable projects that meet minimum requirements.” See MPSC Case No. U-20713, 6/9/2021 Order, Exhibit A, p 10.) In the instant case, the Company stated that it is “not yet

prepared to enroll or bill customers for the pilot program” but also that the pilot program is “taking longer than originally anticipated to launch, primarily due to a lack of funding associated with multiple construction initiatives in low-income areas.” (4 TR 2920.) No evidence of funding being imminently received for this project was provided, so it is the obvious conclusion that this project cannot move forward at this time. Therefore, the requested expenditures are premature and imprudent. The Company is unable to meet the minimum requirements referenced above in the Commission-approved settlement in Case No. U-20713, and the initial timelines discussed by the Commission have since passed.

As stated by AG witness Coppola, “[t]his is another example of an IT project that is not fully defined or fleshed out, which should be avoided . . . it would be wise to first determine if the level of customer participation justifies undertaking a costly project, instead of plunging into a system development project without knowing the number of participants even if this proposal came from a settlement.” (4 TR 5444.) For the reasons stated above and in Staff and the AG’s direct testimony, the requested capital expenditures for the MIGP Low Income Solar Pilot should be disallowed.

h. Staff recommends MIGP scope 3 billing and enrollment capital expenditures should be reduced by \$4.557 million. (Appendix E, line 56.)

[References in the Record: Ambrose, 4 TR 2853, 2922–2923; Klocke 2 TR 944–947, 950–951; Exhibit A-12, Schedule B5.7.2, p 1, line 6, A-24, Schedule N3, line 274, A-62, Schedules RR2, RR3; Exhibit S-10.7; Exhibit S-17.1, line 24]

Staff recommends customer IT – MIGP scope 3 billing and enrollment capital expenditures should be reduced by \$4.557 million, which reduces rate base by \$2.366 million. (Appendix E, line 56.) Staff recommends the Commission and ALJ fully disallow the Company’s MIGP Scope 3 Billing & Enrollment project expenditures in the amounts of \$728,000 for the partial bridge year ending 2/28/2027 and \$3,829,000 for the test year ending 2/29/2028.

In Staff’s direct testimony, it was noted that the expenditures for this project do not represent a reasonable and prudent investment because they are too premature based on the fact that this project is still in its “early planning stage” and that the number of participating customers and scale of enrollment will “vary” and are unknown by the Company at this time. (2 TR 950.) In addition, the Company could only provide vague customer benefits to be achieved through this project. (2 TR 951.)

In its rebuttal testimony, the Company claimed that the MIGP Scope 3 Billing & Enrollment project fulfills an obligation from a Commission-approved settlement but never presented evidence that this project must be implemented at this time. (4 TR 2922.) Indeed, the Company offered no additional information about this project, its necessity at this time, or support for the requested expenditures, instead merely claiming that the “Do Nothing” approach is not an

option and would result in noncompliance with MPSC and regulatory requirements. (*Id.* at 2923.) In the absence of evidence that this project must be implemented now to remain compliant with the MPSC-approved settlement, recovery for this project should be delayed until the Company has done its due diligence, most notably in determining the number of customers who will enroll in this program and the commensurate customer benefit to be attained from it. Thus, Staff urges the Commission and ALJ to disallow the requested capital expenditures for the MIGP Scope 3 Billing & Enrollment project.

i. Staff recommends Rider 17-MIGP capital expenditures should be reduced by \$3.921 million. (Appendix E, line 57.)

[References in the Record: Ambrose, 4 TR 2854, 2924–2926; Coppola, 4 TR 5444–5445; Exhibit A-12, Schedule B5.7.2, p 1, line 7, A-24, Schedule N3, lines 279–282, A-62, Schedules RR7, RR8, RR9, RR10, RR11]

Staff recommends customer IT – Rider 17 MIGP capital expenditures should be reduced by \$3.921 million, which reduces rate base by \$1.982 million. (Appendix E, line 57.)

Staff adopts the AG’s position from the direct testimony of witness Coppola and recommends that the Commission and ALJ reduce the capital expenditures for the Rider 17 – MiGreenPower, Residential and Small Commercial & Industrial project by \$501,000 for the two-month partial bridge period ending 2/28/2027 and \$3,420,000 for the test year ending 2/29/2028 for a total adjustment of \$3,921,000. AG witness Coppola recommended disallowance of the expenditures for the partial bridge year and test year for this project due to the fact that the project has already

implemented all necessary system changes and should be completed by November 2026 and therefore there should be no costs incurred in the first months of 2027 or the test year. (4 TR 5444–5445.)

Staff agrees with the AG’s assertion that because this project will be completed by the end of 2026 and the Company has not provided information or quantified the costs to be incurred post-implementation, the costs for the partial bridge year and test year are unsupported. (4 TR 2924.) In its rebuttal, the Company claimed that the AG has conflated “design completion” with “project completion,” but then goes on to state that the Rider 17 – MiGreenPower, Residential and Small Commercial & Industrial project will be implemented in November 2026. (*Id.*) The Company stated that there will be 2027 and test year costs related to “post-go-live activities” but has not provided any specifics regarding those costs. (*Id.*) The Company instead pointed to its Annual Planning Cycle as justification for the costs with little other information offered. (4 TR 2925.) Given all this, Staff believes that the Company has not proven the 2027 and test year expenditures for the Rider 17 – MiGreenPower, Residential and Small Commercial & Industrial project are reasonable and prudent and urges the ALJ and Commission to adopt the AG’s disallowance for those expenditures.

- j. **Staff recommends customer relationship and billing capital expenditures should be reduced by \$3.693 million. (Appendix E, line 58.)**

[References in the Record: Coppola, 4 TR 5445–5446; Ambrose, 4 TR 2863–2867, 2949–2952; Exhibit A-12, Schedule B5.7.2, p 1, line 11, A-24, Schedule N3, lines 298–301, A-62, Schedule RR18]

Staff recommends customer IT – customer relationship and billing capital expenditures should be reduced by \$3.693 million, which reduces rate base by \$2.294 million. (Appendix E, line 58.) Staff supports the AG’s position from the direct testimony of witness Coppola and recommends that the Commission and ALJ reduce the capital expenditures for the CR&B project by \$1,897,000 for the bridge period ending 2/28/2027 and \$1,796,000 for the test year ending 2/29/2028, for a total adjustment of \$3,693,000 for this project.

In his direct testimony, AG witness Coppola recommended the Commission remove the above amounts from the bridge and test years for the CR&B project to bring the project costs down to the average spent over the last three years adjusted for inflation. (4 TR 5445–5546.) The average spending for the CR&B project for 2023-2025 is \$4,276,000. (4 TR 5445.) Mr. Coppola based his disallowance on the fact that the Company did not identify any new features for this project in its direct testimony and that it is an annual maintenance program. (4 TR 5445–5446.) Given the Company’s lack of support for the higher bridge and test year expenditures for the project, Mr. Coppola made the aforementioned recommended disallowances. (*Id.*)

In its rebuttal testimony, the Company claimed that Mr. Coppola’s adjustment was inaccurate as it did not take into account the increase in costs

beginning in 2024 due to existing sustainment activities being consolidated into the CR&B beginning that year. (4 TR 2951.) Specifically, the Company claimed that the 2023 CR&B costs should be eliminated from Mr. Coppola's calculated three-year average for this project as the \$556,000 expenditures predate the consolidation of additional sustainment activities into the CR&B. (4 TR 2951.) However, even if the increased scope in 2024 led to higher costs for the CR&B for that year, the Company has never explained why the costs are projected to rise in the bridge period ending 2/28/2027 (\$7,301,000) and test year (\$6,320,000). (4 TR 2949, 2951.) Now that the CR&B is an annual maintenance program, Staff agrees with the AG's reasoning that absent some new features or scope, spending levels should not continue to rise past 2024.

Also, in its Order for MPSC Case No. U-21860, the Commission disallowed expenditures for the CR&B due to the fact that the increase in costs for the platform were unsupported for a fully implemented system. See MPSC Case No. U-21860, 2/19/26 Order, pp 223–224. The same issue with this project is shown in the instant case, with the Company unable to support the increased spending for this platform relative to past years. Given this project's past procedural history and the information provided in the instant case, Staff agrees that the AG's calculated disallowance is reasonable. Therefore, Staff urges the Commission and the ALJ to adopt the AG's calculated partial disallowance for the bridge and test periods for the CR&B project.

k. Staff recommends digital channels application health capital expenditures should be reduced by \$5.346 million. (Appendix E, line 59.)

[References in the Record: Ambrose, 4 TR 2867–2868, 2928–2933; 2 TR 939–941; Exhibit A-12, Schedule B5.7.2. p 1, line 12, A-24, Schedule N3, lines 302–305, A-62, Schedule RR13; Exhibit S-10.3; Exhibit S-17.1, line 20]

Staff recommends customer IT – digital channels application health capital expenditures should be reduced by \$5.346 million, which reduces rate base by \$3.252 million. (Appendix E, line 59.) Staff recommends the Commission and ALJ fully disallow the Company’s Digital Channels Application Health capital expenditures in the amounts of \$1,761,000 for the historical year ended 12/31/2025, \$1,660,000 for the bridge year ending 12/31/2026, \$265,000 for the partial bridge year ending 2/28/2027, and \$1,660,000 for the test year ending 2/29/2028.

Staff recommends the Commission and ALJ fully disallow the Company’s Digital Channels Application Health capital expenditures in the amounts of \$1,761,000 for the historical year ended 12/31/2025, \$1,660,000 for the bridge year ending 12/31/2026, \$265,000 for the partial bridge year ending 2/28/2027, and \$1,660,000 for the test year ending 2/29/2028. Staff’s recommended disallowance for this project rests on the fact that the “problem” this project is meant to fix is to provide fewer website outages and therefore improve customer experience ratings, yet the Company’s website has experienced zero unplanned outages in both 2025 and 2026, with just two occurring in both 2024 and 2023. (2 TR 940–941.) The Company also admitted that it does not track or quantify the monetary impact of such unplanned outages, nor does it know any indirect impacts from such outages. (2 TR 941.)

In its rebuttal testimony, the Company claimed that Staff's recommendation inverts the proper prudence analysis and that the absence of outages is not evidence that work is unnecessary but rather the result of the sustainment funded by this project. (4 TR 2928.) The Company also claimed that though there were zero unplanned outages in 2026, there were seven "events" where portions of the website experienced some degraded functionality. (4 TR 2931.) However, the Company was again unable to quantify the monetary impact of those "events" and they were resolved quickly through typical IT scope of work. (*Id.*; Exhibit S-10.3, p 7–8.) The Company claimed that without funding for this project events of this type would increase in frequency and severity, yet without knowing the consequences of past events it is not possible to know the impact of any such future events. (4 TR 2932.) In addition, the Company claimed that there were 11 unplanned outages experienced in 2025, yet the exhibit the Company used as support for this does not mention such outages occurring in 2025. (*Id.*; Exhibit A-62, Schedule RR13.) Per the Company's audit response to Staff, there were zero full unplanned outages in 2025. (Exhibit S-10.3, p 6.) The Company's reason for this project is largely predicated on the premise that it will prevent or reduce outages, yet the information provided by the Company seemingly negates the need for such a project when unplanned outages have not been experienced for over two years. (Exhibit A-24, Schedule N3, lines 303–305.)

Finally, the Company claimed that the assets under this project remain in active service and that they are unsupported on the legacy platform. (4 TR 2929.)

However, nowhere in the Company's direct testimony, exhibits, or audit responses was it proven that the legacy system is currently unsupported and Staff finds that the Company's warning that the recommended disallowance for the requested expenditures for this project would leave these systems unsupported is greatly overstated and not backed by evidence. (*Id.*) Staff restates its position that this project aims to fix a problem that does not actually exist. (2 TR 941.) Therefore, for the reasons stated above and in Staff's direct testimony, Staff recommends full disallowance of the requested expenditures for the Digital Channels Application Health project.

1. Staff recommends Powerley customer platform application health capital expenditures should be reduced by \$1.785 million. (Appendix E, line 60.)

[References in the Record: Ambrose, 4 TR 2858–2862, 2943–2948; Klocke, 2 TR 936–939; Exhibit A-12, Schedule B5.7.2, p 1, lines 13 & 21, A-24, Schedule N3, lines 291–293, 314, A-62, Schedule RR16; Exhibit S-10.2, Exhibit S-17.1, lines 19 & 28]

Staff recommends customer IT – Powerley customer platform application health capital expenditures should be reduced by \$1.785 million, which reduces rate base by \$1.011 million. (Appendix E, line 60.)

Consistent with Staff's recommendation to disallow the requested capital expenditures for the customer IT – customer insight platform application health capital expenditures project, and for the same reasons provided below (see Section III.B.3.o,) Staff recommends the ALJ and Commission disallow the requested capital expenditures for customer IT – Powerley customer platform application health capital expenditures.

- m. Staff recommends self-service mobile channel application health capital expenditures should be reduced by \$3.365 million. (Appendix E, line 61.)**

[References in the Record: Ambrose, 4 TR 2877–2878, 2938–2942; Klocke, 2 TR 963–966; Exhibit A-12, Schedule B5.7.2, p 1, line 16, A-24, Schedule N3, lines 319–322, A-62, Schedules RR14, RR15; Exhibit S-10.11; Exhibit S-10.17, line 30]

Staff recommends customer IT – self-service mobile channel application health capital expenditures should be reduced by \$3.365 million, which reduces rate base by \$2.054 million. (Appendix E, line 61.) Staff recommends the Commission and ALJ fully disallow the Company’s Self Service Mobile Channel Application Health project capital expenditures in the amounts of \$988,000 for the historical year ended 12/31/2025, \$1,101,000 for the bridge year ending 12/31/2026, \$176,000 for the partial bridge year ending 2/28/2027 and \$1,101,000 for the test year ending 2/29/2028.

Staff’s direct testimony recommended disallowance of the requested expenditures for this project because, based on information provided by the Company, the majority of the work to be completed under this project amounts to emergent work. (2 TR 964.) Customer feedback is used to inform the Company’s monthly releases, so the scope of work is unknown in advance of that feedback and the work is therefore emergent and not appropriate for recovery. (2 TR 965.) In addition to the emergent nature of the work to be completed for this project, customer usage of the App has plateaued at around 20% and the Company was unable to provide proof for the stated benefit of the App reducing calls. (4 TR 965–966.)

In its rebuttal testimony, the Company claimed that it does have a defined scope for this project, including “design, development, testing, and project management activities.” (4 TR 2939.) However, it also stated that the prioritization that arises from customer feedback determines the sequencing of that work and that the “specific work requiring attention can change as operating-system requirements, security requirements, defects, performance issues, and business needs arise.” (*Id.*) In essence, the work to be completed under this project does change from month to month and is not known with specificity in advance, meaning that work amounts to emergent work. Emergent or contingent work has long been considered inappropriate for recovery as such expenditures cannot be reviewed by Staff and intervenors for their reasonableness and prudence and this can lead to over-recovery on the part of the Company and higher, unsupported costs for ratepayers. *See* MPSC Case No. U-21973, 9/10/2026 Order, p 19; MPSC Case No. U-21860, 2/19/2026 Order, p 17, 246; MPSC Case No. U-20162, 5/2/2019 Order, p 6.) The Company provided a table in its rebuttal with historical release activity for the Mobile App in 2025 and 2026, purporting to prove that the Company’s established application-health scope allows for consistent work over time. (4 TR 2940.) However, when reviewing that information, there is only one category (Billing User Experience or Outage User Experience Improvements) out of seven where the work completed in 2025 matches that completed in 2026. (*Id.*) All other categories show variances that negate the Company’s argument that past work for this project is a reliable determinant of the future work to be completed and Staff’s

argument that the work to be completed under the Mobile App project is emergent and inappropriate for recovery. (*Id.*)

The Company also claimed that without recovery for this project, the App *may* experience degraded performance, reduced feature availability, or loss of functionality, yet no proof was provided that these risks will actually occur in the Company's direct testimony, exhibits, audit responses, or rebuttal testimony. (4 TR 2878, 2941; 2 TR 965; Exhibit A-62, Schedule RR15; Exhibit S-10.11.) However, the Company has not proven that the that the Mobile App will not continue to function just fine as-is without the recovery requested in the instant case, remaining available for the 20% of customers who use it. (4 TR 2942.) For the reasons stated above and in Staff's direct testimony, the ALJ and Commission should disallow the requested expenditures for the Self Service Channel Mobile Application Health project.

n. Staff recommends web transaction application health capital expenditures should be reduced by \$14.922 million. (Appendix E, line 62.)

[References in the Record: Ambrose, 4 TR 2880–2881, 2933–2937; Klocke 2 TR 968–972; Exhibit A-12, Schedule B5.7.2, p. 1, line 18, A-24, Schedule N3, lines 327–330; Exhibit S-10.13; Exhibit S-17.1, line 32]

Staff recommends customer IT – web transaction application health capital expenditures should be reduced by \$14.922 million, which reduces rate base by \$3.294 million. (Appendix E, line 62.) Staff recommends the Commission and ALJ fully disallow the Company's Web Transaction Application Health project capital expenditures in the amounts of \$4,115,000 for the historical year ended 12/31/2025,

\$5,000,000 for the bridge year ending 12/31/2026, \$800,000 for the partial bridge year ending 2/28/2027, and \$5,007,000 for the test year ending 2/29/2028.

As noted in Staff's direct testimony, very little information regarding this project was provided by the Company in its direct testimony, exhibits, or audit responses beyond that it will provide "minor enhancements, infrastructure patching and upgrades, production monitoring and support" and "defect resolution." (2 TR 969.) Given the lack of information provided, Staff believes the risks of defects the Company is concerned about are overstated and possibilities, not guarantees, and that the requested expenditures for this project are not reasonable and prudent. (2 TR 970.)

In its rebuttal testimony, the Company claimed that the Web Transaction Application Health project is necessary to "keep existing, in-service functionality reliable, secure, and available to customers." (4 TR 2933–2934.) It is also claimed that without funding for this project, the applications that fall under it would not receive the ongoing support they need to remain stable. (4 TR 2936.) Yet, the Company provided no evidence that these risks are likely to occur and, given that the project began in 2025, Staff does not understand why this level of funding is already necessary to keep this project secure and stable. (4 TR 2935.) In addition, some of the "defects" that *could* occur include slower page loads and processing delays. (4 TR 2936.) Again, those defects were not quantified in terms of the impact they will have on customers. Indeed, the majority of defects experienced to date by this platform were identified as "low severity." (*Id.*) Finally, though the

Company claimed that its use of bi-weekly sprints is a “project-management discipline, not an absence of scope,” the scope of work for this project remains undefined and is not fully known as the Company’s use of bi-weekly sprints govern “the sequencing and prioritization” of the work to be completed, which by their nature means that work cannot be known in advance. (4 TR 2934.) For the reasons discussed above and in Staff’s direct testimony, the ALJ and Commission should disallow the capital expenditures requested for the Web Transaction Application Health project.

- o. Staff recommends customer insight platform application health capital expenditures should be reduced by \$3.892 million. (Appendix E, line 63.)**

[References in the Record: Ambrose, 4 TR 2858–2862, 2943–2948; Klocke, 2 TR 936–939; Exhibit A-12, Schedule B5.7.2, p 1, lines 13 & 21, A-24, Schedule N3, lines 291–293, 314, A-62, Schedule RR16; Exhibit S-10.2, Exhibit S-17.1, lines 19 & 28]

Staff recommends customer IT – customer insight platform application health capital expenditures should be reduced by \$3.892 million, which reduces rate base by \$2.437 million. (Appendix E, line 63.) Staff recommends the Commission and ALJ fully disallow the Company’s C&I Portal Migration capital expenditures in the amounts of \$1,775,000 for the bridge year ending 12/31/2026, \$285,000 for the partial bridge year ending 2/28/2027, and \$1,832,000 for the test year ending 2/29/2028. Staff also recommends the Commission and ALJ fully disallow the Company’s Powerley Customer Platform Application Health capital expenditures in the amount of \$1,785,000 for the historic year ended 12/31/2025. (See Section III.B.3.1.)

The Powerley Customer Platform has been renamed as the Customer Insight Platform Application Health project in 2026. Staff recommends disallowance of the requested expenditures for these projects because the Company has not demonstrated the need for ongoing investment, nor demonstrated strong customer usage of the Customer Insight App or Energy Bridge (EB) devices, both of which fall under this project. (2 TR 937–938.) There are just 23,378 EB devices in use, yet 59,000 of these devices have been installed at customer premises, which means less than half are being used. (2 TR 937.) The Company has plans to install the remaining 21,000 EB devices in its inventory from 2026-2028 at a rate of 5,000 per year, which grossly overestimates how many will most likely be installed, as yearly installation rates of EB devices peaked in 2022 at 3,655 and has steadily decreased down to just 1,372 in 2025. (2 TR 938.) Customer usage of the Insight App has also been declining, down from 110,000 users in 2023 to 95,000 in 2025. (*Id.*)

In its rebuttal testimony, the Company claimed that the funding for this project is needed to continue to support the Insight App, specifically to complete Apple and Google updates. (4 TR 2944.) However, just three such updates were completed in 2025 and the Company has not delineated the cost to complete such updates. (*Id.*) Staff is skeptical that such operating system updates necessitate the need for expenditures at the level requested for these projects. In terms of the EB device usage, the Company claimed that the fact that just 23,378 of the installed 59,000 EB devices are being used “reflects the normal dynamics of a large installed base, which active use fluctuates with customer behavior.” (4 TR 2945–2946.) Staff

would argue that such low usage indicates at a minimum a lack of customer interest and has serious doubts that the Company continuing to invest in this platform will encourage customers to re-engage. Despite the Company's claims to the contrary, Staff does believe the value of such a platform as the Powerley/Customer Insight Platform Application *is* measured by annual user counts. (2 TR 2947.)

Finally, the Company stated that it has met the Commission's standard regarding these projects from its Order in Case No. U-21860, wherein it was stated that "the Commission recognizes that the test year capital expenditures are significant and cautions the Company that it will need to show the benefits of this project in its next rate case if additional funding is sought." See MPSC Case No. U-21860, 2/19/2026 Order, p 222; (2 TR 939.) The Company claimed that it has "significantly expanded the benefits in this case" but offers no further support of any such expanded benefits. (4 TR 2948.) It also claimed that it is not requesting additional funding in this case because it is requesting a reduced level of funding relative to what the Commission approved in Case No. U-21860. (*Id.*) The Company must support its proposed expenditures on a case-by-case basis and meet the burden of demonstrating that the costs are reasonable and prudent based on the present record. The Company is requesting bridge and test year expenditures in the instant case and has not met the burden of showing the benefits of this project to justify the cost. See MPSC Case No. U-21860 February 19, 2026 Order, p 222; (2 TR 939; 4 TR 2948.) For all these reasons and those stated by Staff in its direct testimony, Staff recommends the ALJ and Commission disallow the requested

expenditures for the Customer Insight Platform Application Health and Powerley Customer Platform Application Health projects

- p. Staff recommends outage WISMO, PPS, and map application health capital expenditures should be reduced by \$14.495 million. (Appendix E, line 64.)**

[References in the Record: Coppola, 4 TR 5446–5447; Ambrose, 4 TR 2870–2876, 2889–2894, 2964–2969; Klocke, 2 TR 951–957; Exhibit A-12, Schedule B5.7.2, p 2, lines 24 & 31, A-24, Schedule N3, lines 310-313, A-62, Schedules RR30, RR31, RR32, RR33, RR34, RR35, 342; Exhibit S-10.8; Exhibit S-17.1, lines 25 & 26]

Staff recommends customer IT – outage WISMO, PPS, and map application health capital expenditures should be reduced by \$14.495 million, which reduces rate base by \$8.935 million. (Appendix E, line 64.) Staff recommends the Commission and ALJ fully disallow the Company’s Outage WISMO, PPS, & Map Application Health capital expenditures in the amounts of \$3,352,000 for the historical year ended 12/31/2025, \$5,250,000 for the bridge year ending 12/31/2026, \$827,000 for the partial bridge year ending 2/28/2027, and \$5,066,000 for the test year ending 2/29/2028. Staff also recommends the Commission and ALJ disallow the Company’s Outage WISMO, PPS, & Map Enhancement project capital expenditures in the amount of \$579,000 for the historical year ended 12/31/2025. (See Section III.B.3.t.)

Staff’s recommended disallowance of the capital expenditures for these projects is based on the fact that these two projects both directly stem from and interact with the Company’s larger Error Free Communication project, for which the Company received recovery in the Order in Case No. U-21534 with expenditures

of \$52.4 million. See MPSC Case No. U-21534, 1/23/2025 Order, p 465; (2 TR 952.) Given the timing of the Order in Case No. U-21534 and the early stages the EFC project is still currently in, additional recovery for expenditures for projects related to the EFC are too premature and not prudent. The Company-provided metrics related to the EFC do show some improvement for key project metrics relating to outage communication, including meters reporting outages on behalf of the customer, Restoration Communication Accuracy, power restoration communications, and non-storm First Estimate Accuracy, yet there is still work to be done in meeting the Company's long-term goals for the EFC project. (2 TR 954.) Additionally, very little information regarding the expenditures requested in the instant case were provided, including their necessity at this time, how they will be utilized, and how they will interact with the larger EFC project. (*Id.*) AG witness Coppola also recommended partial disallowance of expenditures for the bridge and test years for the Outage WISMO, PPS, & Map Application Health project due to the lack of justification provided by the Company regarding those expenditures. (4 TR 5447.)

In its rebuttal testimony, the Company claimed that Staff does not consider the measurable results achieved through the EFC initiative or the work required to maintain the outage communication systems. (4 TR 2965.) This is inaccurate; Staff did review and consider those results and concluded that while progress is being made, there is still more work to do. (2 TR 954.) The Company provided a table in its rebuttal testimony with the improvement in key outage communication metrics,

which proves Staff's point: with the exception of one metric, which has had consistently high results even prior to the implementation of the EFC (Outage Delivery Notification with 88% accuracy in 2023, 97% in 2024, and 99% in 2025), all other metrics are still far from meeting the Company's long-term goals. (4 TR 2966.) The Company admits that it has "not yet achieved its long-term goals for Customer Premise Power Status, restoration communication timeliness, or First Estimate Accuracy" metrics and that "[c]ontinued work is needed to maintain the results already achieve and support further improvement." (4 TR 2967.) However, the Company believes that further investment is needed to achieve those goals, while Staff would argue it is imprudent for the Company to receive any further recovery for this project at this time.

In rebuttal testimony, witness Ambrose recommended the Commission reject witness Coppola's proposed adjustments for the Outage WISMO, PPS, and Outage Map Application Health project. (4 TR 2969.) Though the Company did not rebut Staff's position directly, Staff would like to point out once again that in the Company's last electric rate case, Case No. U-21860, the Company requested and was denied additional expenditures for these projects. The Commission cited the ALJ's reasoning behind that disallowance, specifically noting that "[t]here is no dispute that review of the EFC system progress is in the early stages and has not yielded any useful insight" and "with so much already invested, this PFD agrees with Staff that it would be imprudent to allow additional recovery at this time." MPSC Case No. U-21860 2/19/2026 Order, p 227; (2 TR 957.) Nothing has

materially changed with these projects or the larger EFC project since the Order in Case No. U-21860 and thus the same logic prevails in the instant case: the EFC project is still very premature and continued recovery of additional expenditures in the instant case would be unreasonable and imprudent. Therefore, for the reasons discussed above and in Staff's direct testimony, Staff urges the ALJ and Commission to disallow the requested expenditures for the Outage WISMO, PPS, & Map Application Health and Outage WISMO, PPS, & Map Enhancement projects and also recommends the Commission order the Company to show significant, measurable process in achieving and, ideally, surpassing the established metrics for the EFC, a more detailed and thorough breakdown of how past expenditures were utilized, and detailed future plans and expenditures for this project, including how they were determined in its next electric rate case.

q. Staff recommends C&I portal migration capital expenditures should be reduced by \$4.948 million. (Appendix E, line 65.)

[References in the Record: Coppola, 4 TR 5451–5452; Ambrose, 4 TR 2881–2882, 2955-2960; Klocke, 2 TR 933–936; Exhibit A-12, Schedule B5.7.2, p 2, line 25; Exhibit A-24, Schedule N3, lines 331–332, A-62, Schedules RR17, RR23, RR24, RR25, RR26, RR27, RR28; Exhibit S-10.1; Exhibit S-17.1, line 18]

Staff recommends customer IT – C&I portal migration capital expenditures should be reduced by \$4.948 million, which reduces rate base by \$2.522 million. (Appendix E, line 65.) Staff recommends the Commission and ALJ fully disallow the Company's C&I Portal Migration capital expenditures in the amounts of

\$682,000 for the bridge year ending 2/28/2027 and \$4,266,000 for the test year ending 2/29/2028.

Staff's recommended disallowance for this project is based on the fact that the Company has not supported the costs requested and the finding that the project is not necessary at this time. (2 TR 934.) When the Company was asked how this project will improve customers' experience, the Company responded that there will be faster load times, improved availability, and fewer system failures as a result of this project. (*Id.*) However, the page load times are only forecasted to improve by three seconds, from approximately seven seconds to four seconds, the overall availability will improve by just 1.4%, from 98.5% to 99.9%, and the yearly outage duration will be reduced down to 10 hours from 132 hours (out of 8,760 hours in the year). (*Id.*) The Company also claimed that maintaining the existing platform is not ideal since it has been out of support since 2018, yet no cybersecurity incidents have occurred in the eight years since that platform has been out of support. (*Id.*)

Witness Coppola also recommended disallowance of the requested capital expenditures for the C&I Portal Migration project due to the premature nature of this project and the fact that it is still in the preliminary phase of development. (4 TR 5451.)

In its rebuttal testimony the Company claimed that Staff's characterization of the negligible benefits to be derived from this project does not consider the resulting reduction in service disruption and its impact on customers. (4 TR 2957.) However, the Company merely restated the same claimed benefits as mentioned

above, with the same minor improvements such as slightly faster page load times, increased availability, and outage duration. (*Id.*) Despite the Company's claims to the contrary, Staff does not find those improvements to be meaningful to support the commensurate expenditures of \$5 million. (4 TR 2957–2958.) The Company also claimed that the platform being out of support since 2018 means that the Company has only been able to maintain it through “interim measures,” but Staff would posit that these measures are no longer “interim” when they have been consistently deployed for over eight years. (4 TR 2958.) In addition, those measures, including patching, temporary updates, remediation, and internal efforts are clearly effective as no cybersecurity incidents have occurred. (*Id.*) It is unclear why the Company cannot continue on in the same manner, which would be the more reasonable and prudent path.

The Company also rebutted witness Coppola's assertion that this project is too premature for recovery at this time, claiming that the planning for this project has been completed, along with approvals. (4 TR 2960.) However, the Company also admitted that the project is not planned to begin until 2027, and the detailed design requirements are not to be completed until later in 2027, with planned implementation potentially in 2028. (*Id.*) This project may begin in 2027, but the fact remains that it is still in its preliminary stages. For all these reasons, and those stated by Staff and the AG in their direct testimonies, Staff recommends the ALJ and Commission disallow the requested expenditures for the C&I Portal Migration project.

- r. Staff recommends digital channels transformation program capital expenditures should be reduced by \$9.367 million. (Appendix E, line 66.)**

[References in the Record: Ambrose, 4 TR 2882–2883, 2960–2964; Klocke, 2 TR 941–944; Exhibit A-12, Schedule B5.7.2, p 2, line 26, A-24, Schedule N3, lines 333–336, A-62, Schedule RR29; Exhibit S-10.4; Exhibit S-17.1, line 21]

Staff recommends customer IT – digital channels transformation capital expenditures should be reduced by \$9.367 million, which reduces rate base by \$5.916 million. (Appendix E, line 66.) Staff recommends the Commission and ALJ fully disallow the Company’s Digital Channels Transformation Program capital expenditures in the amounts of \$2,900,000 for the historical year ended 12/31/2025, \$3,800,000 for the bridge year ending 12/31/2026, \$367,000 for the partial bridge year ending 2/28/2027, and \$2,300,000 for the test year ending 2/29/2028.

Staff’s recommended disallowance of the requested expenditures for this project is based on the finding that it is a discretionary investment that the Company has neither supported the need for, nor proven strong customer interest in. (2 TR 942.)

In its rebuttal testimony, the Company claimed that Staff’s recommended disallowance for this project does not consider the scope and purpose of this project, noting that it will modernize “how customers access and complete existing payment, account, and outage transactions.” (4 TR 2961.) However, the Company also noted that the transactions to be modernized under this project, including Guest Pay, Manage Payment Methods, Authenticated Payments, Report Outage, Down Wire, Get Status, Police and Fire outage reporting, and Street Lighting already are available to customers and the Company has neither supported the need or demand

for such modernization for these transactions, nor how any improvements would be accomplished through this work. (*Id.*; 2 TR 943.) In the same vein, the Company claimed that the do-nothing approach was not chosen because it could result in a “less secure and resilient digital experience,” yet when asked how many security incidents have occurred to date due to the aging of the platform, the Company admitted that none had occurred. (2 TR 942–943.) The Company’s claim that the “absence of a prior security incident does not support a conclusion that the security capabilities included in this project are not needed” is not supported by any evidence on the record regarding this project. (4 TR 2962–2963.)

Another facet of this project is the addition of additional payment options, such as PayPal and Venmo. (2 TR 943.) However, just 21% of respondents to the Company’s payment transactions surveys conducted in 2026 indicated an interest in such payment methods. (*Id.*) As Staff noted in its direct testimony, this is a very low amount of customers given the high costs involved with this project and Staff feels this project is merely a “nice to have” but is not essential. (2 TR 943–944.) Though the Company claims that these alternative payment methods are only one part of the larger program and not the primary basis for recovery, this was noted as a driver of the Company’s requested expenditures for this project. (2 TR 943.) In sum, compelling evidence for recovery for this project was not provided by the Company and thus for all the reasons discussed above and in Staff’s direct testimony, the Commission and ALJ should disallow the requested expenditures for the Digital Channels Transformation Program.

- s. **Staff recommends web billing and profile management cloud migration capital expenditures should be reduced by \$5.219 million. (Appendix E, line 67.)**

[References in the Record: Ambrose, 4 TR 2887–2888, 2952–2955; Klocke, 2 TR 966–968; Exhibit A-12, Schedule B5.7.2, p 2, line 30, A-24, Schedule N3, lines 340–341, A-62, Schedules RR19, RR20, RR21, RR22; Exhibit S-10.12; Exhibit S-17.1, line 31]

Staff recommends customer IT – web billing and profile management cloud migration capital expenditures should be reduced by \$5.219 million, which reduces rate base by \$309 thousand. (Appendix E, line 67.) Staff recommends the Commission and ALJ fully disallow the Company’s Web Billing & Profile Management Cloud Migration project capital expenditures in the amounts of \$719,000 for the partial bridge year ending 2/28/2027 and \$4,500,000 for the test year ending 2/29/2028.

As discussed in Staff’s direct testimony, the Company has not shown the imminent need for this project, as it has already been delayed once due to “evolving business priorities” and Staff is not convinced it will not be delayed again as competing interests take priority. (2 TR 967.) In addition, the vendor support for this project ended in April 2018 and the Company has been able to maintain the platform for over eight years without that vendor support with *no* cybersecurity incidents during that time. (*Id.*)

In its rebuttal testimony, the Company noted that there have been 37 “operational events” – which were not defined in terms of severity, complexity, and impact – since vendor support ended in 2018, which averages just 4.6 per year over the span of those eight years. (4 TR 2953.) However, given that the Company’s

main rationale to move this platform is to prevent increased cybersecurity risks, the lack of any cybersecurity incidents since 2018 contradicts the claimed need for this project at this time. (2 TR 967.) The Company has maintained ongoing patching and remediation to support this platform and has not shown that they cannot continue in this manner. (4 TR 2955.) This project has not been shown to be necessary at this time and its related costs are not reasonable and prudent. Thus, for the reasons discussed above and in Staff's direct testimony, the ALJ and Commission should disallow the requested expenditures for the Web Billing & Profile Management Cloud Migration project.

t. Staff recommends outage WISMO, PPS, and map enhancement capital expenditures should be reduced by \$579 thousand. (Appendix E, line 68.)

Staff recommends customer IT – outage WISMO, PPS, and map enhancements capital expenditures should be reduced by \$579 thousand, which reduces rate base by \$328 thousand. (Appendix E, line 68.)

Consistent with Staff's recommendation to disallow the requested capital expenditures for the customer IT – outage WISMO, PPS, and map application health capital project, and for the same reasons provided above (see Section III.B.3.p,) Staff recommends the ALJ and Commission disallow the requested capital expenditures for customer IT – outage WISMO, PPS, and map enhancements capital expenditures.

- u. Staff recommends payment merchant fees capital expenditures should be reduced by \$14.471 million. (Appendix E, line 69.)**

[References in the Record: Klocke, 2 TR 957–960; Bruzzano, 4 TR 2011–2012; Ambrose, 4 TR 2894–2899, 2969–2974; Exhibit A-12, Schedule B5.7.2, p. 2, line 32, A-24, Schedule N3, lines 343- 344, A-62, Schedule RR63; Exhibit S-10.9; Exhibit S-17.1, line 27]

Staff recommends customer IT – payment merchant fees capital expenditures should be reduced by \$14.471 million, which reduces rate base by \$9.200 million. (Appendix E, line 69.) Staff recommends the Commission and ALJ fully disallow the Company’s Payment Merchant Fees capital expenditures in the amounts of \$9,471,000 for the historical year ended 12/31/2025 and \$5,000,000 for the bridge year ending 12/31/2026.

The Payment Merchant Fees project is intended to support use of a third-party consumer payment provider to develop the Company’s card fee/surcharge solution across served and self-service channels. (4 TR 2895.) Staff recommended disallowance of the expenditures for this project in both the instant case and Case No. U-21860 for the same reasons: the Company’s failure to support those costs and show they are reasonable and prudent. (2 TR 958; 5 TR 5127); see MPSC Case No. U-21860, 2/19/2026 Order, p 2292–230. Specifically, the Company has provided very little information in its direct testimony, supporting exhibits, and audit responses regarding the scope of work to be completed in 2026 and the expenditures related to the contractor costs, which are the bulk of the expenditures requested for both 2025 (\$7,942,287 out of the \$9,471,456 requested) and 2026 (\$4,335,500 out of the \$5,000,000 requested). (2 TR 958–959.)

Staff specifically asked the Company for a line-item breakdown of the contractor's costs in the instant case and the Company failed to provide that information. (*Id.* at 959; Exhibit S-10.9, p 5; Exhibit A-62, Schedule RR63.) In its rebuttal testimony, the Company finally did provide a breakdown of the historical costs incurred for this Payment Merchant Fees project. (CONFIDENTIAL 4 TR 2973.) However, Staff is puzzled at the Company's inability or reticence to provide Staff with this information during the analysis period of this case, especially when directly asked for it. Providing Staff with this information during rebuttal testimony is too late for proper analysis of that information and Staff's concerns with the reasonableness and prudence of these costs remain. In addition, the Company did not provide any additional information regarding the 2026 scope of work for this project, instead merely reiterating what was already noted in its direct testimony that 2026's work will focus on "final testing, data migration, cutover, deployment, and post-implementation stabilization activities." (4 TR 2970–2971; 2 TR 958.)

In its rebuttal testimony, the Company also claimed that in its Order in Case No. U-21860 regarding the Payment Merchant Fees project the "Commission indicated that the Company could seek recovery of these costs once the project was implemented." (4 TR 2973–2974.) However, this is not what the Commission stated in that order. Instead, the Commission stated:

The Commission agrees with the Staff's and the ALJ's observations about the lack of information regarding how the vendor was chosen or what alternatives were considered. *See*, 5 Tr 5127; 4 Tr 2318-2320, 2380-2381. The Commission notes that it is not finding that the fees

incurred by customers paying by credit or debit card cannot be passed on to those individual customers who choose the convenience of these payments. Rather, it is finding that the requested capital expenditure amount for the 2025 bridge year has not been adequately supported on this record. Finding it to be well-reasoned and supported by the record, the Commission adopts the recommendation of the ALJ. PFD, pp 283-284. [MPSC Case No. U-21860, 2/19/2026 Order, p 231.]

Thus, the Company's additional claim that it is "therefore doing exactly what the Commission's prior order contemplated, supported by additional contractor cost support provided above" misstates both the Commission's own words in the Order for Case No. U-21860, as well as the support provided by the Company for the Payment Merchant Fees project in the instant case. (4 TR 2974.) For the reasons stated above and in Staff's direct testimony, Staff urges the ALJ and Commission to disallow the requested expenditures for the Payment Merchant Fees project.

v. Staff recommends distribution operations application health capital expenditures should be reduced by \$2.311 million. (Appendix E, line 71.)

[References in the Record: Rogers 2 TR 682–684; Ambrose 4 TR 2825–2826, 2985–2988; Coppola 4 TR 5440–5441; Company Exhibit A-12, Schedule B5.7.4, Line 6; Company Exhibit A-24, Schedule N3, Revised Line 196–197; Company Exhibit A-24, Schedule N1, p 319–326; Staff Exhibit S-17.6 p 12–13]

Staff recommends plant and field – distribution operations application health capital expenditures should be reduced by \$2.311 million, which reduces rate base by \$1.174 million. (Appendix E, line 71.)

Staff recommends the ALJ and the Commission disallow capital expenditures of \$0.310 million in the 2 months ending February 28, 2027, and \$2.001 million in the test year ending February 29, 2028, for the Distribution Operations Application Health project. (2 TR 683.) This investment occurs annually to support

approximately 50 IT applications within Distribution Operations. (2 TR 682.) Its purpose is to add new functionalities and improvements to enhance customer and employee experiences and allow field workers to perform efficient restoration work. (*Id.*) In testimony, the Company stated \$2.0 million more was spent in the 24 months ending December 31, 2026, than approved in Case No. U-21860 due to increased requirements to sustain the Outage Status Application and the Plant and Field shared API Management platform after migration to a Tier 1 Cloud Foundation. (4 TR 2825–2826.)

Staff recommends a disallowance of \$2.0 million in both 2027 and 2028 because these are additional costs for sustainment activities that are not reasonable or prudent. (2 TR 683.) Also, the Company has not adequately justified its necessity. (*Id.*) Through audit, DTE responded that the planned scope of maintaining applications, including the Outage Status Application, Mobile Time Sheet, the Pole Top, Tree Trim, AVTEC, and API, is consistent in 2025–2028. (Exhibit S-17.6, p 12.) When Staff asked if the additional scope to sustain the Outage Status Application and the API Management platform migration to a Tier 1 cloud foundation is an annual task or a one-time task costing \$2.0 million in each year, the Company stated that the migration was a one-time task, but the sustainment activities such as maintaining infrastructure-as-code, monitoring, automation, and platform governance capabilities are annual tasks. (Exhibit S-17.6, p 13.) The 2025 actual cost for sustainment prior to the migration of the Outage Status Application and the API Management platform to a Tier 1 Cloud

Foundation was \$1.207 million. The 2027 and 2028 costs in this case contain both the original sustainment costs, plus the new maintenance costs of the Outage Status Application and the API Management platforms after migration. Staff finds this to be duplicative, excessive, and more costly than any other investment sustainment expense. (2 TR 683–684.)

In direct testimony, witness Coppola recommended forecasting the cost for this investment using the average capital expense from the previous three years, \$1,251,000, and adjusting for inflation, due to the lack of support for the higher costs. (4 TR 5440.) This results in a projected expense of \$1,502,000 for the bridge period, \$2,349,000 less than requested, and \$1,323,000 for the projected test year, \$2,013,000 less than requested. (4 TR 5440–5441.)

In rebuttal testimony, DTE Electric disagreed with both Staff and the AG. (4 TR 2986–2987.) In opposition to Staff, the Company asserts that the 2025 actual cost is reflective of sustainment of only the prior application because it was incurred before the migration to the Tier 1 cloud foundation. It does not include the cost to maintain infrastructure-as-code, monitoring, automation, and platform governance capabilities of the new platform, because those functions did not exist in 2025. (4 TR 2987–2988.) In opposition to the AG, the Company claims use of the three-year historical average is inappropriate because it does not account for the forward looking scope causing the increase. The sustainment scope did not exist in the 2023–2025 historical period, so an average of those years does not consider the additional requirements. (4 TR 2988.)

Staff maintains its position in testimony that the additional \$2 million for annual sustainment activities is duplicative, excessive, and more costly than any other investment sustainment expense. The Company states in audit that the scope in 2025–2028 is largely consistent. (Exhibit S-17.6, p 12.) The 2021–2028 business cases filed in Exhibit A-24, Schedule N1 are also nearly identical. (Exhibit A-24, Schedule N1, p 319–326.) Largely consistent, nearly identical business cases should not be more than double in cost. The Company has also not shown any realized benefits resulting from the 2021–2025 scope. Additionally, the migration would likely have eliminated some sustainment activities of the prior application, rendering the whole \$1.2 million not fully used or useful.

Removing \$2.0 million in 2027 and 2028 results in projected capital costs of \$1.335 million and \$1.336 million, respectively. This results in a test year forecasted expense of \$1.335 million, \$2.001 million less than requested. As a result of these arguments, Staff recommends the ALJ and the Commission disallow capital expenditures of \$0.310 million in the 2 months ending February 28, 2027, and \$2.001 million in the test year ending February 29, 2028, for the Distribution Operations Application Health project.

- w. **Staff recommends everyday daily plan application health capital expenditures should be reduced by \$104 thousand. (Appendix E, line 72.)**

[References in the Record: Rogers, 2 TR 690–692; Ambrose, 4 TR 2828–2829, 2994–2995; Exhibit A-12, Schedule B5.7.4, Line 8; Exhibit A-24, Schedule N3, Revised Line 211–213; Exhibit A-24, Schedule N1, p 351–362; Exhibit S-17.6, p 24]

Staff recommends plant and filed – everyday daily plan application health capital expenditures should be reduced by \$104 thousand, which reduces rate base by \$63 thousand. (Appendix E, line 72.)

Staff recommends the ALJ and the Commission disallow \$50,000 in the 14-month bridge period (\$44,000 in 2026 and \$6,000 in the 2 months ending February 28, 2027), and \$54,000 in the test year ending February 29, 2028, in capital for the Everyday Daily Plan Application Health project. Staff also recommends the ALJ and the Commission disallow \$39,062 in O&M. (2 TR 691.)

The Everyday Daily Plan Application is a web-based tool that assigns field crews based on priority for trouble work, storm settings, and planned work during storm and non-storm conditions. This is a sustainment investment that will maintain proper functionality, operationality, and continuous availability of the application by monitoring and implementing bug fixes. (4 TR 2828–2829.)

Staff's recommended adjustment for the Everyday Daily Plan Application aligns the 2026–2028 capital costs with the costs actually incurred in 2025, \$0.180 million. In direct testimony and exhibits filed by the Company, the business cases related to each year of this investment are the same. (Exhibit A-24, Schedule N1, p 351–362.) When asked through audit for the phase each cost is in, DTE responded that the investment is a recurring sustainment project and that the 2027 and 2028

scope is consistent with the project's ongoing sustainment scope. (Exhibit S-17.6, p 24.) However, the Company is projecting increased capital expenditures in 2026 through 2028. Since the planned scope in 2026–2028 is the same as that executed in 2025, forecasting a cost consistent with what was actually spent is reasonable and prudent. Similarly, since Staff's recommendation reduces the test year projected capital by 23%, Staff finds it reasonable to also reduce the test year O&M by 23%. (2 TR 691–692.)

In rebuttal testimony, the Company disagreed with Staff's recommendation stating that it is not reasonable or accurate to align the 2026–2028 forecast to a single year of actual spending. The Company argued its decision to spend less than the expenses approved for 2025 in the previous rate case, Case No. U-21860, shows disciplined and prudent cost management, not a change in need, and should not be used as a basis for projecting the cost. (4 TR 2995.)

Staff maintains its position. The increased cost projections in 2026–2028 are well beyond the rate of inflation. The business cases filed are the same and the Company has not testified to a change in scope that would justify the increased costs or given a rationale for the grounds of the increase. Therefore, the ALJ and the Commission should disallow \$50,000 in the 14-month bridge period (\$44,000 in 2026 and \$6,000 in the 2 months ending February 28, 2027), and \$54,000 in the test year ending February 29, 2028, in capital for the Everyday Daily Plan Application Health project and \$39,062 in O&M.

x. Staff recommends ITS ADMS application health capital expenditures should be reduced by \$1.227 million. (Appendix E, line 73.)

[References in the Record: Rogers, 2 TR 692–694; Ambrose, 4 TR 2830–2831, 2989–2992; Exhibit A-12, Schedule B5.7.4, Line 12; Exhibit A-24, Schedule N3, Revised Line 222–223; Exhibit A-24, Schedule N1, p 374–377; Exhibit S-17.6, p 25]

Staff recommends plant and filed – ITS ADMS application health capital expenditures should be reduced by \$1.227 million, which reduces rate base by \$771 thousand. (Appendix E, line 73.)

Staff recommends the Commission disallow \$0.662 million in the 14-month bridge period (\$0.579 million in 2026 and \$83,000 in the 2 months ending February 28, 2027), and \$0.565 million in the test year ending February 29, 2028, in capital expenses and \$28,645 in O&M for the ITS ADMS Application Health investment. (2 TR 693.)

This project supports and updates the applications that allow safe and effective operation of the Electric System Operations Center and Distribution Operations Dispatch. These applications include the Outage Management System, the Distribution Management System, the Energy Management System, the Generation Management System, and the Systems Operations Management. This investment also provides integration infrastructure of the Enterprise Service Bus which connects ADMS to DTE legacy systems. (4 TR 2830–2831.)

Staff's recommended disallowance is due to the unreasonableness of the costs to perform the stated scope in 2026–2028. (2 TR 693.) Through audit, Staff asked for the specific scope for each year of projected expenses for this sustainment investment. The Company responded that the scope is consistent for 2025 through

2028. (Exhibit S-17.6, p 25.) However, the Company is projecting capital expenditures in 2026–2028 of almost 50% more than the 2025 actual cost. The business cases for the ITS ADMS Application Health project are nearly identical for both business cases DMND0002490, which supports 2025–2027 expenses, and DMND0003567, which supports the 2028 expenses. (Exhibit A-24, Schedule N1, pp 374–377.) Since the scope of work is the same for each year, Staff finds it appropriate to forecast the 2026–2028 costs to be the same as the costs actually incurred in 2025, \$1.284 million. Staff also finds it reasonable to reduce the projected O&M expenses to be consistent with the 2025 actual O&M expenses of \$0.461 million.

In rebuttal testimony, the Company asserted that the cost increase is due to a shift in where the Company records their existing managed service costs. Originally, managed service expenses, supporting monitoring, enhancements, and maintenance, were recorded within the ADMS implementation project under a three-year capital term and were not included in the 2025 actual expenditures of the ITS ADMS Application Health project. In 2026, the managed service expenses began to be recorded with the ITS ADMS Application Health project. (4 TR 2990–2992.)

Staff maintains its position as stated in testimony. The investment business cases as well as Exhibit A-24, Schedule N3 Revised demonstrate an identical scope for 2025–2028 expenses. While the Company states in rebuttal that the increased costs support the Enterprise Service Bus scope and implementation of Operational

Decision Manager redundancy, the Company has not provided sufficient information or appropriate justification to deem the extra spend reasonable or prudent.

As a result, the ALJ and the Commission should disallow \$0.662 million in the 14-month bridge period (\$0.579 million in 2026 and \$83,000 in the 2 months ending February 28, 2027), and \$0.565 million in the test year ending February 29, 2028, in capital expenses and \$28,645 in O&M for the ITS ADMS Application Health investment.

- y. **Staff recommends renewable operations application health capital expenditures should be reduced by \$45 thousand. (Appendix E, line 74.)**

[References in the Record: Rogers, 2 TR 694–696, Ambrose, 4 TR 2836, 2996–2998; Exhibit A-12, Schedule B5.7.4, Line 17; Exhibit A-24, Schedule N3, Revised Line 239–240; Exhibit A-24, Schedule N1, p 409–414; Exhibit S-17.6, p 26]

Staff recommends plant and filed – renewable operations application health capital expenditures should be reduced by \$45 thousand, which reduces rate base by \$22 thousand. (Appendix E, line 74.)

Staff recommends the ALJ and the Commission disallow \$4,800 in the 2 months ending February 28, 2027, and \$40,000 in the test year ending February 29, 2028, in capital expenses, and \$11,241 in O&M for the Renewable Operations Application Health project. (2 TR 695.) This investment is for the sustainment of reliability, security, and compliance of ten wind facilities and seven solar park assets through application upgrades, patching support, and maintenance of the health of the telecommunications and data center infrastructure. (4 TR 2836.)

Staff does not find the projected cost to perform the stated scope in 2027 and 2028 to be reasonable or prudent. (2 TR 695.) Company testimony for this sustainment investment provides a 2026 scope to support portfolio applications, support infrastructure for the current wind and solar generating sites, and support infrastructure for fourteen new upcoming solar sites. The 2027 scope includes support for portfolio applications, infrastructure support for the current wind and solar generating sites, and infrastructure support for nine new upcoming solar sites, all of which are also part of the 2026 scope. The 2028 scope also includes support for portfolio applications, infrastructure support for the current wind and solar generating sites, and infrastructure support for new upcoming solar sites. (Exhibit A-24, Schedule N3, Revised Lines 239–240.) The scope for each year is nearly the same, however the Company is projecting increasing capital expenditures in 2026–2028. While Staff finds the increased expense in 2026 reasonable since more solar sites are being supported, less solar sites are being supported in 2027 and the number of solar sites being supported in 2028 is unspecified. Staff recommends the 2027 and 2028 costs align with the costs actually incurred in 2025, \$0.127 million. Since Staff recommends a capital expenditure reduction of 24%, it finds it reasonable to also reduce the projected O&M expenses by 24%. (2 TR 695–696.)

The Company disagreed with Staff's recommendation in its rebuttal testimony. First, witness Ambrose argued that the annual scopes are not the same. He stated the number of solar sites requiring infrastructure support changes. He asserted that Staff agreed the 2026 increase was justified because more solar sites

are being supported and the same logic supports the 2027 and 2028 costs. (4 TR 2996.)

Staff disagrees and reiterates its testimony that the Company has not justified its increased costs in 2027 and 2028. The 2027 scope includes support for less solar sites than 2025 and 2026 and the Company did not provide a number of solar sites being supported in 2028. It should cost less to support a lesser number of solar sites and not providing a number being supported in 2028 makes the projected costs uncertain.

Second, Company witness Ambrose asserted that this is a required sustainment investment and is not discretionary or speculative. (4 TR 2996–2997.) Staff disagrees with this assertion. The Company’s investment categorization as “required” and “sustainment” does not automatically deem a project reasonable and prudent. Investments in this category still require justification and record evidence that they will be used and useful. The support for this project proves otherwise.

Third, witness Ambrose claimed that it is not appropriate methodology to substitute one year of historical actuals for a project-specific estimate. He contended that not only is Staff’s concern resolved by its Level 3 cost estimate recommendation, but potentially unspent costs not being able to be refunded is already addressed by the way underspend is reflected in historical spend and factored into future estimates. (4 TR 2997.)

Staff also disagrees with this claim. The reduction in cost necessary to reach the 2025 actual costs is 24%, greater than Staff’s 10% Level 3 cost estimate

recommendation. Additionally, showing underspend and reflecting it in historical spend is not a solution. It is unfair to pass costs onto ratepayers that are not justified, reasonable, or prudent. Further, in that situation, the Company could earn a return on and of costs that are not used for their intended purpose.

Finally, Company witness Ambrose asserted that the 2025 actual costs were within 2.22% of the Level 3 estimate, proving that the forecast was reasonable and well supported. Staff appreciates that its recommended Level 3 cost estimate is effective, however that does not justify the increase in projected costs in 2027 and 2028 for this investment. (4 TR 2998.)

As a result, Staff recommends the ALJ and the Commission disallow \$4,800 in the 2 months ending February 28, 2027, and \$40,000 in the test year ending February 29, 2028, in capital expenses, and \$11,241 in O&M for the Renewable Operations Application Health project.

- z. Staff recommends maximo uplift to maximo application system capital expenditures should be reduced by \$20.362 million. (Appendix E, line 75.)**

[References in the Record: Rogers, 2 TR 684–687; Ambrose, 4 TR 2841–2847, 2974–2979, Coppola, 4 TR 5449–5450; Exhibit A-12, Schedule, B5.7.4, Line 23; Exhibit A-24, Schedule N3, Revised Line 262–263; Exhibit A-24 Schedule N1, p 462–467; Exhibit S-17.6, p 14–21]

Staff recommends plant and filed – maximo uplift to maximo application system capital expenditures should be reduced by \$20.362 million, which reduces rate base by \$10.338 million. (Appendix E, line 75.)

Staff recommends the ALJ and the Commission fully disallow the costs related to the Maximo Uplift to Maximo Application Suite investment. This includes a capital disallowance of \$2.712 million in the 2 months ending February 28, 2027, and \$17.650 million in the test year ending February 29, 2028, as well as an O&M disallowance of \$4.198 million. (2 TR 686.)

The Maximo Uplift to Maximo Application Suite project is a multi-year, phased investment that will update the Maximo Enterprise Work and Asset Management (“EWAM”) application to the Maximo Application Suite to enable standardized processes, enhance data quality, and improve process transparency across the enterprise. The current Maximo platform has been in service for 20 years and its vendor support will end in April 2027. Many of the customizations in the current application are now natively available in the Maximo Application Suite. (4 TR 2842.) DTE Electric’s testimony states the updated application is scalable and will be able to accommodate growing asset volumes, users, system integrations, and data across the Company. (4 TR 2843.) It will centralize asset and work data so the Company can better plan, maintain, and prioritize the assets based on the criticality of their condition. According to the Company, it will also allow field workers to perform their work more efficiently, effectively, and sustainably and intends to reduce unplanned outages and extend asset life. (4 TR 2844)

Staff recommends a full disallowance of the costs for this project because an investment of this size and expense requires more substantial evidence of its necessity, the benefits it will provide, a breakdown of the complete costs, and a more

concrete plan for full project implementation. (2 TR 686–687.) At this time, the Company has not provided such information or evidence that a benefit cost analysis has been performed. (Exhibit S-17.6, p 14.) This investment comes with significant expense, \$59.4 million over three years. (Exhibit A-24, Schedule N1, pp 462–467.) According to the Company, the first phase, occurring in 2027 and 2028, is projected to cost \$49.8 million and includes migrating the existing Maximo environment to the IBM Maximo Application Suite platform and modernizing supporting technology architecture. (Exhibit S-17.6, p 16.) The second phase, occurring in 2029 and after, will evaluate and implement additional Maximo Application Suite capabilities based on business priorities, operational needs, and funding approvals. (Exhibit S-17.6, p 17.) While the Company asserts it is only requesting \$20.4 million in the instant case, Staff does not find it financially prudent to recommend approval of such an expensive investment without a full detailed plan of the entire project including the scope, timeline, and total project costs. (*Id.* at 18.) Additionally, this investment originated from the reassessment, uplift, and consolidation approach of the Corporate Instance - Maximo Application Suite Upgrade Phase 1 and the Corporate 3 Instance - Enterprise Maximo Transformation projects presented in DTE’s previous electric rate case, Case No. U-21860, of which \$9.9 million was already approved. (4 TR 2845.) The Company has already benefited from these approvals with no output.

AG witness Coppola also recommended a full disallowance of capital expenses related to the Maximo Uplift to Maximo Application Suite investment, stating the

upgrade cost is excessive and the Company needs to find less costly alternatives for system upgrades that will become obsolete in a few years. Further, he asserted the investment is still in the beginning phase of development and is too premature to include in rate making in this case. The timing and cost could significantly change prior to implementation. (4 TR 5449–5450.)

The Company opposed Staff and the AG’s recommendations arguing the investment is non-discretionary, necessary, and time bound. It stated a full disallowance disregards the end-of-life date and the evidence supporting the first phase. Witness Ambrose restated direct testimony and audit that Maximo is used to plan and execute maintenance and field work throughout its electric, gas, generation, fleet, and facility assets. It supports asset records, inspections, maintenance, and coordination and execution of work. The updated plan is supported by a detailed vendor-led assessment that the upgrade to the Maximo Application Suite is the most practical choice. (4 TR 2975–2976.) The Company claimed that because this project is non-discretionary, its need is not evaluated solely by a traditional benefit-cost analysis but by the operational need and a defined implementation strategy. (4 TR 2976–2977.) Additionally, DTE contends that this investment builds on work approved by the Commission in the previous rate case, which was reassessed, and the uplift was decided to be necessary and more beneficial. (4 TR 2978.)

Staff maintains its position. First, Staff understands categorization of projects is necessary for prioritization within the APC, however classifying a project

as non-discretionary internally does not automatically deem it reasonable and prudent. Second, the Company has not provided evidence to support the necessity of the full project and its significant cost. It would be irresponsible to approve the costs for a project of this nature without determining the reasonableness and prudence of the entire project. If the costs of phase two are not reasonable, prudent, or justified, partial costs have already been passed onto ratepayers with no ability for a refund, placing an unfair burden on customers. Staff believes a benefit cost analysis is necessary for a project of this size. Further, Staff agrees with the position of the AG. This investment is only in the beginning stage of having a Level 3 cost estimate. It is premature and uncertain in this phase. The timing and cost could change between now and implementation. Staff agrees it would be economically advantageous to find a less costly solution.

For these reasons, Staff recommends the ALJ and the Commission fully disallow the projected costs for the Maximo Uplift to Maximo Application Suite investment including \$2.712 million in the 2 months ending February 28, 2027, and \$17.650 million in the test year ending February 29, 2028, in capital expenditures, and \$4.198 million in O&M expenditures.

aa. Staff recommends cloud and endpoint security application health capital expenditures should be reduced by \$739 thousand. (Appendix E, line 77.)

[References in the Record: Harris, 2 TR 826–829; Ambrose, 4 TR 2768, 2734–2735, 3002–3004; Staff Exhibit S-28.1, p 1–3, 9–13; Company Exhibit A-24 Schedule N3, lines 18–19]

Staff recommends information protection security – cloud and endpoint security application health capital expenditures should be reduced by \$739 thousand, which reduces rate base by \$377 thousand. (Appendix E, line 77.)

In Staff's direct testimony, it recommended the Commission disallow \$102,000 in the 2-month bridge period ending 2/28/2027 and \$637,000 in the 12-month projected test year ending 2/29/2028 for the Cloud and Endpoint Security Application Health project. (2 TR 826.) Staff recommended this disallowance because the Company failed to provide a detailed breakdown of the work planned for 2027 and 2028 and, further, the Company was unable to support the project's estimated costs. The Company asserted that because this project falls under the Sustainment category it is reasonable and prudent yet failed to provide detailed audit responses relevant to the Cloud and Endpoint Security Application Health project specifically. (*Id.* at 827.) According to Company witness Ambrose, this project will sustain the effectiveness of core security capabilities that have already been deployed and are working as expected. (4 TR 2768.)

Through audit, Staff inquired about the scope of work planned for 2027 and 2028. Specifically, as cited above, in testimony the Company noted that this project will maintain currently deployed systems, categorizing it as a Sustainment project, but did not provide any further information regarding the detailed scope of work

planned for both years. In response, the Company referred Staff back to its testimony and supporting exhibits, stating that this project is an annual investment supporting ongoing sustainment activities for the cloud and endpoint security environments. (Exhibit S-28.1, p 2.) In testimony, the Company provided a broad overview of the work included under the general Sustainment category, which the Company deems as non-discretionary investments. However, this section did not detail each sustainment project included in this case, or its specific scope. Further, when directly addressing the Cloud and Endpoint Security Application health project in its testimony, the Company did not provide the precise work it planned to complete in 2027 and 2028. (4 TR 2734–2735, 2768.) As stated in Staff’s testimony, the project category was never in question, the scope of work was. The Company failed to provide this information through audit and focused its response on providing information that was irrelevant to the question asked, and clearly already provided in its testimony and supporting exhibits. (2 TR 827.) Simply stating that the Cloud and Endpoint Security Application health project is a sustainment initiative, does not justify the reasonableness and prudence of it.

Through a second round of audit, Staff again asked the Company to provide the scope of work planned for 2027 and 2028, respectively. In response, the Company provided the exact same list of various sustainment activities for both years. (Exhibit S-28.1, p 9, 10.) This list included a handful of vague activities such as device management and ongoing maintenance. It did not detail the exact work that was planned and why this work was needed in the given year, nor did it specify

which application within its cloud and endpoint security environment this work was needed for. Staff attempted to understand the work planned for this project a second time and the Company failed to provide clear details surrounding the work it plans to complete for 2027 and 2028 and again stated that this project is a sustainment effort and represents non-discretionary investments. Staff also noted that the Company provided the same broad scope of work for both years, yet it projected different costs for 2027 and 2028. (2 TR 827–828.) Staff attempted to understand how the projected costs were developed, and through audit, the Company referred Staff to an audit response for a different project. (Exhibit S-28.1, pp 1, 3.) Although Staff asked the same question in both requests, it was clearly intended for each project individually. Because this response referred to a completely different project, Staff sent another audit request clarifying which, if any, of the four categories provided in this response were directly used for the Cloud and Endpoint Security Application Health project. In response, the Company stated that because the project is a sustainment effort only resources and cost requirements associated with internal and supplemental contractor needs were incorporated into the projected costs. (*Id.* at 11–13.) The Company could not provide a clear, detailed responses to Staff’s audit requests. Staff had to ask multiple times to receive accurate and applicable information for the Cloud and Endpoint Security Application Health project. As stated in Staff’s testimony, not only did the Company fail to provide a detailed scope of work, but absent the work

planned for 2027 and 2028, it is unclear how the Company determined the projected costs. (2 TR 828–829.)

In rebuttal, the Company disagreed with Staff, reiterating that this project is a sustainment initiative that supports multiple existing cybersecurity capabilities that are managed collectively under one sustainment budget. Because they are consolidated, the Company does not assign the budget to one capability on its own. Further, the Company explained the overall sustainment efforts needed for each capability, specifically, the Endpoint Privilege Management (“EPM”), Endpoint Protection Enterprise Mobility Management, Data Loss Prevention, and Communication Compliance. (4 TR 3002–3003.) This information provides more detail regarding the exact cybersecurity applications that will be maintained under this project and what their respective sustainment efforts are. However, this list is a broad overview of sustainment work, not a detailed scope of work for 2027 and 2028 clearly showing which applications will be worked on and what specific work will be done. While Staff finds these additional details helpful, they do not replace the need for a detailed scope of work that Staff continuously asked for through audit. Further, the Company states that because the sustainment efforts are managed collectively, it does not assign the budget to each individual technology. (*Id.* at 3002.) Staff understands the Company’s explanation of cost allocation for sustainment projects. However, the Company still has not provided Staff with the exact work planned for 2027 and 2028, and thus it is unclear how the Company projected the total costs allocated to this project. Just because costs are not

allocated to each individual application, does not mean the Company cannot provide a detailed scope of work or clear support for the development of the projected costs across applications. This information is still necessary to understand how the Company estimated the total costs for this project. If the costs are not directly tied to individual applications and their respective sustainment needs each year, it is unclear what these costs are actually based on.

The Company again specified that unlike new build or transformation projects, sustainment work is executed by internal Company resources and supplemental contractors. The Company does not use vendor cost estimates and execution readiness assessments to project recurring sustainment investment projects. (*Id.* at 3003–3004.) Again, the Company stated which cost drivers are not applicable to this project but does not further explain what information was used to project the cost estimate for the Cloud and Endpoint Security Application Health project. Further, the Company did not address that it projected two different costs for 2027 and 2028 respectively, yet it provided Staff with the same broad scope for both years. The Company projected \$15,000 in capital contractor costs for 2027 but not for 2028. (Exhibit A-24 Schedule N3, lines 18 and 19, column R.) If the work planned to be completed for both years is the same, it is unclear what drove the need for supplemental contractor costs in 2027 only.

If this project is disallowed, the Company stated that it would need to reduce or defer ongoing licensing, configuration management, policy maintenance, monitoring, reporting, compliance validation, and lifecycle sustainment activities

that support the various cybersecurity applications included under this project. As a result, the likelihood of risk exposure increases, which could ultimately affect customers. (*Id.* at 3004.) The Company's justification for this project relies on an extensive list of activities that are necessary to maintain the applications, but it is unclear if all the activities for all the applications will be required annually. The Company did not clearly identify which activities from this list are required for which application, or how these sustainment activities would be distributed over an annual project. The Company has not indicated the timing or frequency of these activities for the various applications. Therefore, stating that all the sustainment activities supporting the cybersecurity applications would be deferred or reduced if the project is not approved, resulting in performance issues and security risk, is unsupported. Without a clear breakdown of which sustainment efforts are required for each application, and the timing of these efforts, the Company has not demonstrated that the applications will not adequately perform in a given year without this project. Staff understands the need to maintain applications.

However, the Company has not supported what specific work is needed for 2027 and 2028, and further, how the projected costs were developed and supported. While Staff appreciates the consideration for ratepayers presented by the Company, it is based on a broad scope of potential sustainment efforts rather than a detailed annual need. Staff's concern for ratepayers is that they should not be responsible for costs that have not been shown to be reasonable and prudent, which is evident through the lack of a detailed scope of work. Instead of providing additional

information regarding the work planned for 2027 and 2028 respectively, and how this work informed the projected costs, the Company restated information about sustainment projects overall. Staff maintains its original position, that simply stating this project is an annual sustainment effort does not negate the Company's responsibility to justify why the project is reasonable and prudent. Absent a detailed scope of work, Staff is unable to determine what immediate sustainment needs the projected costs are intended to address and, therefore, whether the costs themselves are reasonable and prudent. The Commission should disallow the \$739,000 in capital expenditures.

bb. Staff recommends cyber resilient offline data recovery capital expenditures should be reduced by \$528 thousand. (Appendix E, line 78.)

[References in the Record: Harris, 2 TR 830–833; Ambrose, 4 TR 2735, 2773–2774, 3005–3007; Staff Exhibit S-28.1, p 4–7]

Staff recommends information protection security – cyber resilient offline data recovery capital expenditures should be reduced by \$528 thousand, which reduces rate base by \$405 thousand. (Appendix E, line 78.)

In Staff's direct testimony, it recommended the Commission disallow \$528,000 in the 12-month bridge period ending 12/31/2026. (2 TR 830.) Staff recommended this disallowance because the Company could not support that the project would proceed as planned in the present case, given the Company deferred this project that was originally planned for 2025 in Case No. U-21860. In testimony, the Company indicated that the Cyber Resilient Offline Data Recovery

project was deferred after re-evaluating the scope with other organizational priorities. The Company's initial support was contradicted and invalidated by a subsequent audit response. (Exhibit S-28.1, pp 4–7.) Thus, Staff was not confident this project would be completed in the present case. (2 TR 830–833.) According to the Company, this project will implement a commercial data recovery solution, establishing a secure cyber recovery capability with stronger controls, allowing the Company to restore its critical operational systems and data. (4 TR 2773–2774.)

In the Company's testimony, Staff learned that this project, which was originally planned to be completed in 2025 in Case No. U-21860, was deferred due to a re-evaluation of the scope with other organizational priorities. As a result, the projected costs included in the present case changed. (*Id.*) Through audit, Staff learned that the scope for this project has been re-evaluated two separate times, and following the second re-evaluation it was deferred. Staff also learned the new projected costs, included in the present case, reflect the revised scope and that the original cost estimate was based on the scope defined at that time. (Exhibit S-28.1, p 6.) Additionally, through audit, Staff asked the Company what support it had that this project will be completed as planned in the present case, given the recent deferral and second scope re-evaluation. In response, the Company stated that alignment with current organizational priorities supports its ability to complete the project as planned. (*Id.* at 4, 5, 7.) The Company did not provide any further details about the current organizational priorities, specifically, when these organizational priorities were adopted, and the significance in aligning the new

scope with them. In subsequent rounds of audit requests, Staff learned that the current organizational priorities the new scope was aligned with, and the Company's sole support for this project being completed, were in place when the project was first planned. Further, the Company confirmed that it did align the new scope, included in the present case, with these priorities, but decided to defer the project due to higher priority work. If the same organizational priorities were in place throughout the course of this project changing, it is unclear why these priorities will ensure the Cyber Resilient Offline Data Recovery project will be completed now. (2 TR 830–833.)

In rebuttal, the Company did not agree with Staff's position, stating that the Company did provide support for the change in the scope and estimated costs. The Company explained that as a result of the Order in Case No. U-21860, project timing across all IT projects was impacted and some projects were reduced or deferred as a result. Specifically, capital disallowance creates regulatory lag and to account for unrecovered costs company wide, expenditures in one area may be reduced or adjusted to support other areas. (4 TR 3005–3006.) In audit responses, the Company did not clearly state that the Company's overall IT portfolio was impacted as a result of the Order in Case No. U-21860. Staff would like to note that the Cyber Resilient Offline Data Recovery project was not disputed by any parties in Case No. U-21860, and thus the projected costs included in Case No. U-21860, specifically allocated to this project, were approved. The Company chose, of its own volition, to defer this project and use the approved costs elsewhere. Through audit,

Staff attempted to understand why the project scope was re-evaluated two times and ultimately deferred. The Company provided limited information, relying on the alignment with current organizational priorities to support the project's completion. The Company recognized gaps in the original scope due to increased risks and proactively re-evaluated the scope to address this. However, the Company did not prioritize this initiative even when the expenses to complete it were approved. In the present case, the Company supports this project through its alignment to current organizational priorities. These same priorities were in place when the Company made the decision to defer the project due to higher organizational priorities. Therefore, these priorities do not alone constitute evidence to support the project now. The Company did not provide any additional information through rebuttal as to why this support is not contradictory. Instead, it simply restated why the project was deferred.

Further, the Company asserted that deferral of this project reflects “prudent portfolio management in the face of constraints precisely the type of thoughtful stewardship of capital that benefits ratepayers.” (*Id.* at 3006.) The Company claimed that deferral of this project benefits ratepayers, but it is unclear how. Although this project was deferred, its allocated costs were still approved and the Company recovered them through rates. Ratepayers were responsible for these costs even though they were not used to complete this project. According to the Company, other capital investments were more important. It is unclear whether

these funds were reallocated and used in a manner that directly benefited the ratepayers.

The Company also asserted that it currently has a limited air-gapping solution that only supports Dell based on premise data and does not meet restoration time objectives. The Company claimed that, without this funding, the Company would not be able to close this gap. Additionally, the Company noted that current TSA regulations require offline data storage for critical systems and that disallowing this investment would not eliminate the compliance obligation. (*Id.* at 3006–3007.) The Company has identified restoration time objectives and TSA regulations that need to be met, and that completion of this project is necessary to meet them. However, the Company did not provide additional details regarding when restoration time objectives were established, what they are and why they were established, or how time-sensitive they are. Without this information, Staff cannot assess the urgency of this project. Given that this project was previously approved by the Commission in Case No. U-21860, but the Company chose not to complete it and instead redirected funding to other work it deemed higher priority, a showing of the immediate need is necessary to determine if the project is reasonable and prudent. If these requirements existed when the project was approved, it is unclear why the project was subsequently deprioritized and deferred. The Company's previous decision to defer this project indicates that completing it has not been considered an immediate priority or pressing need in the past and the Company failed to support why this has changed in the present case. Staff

maintains its original position, that the Company has not proven this project is a priority and will be completed after being deferred. There is no indication that if this project is approved again, that other areas within the Company will require additional funding and that this project will yet again be deferred to support work the Company deems to be a higher priority. The Commission should disallow the \$528,000 in capital expenditures for the Cyber Resilient Offline Data Recovery project.

cc. Staff recommends government cloud foundation capital expenditures should be reduced by \$620 thousand. (Appendix E, line 80.)

[References in the Record: Rogers, 2 TR 671–672; Ambrose, 4 TR 2775–2776, 3008–3012; Exhibit A-12, Schedule B5.7.7, Line 1; Exhibit A-24, Schedule N3, Revised Line 33; Exhibit A-24, Schedule N1, p 64; Exhibit S-17.6, p 2]

Staff recommends infrastructure operations – government cloud foundation capital expenditures should be reduced by \$620 thousand, which reduces rate base by \$279 thousand. (Appendix E, line 80.)

The ALJ and the Commission should fully disallow costs related to the Government Cloud Foundation investment. This includes \$0.620 million in capital expenses and \$25,719 in O&M expenses in the test year. (2 TR 671.) The Government Cloud Foundation project is a single, enterprise-sanctioned Government Cloud foundation to host regulated workloads subject to U.S. only data residency, screened personnel access, and FedRAMP aligned security requirements. According to Company witness Ambrose, it will provide “standardized identity, secure networking, regulated landing zones, policy-based security controls,

centralized logging and monitoring, and controlled onboarding pathways to ensure consistent application of security and compliance requirements.” (4 TR 2775–2776.)

Staff recommends the full disallowance of funds for this investment because, in testimony, the Company states it is still deciding whether to implement Azure Government or AWS GovCloud. Since the Company has not yet chosen the platform for this investment, Staff believes this project is premature and uncertain in terms of scope and cost. (2 TR 672.)

In rebuttal testimony, witness Ambrose disagreed with Staff’s position, arguing that the scope presented for Year One does not require the platform for implementation to be selected. He stated the Government Cloud Foundation project is not application specific, and the business need, compliance requirements, foundational capabilities, implementation sequence, and majority of cost drivers are the same regardless of which application is chosen. Further, he asserted the project scope is based on compliance and operational outcomes, and the applications are just different instruments for the same foundational capability set. (4 TR 3009.) The Company intentionally planned the timeline, so platform selection occurs during Tranche 1, after formal evaluation of the Azure Government and AWS GovCloud applications. The Company argued that Staff’s position would require the Company to complete the selection activities before seeking approval for the investment that funds those activities. Witness Ambrose argued that the Company is only seeking recovery for the costs attributed to the test year, which is platform neutral work including foundational planning, architecture, governance, control

implementation, and pilot readiness—tasks that must occur regardless of the application. (4 TR 3011–3012.)

Staff remains unconvinced and maintains its position that recovering costs prior to selection of the application for implementation is premature and an incomplete plan renders the project uncertain. While Staff understands the Company is only seeking recovery of the costs incurred in the test year, Staff believes it would be a financial risk to approve costs before the entire project plan is complete and finalized. Many things could happen that affect the scope and the cost of the project, or its necessity altogether. It is unfair to pass costs onto ratepayers that are premature, incomplete, and uncertain, as there is no way to provide a refund if the investment is not used for its intended purpose.

For these reasons, Staff recommends the ALJ and the Commission disallow \$0.620 million in capital expenses and \$25,719 in O&M expenses in the test year for the Government Cloud Foundation, until a complete plan is finalized.

dd. Staff recommends conference room audio video support capital expenditures should be reduced by \$59 thousand. (Appendix E, line 81.)

[References in the Record: Rogers 2 TR 672–674; Ambrose 4 TR 2788–2789, 3012–3015; Company Exhibit A-12, Schedule B5.7.7, Line 18; Company Exhibit A-24, Schedule N3, Revised Line 79–81; Company Exhibit A-24, Schedule N1, p 141–146; Staff Exhibit S-17.6, p 3–5]

Staff recommends infrastructure operations – conference room audio video support capital expenditures should be reduced by \$59 thousand, which reduces rate base by \$29 thousand. (Appendix E, line 81.)

Staff recommends the ALJ and the Commission disallow \$7,100 in the 2 months ending February 28, 2027, and \$51,600 in the test year ending February 29, 2028, for the Conference Room Audio Video Support investment. Staff withdraws its recommendation to also disallow \$24,400 in 2026. (2 TR 673.) The Conference Room Audio Video Support project is an annual investment that will support and replace the audio-visual equipment in the Company's conference rooms to enable effective collaboration. (4 TR 2789.)

Staff's recommended disallowance is due to the Company's inclusion of "anticipated" increases in hardware and labor in its cost projections. Through audit, Staff requested the number of conference rooms planned to be upgraded in each year, 2025–2028, as well as the cost to upgrade each conference room. The Company responded that in 2025, ten conference rooms were upgraded with an average estimated upgrade cost of \$28,000 each. (2 TR 3012.) In 2026, eight conference rooms are planned to be upgraded with an average estimated upgrade cost of \$31,250 each, 11.6% higher than in 2025. (*Id.*) In 2027 and 2028, seven conference rooms are planned to be upgraded with an average estimated upgrade cost of \$35,714 each, 14.3% higher than in 2026. (*Id.*) The Company noted in its audit response that the average estimated upgrade cost includes materials and labor necessary to upgrade each conference room and that the increase in cost between 2025 and 2028 is due to anticipated increases in hardware and labor. (Exhibit S-17.6, p 3.) Staff also asked through audit for the Company to provide the scope for each year. The Company responded that the scope is consistent across all

projected years. (Exhibit S-17.6, p 4.) Staff testified that the cost increases are unsupported, arbitrary, and well beyond the rate of inflation. Staff does not find it reasonable or prudent to pass costs onto ratepayers that include “anticipated” increases. (2 TR 673–674.)

In rebuttal testimony, the Company disagreed with Staff’s position, arguing that the conference room types are not all the same and have different equipment loads and installation requirements. He stated that the conference rooms upgraded in 2025 were Large Conference Rooms, at an average cost of \$28,200. The conference rooms planned to be upgraded in 2026 are Large Conference Rooms that also require a dedicated audio-video control system, with an average cost of \$31,250. (4 TR 3013.) The audio video control system consists of a control panel unit which centralizes the operation of the room's displays, microphones, speakers, and conferencing functions. Table 8 lists a control panel unit in the 2026 upgrade with a cost of \$3,050 each, which includes the equipment and the labor for installation. (4 TR 3014–3015.)

Staff agrees to the allowance of the increased costs for the control panel units and their installation in the eight large conference rooms planned to be upgraded in 2026. However, Staff maintains its recommendation for the disallowance of the increased costs in 2027–2028. The Company has not provided any justification in direct or rebuttal testimony for the \$7,514 in additional expenses for the planned upgrades in those two years. The type of conference room, as well as the equipment included in the upgrade, are still unknown.

Staff's recommendation sets each conference room upgrade cost in 2027 and 2028 at the expense actually paid in 2025, \$28,200 (ten conference rooms for a total of \$0.282 million). That would calculate the 2027 and 2028 costs to be \$0.197 million (seven conference rooms at \$28,200 each). Resulting in a disallowance of \$7,100 in the 2 months ending February 28, 2027, and \$51,600 in the test year ending February 29, 2028, for the Conference Room Audit Video Support investment. Staff recommends the ALJ and the Commission accept this disallowance for the reasons described above.

ee. Staff recommends field worker device end of life capital expenditures should be reduced by \$638 thousand. (Appendix E, line 82.)

[References in the Record: Rogers 2 TR 674–676; Ambrose 4 TR 2793–2794, 3018–3021; Company Exhibit A-12, Schedule B5.7.7, Line 22; Company Exhibit A-24, Schedule N3, Revised Line 96–98; Company Exhibit A-24, Schedule N1, p 162–167; Staff Exhibit S-17.6, p 6–7]

Staff recommends infrastructure operations – field worker device end of life capital expenditures should be reduced by \$638 thousand, which reduces rate base by \$377 thousand. (Appendix E, line 82.)

The ALJ and the Commission should disallow \$0.270 million in the 14-month bridge period (\$0.230 million in 2026 and \$40,000 in the 2 months ending February 28, 2027), and \$0.368 million in the test year ending February 29, 2028, for the Field Worker Device End of Life investment. (2 TR 675.)

This is an annual investment to replace MDT (Mobile Data Terminals) devices which are used on mobile devices to communicate with a centralized control

system. This technology provides maps and information systems with geographic locations and other information necessary to perform tasks, allowing field workers to resolve customer issues efficiently and provide information to customer service representatives so they can answer customer questions. (4 TR 2793–2794.)

Through audit, the Company provided the number of devices planned for replacement in each year, 2026–2028, and the cost. Staff notes that the number of devices forecasted for replacement in audit differed from that which was provided in testimony. In testimony, the Company forecasted the replacement of 100 MDT devices in each of the three years. (4 TR 2794.) In audit, the Company stated 100 devices will be replaced in 2026 with an average per unit cost of \$5,700, which includes the MDT, dock, cables, and mount as well as shipping, handling, and labor for configuration, imaging and installation. Additionally, it stated in 2027, 300 devices will be replaced with an average per unit cost of \$6,465 and in 2028, 300 will also be replaced with an average per unit cost of \$7,189. (Exhibit S-17.6, p 6.) Comparing the average per unit cost, the Company is estimating a 13% increase in 2027 and an 11% increase in 2028. (Exhibit S-17.6, p 7.) Staff finds these cost increases to be inflated and arbitrary, without a trend or pattern.

In rebuttal testimony, DTE disagreed with Staff's position stating that the forecasted increasing average per unit cost is not arbitrary or unsupported. It states the cost drivers for the increase includes technology refresh requirements, increases in the cost of ruggedized mobile data terminal hardware, increases in the cost of supporting equipment (docks, cables, and mounts), increased shipping and

handling costs, and increases in the labor required for device configuration, imaging, and installation. (4 TR 3018–3019.)

AG Witness Coppola also recommended a disallowance in testimony for this investment. Basing his position on replacing 100 devices in each of the three years, he recommended forecasting the 2027 and 2028 costs using DTE’s 2026 cost of \$0.8 million and increasing it by the CPI-U inflation rate for 2027 and 2028. (4 TR 5439) This calculates to a 2027 forecasted cost of \$822,000, and a 2028 forecasted cost of \$842,000, resulting in a projected test year cost of \$825,000, \$1.251 million less than the Company’s projected capital expenditure of \$2.076 million. (*Id.*) Witness Coppola recommends that the Commission disallow \$1.251 for this investment in the projected test year. (*Id.*)

Staff maintains its position. The increases in average per unit cost forecasted by the Company are well beyond the rate of inflation. The Company is unable to provide a rationale or justification for how the increases were determined. The use of “expected increases” is not reasonable or prudent for ratemaking.

For these reasons, the ALJ and the Commission should disallow \$0.270 million in the 14-month bridge period (\$0.230 million in 2026 and \$40,000 in the 2 months ending February 28, 2027), and \$0.368 million in the test year ending February 29, 2028, for the Field Worker Device End of Life investment.

ff. Staff recommends replace end of life network infrastructure capital expenditures should be reduced by \$6 thousand. (Appendix E, line 83.)

[References in the Record: Rogers 2 TR 676–677; Ambrose 4 TR 2799–2800, 3016; Company Exhibit A-12, Schedule B5.7.7, Line 30; Company Exhibit A-24, Schedule N3, Revised Line 124; Company Exhibit A-24, Schedule N1, p 202–205; Staff Exhibit S-17.6, p 8]

Staff recommends infrastructure operations – replace end of life network infrastructure capital expenditures should be reduced by \$6 thousand, which reduces rate base by \$3 thousand. (Appendix E, line 83.)

The ALJ and the Commission should disallow \$5,983 in capital expenses for the Replace End of Life Network Infrastructure investment. (2 TR 677.) This disallowance corrects an error in the 2028 overhead costs due to a software defect, admitted by the Company through audit. (Exhibit S-17.6, p 8.) The Company’s filed exhibit included 2028 estimated overhead costs of \$234,746, however in an audit response, the Company stated the estimated overhead costs in 2028 should be \$198,000. Correcting the overhead cost, the 2028 Projected Total IT cost should be \$699,139.54. Taking 10 months of the 2027 Projected Total IT cost and adding it to 2 months of the 2028 Projected Total IT cost equates to \$700,016.97. This results in a projected test year cost difference of \$5,983. (2 TR 677.)

In rebuttal testimony, the Company admitted that Staff’s recommended correction is technically well-founded. (4 TR 3016.) Therefore, the ALJ and the Commission should disallow \$5,983 in capital expenditures for the Replace End of Life Network Infrastructure project.

gg. Staff recommends security infrastructure growth and EOL capital expenditures should be reduced by \$47 thousand. (Appendix E, line 84.)

[References in the Record: Rogers 2 TR 677–680, Ambrose 4 TR 2800–2801, 3016–2013; Company Exhibit A-12, Schedule B5.7.7, Line 31; Company Exhibit A-24, Schedule N3, Revised Line 127–128; Company Exhibit A-24, Schedule N1, p 206–211, Staff Exhibit S-17.6, pp 9–10]

Staff recommends infrastructure operations – security infrastructure growth and EOL capital expenditures should be reduced by \$47 thousand, which reduces rate base by \$21 thousand. (Appendix E, line 84.)

Staff recommends the ALJ and the Commission disallow \$47,000 in capital expenses in the test year for the Security Infrastructure Growth and EOL investment. This recommended adjustment is in addition to Staff’s Level 3 cost estimate recommended adjustment. (2 TR 678.) The Security Infrastructure Growth and EOL project is an annual investment to maintain system reliability and supportability by replacing 15%–20% of security infrastructure equipment including Network Firewalls, Remote Access Appliances, Internal Certificate Management System, Secure File Transfer, Web Proxy Appliances, External Domain Name System, and Virtual Private Network (VPN) Software. This investment also includes upgrades, Return Merchant Authorizations, and configuration changes. (4 TR 2800–2801.)

Staff’s recommendation is due to inaccuracies in the Company’s cost calculations for the 2027 and 2028 capital costs. The Company provided through audit a breakdown of the costs associated with the work being completed as stated in the scope. In 2027, the procurement of firewalls and rack kits cost \$0.9 million

and the Labor (Project Management, Deployment, and Testing) cost \$0.474 million, equating to a total cost of \$1.374 million. The Company's 2027 forecasted cost in this case is \$1.412 million. In 2028, the procurement of internet DNS, firewalls, and rack kits is forecasted to cost \$0.986 million and the Labor (Project Management, Deployment, and Testing) \$0.430 million. (Exhibit S-17.6, p 9.) Through further audit DTE provided the cost for each firewall and rack kit, and the quantity planned for purchase. The Company provided 2028 equipment costs totaling \$0.897 million, \$90,000 less than the total material cost projected in this case. (Exhibit S-17.6, p 10.) Using the information provided in audit, Staff calculates a 2027 projected cost of \$1.374 million and a 2028 projected cost of \$1.327 million, calculating to a test year forecast of \$1.366 million, \$47,000 less than requested in this case. This resulting \$47,000 represents excess and unaccounted for dollars. (2 TR 679–680.)

In rebuttal testimony, DTE Electric contended that the \$90,000 difference is not excess and unaccounted for, but represents materials, cabling, spares, freight, and other components used for deployment that are required to operate enterprise security appliances. (4 TR 3017.)

Staff maintains its position that the projected \$90,000 extra is unaccounted for and unnecessary. According to the Company's audit responses with the quantity and cost for materials and labor, the costs projected in 2025–2027, with similar materials and labor, do not include extra expenses for “companion materials, cabling, spares, freight, and other deployment-ready components.” (4 TR 3017.)

Since they were not included in the previous years' costs and the Company has not provided justification for their necessity in 2028, Staff does not find their expense to be reasonable or prudent.

For this reason, the ALJ and the Commission should disallow \$47,000 in capital expenses in the test year for the Security Infrastructure Growth and EOL investment.

hh. Overlapping Adjustments

[References in the Record: Ambrose, 4 TR 3024–3026]

In rebuttal testimony, in response to AG witness Coppola's CTA O&M recommended adjustment, the Company asserted that if the Commission adopts any project-specific or estimate-level O&M adjustment, the CTA O&M base should be adjusted to remove the same project-level O&M before an additional CTA adjustment is applied, to avoid removing the same O&M costs more than once. Staff agrees with this line of reasoning. (4 TR 3025–3026.) If the Commission approves Staff's recommended Level 2 and 3 cost estimate adjustments, any individual project capital or O&M cost disallowance also approved by the Commission should be removed from Staff's estimate level calculations, if not already done so. This will eliminate double disallowances. Projects of concern include those recommended for adjustment by the AG such as the Compensation, Time Entry and Payroll Implementation investment, the Fermi Supply Chain Transformation investment, the Rider 17 MIGreenPower, Residential and Small

Commercial and Industrial investment, and the Customer Relationship and Billing Program investment.

Additionally, Staff agrees that if the Commission approves AG witness Coppola's CTA O&M adjustment any approved Level 2 or Level 3 O&M disallowances should be removed from the AG's recommended disallowance or the CTA O&M costs should be removed from Staff's Level 2 and Level 3 O&M adjustments.

ii. The Commission should approve \$28,000 expenses associated with the administrative closeout of the Ransomware Protection project.

[References in the Record: Harris, 2 TR 833–834; Ambrose, 4 TR 2773–2775, 3007–3008; Staff Exhibit S-28.1, p 8, 15–16; Company Exhibit A-12 Schedule B5.7, line 52]

In the Company's initial filing, it included capital expenditures of \$28,000 in the 12-month historical period for the Ransomware Protection project. (Exhibit A-12, Schedule B5.7 IT – IT Projects <250K, line 52.) Staff recommended a complete disallowance of the historical costs incurred in 2025 because the costs were not reasonable or prudent at the time they were incurred. The Ransomware Protection project was completed in 2022, however the Company incurred residual costs following its completion. (2 TR 833–834.)

In response to an audit request, the Company stated that following the completion of this project, it was left open and incurred costs associated with residual administrative closeout activities. (Exhibit S-28.1, p 8.) The Company shared, through a subsequent audit response, that closeout activities include

various administrative tasks. Projects are considered open past their due date when underlying internal order in SAP remains active to allow for these final tasks. (*Id.* at 15.) Further, the Company shared that due to an administrative error, the Ransomware Protection project remained open past its completion date and was not formally closed until May 2026. (*Id.* at 16.) Staff recommended a full disallowance of these residual costs based on the information provided by the Company through audit. Due to an error by the Company additional costs were incurred for a project in 2025 that was completed in 2022. (2 TR 833–834.)

In its rebuttal testimony, the Company explained that the \$28,000 recorded in 2025 was due to administrative closeout activities that are commonly incurred after a capital project is completed. Regarding Staff's concern that the costs were not prudent and incurred due to an error, the Company explained that these costs are the result of standard project accounting practices. Once a project is complete, various administrative transactions may post to a project. These costs are commonly associated with final invoicing, vendor reconciliation, and other routine closeout activities. The Company asserted that these costs are normal, prudent, and unavoidable. (4 TR 3007–3008.)

The Company's explanation of these routine costs incurred after a capital project is complete addressed Staff's concerns discussed in its direct testimony. In addition, Staff understands that these costs were not incurred because the project was left open due to administrative oversight. These costs were incurred due to normal closeout activities, regardless of when the project was formally closed.

Therefore, Staff recommends the Commission approve the historical costs for the Ransomware Protection project and recovery of the associated \$28,000 in 2025 capital expenditures.

4. Staff recommends reducing corporate staff capital expenditures by \$8.179 million.

Staff recommends reducing corporate staff capital expenditures by \$8.179 million, which reduces rate base by \$5.5216 million. (Appendix E, Line 90.) This is composed of three adjustments discussed below.

a. Staff recommends security measures capital expenditures should be reduced by \$613 thousand. (Appendix E, line 87.)

[References in the Record: Harris, 2 TR 834–835, 837–839; Staff Exhibit S-28.2, p 1–4, 7–9; Company Exhibit A-12 Schedule B5.8, page 1, line 4]

Staff recommends corporate support – security measures capital expenditures should be reduced by \$613 thousand, which reduces rate base by \$335 thousand. (Appendix E, line 87.)

In Staff's direct testimony, it recommended the Commission disallow a total of \$87,086 in the 2-month bridge period ending 2/28/2027 and \$525,430 in the 12-month projected test year ending 2/29/2028 for the Security Measures project. (2 TR 834.) In the Company's initial filing, it included a total of \$4,733,000 in capital expenditures for the Security Measures project. (Exhibit A-12 Schedule B5.8, p 1, line 4.) Through audit, Staff learned that the Security Measures project consists of two distinct projects, the Physical Access Control System (PACS) and Security Risk

Prevention. Both initiatives improve physical security measures at various Company owned locations. (Exhibit S-28.2, p 1.) Staff's recommended disallowance, described below, applies to the Physical Access Control System.

i. Physical Access Control Systems Project

Staff's first adjustment in its direct testimony recommended a disallowance of \$87,086 in the 2-month bridge period ending 2/28/2027 and \$435,430 in the 12-month projected test year ending 2/29/2028 for the PACS. (2 TR 835.) Staff is recommending this adjustment to remove contingent costs in 2027 for the PACS project under the Security Measures initiative. (*Id.*) This project will upgrade security systems at three DTE owned sites each year. (Exhibit S-28.2, p 3.) Through audit, Staff discovered that the Company included contingent costs for hydro excavation work at each of the three planned sites for 2027 in the PACS project. This work is cost intensive. However, it is not required at every site and is ultimately determined based on site conditions once construction starts. In an audit response, the Company confirmed that when developing the cost estimate for this annual work, hydro excavation costs are included even though the specific number of sites that require this work may not be known at the time. (*Id.* at 2, 4.) Further, Staff learned through additional audit requests that the Company does not know yet if any of the three sites planned for 2027 will require hydro excavation work. (*Id.* at 7–9.) Staff concluded that these costs are contingent and based on work that is uncertain to occur.

Through audit, the Company noted that the costs specifically allocated to hydro excavation work in 2027 are not known due to the estimate process used by the vendor completing the work. (*Id.*) Therefore, Staff utilized information provided by the Company through audit for 2025, 2026 and 2027 to calculate an adjustment to remove the contingent hydro excavation costs from 2027. Staff described this process in testimony and provided a supporting exhibit showing the exact calculations used. (2 TR 837–838; Exhibit S-28.3.) Construction has not started on the three sites planned for 2027, and the need for this work is contingent on the site conditions, which is unknown until construction starts. Customers should not have to pay for costs that may be incurred and if any of the sites planned for 2027 require hydro excavation work, the Company can request recovery of these costs when they are known.

In rebuttal, the Company did not address Staff's concerns regarding the inclusion of contingent costs for hydro excavation work in the Company's cost estimate for the three sites it plans to work on in 2027. Therefore, Staff is recommending the Commission disallow the \$522,516 in capital expenditures associated with the Security Measures project.

Staff's second recommendation for the Security Measures project, in its direct testimony, was a disallowance of \$90,000 in the 12-month projected test year ending 2/29/2028 for the PACS project. Staff recommended this adjustment to remove the 2028 projected costs for the PACS project, under the Security Measures initiative, because the costs are premature and unsupported. (2 TR 838.) As stated above, the

PACS project will upgrade security systems at various Company owned sites annually. (Exhibit S-28.2, p 1.)

Through audit, Staff discovered that the Company has not yet completed the work plans for 2028. (*Id.* at 3.) The Company confirmed that it does not know how many sites it will work on in 2028, or which ones the work will take place at. Thus, the projected costs included in the present case are preliminary. In testimony, Staff also stated that until the Company can define the scope of work for 2028, determination of reasonableness and prudence cannot be made. (2 TR 838–839.)

In rebuttal, the Company did not address Staff's concern that the Company included projected costs for 2028 in the present case but could not provide a detailed work plan for 2028. Therefore, Staff maintains its original position and recommends the Commission disallow the \$90,000 in capital expenditures associated with the Security Measures project.

b. Staff recommends other miscellaneous capital expenditures should be reduced by \$3.967 million. (Appendix E, line 88.)

References in the Record: Hansen, 2 TR 586-588, Exhibit S-12; Uzenski, 4 TR 5014-5016]

Staff recommends corporate support – other miscellaneous capital expenditures should be reduced by \$3.967 million, which reduces rate base by \$3.168 million. (Appendix E, line 88.)

In Staff's direct testimony, it recommended that the Commission disallow costs that the Company identified were for "Environmental Capital Projects &

Equipment.” (2 TR 586–587.) A breakdown of these costs showed that almost half of the costs were labeled as “Estimated Emergent/Placeholder Spend” with costs in 2026, 2027, and 2028 but no historical costs. (*Id.*) The Company did not provide any further details about these costs. (*Id.*) Staff also testified that its recommended disallowance of these same costs was adopted by the Commission in the Company’s last rate case, Case No. U-21860. (*Id.*) No party took issue with Staff’s recommended disallowance for these costs in rebuttal; therefore, the Commission should make the disallowance recommended by Staff.

Staff also recommended a disallowance for costs identified as being for “Customer Service Printers” which is also in the Company’s Other Miscellaneous exhibit. (2 TR 586–588.) Through audit, the Company informed Staff that its \$2.5 million request is for one printer, which includes \$0.3 million building modifications and installation, that will be used to print customer bills, shut off notices, and other customer communications. (2 TR 587–588.) Staff asked the Company if this printer is replacing another printer, and if so, to provide details. (*Id.*) The Company provided that it is replacing another printer, but the only detail provided by the Company was that the cost of the printer being replaced is \$1,440,794. (*Id.*) Staff found that the Company did not provide justification for the necessity of a much more expensive printer that requires building modifications and recommended a disallowance. (*Id.*)

In rebuttal, the Company stated that the current printer is at the end of its useful life and needs to be replaced. (4 TR 5014.) The Company also stated that the

new printer “provides capabilities necessary to support the Company’s communication needs that the Bluecrest AcceleJet does not,” (*id.*) however, the Company did not mention any necessary capability that the old printer could not perform in its direct testimony, nor did it mention that the old printer is being replaced due to an inability to perform necessary tasks.

The Company went on to explain that the new printer is a “next-generation production platform that provides substantially greater throughput, improved print quality, broader media and color capabilities, enhanced maintenance functionality, and a future upgrade path that is not available on the current AcceleJet platform.” (4 TR 5014.) The Company listed other improvements of the new printer such as that it can print faster, accommodate wider paper stock, and print with improved color and quality. (4 TR 5015.) The Company did not, however, explain why a next-generation printer or these advanced features are necessary to print customer bills, shut off notices, and other customer communications. The Company also did not identify any cost related benefits that will result from these improved capabilities or the use of a “next generation” printer. The Company has not justified this investment; therefore, the Commission should make Staff’s recommended disallowance.

The Company also provided an alternative disallowance for the Commission to consider. The Company stated that it needs to replace its current printer, therefore any disallowance should be limited to the cost of replacing its current printer with the same printer. (4 TR 5015–5016.) The Company stated that the

maximum disallowance should be \$0.3 million, the difference between the cost of the proposed printer, which is \$2.2 million, and the cost of current \$1.4 million printer, inflated to current dollars, which is \$1.9 million. (*Id.*) This proposed disallowance, however, does not address the additional \$0.3 million the Company is requesting for the installation and building modifications necessary for the new printer; therefore, this alternative disallowance should not be considered. (2 TR 587–588.)

c. Staff recommends facilities – construction & upgrade – old SOC renovation capital expenditures should be reduced by \$3.600 million. (Appendix E, line 89.)

[References in the Record: Exhibit A-12, Schedule B5.8, Line 42. Uzenski, 4 TR 4974–4975; Simmons, 2 TR 804–805; Coppola, 4 TR 5457]

Staff recommends corporate support – facilities – construction & upgrade – old SOC renovation capital expenditures should be reduced by \$3.600 million, which reduces rate base by \$2.018 million. (Appendix E, line 89.)

Staff witness Simmons recommended disallowing \$3.6 million of capital expenditures related to the Old SOC Renovation. (4 TR 4974–4975.) As shown on Exhibit A-12, Schedule B5.8, page 2, line 42, the Company has included \$3.6 million of capital expenditures including \$600,000 for the two months ending February 28, 2027, and \$3 million for the 12 months ending February 29, 2028, for the Old SOC Renovation. According to witness Uzenski, the money is to be used to renovate the former systems operation center (SOC) space. (4 TR 4975.) Per audit response ZSS-1.3d, the Company claims that “the Old SOC Renovation is needed for

additional employee capacity at DTE headquarters.” (*Id.*; Exhibit S-26.3, p 1.) Staff recommends disallowing \$3.6 million of capital expenditures for the Old SOC Renovation because when asked what was included in the renovation, the Company referred Staff back to the testimony of Company witness Uzenski, which only states the expenditure is intended to add office space, modernize flooring, and repair plumbing. (2 TR 805.) The Company failed to identify the scope of work, a breakdown of the costs, and provide a timeline for when the renovation is expected to be completed. (*Id.*)

In direct testimony, the Attorney General also recommended disallowing the Old SOC Renovation capital expenditure, stating “the timing and amount of the forecasted capital expenditures are still uncertain. The project is still in the preliminary phase of project development and premature to include in rate base in this rate case.” (4 TR 5457.) Staff agrees.

The Company provided no rebuttal on this issue. Therefore, Staff recommends that ALJ and the Commission disallow \$3.6 million of capital expenditures related to the Old SOC Renovation.

5. Battery Energy Storage Systems (BESS)

- a. The Commission should only approve the Company's capital expenditure requests for BESS projects after Staff has audited the solicitation and major contracts have been presented to the Commission.**

[References in the Record: DeCooman, 2 TR 557; Kabashi, 4 TR 2066; Schroder, 4 TR 2096.]

The Company presented its capital expenditure requests for BESS projects in Exhibit A-12, Schedule B5.10. Staff witness Jonathan DeCooman filed testimony recommending the Commission approve recovery of these capital costs, with an exception for projects where the related project details and major contracts have not been presented to the Commission for review. (2 TR 557.) Specifically, witness DeCooman identified that the project '2028 OACS BESS' did not have contracts or other necessary details presented for parties and the Commission to adequately determine the reasonable recovery of the projected costs. (*Id.*) Witness DeCooman made it clear that Staff would not recommend this project, or any other BESS project, be approved prior to both a Staff audit of the solicitation process which led to the selection of the project, and for major contracts and other information being presented to the Commission for approval. (*Id.*) Additionally, because this project and others included in Exhibit A-12, Schedule B5.10 are under development to serve the Special Contracts between the Company and Green Chile Ventures Inc. ("Oracle"), approved in Case No. U-21990 (specifically the Energy Storage Agreement or "ESA"), Staff recommended additional guidance from the Commission on recovery of these costs from ratepayers. Specifically, witness DeCooman

recommended the Commission make it clear that approval of the recovery of costs associated with projects to serve the ESA be fully offset by the revenue recovered from Oracle, this includes projects which do not achieve commercial operations.

(*Id.*) For the Commission to approve recovery of these costs, the Company should first demonstrate how these costs are to be collected from Oracle such that the condition of the Commission's approval of the contracts in Case No. U-21990, that "all current and future costs caused by the Customer shall be covered by the Customer or by DTE Electric and not existing customers," is not contradicted.

MPSC Case No. U-21990, 12/18/2025 Order, p 32.

In rebuttal testimony, Company witness Terri Schroeder responded to Staff's recommendation that it should perform an audit, and relevant major contracts for a project should be presented to the Commission, prior to the Commission approving costs for recovery in rates. Specifically, witness Schroeder argued that, while the Company does not disagree that Staff should be allowed to audit the solicitation process and review contracts, the referenced project (2028 OACS BESS) has an in-service date outside of the test period, and therefore any associated capital is not included in the revenue deficiency calculation for recovery. (4 TR 2096.) Witness Schroeder continued, arguing the Commission should not disallow the costs for the 2028 OACS BESS "regardless of the status of the contract approval" because these costs were not being proposed for recovery. (*Id.*) Responding to Staff's recommendation that the Commission set the expectation that, prior to recovery of costs for projects to serve the ESA which do not achieve commercial operation, the

Company should demonstrate how these projects will be recovered from Oracle, Company witness Neal Foley framed such guidance as “unnecessary at this time.” (4 TR 2065-2066.) Furthermore, witness Foley argued it would amount to “a preemptive rejection of cost recovery under certain circumstances.” (*Id.*)

Staff’s position was not to recommend the Commission specifically disallow costs for an individual project because of some deficiency in the filing or because that project was shown to be imprudent. Staff was simply stating what it finds to be the necessary items for it to recommend recovery of costs related to the development of energy storage assets in rates. The Commission should disregard witness Schroeder’s rebuttal to the extent it advocates for the Commission to not condition the approval of recovery of costs for OACS 2028 BESS, or any other BESS project, on the status of major contract approvals. Specific to the recovery of costs for projects to serve the Special Contracts approved in Case No. U-21990, Staff will clarify its position. Staff is not proposing a change in approach to ratemaking that would run afoul of the Special Contracts approved in Case No. U-21990 or how the Commission has traditionally handled ratemaking. Staff is concerned with the potential for a future project under development to serve the ESA which fails to achieve commercial operations, and how any costs incurred by the Company, including the potential for those already included in rate base, will or will not be recovered from Oracle. Under these potential circumstances, it is not reasonable to expect that these costs could or should be recovered from ratepayers. However, the Company has notably not affirmed that these costs would be eligible for recovery

through the Special Contracts with Oracle. Instead, it argued that this would be a “preemptive rejection of cost recovery under certain circumstances.” (4 TR 2066.) This affirms Staff’s position that it is necessary for the Commission to issue this clarification, as this would not amount to a “preemptive rejection of cost recovery” but establishing the standards by which the Commission should find a project to be reasonable and prudent for recovery in rates. Therefore, the Commission should disregard the Company’s arguments and adopt Staff’s recommendation to make it clear to the Company that inclusion of the costs to develop a BESS project to serve the ESA in rates necessitates these costs be paid by Oracle under the Order issued in Case No. U-21990, including situations where a project otherwise does not reach commercial operations.

b. Staff recommends biannual cost and permit updates for BESS projects because of the continued uncertain status of Special Land Use Permits for select BESS projects.

The Company included ten BESS projects in its Exhibit A-12, Schedule B5.10; four projects to serve base customers, and six projects to serve Oracle through the ESA. As identified by Company witness Schroeder, due to their in-service dates being outside of test year, there is no plant in service for the Fermi, Monroe, and 2028 OACS BESS projects, with a recovery request planned in a future rate case. (4 TR 2091.) Staff witness DeCooman filed testimony identifying that two of the BESS projects with cost recovery requests, [REDACTED], do not yet have all necessary permits for construction and operation.

(CONFIDENTIAL 3 TR 1215.) Witness DeCooman also detailed the fact that, among other permits being sought for [REDACTED], it does not have a Special Land Use Permit, or SLUP. (CONFIDENTIAL 3 TR 1213.) Without an executed SLUP, construction of a BESS project is essentially halted, something the Company concedes to. (*Id.*) Three other BESS projects, [REDACTED] all require SLUPs which await execution; however, recovery of these projects is not requested in this case. (*Id.*) Witness DeCooman also identified that, while overall capital costs for Company BESS projects have decreased since each project was initially filed, targeted in-service dates have been missed for the earliest developed projects. (Exhibit S-9.1.) Staff recommended the Company file an update on the status of the permits it was awaiting for [REDACTED] BESS projects in its rebuttal, as the timing aligned with when the Company expected to receive these permits. (CONFIDENTIAL Exhibit S-9.5.) To address additional outstanding permits, and due to the sheer scale of the BESS developments underway compared to the Company's experience completing and operating projects, Staff recommends the Commission direct the Company to file a biannual update in this docket. (2 TR 558.) This update should include both the status of all necessary permits, as well as an update on the current cost and project timeline for BESS projects.

Company witness Schroeder filed rebuttal testimony responding to Staff's recommendation for a biannual update on BESS projects, arguing that such a frequency of reporting would be unnecessary and of limited value, as "permitting

activities are inherently dynamic and dependent on the actions of others.” (4 TR 2098.) She instead argued that the existing regulatory process provides the ability for this review. (*Id.*) Additionally, she offered the idea that the pre-filing audit that Staff conducts prior to contracts being filed for approval offers a chance to provide an update on the status of permits when contracts are reviewed. (*Id.*) Witness Schroeder also offered an update on the permit status for [REDACTED] [REDACTED] BESS projects, confirming that [REDACTED] has all necessary permits, and [REDACTED] [REDACTED].] (CONFIDENTIAL 4 TR 5682.)

While Staff appreciates the Company’s idea for an additional review of outstanding permits for BESS projects as part of future audit meetings, this does not provide the level of oversight that Staff maintains is necessary. Specifically, the Company has identified that it has received approval for all storage projects included in Exhibit A-12, Schedule B5.10, except for the 2028 OACS BESS. (2 TR 550-551.) Therefore, this contract review meeting represents only a single additional opportunity to review any outstanding permits and receive an update on costs and timing of projects, notwithstanding any future BESS project development. Given the critical nature of the outstanding permits for several BESS projects included in Exhibit A-12, Schedule B-5.10, Staff finds a single opportunity for a formal review of the status of these projects, at an ambiguous future date, inadequate. Staff has identified why these outstanding permits, combined with the sheer scale of BESS under development relative to historical experience and

discrepancies in project costs and timing, necessitate additional review. Therefore, the Commission should disregard the Company's arguments in rebuttal, adopt Staff's recommendation, and direct the Company to file a biannual update in this docket on the status of its BESS projects, including permitting, costs, and project schedule.

c. Uncontested BESS Recommendations

[References in the Record: Fordice, 2 TR 886–887; Exhibit S-32.3]

Staff made a number of recommendations regarding the Company's battery energy storage systems (BESS) in testimony that were not addressed or disputed in the Company's rebuttal testimony. In discovery, Staff learned that the Company has not quantified any operational cost savings from having multiple BESS facilities come online in the test year. (2 TR 886–887; Exhibit S-32.3, p 5.) Given the Company has started to divide battery O&M costs between general customers and specific data center customers, it is important to understand this relationship to ensure incremental O&M costs are properly distributed between customers. (2 TR 887.) The start of the Company's battery buildout is an opportune time to ensure the Company is fully exploring all methods to minimize O&M costs. For these reasons, the Commission should adopt Staff's recommendation to order the Company to quantify the relationship between increasing BESS facilities and their O&M costs, both on a MW and per facility basis, specify and quantify what steps the Company has already taken to minimize BESS O&M costs, and investigate further opportunities to reduce BESS O&M costs with each incremental BESS.

6. Staff has updated its case in this initial brief and no longer supports the following adjustments.

Staff has updated its case in this initial brief and no longer supports the following adjustments.

a. Staff no longer recommends a \$2.1 million reduction to corporate staff capital expenditures.

[References in the record: Uzenski, 4 TR 4975, 5016; Simmons, 2 TR 803–804; Exhibit A-12, Schedule B5.8, Line 43]

Staff witness Simmons recommended disallowing \$2.1 million of capital expenditures related to the Walker Cisler Building Refresh that Staff is no longer recommending. (See 4 TR 4975.) As shown on Exhibit A-12, Schedule B5.8, Line 43, the Company has included \$2.1 million of capital expenditures, including \$300,000 in the two months ending February 28, 2027, and \$1.8 million in the 12 months ending February 29, 2028 for the Walker Cisler Building Refresh. According to witness Uzenski, the building refresh is part of a recurring 10-year program to recarpet floors and update existing workspaces. (4 TR 4975.) Through audit, the Company explained it “initiated this program to address older floors requiring upgrades / capital maintenance.” (Exhibit S-26.2.) The Company also provided what the scope may include which is “replacement of worn or end-of-life finishes, fixtures, furniture, or related building components where repair is no longer practical or cost-effective.” (Exhibit S-26.1.) In testimony, Staff recommended disallowing \$2.1 million of capital expenditures for the Walker Cisler Building Refresh because there was not a clear scope of work or a breakdown of costs and the expenditure seemed like a placeholder. (2 TR 803–804.)

The Company addressed Staff's recommendation in rebuttal testimony. According to witness Uzenski, the Walker Cisler Building Refresh has already started in 2026. (4 TR 5016.) Witness Uzenski stated that the "General Office (G.O.) Building 9th and 10th floors have been completed. Based on the completion costs of the G.O. floors, each floor costs approximately \$0.6 million." (*Id.*) The Company has also "established contracts for carpet, flooring, painting, and furniture to support execution of the projects." (*Id.*) Due to the additional information provided in rebuttal testimony, showing the costs for this renovation have been incurred, Staff no longer recommends disallowing the \$2.1 million of capital expenditures for the Walker Cisler Building Refresh.

IV. Capital Structure and Rate of Return

[References in the Record: Stults, 2 TR 274–275; McGovern, 2TR 403–415; Ufolla, 2TR 459–485; Sawari, 2 TR 1133–1134; Walters, 3 TR 1435–1553; Vangilder, 4 TR 3149–3154; Bandyk, 4 TR 5113–5147; Coppola, 4 TR 5460–5499]

A. The Commission should adopt Staff's recommended 5.74% cost of capital and 9.90% return on equity.

In its initial filing, the Company requested an overall cost of capital of 5.97% with a return on equity (ROE) of 10.25%. (4 TR 3149, 3153.) Staff recommends a lower overall cost of capital of 5.74%; Staff recommends a ROE range of 9.40% to 10.40% and used 9.90% as its recommended ROE in its overall cost of capital determination. (2TR 484.) In evaluating this request and making its own recommendation for a reasonable ROE, Staff relied on the guidelines set forth by the Supreme Court in the *Hope* and *Bluefield*. (2 TR 469–470); *Bluefield*

Waterworks & Imp Co v Public Service Comm'n of West Virginia, 262 US 679 (1923); *Federal Power Commission v Hope Natural Gas Co*, 320 US 591 (1944). Under these landmark cases, the Supreme Court explained that public utilities are entitled to rates that will allow them to earn a rate of return commensurate with that being made by similar business undertakings, but that these public utilities have no constitutional rights to profits realized by “highly profitable enterprises or speculative ventures.” *Bluefield*, 262 US at 692–693. The Court also explained that, with respect to debt and equity, the utility’s return should be sufficient to maintain its credit and attract capital. *Hope*, 320 US at 603. Yet, the Court noted that “it is not theory but the impact of the rate order which counts.” *Id.* at 602. This end-result analysis provides that, as long as the results are not unjust or unreasonable, the mechanisms for getting to such result are less important. *Id.*; (2 TR 470.)

Like Staff, the Attorney General, ABATE, and CUB recommended lower overall cost of capital and ROE figures than what the Company requested. The Attorney General suggests an overall cost of capital of 5.68% with an ROE recommendation of 9.70%. (4 TR 5473.) ABATE did not provide a quantitative recommendation for overall cost of capital but implied a reduction with a ROE recommendation of 9.40% and a recommended equity ratio of 50.0%. (3 TR 1432.) CUB did not give a specific overall cost of capital recommendation but recommended reductions to the cost of capital via an equity ratio adjustment to 50.0% and an ROE recommendation of 9.17%. (4 TR 5114.)

Other parties including Ann Arbor, Walmart, and DAAO, did not provide a quantitative recommendation for cost of capital, but all individually support an effective reduction to the Company's requested cost of capital via a lower ROE. (2 TR 275, 415, 1133.) Staff maintains its recommendation of a 5.74% overall cost of capital with a 9.90% ROE, and the Commission should approve Staff's recommendation based on Staff's testimony and the reasoning further explained below.

B. Staff does not recommend any adjustments to various Company capital structure requests.

[References in the Record: Ufolla, 2 TR 460–468; Walter, 3 TR 1515–1529; Lepczyk, 4 TR 4652–4683; Bandyk, 4 TR 5144–5147; Coppola, 4 TR 5460–5472]

Staff did not make adjustments to the Company's recommended balances for short-term debt, preferred stock, job development investment tax credits, or net deferred income tax. Additionally, Staff did not dispute the Company's recommended cost rates for preferred stock, job development investment tax credits, or net deferred income tax.

C. The Commission should, once again, adopt Staff's requested 50/50 debt to equity ratio.

[References in the Record: Ufolla, 2 TR 461–464; Walters, 3 TR 1432, 1515–1526; Bandyk, 4 TR 5144–5147; Coppola, 4 TR 5460–5467; Lepczyk, 4 TR 4652–4658, 4674]

In its initial filing, the Company requested a 51.50% equity ratio. (4 TR 4652.) Staff disagreed with this request and recommended that the Commission maintain the Company's currently-approved 50.00% equity ratio. (2 TR 461.)

Likewise, the AG, ABATE, and CUB also supported a 50% equity ratio. (3 TR 1432; 4 TR 5144–5147, 5460.)

The Company argued that it must have a capital structure that is sufficient to maintain financial confidence and allow it to raise funds at reasonable costs. (4 TR 4654.) The Company claimed that having a highly levered or weak capital structure could result in higher cost of capital and the effects it can have on its credit rating. (4 TR 4655.) The Company also noted that its Moody's credit outlook was downgraded from Stable to Negative in March of 2026, though its credit rating stayed the same. (4 TR 4657.) The Company suggests that a thicker equity layer will help to alleviate downward pressure on its credit metrics during the current period of intense capital investment. (4 TR 4656–4658.)

Increasing the equity ratio, as the Company requests, puts more burden on ratepayers. (2 TR 461.) Staff also notes that the Company's credit metrics are robust and do not warrant a rise in equity ratio, and the Commission's has expressed a clear preference for a balanced equity ratio. (*Id.*) Staff stresses that the Company is in position to maintain a strong credit rating even before the instant case's requested rate relief, which may result in some increase to cash flow, at a currently approved equity ratio of 50%. (2 TR 461–463.) Although Staff recognizes the negative change to the Company's credit outlook, Staff explained that Moody's action is more concerned with the growing infrastructure investment as opposed to the equity ratio of the Company. (2 TR 463–464.) Increasing the equity ratio above 50% is not warranted. Rather, Moody's apparently sees the

Commission, which has consistently articulated its preference for a 50% equity ratio, as generally credit supportive. (2 TR 463–464.)

The AG also supported a 50% equity ratio. In doing so, witness Coppola pointed out that the Commission has been consistent in its directive for utilities to operate at a 50/50 capital structure, the Company's strong credit metrics and access to capital markets, the favorable regulatory environment of Michigan, and the peer group's equity ratio being at 41.7%. (4 TR 5462–5467.) Witness Coppola also opined on the recent credit outlook change from Moody's noting that; firstly, a downgrade would not have an identifiable increase in cost of financing and secondly, and more importantly, the Moody's action was due to ". . . materially elevated capital investment program . . ." as opposed to the equity ratio. (4 TR 5467.) ABATE also supports a 50% equity ratio citing the Commission's previous orders for the Company as well as its sister utility (DTE Gas) and Consumers Energy. (3 TR 1515–1516.) Like Staff and the AG, ABATE witness Walters explained that Moody's credit outlook is an unconvincing reason to raise the equity ratio as the negative outlook was primarily due to growing capital investment and timing of cost recovery. (3 TR 1516–1526.) Finally, CUB similarly recommended a 50% equity ratio and provides an assessment of the Company's interest coverage ratio at that capital structure. (4 TR 5146–5147.) Each of these parties' arguments show that the Company's position to raise the equity ratio is not reasonable or prudent in the instant case.

In rebuttal, the Company restated its opinion that a 51.50% equity ratio is more appropriate in this case. (4 TR 4674.) Yet, the Company's rebuttal does not address any of the testimony from other parties relating to Moody's commentary on DTE's intense capital investment program being the cause of its credit outlook change. Instead, the Company stated that a thicker equity ratio will improve the FFO/debt ratio. (*Id.*) This factor was previously acknowledged and addressed in Staff's testimony. The equity ratio was not Moody's primary concern. As Witness Ufolla explained:

Although it is true a thicker equity layer is one way to bolster the CFO pre-WC to debt ratio, it is not the only factor. Reading the Moody's opinion in its entirety, the equity thickness of the Company does not appear to be the primary concern of Moody's. Instead, the driver of this deteriorating metric appears to be the Company's growing capital investment program. [2TR 463–464.]

A 50% equity ratio has been approved by the Commission in past DTE Electric cases and proved adequate for maintaining strong credit metrics. The Company fails to demonstrate the reasonableness and prudence of its recommendation, especially since it is unclear how and whether increasing equity thickness will repair a credit outlook downgrade that the Company so heavily relies on in its argument. The Commission should approve Staff's recommended capital structure with an equity ratio of 50.00%.

D. Capital Structure Component Cost Rates

- 1. The Commission should adopt Staff's recommended 4.46% long-term debt rate.**

[References in the Record: Ufolla, 2 TR 467; Lepczyk, 4 TR 4661, 4674]

In its initial filing the Company requested a long-term debt rate of 4.48%. (4 TR 4661.) Staff updated the Company's projections and recommended a long-term debt rate of 4.46%. This adjustment stems from Staff using more recent treasury projection for the new issuances which reduced the March 2027 issuance from 5.88% to 5.52%. (2 TR 467.)

In rebuttal, the Company disagreed with Staff's change to the debt rate, maintaining its own recommendation of 4.48%. (4 TR 4674.) Of note, Staff's adjustment is of the same nature as the adjustment which was made to Long-Term Debt rate in the Company's previous rate case. MPSC Case No. 21860, 2/19/2026 Order, p 276–277. This adjustment was accepted by the ALJ and Commission, with the Commission's order stating:

Having reviewed the record and the parties' arguments on the issue, the Commission finds the ALJ's recommendation to adopt the Staff's proposed long-term debt cost rate of 4.27% well-reasoned and supported by the record. Accordingly, the Commission adopts the ALJ's findings and conclusions on this issue. [*Id.* at 278, citing MPSC Case No. 21860, 12/22/2025 PFD, p 364.]

The Commission should similarly approve a Long-Term Debt rate of 4.46% as recommended by Staff in this case.

2. The Commission should adopt Staff's recommended 3.74% short-term debt rate.

[References in the Record: Ufolla, 2 TR 467–468; Lepczyk, 4 TR 4662, 4675–4676]

In its initial filing the Company requested a short-term debt rate of 4.07%. (4 TR 4662.)

Staff disagreed and recommended a 3.74% rate for short-term debt. (2 TR 468.) The difference between the Company's request and Staff's recommendation is due to Staff's use of a Short-term Overnight Financing Rate (SOFR) projection for the test year, as opposed to the Company's use of the current rate. (2 TR 467–468.)

In rebuttal, the Company simply repeated its position from initial testimony. (4 TR 4675–4676.) The Company claimed that its proposal was preferable due to “continued market volatility.” Yet, the Commission rejected this exact reasoning in the Company's previous rate case. MPSC Case No. U-21860, 2/19/2026 Order, pp 279–280. In that case, Staff also recommended a short-term debt rate adjustment based on the use of a projected SOFR, which the Company objected to based on market volatility. The ALJ and Commission disagreed and adopted Staff's recommendation. (*Id.*) The use of projected rates has been the standard used by witnesses in previous cases and better aligns with the test year. The Commission has relied on projected rates in past cases, and no compelling argument has been made in favor of using current rates. (*Id.*) Furthermore, the Company uses projected rates in every other portion of its cost of capital analysis.

The Commission should adopt Staff's recommended short-term debt rate of 3.74%.

3. The Commission should adopt Staff's 9.90% ROE recommendation.

[References in the Record: Stults, 2 TR 274–275; McGovern, 2 TR 403–415; Ufolla, 2 TR 468–484; Sawari, 2 TR 1133–1134; Walters, 3 TR 1432–1515; Nelson, 4 TR 2490–2715; Bandyk, 4 TR 5114–5144; Coppola, 4 TR 5474–5499]

Staff recommended an ROE range of 9.40% to 10.40% and used 9.90% as its recommended ROE in its overall cost of capital determination. (2 TR 468.) As discussed above, Staff relied on the guidance set forth by the United States Supreme Court in the *Hope* and *Bluefield* decisions to determine a reasonable ROE for the Company in this case. (2 TR 469–470.) Since the Company is not publicly traded, Staff used a group of ten publicly traded electric utility companies to help establish a reasonable cost of equity range for the Company. (2 TR 468.) The proxy group's statistics were used to provide a reasonable approximation of the Company's required cost of equity in Staff's DCF and CAPM cost of equity models. Additionally, Staff relied on a risk premium analysis and a review of other state commission ROE decisions to help reach a recommended cost of equity for DTE Electric. (2 TR 470.)

Company witness Nelson sponsored the Company's 10.25% ROE recommendation. (4 TR 2491.) Witness Nelson also submitted rebuttal testimony disputing certain portions of Staff's ROE analysis and Staff's 9.90% ROE recommendation. (4 TR 2564–2606.) The Attorney General recommended an ROE of 9.70%, (4 TR 5473,) ABATE recommended an ROE of 9.40%, (3 TR 1511,) and CUB recommended an ROE of 9.17%. (4 TR 5114.)

Ann Arbor did not provide a quantitative recommendation for ROE, but stated that lowering the Company's ROE is a necessity given its reliability performance. (2 TR 275.) Walmart does not recommend an exact ROE but states that the Commission should not raise the Company's ROE from what is currently approved. (2 TR 415.) DAAO does not recommend a specific figure for ROE either but stated "[t]he Commission should order DTE to implement a lower Return on Equity []." (2 TR 1133.)

In arriving at its ROE recommendation, Staff relied on various models and analyses, which demonstrate the reasonableness and prudence of the recommendation. Staff addresses each of these approaches below.

E. Return on Common Equity Methodology and Development

1. Discounted Cash Flow model ("DCF")

[References in Record: Ufolla, 2 TR 472–475; Walters, 3 TR 1480–1488; Nelson, 4 TR 2508–2514; Bandyk, 4 TR 5125, 5137; Coppola, 4 TR 5479]

In development and support of its ROE recommendation, Staff prepared a DCF analysis. The DCF model assesses that investors value stocks by discounting expected future cash flows, attributed to securities, to present day. (2 TR 472–473.) This discounting process applies a capitalization rate to the future cash flows, both dividends and capital gains.

Staff obtained the data for its DCF analysis using statistics from its proxy group and growth estimates from expert industry analysts. (2 TR 473–474.) Staff's Single Stage DCF analysis yielded an average ROE estimate of 10.26%. (2 TR 474.)

Staff provided an additional Two-Step DCF to better align with the other ROE models, which weighs the US GDP as a long-term growth limiter, as it is illogical for a utility to perpetually grow at a higher rate than the economy in which it operates. (3 TR 1485–1486; 4 TR 5137.) This Two-Step model resulted in an average ROE estimate of 9.84%. (2 TR 474.) The AG performed a DCF analysis as well, which yielded an average ROE of 9.5%. (4 TR 5479.) ABATE provided three DCF models; constant growth, sustainable growth, and multi-stage models. These models give average results of 11.60%, 9.35%, and 8.27% respectively. (3 TR 1480–1488.) ABATE witness Walters gave more weight to the latter two models as he found the constant growth model to be unsustainable. (3 TR 1488.) CUB performed two DCF analyses with outputs of 7.82% and 10.11%, using dividend growth and using earnings growth estimates, respectively. (4 TR 5125.) The models used by CUB are Two-Step DCF models. (4 TR 5137.)

The Company presented six DCF analyses using various time frames which had averages ranging from 10.63% to 10.95%. (4 TR 2508–2514.) Staff addressed the Company's DCF analysis and ROE estimate, disagreeing with the Company's DCF models that included 30- and 180-day models. (2 TR 475.) 30 days is too short a time frame for such analyses since temporary fluctuations in stock prices could skew the results. (*Id.*) Conversely, 180-day models use an unnecessarily long-time frame. (*Id.*) Staff noted that it does not object generally to the Company's use of a 90-day model. However, the inflated results, which are derived from the Company's

proxy group choices and the Company's one-step model, are not consistent with the other models in Staff's analysis or Staff's two-step DCF models. (2 TR 475.)

2. Capital Asset Pricing Model ("CAPM")

[Ufolla, 2 TR 476–480; Walters, 3 TR 1501-1510; Nelson, 4 TR 2520, 2526; Bandyk, 4 TR 5125–5136; Coppola, 4 TR 5483–5493]

The CAPM model infers that investors are exposed to two types of risk, diversifiable (firm specific) and non-diversifiable (market) risk. (2 TR 476.) The CAPM suggests that an investor is fully invested in a portfolio of stocks and thus eliminates, or greatly reduces, firm specific risk and is only exposed to market risk. The risk of an asset and thus the investor's required return is a function of the risk of that asset compared to the market. This market risk is characterized by the beta coefficient. Therefore, to estimate cost of equity using the CAPM, one needs a risk-free rate, an estimate of beta for the proxy group, and a market return for a wide portfolio of assets. Staff used a long-term U.S. Treasury bond yield forecast for its risk-free rate, the proxy group betas from Value Line, and a market return from a wide variety of assets from 1928 – 2025. (2 TR 476–478.)

Staff's CAPM analysis produced an average ROE estimate of 9.52%. (2 TR 478.) The AG also produced a CAPM analysis, which resulted in a 10.02% ROE estimate. (4 TR 5483.) ABATE provided a CAPM analysis with Vasicek adjusted betas in addition to the more traditional Blume adjusted betas. ABATE cites S&P, which claims the Vasicek method uses a greater sample size and has less error. (3 TR 1501–1503.) ABATE also used various forward looking market risk premiums

(“MRP”) from Kroll, NYU, and its own DCF model similar to the method adopted in FERC’s guidelines. (3 TR 1504–1505.) Ultimately, ABATE gave 12 CAPM estimates ranging from 6.66% to 12.06%. (3 TR 1509–1510.) Like ABATE, CUB used forward looking MRPs from NYU and Kroll in its CAPM analyses. (4 TR 5127–5132.) CUB’s CAPM analyses resulted in estimates of 7.76% using the MRP from NYU and 8.11% using the MRP from Kroll. (4 TR 5125.) Of note, CUB’s CAPM methodologies differ from other parties as it uses raw betas that have had the Blume adjustment reversed. (4 TR 5133–5135.)

The Company presented 16 CAPM analyses with various alterations including current and projected risk-free rates, historical and projected methodologies, various betas, and an empirical adjustment, with results ranging from 9.77% to 14.22%. (4 TR 2520, 2526.) Staff addressed the Company’s CAPM analyses and corresponding ROE estimates, disagreeing with the Company’s use of current risk-free rates, the Empirical CAPM (“ECAPM”), and forward-looking models. (2 TR 479–480.) Staff strongly rejected the methodology of using a current risk premium and ECAPM. Staff explained that the forward-looking CAPM is not academically incorrect, but that the results are a clear outlier and unhelpful for determining a reasonable ROE. (2 TR 479–480.) Moreover, the driving factor of the Company’s forward-looking CAPM is the projected MRP. Since there is substantial difference between projected MRP from various sources, demonstrated in the instant case by models from DTE, ABATE, and CUB, (3 TR 1510, 4 TR 2520, 2526, 5125,) the MRP used ought to be in line generally with historical data in order to be

considered reliable. As the Company's forward-looking CAPM is clearly an outlier it should be rejected.

The AG also rejects the Company's forward-looking CAPM and ECAPM, (4 TR 5488–5493,) and ABATE rejects the ECAPM when using Blume adjusted betas as DTE has incorporated. (3 TR 1540–1545.) CUB rejects the ECAPM on the basis that it has not been recognized historically by the MPSC. (4 TR 5136.)

The Commission should rely on Staff's CAPM analysis, which is validated based on its consistency with other analyses. The Commission should give little to no weight to the Company's CAPM analysis, especially with respect to the models that are demonstrably unreasonable and inappropriate as explained above.

3. Risk Premium Analysis

[References in the Record: Ufolla, 2 TR 481–483; Walters, 3 TR 1500; Nelson, 4 TR 2529, 2673; Bandyk, 4 TR 5140–5142; Coppola, 4 TR 5484, 5485–5486]

Staff also conducted a risk premium analysis as part of its broader ROE analysis. (2 TR 481–483.) The risk premium approach examines the spread between historical electric utility realized stock returns and historical bond yields and develops a cost of equity estimate by incorporating the historical data with current bond data. Staff used a return period of 1931 through 2025 to obtain its historical market risk premium. Staff provides a Utility bond-based risk premium model as well as a Treasury bond-based model. (*Id.*)

Staff's risk premium model produced ROE estimates of 10.29% and 10.30% based on Utility bonds and the treasury-based method, respectively. (2 TR 482.)

The AG and ABATE also provide risk premium analyses. The AG's risk premium model yielded a result of 9.73%. (4 TR 5484.) ABATE provided two traditional risk premium models with results of 10.13% based on a treasury bond and 9.90-9.97% based on utility bonds, as well as a weighted least squares (WLS) risk premium model resulting in 9.88%. (3 TR 1500.) ABATE's WLS model resembles the Company's model, in that it is regression based; however, ABATE's WLS model gives more weight to more recent data whereas the Company's model is agnostic to how recent historic data is.

The Company used two ordinary least squared (OLS) regression-based Risk Premium models with current and projected treasury rates which output results of 10.36% and 10.28%. (4 TR 2529, 2673.) Staff addressed the Company's Risk Premium analysis, not only rejecting the Company's "current" model for not aligning with the test year but also noting that the use of approved ROEs means that the Company must use a meaningfully smaller data set compared to Staff's model which reflects actual earned returns. (2 TR 482–483.) Staff adds that the use of authorized ROEs in the determination of an authorized ROE is inherently circular in nature. (*Id.*) The AG and CUB also disputed the use of approved ROEs in a Risk Premium. (4 TR 5140–5142, 5485–5486.)

4. Other State Commission ROE Decisions

[References in the Record: McGovern, 2 TR 411–413; Ufolla, 2 TR 483]

Staff reviewed the authorized rate of return decisions rendered by other state commissions from 2025 and 2026. The average authorized ROE from those electric

decisions were 9.84% for 2025 and 9.71% for the beginning of 2026. (2 TR 483.) The ROE data was provided by the Regulatory Research Associates, which is a unit of S&P Global Market Intelligence. (*Id.*; Exhibit S-4, Schedule D-5, p 12.)

Likewise, Walmart found that the average authorized ROE from 2023 to present is 9.70%, and the average for vertically integrated utilities is 9.78%. (2 TR 411–413.)

F. Company witness Nelson’s rebuttal testimony should not convince the Commission to disregard the valid and thorough basis for Staff’s ROE recommendation.

[**References in the Record:** Nelson, 4 TR 2561–2715; Walters, 3 TR 1485–1486; Bandyk, 4 TR 5138–5139]

In rebuttal, witness Nelson criticized Staff’s and the intervenors’ ROE analyses. Witness Nelson stated that the principal areas of disagreement with Staff are: 1) proxy group selection, 2) the two-step DCF, 3) CAPM methodology, and 4) the risk premium methodology. (4 TR 2584–2585.) Many of witness Nelson’s supposed critiques are merely restatements of the positions she articulated in direct testimony but applied to Staff’s and intervenors’ analysis. (See e.g. 4 TR 4674.) These positions were thoroughly addressed in Staff’s and the intervenors’ direct testimony, and it should not persuade the Commission to reject Staff’s Cost of Capital recommendations.

Witness Nelson’s disagreement with Staff’s proxy group is largely due to Staff’s inclusion of Otter Tail Corporation, which has a growth rate of negative one percent from one analyst in Staff’s DCF analysis. (4 TR 2586.)

This critique is premised on the fact Otter Tail does not meet one of Staff's screening criteria. (*Id.*) Yet, the exclusion of Otter Tail causes Staff's DCF analysis to rise slightly and its CAPM results to fall slightly, as noted by witness Nelson's own rebuttal testimony. (4 TR 2586–2587.)

Additionally, Staff disagrees with the Company's position that a single negative growth estimate makes inclusion in the proxy group inappropriate, and the figure used in Staff's analysis is an average of several growth estimates from different analysts which is ultimately positive. (Exhibit S-4, Schedule D-5, p 4, line 3.) Given the fluctuating nature of growth rates, (*Id.*) it is reasonable and appropriate to consider such averages rather than elevating the importance of a single year estimated from one source.

Witness Nelson also objected to the use of the Two-Step DCF model Staff presents. (4 TR 2590–2591.) Witness Nelson's primary concern with Staff's model appears to be that she does not believe that the GDP is an appropriate growth rate to apply to utility companies, calling it an "unfounded constraint." (*Id.*) Yet, Witnesses Bandyk and Walters both give explanations of the academic basis for the use of the GDP as a long-term growth rate. (3 TR 1485–1486; 4 TR 5138–5139.) Essentially, these witnesses explain that a utility cannot grow in perpetuity faster than the economy in which it exists; thus, it is reasonable to assume that a utility will grow at or below the GDP in the long run and account for this in modeling. (*Id.*)

Witness Nelson critiqued Staff's CAPM analysis, stating that the two risk-free rates are misapplied. (4 TR 2597–2598.) However, this is based on a misunderstanding of Staff's model. The purpose of using a historic rate for the market risk premium calculation is to find the historical market risk premium. (See 2 TR 481.) This number represents the premium investors would expect, based on historical data, for choosing to invest in the riskier equity market compared to in treasury bonds. (*Id.*) That premium is then added to a forward-looking model with the implication that although return expectations can change over time, the premium is more inelastic and stays relatively flat over time. If instead Witness Nelson's suggested revisions were used, the implication would be that return expectations on equities are inelastic, but the market risk premium changes in direct correlation with the treasury rate. This is an incorrect assessment of the function of the market risk premium in the context of a CAPM analysis.

Witness Nelson also critiqued Staff's Risk Premium, in spite of the critiques offered, Witness Nelson ultimately found the disagreement with Staff's model to be a mostly moot point stating:

I recognize that my and Mr. Ufolla's Risk Premium results are similar; accordingly, I have limited my rebuttal on this point to the key factors underlying our divergent ROE results and recommendations. [4 TR 2605.]

As shown above, and in Staff's testimony, the Company's attempts to rebut Staff's thorough ROE analysis is ultimately unsuccessful and unconvincing. The Commission should, therefore, adopt Staff's recommended 9.90% ROE.

G. The Commission should adopt Staff's present revenue recommendation of \$6,116,929,000.

[References in the Record: Rademacher, 2 TR 449; Uzenski, 4 TR 4943–4945; Exhibit S-3, Schedule C3, Exhibit A-13, Schedule C3]

Staff recommends a present revenue of \$6,116,929,000. (2 TR 449). The Company recommends a present revenue of \$6,101,635. (4 TR 4945.) The difference between the Company and Staff's present revenue is due to Staff's adjusted sales forecast, which were sponsored by Staff witness Ausum and addressed further in Section V.A.1.a of this Brief. Staff's higher forecasted sales result in higher present revenue and also a higher PSCR expense. The total increase in revenue including PSCR revenue is \$13,910,782 and the PSCR portion, which necessitates an equal increase in PSCR expense, is \$2,495,256. (*Id.*)

V. Net Operating Income

Reduced to its essence, Adjusted Net Operating Income (NOI) is the difference between a company's operating revenues and operating expenses for the projected test year. *In re Detroit Edison's 2010–2011 Rate Case*, MPSC Case No. U-16472, 10/20/2011 Order, p 41.

A. Staff recommends an adjusted net operating income of \$1.392 billion.

In its initial filing, the Company recommends an adjusted net operating income (NOI) of \$1.307 billion, while Staff recommends an adjusted NOI of \$1.392 billion, which is \$85.073 million greater than the Company's projection. (Appendix A, Line 2.)

Staff initially filed a projected net operating income of \$1.395 billion, an increase of \$88.035 million from the Company's originally filed net operating income of \$1.307 billion found on Exhibit A-1, Schedule A1, Line 2. In this brief, Staff has updated its case and now projects a net operating income of \$1.392 billion. (Appendix A, Line 2.) A reconciliation of the updates Staff has made in this brief can be found on Appendix F, Lines 15-50.

Differences between the Staff's and the Company's total adjusted NOI are due to Staff adjustments to various Company revenue and expense projections as detailed below.

1. Staff recommends total operating revenues (present revenue) of \$6.117 billion.

DTE projects that its total operating revenues will be \$6.102 billion in the projected test year, which is \$15.295 million less than Staff's projection of \$6.117 billion. (Appendix C, Column e, Line 1, 57 and 58.) Staff made adjustments to sales revenue and sales forecast as detailed below.

a. The Commission should adopt a test year residential sales forecast of 15,601 GWh, representing a 74 GWh increase over the Company's forecast of 15,527 GWh.

[References in the Record: Ausum, 2 TR 809–819; Leuker, 4 TR 2351-2457; Exhibit A-15; Exhibit A-59; Exhibit S-27]

Witness Ausum sponsored Staff's sales forecast, recommending a 74 GWh increase over the Company's test year forecast. (2 TR 809–819.) Despite the

arguments raised by the Company in rebuttal testimony, Staff maintains this recommendation, which is both reasonable and prudent.

i. Staff's Adjustment

Staff, through its witness Paul Ausum, recommended a test year residential energy sales forecast of roughly 74 GWh increase to the residential energy forecast used to set rates. (2 TR 813.) The residential energy sales forecast recommended by Staff amounts to 15,601 GWh and is 0.48% higher than the Company's forecast of 15,527 GWh. (*Id.*) Staff's sales forecast is presented in Exhibit S-27.1, the subcomponents of which are discussed in more detail below.

32.91 GWh of Staff's adjustment is attributable to a change in the projected amount of residential distributed generation ("DG") energy production expected in the test year. The rationale for the change in expected residential DG MWh was explained by Staff witness Sayers in Section V.A.1.b.ii of this Brief. To incorporate the changes to the DG forecast recommended by witness Sayers into the residential SAE model, witness Ausum converted the DG MWh forecast sponsored by witness Sayers into a kWh use-per-customer ("UPC") basis and inserted Staff's DG forecast in place of the Company's DG forecast within the residential SAE Model. (2 TR 814.)

41.55 GWh of Staff's adjustment is attributable to small refinements made to DTE's statistically adjusted end use (SAE) modeling framework. (*Id.*) Witness Ausum added additional explanatory variables to the Company's SAE modeling framework. Witness Ausum added an intercept term, binary variables for the

months of July 2020, May 2024, and July 2025, a one-period lagged dependent variable, and a one-period autoregressive error term. (2 TR 814–815.) Witness Ausum also replaced the economic data in the residential SAE model with updated economic data from July 2026 provided by S&P Global. The updated economic data represents a more recent outlook for the economic conditions affecting the Company’s service territory than were available to the Company at the time the forecast used to support the rate case application was developed. The economic projections utilized by Staff are presented in Exhibit S-27.5. (2 TR 815.)

Confidential Exhibit S-27.3 contains the inputs to Staff’s model alongside the inputs to DTE’s model. Exhibit S-27.4 displays the estimated coefficients for each independent variable in Staff’s model along with the relevant model statistics used to assess the model. Witness Ausum explained how the criteria used to assess Staff’s model was similar to the criteria utilized by the Company. Ausum states how the models that support Staff’s residential forecast adjustment are, at their core, the Company’s models, but with minor refinements to “improve statistical goodness-of-fit, autocorrelation, and overall model accuracy.” (*Id.*) Staff was able to achieve a higher adjusted R-squared statistic and a lower in-sample Mean Absolute Percentage Error (MAPE) statistic than was achieved by the Company. (2 TR 815–816.) Witness Ausum used the Company’s own criteria to assess the reasonableness of Staff’s additions and modifications to the residential SAE model and was able to achieve demonstrable improvement in the model statistics, namely the adjusted-R squared statistic representing how well the model does in explaining historical

variation in the data and the in-sample MAPE, which measures the average amount of error in the predictions made by the model. (2 TR 816.) This analysis is shown in Exhibit S-27.4.

For these reasons, and the reasons given in Staff's testimony, the Commission should adopt Staff's recommended adjustments to the sales forecast and use a test-year residential sales figure of 15,601 GWh to set rates.

ii. The Company's rebuttal testimony regarding Staff's non-distributed-generation-related load forecast adjustments does not justify rejecting Staff's recommendation.

Company witness Leuker filed rebuttal testimony disputing all components of Staff's recommended sales forecast adjustment. (4 TR 2417–2457.) The DG portion of the adjustment is addressed in Section V.A.1.b. of this Brief. This section will focus on the Company's rebuttal of Staff witness Ausum's approximate 42 GWh adjustment that was not related to residential distributed generation capacity or production, and address the refinements made to the residential SAE modeling framework. (4 TR 2431–2457.)

Overall, while Staff acknowledges that the Company makes some reasonable arguments in rebuttal Staff continues to support its recommended forecast adjustment. Staff will address each of the Company's rebuttal arguments in turn.

Out-of-Sample Test

The Company points out that Staff did not present an out-of-sample test that the Company claims would justify choosing Staff's forecast over the Company. (4

TR 2436–2438.) The Company presented a test it created using the Forecast Test object in MetrixND. (*Id.*) Witness Leuker presented that test as Exhibit A-59, Schedule RN1, and provided a graphical comparison of the out-of-sample test as Figure 3 on page 25 of his rebuttal testimony in this case. (4 TR 2438.)

Staff does not dispute the out-of-sample test provided by the Company in rebuttal, nor the role of such tests to verify the predictive power of a forecasting model. In the absence of the time constraints imposed by the rate case process, Staff would likely have performed its own out-of-sample test on both the Company's and its own model specifications along with various other potential model specifications not supported by the record of evidence in this case. If the full set of out-of-sample tests were provided, the difference in the out-of-sample MAPE between the Company's and Staff's model might look much different. Yet, these tests were not provided by the Company in rebuttal.

Updated Economic Projections

The Company took issue with Staff's use of updated economic projections in the residential SAE model in that Staff only applied the July 2026 data to the residential model but not to the Small C&I and Large C&I models. (4 TR 2438–2441.) The Company asserted that, if the residential model is to receive the updated economic projections, then so to should the Small C&I and Large C&I models. (4 TR 2439.) The Company shows the results of this in Exhibit A-59, Schedule RN4. The Company admits the updated projections “slightly differ” from the Company's originally filed forecasts. (*Id.*) When the updated economic

projections are included in the Small C&I and Large C&I models, the Small C&I forecast for the test year is lowered by 1 GWh to 10,983 GWh, and the Large C&I forecast for the test year is lowered by 131 GWh to 17,822 GWh. (4 TR 2438–2441.)

While Staff does not dispute the rationale for including more recent data when it is available, the time constraints of rate cases do not allow Staff to incorporate every analysis that it might with unlimited time and resources. In deciding how much weight to give Exhibit A-59, however, the Commission should recognize that it too evaluates a discrete and non-exhaustive number of potential modifications to the Small C&I and Large C&I forecasts. Exhibit A-59, Schedule RN4

Removal of Sep 2022 Plus Variable

In rebuttal, witness Leuker noted that witness Ausum removed the Company's September 2022 Plus binary variable and did not describe this in his direct testimony. (4 TR 2441.) The Company stated that September 2022 Plus binary variable was included because it "represents a persistent level change in residential use-per-customer observed beginning in September 2022 and continuing thereafter." (*Id.*) When the September 2022 Plus Binary is once again included in the model, all else equal, Staff's residential forecast falls from 15,601 GWh to 15,536 GWh. (4 TR 2441–2442, Exhibit A-59, Schedule RN5, Page 1.)

The Company is correct that the removal of September 2022 Plus was not addressed in witness Ausum's direct testimony. September 2022 Plus was replaced by the individual-month binary variables in Staff's model specification.

(CONFIDENTIAL Exhibit S-27.3; Exhibit S-27.4.) In direct testimony, Witness Leuker outlined the criteria used to evaluate the regression models and the variables included in them. (4 TR 2362.) As evidenced by its omission from Staff's model specification, September 2022 Plus did not meet the established criteria for inclusion. Staff cautions against over-fitting the model by using too many explanatory variables. (Exhibit A-59, Schedule RN2.8, Page 4.) While t-statistics and p-values should not be the sole criteria used to judge a given variable's usefulness in a model, by replacing September 2022 Plus with the individual month binaries in Staff's model specification, Staff enhanced the fit of the model without over-fitting the model. (Exhibit S-27.4, p 1.) Staff maintains that September 2022 Plus should be omitted from the residential use-per-customer model. The Company has not provided direct evidence of the "persistent level change" in residential use-per-customer that began in 2022 that would warrant its inclusion. Staff's individual monthly binaries are a statistically significant alternative, as shown in Exhibit S-27.4.

Individual Monthly Binary Variables

The Company takes issue with Staff's inclusion of individual-monthly binary variables for July 2020, May 2024, and July 2025. (4 TR 2442–2443.) The Company presents Exhibit A-59, Schedules RN2.8 and RN2.9 containing Staff responses to Company discovery requests pertaining to the individual monthly binary variables. The Company accepts that the individual monthly binary variables improve model fit, but states that the binaries do not represent an

“economic, weather, end-use, billing, metering, behavioral, or structural condition represented by those variables that would provide information relevant to the forecast period.” (4 TR 2443.) The Company averred that the individual-month binaries improve the model’s ability to align with historical residential usage per customer, but do not necessarily improve the “model’s ability to forecast an observation that is not yet known.” (4 TR 2445.)

To the extent practical, Staff’s modifications to the Company’s models were made in an attempt to conform to the Company’s own criteria for model evaluation. (See 4 TR 2362.) September 2022 Plus, discussed earlier, was deemed by Staff to be statistically insignificant. The persistent level change was not explained by the Company in direct testimony. Staff identified the residuals for the months of July 2020, May 2024 and July 2025 as having a potential outsize effect on the model’s in-sample statistics. (Exhibit A-59, Schedule RN2.8.)

The individual monthly binaries exist in Staff’s model specification while the September 2022 Plus variable does not. (Exhibit S-27.4.) While September 2022 Plus was included to capture a persistent change in usage, the individual monthly binaries can be thought of as capturing a change in usage for the individual months that was left unexplained by all other variables in the model, similarly to how the September 2022 Plus variable was explained by the Company to capture a change a usage that was unexplained by the other variables in the model. (4 TR 2441–2443, Exhibit A-59, Schedule RN2.8, p 1.) The fact that the coefficient for each of these

months is statistically significant, as shown in Exhibit S-27.4, is evidence for their inclusion in Staff's recommended forecast adjustment.

Intercept Term

The next issue raised by the Company in its rebuttal of Staff's forecast adjustment deals with the inclusion of an intercept, or constant, within the residential SAE modeling framework. The Company stated that the SAE framework is designed so that the three primary end-use explainers of usage, i.e. XHeat, XCool, and XOther, are potentially distorted by the inclusion of an intercept term and lose valuable explanatory power if it is to be left in the model. (4 TR 2446.) The Company presents Exhibit A-59, Schedule RN2.7, containing discovery responses from Staff that add detail on the rationale for the inclusion of the intercept term. The Company stated that the objective of the SAE model is to "calibrate to an underlying end-use forecast" and "the inclusion of an intercept removes predictive power in lieu of an unknown constant." (4 TR 2446.) The Company then spoke to the guidance provided by the developers of the SAE model framework, Itron, who generally do not include an intercept term in the SAE models it develops for the Utilities with whom Itron consults. (4 TR 2446–2447.)

Staff's inclusion of the intercept term is based in standard practice in linear regression modeling, which is explained on page 1 of Exhibit A-59, Schedule RN 2.7. The Company employs 11 seasonal (i.e. monthly) binary variables representing January through November alongside XHeat, XCool, and XOther and the September 2022 Plus step change binary. (CONFIDENTIAL Exhibit S-27.3.)

Residential electricity is seasonal in nature and is largely driven by month-to-month changes in weather. (4 TR 2363, 2367.) While the XHeat and XCool end-use variables describe the average customer's response to these changes, they do not capture all of the seasonality in usage. If they did, the 11 calendar month binaries would not be needed in the Company's model specification. By including an intercept term, Staff sought to bolster the 11 monthly calendar binaries that the Company sees fit to include in its model and ensure that the effects of all twelve months are accounted for in residential SAE framework. (CONFIDENTIAL Exhibit S-27.3.) Alternatively, the Company could add a 12th monthly binary to its model for December so that all months are accounted for.

The Company's supposed concern with the intercept term weakening the explanatory power of any of the three end-use variables would, if accepted, equally weaken the Company's confidence in any of the 11 seasonal binary variables.

Lagged Dependent and AR(1) Term

Pages 35–40 of witness Leuker's rebuttal testimony addressed Staff's inclusion of a lagged dependent and autoregressive error term in the residential SAE modeling framework. (4 TR 2448–2453.) Staff does not dispute the Company's characterization of the mechanics regarding how the variables behave in the modeling framework. A lagged-dependent variable in the residential SAE UPC model employs usage from the month immediately preceding a given month to explain expected usage in that month. An autoregressive error term captures persistence in the unexplained error that is leftover when the effects of all other

independent variables in the model are accounted for. (*Id.*) Witness Leuker provides Exhibit A-59, Schedule RN2.10 containing a Staff response to Company discovery that shows how a lagged dependent term might be interpreted in a forecast of residential usage for February 2028.

As is stated by Company witness Leuker in his direct testimony, one of the standards used by the Company to assess the reasonableness of its models is the Durbin-Watson (“DW”) statistic, which measures autocorrelation between model residuals that are one period apart from another. (4 TR 2362.) The Company’s aims to have the DW statistic between 1.5 and 2.5. (*Id.*) To address this, Staff added the lagged-dependent and autoregressive terms. Staff’s model specification possesses a DW statistic of 2.036. (Exhibit S-27.4, p 1.)

The Company states that the inclusion of the lag and AR(1) terms “allow the model to explain residential consumption through persistence in prior consumption and prior unexplained error rather than directly through the underlying end-use and economic drivers that form the foundation of the SAE framework.” (4 TR 2450.) To the Company, this has the result of making the SAE specification less directly interpretable. The Company is concerned with a potential for systematic distortion, which can bias forecast results towards an “artificially flat trajectory . . . sacrificing the model’s ability to accurately reflect long-term changes in customer usage patterns.”² (4 TR 2451–2452.) The Company pointed out that Staff’s revised model

² It should be noted that the potential for distortion the Company raises here cannot be traced to any one modification made by Staff to the residential SAE model. (4 TR 2451.)

specification produces an XOther coefficient that is more than 20% lower than the coefficient for XOther in the Company's model. However, as Figure 7 of witness Leuker's rebuttal testimony shows, the XHeat and XCool coefficients remain relatively unchanged. (4 TR 2452.)

The Company made these assertions without discussing the relevant DW score, which itself recognizes as an appropriate standard to analyze autocorrelation. (4 TR 2362.) By incorporating the lagged dependent and AR(1) terms, Staff's produced a DW score that meets the Company's criteria and rectifies any concerns regarding autocorrelation as measured by the DW score and the ACF plot. (4 TR 2362; Exhibit S-27.4, p 1: Exhibit A-59, Schedule RN2.9.) Staff does not wish to reduce the interpretability of the model in any way and commends the Company for its efforts to model usage in a bottom-up manner that allows visibility into what truly drives residential usage.

Dynamic error processes are not completely foreign to SAE models. Figure 5 of witness Leuker's rebuttal testimony shows an SAE model used by Ameren Illinois. (4 TR 2448.) This model contains an MA(1) term. While an MA(1) term must not be confused with an AR(1) term used in Staff's specification, its presence in Ameren's model is evidence that dynamic error processes are not unknown to SAE specifications.

Staff's modifications to the Company's residential model should be viewed as reasonable and Staff's recommended forecast of 15,601 GWh should be adopted by the Commission to set rates.

b. Distributed Generation Sales Forecast

i. The Commission should adopt Staff's residential distributed generation production forecast.

[References in the record: Leuker, 4 TR 2366, 2419, 2421, 2429–2430; Sayers, 2 TR 494–496; Exhibits S-10.1–S10.7; Exhibit A-59, Schedule RN2.11]

In its initial filing, the Company described the process of forecasting its electricity sales in the residential class using the statistically adjusted end-use (SAE) specification. In this process, energy use is a function of 22 end-uses, with distributed generation (DG) being one of those end-uses. (4 TR 2366.) The Company provided the calculations used to forecast DG's effect on electricity sales in Company Document Part III Supplemental Data Request Attachment 3 (19). (2 TR 493; 4 TR 2424.) This forecast includes historical data beginning in 2005 and projected data through 2031. (Exhibit S-25.1.)

Staff witness Sayers developed Staff's DG forecast using the Company's historical DG production data beginning in 2017, the period in which the Company's DG program was active. (2 TR 493.) Staff used the historical annual production values to establish a linear regression and projected future production by extending the historical trend through the test year and the remainder of the forecast period. (2 TR 494–495; Exhibit S-25.2.) The historical data strongly supports Staff's linear methodology; the regression of DG production against time produces an R^2 value of 0.9878, demonstrating a strong linear relationship between DG production and year. (2 TR 493–494.) Using the period the Company used in its discovery response, beginning in 2021, produces an even stronger R^2 value of 0.9977. (2 TR

494–495; Exhibit S-25.3.) These results demonstrate that the actual historical DG production data can be accurately represented by a linear model.

Staff's forecast relies on an observable and reproducible historical trend. In contrast, the Company's forecast projects substantially greater annual increases in DG production than those reflected in the historical data. (2 TR 494–495.) The Company's filed distributed generation production amount for 2025 was 111,488 MWh (4 TR 2424); Staff's linear forecast, based on the historical production trend, produces projected values of 133,239 MWh and 145,967 MWh for 2027 and 2028, respectively. (2 TR 494.) The Company's forecasted production values were 148,805 MWh and 169,427 MWh for the same years. (See Exhibit S-25.1.)

The difference between Staff's and the Company's forecasts increases throughout the forecast period. As illustrated in Exhibit S-25.4, the Company's projected annual increases depart materially from the historical trend beginning in the forecast period. To simplify, the historical production trend, when plotted, demonstrates a linear yearly increase of approximately 13,000 MWh which Staff extended into the projection years. (2 TR 494; Exhibit S-25.2.) The Company's projected production values diverge from that trend and begin to increase by approximately 19,000 MWh beginning in 2026 and continues to diverge to a yearly increase of approximately 27,000 MWh by 2031. (2 TR 494; Exhibit S-25.1; Exhibit S-25.4)

Company witness Leuker rebutted Staff's adjustment to the residential DG forecast, arguing that the Company's methodology is superior because it forecasts

the economic, technological, regulatory, and behavioral factors that influence customer DG adoption. (4 TR 2418–2419.) Witness Leuker further characterizes Staff's methodology as forecasting production simply as a function of the passage of time. (*Id.*) Put simply, the Company argues that its forecast is superior because it takes multiple factors into account.

Staff does not dispute that economic factors can influence DG adoption. Rather, Staff's position is that the existence of economic factors that may influence future DG adoption does not, by itself, demonstrate that the Company's forecasted production levels are reasonable.

The Company's methodology relies on forecasts of economic factors, including system costs, tax incentives, electricity prices, and other inputs, to project future DG adoption and ultimately production. (*Id.*) However, the Company must still demonstrate that those inputs support the magnitude of the production increases reflected in its forecast. The Company's forecast produces substantially higher levels of DG production than would result from extending the historical production trend, (see 2 TR 494,) yet the Company has not demonstrated why those higher production levels should be expected during the test year. As stated, Staff agrees that changes in DG economics can affect DG adoption; however, the fact that economic factors can affect DG adoption does not establish the extent to which those factors will affect production over the forecast period.

Staff's methodology does not assume that calendar year itself causes customers to install DG. Instead, Staff uses calendar year as the independent

variable to capture the historical relationship between time and the resulting DG production. (2 TR 493–494.) As demonstrated in the historical data and shown in Exhibit S-25.2, production increased in a highly consistent manner over time during the period in which the Company’s DG program was active. (*Id.*; Exhibit S-25.2.) Staff’s forecast extends that observed relationship into the forecast period rather than introducing additional assumptions concerning the future behavior of economic variables. This approach provides a reasonable basis for forecasting future DG production because it relies on the actual production trend observed under the Company’s DG program.

Witness Leuker also argued that Staff has not identified an individual assumption underlying the Company’s DG production forecast as unreasonable, including customer adoption, installed capacity, or capacity factors. (4 TR 2421.) Staff disagrees that identifying an individual underlying assumption as unreasonable is necessary to support Staff’s recommended adjustment.

First, witness Leuker’s critique confuses the burden of proof in rate cases. The Company has the burden to demonstrate that each of its requests is reasonable and prudent. See MPSC Case No. U-21981, 10/15/2026 Order, p 4. The burden does not shift to Staff or any other party. *Id.* Rather, than the supposed burden that witness Leuker attempts to impose on Staff, the Company is the party that maintains the burden to demonstrate that its application and requests are reasonable and prudent.

Second, Staff's adjustment is directed at the resulting production forecast used in the sales forecast, rather than any individual component used by the Company to calculate that production. Staff's analysis demonstrates that the historical production data supports Staff's adjusted forecast, and Staff maintains its position that the Company has not sufficiently demonstrated why its forecast should depart from the historical data to the extent reflected in its projections. Additionally, in its testimony, witness Sayers addressed the use of a linear forecast as well as the benefits of such a forecast being that provides a transparent and reproducible approach that relies on actual historical data rather than unsupported assumptions increasing future growth rates. (2 TR 495.)

For these reasons, and the reasons explained in Staff's testimony, Staff recommends that the Commission adopt Staff's linear residential DG forecasting methodology.

ii. The Commission should adopt Staff's distributed generation outflow adjustments.

[References in the Record: Sayers, 2 TR 495–496; Leuker, 4 TR 2429–2430; Exhibit A-59, Schedule RN2.11; Exhibit S-25.1; Exhibit S-25.5; Exhibit S-25.6]

During its analysis of the Company's residential DG forecast, Staff identified an issue with the treatment of residential DG production that is exported to the grid rather than consumed on site. (2 TR 495–496.) Staff was able to recreate the Company's annual DG production values by multiplying the Company's annual cumulative DG capacity by the corresponding realized capacity factor and the number of hours in a standard 365-day year. (2 TR 495; Exhibit S-25.1; Exhibit S-

25.5.) This calculation demonstrated that the Company's production values reflected gross DG production. In response to Staff discovery, the Company stated that approximately 33 percent of residential solar production represented outflow. (2 TR 496; Exhibit S-25.6.) Simply put, one-third of residential solar production is sent back to the grid rather than consumed behind the meter and does not offset the customer's retail purchases. This means that the Company's sales forecast model is overestimating the effect of DG customers by approximately 33%.

The Company agreed with Staff's position that residential DG production that is exported to the grid should not be treated as an offset to retail sales. Company witness Leuker stated that, to the extent residential DG production is exported rather than consumed behind the meter, that exported energy does not offset the customer's retail purchases and therefore should not reduce retail sales. (4 TR 2429–2430.)

The Company separated Staff's approximately 33 GWh total DG adjustment, illustrated in Exhibit S-25.7, into two separate adjustments. The 14.36 GWh adjustment attributable to Staff's residential outflow adjustment is not disputed by the Company. (4 TR 2430.) Staff maintains its entire forecast adjustment recommendation, however, if the Commission finds that the Company's initial forecast is reasonable, Staff recommends that the Commission, at a minimum, adopt the residential DG outflow adjustment reflected in Exhibit A-59, Schedule RN2.11.

c. Staff recommends sales revenues of \$4.542 billion.

Staff recommends sales revenue of \$4.542 billion, which is \$15.295 million greater than the Company's projection of \$4.527 billion. (Appendix C, column b, line 1, 57, 58.) Staff recommends two adjustments described below.

i. Staff recommends increasing sales revenue by \$13.911 million for Staff's sales forecast. (Appendix C, column b, line 4.)

Staff recommends increasing sales revenue by \$13.911 million for Staff's sales forecast. (Appendix C, column b, line 4.) Staff's sales forecast adjustment is the result of witness Ausum's recommended adjustment (see Section V.A.1.a.) which results in an increase to present revenue of \$13,910,782. (2 TR 449.) The PSCR portion of this adjustment is \$2,495,256, which requires an equivalent PSCR expense offsetting increase. (*Id.*; Exhibit S-3, Schedule C4.) Witness Staff witness Rademacher explained that "[t]he increased expense has the effect of offsetting the revenue increase, so that the total impact of Staff witness Ausum's sales forecast on present revenue is \$11,415,526." (2 TR 449.)

ii. Staff recommends increasing sales revenue by \$1.384 million for Staff's RIA projection. (Appendix C, column b, line 5.)

[References in the Record: 2 TR 564–571; Exhibit No. S-11.1, S-11.2, S-11.3; 4 TR 3278, 3307–3308]

Staff recommends increasing sales revenue by \$1.384 million for Staff's RIA projection. (Appendix C, column b, line 5.)

In the direct testimony of witness Sparks, the Company proposed recovery of residential income assistance credit costs associated with 77,720 RIA credit recipients, which reflects a 3-year historical average of credit participation. (4 TR 3278.)

In direct testimony, Staff witness Elaina Braunschweig cited the January 23, 2025, Order in MPSC Case No. U-21534, which approved use of a 3-year historical enrollment average to project RIA credit costs for recovery. (2 TR 567–568); MPSC Case No. U-21534, 1/23/2025 Order, p 413. However, Staff utilized the Company’s projection and adjusted it downward to 64,147 monthly recipients to remove a 3-year historical average of all RIA and Low-Income Assistance (LIA) credit recipients that simultaneously received MEAP APPs from the Company’s RIA projection. (Exhibit No. S-11.3; 2 TR 569–570.) Since the RIA and LIA credits costs are recorded as an offset to present revenue, this adjustment would increase present revenue by \$1,384,446. (Exhibit No. S-11.3.)

To support this adjustment, Staff summarizes the work of the Commission’s Energy Affordability and Accessibility Collaborative in MPSC Case No. U-20757 and the Commission’s June 11, 2026, Order, which, in part, ordered that customers participating in affordable payment plans (APP) funded by the Michigan Energy Assistance Program (MEAP) should not simultaneously qualify for the utility credits authorized by MCL 460.11(2) low income rates statute. (2 TR 567–568); MPSC Case No. U-20757, 6/11/2026 Order, p 52. The Commission’s June 11, 2026 Order in Case No. U-20757 also signaled its intent to transition utility credits to

affordable payment plans that mirror existing MEAP-funded APPs and base customer payment obligations on a 4% energy burden for electric customers and a 2% energy burden for natural gas customers. (2 TR 565); MPSC Case No. U-20757, 6/11/2026 Order, pp 40–41. However, due to the uncertainty and multitude of factors that impact the implementation timeline, Staff recommends continuing to project RIA credit participation for cost recovery in a way that most accurately reflects participation in the credit. (2 TR 567.)

Even though the RIA and LIA credits are different programs with different credit amounts, for the purpose of the revenue adjustment, it most appropriate subtract all RIA/LIA credit recipients that simultaneously were enrolled in the MEAP APP from only the RIA credit projection. (2 TR 570.) Staff does not support reducing the LIA enrollment cap and instead proposes that the available LIA credit enrollment slots be filled by eligible RIA credit recipients, which would reduce the RIA enrollment projection but not the LIA credit enrollment cap. (*Id.*)

Staff's revenue adjustment is supported by the fact that this adjustment would not impact the number of customers allowed to receive the RIA or LIA credits because the Company has been using the credits to offset MEAP APP bill subsidy costs instead of reducing the customer's bill. (2 TR 571.) Additionally, the RIA credit is not a program with restricted enrollment caps like the LIA credit, meaning all identified eligible customers can receive the RIA credit and the RIA projection is simply used to set rates. (2 TR 571.) This process is comparable to a sales or customer count forecast in that those developed billing determinants are

incorporated into the rate design to estimate or project revenue and develop rates to reach the revenue requirement, but those determinants do not preclude the Company from selling more or less Mwh in energy or connecting new customers to the grid. (2 TR 571.)

Staff recognizes that the Commission requested a process to estimate increases in assistance funding to serve more customers in the workgroup to implement its June 11 Order, but Staff's recommendation recognizes the importance of having energy assistance program demand and the rate impact of the program costs drive rate recovery. (2 TR 566–567.) If “funding” (or cost recovery) for the MCL 460.11(2) authorized APP outpaces actual program spending, then the excess amounts recovered for MCL 460.11(2) could potentially be used to fund APPs that were supposed to be funded by MEAP (and thus subsidizing MEAP).

Alternatively, if the Company were to retain excess, the unused dollars might be used for costs unrelated to assistance programs. (2 TR 567.) However, even if there are regulatory assets or liabilities in place, it is imperative that ratepayers in the current case and future cases do not subsidize each other and instead customers should pay as close as possible to the costs that are incurred in the test year periods. (2 TR 567.)

In rebuttal testimony, witness Sparks claimed that, because Staff witness Braunschweig acknowledged the validity of the Company's use of a 3-year historical average to project RIA credit enrollments, Staff's projection is not based on Company deficiencies in RIA enrollment forecasting. (4 TR 3307–3308.) Rather,

witness Sparks claimed Staff's proposed adjustment is based on implementation assumptions surrounding MPSC Case No. U-20757. (*Id.*) Company witness Sparks defended the Company's projection not reflecting the June 11 Commission Order in Case No. U-20757 by stating that the Company's regulatory asset and liability for the RIA and LIA credits can account for the mismatches in RIA credit projections from realities. (2 TR 3308.)

Staff challenges the Company's plan to potentially over-collect revenue for the RIA and LIA credits, since the Company's plan would have today's ratepayers overpay for programs that its current customer base would not benefit from. (2 TR 567.) The Company's argument in rebuttal did not challenge the validity of Staff's adjustment. Based on the demonstrated merits of Staff's recommendation, and in the absence of recorded deficiencies in Staff's projection, the Commission should adopt Staff's projection.

Staff will describe the June 11, 2026, Commission Order in MPSC Case No. U-20757 further in this brief, but for the purposes of projecting the current low-income assistance credits' fulfillment of the MCL 460.11(2) statute, the Commission should accept Staff's RIA credit projection adjustment.

d. Staff recommends base fuel and purchase power revenue of \$1.366 billion.

Staff recommends the ALJ and the Commission adopt the Company's fuel and purchased power revenue projection of \$1,365,547,000. (Appendix C, column c, line 1 & 58.)

e. Staff recommends other revenue and R2 of \$209.437 million.

Staff recommends other revenue and R2 rider of \$209.437 million, which is equal to the Company's projection. (Appendix C, Column d, Lines 1 & 58.)

2. Staff recommends total operating expenses of \$4.823 billion for the projected test year.

Staff's recommended total operating expenses of \$4.823 billion is \$69.778 million less than the Company's projection of \$4.892 billion. (Appendix C, Column n, Lines 1, 57, and 58.) Staff breaks down this \$69.778 million difference, by category, and explains the difference below:

	(millions)
Other O&M	\$ (54.848)
Depreciation & Amortization	(45.316)
Property Tax	(0.927)
State & Local Income Tax	6.908
Federal Income Tax	<u>21.910</u>
Total Difference in Operating Expense	\$69.778

a. Staff recommends a fuel and purchase power expense of \$1.368 billion.

Staff recommends fuel and purchase power expense of \$1.368 billion, which is \$2.495 million greater than the Company's initially filed projection of \$1.366 billion. (Appendix C, Column f, Line 1, 57, and 58.) This constitutes the necessary

equivalent PSCR expense increase offsetting the PSCR sales revenue forecast increase addressed in Section V.A.1.c.i.

b. Staff recommends an Other O&M expense of \$1.264 billion.

Staff's initially filed projected operations and maintenance expense is \$1.262 billion, a decrease of \$56.351 million from the Company's originally filed projected operations and maintenance expense of \$1.319 billion found on Exhibit S-3, Schedule C1, Line 4. In this brief, Staff⁵ has updated its case and now projects operations and maintenance expense of \$1.264 billion. (Appendix C, Column g, Line 58.) A reconciliation of the updates Staff has made in this brief can be found on Appendix F, Lines 21-32.

Staff recommends Other O&M expense of \$1.264 billion, which is \$54.848 million less than the Company initially filed projection of \$1.319 billion. (Appendix C, Column g, Lines 1, 57, and 58.) Staff proposes the following adjustments to Other O&M Expense:

<u>Steam Power Generation</u>		<u>(millions)</u>
i.	Greenwood Outage (Maintenance Outside Test Yr)	\$ (3,855)
ii.	Greenwood Outage (Maintenance Normalization)	(3,174)
iii.	Monroe 1 (Outage Normalization)	(12,157)
iv.	BRPP Outage (Maintenance Not Occurring)	(3,828)
v.	BRPP Conversion Credit	189
vi.	Belle River Fuel Handling	(6,824)
vii.	MERC Fuel Handling	(1,416)
<u>Distribution</u>		
viii.	Next-Gen AMI	\$ (3,642)
<u>Corporate Support</u>		
ix.	C&I Portal Migration	\$ (326)

x.	Customer Insight Platform	(119)
xi.	Digital Channels Application Health	(122)
xii.	Digital Channels Transformation Program	(167)
xiii.	MIGP Customer-Requested Renewable Energy Projects	(281)
xiv.	MIGP Low Income Solar Pilot	(142)
xv.	MIGP Scope 3 Billing and Enrollment	(322)
xvi.	Outage WISMO, PPS, Map Application Health	(657)
xvii.	Regulatory Compliance	(400)
xviii.	Self Service Mobile Application Health	(122)
xix.	Web Billing and Profile Management Cloud Migration	(332)
xx.	Web Transaction Application Health	(332)
xxi.	Projects with a Level 2 cost estimate	(51)
xxii.	Projects with a Level 3 Cost Estimate	(1,154)
xxiii.	Government Cloud Foundation	(26)
xxiv.	Real Estate Management	(217)
xxv.	Maximo Uplift to Maximo Application System	(4,198)
xxvi.	Documentum Application Health	(65)
xxvii.	Everyday Daily Plan (EDDP) Application Health	(39)
xxviii.	ITS ADMS Application Health	(29)
xxix.	Renewable Operations Application Health	(11)
xxx.	Information Protection Security	(46)

Pension & Benefits

xxxi.	VEBA	\$ (1,308)
xxxii.	Employee Savings Plan	(1,575)
xxxiii.	Active Healthcare	(3,838)

xxxiv.	Total O&M - Inflation	<u>\$ (4,263)</u>
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Total difference in O&M Expense **\$ (54,848)**

i. Staff recommends reducing generation O&M expense – Greenwood Outage (Maintenance Outside Test Yr) by \$3.855 million.

[References in the Record: Fordice, 2 TR 881; Guillaumin, 4 TR 3402–3438, 3460–3463; Exhibit S-32.5, MEG-Rebuttal]

Staff recommends reducing generation O&M expense - Greenwood Outage (Maintenance Outside Test Yr) by \$3.855 million. (Appendix C, Column g, Lines 10.) Staff found within filing requirement Attachment 9 that 34 days of the 90-day

GWEC outage are expected to occur after the test year ends. (2 TR 881; Exhibit S-32.5, p 1–2.) As such, Staff recommended that a proportional amount of the projected outage cost, 37.78%, be disallowed. (2 TR 881.) While witness Guillaumin takes issue with this reduction combined with another GWEC reduction in her rebuttal testimony, she does not address or deny that a portion of the outage takes place after the projected test year. (4 TR 3460–3463.) Staff has not argued in this case that the Company can never recover such costs. However, it is neither reasonable nor prudent to include these out-of-test-year costs in setting rates in the instant case. As such, the Commission should disallow the portion of the GWEC outage that occurs after the test year.

ii. Staff recommends reducing generation O&M expense - Greenwood Outage (Maintenance Normalization) by \$3.174 million. (Appendix C, Line 11.)

[References in the Record: Fordice, 2 TR 885, 886; Guillaumin, 4 TR 3402–3438, 3460–3463; Exhibit S-32.2, Exhibit S-32.3, Exhibit S-32.5]

Staff recommends reducing generation O&M expense - Greenwood Outage (Maintenance Normalization) by \$3.174 million. (Appendix C, Line 11.) Staff does not seek to prevent DTE Electric from performing necessary and important maintenance with either this recommendation or the following recommendation.

While Company witness Guillaumin claimed in rebuttal that the result of these reductions “is a set of random calculations that lack a consistent justification,” (4 TR 3460–3461,) Staff’s guiding principle is to spread the costs of these non-

annual major maintenance outages across multiple years to ensure that customers are not paying annually for the same maintenance event or paying for maintenance that is not occurring at all. (2 TR 885–886.) This levelizing of costs is especially important if the Company follows through with its stated intent of not filing another rate case in 2027 (2 TR 883–884; 4 TR 2060; see also Exhibit S-32.3, p 1–3.) While the Company claimed that major outage costs “tend to” levelize on an annual basis naturally, (4 TR 3452,) discovery responses from the Company show that this is not true as the cost of major maintenance outages varies greatly from year to year. (Exhibit A-32.3, p 8.)

Approving the full costs of these outages could result in customers paying for the outages twice before the Company files their next rate case in 2028. (2 TR 883–884.) If the Company elects to file their next rate case even later than 2028, customers would continue paying multiple times over for these outages. Company materials demonstrate that the projected cost of the GWEC outage is \$10.265 million, and another major maintenance outage is not expected for three years. (Exhibit S-32.2, p 1; Exhibit S-32.5, p 4.) Staff recognizes that its recommended disallowances discussed elsewhere in this brief might suggest that a 2/3 disallowance is appropriate. However, given that Staff is already suggesting a \$3.855 million reduction to the GWEC outage because 37.78% of the scheduled outage occurs outside of the test year, Staff is recommending the remaining cost of the outage instead be divided in half to both support levelization over a two-year

period instead of three and to ensure the Company has the opportunity to recover the full cost of this outage.

Adopting Staff's recommended disallowance will help prevent customers from paying multiple times for the same maintenance in the event that DTE Electric does not file another rate case until 2028 or later, as it has indicated. For these reasons, and the reasons stated in Staff's testimony, the Commission should adopt Staff's \$3.174 million reduction to the GWEC outage occurring in the test year in addition to the \$3.855 million GWEC reduction previously recommended.

iii. Staff recommends reducing generation O&M expense - Monroe 1 (Outage Normalization) by \$12.157 million. (Appendix C, Line 12.)

[References in the Record: Fordice, 2 TR 884–885; Exhibit S-32.2]

Staff recommends reducing generation O&M expense - Monroe 1 (Outage Normalization) by \$12.157 million. (Appendix C, Line 12.) Company materials demonstrate that the projected cost of this outage is \$16.307 million, the last major maintenance outage for this unit was four years ago, and no major maintenance outage on any of the other MNPP units is expected until 2030 based on the frequency of outages. (2 TR 884–885; Exhibit S-32.2, p 1.) Keeping with the levelization of cost rationale described above, Staff determined that allowing 1/4 of the projected outage cost, after accounting for Staff's lower recommended inflation factor, in the test year will allow the Company to recover the total cost of the outage before another is undertaken while also preventing customers from paying multiple

times for the same maintenance in the event that the Company does not file another rate case until 2028 or later as they have indicated. (2 TR 2 TR 883–885.) For these reasons, the Commission should adopt Staff's \$12.157 million reduction to the MNPP outage cost requested in the test year.

iv. Staff recommends reducing generation O&M expense - BRPP Outage (Maintenance Not Occurring) by \$3.828 million. (Appendix C, Line 13.)

[References in the Record: Fordice, 2 TR 881–882; Guillaumin, 4 TR 3460–3461; Exhibit S-32.2, Exhibit S-32.3, Exhibit S-32.5, MEG-Rebuttal]

Staff recommends reducing generation O&M expense - BRPP Outage (Maintenance Not Occurring) by \$3.828 million. (Appendix C, Line 13.) Staff found within Attachment 9 that neither of the BRPP units are expected to undergo a major maintenance outage during the test year. (Exhibit S-32.5, p 1–4.) The Company's discovery responses also reveal that BRPP Unit 1 underwent a major maintenance outage in 2025 at a cost of \$6.369 million with Unit 2 experiencing no major maintenance outage expenses. (Exhibit S-32.3, p 7.) The Company has already reduced BRPP O&M by 43%, as calculated from Exhibit S-32.2, p 3. To ensure that ratepayers are not paying again for maintenance that has already occurred and is not occurring in the future, the remaining 57% of the inflation adjusted 2025 BRPP Unit 1 major maintenance outage should be removed from the test year O&M. (2 TR 881–882.)

In rebuttal, witness Guillaumin pointed out that this adjustment “eliminates more than half of the \$6.4 million of actual Belle River periodic spend in 2025.” (4

TR 3460 (emphasis omitted).) This is indeed Staff's intent, as there is no expected major maintenance outage for BRPP during the test year and inclusion of such costs is, therefore, neither reasonable nor prudent. Including actual 2025 periodic spend would result in customers paying again for maintenance that the Company has already recovered and is not expected to occur again in the test year. For these reasons, the Commission should adopt Staff's recommendation to eliminate the remaining 57% of the BRPP outage cost that was included in the historic year, which was the basis for the projected test year request.

v. Staff recommends increasing generation O&M expense - BRPP Conversion Credit by \$189 thousand. (Appendix C, Line 14.)

[References in the Record: Fordice, 2 TR 882; Exhibit S-32.2]

Staff recommends increasing generation O&M expense - BRPP Conversion Credit by \$189,000. (Appendix C, Line 14.) Staff's overall inflation adjustment results in a reduction to the Company's projected test year O&M expenses. Because of this, a lesser negative adjustment due to lower inflation is recommended by Staff to ensure that DTE Electric's own BRPP natural gas conversion adjustment is properly changed to account for Staff's inflation instead of the Company's. (See 2 TR 882.) This change accurately reduces BRPP O&M by the same relative proportion that the Company intended, while accounting for Staff's lower inflation levels (*Id.*; Exhibit S-32.2, page 3.) No party disagreed with this adjustment in their rebuttal. For these reasons, and the reasons stated in Staff's testimony, the

Commission should adopt Staff's recommendation to increase generation O&M expense - BRPP Conversion Credit by \$189,000.

vi. Staff recommends reducing generation O&M expense - Belle River Fuel Handling by \$6.824 million. (Appendix C, Line 15.)

[References in the Record: Fordice, 2 TR 879–880; Guillaumin, 4 TR 3464–3466; Exhibit S-32.2, Exhibit S-32.3, Exhibit A-13 Schedule C5.1, MEG-Rebuttal]

Staff recommends reducing generation O&M expense - Belle River Fuel Handling by \$6.824 million. (Appendix C, Line 15.) Through discovery, Staff witness Fordice determined that DTE Electric had not adequately demonstrated that all BRPP fuel handling expenses were removed from the projected test year Steam Power Generation O&M expenses. (2 TR 879–880; Exhibit S-32.2, pp 2–3; Exhibit S-32.3, p 2–8.) In rebuttal, Company witness Guillaumin stated that “[t]he Company forecasted that Belle River Power Plant fuel handling costs would be reduced to \$0 in the projected test period.” (4 TR 3464.) Witness Guillaumin went on to state that “[t]he Belle River Power Plant O&M reduction was then allocated to FERC accounts (accounts outside of FERC 501) based on historical spend percentages.” (4 TR 3466.)

Staff disagrees. Through discovery, Staff determined that BRPP had \$6.44 million of fuel handling costs associated with it in the historical year. (Exhibit S-32.3, p 8.) While the Company claimed that BRPP fuel handling costs are reduced to \$0 in the test year, these expenses have not been removed from the fuel handling line item in the Company projection of test year O&M expenses. (Exhibit A-13,

Schedule C5.1.) The Company has not adequately demonstrated these fuel handling expenses have been removed. As such, the Commission should adopt Staff's recommended BRPP fuel handling expense disallowance.

vii. Staff recommends reducing generation O&M expense - MERC Fuel Handling \$1.416 million. (Appendix C, Line 16.)

[References in the Record: Fordice, 2 TR 880; Milo, 4 TR 3334; Exhibit S-32.2, Exhibit S-32.3, Exhibit A-13 Schedule C5.1, DCM-Rebuttal]

Staff recommends reducing generation O&M expense - MERC Fuel Handling \$1.416 million. (Appendix C, Line 16.) Staff originally recommended a reduction of \$2.919 million but has revised its position to a reduction of \$1.416 million. (2 TR 880.) Through discovery, Staff learned that, of the \$24.617 million historic year fuel handling expense, MERC was responsible for \$8.07 million. (Exhibit S-32.2, pp 2–3; Exhibit S-32.3, pp 2–8.) In rebuttal, Company witness Milo argued that the Company has already removed MERC fuel handling O&M in Exhibit A-13, Schedule C5.2 and that any further reduction would be duplicative. (4 TR 3334.) While Staff acknowledges the adjustment in Exhibit A-13, Schedule C5.2, this does not make its recommended reduction duplicative. The Company's discovery response suggested that MERC was responsible for \$8.07 million of the fuel handling expenses in the historic year. (Exhibit S-32.3, p 8.) The Company first removed \$5.315 million of this expense before applying inflation to its fuel handling costs. (Exhibit A-13, Schedule C5.1.) It then removes \$1.503 million after inflation

has been applied, leaving \$1.416 million of unaccounted costs that Staff is recommending be removed.

For these reasons, Staff recommends the Commission disallow \$1.416 million in generation O&M expense - MERC Fuel Handling.

viii. Staff recommends reducing distribution O&M expense - Next-Gen AMI by \$3.642 million. (Appendix C, Line 19.)

[References in the Record: Hansen, 2 TR 574-585, Ex. S-12; Rademacher, 4 TR 4180-4188, 4 TR 4233-4243; Coppola, 4 TR 5400-5404; Fitzhenry, 3 TR 1413-1416]

Staff recommends reducing distribution O&M expense - Next-Gen AMI by \$3.642 million. (Appendix C, Line 19.)

Consistent with Staff's recommendation to disallow the requested capital expenditures for the Next-Gen AMI project, and for the same reasons provided above (see Section III.B.1.ee,) Staff recommends the Commission disallow the requested O&M expenditures for this project. Specifically, Staff recommends the Commission disallow the requested \$3.642 for this project. (2 TR 584.)

ix. Staff recommends reducing corporate support O&M expense - C&I Portal Migration by \$326 thousand. (Appendix C, Line 22.)

[References in the Record: Coppola, 4 TR 5451-5452; Ambrose, 4 TR 2881-2882, 2955-2960; Klocke, 2 TR 933-936; Exhibit A-12, Schedule B5.7.2, p 2, line 25, A-24, Schedule N3, lines 331-332, A-62, Schedules RR17, RR23, RR24, RR25, RR26, RR27, RR28; Exhibit S-10.1; Exhibit S-17.1, line 18]

Staff recommends reducing corporate support O&M expense - C&I Portal Migration by \$326 thousand. (Appendix C, Line 22.)

Staff recommends reducing C&I Portal Migration O&M expense by \$325,800. (2 TR 933.) Consistent with Staff's recommendation to disallow the requested capital expenditures for the C&I Portal Migration project, and for the same reasons provided above (see Section III.B.3.q.) Staff recommends the Commission disallow the requested O&M expenditures for this project. Specifically, Staff recommends the ALJ and Commission disallow \$325,800 for the test year. (2 TR 933–936.)

x. Staff recommends reducing corporate support O&M expense - Customer Insight Platform by \$119 thousand. (Appendix C, Line 23.)

[References in the Record: Ambrose, 4 TR 2858–2862, 2943–2948; Klocke, 2 TR 936–939; Exhibit A-12, Schedule B5.7.2, p. 1, lines 13 & 21, A-24, Schedule N3, lines 291-293, 314, A-62, Schedule RR16; Exhibit S-10.2; Exhibit S-17.1, lines 19 & 28]

Staff recommends reducing corporate support O&M expense - Customer Insight Platform by \$119 thousand. (Appendix C, Line 23.)

Staff recommends reducing Customer Insight Platform Application Health O&M expense by \$118,960. (2 TR 937.) Consistent with Staff's recommendation to disallow the requested capital expenditures for the Customer Insight Platform Application Health project, and for the same reasons provided above (see Section III.B.3.o.) Staff recommends the ALJ and Commission disallow the requested O&M expenditures for this project. Specifically, Staff recommends the ALJ and Commission disallow \$118,960 for the test year. (2 TR 937–939.)

xi. Staff recommends reducing corporate support O&M expense - Digital Channels Application Health by \$122 thousand. (Appendix C, Line 24.)

[References in the Record: Ambrose, 4 TR 2867–2868, 2928–2933; Klocke, 2 TR 939–941; Exhibit A-12, Schedule B5.7.2. p.1, line 12, A-24, Schedule N3, lines 302-305, A-62, Schedule RR13; Exhibit S-10.3; Exhibit S-17.1, line 20]

Staff recommends reducing corporate support O&M expense - Digital Channels Application Health by \$122 thousand. (Appendix C, Line 24.)

Staff recommends reducing Digital Channels Application Health project O&M expense by \$121,921. (2 TR 940.) Consistent with Staff's recommendation to disallow the requested capital expenditures for the Digital Channels Application Health project, and for the same reasons provided above (see Section III.B.3.k,) Staff recommends the ALJ and Commission disallow the requested O&M expenditures for this project. Specifically, Staff recommends the ALJ and Commission disallow \$121,921 for the test year. (2 TR 939–941.)

xii. Staff recommends reducing corporate support O&M expense - Digital Channels Transformation Program by \$167 thousand. (Appendix C, Line 25.)

[References in the Record: Ambrose, 4 TR 2882–2883, 2960–2964; Klocke, 2 TR 941–944; Exhibit A-12, Schedule B5.7.2, p 2, line 26, A-24, Schedule N3, lines 333-336, A-62, Schedule RR29; Exhibit S-10.4; Exhibit S-17.1, line 21]

Staff recommends reducing corporate support O&M expense - Digital Channels Transformation Program by \$167 thousand. (Appendix C, Line 25.)

Staff recommends reducing Digital Channels Transformation Program O&M expense by \$167,175. (2 TR 942.) Consistent with Staff's recommendation to

disallow the requested capital expenditures for the Digital Channels Transformation Program, and for the same reasons provided above (see Section III.B.3.r.) Staff recommends the ALJ and Commission disallow the requested O&M expenditures for this project. Specifically, Staff recommends the ALJ and Commission disallow \$167,175 for the test year. (2 TR 941–944.)

xiii. Staff recommends reducing corporate support O&M expense - MIGP Customer-Requested Renewable Energy Projects by \$281 thousand. (Appendix C, Line 26.)

[References in the Record: Coppola, 4 TR 5442–5443; Ambrose, 4 TR 2851–2852, 2915-2919; Exhibit A-12, Schedule B5.7.2, p 1, line 3, A-24, Schedule N3, lines 268-271, A-62, Schedules RR1, RR2, RR3, RR4, RR62; Exhibit S-10.5; Exhibit S-17.1, line 22]

Staff recommends reducing corporate support O&M expense - MIGP Customer-Requested Renewable Energy Projects by \$281 thousand. (Appendix C, Line 26.)

Staff recommends reducing MIGP Customer-Requested Renewable Energy project O&M expense by \$281,091. (2 TR 946.) Consistent with Staff's recommendation to disallow the requested capital expenditures for the MIGP Customer-Requested Renewable Energy project, and for the same reasons provided above (see Section III.B.3.f.) Staff recommends the ALJ and Commission disallow the requested O&M expenditures for this project. Specifically, Staff recommends the ALJ and Commission disallow \$281,091 for the test year. (2 TR 944–949.)

xiv. Staff recommends reducing corporate support O&M expense - MIGP Low Income Solar Pilot by \$142 thousand. (Appendix C, Line 27.)

[References in the Record: Coppola, 4 TR 5443–5444; Ambrose, 4 TR 2852–2853, 2919–2921; Klocke, 2 TR 944–946, 949–950; Exhibit A-12, B5.7.2, p 1, line 5, A-24, Schedule N3, line 273, A-62, Schedules RR2, RR3, RR5, RR6; Exhibit S-10.6; Exhibit S-17.1, line 23]

Staff recommends reducing corporate support O&M expense - MIGP Low Income Solar Pilot by \$142 thousand. (Appendix C, Line 27.)

Staff recommends reducing MIGP Low Income Solar Pilot O&M expense by \$141,778. (2 TR 946.) Consistent with Staff's recommendation to disallow the requested capital expenditures for the MIGP Low Income Solar Pilot, and for the same reasons provided above (see Section III.B.3.g.) Staff recommends the ALJ and Commission disallow the requested O&M expenditures for this project. Specifically, Staff recommends the ALJ and Commission disallow \$141,778 for the test year. (2 TR 944–946, 949–950.)

xv. Staff recommends reducing corporate support O&M expense - MIGP Scope 3 Billing and Enrollment by \$322 thousand. (Appendix C, Line 28.)

[References in the Record: Ambrose, 4 TR 2853, 2922–2923; Klocke, 2 TR 944–947, 950–951; Exhibit A-12, Schedule B5.7.2, p 1, line 6, A-24, Schedule N3, line 274, A-62, Schedules RR2, RR3; Exhibit S-10.7; Exhibit S-17.1, line 24]

Staff recommends reducing corporate support O&M expense - MIGP Scope 3 Billing and Enrollment by \$322 thousand. (Appendix C, Line 28.)

Staff recommends reducing MIGP Scope 3 Billing & Enrollment project O&M expense by \$321,608. (2 TR 947.) Consistent with Staff's recommendation to disallow the requested capital expenditures for the MIGP Scope 3 Billing & Enrollment project, and for the same reasons provided above (see Section III.B.3.h,) Staff recommends the ALJ and Commission disallow the requested O&M expenditures for this project. Specifically, Staff recommends the ALJ and Commission disallow \$321,608 for the test year. (2 TR 944–946, 950–951.)

xvi. Staff recommends reducing corporate support O&M expense - Outage WISMO, PPS, Map Application Health by \$657 thousand. (Appendix C, Line 29.)

[References in the Record: Coppola, 4 TR 5446–5447; Ambrose, 4 TR 2870–2876, 2889–2894, 2964–2969; Klocke, 2 TR 951–957; Exhibit A-12, Schedule B5.7.2, p 2, lines 24 & 31, A-24, Schedule N3, lines 310-313, A-62, Schedules RR30, RR31, RR32, RR33, RR34, RR35, 342; Exhibit S-10.8; Exhibit S-17.1, lines 25 & 26]

Staff recommends reducing corporate support O&M expense - Outage WISMO, PPS, Map Application Health by \$657 thousand. (Appendix C, Line 29.)

Staff recommends reducing Outage WISMO, PPS, & Map Application Health project O&M expense by \$656,596. (2 TR 953.) Consistent with Staff's recommendation to disallow the requested capital expenditures for the Outage WISMO, PPS, & Map Application Health project, and for the same reasons provided above (see Section III.B.3.p,) Staff recommends the ALJ and Commission disallow the requested O&M expenditures for this project. Specifically, Staff recommends the ALJ and Commission disallow \$656,596 for the test year. (2 TR 951–957.)

xvii. Staff recommends reducing corporate support O&M expense - Regulatory Compliance by \$400 thousand. (Appendix C, Line 30.)

[References in the Record: Ambrose, 4 TR 2854–2855, 2926–2927; Klocke, 2 TR 960–963; Exhibit A-12, Schedule B5.7.2, p 1, line 2, A-24, Schedule N3, lines 275–278, A-62, Schedule RR12; Exhibit S-10.10, S-17.1, line 29]

Staff recommends reducing corporate support O&M expense - Regulatory Compliance by \$400 thousand. (Appendix C, Line 30.)

Staff recommends reducing Regulatory Compliance project O&M expense by \$400,187. (2 TR 960.) Consistent with Staff's recommendation to disallow the requested capital expenditures for the Regulatory Compliance project, and for the same reasons provided above (see Section 0,) Staff recommends the ALJ and Commission disallow the requested O&M expenditures for this project. Specifically, Staff recommends the ALJ and Commission disallow \$400,187 for the test year. (2 TR 960–963.)

xviii. Staff recommends reducing corporate support O&M expense - Self Service Mobile Application Health by \$122 thousand. (Appendix C, Line 31.)

[References in the Record: Ambrose, 4 TR 2877–2878, 2938–2942; Klocke, 2 TR 963–966; Exhibit A-12, Schedule B5.7.2, p 1, line 16, A-24, Schedule N3, lines 319–322, A-62, Schedules RR14, RR15; Exhibit S-10.11; Exhibit S-10.17, line 30]

Staff recommends reducing corporate support O&M expense - Self Service Mobile Application Health by \$122 thousand. (Appendix C, Line 31.)

Staff recommends reducing Self Service Channel Application Health project O&M expense by \$121,996. (2 TR 964.) Consistent with Staff's recommendation to

disallow the requested capital expenditures for the Self-Service Channel Application Health project, and for the same reasons provided above (see Section III.B.3.m,) Staff recommends the ALJ and Commission disallow the requested O&M expenditures for this project. Specifically, Staff recommends the ALJ and Commission disallow \$121,996 for the test year. (2 TR 963–966.)

xix. Staff recommends reducing corporate support O&M expense - Web Billing and Profile Management Cloud Migration by \$332 thousand. (Appendix C, Line 32.)

[References in the Record: Ambrose, 4 TR 2887–2888, 2952–2955; Klocke, 2 TR 966–968; Exhibit A-12, Schedule B5.7.2, p 2, line 30, A-24, Schedule N3, lines 340–341, A-62, Schedules RR19, RR20, RR21, RR22; Exhibit S-10.12; Exhibit S-17.1, line 31]

Staff recommends reducing corporate support O&M expense - Web Billing and Profile Management Cloud Migration by \$332 thousand. (Appendix C, Line 32.)

Staff recommends reducing Web Billing & Profile Management Cloud Migration project O&M expense by \$331,760. (2 TR 966.) Consistent with Staff's recommendation to disallow the requested capital expenditures for the Web Billing & Profile Management Cloud Migration project, and for the same reasons provided above (see Section III.B.3.s,) Staff recommends the ALJ and Commission disallow the requested O&M expenditures for this project. Specifically, Staff recommends the ALJ and Commission disallow \$331,760 for the test year. (2 TR 966–968.)

xx. Staff recommends reducing corporate support O&M expense - Web Transaction Application Health by \$332 thousand. (Appendix C, Line 33.)

[References in the Record: Ambrose, 4 TR 2880–2881, 2933–2937; Klocke, 2 TR 968–972; Exhibit A-12, Schedule B5.7.2, p 1, line 18, A-24, Schedule N3, lines 327–330; Exhibit S-10.13; S-17.1, line 32]

Staff recommends reducing corporate support O&M expense - Web Transaction Application Health by \$332 thousand. (Appendix C, Line 33.)

Staff recommends reducing Web Transaction Application Health project O&M expense by \$332,042. (2 TR 969.) Consistent with Staff's recommendation to disallow the requested capital expenditures for the Web Transaction Application Health project, and for the same reasons provided above (see Section III.B.3.n,) Staff recommends the ALJ and Commission disallow the requested O&M expenditures for this project. Specifically, Staff recommends the ALJ and Commission disallow \$332,042 for the test year. (2 TR 968–972.)

xxi. Staff recommends reducing corporate support O&M expense - Projects with a Level 2 cost estimate by \$51 thousand. (Appendix C, Line 34.)

[References in the Record: Rogers, 2 TR 661–667]

Staff recommends reducing corporate support O&M expense - Projects with a Level 2 cost estimate by \$51 thousand. (Appendix C, Line 34.)

Consistent with Staff's recommendation to disallow the requested capital expenditures for Level 2 cost estimates, and for the same reasons provided above (see Section III.B.3.a,) Staff recommends the Commission disallow the requested

O&M expenditures for Level 2 cost estimates. Specifically, Staff recommends the Commission disallow \$51,000 in O&M expense. (2 TR 661–667.)

xxii. Staff recommends reducing corporate support O&M expense - Projects with a Level 3 Cost Estimate by \$1.154 million. (Appendix C, Line 35.)

[References in the Record: Rogers, 2 TR 667–670; Ambrose, 4 TR 2738, 2740, 2744–2745, 2909–2911; Exhibit S-17.2, Exhibit S-17.3]

Staff recommends reducing corporate support O&M expense - Projects with a Level 3 Cost Estimate by \$1.154 million. (Appendix C, Line 35.)

Consistent with Staff's recommendation to disallow the requested capital expenditures for Level 3 cost estimates, and for the same reasons provided above (see Section III.B.3.b,) Staff recommends the Commission disallow the requested O&M expenditures for Level 3 cost estimates. Specifically, Staff recommends the Commission disallow \$1,540,000 in O&M expense. (2 TR 2 TR 667–670.)

xxiii. Staff recommends reducing corporate support O&M expense - Government Cloud Foundation by \$26 thousand. (Appendix C, Line 36.)

[References in the Record: Rogers, 2 TR 671–672; Ambrose, 4 TR 2775–2776, 3008–3012; Exhibit A-12, Schedule B5.7.7, Line 1; Exhibit A-24, Schedule N3, Revised Line 33; Exhibit A-24, Schedule N1, p 64; Exhibit S-17.6, p 2]

Staff recommends reducing corporate support O&M expense - Government Cloud Foundation by \$26 thousand. (Appendix C, Line 36.)

Consistent with Staff's recommendation to disallow the requested capital expenditures for Government Cloud Foundation project, and for the same reasons provided above (see Section III.B.3.cc,) Staff recommends the Commission disallow the requested O&M expenditures for this project. Specifically, Staff recommends the Commission disallow \$26,000 in O&M expense. (2 TR 2 TR 671–672.)

xxiv. Staff recommends reducing corporate support O&M expense - Real Estate Management by \$217 thousand. (Appendix C, Line 37.)

[References in the Record: Rogers, 2 TR 680–681; Ambrose, 4 TR 2821–2822, 2981–2985; Coppola, 4 TR 5449; Exhibit A-12, Schedule B5.7.1, Line 16; Exhibit A-24, Schedule N3, Revised Line 187; Exhibit A-24, Schedule N1, p 305–306; Exhibit S-17.6 p 11]

Staff recommends reducing corporate support O&M expense - Real Estate Management by \$217 thousand. (Appendix C, Line 37.)

Consistent with Staff's recommendation to disallow the requested capital expenditures for real estate management project, and for the same reasons provided above (see Section III.B.3.d,) Staff recommends the Commission disallow the requested O&M expenditures for this project. Specifically, Staff recommends the Commission disallow \$217,000 in O&M expense. (2 TR 680–681.)

xxv. Staff recommends reducing corporate support O&M expense - Maximo Uplift to Maximo Application System by \$4.198 million. (Appendix C, Line 38.)

[References in the Record: Rogers, 2 TR 684–687; Ambrose, 4 TR 2841–2847, 2974–2979, Coppola, 4 TR 5449–5450; Exhibit A-12, Schedule, B5.7.4, Line 23; Exhibit A-24, Schedule N3, Revised Line 262–263; Exhibit A-24 Schedule N1, p 462–467; Exhibit S-17.6, p 14–21]

Staff recommends reducing corporate support O&M expense - Maximo Uplift to Maximo Application System by \$4.198 million. (Appendix C, Line 38.)

Consistent with Staff's recommendation to disallow the requested capital expenditures for the Maximo Uplift to Maximo Application System project, and for the same reasons provided above (see Section III.B.3.z,) Staff recommends the Commission disallow the requested O&M expenditures for this project. Specifically, Staff recommends the Commission disallow \$4,198,000 in O&M expense. (2 TR 684–687.)

xxvi. Staff recommends reducing corporate support O&M expense - Documentum Application Health by \$65 thousand. (Appendix C, Line 39.)

[References in the Record: Rogers, 2 TR 687–689; Ambrose, 4 TR 2811–2812, 2992–2994; Exhibit A-12, Schedule B5.7.1, Line 4; Exhibit A-24, Schedule N3, Revised Lines 156–157; Exhibit A-24, Schedule N1, p 259–262; Exhibit S-17.6, p 22]

Staff recommends reducing corporate support O&M expense - Documentum Application Health by \$65 thousand. (Appendix C, Line 39.)

Consistent with Staff's recommendation to disallow the requested capital expenditures for the Documentum Application Health project, and for the same reasons provided above (see Section III.B.3.c,) Staff recommends the Commission disallow the requested O&M expenditures for this project. Specifically, Staff recommends the Commission disallow \$65,000 in O&M expense. (2 TR 2 TR 687–689.)

xxvii. Staff recommends reducing corporate support O&M expense - Everyday Daily Plan (EDDP) Application Health by \$39 thousand. (Appendix C, Line 40.)

[**References in the Record:** Rogers, 2 TR 690–692; Ambrose, 4 TR 2828–2829, 2994–2995; Exhibit A-12, Schedule B5.7.4, Line 8; Exhibit A-24, Schedule N3, Revised Line 211–213; Exhibit A-24, Schedule N1, p 351–362; Exhibit S-17.6, p 24]

Staff recommends reducing corporate support O&M expense - Everyday Daily Plan (EDDP) Application Health by \$39 thousand. (Appendix C, Line 40.)

Consistent with Staff's recommendation to disallow the requested capital expenditures for the EDDP Application Health project, and for the same reasons provided above (see Section III.B.3.w,) Staff recommends the Commission disallow the requested O&M expenditures for this project. Specifically, Staff recommends the Commission disallow \$39,000 in O&M expense. (2 TR 690–692.)

xxviii. Staff recommends reducing corporate support O&M expense - ITS ADMS Application Health by \$29 thousand. (Appendix C, Line 41.)

[References in the Record: Rogers, 2 TR 692–694; Ambrose, 4 TR 2830–2831, 2989–2992; Exhibit A-12, Schedule B5.7.4, Line 12; Exhibit A-24, Schedule N3, Revised Line 222–223; Exhibit A-24, Schedule N1, p 374–377; Exhibit S-17.6, p 25]

Staff recommends reducing corporate support O&M expense - ITS ADMS Application Health by \$29 thousand. (Appendix C, Line 41.)

Consistent with Staff's recommendation to disallow the requested capital expenditures for the ITS ADMS Application Health project, and for the same reasons provided above (see Section III.B.3.x,) Staff recommends the Commission disallow the requested O&M expenditures for this project. Specifically, Staff recommends the Commission disallow \$29,000 in O&M expense. (2 TR 2 TR 692–694.)

xxix. Staff recommends reducing corporate support O&M expense - Renewable Operations Application Health by \$11 thousand. (Appendix C, Line 42.)

[References in the Record: Rogers, 2 TR 694–696, Ambrose, 4 TR 2836, 2996–2998; Exhibit A-12, Schedule B5.7.4, Line 17; Exhibit A-24, Schedule N3, Revised Line 239–240; Exhibit A-24, Schedule N1, p 409–414; Exhibit S-17.6, p 26]

Staff recommends reducing corporate support O&M expense – Renewable Operations Application Health by \$11 thousand. (Appendix C, Line 42.)

Consistent with Staff's recommendation to disallow the requested capital expenditures for the Renewable Operations Application Health project, and for the same reasons provided above (see Section III.B.3.y,) Staff recommends the Commission disallow the requested O&M expenditures for this project. Specifically, Staff recommends the Commission disallow \$11,000 in O&M expense. (2 TR 694–696.)

xxx. Staff recommends reducing corporate support O&M expense – Information Protection Security by \$46 thousand. (Appendix C, Line 43.)

[References in the Record: Harris, 2 TR 826–829; Ambrose, 4 TR 3002–3004.]

Staff recommends reducing corporate support O&M expense - Information Protection Security by \$46 thousand. (Appendix C, Line 43.)

As addressed above with respect to the capital expenses in section III.B.3.aa., the Commission should disallow the \$45,612 in investment O&M expenses associated with the Cloud and Endpoint Security Application Health project because the Company could not provide a detailed scope of work or the basis for how it determined the projected costs. (2 TR 826–829.) In rebuttal, the Company again asserted that this project is a sustainment effort and provided a list of the various cybersecurity capabilities that will be managed under this project. Although this list provided more information about the project, it does not replace the need for a detailed scope of work for 2027 and 2028. The Company also shared that due to the nature of its cost allocation for sustainment projects it does not assign a budget to

individual applications. Again, this does not negate the Company's responsibility to support the reasonableness and prudence of this project. (4 TR 3002–3004.)

Consistent with Staff's position in section (see Section III.B.3.aa), the Company has still not provided Staff with a detailed scope of work, and absent this, it is unclear how the Company determined the total projected costs. The Company failed to provide any additional information addressing Staff's concerns regarding the scope of work and projected costs and simply provided broad information in rebuttal for sustainment projects in general. The Commission should disallow \$45,612 in investment O&M expenses for the Cloud and Endpoint Security Application Health project.

xxxi. Staff recommends reducing pension & benefits O&M expense - VEBA by \$1.308 million. (Appendix C, Line 46.)

[References in the Record: Rueckert, 2 TR 869–870, Exhibit S-30.1, Exhibit S-30.3 & S-30.4. Cooper, 4 TR 2343–2347. Exhibit A-13, Schedule C5.11, pages 1–2, Exhibit A-56, Schedule RK7]

Staff recommends reducing pension & benefits O&M expense - VEBA by \$1.308 million. (Appendix C, Line 46.)

Staff recommends reducing Voluntary Employees' Beneficiary Association (VEBA) expense by \$1,308,000. (Appendix C, line 46; 2 TR 870.) The Company increased its historic test year by \$480,000 above its actual level, citing a "true-up normalization" shown on Company Exhibit A-13, Schedule C5.11. page 2. It then projected an annual increase in VEBA expense of 6.9% which is 5.5% higher than its actual average annual growth rate of 1.44% for total VEBA expense before

Capitalization. (2 TR 869.) Staff pointed out that three of the last six years of VEBA expense have been lower than the previous year showing that the Company's attempt to increase the historic test year via its "true-up normalization" is unreasonable. (2 TR 870.) Staff recommended that the 2025 unadjusted expense reflects an actual historic year, free from inflated adjustments, aligns with long term growth patterns, and provides a reasonable basis. (*Id.*) It is Staff position the Commission should reject the Company's attempt to increase the historic test year and the Commission approve the actual five-year average annual growth rate of 1.14% the Company realized, applied to an unadjusted 2025 historic test year shown on Exhibit S-30.3 & S-30.4. Staff recommended that the Commission reject its exorbitant 6.9% growth rate which was not reflected in historic expenses growth. (2 TR 870.)

In rebuttal Company witness Cooper claimed Staff method failed to adjust for changes in employee headcount. (4 TR 2344.) Witness Cooper altered Staff's method on Exhibit A-56, Schedule RK7, proposing that calculation should be based on New Hire VEBA cost per employee rather than changes in total costs and reflect the increase in the number of employees. However, Staff's AAGR is a multiyear growth rate based on the actual changes in the expense the Company incurred which are affected by changes in employee population. (4 TR 2344.) Witness Cooper incorrectly states that Staff witness Rueckert's analysis should be "corrected" to align each year's New Hire VEBA true-up. (4 TR 2345.) Staff emphasizes that there is no "error" to correct. Staff's analysis is correct. Staff

maintains that the Company's unrealized normalization adjustment should not be used to increase an already reasonable the historic test year basis to which the AAGR is applied and was not an error.

Staff recommends the Commission approve the five-year actual average annual growth rate of 1.44% the Company realized, applied to an unadjusted 2025 historic test year. And that the Commission approve a VEBA expense of \$5,652,000. A reduction of \$1,308,000 to the Company's projection of \$6,960,000.

xxxii. Staff recommends reducing pension & benefits O&M expense – Employee Savings Plan by \$1.575 million. (Appendix C, Line 47.)

[References in the Record: Rueckert, 2 TR 870–871, Exhibit S-30.1, Exhibit S-30.3 & S30.4. Fix 3 TR 2283–2288, Exhibit A 57, Schedule RL1, Exhibit A-13, Schedule C5.11, pages 1–2]

Staff recommends reducing pension & benefits O&M expense - Employee Savings Plan by \$1.575 million. (Appendix C, Line 47.)

Staff recommends reducing Employee Savings Plan Expense (ESP) expense by \$1,575,000. (Appendix C, line 47; 2 TR 870.) The Company's Employee Savings Plan Expense (ESP) was projected using an extraordinary 5.2% escalation factor unreflective of historic increases shown on Company Exhibit A-13, Schedule C5.11. page 2. Staff recommended the Commission reject the Company's unreasonable increase and approve an ESP O&M expense projection of \$30,437,000. A reduction of \$1,575,000 to the Company's projection of \$32,012,000 2.9% applied to the 2025 total historic expense shown on Exhibit S-30.3 & S-30.4. (2 TR 871.)

In rebuttal, Company witness Fix stated that Staff Witness Rueckert failed to account for changes in employee headcount, which understates the annual escalation rate because ESP costs fluctuate based on the number of employees participating in the plan. (4 TR 2284–2285.) Witness Fix suggests that taking this change into account is important in light of the Company’s Voluntary Separation Incentive Program (“VSIP”) plan adopted in 2024 which reduced employee headcount. *Id.* However, Staff’s method is based on the total expense changes from year to year which are also reflective of changes in employee headcount. If a reduction to employee headcount results in a reduction to total expense, it reduces the average annual growth rate. Staff’s position is that it was at the Company’s discretion to implement the Company’s VSIP plan and resulting O&M cost reductions should accrue to the benefit of the ratepayer. Witness Fix altered Staff’s methodology in Exhibit A 57, Schedule RL1 by adding a per employee increase. (4 TR 2285.) Witness Fix incorrectly framed his alteration to Staff’s method as a “correction” and stated that if the Commission is persuaded to adopt the Staff’s methodology, it should “recognize these corrections.” (4 TR 2286). Staff emphasizes that Witness Fix did not correct Staff’s method because there was no “error” to correct. Staff’s method was intentional, appropriate, and produced a reasonable projection. The Company’s alteration to Staff’s method should not be misleadingly framed by the Company as a “correction.”

Staff recommends the Commission approve an ESP O&M expense projection of \$30,437,000. A reduction of \$1,575,000 to the Company’s projection of

\$32,012,000 based on an average annual growth rate of 2.9% applied to the 2024 total historic expense.

xxxiii. Staff recommends reducing pension & benefits O&M expense - Active Healthcare by \$3.838 million. (Appendix C, Line 48.)

[References in the Record: Rueckert, 2 TR 871–872, Exhibit S-30.1, Exhibit S-30.3 & S30.4. Cooper, 4 TR 2322–2343, Exhibit A-13, Schedule C5.11, pages 1–2, Exhibit A-56, Schedule RK4]

Staff recommends reducing pension & benefits O&M expense - Active Healthcare by \$3.838 million. (Appendix C, Line 48.)

Staff recommends reducing Active Healthcare expenses by \$3,838,000. (Appendix C, line 482 TR 872.) The Company projected a total Active Healthcare O&M expense of \$56,322,000 by increasing its historic test year \$1,218,000 above actual expenses and applying escalation rates of 7.27% in 2026, 6.98% in 2027, and 6.76% in 2028 sourced externally from Willis Towers Watson (“WTW”), purportedly reduced for savings expected savings from its Wellness Plan, and shown on Company Exhibit A-13, Schedule C5.11, page 2. (4 TR 2317.) Staff showed that, to the contrary, historic healthcare was at a 6-year high, and that increasing its historic test year basis above actual is unjustified. (2 TR 871.) Staff demonstrated that the Company’s continued use of WTW rates are significantly higher than what the Company experiences. Furthermore, the Company’s reductions to WTW’s rates for savings expected savings from its Wellness Plan are insufficient. The Company’s actual growth rate for healthcare expenses is below the escalations rates

it utilized. (2 TR 872.) Staff showed that the unadjusted historic test year is a reasonable basis for projection and recommended the Commission rejects the Company's attempt to increase it significantly. (2 TR 871.) To account for savings from the Company's Wellness Plan Staff recommended a direct disallowance of \$1,960,000 of increased plan spending. (2 TR 872.) The Company's reduction of exorbitantly high inflation rates, that are an exaggeration of the Company's actual growth, did not account for future savings healthcare expenses due to increased spending on the Wellness plan. *Id.*

In rebuttal, the Company claimed that Staff's healthcare projection was flawed because it does not regard changes in the number of employees. (4 TR 2330.) However, these changes are reflected in the Company's healthcare trend averaged over several years. Company witness Cooper stated that Voluntary Separation Incentive Program ("VSIP") significantly reduced the workforce, which also reduced total employee benefit costs. (*Id.*) Staff's position is that the O&M cost reductions achieved by the Company's VSIP should benefit ratepayers. Staff's method accounts for these changes by averaging the actual change in expense from year to year. Witness Cooper misleadingly frames Staff's projection, and the rejection of the Company's method, as errors by "proposing to correct" Staff's position in rebuttal Exhibit A-56, Schedule RK4. (*Id.*) Staff emphasizes that Witness Cooper did not correct Staff's projection. Staff intentionally showed that the Company's adjusted historic test year is an unreasonably high basis for projection, and that the Company's rates are excessive. Staff demonstrated that the Company's AAGR of

historic healthcare expenses are much lower than the external rate from WTW the Company's used on Exhibit S-30.3. The Company's attempt to frame Staff's position as an error in need of correction is a misrepresentation.

Staff recommends the Commission approve an Active Healthcare expense of \$52,484,000 for the 12-month period ending February 29, 2028, which is a decrease of \$3,838,000 from the Company's request of \$56,322,000. Staff's adjustment is based on a five-year average annual growth rate of 6.38% applied to the unadjusted 2025 total historic expense and a direct disallowance of increased spending in Wellness Plan expense.

**xxxiv. Staff recommends reducing Total O&M
– Inflation by \$4.263 million. (Appendix C,
Line 50.)**

[References in the Record: Rueckert, 2 TR 864–869, Exhibits S-30.1 & S-30.2. Uzenski 4 TR 4946–4947, Exhibit A-13, Schedule C5. W. Davis 3 TR 1587–1621]

Staff recommends reducing Total O&M - Inflation by \$4.263 million.
(Appendix C, Line 50.)

Staff recommends reducing inflation O&M expense by \$4,263,000, resulting in a total inflationary increase of O&M expenses to \$47,301,000 compared to the Company's projected \$51,564,000 O&M expense. (Appendix C, line 50; 2 TR 869.) The Company projected an inflationary increase to O&M expenses using composite inflation rates of 3% in 2026 through 2028. (2 TR 869.) The Commission recently rejected use of the DTE Electric's blended rate. See MPSC Case No. U-21860,

February 19, 2026 Order, pp 78–79. Staff recommends utilizing the inflation factors developed and supported by Staff witness Ufolla of 3.17% for 2026, 2.37% for 2027, and 1.97% prorated to 0.33% for the 2 months ending February 29, 2028. Staff argued that the Company is in control of the rate of wage increases it gives to its employees. (2 TR 868.) And Staff stated that combining its labor rate with the CPI-Urban rate compounds labor cost increases that are already imbedded in the general rate of inflation. Utility prices are a driver of inflation. Rising utility prices increases the cost of goods and services, and in turn contribute to rising inflation. (2 TR 868–869.) Allowing the Company to use a rate above the general rate of inflation will contribute to rising inflation. (*Id.*) On top of inflation, the Company is requesting an additional \$169,036,000 increase to total O&M as shown on Exhibit A-13 Schedule C5. Combined with inflation this results in an extraordinary 20% increase to the adjusted historical test period.

Company witness Davis testified that it is appropriate to include collective bargaining agreements obligated to increase pay rates. (3 TR 1595.) However, the Company did not address the fact that adding its own labor rate compounds wage increases that are already imbedded in the CPI-Urban general rate of inflation. Witness Davis responded to Staff's and AG Witness Coppola assertion that CPI-U already reflects labor costs, stating that CPI-U is a price index, not a cost index. (3 TR 1620.) However, this ignores the fact that labor costs are reflected in the final price of goods and services that make up the CPI-U rate. Witness W. Davis also testified that the Company has not included a standalone productivity offset to its

labor inflation rate as it risks double counting productivity gains. (3 TR 1603.)

This reinforces Staff's position that a general CPI rate should be used because it considers both the cost of labor and productivity gains included in the final price of goods and services for consumers.

Staff recommends utilizing the inflation factors developed and supported by Staff witness Ufolla of 3.17% for 2026, 2.37% for 2027, and 1.97% prorated to 0.33% for the 2 months ending February 29, 2028. Staff recommends that the Commission approve a total O&M inflationary expense of \$47,301,000 based on Staff's inflation rates supported by witness Ufolla. This is a downward adjustment of \$4,263,000 from the Company's request of \$51,564,000.

**xxxv. Staff does not recommend the Commission
approve a Healthcare Stabilization
Mechanism.**

[References in the Record: Cooper, 4 TR 2333–2338]

In rebuttal testimony, Company Witness Cooper recommended that the Commission should implement a Healthcare Stabilization Mechanism ("HSM") that would compare the Company's actual annual Active Healthcare costs to the amount built into rates in this case. (4 TR 2333.) If the actual costs are lower, customers would benefit from the savings. If the actual costs are higher, the Company could record the difference for recovery in future rate proceedings. (*Id.*) Witness Cooper suggested that this balanced approach would lessen the risk for both customers and the Company stemming from the significant volatility and uncertainty involved in forecasting Active Healthcare costs. (*Id.*)

Staff disagrees with the Company proposal for an HSM. The Commission should reject the Company's proposed HSM because it was introduced for the first time in rebuttal testimony rather than in the Company's initial filed case. In past rate cases, the Commission has cautioned against introducing new ratemaking proposals at late stages in the case. For example, in its 2016 order in U-17895, the Commission stated, "[i]n general, new ratemaking proposals should be avoided on rebuttal, because the proposal may not be properly fleshed out." *In re UPPCo Rate Case*, MPSC Case No. U-17895, 9/8/2016 Order, p 37. The same analysis applies here. New substantive proposals of this nature and scope should be presented in direct testimony to allow all parties adequate opportunity to review, analyze, and respond during the normal course of the proceeding. By raising the HSM only at rebuttal, the Company limited intervenor's ability to audit, conduct discovery, and develop a complete record on the proposal. For these reasons, the Commission should disallow the HSM in this case.

c. Staff recommends a depreciation and amortization expense of \$1.513 billion.

[References in the record: Hecht, 2 TR 442–443, Exhibit S-3, Schedule C1.1, Exhibit A-13, Schedule C1, Exhibit A-13, Schedule C6, Exhibit S-16.1

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In its initial filing, DTE projected that its depreciation and amortization expense would be \$1.558 billion. Staff's depreciation expense of \$1.513 billion is \$45.316 million less than the Company's projection. (Appendix C, Column h, Lines 1, 57 and 58.) Staff's depreciation and amortization expense is less than the Company's because of the impact of Staff's capital expenditure disallowances on

depreciation expense. (See Section III.B. for Staff's capital expenditure disallowances.)

Staff recommends reducing depreciation and amortization expense by \$45.316 million. (Appendix C, Column (h)). Included in this amount is Staff's recommendation of reducing depreciation and amortization expense by \$9,202,000. (Appendix C, Column (h), Line 54.)

Staff witness Hecht recommends a reduction to depreciation and amortization expense of \$9,202,000 as a result of correcting an error by the Company in which they used 2023 plant balances rather than 2025 plant balances. (2 TR 443.) Based on the record evidence in this case, and the Company's non-objection in rebuttal, Staff recommends the ALJ and the Commission reduce the projected test year depreciation and amortization expense by \$9,202,000 for correction of an error. The remaining \$36.114 million of the \$45.316 million total adjustment is due to the impact of Staff's capital expenditure adjustments on depreciation expense and accumulated depreciation. Staff recommends the Commission update depreciation expense and accumulated depreciation for the impacts of their final capital expenditure adjustments decisions.

d. Staff recommends property tax expense of \$397.523 million.

[References in the Record: Hecht, 2 TR 443, Exhibit S-3, Schedule C1.1; Wisniewski, 4 TR 3054–3056]

Staff recommends property tax expense of \$397.523 million, which is \$927 thousand less than the company's projection. (Appendix C, Column i.) Staff's

property tax expense is less than the Company's because of the impact of Staff's capital expenditure disallowances on depreciation expense. See Section B for Staff's capital expenditure disallowances.

Staff recommends property tax expense of \$397,523,000, which is \$927,000 less than the Company's projection. (Appendix C, Column (i).) In Staff's testimony, Staff witness Hecht proposed a reduction to property tax expense as a corresponding adjustment from the capital expenditure adjustments. (2 TR 443.) In the Company's rebuttal testimony, Company witness Wisniewski agreed with the methodology used by Staff to calculate the proposed property tax expense adjustment. (4 TR 3054–3056.)

Based on the record evidence in this case, and the Company's agreement with Staff's methodology in rebuttal, Staff recommends the ALJ and the Commission adopt its adjustments to reduce property tax expense by \$927,000. Staff also recommends that property tax expense be updated to include the corresponding impact of any decisions made by the ALJ and the Commission that affect the Company's projected capital expenditures.

e. Staff recommends other tax expense of \$53.637 million.

Staff recommends the ALJ and the Commission adopt the Company's projected other tax expense of \$53.637 million. (Appendix C, Column j, Line 58.)

f. Staff recommends state and local income tax expense of \$77.788 million.

Staff recommends state and local income tax expense of \$77.788 million, which is \$6.908 million greater than the Company's projection of \$70.880 million. (Appendix C, Column k, Line 1, 57 and 58.) Staff's state and local income tax is different than the company's due to Staff's adjustments to the Company's projected revenues and expenses. Staff recommends that state and local income tax expense should be updated to include the corresponding impact of any decisions made by the Commission that affect revenues and expenses.

g. Staff recommends federal income tax expense of \$151.569 million.

Staff recommends federal income tax (FIT) expense of \$151.569 million, which is \$21.910 million greater than the Company's projection of \$129.659 million. (Appendix C, Column l, Line 1, 57 and 58.) Staff's adjustments to the Company's projected revenues and expenses are responsible for the difference. Staff recommends that federal income tax expense be should updated to include the corresponding impact of any decisions made by the Commission that affect revenues and expenses.

h. Staff recommends adoption of the Company's projected other utility income of \$2.436 million. (Appendix C, Column m, Line 58.)

Staff recommends the ALJ and the Commission adopt the Company's projected other utility (income)/deductions of \$(2.436) million. (Appendix C, Column m, Line 58.)

i. Staff recommends a total allowance for funds used during construction ("AFUDC") of \$99.257 million.

Staff recommends the ALJ and the Commission adopt the Company's projected AFUDC of \$99.257 million. (Appendix C, Column p, Line 58.)

j. Staff recommends loss on reacquired securities \$1.883 million.

The Company projected Other Operating Income reduction of \$1.883 million for loss on reacquired securities. Staff recommends the ALJ and Commission adopt the Company's projection. (Appendix C, Column q, Line 58.)

3. Staff Recommends a return on Monroe Regulatory Asset of \$152.235 million.

[References in the record: Nichols, 2 TR 430–431; Exhibit A-14, Schedule D1; Exhibit S-4, Schedule D1]

Staff's projected Monroe regulatory asset return on is \$152,235,000, which is \$2,439,000 less than the Company's originally filed amount of \$154,674,000 found on Exhibit A-11, Schedule A1.2, Line 4 (Appendix A, line 10). (2 TR 430.) Staff's Monroe regulatory asset – return on is \$2,439,000 less than the Company's projection because Staff applied its 6.63% projected pre-tax cost of capital in lieu of

the Company's projected pre-tax cost of capital of 6.73% for the Monroe regulatory asset – return on. (*Id.*) Both Staff and DTE's pre-tax weighted average cost of capital applied to the Monroe regulatory asset are recalculated from the overall cost of capital using 9% ROE in accordance with the MPSC Case No. U-21193 order dated July 26, 2023. (Exhibit A-14, Schedule D1; Exhibit S-4, Schedule D1.) Staff recommends that the Monroe regulatory asset – return on be recalculated based upon the cost of capital decisions ultimately made by the Commission. (2 TR 431.)

VI. Cost of Service and Rate Design

A. The Commission should adopt Staff's electric rate design.

[References in the Record: Rademacher, 2 TR 450–451, Isakson, 2 TR 516–518;; Machi, 3 TR 1650–1658; Turner, 4 TR 3101–3113; Hartley 4 TR 4546–4564]

Staff designed rates in the same manner as the Company but relied on Staff's recommended revenue requirement and cost of service study. (2 TR 450–451; Staff Exhibit S-6, Schedule F3.) Because Staff recommends the Commission adopt its recommended revenue requirement and cost of service study, Staff likewise recommends the Commission approve Staff's electric rate design.

B. The Commission should reject the proposals to establish a whole-home residential heat rate.

[References in the Record: Isakson, 2 TR 521–525; Machi, 3 TR 1686–1695; Goyanes, 4 TR 2157–2170; Gerdes, 4 TR 3082–3090; Buchhorn, 4 TR 5223–5244; Jester, 4 TR 5335–5360]

Witness Jester proposed a whole-home residential heat ("WHRH") rate on behalf of MEC and Serria Club. (4 TR 5335.) MEC witness Sarah Buchhorn

calculated the charges to apply to the WHRH, develops hourly residential load profiles, analyzes annual bills, and discusses “the incentive effects of the whole-home residential heat rate.” (4 TR 5223.)

Witness Jester proposed the WHRH for three reasons: witness Jester claimed that customers using electric space heating are charged more than their cost of service, the Commission should encourage electric space heating from heat pumps in order to reduce harmful emissions, and increased adoption of electric residential heating will increase utility sales without requiring significant additional costs. (4 TR 5335–5336.)

Witness Jester first defined the heating season as October 1 through May 15, with the remainder of the year defined as the cooling season. (4 TR 5343.) Witness Jester then used data from the Company’s filed cost of service study (COSS) to develop the estimation of the cost to serve residential customers with varying load profiles. To do so, witness Jester transforms allocators from the COSS for the residential class at the unit level so that they can be represented in units of demand and energy. (4 TR 5345–5357.) These transformations include deconstructing composite allocators (i.e. those with multiple cost classifications) and adjusting for income tax expense. (*Id.*) Ultimately, witness Jester arrives at a per unit cost for class non-coincident peak (NCP) demand, 4 critical peak (CP) demand, energy, and 12 CP demand. (4 TR 5359.)

Witness Buchhorn also developed estimated hourly load profiles for residential customers separated by heating technology, dwelling type, and low-

income status. (4 TR 5228–5230.) To do so, witness Buchhorn used timeseries electricity usage data modeled using ResStock, which is a building stock energy model that estimates annual subhourly energy consumption. (Exhibit MEC-17, p 2.)

Witness Buchhorn then applied these per unit costs to various residential customer load profiles to determine the cost to serve each. (4 TR 5230; Exhibit MEC-8.) Next, witness Buchhorn calculated annual bills for each load profile by multiplying the estimated billing determinants times the Company's proposed charges for Rate D1.11. (4 TR 5231; Exhibit MEC-6.) When comparing the cost to serve to annual bills for each load profile, witness Buchhorn's analysis found that all residential customers pay total bills that are higher than their cost to serve, but the difference for electric heating customers is more pronounced than for customers with natural gas or propane heat. (*Id.*)

In order to calculate the WHRH rate, witness Buchhorn first created load profiles for an average customer and for an average customer who has adopted a cold-climate air-source heat pump using the same ResStock model. (4 TR 5232–5233.) Next, witness Buchhorn found the change in cost of service between the two load profiles separately for power supply and distribution. Finally, witness Buchhorn created new heating season power supply and distribution charges by reducing the Company's proposed Rate D1.11 charges by the same percent change between her estimated load profiles' cost to serve. This results in proposed heating

season power supply charges that are 21% lower than Rate D1.11 and heating season distribution charges that are 39% lower than Rate D1.11. (4 TR 5233–5234.)

Despite creating heavily discounted charges for the proposed WHRH rate, witness Buchhorn still found that electric heating customers have bills 24% to 72% above their imputed cost of service. (4 TR 5234.) Witness Buchhorn argued that the difference persists because WHRH charges are based on modeled average customers instead of actual customers and the modeled electric heating customer is assumed to use a cold-climate air-source heat pump, which is more efficient than heat pumps represented in the ResStock baseline population. (4 TR 5235.)

Witness Jester recommended implementing the WHRH rate in the instant case, which should be available to customers within 4 months of the final order on an opt-in basis. (4 TR 5338.) Witness Jester also recommended migrating eligible customers on an opt-out basis beginning 6 months after the final order to be completed within 2 years, directing the Company to use load profiles for migrated customers to analyze the new WHRH rate as a separate COSS class. (4 TR 5338–5340.)

Witness Jester did not define an eligible customer to be migrated to the WHRH rate and instead proposed that those customers be “identified through automated analysis of their load profiles.” (4 TR 5338.) Additionally, witness Jester proposed the Commission require the Company to propose criteria and methods of determining eligibility for the WHRH rate within 4 months of the final

order in the instant case while also soliciting comments on the proposal within 30 days of circulating the Company's draft. (4 TR 5339.)

Witness Jester expects the WHRH rate to result in loss of revenue for the Company. (4 TR 5339.) For this reason, he suggested the Commission consider allowing the Company to create a regulatory asset for the actual difference in revenue compared to that approved in the final order, to be recovered from Rate D1.11 customers in the Company's next rate case. (*Id.*)

Witness Buchhorn found that customers switching to the proposed WHRH rate would enjoy bill savings and, thus, the WHRH rate provides an incentive for customers to install a heat pump in place of natural gas or propane for heating. (4 TR 5236–5237.)

The Company raised concerns about the use of the ResStock database in support of witnesses Jester and Buchhorn's WHRH rate proposal. (4 TR 3084–3085.) The Company argued that ResStock uses data from 2018. Therefore, ResStock does not match the historic test year of 2025 for the instant case nor is witness Buchhorn's analysis the intended use of the database. (*Id.*) The Company also noted that witness Buchhorn assumed different technologies in its cost of service analysis compared to its rate design. (4 TR 3085.)

The Company identified several deficiencies with the WHRH analysis and recommendations. The Company's embedded COSS is used to functionalize, classify, and allocate revenue requirement to customer classes. (4 TR 2164.) Specifically, witnesses Jester and Buchhorn's method does not constitute a new

embedded COSS that determines the cost to serve individual subclasses. (*Id.*)

While MEC's reclassification of allocators results in the same total revenue requirement for residential customers, it does not mean that unit costs are an appropriate measure of cost responsibility. (4 TR 2165.)

The Company claimed that creating individual load profiles is not an appropriate method for determining cost allocation. (4 TR 3086.) The Company explained that "using average customer load profiles is inappropriate for allocation schedules because individual customer usage patterns do not show how an entire customer class utilizes the electric system." (*Id.*)

Essentially, witnesses Jester and Buchhorn's analysis attempted to use the Company's COSS for an analysis for which it was not intended. It worked backward through the COSS by starting from a fully allocated revenue requirement and then re-assigns costs to individual subclasses based on average per-unit costs. As such, the EHRH analysis no longer allocates revenue requirement based on individual subclass's contribution to costs.

As explained in this brief, witness Buchhorn's analysis shows that all residential customers' bills are in excess of their cost to serve, which the Company explains "is not mathematically possible for all of Buchhorn's classes to have bills that are above their calculated costs." (4 TR 2166.)

The Company found two significant errors in the WHRH calculations. First, witness Buchhorn used direct cost proportions to gross up the modeled production and distribution cost of service to account for directly assigned costs that do not

appear in the identified unit costs. (Exhibit MEC-11.) However, the gross-up multipliers already contain directly assigned costs as part of the total class revenue requirement. (4 TR 2166.) The Company concluded that this error will understate directly assigned costs, leading to lower calculation of the cost to serve each load profile. (4 TR 2166–2167.) Second, witness Buchhorn incorrectly assumed that each identified residential load profile has the same non-coincident peak which matches the residential class NCP. (4 TR 3087.) The Company found that, when corrected, the NCP by load profile is “anywhere from 1.7 to 6.2 times the NCPs used by MEC Witness Buchhorn in development of electric heating profiles.” (*Id.*) This error means that MEC’s estimate of cost to serve by load profile is understated and explains why witness Buchhorn’s analysis found that every residential customer’s bill was above their cost to serve. The Company compared the imputed cost to serve to annual bills in the same fashion as witness Buchhorn did for her original analysis but used corrected NCPs for the various load profiles and determined that electric heating customers receive a net benefit on Rate D1.11. (4 TR 3089.)

Taken together, the two errors in witness Buchhorn’s analysis result in understated cost to serve customers. Ultimately, the Company showed that using witnesses Jester and Buchhorn’s presented methodology but corrected for the NCP error shows the opposite result—on a net basis, customers with electric heating receive a net benefit from taking service on D1.11 when compared to their cost of service as a separate class. (4 TR 3089.) For these reasons the Company recommended that the proposed WHRH rate should be rejected. (3 TR 1688; 4 TR

21704, 3089–3090.) Staff concurs with the Company’s assessment of witness Buchhorn’s unit cost to serve versus billed revenue model.

Witness Jester and Buchhorn also failed to provide an estimate or analysis of the impact of creating a WHRH rate on other customers, namely the remaining Rate D1.11 customers. (2 TR 525; 3 TR 1689.) Staff and the Company explained that offering a discounted rate to WHRH customers will necessarily require that more revenue must be recovered from other residential customers. (*Id.*) Because electric heating customers use much more energy than other D1.11 customers, the impact on those other customers could be substantial. (2 TR 525.) Further, if the Commission adopts MEC’s suggestion to allow the Company to record a regulator asset for later collection from Rate D1.11 customers, these potential cost concerns would only compounded. (3 TR 1689.)

The mismatched and missing impact of the WHRH proposal on other customers could also affect future residential rate designs. Staff explained that, because witness Jester and Buchhorn proposes to design WHRH rates in the instant case using a different method than it proposes to in future cases (i.e. creating a separate COSS class for WHRH customers), that charges faced by WHRH customers may not resemble the initial rate design from the instant case. (2 TR 524.) Staff explained that customers could receive an incorrect price signal from the initial WHRH rate so that “[a] customer who was enticed to install a heat pump due to artificially low charges of a WHRH rate may not have made that decision knowing what their bill would be following the next rate case.” (*Id.*) As the

Company showed, this hypothetical is likely to materialize when relying on the WHRH analysis and proposal, because it found that electric heating customers may be underpaying their cost to serve. If witnesses Jester and Buchhorn's goal is to encourage residential adoption of electric heat pumps, then it would be unfair for the WHRH rate to offer discounted charges in one year followed by a potentially substantial increase (relative to other residential customers) in the next.

When considering these issues with the WHRH proposal, and assuming witnesses Jester and Buchhorn's initial analysis and conclusions are correct, then it is reasonable to assume that remaining D1.11 customers will be worse off following the creation and migration to the WHRH rate. On the other hand, if the Company's is correct that future WHRH customers are already better off, then those customers will experience particularly severe impact once their rates can be determined via a standard COSS-based method.

Staff argued that witnesses Jester and Buchhorn did not provide sufficient detail as to its proposal to implement the WHRH rate. Specifically, they failed to explain eligibility for the WHRH rate and instead left the Company to determine it. Witnesses Jester and Buchhorn did not provide a proposal for an actual tariff for the WHRH rate. Tariffs typically contain, among other items, availability, terms and conditions of service. Yet, MEC's proposal contains no further information beyond the discounted rates. (3 TR 1692.) Staff further noted that offering a brand new rate that only offers discounts on the existing default rate may attract customers that do not have an efficient electric heat pump, as described by MEC,

and thus would not properly represent the customer subclass envisioned by MEC. (2 TR 521–522.) Staff provided an example of a WHRH offered by National Grid in Massachusetts, which requires enrolling customers to provide confirmation that the customer uses a heat pump for heating such as receipt of equipment purchase, invoice from contractor installation, or a photo of the heat pump showing its model and serial number. (2 TR 523 (see Figure 2).) It is unreasonable, imprudent, and potentially expensive, to require the Company to identify its electric heating customers in order to create a rate for which the proposing parties have not demonstrated should exist. (3 TR 1694–1695; 4 TR 2170.)

Witnesses Jester and Buchhorn suggest that creating a WHRH rate with discounted heating-season charges would reduce bills for electric heating customers and encourage adoption of heat pump technology. (See 4 TR 5235, 5335–5336.) Staff counters that is neither reasonable nor prudent to create a rate that lowers bills in order to incentivize any particular end use. It can hardly be disputed that offering a rate at discounted prices will lower a customer’s bill, but that is neither necessary nor sufficient support for approving a new rate. (See 2 TR 524.) While a heat pump customer may have a different load profile than the average customer during the heating season, Staff agrees with the Company that both customers will take service at the secondary voltage level and use the same shared distribution system. (See 4 TR 2169.) Likewise, Staff agrees that MEC has failed to show that separate treatment of electric heating customers in the COSS would “produce a

materially different and more accurate assignment of production, transmission, distribution, and customer-related costs.” (*Id.*)

The Commission should reject witness Jester and Buchhorn’s proposal for a WHRH rate for the reasons explained above and by Staff and the Company in testimony.

C. The Commission should reject Ann Arbor’s electrification rate recommendation.

[References in the Record: Stults, 2 TR 307–308; Isakson, 2 TR 525–526, Machi, 3 TR 1695–1696]

Ann Arbor proposed that the Commission require the Company to explore an electrification rate for customers with one or more peak-shifting technologies that will also not require separate metering. (2 TR 308.)

Staff argued that such a recommendation is overly broad and that there are existing rates available to residential customers with multiple technologies that do not require separate metering, such as Rates D1.2 or D1.8. (2 TR 526.) Current rates already benefit customers that shift their usage to off-peak hours, including the default residential Rate D1.11. Staff further argued that Ann Arbor’s evidence in support of its proposal is simply an article summarizing a study that concluded California utilities should offer dynamic pricing rates. (*Id.*) As previously explained, the Company already offers such rates. The Company made the same observations and arguments as Staff. (3 TR 1695–1696.) For these reasons, the Commission should reject Ann Arbor’s recommendation to explore electrification rates.

D. The Commission should adopt Staff's lighting rate design recommendations.

[References in the Record: Isakson 2 TR 516–519; Hartley 4 TR 4557–4564. 4 TR 4639–4642; Bunch, 4 TR 5096.]

Staff designed streetlighting rates by updating the legacy model but with Staff's COSS inputs. (2 TR 516.) However, the Company's legacy model does not produce all the necessary charges for each lamp and wattage type because there are rate categories with no customers taking service. Instead, Staff used linear regression to determine rates when it could, but when there was insufficient data to use this method, Staff instead defaulted to the Company's proposed lighting rate. (*Id.*) Staff explained that its stop-gap method will not affect any customers because rates that were designed using linear regression or the Company's proposed rates will not actually be used by customers because of the Company's transition to only offering LED lighting options. (2 TR 516–517.) Because the Company has the technology to determine these missing rates, which will not actually be used by any customers, Staff recommends that the Company perform final streetlighting rate design at the conclusion of the case. (2 TR 517.) Under this proposal the Commission will issue its final order including power supply and distribution revenue requirements for Rates D9 and E1, and the Company will use data from the final approved cost of service study to create rates using its legacy model. The Company will then submit its model and tariffs to Staff for review and final approval by the Commission. (2 TR 518.)

Staff recommends that the Commission approve the Company's proposed universal lighting rate design that is technology-neutral and will create missing

values like the current legacy model. (4 TR 4557–4564.) MI-MAUI/PROTEC also supports the Company’s universal lighting rate design. (4 TR 5096.)

The Company also agreed to Staff’s recommendation regarding the final lighting rate design for the instant case. (4 TR 4641.) For these reasons, the Commission should approve the Company’s universal rate design and require the Company to perform final lighting rate design using the legacy model subject to Staff and the Commission’s review.

E. The Commission should adopt Staff’s recommendations concerning the State Reliability Mechanism (SRM), capacity revenue requirement and charge calculation.

[References in the Record: Goyanes, 4 TR 2126–2130, Exhibit A-16, Schedule F1.5; Pung, 2 TR 505–506; Zakem, 2 TR 233–259, Exhibit EM-2 (AJZ-2); Goyanes, 4 TR 2171–2174; Burgdorf, 4 TR 3354–3355; Turner, 4 TR 3131–3134]

The Company filed an SRM capacity revenue requirement and charge calculation in compliance with the Commission Order in Case No. U-21860. (2 TR 505.) The Order in Case No. U-21860 discontinued the flawed formulaic true-up mechanism and the Company has not included a true-up in this case. *Id.* The Company did not make any other changes to the SRM capacity revenue requirement calculation method.

Energy Michigan Witness Alexander Zakem, in his direct testimony, claims that the SRM statute MCL 460.6w as currently implemented in determining the SRM capacity charge is in conflict with the cost-of-service statute MCL 460.11(1). (2 TR 233.) Witness Zakem then states that the cost to a Load Serving Entity (“LSE”) of satisfying MISO’s capacity obligation is the number of MWs in the LSE’s

capacity obligation, times the seasonal auction clearing price for the LSE's zone, times the number of days in the season. (2 TR 251.) He argues that whenever the SRM capacity charge is more than the MISO seasonal auction price, the Company collects more than the cost of providing the capacity service to the Alternative Energy Supplier ("AES"). (2 TR 253.) Likewise, whenever the SRM charge is less, the Company collects less than the cost of providing the capacity service to the AES. (*Id.*) Witness Zakem then proposes a revised method for determining the SRM capacity charge which he claims will follow the true cost of satisfying capacity obligations to MISO. (2 TR 255.) His proposal is to set the SRM charge to the MISO seasonal auction clearing price for the zone in which the supplier's load resides. *Id.* Finally, Energy Michigan claims to show that the Commission has the flexibility to adjust how it determines the SRM capacity charge within the instant case. (2 TR 256–258.)

Company witness Goyanes in his rebuttal testimony disagreed with Energy Michigan's proposal. (4 TR 2171.) The Company responded that Energy Michigan's criticism of the current SRM calculation is based upon the premise that the SRM capacity charge should equal the MISO seasonal auction clearing price. (*Id.*) The Company explained that MCL 460.6w(3) establishes the specific components to be used in calculating the SRM capacity charge using capacity related generation costs and specified revenue offsets. (*Id.*) The Company then distinguished between the cost-of-service and SRM statutes explaining that MCL 460.11(1) establishes general cost-of-service principles, while MCL 460.6w applies those principles in the specific

context of the SRM capacity charge. (*Id.*) Witness Goyanes explained further that the Company's proposed SRM capacity charge reflects an embedded, cost-based capacity framework prescribed by statute, rather than a market auction clearing price and that this approach is consistent with MCL 460.6w and the cost-of-service framework adopted by the Commission in Case No. U-21860. (4 TR 2172.) Finally, Witness Goyanes pointed out that the Commission has previously considered substantially the same seasonal ACP methodology proposed by Energy Michigan in Case No. U-21534 and that the Commission declined to adopt that proposal. (4 TR 2173–2174.)

Company witness Burgdorf, in his rebuttal testimony, responded to Energy Michigan's assertion that a LSE's cost of capacity is simply the MISO seasonal Planning Resource Auction ("PRA") price. (4 TR 3354–3355.) Witness Burgdorf points out that Energy Michigan's viewpoint of capacity is from a short-term financial perspective that only considers procuring capacity through the MISO PRA via a one-year residual auction and that this is contrary to providing longer term reliability as required through LSE capacity demonstrations with the MPSC. (4 TR 3355.) He then stated that DTE Electric as the provider of last resort would be required to procure capacity for an AES customer four years out if its capacity demonstration filing is deemed insufficient and that the cost to actually build capacity is, at a minimum, the net Cost of New Entry. (*Id.*) Witness Burgdorf concludes that prudent planning does not include relying on the MISO PRA, thus

the proper representation of costs for inclusion in the SRM Charge is the utility's portfolio of capacity related costs. (*Id.*)

Company witness Turner addressed the rate design and customer impacts that would result from adopting Energy Michigan's SRM capacity charge proposal. Witness Turner first established that the SRM capacity charge is the unitized expression of the embedded cost of capacity and is converted to a \$/MW basis for purposes of the SRM mechanism and that the Company does not design power supply capacity rates by applying the SRM capacity charge directly to all customers. (4 TR 3132–3133.) He explained that the Company instead designs capacity rates based upon the underlying embedded capacity revenue requirement reflected in the COSS. (4 TR 3133.) Next, Witness Turner stated that if the Company is required to provide capacity due to an AES capacity deficiency, the electric choice customer would receive the same capacity service and pay the same capacity-related charges as similarly situated full-service customers. (4 TR 3133–3134.) Witness Turner pointed out that Energy Michigan's proposal would instead value the same capacity service differently depending on whether a customer was choice or full service, creating an inconsistent rate design outcome with no valid rate design basis. (4 TR 3134.)

Staff recommends the Commission approve the Company's SRM capacity revenue requirement and charge calculation methodology. The Company has correctly pointed out that MCL 460.6w(3) establishes the specific components to be used in calculating the SRM capacity charge revenue requirement using capacity

related generation costs and specified revenue offsets. The Company is also correct that the purpose of the SRM is to ensure longer term reliability as required through LSE capacity demonstrations with the MPSC and that only considering procuring capacity through the MISO PRA via a one-year residual auction falls short of this purpose. The Company's rate design objections concerning Energy Michigan's proposal are also valid and Staff agrees it would result in an inequitable rate design outcome where AES customers could pay different capacity related charges than full-service customers for the same capacity service if an LSE failed to meet its capacity demonstrations. For these reasons Staff recommends Energy Michigan Witness Zakem's SRM proposal to set the SRM capacity charge to the MISO seasonal auction clearing price for the zone in which the supplier's load resides be rejected and the Company's SRM methodology in compliance with MCL 460.6w(3) be approved.

- F. Staff recommends the Commission order the Company to provide a detailed calculation of its energy market sales forecast as part of the Company's initial filing in its next general rate case.**

[References in the Record: Pung, 2 TR 506–507]

Staff recommended in its direct testimony that the Commission order the Company to provide a detailed calculation of its energy market sales forecast in excel format with all formulas intact in its next general rate case, but to add language that it must be included as part of the Company's initial filing. (2 TR 507.) Staff was unable to locate the calculation that was ordered in Case No. U-

21860 in the Company's original filing in this case. (2 TR 506.) No other parties to this case commented on this issue.

The Company's energy market sales forecast is a significant component in setting the SRM capacity charge revenue requirement. It is very important for the Company to show that this forecast is reasonable and supported by accurate data. For these reasons, Staff recommends the Commission approve its recommendation to provide this forecast as part of its initial filing in its next rate case.

G. Staff's recommends the Commission approve the Company's customer charges.

[References in the record: Goyanes, 4 TR 2125–2126; Pung, 2 TR 507–508]

The Company proposed to use the same customer charge method and included the same cost items as ordered by the Commission in MPSC Case No. U-21860. (4 TR 2126.) The Company is not proposing any customer charge changes in this case. (2 TR 507–508.) Staff recommends the Commission again approve the Commission-approved Staff method for calculating the customer charge including the cost items listed in Staff's case. No other parties to this case commented on the customer charge method.

H. Staff's recommends the Commission require the Company to continue performing the three standard FERC coincident-peak tests and providing its analysis of the results.

[References in the record: Goyanes, 4 TR 2135–2142; Pung, 2 TR 508–509; Andrews, 3 TR 1330–1335]

The Company has complied with the Commission Order in Case No. U-21860 to provide the standard FERC coincident-peak tests and provide analysis of how it views seasonal and monthly loads growing in the future by using data from the most recent five-year period. (2 TR 508.) The Company cited FERC benchmarks for determining the appropriateness of using a 12 CP production plant allocator and then shows that these benchmarks are not currently met. (*Id.*) The Company also provided sensitivity analysis using load increase scenarios, showing that under each scenario, all three coincident-peak tests remain outside of the 12 CP benchmarks. (2 TR 509.)

ABATE Witness Brian Andrews provided direct testimony on this issue and begins by supporting the continued use of the 4-CP 75-0-25 production cost allocator. (3 TR 1331.) Concerning the three standard FERC coincident peak tests, ABATE also points out that all three tests fall outside the ranges that would support a 12-CP allocation. (3 TR 1333.) ABATE then states in its recommendation that the 4-CP 75-0-25 production cost allocator is the default statutory method under MCL 460.11(1). (3 TR 1335.) No other parties to the case commented on this issue.

Staff has reviewed the Company's calculations and results of the standard FERC coincident peak tests and agrees with the Company that use of the 4-CP

production plant allocator is supported by the results at this time. Staff recommends that the Commission require the Company to continue performing these three standard FERC coincident-peak tests and providing its analysis of the results. This will enable the Commission to continually monitor the appropriateness of the production plant allocator as loads continue to grow, shift and change. However, Staff does also point out that the default statutory production cost allocator includes the demand and energy weighting percentage portion and not the amount of coincident-peaks that are considered for the demand component. Whether a 4-CP or a 12-CP or any other amount of coincident-peaks are used in the production allocator is at the discretion of the Commission based upon each utility's unique coincident-peak data.

I. The Commission and ALJ should adopt Staff's recommendation to direct the Company to continue to accept new enrollments in CoolCurrents.

[References in the record: Towslee, 2 TR 748–749; Leuker, 4 TR 2396, 2467–2468; Exhibit S-20 p 1–2.]

Witness Towslee provided Staff's recommendations that the Commission direct the Company to keep Rate D1.1, which is the CoolCurrents program, open to new enrollment. Staff found the program to be a cost-effective DR resource for the Company, and the Company's justification for closing it is contradictory and illogical. (2 TR 748–749.)

In its filing, the Company proposed closing Rate D1.1 to new enrollment. The only reason given is that there has been a decline in new enrollment, which DTE

Electric suggests is attributable to the costs associated with the installation of the program's required second meter. (4 TR 2396.) In discovery, DTE Electric suggested that continued enrollment in the program would be a potential source of confusion if the Company were to ever pursue a single-metered direct load control program in the future. (Exhibit S-20, p 1.) Staff pointed out that declining new enrollment is not by itself a convincing reason to close a program to further new enrollment, and that if additional costs associated with installation of a second meter are the primary concern, then fewer new enrollments should be a mitigating factor for any such costs. Additionally, Rate D1.1 has existed for decades, yet the Company has provided no indication that it has or will consider an alternative direct load control program that does not require a second meter, so the concern about confusion is moot. (2 TR 748–749.)

In rebuttal, Witness Leuker maintained that the program should close to new enrollment and clarifies that costs associated with the second meter installation are borne by both the Company and the customer, with the customer being responsible for any costs associated with site preparation. (4 TR 2467–2468.)

Staff's position that the program should remain open to new enrollment remains unchanged. CoolCurrents is a valuable capacity resource. The Company seeks to continue substantial investment to maintain and improve the program for existing customers, and any negative impact to the Company should be minimal if indeed enrollment continues to decline. Staff recommends the Commission direct

the Company to continue to accept new enrollments in Rate D1.1 for the CoolCurrents program.

VII. Large Load Transition Mechanism (“LLTM”)

[References in the Record: Nichols, 2 TR 431–433; Rademacher, 2 TR 451; Stosik, 2 TR 607–629; Ausum, 2 TR 816–819; Dauphinais, 3 TR 1295, 1299–1303; Walters 3 TR 1470–1473; Bruzzano, 4 TR 1996–1997, 2009–2010; Foley, 4 TR 2034, 2042–2046, 2048–2065; Nelson, 4 TR 2688–2689; Uzenski, 4 TR 5002–5003; Jester, 4 TR 5332–5335; Coppola, 4 TR 5377, 5535–5538; Exhibits S-14.1–14.25; Exhibit AB-1; Exhibit MEC-37–38]

In its application, the Company makes a proposal to address the large electric load that is anticipated from the Company’s provision of electric service to Oracle America Cloud Service LLC (“OACS”). The proposal would create a regulatory liability mechanism that it claims will address the uncertain load forecast associated with OACS.

On December 18, 2025, the Commission conditionally approved two special contracts between the Company and OACS (formerly known as Green Chile Ventures LLC at the time the contracts were executed) related to supplying electric service to a 1.383 GW data center facility in Case No. U-21990, provided the Company accepted numerous provisions to protect ratepayers and increase transparency. MPSC Case No. U-21990, 12/18/2026 Order, p 43–45. These special contracts included a Primary Supply Agreement (“PSA”) and an energy storage agreement. The PSA terms set forth the rate schedule under which OACS will receive service (Rate Schedule D11), additional protections for the Company’s other non-Rate-Schedule-D11 customers, and a load ramp for OACS beginning in January

of 2027 and continuing throughout that calendar year until December of 2027. (4 TR 2035–2036, 2042.) Company witness Foley explains that OACS is permitted to delay this load ramp by up to 12 months, meaning that the load ramp must begin no later than January of 2028 and conclude no later than December of 2028. (*Id.*)

In addressing the Company’s load forecast with respect to OACS, witness Foley testified that the Company assumed that OACS’s load would start materializing in January 2028 at 39 MW and ramp up to 150 MW by March of 2028. (4 TR 2043.) The Company, therefore, assumed the initial load ramping will be delayed the maximum 12 months. Witness Foley testified that the OACS load could materialize sooner than the Company assumes. (*Id.*) Accordingly, witness Foley proposed the Commission adopt a Large Load Transition Mechanism (“LLTM”) to address the potential excess sales that would accompany OACS load that surpasses the Company’s assumptions. (4 TR 2043.)

The Company’s proposed LLTM is based on an OACS Excess Margin for the test year, which is recorded as a regulatory liability. (2 TR 607–608; 4 TR 2044.) The Company calculates the OACS Excess Margin by taking the Actual Sales Margin (sales revenue minus the product of sales volume and base fuel and purchased power) and subtracting the Assumed Sales Margin and Substation Cost. (4 TR 2044.) If OACS sales exceed the Company’s assumed 12-month ramp delay during the test year, then the Company would record the associated OACS Excess Margin as a regulatory liability. (2 TR 607–608.) The Company would make a separate filing no later than June 1, 2028 (approximately three months after the

close of the test year on February 29, 2028) to address how to use the regulatory liability to the benefit of customers.

In addition to the OACS contract, the Commission recently granted conditional approval of the Company's request for approval of special contracts consisting of a primary supply agreement and clean capacity accelerator agreement with Google LLC. MPSC Case No. U-22058, 10/1/2026 Order, p 138–141. While the Commission conditioned its approval on the Company accepting many provisions to protect ratepayers and increase transparency, it constitutes a step towards the load from that contract being realized. *Id.*

While Staff finds the concept of an LLTM useful given the uncertainty surrounding the large anticipated OACS load (see 2 TR 609–611,) it recommends several modifications that form the basis of its primary recommendation. Namely, Staff recommends that the LLTM proposal be modified in all the following ways: 1) the LLTM continues beyond the test period; 2) an LLTM regulatory liability mechanism is also applied to the load associated with the special contracts with Google, as discussed below in Section VII.B.1; 3) an appropriate interest rate is applied to the LLTM regulatory liability accrual; and 4) Staff's substation cost adjustment is adopted. (2 TR 611–612.)

A. Impact of OACS and Google Contracts

The potential impact of the OACS and Google contracts is immense. In 2025, the Company had a total sales volume of 44,579 GWh. (2 TR 610.) At full ramp, OACS is expected to be approximately [REDACTED]. (CONFIDENTIAL 2 TR 610.) Google is expected to reach [REDACTED]. (*Id.*) Together, these two special contracts constitute an expected [REDACTED], which is [REDACTED] of total 2025 sales and, if added to 2025 sales, would have represented over [REDACTED] of the Company's total sales. (*Id.*) At full ramp, the revenue from these two contracts is expected to generate approximately [REDACTED] in annual revenue.

The Company's proposed LLTM terminates at the close of the test year. However, the potential impacts of the OACS and Google contracts beyond that time are quite significant. Assuming no ramp delay, the OACS and Google excess margin would be approximately [REDACTED] and [REDACTED] in the first year after the test year, respectively. (CONFIDENTIAL 2 TR 613.) These amounts would not be captured by the Company's proposed LLTM. Accounting for Staff's recommendation to apply an LLTM to the Google contract, as discussed below, and these unaccounted-for post-test-year amounts, Staff's LLTM recommendation would result in a regulatory liability approximately [REDACTED] greater than the Company's proposed LLTM. Under the Company's proposal, the Company would be free to retain or deploy this amount as it sees fit. (*Id.*)

Given the significant potential impact of these contracts on the Company, the uncertainty surrounding the timing of these contracts could have an even greater impact on the reasonableness of the Company's rates. An LLTM appears to be a

reasonable approach to address these loads, which are temporally uncertain but significant in magnitude. However, as discussed below, Staff explains the flaws in the Company's proposal and recommends adjustments to account for these deficiencies.

B. The Commission should adopt Staff's recommended LLTM.

Staff first recommends the LLTM continue beyond the test year, and until new rates are established in the next rate case. This will fully address the impact of the large load transition, which will not cease at the end of the test year period. (2 TR 611–613.) The test year period ends in February of 2028. However, the load ramping for both the OACS and Google contracts continues until at least December of 2028, at which point both contracts should complete their full ramp (assuming no ramp delay). (2 TR 612.) While addressing the uncertainty within the test period, the Company's LLTM proposal leaves uncertainty with respect to the impact and benefits that ratepayers will receive after that time undiminished. Alternatively, extending the LLTM beyond the test year captures the financial benefits of the large load additions throughout the term of the Commission's order in this case. (2 TR 612–613.)

1. The Commission should also establish Staff's proposed LLTM for the Google special contract.

As noted, the Commission has conditionally approved certain special contracts between the Company and Google that have many of the same characteristics and potential for load fluctuation as the contracts with OACS. The

Company's rationale for an LLTM with respect to the OACS contract are no less applicable to the Google Special contracts As Staff witness Stosik explained, the Google special contract has the potential to ramp during the test year, similar to the OACS special contract. (2 TR 620.) The Commission should, therefore, implement an LLTM for the Google contract to address the same uncertainties that led the Company to request its OACS LLTM.

Staff proposes two separate but structurally identical LTTMs for each of the OACS and Google contracts. (*Id.*) This approach will enable the Commission to consider the financial impact of each contract separately, track the affordability benefits for each contract, address arguments regarding the appropriate ratepayer benefit allocation for each contract, and generally increase transparency. (2 TR 620–621.) While the Company does not agree with Staff's recommendation to continue either LLTM past the end of the test year, it does not otherwise object to an LLTM applied to the Google load. (4 TR 2050.)

2. The Commission should apply the authorized overall cost of capital to the LLTM regulatory liability.

The Company has included lower sales revenue in the instant case than is likely to occur due to the difficulty in projecting new large load in the projected test year associated with new OACS and Google data centers. (2 TR 431–432.)

Company Foley direct testimony states:

It is the Company's intention to provide the benefit of any OACS Excess Margin in the forward test year to its customers. To do so, the Company is proposing to establish a Large Load Transition Mechanism ("LLTM"). The purpose of the proposed LLTM is to

calculate any OACS Excess Margin during the forward test year, record that amount as a regulatory liability, and pass the benefit back to the Company's other customers through a future filing. As described by Company Witness Bruzzano, such a filing will be made once the timing of OACS' load ramp becomes clearer and the magnitude of any regulatory liability can be projected with greater certainty, but no later than June 1, 2028. [4 TR 2043–2044.]

Because the Company has voluntarily chosen to include sales revenue in the projected test year lower than what is anticipated to occur, if the Commission chooses to approve the LLTM, it is appropriate for ratepayers to accrue the authorized overall cost of capital as a rate of return on the LLTM regulatory liability. (2 TR 431–432.) Alternatively, witness Nichols goes on to give two alternate rates that could also be considered reasonable rates, but Staff maintains its preference for the authorized overall cost of capital. (*Id.*)

Witness Nichols testified that the Commission may also consider a reasonable rate as high as the authorized return on equity similar to what is approved for over-collections in power supply cost recovery reconciliation (PSCR) cases. (2 TR 432.) Alternately, a rate as low as the authorized short-term debt rate could be applied. Staff submits that the authorized overall cost of capital is appropriate and is reasonable. (*Id.*)

The Company's rebuttal states that “[g]iven the short-term nature of the regulatory liability, the Company would only use the liability to offset short-term debt (if it uses the liability at all).” (4 TR 2063.) Based on this, the Company claimed that its authorized short-term debt rate is the appropriate rate to apply because “it reflects the savings to the Company of having the regulatory liability on

its books.” (*Id.*) The Company also claimed that this “approach is within the range of options outlined by Witness Nichols that could be applied.” (*Id.*)

Staff does not dispute that the short-term debt rate would be in the range of rates witness Nichols outlined. However, Staff continues to recommend that it is appropriate for ratepayers to accrue the authorized overall cost of capital as a rate of return on the LLTM regulatory liability.

3. The Commission should adopt Staff’s definition of substation Cost for the OAC Excess Margin Calculation.

[References in the Record: Foley, 4 TR 2044–2045; Rademacher, 2 TR 451; Exhibit S-7.1]

The Company defined the substation credit contained in the OACS margin calculation as “Substation Cost equals the revenue requirement during the forward test year for the substation that the Company is building at OACS’ site.” (4 TR 2045.) OACS agreed to pay a non-refundable deposit of \$40 million toward the cost of the substation. (Exhibit S-7.1.) Therefore, Staff recommends that the calculation of excess margin for OACS define substation costs as equal to the revenue requirement in excess of \$40 million during the forward test year for the substation that the Company is building at OACS’ site. (2 TR 451.) No other parties disputed or disagreed with Staff’s recommendation. For these reasons, the Commission should determine that the cost for the OACS substation be offset by the \$40 million non-refundable deposit made by the customer.

C. An LLTM that terminates at the end of the test year requires additional considerations.

If the Commission rejects Staff's primary recommendation for Staff's modified LLTM, then Staff recommends the Commission approve the Company's LLTM proposal in so far as the Company proposes to terminate the LLTM at the close of the test year. Additionally, Staff recommends that the Commission still adopt the three other LLTM modifications discussed above. If the Commission rejects Staff's proposal to continue the LLTM beyond the test year, there are a number of considerations that the Commission should take into account.

As noted above, even with the Company's proposed LLTM, the Company could potentially receive significant revenues that were not accounted for in setting base rates. (2 TR 621.) The Commission should, therefore, be prepared to use its authority to initiate a new rate proceeding if the Commission suspects that the circumstances have caused rates to become unreasonable or imprudent. (2 TR 622–623; 4 TR 2057); see also MCL 460.6a(3). These efforts could be further aided by adopting witness Stosik's recommendation to require the Company to submit reports beyond the test year to provide greater visibility into the deployment of excess margin. (2 TR 625–626.) Even if the Company were to refrain from filing rate cases in the coming years, the Company could file a report identifying the excess margin (even if not recorded as a regulatory liability). (2 TR 626.) This report could also identify how the excess margin was deployed to the benefit of customers, as the Company indicated. (*Id.*)

Company witness Foley attempts to refute Staff's recommendation for post-test-year reporting, claiming that the reporting would be too complex and that the Company was unsure how such report would be used. (4 TR 2054–2055.) Yet, as demonstrated by witness Stosik's testimony, it is unclear how such filings would be significantly more complex than the administration of the LLTM the Company is requesting. As to the Company's claim that it does not know how the report would be used, witness Stosik clearly explained that the report would provide greater visibility into both the supposed customer benefits and the potential for overearning. (2 TR 625–626.) The Company claims to support transparency wherever possible and to recognize the Commission ability to initiate a rate case when rates become unreasonable. Yet, the Company's opposition to the post-test-year reporting would undermine the Commission's ability to effectuate either. (4 TR 2054–2055, 2057.) If the Commission implements an LLTM that terminates at the close of the test year, it should also require subsequent annual reporting as recommended by witness Stosik. (2 TR 625–626.)

In addition to post-test-year reporting, Staff also notes that additional commitments that excess margin beyond the test period will be used to benefit ratepayers would enhance Staff's comfort with the LLTM. As witness Stosik explained, there were vague commitments to use such funds for customers' benefits and public statements that the Company might be able to avoid future rate cases until 2028 if the LLTM were approved. (2 TR 616–622.) However, Staff submits

that those general statements cannot be relied on to demonstrate firm customer benefits stemming from the Company's proposed LLTM. (*Id.*)

With respect to the Company's public statements and testimony commitments to refrain from filing a rate case until 2028 if its LLTM proposal is approved, witness Stosik explained that such commitments may not always benefit ratepayers. (2 TR 618.) For example, if unaccounted-for excess margin exceeds the hypothetical amount that the Company would have requested in a subsequent rate case, then the rate case may have resulted in an overall bill reduction. (*Id.*) Absent a Company rate case (initiated either by the Company or the Commission), ratepayers would not benefit from the lack of rate change. witness Stosik testified to various scenarios that could occur and their respective impact on ratepayers. (2 TR 618–619).

In his critique of Staff's secondary recommendation proposed by witness Stosik (approving an LLTM that ends at the close of the test year with the other Staff modifications), Company witness Foley notes that there is no standard definition of "value added" expense items and that different parties may disagree on its meaning. (4 TR 2054.) As such, witness Foley claims the Company cannot make an undefined commitment. (*Id.*) Similarly, witness Foley claims the Company cannot commit to the reporting requirements discussed above and recommended by witness Stosik because there is no standard definition of "deployed to the benefit of customers." (*Id.*)

Staff agrees with the Company insofar as there is no standard definition or universally accepted meaning to these terms. Likewise, there is no standard definition or universally accepted meaning to how the Company intends to use or deploy any excess margin beyond the test period. According to the Company, it intends to use excess margin to the benefit of customers “by supporting the Company’s objective of providing safe and reliable electric service.” (Exhibit S-14.13.) In addition, the Company provided that, “for example, any excess margin could be used to meet the Service Quality and Reliability Standards and targets set forth in the Financial Incentive and Disincentives docket, support the reliability of the generation fleet, and continue the transition toward cleaner energy resources.” (Exhibit S-14.13.) This Company-provided example does not constitute a commitment of how the excess margin will be used. Just as the Company claimed it has difficulty committing to Staff’s concepts without standard definitions, Staff cannot base its recommendations on the Company’s bandying of generic, non-binding intentions for using or deploying the excess margin. The difference is that the Company, unlike Staff, has the burden of proof in this proceeding.

Based on Staff’s reservations, Staff encouraged the Company to voluntarily propose additional clarity and commitments regarding the excess margin. (2 TR 622–623.) The Company was free to respond with a more well-defined explanation of its proposal, explaining the more specific and clear scope of the proposed commitments for using the excess margin in a manner that could establish accountability. Instead of clarifying the Company’s commitment, the Company

chose to focus on the difficulty with identifying further firm commitments. (2 TR 2054.) This is not dissimilar to the difficulty Staff finds in supporting the Company's proposal. (2 TR 622–623.) The Company proposal lacks standard definitions, clarity, and firm commitments, all of which could lead to different understandings amongst different parties when reading the proposal to benefit customers “by supporting the Company’s objective of providing safe and reliable electric service.” (Exhibit S-14.13.).

The Company’s rebuttal testimony, therefore, only further demonstrates why Staff’s primary recommendation discussed above is the most appropriate solution to the dilemma that the OACS and Google contracts present. It results in full clarity, as to the amount and type of benefit to ratepayers resulting from the excess margin from the contracts. There is no guesswork as to what may or may not happen with the excess margin under this recommendation. Staff’s LLTM recommendation recognizes and calculates the amount of excess margin resulting from the OACS and Google data centers, records that amount as a regulatory liability during the test period and also beyond the test period and returns that same amount of benefit back to customers in a transparent, verifiable, dollar-for-dollar manner. (2 TR 611–621.) Staff’s primary recommendation includes no guesswork, no ambiguity, and no further reliance on Company discretion.

D. If the Commission declines to approve any LLTM, then it should assume a more appropriate load ramping schedule.

In Case No. U-21990, the Company requested expedited treatment of the *ex parte* application seeking approval of the special contracts with Green Chile Ventures LLC (which subsequently became OACS). MPSC Case No. U-21990, 12/18/2025 Order, p 4; (see 4 TR 2034). As Staff witness Stosik explained, the data center space is generally fast-moving, which is supported by the fact that both applications for the OACS and Google special contracts requested expedited approval. (2 TR 627–628.) Yet, the Company’s proposed LLTM assumes the maximum possible delay in beginning the load ramping. (2 TR 627.) The Company proposed this assumption despite not being able to provide any documentation or communication to support the notion of a maximum ramp delay and public statements that, in fact, the project was “on track for the fast ramp at this point.” (2 TR 627; see also Exhibit S-14.11; Exhibit S-14.8.) The Company acknowledges that the default ramp period begins in January 2027 and that the January 2028 date merely constitutes the maximum amount delay allowed under the PSA. (4 TR 2042.)

In the absence of an LLTM, the evidence does not support basing rates on the Company’s sales assumptions. If the Commission declines to approve an LLTM, then the Commission should also decline the invitation to set rates based on the Company’s assumed maximum 12-month delay for the beginning of the load ramp period. (2 TR 628.) In such an event, Staff recommends the Commission base rates on an assumed 100% of allowable ramp (i.e. zero ramp delay) for test period sales of

both the OACS and Google contracts. (*Id.*) This recommendation is supported by the evidence discussed above regarding the expected pace of the project build out.

In his critique of Staff's recommendation to assume zero ramp delay, witness Foley argues that the sales forecast would over-project revenues during the test period if OACS exercises a ramp delay. (4 TR 2063–2064.) Witness Foley argues this could result in the Company under-recovering its cost of service or slow the pace of its capital spending for grid investments. (*Id.*)

These criticisms focus on hypothetical outcomes of Staff's recommendation, not the merits of the underlying facts and evidence or the reasonableness and prudence of the recommendation. The Company did not refute Staff's demonstration that the OACS ramp is on a fast track. (2 TR 626–628.) The Company simply dislikes the possible outcome, which is an outcome that is the direct result of the Company's decision to use a projected test period for this rate case. The Company is not required to use projected revenues and expenses in filing a rate case. MCL 460.6a(1) (“ . . . A utility may use projected costs and revenues for a future consecutive 12-month period in developing its requested rates and charges. . . .”) (emphasis added). In choosing to do so, the Company risks potential forecast error in all areas, including sales forecast errors.³

³ It is worth noting that while the Company bases its criticism on Staff's recommendation on the possibility of under-recovery, it disregards the parallel justification (over-recovery) for extending the LLTM past the test year. (4 TR 2055–2056.)

The Company should be aware of the significant revenue and financial impact of the OACS and Google special contracts. (CONFIDENTIAL 2 TR 609–615; 4 TR 2042–2044.) The Company should also be aware that its request for an LLTM does not guarantee the Commission will approve the mechanism. In the absence of an LLTM, the Commission must establish an appropriate sales projection for these projects. (See 2 TR 626.)

The Company notes that OACS could ramp at a full delay, which is true. (2 TR 628; 4 TR 1995, 2042, 2063–2064.) It is also true that OACS could ramp without any delay at all. (2 TR 626–629; Exhibit S-14.8.) The evidence demonstrates that, at this time, the latter is the much more likely result. (*Id.*) The Commission must set reasonable and prudent rates based on the record evidence, which demonstrates that, if the Commission declines to approve an LLTM, the Commission should assume no ramp delay in setting rates.

E. In the absence of the adoption of a Large Load Transition Mechanism (LLTM) the Commission should adopt Staff's recommended sales forecast.

[References in the Record: Ausum, CONFIDENTIAL 2 TR 816–819; CONFIDENTIAL Exhibit S-27.9]

Staff, through its witness Paul Ausum, provides an alternative test year deliveries forecast for the Commission's consideration if it declines to adopt any form of LLTM. In the absence of any form of LLTM, either the one offered by the Company or Staff, a forecast of energy sales for the test year must reflect the impact of the customers who are the subject of the LLTM. (2 TR 816–819.)

Staff's forecast assuming no LLTM uses the fastest ramp schedule for these customers. (2 TR 816–817, CONFIDENTIAL Exhibit S-27.9, Page 1.) This is reasonable for the reasons stated above in Section VII.D, which are incorporated here by reference. It should be noted that the Company's estimates for these customers should be treated as a conservative estimate of energy consumption. Knowing this, if the Commission decides against the implementation of any kind of LLTM, the Commission should not use a forecast any lower than [REDACTED] (CONFIDENTIAL 2 TR 817–819.)

VIII. Infrastructure Recovery Mechanism

A. Infrastructure Recovery Mechanism—Review Process

[References in the record: Evans, 2 TR 641–646; Chiu, 4 TR 4366–4367]

Infrastructure Recovery Mechanism (IRM) investments and the associated expenditures are currently reviewed in a multi-step process. The first step is that in a rate case the Company proposes certain amounts of capital expenditures, allocated into certain programs, to be included in the IRM. (2 TR 641.) Next, Staff and intervenors review the proposed expenditures in the rate case and recommend how much, if any, should be included in the IRM for each of the programs, in addition to any recommended disallowances. (*Id.*) In the instant case, Staff reviewed the proposed expenditures for each of the six programs and decided to recommend the following:

- \$100 million be included for Distribution Automation
- \$263.4 million be included for PTMM
- \$52.5 million be included for Subtransmission Redesign and Rebuild

- \$15 million be included for Breaker Replacement
- \$15 million be included for URD Replacement
- \$0 be included for System Cable. (*Id.*)

Next, the rate case process plays out as usual, with direct and rebuttal testimony, cross examination, initial briefs, reply briefs, a PFD, exceptions, and replies to exceptions. The Commission considers the evidence in the record as it pertains to reasonableness and prudence and issues an order approving, approving in part, or denying the proposed IRM inclusions. (2 TR 641–642.) Assuming, for this example, that the Commission agrees completely with Staff’s position, the Commission will authorize the amounts listed above for those capital programs to be included in the IRM. The order in this case is to be issued in late February 2027, in accordance with the 10-month statutory limit. (2 TR 642.)

Continuing this example, months later the Company will host meetings with interested parties in order to give these organizations and individuals an opportunity to provide input while the 2028 IRM Plan is in development. Amidst these meetings, in late August 2027, DTE Electric will email out its written 2028 IRM Plan to all interested parties. None of these meetings, or the plan itself, are contested proceedings before the Commission. (*Id.*) On January 1, 2028, those investment amounts enter the IRM surcharge, and the surcharge is placed on customer bills, staying in place for one year. On January 1, 2029, the surcharge is updated to reflect amounts approved for the 2029 Plan Year. (2 TR 643.)

On or before March 31, 2029, the Company must file a contested IRM reconciliation case for the 2028 IRM Plan Year. The case will be contested, as all

IRM reconciliation cases are. And, for now at least, parties may conduct in-depth prudency reviews during IRM reconciliation cases, as confirmed by the Commission in the July 16, 2026, Order in Case No. U-21845. At the conclusion of these IRM reconciliation cases, the Commission may order disallowances, which would result in refunds to customers. (*Id.*)

Despite the IRM reconciliation for 2028 being concluded, the Company would still need to request the Commission include IRM expenditures for that year in rate base and thereby be reflected in base rates. This provides another opportunity for a reasonableness and prudence review of these historical expenditures, and another opportunity for the Commission to disallow imprudent spending not caught in the instant rate case or the IRM reconciliation proceeding. (*Id.*)

Staff's preference is that detailed reasonableness and prudence reviews be conducted entirely within rate cases, not reconciliation cases, which is consistent with Staff's position in its replies to exceptions in MPSC Case No. U-21845. (2 TR 644.) In its replies to exceptions in U-21845, Staff recommended a long-term goal consisting of two parts:

1) in-depth prudency reviews of IRM projects and spending are conducted exclusively in rate cases; and 2) IRM reconciliation cases are focused on reviewing planned costs to actual costs, and how closely the Company followed its plan. [MPSC Case No. U-21845, 7/16/2016 Order, 12.]

To achieve Staff's two-part goal, Staff witness Nicholas M. Evans made numerous recommendations in his direct testimony in the instant case, which are summarized here:

1. IRM reconciliation cases for the 2027 and 2028 Plan Years, to be filed in March 2028 and March 2029, respectively, may include in-depth prudency reviews. (2 TR 644.)
2. For IRM Plan Years 2029 and later, IRM reconciliation cases should be focused on comparisons of planned costs to actual costs, how closely the Company followed its plan, and how well any deviations are explained. (2 TR 645.)
3. Deficiencies in an IRM reconciliation case can be a basis for refunding customers or justification for a future disallowance in a subsequent rate case. (*Id.*)
4. The Commission should adopt the Staff's recommended 2027-2028 levels for inclusion in the IRM, as discussed in witness Becker's direct testimony. (*Id.*)
5. When the Company proposes to place expenditures into the 2029 IRM plan year in a future rate case, it must be able to list every project it plans to undertake that year, the capital expenditures for each project, and reliability benefits in its rate case filing. This will create a prudency review of proposed expenditures in the initial rate case, moving most of the detailed analyses out of the reconciliation cases. To the extent the Company proposes different projects later on in the IRM Plan, the Company must explain why the changes and new projects are reasonable and prudent within the Plan. To the extent the Company ends up

completing projects that were not in the initial rate case or the IRM Plan, the Company must explain why the changes and new projects are reasonable and prudent in the IRM reconciliation case and the subsequent rate case. (2 TR 645–646.)

6. The Commission should affirm that IRM expenditures not disallowed in reconciliation cases are: 1) not yet considered reasonable and prudent at the conclusion of the reconciliation case, even if the case is settled; and 2) those expenditures are subject to another reasonableness and prudence review when the Company proposes to place them into rate base in a subsequent rate case. (2 TR 646.)

The Company does not agree with Staff's proposed changes to the IRM review process, specifically the recommendation for more detailed project-level IRM plans. The Company believes the current process works well and preserves the flexibility necessary to effectively plan and execute program work while maintaining appropriate regulatory oversight. (4 TR 4367.) Company witness Chiu states that Staff's proposal would require the Company to identify and support individual work units well in advance of execution, and this would create an unnecessarily rigid process and reduce the Company's ability to prioritize the work that provides the greatest customer benefit. (4 TR 4366–4367.)

Staff disagrees with the Company's assessment. Staff maintains that it is not unreasonable to require the Company to know what projects they are planning to execute during future IRM periods. Approving spending amounts without

specific projects attached to that spending is tantamount to approving placeholders, and this is unacceptable. Even so, Staff is willing to be flexible: if the Company ends up completing projects that were not in the initial rate case or the IRM Plan, this does not mean the associated expenditures are automatically disallowed; rather, as stated earlier, the Company needs to explain why the changes and new projects are reasonable and prudent in the IRM reconciliation case and the subsequent rate case.

B. Infrastructure Recovery Mechanism—Rate of Return

[References in the record: Evans, 2 TR 646–647; Lepczyk, 4 TR 4682]

Staff recommends that for March 1, 2028, and later, the rate of return associated with the IRM surcharge should be lower than the pretax rate of return (“ROR”) approved by the Commission this case, but no lower than the short-term debt rate that will also be approved in the instant case. Once these investments are found to be prudent and reasonable for inclusion in base rates in a future rate case, Staff recommends the normal ROR apply. (2 TR 646.) Staff makes this recommendation because placing capital expenditures in the IRM with the full ROR allows the Company to earn more revenue than if those same capital expenditures were placed into rate base at a later date and recovered through traditional means. (2 TR 647.) In his direct testimony, Staff witness Evans provided an example that shows why this is true:

Suppose the Company did not file a rate case in 2029 or early 2030, which means no rate increase can occur in 2030. If an IRM surcharge is in place for capital expenditures that are to be made in 2030, the

Company still earns the revenue requirement for those investments. But let's say there is no IRM in place for 2030. In that scenario, the Company must wait until the next rate case order to begin recovering those investments. That regulatory lag creates unrecovered revenue requirement for the Company which is not recovered under normal ratemaking. The Company only recovers the revenue requirement associated with test-year expenditures, not the higher revenue requirement that generally exists after the test year or the revenue requirement of expenditures outside of the test year. With an IRM surcharge, there is no regulatory lag. [2 TR 647.]

To summarize, the alternative to the IRM, which allows the recovery of amounts outside the test year without a rate case, is no recovery in those years at all, which justifies a lower rate of return on those amounts. (*Id.*)

Company witness Lepczyk disagreed with Staff's recommendations and argued three main points in his rebuttal testimony: 1) IRM investments are normal long-term utility assets of the Company that are used and useful and provide benefits to customers of which the Company has a right to earn a commensurate rate of return; 2) A construct in which distribution investment returns are lower than those for alternative investments may create misaligned incentives in pursuit of the Company's and the Commission's goal of improving customer reliability; and 3) There are various past instances in which higher ROEs have been granted when there is alignment around specific policy objectives, so consistent with these principles, IRM investments should be afforded the same authorized rate of return as other prudently incurred utility investments. (4 TR 4682.)

Staff stands by its position and still recommends a lower rate of return for the IRM surcharge. In fact, at no point in his rebuttal testimony did witness Lepczyk disagree with Mr. Evans' core point, namely, that putting capital

expenditures in the IRM with the full ROR allows the Company to earn more revenue than if those same capital expenditures were placed into rate base at a later date and recovered through traditional means. This financial advantage conferred by the IRM should be offset, and a lower rate of return is one way to achieve that.

C. Rate Impact of Distribution Capital Expenditures

[References in the record: Evans, 2 TR 647–652; Hartley, 4 TR 4544; Chiu, 4 TR 4340–4341]

Rate impact should be considered a legitimate reason for disallowing expenditures because the Company has shown, in recent years, a remarkable capacity to increase distribution capital spending. (2 TR 647.) From 2020 – 2023, the Company increased its spending on distribution capital from \$904,916,000 to \$1,590,560,000 per year. (2 TR 647–648.) For 2026–2030, the Company plans to go from spending \$1,843,000,000 to \$2,535,000,000 per year. (2 TR 648.) The impact on affordability needs to be considered. As explained by Staff witness Evans, “the current trajectory of capital spending cannot go on forever. The rate impact of this spending needs to be acknowledged and given consideration by the Commission.” (*Id.*)

Distribution capital expenditures are the focus for discussing rate impact because distribution capital expenditures are, by far, the largest category of capital expenditures for which the Company is requesting recovery, as shown in the Company’s projected capital expenditures summary, Exhibit A-12, Schedule B5

(which does not even include spending in the distribution IRM). (2 TR 650.) And while the testimony of Staff witness Evans focused exclusively on distribution expenditures, the same logic could apply to other categories of expenditures. (2 TR 650.)

The issue of affordability is not novel. Staff provided comments addressing this very issue in the Company's distribution system plan docket, Case No. U-22104, stating:

Though DTE's drivers of investment focus on increasing reliability and resiliency, affordability appears lacking as a priority, and Staff is not confident that the Company is properly balancing affordability in its current strategy. [2 TR 648.]

Liberty, in its final reports of its audits of DTE Electric and Consumers Energy, made comments on affordability. Moreover, DTE Electric itself is aware of rate impact. (2 TR 648–650.) The Company expressed concerns about the rate impact of its Community Lighting expenditures. (2 TR 650–651.) On page 34 of Company witness Hartley's direct testimony, he states that he does not recommend completing all remaining high intensity discharge (HID) lighting fixture conversions to LED within two years (2 TR 651), and elaborates as follows:

Completing conversions of approximately 29,000 HID fixtures within a two-year period would be both operationally challenging and financially disruptive. Such an approach would compress construction activity well beyond historical replacement levels, strain available labor resources, and **significantly increase near-term capital additions to rate base. The resulting rate impacts would be materially higher than those associated with more measured implementation schedules**, without providing commensurate incremental customer benefits. (emphasis added.) [2 TR 651.]

Clearly, the Company is capable of taking into consideration rate impact when deciding investment levels and implementation schedules and considers it a relevant basis to determine reasonable rates. In other words, even for expenditures that Staff and the Commission agree are reasonable and prudent, the speed at which those investments occur and thereby affect rates is an appropriate consideration to be weighed in determining the amount of capital spending in any given year. (2 TR 651.)

Staff recommended several adjustments based on rate impact in the instant case, but the Commission could consider other adjustments to distribution expenditures based on rate impact. Although these adjustments are not included in the calculation of Staff's revenue deficiency, the Commission could consider disallowances to the programs and projects listed in Staff Exhibit S-15, all of which have relatively low scores or no score within the Global Prioritization Model ("GPM"). Staff is already recommending disallowances to some of these programs and projects for other reasons, but if the Commission rejects a primary disallowance, it could consider a disallowance based on rate impact. All of the programs and projects ranked in the GPM can be found in Company Exhibit A-23, Schedule M8. (2 TR 651–652.)

The Company disagrees at length with Staff's and other intervenor's positions on this topic, stating that while DTE Electric agrees affordability is an important consideration in planning future distribution system investments, affordability should not be evaluated primarily based on near-term capital

investments or rate impacts. (4 TR 4340.) Instead, according to the Company, affordability must also “account for the total customer cost over time, including balancing distribution system investments and associated rate impacts, with customer outage impacts, emergency restoration costs, equipment failures, and the eventual cost of deferred investment.” (4 TR 4341.)

Staff will not respond to every argument made by Company witness Chiu in his rebuttal testimony. Rather, Staff points out that witness Chiu relies on core distribution assets, such as poles, circuit breakers, and system cable, to make his points. Staff is generally not recommending disallowances to these types of assets based on rate impact; rather, Staff is recommending specific disallowances to programs like the Digital Construction Management program, the Design Tools Automation program, and Image Acquisition Platforms program. As discussed elsewhere in this brief, these programs appear to be candidates for deferral when considering affordability concerns and the conclusion from the Liberty audit that suggests the Company’s proposed measures and programs to improve its reliability metrics are too aggressive.

D. The Commission and the ALJ should adopt Staff's Infrastructure Recovery Mechanism program and spend recommendations.

[References in the record: Chiu, 4 TR 4320–4331, 4 TR 4360–4377, 4 TR 4382–4383; Bruzzano, 4 TR 2002–2004; Robinson, 4 TR 4026–4028; Becker, 2 TR 848–859, 2 TR 860–862; Dauphinais, 3 TR 1303–1311, 3 TR 1408–1412, 3 TR 1393; Stults, 2 TR 289–292; Stephens, 4 TR 5546; McGovern 2 TR 417–421; Confidential Exhibit A-27, Schedule Q3; Exhibit S-29]

Witness Chiu describes the Company's IRM guiding principles, benefits, and proposal in the instant case. The guiding principles include programs with relatively short execution cycle, work scope conducive of tracking at a defined unit level, work scope that is repeatable, and work scope that facilitates greater transparency in the reconciliation process for actual work performed. Listed IRM benefits consist of commitment to investments, customers paying only for actual work performed, transparency, and engagement. (4 TR 4320–4324.) The Company proposed continued expansion and extension of the IRM with primary and alternate proposals, with the primary proposal consisting of extending the IRM three years (2028–2030) to align with investments and timeline in the distribution system plan (DSP) that includes new authorization of the System Cable program, while the alternative option proposes to expand the 2027 IRM beyond amounts currently approved to include the full planned investment amounts for the Distribution Automation (DA) and Pole and Pole Top Maintenance and Modernization (PTMM) programs in 2027. Table 2 outlines the Company's proposed IRM investment levels in the instant case. (4 TR 4327.)

Table 2 Proposed IRM Investment Levels (\$M)

	Approved		Proposal			Alternate Test Year Proposal	
Capital Program	2026	2027	2028	2029	2030	2027	2028
Distribution Automation ⁵²	68.9	0	116.7	46.0	0	100.0	140.0
PTMM	200.0	200.0	314.0	482.6	540.0	263.4	376.8
Subtransmission Redesign & Rebuild	53.8	52.5	48.3	80.0	90.0	52.5	58.0
Breaker Replacement	12.6	15	16.7	35.0	55.0	15.0	20.0
URD Replacement	13.5	15	16.7	35.0	55.0	15.0	20.0
System Cable	0	0	25.8	40.0	55.0	0	31.0
Total	348.9	282.5	538.2	718.6	795.0	445.9	645.8

Regarding the selection of programs within the IRM and seemingly random selection, the Company discovery response included in Staff Exhibit S-29, page 1 confirms that there are no selection criteria beyond the guiding principles and benefits presented in the Company’s testimony. Staff expressed concerns with the lack of a selection criteria and lack of clarity surrounding how the selected IRM programs align with the guiding principles and benefits, giving Staff pause to support additional IRM programs that have not already been approved for inclusion and a ramp-up in spend under existing IRM programs. Staff opines that IRM programs must be comprised of clear, transparent, and well-established programs that offer benefits to customers and consist of “no regrets” investments such as

investments driven by inspection of the system like corrective maintenance (CM) capital work. Staff also considers reasonable and prudent spend within the 4.8 kV Conversions program to be a strong candidate for IRM inclusion if the Company can remediate the underlying issues in the Commission's Order in MPSC Case No. U-21534.

The Company could benefit in its IRM program justification by establishing firm selection criteria; explaining how the selected programs align with the selection criteria, guiding principles, and benefits; and demonstrating how selected programs are the most appropriate programs to include in the next rate case or DSP, whichever comes first. (2 TR 850–852.) Staff points out the Commission's Order in MPSC Case No. U-21860 surrounding approval of a multi-year extension, MPSC Case No. U-21860, 2/19/2026 Order, p 384–385, along with Liberty's recommendations in MPSC Case No. U-21305, largely adopted by the Commission in its June 12, 2025 Order, that undeniably demonstrate concern with the pace and prioritization of investments along with the lack of a long-term outlook with timelines to demonstrate the Company is optimizing capital spending through a clear, detailed, and comprehensive investment strategy. See e.g. MPSC Case No. U-21305, 6/12/2026 Order, p 7, 24–26, 30, 51.

Affordability concerns have also been expressed by Staff and the Attorney General through initial comments filed in response to the Company's 2026 DSP in MPSC Case No. U-22104. (2 TR 852–854.) Given the Company's response in Staff Exhibit S-29, page 2, Staff confirms that the pending cable rejuvenation analysis

results will impact the System Cable and URD Replacement programs, supporting why the System Cable program should not be included in the IRM and that URD Replacements program increases are not appropriate. (2 TR 852–854.)

The Commission’s Order in MPSC Case No. U-21860, page 385, denied the System Cable program as a new program in the IRM due to the unknown efficacy of the related work. Both Staff and Ann Arbor witness Stults point out that the DA investments are primarily reliability-related reclosers, not safety-related. (2 TR 292, 856.) Considering Staff’s concerns presented, Staff recommends the Commission approve the additional \$63.4 million in PTMM and \$100 million in DA with priority to safety-focused reclosers and decline to include the System Cable program in the IRM for 2027. Walmart witness McGovern also recommends denying the inclusion of the System Cable program in the IRM. (2 TR 420.) Further, Staff recommends the Commission only approve a one-year extension through 2028 at Staff’s 2027 proposed levels shown in Table 1. ABATE witness Dauphinais similarly recommends the Commission reject the IRM for 2029 and 2030. (3 TR 1310.) If the Commission were to approve an IRM from 2028-2030, Staff recommends continuing the IRM spend at the same levels supported by Staff for 2027 and 2028. One exception would be for the DA program in 2029 and 2030 for which the Company has requested \$46 million in 2029 and \$0 in 2030. (2 TR 856–857.)

Table 1 – Staff’s Proposed IRM Spend Levels

Capital Program	2027 (\$M)	2028 (\$M)
Distribution Automation	\$100	\$100
PTMM	\$263.4	\$263.4
Subtransmission Redesign & Rebuild	\$52.5	\$52.5
Breaker Replacement	\$15	\$15
URD Replacement	\$15	\$15
System Cable	\$0	\$0
Total	\$445.9	\$445.9

Witness Dauphinais, with reference to Colin Fitzhenry’s testimony expressing concerns with the ramp up of PTMM capital and O&M spend claiming the spending is not justified, recommends the Commission allow the System Cable program in the IRM for 2028 and limit PTMM to \$200 million. (3 TR 1303–1311, 1407–1412.) ABATE’s Table JRD-2 provides ABATE’s recommended maximum IRM program and investment levels that:

- 1) disallow \$100 million in 2027 for DA,
- 2) allow \$116.7 million in 2028 for DA,
- 3) limit PTMM spend to no more than \$200 million annually in the IRM,
- 4) limit Subtransmission Redesign & Rebuild spend to \$48.3 million in 2028,
- 5) allow \$16.7 million in 2028 for Breaker Replacement,
- 6) allow \$16.7 million in 2028 for URD Replacement, and
- 7) allow \$25.8 million in 2028 for System Cable. (3 TR 1292.)

City of Ann Arbor witness Melissa Stults did not support DA spending intended for reliability reclosers in the IRM and recommends only the amounts intended for safety reclosers in the IRM. (2 TR 292). Michigan Attorney General and Michigan Environmental Council (“MAG”) witness Stephens recommended the Commission terminate the IRM on December 31, 2027 and restrain DTE to \$200 million in PTMM for 2027 IRM recovery. (4 TR 5572), (4 TR 5601.) Staff issued rebuttal testimony responding to ABATE, Ann Arbor, and MAG recommendations and does not support the inclusion of the System Cable program in the IRM or recommended spend amounts in Table JRD-2 as ABATE suggests for reasons presented in direct and rebuttal testimony. Staff appreciates and shares the same concerns expressed by Ann Arbor regarding the safety-related recloser deployment but does not agree that all reliability-related reclosers should be disallowed in the IRM as there is value in them. Lastly, Staff sees value in the IRM continuation beyond 2027 and PTMM as part of the IRM and understands that, as the Company appropriately becomes more aggressive with PTMM inspections, it is likely that O&M and capital costs will increase. Staff recommends the Commission reject these intervenor proposals and adopt Staff’s recommended IRM spend programs and spend levels in Table 1. (2 TR 860–862.)

The Company filed rebuttal testimony stating that it does not agree with Staff’s assertion that the selection of the IRM programs is “seemingly random” and explains that the selection involves the Global Prioritization Model and Reliability Model supplemented by robust BCA and concludes with the idea that the program

selection decision is not whether the investments provide value, but whether recovery should occur through base rates or the IRM. (4 TR 4364–4365.) Staff responds by stating that the value investments offer should absolutely be considered in the IRM program selection, rendering the Company’s rebuttal incorrect on this matter. The Company also claimed it has satisfied the directive in the MPSC Case No. U-21860 regarding a multi-year IRM extension. (4 TR 4369.) But this does not effectively respond to Staff’s concerns with uncertainty surrounding IRM program selection and concerns with the Company’s ability to demonstrate optimized capital spending and affordability considerations through the pace of investments across all programs raised in the present case. The Company’s rebuttal also responded to Staff’s recommendation to not include the System Cable program in the IRM by arguing the ongoing cable rejuvenation evaluation does not diminish the need for continued investment in the System Cable program and should not undermine the need to replace the approximately 67% of paper-insulated lead-covered (PILC) cable that is not a candidate for rejuvenation. (4 TR 4026–4028.) Yet there is no commitment to spend only on PILC, meaning there may be investments made ahead of the cable rejuvenation evaluation that are not the most cost-effective for ratepayers. The Company’s rebuttal also argued that Staff’s concerns regarding a long-term investment strategy, program selection methodology, affordability considerations, and ongoing cable rejuvenation evaluation are not reason to support excluding the System Cable program in the IRM. (4 TR 4375.) Further, the Company’s rebuttal responded to

ABATE-, Walmart-, and Staff-referenced challenges to the expansion of the IRM and explains the mechanism promotes capital investments by the Company that are the most meaningful for customers. (4 TR 4335.) Staff responds to this by stating that an unclear future investment strategy with potential cable rejuvenation impacts, an unsupported program selection methodology, and lack of consideration to affordability are all missing and are extremely critical pieces to support expanded IRM programs and spend that are the most meaningful for customers. The Company also expressed its appreciation that the 4.8 kV Conversion and Corrective Maintenance programs may be good candidates for IRM program selection and that it will consider Staff's observations consistent with Commission guidance. (4 TR 4377.)

The ALJ and the Commission should adopt Staff's IRM program and spend amount recommendations in Table 1 as reasonable. Staff's concerns with the IRM-program selection along with how the selected programs align with the criteria, guiding principles, and benefits; concerns with affordability considerations; and concerns with optimizing capital spending through a clear, detailed, and comprehensive investment strategy- are all valid evidence to support why the Commission should adopt Staff's position. Adopting Staff's recommendations appropriately aligns with the Commission's prior decisions to both decline the inclusion of the System Cable program in MPSC Case No. U-21860 and decline

more than a two-year IRM extension in previous rate cases, including MPSC Case Nos. U-21297, U-21534, and U-21860.⁴

E. Additional IRM Recommendations

[References in the record: Chiu 4 TR 4362-4364; Evans 2 TR 646-647; Becker 2 TR 857; Gerken 2 TR 595-596, Exhibit S-13.2, Exhibit S-13.3]

Staff witness Gerken in his direct testimony makes recommendations regarding the calculation of the IRM surcharge should it be approved. First, he recommends the rate of return to be used in the calculation be updated to that which the Commission finds appropriate. (2 TR 595; Exhibit S-13.2.) Staff witness Evans provides support for the Staff's recommended rate of return on IRM investments. (2 TR 646–647.) Second, witness Gerken recommends the depreciation rate be updated to reflect the correct rate confirmed by the Company as being 4.0822%. (2 TR 595; Exhibit S-13.3.) Third, witness Gerken recommended capital investments for certain IRM categories be removed from the base rate revenue requirement calculation since recovery would occur through the IRM surcharge. (2 TR 596.) Staff's recommended IRM investment levels are supported by Staff witness Becker. (2 TR 857.)

Regarding witness Gerken's third recommendation, Staff agrees with Company witness Chiu's rebuttal testimony that Staff witness Gerken's

⁴ Specifically, the rejection of a greater than two-year IRM extension in the previous rate cases can be traced to MPSC Case No. U-21297, 12/1/2023 Order, p 289; MPSC Case No. U-21534, 1/23/2025 Order, p 301–302; and MPSC Case No. U-21860, 2/19/2026 Order, p 384.

recommendation would remove an additional \$27.2 million of capital investment from the projected test year revenue requirement that are also not proposed for recovery through Staff's recommended 2028 IRM levels. (4 TR 4362–4364.) The components of this adjustment are discussed individually in Sections III.B.1.c, d, e, q above.

This brief updates the Staff's revenue requirement calculation so the \$27.2 million of capital investment (4 TR 4363; Table 8) for IRM categories is not removed from the projected test year for the months of January – February 2028 as to align with the Staff recommended IRM investment levels for 2028.

In summary, Staff recommends should the Commission approve an IRM extension, the surcharge calculation be updated to use the rate of return which the Commission finds appropriate for IRM capital investments; the surcharge calculation also be updated to use the correct depreciation rate of 4.0822%; the final revenue deficiency as ordered by Commission be updated to exclude any capital expenditures that would be recovered through an IRM surcharge.

IX. Staff's Other Issues

A. Energy Affordability

[References in the Record: Sawari, 2 TR 1130, 1137–1138, 1140–1145; Menghaney, 4 TR 5157–5164
Bruzzano, 4 TR 1988; Gerdes, 4 TR 3094; Sparks, 4 TR 3234–3235, 3296–3297, 3266–3267, 4 TR 3302–3303; Armstrong, 2 TR 916–924]

DAAO witness Sawari and CUB witness Menghaney provided direct testimony on income eligibility, income eligibility thresholds, and funding for energy

bill payment assistance. (2 TR 1130–1145; 4 TR 5157–5164.) Witness Sawari spoke broadly about the impacts increased rates may have on customers and summarized the Commission’s stated goal to keep energy burdens under 6% for those enrolled in assistance programs. Witness Sawari stated that if eligibility requirements remain the same, the revamped assistance programs will not help customers in need that qualify for the programs. Witness Sawari specifically stated that “[h]undreds of thousands of Michigan households between 150% and 200% of the [federal poverty line] and above may face unsustainable home energy burdens.” (2 TR 1130.)

Witness Menghaney stated that “[e]nergy burden is a more meaningful measure of affordability than the nominal level of utility rates alone because it accounts for the income available to pay those bills.” (4 TR 5157.) Witness Menghaney mentions the Commission’s June 11, 2026, Order in Case No. U-20757 where the Commission set a target to reduce energy burden of income constrained residential customers to no more than 6% of household income with electric customers without electric heat having an obligation of no more than 4%. (*Id.*) Witness Menghaney spoke about the hardship of Michigan households under 50% of the federal poverty line, for whom the energy burden can be as high as \$0.40 for every dollar earned. She also discusses the availability of assistance as being limited. (4 TR 5158.)

Staff witness Armstrong posited that “while the energy assistance fund under MCL 460.11(2) has an income threshold at 150% of the [federal poverty line], the Michigan Energy Assistance Program (MEAP), also funded by rate payers through

the Low-Income Energy Assistance Fund (LIEAF), has an income threshold of 60% State Median Income (SMI).” (2 TR 917.) In rebuttal testimony, Witness Armstrong provided a table demonstrating that 60% SMI was a higher than the federal poverty line threshold at every household level. (*Id.*) Witness Armstrong also provided that customers can receive MEAP bill payment assistance in two ways. First, when a customer is in crisis, they can receive support paying off the past due amount up to \$600. This support is not based on energy burden. (2 TR 918.) Second, the customer may get ongoing assistance without going into crisis, meaning without having received a past-due bill or shutoff notice. This ongoing bill payment assistance takes the form of an affordable payment plan (APP). (*Id.*) The Company offers an affordable payment plan, the Low-Income Stability Plan, as referenced by witness Sparks. (4 TR 3266.) APP monthly bill credits are based on a customer’s energy burden—roughly based on the customer’s electric consumptions as a percentage of income. (2 TR 919.)

MEAP program funding was expanded under Public Acts 168 and 169 of 2024. (MCL 460.9t(8); 4 TR 919.) The expanded eligibility and expanded funding will result in an increase of customers with incomes of up to 60% of SMI being supported with bill payment assistance. Greater monthly assistance will be allocated to the households with the lowest incomes, because the monthly credit also factors in commodity consumption. Those households with higher consumption and lower income will receive larger monthly credits. (4 TR 920.)

In Case No. U-20757, the Commission has also issued directives for revising the methodology for the low-income rate provision under MCL 460.11(2) from flat credits to energy burden-based APPs. Staff is in the process of implementing these Commission directives.

Witnesses Sawari and Menghaney reiterated the Commission's directives from its February 19, 2026, Order in Case No. U-21860 directing DTE to:

gather, review, and analyze its customer account data to determine: (1) how many customers whose electricity is shut off for non-payment have their service restored and the average time it takes for restoration; (2) whether the duration of the average shutoff is increasing; (3) whether and to what extent shutoff duration correlates with arrearage balances; and (4) any other factor that may reveal why disconnections are increasing and how to reduce them. [MPSC Case No. U-21860, 2/19/26 Order, p 415.]

Additionally, the Commission ordered the Company to review its disconnection policies and use regression analysis to determine if customers are disconnected disparately based on race, income, or geography, and to report shutoff data at the census tract level. *Id.* Both witnesses Sawari and Menghaney testified at length that DTE failed to thoroughly respond to the Commission's directive in a meaningful manner. (2 TR 1137–1138; 4 TR 5164–5165.) Staff agrees that DTE did not comply with the Commission's directives to provide a regression analysis or provide census tract level reports of shutoff data. (2 TR 922.)

Company witness Sparks provided a cursory analysis of DTE's efforts to address concerns regarding equitable application of nonpayment disconnections. (4 TR 3296.) However, Witness Sparks stated that “[a]t this time, the Company does not have the ability to produce shutoff analysis at the census tract level using its

existing billing and customer information systems.” (*Id.*) Staff acknowledges that the cadence of rate case filings could have impacted the completion of a regression analysis. (2 TR 923.)

In light of the Commission’s February 19, 2026 Order in Case No. U-21860 as well as the Commission’s directive in its September 10, 2026 Order in Case No. U-21973 directing DTE Gas to complete a regression analysis on racial disparities in shutoffs in its next rate case and Distribution System Plan and file a report to the docket by December 30, 2026, Staff recommends the Commission adopt DAAO witness Sawari’s and CUB witness Menghaney’s recommendation to require DTE Electric to review its disconnection policies and use regression analysis to determine if customers are disconnected disproportionately based on race, income, or geography and to report shutoff data at the census tract level in its next rate case filing. (2 TR 924); MPSC Case No. U-21973, 9/10/26 Order, pp 282, 329.

B. The Commission and the ALJ should adopt Staff’s recommendation to compare internal and external BCA resources.

The Commission’s Order in MPSC Case No. U-21860 directed the Company to provide a detailed and robust description of and justification for expenditures on external consultants in the next rate case. The Company summarizes the expenditures for external consultants in its Confidential Exhibit A-27, Schedule Q3 that includes expenditures to hire 1898 & Co. for its BCA in the present case. Company witness Bruzzano also offers testimony to explain that the use of external consultants is reasonable because the Company does not possess the internal

expertise. (4 TR 2002–2004.) Staff witness Becker expressed concern that without an analysis that compares the external consultant costs with what it would take to hire and utilize internal expertise, the prudence of the expenditures for external expertise is unmeasurable. Therefore, the evidence provided in the present case is not useful, and Staff recommends the Commission order the Company to provide a detailed and robust description of internal expertise vs. external expertise necessary to perform BCAs along with an analysis of proposed expenditures in the future for both. (2 TR 858.) Similarly, ABATE witness Colin Fitzhenry claims the Company failed to comply with the directive and guidance in the MPSC Case No. U-21860 Order and states the Company has done nothing to remediate the transparency and accessibility concerns in the prior proceeding. (3 TR 1393–1394.)

The Company's rebuttal explained why the Commission should support the Company's use of external consultants for BCA work by explaining there is enough evidence on the record to support the external expertise to perform the analysis and whether the analysis provides useful information. (4 TR 4382–4384.) Although there is evidence on the record regarding external consultants, this does not dismiss what Staff and ABATE are concerned with – exploring how the costs to hire an external consultant compares to the overall costs of performing the work in-house. This comparison between internal and external is still missing and important to consider as the Company determines the future of BCA analyses.

The ALJ and the Commission should adopt Staff's recommendation to provide a detailed and robust description of internal expertise versus external

expertise necessary to perform BCAs along with an analysis of the proposed expenditures for each. The Company not currently possessing the internal expertise does not explain why external consultants are the most prudent and reasonable means of conducting BCAs in the future.

C. The Commission should require the Company to implement the June 11, 2026 Commission Order in MPSC Case No. U-20757.

[References in Record: 2 TR 564–566]

In the direct testimony of Staff witness Elaina Braunschweig, Staff summarizes the June 11, 2026, Commission Order in MPSC Case No. U-20757. Staff explained that the Case No. U-20757 docket began as a COVID-19 response docket and evolved into addressing energy affordability through the Energy Affordability and Accessibility Collaborative (“EAAC”). (2 TR 564.) The Collaborative’s Energy Affordability Report, filed on September 10, 2025, signaled the completion of the Commission directives. (*Id.*) Staff summarizes the Commission’s decision in the June 11 Order to transition the utilities’ residential income assistance credit (RIA) and Low-Income Assistance Credit (LIA) and associated recovered dollars to instead be used for costs associated with a new program that would mirror the Michigan Energy Assistance Program’s affordable payment plans and base customer payment obligations on 4% of their income for electric service and 2% on natural gas service. (2 TR 564–565); MPSC Case No. U-20757, 6/11/2026 Order, pp 40–41. Staff explained that, because the Company requested in its MPSC Case No. U-20929 percentage of income payment plan pilot

report to continue a PIPP as a permanent program (similar to the Commission's Order) and because the Company already offers an affordable payment plan funded by MEAP which is already based on energy burden, the Company should be able to implement the Commission's Order. (2 TR 565.) Staff, therefore, recommends that the Company implement the Commission's MPSC Case No. U-20757 June 11, 2026, Order in accordance with a timeline approved by the Commission in response to the implementation plan to be filed by Commission Staff in Case No. U-20757.

No party filed rebuttal challenging Staff's recommendation. For that reason, and the reasons stated in Staff's testimony and this brief, the Commission should require the Company to implement the June 11, 2026, Commission Order in MPSC Case No. U-20757.

D. Rate Case Communications

[References in the Record: Rademacher, 2 TR 452–453; Exhibit S-7.2]

The Company described the instant case as an “investment request with the Michigan Public Service Commission” in its required communication to customers. (2 TR 452; Exhibit S-7.2.) Staff disagreed with the Company's wording and characterization of the rate case process. (2 TR 452.) Staff recommends that future communications describe such proceedings as a rate increase request because it more clearly reflects the impact on rates and bills for both residential and commercial customers. (*Id.*)

Staff further recommends that the percent impact to residential and commercial customers be shown to two decimal places, and that the communication

of rate increase request be included on the homepage of the DTE Mobile App. (2 TR 452–453.) No other parties disagreed with Staff’s recommendations regarding customer communication of the proposed rate increase.

For these reasons, the Commission should require the Company to describe general rate cases as rate increase requests rather than investment requests, display proposed rate increase percentages to two decimal places, and include the required communication to customers via the mobile app.

E. Transportation Electrification Plan

[References in the Record: Schuster, 2 TR 114-229; Freeman, 2 TR 899-913; Kabashi, 4 TR 1827-1974; Woolley, 4 TR 5247-5318]

DTE Electric filed its Transportation Electrification Plan (TEP) on April 22, 2026, in Case No. U-21538. Staff verified the TEP complied with the Commission’s TEP filing requirements outlined in Case No. U-21492. (2 TR 904.) Staff emphasizes that the Commission does not approve a TEP. It is an informational document and filing. Individual elements from the TEP are then presented in rate cases for Commission review and potential approval. Subsequently, the Company should avoid stating that the Commission approved its TEP. (2 TR 904)

Both Michigan Environmental Council and Sierra Club witness Woolley and MEIU witness Schuster offer suggestions to improve the TEP process in their testimony. (2 TR 2 TR 124, 126–127, and 134; 4 TR 5277 and 5279.) Staff shares both witnesses Woolley’s and Schuster’s frustrations with the TEP timeline and rate cases. However, the appropriate venue for this conversation is the docket in

Case No. U-21492, the TEP filing requirement docket. Staff will begin the process of updating the filing requirements in the coming months. TEPs were created to streamline rate cases and move many EV issues to that docket. Addressing these requests in the current rate case would run counter to the TEP's stated purpose.

Additionally, MEC and Sierra Club witness Woolley wants the Company to file a 2027 Supplemental TEP after the final order in this case. (4 TR 5284.) Staff does not support this proposal. The final order in this docket is expected in February 2027. The Company is scheduled to file its next TEP mid-summer 2028. Many of Witness Woolley's proposals would require significant effort from the Company and are unlikely to be completed in his suggested 60-day post final order timeframe. Instead, many of these proposals should be raised when Staff updates the TEP filing requirements for subsequent inclusion in the next iteration of the TEP filing requirements.

Company witness Kabashi raised the issue of guardrails for cost shifting among the Company's various electric vehicle (EV) rebate programs. (4 TR 1837.) This issue also came up in the Company's last rate case. Staff stated that limited reallocation would be appropriate as it would continue to promote good public policy and is consistent with the Company's overall EV policies. Staff proposed the funds could only be reallocated among the Company's existing rebate programs and that DTE Electric could reallocate up to 10% of a rebate program's budget to another program without Commission approval. (2 TR 905.) This flexibility is only for the rebate programs and cannot be used for education and outreach, informational

technology, or program administration. (2 TR 905.) Any changes greater than 10% would still require Commission approval. (2 TR 905.) Lastly, any reallocation would have to be fully explained in the Company's subsequent EV annual report and TEP.

Company witness Kabashi's testimony laid out the EV program budget. Staff supports these rebate targets and programmatic rebate amounts for both the bridge and test years for the residential charger program, the business (MUD, Public, and Workplace) charger program, Fleet charger, Education and Outreach, Program Administration, and IT capability and support. (2 TR 906–909.)

MEIU witness Schuster proposes increasing several of the Company's rebate budgets. (2 TR 183, 186, and 193.) Staff does not support any increase to the Company's proposed TEP budget. With the termination of the EV tax credit, growth of EV sales has slowed considerably. The Company's presented budget reflects this reality. Current EV adoption levels do not justify increasing the number and size of charging rebates.

DTE Electric proposes several programmatic changes. Staff supports these changes. The Company is proposing two changes to its residential rebate programs. First, DTE Electric wants to expand rebate eligibility to moderate-income households between 201% and 400% of the Federal Poverty Level. (4 TR 1862.) Second, the Company wants to introduce a non-low-income rebate of \$500. (4 TR 1863.) This rebate would be limited to 15% of the market. Staff supports both

changes as they encourage EV adoption in an underserved sub-segment by reducing financial barriers. (2 TR 906.)

Next, Staff supports the Company's proposal to reduce the minimum electric vehicle supply equipment output requirement from 11.5 kW to 9.6 kW for its Multi-Unit Dwellings business charger rebates. (2 TR 907.) Altering this requirement will make it easier for Multi-Unit Dwellings to add EV charging.

In addition, DTE Electric proposes to increase its Workplace charger rebates from \$2,500 per port to \$3,750 per port. (4 TR 1864.) Staff supports the increase. The increased rebate amount should result in increased EV charger deployment.

The Company wants to make four changes in its Fleet charger rebate programs. (4 TR 1869.) Staff supports these changes: increasing rebate levels for transit bus Direct Current Fast Chargers (DCFCs) from \$70,000 to \$100,000 per charger, offering a rebate of up to \$25,000 for other Fleet DCFC installations, increasing its Fleet Level 2 rebate from \$2,500 to \$5,000 per port, and increased tiered rebates for school bus DCFC. (2 TR 909.)

Staff supports the Company's request to record up to \$136 million as a regulatory asset between 2027 and 2031 in support of its TEP rebate programs. (2 TR 909.) This action is consistent with the order in DTE Electric's last rate case.

DTE Electric is requesting an increase to the budget of its Emerging Technology Fund from \$1.0 million to \$1.5 million per year. (4 TR 1872.) Staff does not support the budget increase. (2 TR 909.) Staff did not find sufficient justification for the budget increase in the Company's testimony.

In sum, Staff recommends that the Commission deny MEC and Sierra Club's recommendation that the Company file a supplemental TEP. Staff recommends the Commission deny increases to DTE Electric's rebate budgets but approve the Company's proposed programmatic changes.

F. Staff recommends adjusting the amortization period for the Transportation Electrification Plan (TEP) regulatory asset from five years to ten years.

[References in the Record: Kabashi, 4 TR 1875–1876; Uzenski, 4 TR 4989; Putnam, 2 TR 894–895]

The Company requested approval to increase the amortization period for the TEP regulatory asset from five years to ten years as a ten-year amortization aligns with the true useful life of EV charging equipment. (4 TR 3296.) Staff agrees that the Company's proposal is reasonable. (2 TR 895.) As no other party has contested the proposal, Staff recommends that it be adopted.

G. Staff recommends net proceeds from the Investment Tax Credit (ITC) sale related to battery storage be amortized over a four-year period.

[References in the Record: Uzenski, 4 TR 4957; Wisniewski 4 TR 3048; Putnam, 2 TR 895]

The Company requested approval to amortize net proceeds from the sales of ITCs related to base energy storage over a four-year period. (4 TR 4957.) The Commission has authorized regulatory liability treatment for these ITCs (MPSC Case No. U-21860, 2/19/2026 Order, p 425.) and Staff concurs that a four-year

amortization period is reasonable. (2 TR 895.) As no other party has contested the request, Staff recommends that it be adopted.

H. Staff recommends a two-way tracker for battery storage-related ITCs.

[References in the Record: Uzenski, 4 TR 4958; Wisniewski, 4 TR 3048; Putnam, 2 TR 895–896]

The Company proposed a two-way tracker to eliminate the impact of estimation variances for customers and the Company related to base energy storage ITCs. (4 TR 4985.) The Company estimates a regulatory liability from net ITCs related to battery storage of \$437.9 million. (4 TR 3048). An inaccurate estimate could lead to a material positive or negative unamortized regulatory liability. Staff agrees that a two-way tracker would protect both customers and the Company from the impact of an inaccurate estimate. (2 TR 896.) As no other party has contested the proposal, Staff recommends that it be adopted.

I. Tree Trimming Recommendations

[References in the record: Hutchinson, 4 TR 3180–3233; Hartley, 4 TR 4510–4642; Hill, 4 TR 4811–4910; Duell, 2 TR 781–799; Stults, 2 TR 261–310]

Staff makes several recommendations regarding tree trimming that the Commission and ALJ should adopt, each of which is discussed below. Staff witness Duell supports the Company’s proposal to spend \$229,000,000 in Base O&M expenses for the projected test year for tree-trimming. (2 TR 791.)

1. The Company failed to complete the Surge Program in 2025.

Company witness Hutchinson explained that the Company did not complete 12 miles of the surge program due to third party delays and customer refusals. (4 TR 3187.) Staff remains concerned, as explained by its witness Duell, with the Company's failure to complete all scheduled line miles for the surge program in 2025. (2 TR 787–789.)

City of Ann Arbor witness Melissa Stults testified that the Company failed to address backlog in tree trimming that was the primary objective of the Surge program. (2 TR 277.) She further stated that the Company deferred trimming 2,000 on cycle miles in 2024 and planned to defer 3,700 more on cycle miles in 2025 which led to a total of 5,700 miles that are no longer on a 5-year cycle. (*Id.*) Because the Company did not maintain the backlog of miles to stay on a 5-year cycle, DTE failed to complete the Surge. (*Id.*)

Witness Hutchinson responded to Staff stating that the Company does not agree and further stated that he discussed in his direct testimony that 100% of the Company's sub transmission system and over 99.9% of the Company's distribution system were trimmed to the ETTP specification by the end of 2025. (4 TR 3216.) Witness Hutchinson further stated "of the Company's 28,600 total distribution miles, only 12 miles remained as they were associated with customer refusals and six miles remained as they were subject to third party constraints, such as permitting delays". (*Id.*)

Regarding Witness Stults' assertion that the Surge was not completed because the Company did not eliminate the historical tree-trimming backlog which started the Surge initiative, witness Hutchinson responded by stating that the Company was moving towards a risk-based cycle since its proposal to the Commission in Case No. U-21297. (4 TR 3218.) Witness Hutchinson further stated that since the Commission ordered the Company to stay on a fixed 5-year cycle in Case U-21860, the Company accrued some backlog miles because it reclassified some 2026 miles from on-cycle to off-cycle which created the backlog. (*Id.*) He went on to state that in Case U-20836 the Commission ordered the Company to provide an update on its analysis regarding its tree trimming program, including improving efficiency and evaluating potential benefits from utilizing a variable cycle. (*Id.*) The Company then requested funding in LiDAR technology which then prompted the request to shift their cycles after the Surge Program was completed to a risk-based cycle in Case U-21860. The Commission ultimately denied that request in their order in Case U-21860. (4 TR 3217–3219.)

Staff does not agree with the Company's rebuttal stating the Company did not complete the Surge program because the Company cannot control customer refusals and third-party delays. Staff also does not agree with the Company's assertion that the reason for backlog in miles is due to the Company transitioning to a Risk-Based cycle in 2025. In Case U-21534 the Commission stated: "The Commission further recognizes that the results of the audit performed in Case No.

U-21305 may affect this expense category.” MPSC Case No. U-21534, 1/23/25 Order, p 226. The Commission later stated in its order in Case U-21305:

The Commission recommends that the company stay on the five-year cycle while investigating the additional benefits of moving to a four-year cycle, consistent with Liberty’s recommendation and finding that “others have commonly found additional reliability benefits on a cost-effective basis.” *Id.* Further, the Commission finds that DTE Electric should analyze the incremental costs and benefits of expanding trimming zones and of clearing underbrush and hazard trees, as recommended by the Staff. [MPSC Case No. U-21305, 6/12/25 Order, p 17.]

The Company then filed its next rate, Case U-21860 on 04/24/2025, and proposed to the Commission to approve funding for the projected test year in tree trimming in the amount of \$180 million which would move the Company to a risk-based cycle. The Commission denied this request in its 2/19/2026 Order stating: “[t]he Commission adopts the ALJ’s recommendation to direct the company to proceed with a consistent five-year tree trimming cycle.” MPSC Case No. U-21860, 2/19/26 Order, p 320. The Commission further stated:

The Commission does not preclude the concept of a risk-based cycle indefinitely. In fact, once more data is gathered after reaching the five-year cycle, applying a risk-based approach with disallowance of costs caused by tree-related outages on cycles longer than a set standard could prove to be reasonable. Nevertheless, without ever reaching the five-year cycle identified by the Audit and ordered by the Commission, this determination cannot be made. [*Id.*]

The Company filed rebuttal testimony in response to Staff’s and witness Stults’ assertions, arguing that the idea that the Company did not complete the Surge program because 12 miles were left uncleared, and there is currently a list of backlog miles that have fallen behind the 5-year cycle, are both incorrect and not accurate. (4 TR 3216–3218.) The timeline from when the Company first proposed

the risk-based cycle to the filing of the present case should have allowed the Company plenty of time to project line clearing expenditures that would represent a second round of a 5-year effective line clearing cycle. But the Company disregarded the Commission and instead in the current rate case explained that the Company is using year 2026 as a transition year. Witness Hutchinson explained in his direct testimony:

2026 will serve as a transition year to fully align resources and processes. While a fixed five-year cycle would require approximately 6,554 miles annually, the 2026 target reflects an intentional transition, resulting in trimming approximately 1,350 miles below full five-year cycle requirements. Beginning in 2027, the Company intends to have fully transitioned to a five-year trimming cycle assuming the O&M funding levels requested in this case are approved. [4 TR 3206.]

DTE had ample time to reconfigure its tree trimming approach and provide the costs associated with a fixed 5-year cycle in the current rate case. If the Company adhered to the Commission's directive the Company could have used 2026 as the first year to start its fixed 5-year tree trimming cycle. This, in turn, could have allowed the Company to complete its remaining Surge miles and catch up on the amount of backlog it has to clear. Instead, the Company has squandered time and resources to make 2026 its planning year which in turn could have been allocated to starting a fixed 5-year tree trimming cycle.

2. **Staff recommends the Company move all 292 backlog circuits on an effective 5-year tree trimming cycle and file a year-end list of distribution circuits that are not on a five-year cycle in MPSC Case No. U-20162 by March 1st of each year.**

Staff witness Duell recommends that the Company work towards getting all 292 circuits on a 5-year effective tree trimming cycle. (2 TR 791.) Secondly, Staff recommends the Company continue to file a year-end list of distribution circuits that are not on a five-year cycle in MPSC Case No. U-20162 by March 1st of each year. (*Id.*) The list should contain the circuits which are not on a 5-year cycle, and for each circuit the Company should provide the type of circuit, number of outage events, and the cost of each outage event. (2 TR 791–792.) The Company should provide this information until it has fully transitioned all 292 circuits to a 5-year effective cycle. (2 TR 792.) If there are multiple circuits that have more than 20 outage events within a year, Staff may recommend disallowance of tree trimming expenditures requested in future rate cases. (*Id.*)

Witness Hutchinson responded to Staff's recommendation by stating the Company does not agree with Staff's proposal because the Company has concerns with how to estimate circuit level restoration costs, distinguish between tree-caused and non- tree caused events, and whether Staff's threshold of 20 outages or more is appropriate. (4 TR 3222.) Company witness Hutchinson further stated that a single weather event can cause multiple recorded outage events. (*Id.*) The Company's outage management system may count each event separately, but field conditions requiring repair may be a single damaged location. (*Id.*) Witness Hutchinson also stated that the Company's outage management system does not

automatically consolidate events that may later be found to have the same root cause, which causes the Company to manually review to determine when multiple recorded events should be treated as one outage event. (*Id.*) DTE further recommended an alternative option for the Commission to consider which would use information on the ten worst performing circuits already reported to the Commission in Table 11 in its Vegetation Management Annual Report as of the starting point for developing and refining the criteria proposed by witness Duell. (4 TR 3223.) The Company believes this approach is the preferable approach because the ten worst performing circuits are identified based on SAIFI performances, which is a direct measure of the Company's system reliability. (4 TR 3223.)

Staff recommends the Commission direct the Company to first get all 292 circuits on a 5-year effective tree trimming cycle, second, to continue to file a year-end list of distribution circuits that are not on a five-year cycle in MPSC Case No. U-20162 by March 1st of each year, and lastly, to include in the list the circuits which are not on a 5-year cycle, and for each circuit the Company should provide the type of circuit, number of outage events, and the cost of each outage event. If there are multiple circuits that have more than 20 outage events within a year, Staff may recommend disallowance of tree trimming expenditures requested in future rate cases. The Commission ordered the Company in Case U-21860 to track tree-related outage for circuits falling behind the required 5-year cycle and present the data in the next rate case. The Company followed the Commission directive and provided the data in Exhibit A-31 Schedule U-3. Staff is, therefore, unclear why the

Company argues it cannot provide this data again in each rate case it files.

Regarding the Company's stance that its outage management system would not provide accurate data to determine restoration costs and cause codes for storm outages, which would therefore warrant the Company to not be ordered to provide such data, it is inaccurate because the Company provides similar data in its monthly U-21122 reports and upon request in discovery for any rate case. Staff is looking at the 292 circuits that are on a 6–7-year cycle for the data to analyze and determine if the Company is taking the right steps to get its entire distribution system on a second round of a 5-year effective tree trimming cycle. If the Commission were to agree with witness Hutchinson recommendation to get the data from the 10 worst performing circuits on the Company's distribution system this in turn would not highlight the 292 circuits that are not on a 5-year tree trimming cycle. It is the Company's responsibility to provide reliable service to its customers and its Staff's responsibility to make sure DTE is meeting its responsibilities of providing reliable service to its customers.

3. Staff witness Duell recommends the Company track Out of Right of Way tree removal customer refusals.

Staff witness Duell recommends the Commission order the Company to track customer refusals for Out of Right of Way tree removals. (2 TR 792.) The Company should provide this data in two sets, the first set of data the Company would collect for itself which includes customer information, and the second set of data would be in aggregated form for Staff to review in the Company's future rate cases. (*Id.*)

Company witness Hutchinson disagreed with witness Duell's recommendation, stating, "there is no operational value to collecting and maintaining a list of customers who are legally permitted to refuse access to a property/tree that is outside of the right of way." (4 TR 3231.) Witness Hutchinson further stated that it is not clear what the Company, Staff, or other parties would do with that data, or how it would support any improvements to the Vegetation Management process. (*Id.*) Witness Hutchinson also stated that requiring the Company to collect, maintain, and report such information would impose an unreasonable administrative burden on the Company without providing a corresponding operational benefit to it or to customers. (*Id.*)

After reading and reviewing DTE's rebuttal testimony, Staff maintains its position that the Commission order the Company to track customer refusals for Out of Right of Way tree removals. Because the Company is not tracking these customer refusals, issues may occur. For example, an Outside of Right of Way tree that a customer refused to have removed could cause an outage. (2 TR 793.) If tracked by the Company, the Company would be aware of the potential risk point on a circuit. (*Id.*) Staff's position is that there is also considerable operational value to tracking Out of Right of Way tree removals because the Company can use the data before a storm occurs to better understand if an Out of Right of Way tree that was refused to be cut down by a customer could be cause of damage to a circuit after a storm. If the Company starts collecting this data, they then can use this information to better understand tree-caused outages on its distribution system and

help educate their customers regarding Out of Right of Way tree removal process by showing data and reliability results of removing Out of the Right of Way trees. This, in turn, would help customers better understand the removal process and help guide them to making sound decisions which would have an impact on their electric reliability before and after storms.

J. Storm Restoration Recommendations

[References in the record: Duell, 2 TR 794–795; Hill, 4 TR 4885]

Staff witness Duell supported the Company's proposal to spend \$84,891,000 for the projected test year O&M expense in service restoration, taking into account any inflation adjustments recommended by Staff witness Rueckert. (2 TR 794; Exhibit A-13, Schedule C5.6, p 3, line 8 column h.)

1. Staff recommends the Commission require DTE to project storm restoration O&M expenditures by using the prior year plus inflation.

Staff witness Duell recommends that the Commission consider requiring the Company to project future Storm Restoration O&M expenditures by using the prior year service restoration expense plus inflation. (2 TR 794.)

Company witness Hill disagreed with witness Duell's recommendation, stating the Company's consistent use of a five-year historical average escalated for inflation smooths weather-driven year-to-year variability. (4 TR 4885.) Witness Hill further stated the Company sees no basis for applying a different forecasting approach to Emergent Expense O&M than the methodology used for Emergent

Replacements Base Capital because both categories are subject to underlying drivers of cost variability. (*Id.*)

Staff maintains that it would be valuable to the Company and its customers if the Commission considered ordering the Company to project service restoration O&M expenses using the prior year costs plus inflation. A 5-year average does not fully capture the expense needed to cover storm restoration costs in the future because, if the Company had more “good” storm years than “bad” storm years in the five-year historical period, the projections for each future year may not cover the costs a storm season could accrue for that year. If the Company had more “bad” years than “good” years the projection requested for the future year could be more than what the Company needs if the storm season was calm within that year, which causes customers to pay more than is needed in rates for storm restoration costs. By basing its projection on the prior year plus inflation it prevents a prior year that was an outlier from influencing the projected expense for years to come.

K. Staff recommends the Company provide an exhibit in each rate case that includes Community Lighting third party damages data.

[References in the record: Duell, 2 TR 796; Hartley, 4 TR 4638–4639]

Staff witness Duell recommends the Company provide an exhibit in each rate case showing the Community Lighting third party damages from the historical year. (2 TR 796.) In the Community Lighting damage report exhibit, Staff recommends the Company provide the city or township in which the damage

occurred, the damage cost amount, amount collected from the third-party, equipment damaged, and the cause of the damage. (*Id.*)

Company witness Hartley replied in rebuttal testimony agreeing with Staff, stating the Company agrees these are reasonable categories and can generally be populated using data the Company maintains in the ordinary course of business. (4 TR 4638–4639.)

Staff, therefore, recommends the Commission approve its recommendation that the Company provide an exhibit including Community Lighting third party damages data.

X. Conclusion

Staff recommends that the Commission find that the Company's total revenue deficiency will be \$251.541 million. Staff recommends that the Commission adopt Staff's lower rate base, return on equity and operating expenses, its higher revenue, as well as Staff's proposed cost of service, rate design and tariff revisions. Staff's recommendations strike the right balance between the Company's interest and its ratepayers' interests.

Respectfully submitted,

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Dated: October 26, 2026

APPENDIX A

Michigan Public Service Commission
DTE Electric Company
Projected Revenue Deficiency (Sufficiency)
Projected 12 Month Period Ending February 29, 2028
(\$000)

Case No.: U-22046
 MPSC Staff Initial Brief
Appendix A

Line No.	(a) Description	(b) Source	(c) Applicant Projection	(d) Staff Adjustment	(e) Staff Projection
1	Rate Base	Exh. A-12, Sch. B1	\$ 25,868,261	\$ (359,140)	\$ 25,509,122
2	Adjusted Net Operating Income (1)	Exh. A-13, Sch. C1	\$ 1,306,547	\$ 85,073	\$ 1,391,619
3	Overall Rate of Return	Line 2 ÷ Line 1	5.05%	0.40%	5.46%
4	Required Rate of Return	Exh. A-14, Sch. D1	5.97%	-0.22%	5.74%
5	Income Requirements	Line 1 x Line 4	\$ 1,543,404	\$ (78,205)	\$ 1,465,199
6	Income Deficiency (Sufficiency)	Line 5 - Line 2	\$ 236,857	\$ (163,278)	\$ 73,580
7	Revenue Conversion Factor	Exh. A-13, Sch. C2	<u>1.3496</u>	<u>-</u>	<u>1.3496</u>
8	Revenue Deficiency / (Sufficiency)	Line 6 x Line 7	\$ 319,671	\$ (220,365)	\$ 99,306
9	Return On - Tree Trim Regulatory Asset	Exh. A-11, Sch. A1.1	-	-	-
10	Return On - Monroe Regulatory Asset	Exh. A-11, Sch. A1.2	<u>154,674</u>	<u>(2,439)</u>	<u>152,235</u>
11	Revenue Deficiency / (Sufficiency)-Total	Sum Lines 8, 9, 10	<u>\$ 474,345</u>	<u>\$ (222,804)</u>	<u>\$ 251,541</u>

APPENDIX A.2

Michigan Public Service Commission
DTE Electric Company
Monroe Regulatory Asset - Return On
Projected 12 Month Period Ending February 29, 2028
(\$000)

Case No.: U-22046
MPSC Staff Initial Brief
Appendix A.2

Line No.	(a) Description	(b) Test Period Amount	(c) Reference
1	<u>Return on Monroe Regulatory Asset</u>		
2	Monroe Regulatory Asset - Average Balance	2,296,777	Exhibit A-12, Schedule B4.4, Line 6
3	Pre-tax Weighted Average Cost of Capital 1/	<u>6.63%</u>	Exhibit A-14, Schedule D1, Page 2
4	Return on Monroe Regulatory Asset	<u><u>152,235</u></u>	

1/ Pretax WACC as proposed in this case was recalculated using 9% ROE in accordance with U-21193 order dated July 26, 2023

APPENDIX B

Michigan Public Service Commission

DTE Electric Company

Projected Rate Base

Periods Ending December 31, 2025 and February 29, 2028

(\$000)

Case No.: U-22046

MPSC Staff Initial Brief

Appendix B

	(a)	(b)	(c)	(d)	(e)
Line No.	Description	Source	Applicant Projection (13 Month Average)	Staff Adjustment (13 Month Average)	Staff Projection (13 Month Average)
1	Utility Plant in Service:				
2	Plant in Service	Exh. A-12, Sch. B2, L6	28,883,370	(332,030)	28,551,340
3	Plant Held for Future Use	Exh. A-12, Sch. B2, L7	0	-	0
4	Construction Work in Progress	Exh. A-12, Sch. B2, L8	2,835,128	-	2,835,128
5	Acquisition Adjustments	Exh. A-12, Sch. B2, L9	70,786	-	70,786
6	Total Utility Plant	Sum Lines 2 thru 5	31,789,284	(332,030)	31,457,254
7	Depreciation Reserve	Exh. A-12, Sch. B3, L6	(7,721,534)	18,108	(7,703,426)
8	Net Utility Plant	Line 6 + Line 7	24,067,750	(313,922)	23,753,829
9	Net Capital Lease Property	Exh. A-12, Sch. B4.1, col. (c), L10	8,367	-	8,367
10	Property under Operating Leases	Exh. A-12, Sch. B4.1, col. (c), L11	-	-	-
11	Net Nuclear Fuel Property	Exh. A-12, Sch. B4.1, col. (c), L12	248,876	-	248,876
12	Total Utility Property and Plant	Sum Lines 8 thru 11	24,324,993	(313,922)	24,011,071
13	Less: Capital Lease Obligations	Exh. A-12, Sch. B4.1, col. (c), L85 + L100	8,831	-	8,831
14	Net Plant	Line 12 - Line 13	24,316,162	(313,922)	24,002,240
15	Allowance for Working Capital	Exh. A-12, Sch. B4	1,552,100	(45,218)	1,506,882
16	Total Rate Base	Line 14 + Line 15	25,868,261	(359,140)	25,509,122

APPENDIX C

MICHIGAN PUBLIC SERVICE COMMISSION

Case No.: U-22046
MPSC Staff Initial Brief
Appendix C

DTE Electric Energy Company

Development of Projected Net Operating Income
for the Test Year Ended February 29, 2028
(\$000)

Revenue					Expenses										NOI			
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	(r)
Line No.	Description (Witness)	Sales Revenue	Base Fuel & Purchase Power Rev.	Other Revenue and R2 Rider	Total	Fuel and Purchased Power	Other O&M Expense	Depreciation & Amort.	Property Taxes	Other Taxes	State & Local Income	FIT	Other Utility (Income) / Deductions	Total	NOI	AFUDC	Loss on Reacquired Securities	Adjusted NOI
1	Company Filed																	
	Operating Income (Direct)	4,526,651	1,365,547	209,437	6,101,635	1,365,547	1,318,746	1,557,980	398,450	53,637	70,880	129,659	(2,436)	4,892,462	1,209,172	99,257	(1,883)	1,306,547
	Staff Adjustments																	
2					-						-	-		-	-			-
3	Revenue				-						-	-		-	-			-
4	Sales (Rademacher)	13,911			13,911						864	2,740		3,604	10,307			10,307
5	RIA Projection (Braunschweig)	1,384			1,384						86	273		359	1,026			1,026
6					-						-	-		-	-			-
7	Fuel & Purchased Power Exp. (Rademacher)				-	2,495					(155)	(491)		1,849	(1,849)			(1,849)
8					-						-	-		-	-			-
9	Steam Power Generation				-						-	-		-	-			-
10	Greenwood Outage (Maintenance Outside Test Yr) (Fordice)				-		(3,855)				239	759		(2,856)	2,856			2,856
11	Greenwood Outage (Maintenance Normalization) (Fordice)				-		(3,174)				197	625		(2,352)	2,352			2,352
12	Monroe 1 (Outage Normalization) (Fordice)				-		(12,157)				755	2,394		(9,008)	9,008			9,008
13	BRPP Outage (Maintenance Not Occuring) (Fordice)				-		(3,828)				238	754		(2,836)	2,836			2,836
14	BRPP Conversion Credit (Fordice)				-		189				(12)	(37)		140	(140)			(140)
15	Belle River Fuel Handling (Fordice)				-		(6,824)				424	1,344		(5,056)	5,056			5,056
16	MERC Fuel Handling (Fordice)				-		(1,416)				88	279		(1,049)	1,049			1,049
17					-						-	-		-	-			-
18	Distribution				-						-	-		-	-			-
19	Next-Gen AMI (Hansen)				-		(3,642)				226	717		(2,699)	2,699			2,699
20					-						-	-		-	-			-
21	Corporate Support				-						-	-		-	-			-
22	C&I Portal Migration (Klocke)				-		(326)				20	64		(241)	241			241
23	Customer Insight Platform (Klocke)				-		(119)				7	23		(88)	88			88
24	Digital Channels Application Health (Klocke)				-		(122)				8	24		(90)	90			90
25	Digital Channels Transformation Program (Klocke)				-		(167)				10	33		(124)	124			124
26	MIGP Customer-Requested Renewable Energy Projects (Klocke)				-		(281)				17	55		(208)	208			208
27	MIGP Low Income Solar Pilot (Klocke)				-		(142)				9	28		(105)	105			105
28	MIGP Scope 3 Billing and Enrollment (Klocke)				-		(322)				20	63		(238)	238			238
29	Outage WISMO, PPS, Map Applcaion Health (Klocke)				-		(657)				41	129		(486)	486			486
30	Regulatory Compliance (Klocke)				-		(400)				25	79		(297)	297			297
31	Self Service Mobile Application Health (Klocke)				-		(122)				8	24		(90)	90			90
32	Web Billing and Profile Management Cloud Migration (Klocke)				-		(332)				21	65		(246)	246			246
33	Web Transaction Application Health (Klocke)				-		(332)				21	65		(246)	246			246
34	Projects with a Level 2 cost estimate (Rogers)				-		(51)				3	10		(38)	38			38
35	Projects with a Level 3 Cost Estimate (Rogers)				-		(1,154)				72	227		(855)	855			855
36	Government Cloud Foundation (Rogers)				-		(26)				2	5		(19)	19			19
37	Real Estate Management (Rogers)				-		(217)				13	43		(161)	161			161
38	Maximo Uplift to Maximo Application System (Rogers)				-		(4,198)				261	827		(3,110)	3,110			3,110
39	Documentum Application Health (Rogers)				-		(65)				4	13		(48)	48			48
40	Everyday Daily Plan (EDDP) Application Health (Rogers)				-		(39)				2	8		(29)	29			29
41	ITS ADMS Application Health (Rogers)				-		(29)				2	6		(21)	21			21
42	Renewable Operations Application Health (Rogers)				-		(11)				1	2		(8)	8			8
43	Information Protection Security (Harris)				-		(46)				3	9		(34)	34			34
44					-						-	-		-	-			-
45	Pension & Benefits				-						-	-		-	-			-
46	VEBA				-		(1,308)				81	258		(969)	969			969
47	Employee Savings Plan				-		(1,575)				98	310		(1,167)	1,167			1,167
48	Active Healthcare				-		(3,838)				238	756		(2,844)	2,844			2,844
49					-						-	-		-	-			-
50	Total O&M - Inflation (Rueckert)				-		(4,263)				265	840		(3,159)	3,159			3,159
51					-						-	-		-	-			-
52					-						-	-		-	-			-
53	Impact of Cap Ex Adj on Prop. Tax & Depr. (Hecht)				-			(36,114)	(927)		2,300	7,296		(27,445)	27,445			27,445
54	Correct filed depreciation rates for incorrect plant balances used to derieve weighted average depr. rates. (Hecht)				-			(9,202)			571	1,812		(6,818)	6,818			6,818
55	Proforma Interest (Nichols)				-						(164)	(519)		(683)	683			683
56	Interest Synchronization (Nichols)				-						(1)	(3)		(3)	3			3
57	Total Adjustments	15,295	-	-	15,295	2,495	(54,848)	(45,316)	(927)	-	6,908	21,910	-	(69,778)	85,073	-	-	85,073
58	Staff NOI - Test Year	4,541,946	1,365,547	209,437	6,116,930	1,368,042	1,263,898	1,512,664	397,523	53,637	77,788	151,569	(2,436)	4,822,685	1,294,245	99,257	(1,883)	1,391,619

APPENDIX D

Michigan Public Service Commission
DTE Electric Company
Projected Rate of Return Summary
For the 13-Month Average Period Ending Feb. 29, 2028

Case No.: U-22046
MPSC Staff Initial Brief
Appendix D

Line No.	(a) Description	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
		Capital Structure			Cost Rate %	Weighted Costs			
		Amount (\$000)	Percent Permanent Capital	Percent of Total Capital		Permanent Capital	Total Cost %	Conversion Factor	Pre-Tax Return
1	Long-Term Debt	10,143,184	50.00%	39.21%	4.46%	2.23%	1.75%	1.0000	1.75%
2	Preferred Stock	0	0.0%	0.00%	0.00%	0.00%	0.00%	1.3496	0.00%
3	Common Shareholders' Equity	10,143,184	50.00%	39.21%	9.90%	4.95%	3.88%	1.3496	5.24%
4	Total	20,286,368	100.0%			7.18%			
5	Short-Term Debt	684,523		2.65%	3.74%		0.10%	1.0000	0.10%
6	Investment Tax Credit (ITC) - Debt	25,573		0.10%	4.46%		0.00%	1.0000	0.00%
7	Investment Tax Credit (ITC) - Equity	25,573		0.10%	9.90%		0.01%	1.3496	0.01%
8	Total Investment Tax Credit (ITC)	51,145							
9	Deferred Income Taxes (Net)	4,846,224		18.73%	0.000%		0.00%		0.00%
10	Total	25,868,261		100.00%			5.74%		7.10%

APPENDIX E

Michigan Public Service Commission
DTE Electric Company
Capital Expenditure and Rate Base Adjustments
Projected Balances Period Ending February 29, 2028
(\$000)

Appendix E
MPSC Staff Brief
Case No. U-22046
Page 1 of 4

Line	Adjustment Description	(a)	(b)	(c)	(d)	(e)	(f)	(g)
			Total Cap Ex Adj.	Plant	Accum Depr.	Rate Base	Depreciation	Property Tax
1	<u>Distribution Base Capital Programs:</u>							
2	Customer Connections, Relocations & Other (CCRO)							
3	Connections and New Load		(48,757)	(30,594)	4,318	(34,912)	(1,249)	(254)
4	Electric System Equipment		(19,768)	(12,818)	1,791	(14,610)	(523)	(113)
5	<u>Distribution Strategic Capital Programs:</u>							
6	Resilience and Hardening							
7	Pole and Pole Top Maintenance and Modernization (PTMM) (part of IRM)		(107,300)	(50,093)	7,787	(57,880)	(2,045)	(135)
8	Breaker Replacement Program (part of IRM)		(2,499)	(1,062)	166	(1,228)	(43)	(3)
9	URD Replacement Program (part of IRM)		(2,499)	(1,062)	166	(1,228)	(43)	(3)
10	Redesign and Modernization							
11	4.8 kV CC:Calla Circuit Conversion and Phase 2		(1,500)	(1,027)	141	(1,168)	(42)	(10)
12	4.8 kV CC: I-94 Substation & Circuit Conversion (Promenade) System Conduit		(2,140)	(1,670)	221	(1,891)	(68)	(20)
13	4.8 kV CC: New Baltimore		(5,278)	In CWIP with AFUDC Offset	562	(562)	In CWIP with AFUDC Offset	(12)
14	CODI: Kent/Gibson Conversion Phase 1		(5,540)	(3,880)	530	(4,411)	(158)	(39)
15	System Loading: Cody		(847)	In CWIP with AFUDC Offset	101	(101)	In CWIP with AFUDC Offset	(3)
16	System Loading: Goodison		(1,773)	In CWIP with AFUDC Offset	167	(167)	In CWIP with AFUDC Offset	(3)
17	System Loading: Mohican		(50)	(43)	5	(48)	(2)	(1)
18	System Loading: Richmond/Armada		(893)	In CWIP with AFUDC Offset	80	(80)	In CWIP with AFUDC Offset	(1)
19	System Loading: Spokane/Seneca		(1,243)	In CWIP with AFUDC Offset	118	(118)	In CWIP with AFUDC Offset	(2)
20	Subtransmission Redesign & Rebuild: DUNN Station		(300)	(220)	30	(249)	(9)	(2)
21	Subtransmission Redesign & Rebuild: Trunk 3509		(360)	(306)	39	(345)	(12)	(4)

Michigan Public Service Commission
DTE Electric Company
Capital Expenditure and Rate Base Adjustments
Projected Balances Period Ending December 31, 2026
(\$000)

Appendix E
MPSC Staff Brief
Case No. U-22046
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	(a)	(b)	(c)	(d)	(e)	(f)	(g)
		Total	Test Year Impacts From Staff Adjustment(s)				
Line	Adjustment Description	Cap Ex Adj.	Plant	Accum Depr.	Rate Base	Depreciation	Property Tax
22	Technology and Automation						
23	Distribution Automation (part of IRM)	(116,667)	(66,667)	(1,417)	(65,250)	(2,722)	(175)
24	DER Integration	(11,092)	(8,667)	(327)	(8,340)	(354)	(80)
25	DER Control	(628)	(483)	(18)	(465)	(20)	(4)
26	Image Acquisition Platforms	(4,556)	In CWIP with AFUDC Offset	-	-	In CWIP with AFUDC Offset	-
27	Automation Configuration & Test Record Database	-	-	-	-	-	-
28	Meter Improvements	(1,400)	(1,400)	(327)	(1,073)	(280)	-
29	Customer Power Status Visibility	(153)	(153)	(36)	(117)	(31)	-
30	Customer Power Quality Monitoring & Issue Investigation	(1,009)	In CWIP with AFUDC Offset	-	-	In CWIP with AFUDC Offset	(1)
31	Interconnection Process Enablement	(432)	(216)	(22)	(194)	(43)	-
32	Hosting Capacity Enablement	(391)	(308)	(58)	(250)	(62)	-
33	Substation Design Tools Upgrade	(1,482)	(848)	(88)	(760)	(170)	-
34	Design Tool Automation	(3,620)	In CWIP with AFUDC Offset	-	-	In CWIP with AFUDC Offset	-
35	Digital Construction Management	(2,443)	In CWIP with AFUDC Offset	-	-	In CWIP with AFUDC Offset	-
36	Mobile Tools Expansion	(1,768)	In CWIP with AFUDC Offset	-	-	In CWIP with AFUDC Offset	-
37	Grid Edge and Distributed Intelligence						
38	Next-Gen AMI and Distributed Intelligence	(6,683)	(4,783)	(269)	(4,514)	(319)	-
39	DERMS	(8,467)	In CWIP with AFUDC Offset	-	-	In CWIP with AFUDC Offset	-
40	Last-Mile Communications	(7,000)	(3,500)	(71)	(3,429)	(143)	(10)
41	TOTAL: DISTRIBUTION	(368,538)	(189,800)	13,590	(203,390)	(8,337)	(875)
42	Demand Side Management:						
43	Interruptible Space Conditioning - CoolCurrents	(5,117)	(2,559)	(256)	(2,303)	(512)	(7)
44	Other Demand Response Programs and Pilots - Interruptible Water Heating	(257)	(128)	(13)	(116)	(26)	(0)
45	TOTAL: DEMAND SIDE MANAGEMENT	(5,374)	(2,687)	(269)	(2,418)	(537)	(8)

Michigan Public Service Commission
DTE Electric Company
Capital Expenditure and Rate Base Adjustments
Projected Balances Period Ending December 31, 2026
(\$000)

Appendix E
MPSC Staff Brief
Case No. U-22046
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Line	Adjustment Description	(a)	(b)	(c)	(d)	(e)	(f)	(g)
			Total Cap Ex Adj.	Plant	Accum Depr.	Rate Base	Depreciation	Property Tax
46	Information Technology:							
47	Level 2 Cost Estimate Reductions		(604)	(302)	(30)	(272)	(60)	-
48	Level 3 Cost Estimate Reductions		(24,947)	(19,824)	(3,737)	(16,086)	(3,965)	-
49	Corporate Applications							
50	Documentum Application Health		(984)	(732)	(128)	(604)	(146)	-
51	Real Estate Management		(2,576)	(1,494)	(156)	(1,338)	(299)	-
52	Customer IT							
53	Regulatory Compliance		(8,814)	(7,378)	(1,999)	(5,379)	(1,476)	-
54	MIGP Customer-Requested Renewable Energy Projects		(15,833)	(14,094)	(4,176)	(9,918)	(2,819)	-
55	MIGP Low Income Solar Project		(2,027)	(1,176)	(123)	(1,053)	(235)	-
56	MIGP Scope 3 Billing & Enrollment		(4,557)	(2,643)	(276)	(2,366)	(529)	-
57	Rider 17-MIGP Residential and C&I Customers		(3,921)	(2,211)	(229)	(1,982)	(442)	-
58	Customer Relationship and Billing Program		(3,693)	(2,795)	(501)	(2,294)	(559)	-
59	Digital Channels Application Health		(5,346)	(4,516)	(1,264)	(3,252)	(903)	-
60	Powerley Customer Platform Application Health		(1,785)	(1,785)	(774)	(1,011)	(357)	-
61	Self Service Mobile Channel Application Health		(3,365)	(2,815)	(761)	(2,054)	(563)	-
62	Web Transaction Application Health		(14,922)	(12,419)	(3,294)	(9,125)	(2,484)	-
63	Customer Insight Platform Application Health		(3,892)	(2,976)	(539)	(2,437)	(595)	-
64	Outage WISMO, PPS, & Map Application Health		(14,495)	(11,962)	(3,027)	(8,935)	(2,392)	-
65	C&I Portal Migration		(4,948)	(2,815)	(293)	(2,522)	(563)	-
66	Digital Channels Transformation Program		(9,367)	(8,217)	(2,301)	(5,916)	(1,643)	-
67	Web Billing & Profile Management Cloud Migration		(5,219)	(2,969)	(309)	(2,660)	(594)	-
68	Outage WISMO, PPS, & Map Enhancement		(579)	(579)	(251)	(328)	(116)	-
69	Payment Merchant Fees		(14,471)	(14,471)	(5,271)	(9,200)	(2,894)	-
70	Plant & Field							
71	Distribution Operations Application Health		(2,311)	(1,311)	(136)	(1,174)	(262)	-
72	Everyday Daily Plan (EDDP) Application Health		(104)	(77)	(14)	(63)	(15)	-
73	ITS ADMS Application Health		(1,227)	(945)	(173)	(771)	(189)	-
74	Renewable Operations Application Health		(45)	(25)	(3)	(22)	(5)	-
75	Maximo Uplift to Maiximo Application System		(20,362)	(11,537)	(1,199)	(10,338)	(2,307)	-
76	Information Protection Security							
77	Cloud and Endpoint Security Application Health		(739)	(421)	(44)	(377)	(84)	-
78	Cyber Resilient Offline Data Recovery		(528)	(528)	(123)	(405)	(106)	-

Michigan Public Service Commission
DTE Electric Company
Capital Expenditure and Rate Base Adjustments
Projected Balances Period Ending December 31, 2026
(\$000)

Appendix E
MPSC Staff Brief
Case No. U-22046
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Line	Adjustment Description	(a)	(b)	(c)	(d)	(e)	(f)	(g)
			Total Cap Ex Adj.	Plant	Accum Depr.	Rate Base	Depreciation	Property Tax
79	Infrastructure Operations							
80	Government Cloud Foundation		(620)	(310)	(31)	(279)	(62)	-
81	Conference Room Audio Video Support		(59)	(33)	(3)	(29)	(7)	-
82	Field Worker Device End of Life		(638)	(454)	(77)	(377)	(91)	-
83	Replace End of Life Network Infrastructure		(6)	(3)	(0)	(3)	(1)	-
84	Security Infrastructure Growth and EOL		(47)	(24)	(2)	(21)	(5)	-
85	TOTAL: INFORMATION TECHNOLOGY		(173,030)	(133,836)	(31,244)	(102,593)	(26,767)	-
86	<u>Corporate Staff:</u>							
87	Security Measures		(613)	(350)	(15)	(335)	(29)	(1)
88	Other Miscellaneous		(3,967)	(3,467)	(299)	(3,168)	(287)	(39)
89	Facilities-Construction & Upgrade - Old SOC Renovation		(3,600)	(1,890)	128	(2,018)	(156)	(5)
90	TOTAL: CORPORATE STAFF		(8,179)	(5,706)	(186)	(5,521)	(472)	(45)
91	<u>TOTAL CAPITAL EXPENDITURE ADJUSTMENTS</u>		<u>(555,121)</u>	<u>(332,030)</u>	<u>(18,108)</u>	<u>(313,922)</u>	<u>(36,114)</u>	<u>(927)</u>
92	<u>WORKING CAPITAL ADJUSTMENTS</u>							
93	Non Utility Balance included in Other Accounts Receivable Total					(5,900)		
94	Reg Asset - Transportation Electrification Program					(403)		
95	Reg Asset/Liabilities - Pension/OPEB Deferrals					(38,915)		
96	TOTAL: WORKING CAPITAL					(45,218)		
97	TOTAL RATE BASE ADJUSTMENTS					<u>(359,140)</u>		

APPENDIX F

Michigan Public Service Commission
DTE Electric Company
Summary of Staff Position
Projected Balances Period Ending February 29, 2028

Appendix F
MPSC Staff Brief
Case No. U-22046

	(a)	(b)	(c)	(d)	(e)
Line	Description	Source	Rate Base	Pre-Tax	Revenue Requirement Impact (million \$)
Walk from DTE Revenue Deficiency (Direct) to Staff Initial Brief					(million \$)
1	Company Revenue Deficiency (Direct)				\$ 474.345
2	Staff Adjustments				
3	Rate base	Appendix E * Exhibit A-14, Sch D-1	(359.140)	7.42%	\$ (26.639)
4	Rate of return	Appendix B * (Appendix D less Exh A-14)	25,509.122	-0.31%	(79.835)
5	Revenue	Appendix C, line 57			(15.295)
6	Fuel & Purchased Power	Appendix C, line 57			2.495
7	O&M Expense	Appendix C, line 57			(54.848)
8	Depreciation	Appendix C, line 57			(45.316)
9	Property Tax	Appendix C, line 57			(0.927)
10	AFUDC	Appendix C, line 57	-	1.3496	-
11	Return on Tree-trm Reg Asset	Appendix A, line 9			-
12	Return on Monroe Reg Asset	Appendix A, line 10			(2.439)
13	Total Staff adjustments (rev. req. impact)	Appendix A, line 11			\$ (222.804)
14	Staff Revenue Deficiency (Initial Brief)	Appendix A, line 10			\$ 251.541
Walk from Staff Direct to Staff Initial Brief Revenue Deficiency					(million \$)
15	Staff Direct	Direct, Schedule A-1			\$ 239.094
16	Rate base	See Below	108,998	7.10%	7.744
17	Depreciation	Appendix C, line 57			2.372
18	Property Tax	Appendix C, line 57			0.827
19	O&M	See Below			1.503
20	AFUDC	Appendix C, line 57	-	-	-
21	Rounding				0.001
22	Staff Initial Brief				\$ 251.541
Walk from Staff Direct O&M to Staff Initial Brief O&M					(\$000)
23	Staff Direct	Direct, Schedule C1			\$ 1,262,395
24	MERC Fuel Handling	Appendix C			1,503
25					-
26					-
27					-
28					-
29					-
30					-
31					-
32					-
33					-
34	Staff Initial Brief	Initial Brief, Appendix C, line 67			\$ 1,263,898
Walk from Staff Initial Filing Rate Base to Staff Initial Brief Rate Base					(\$000)
35	Staff Direct	Direct, Schedule B-1			\$ 25,400,124
36	Technology and Automation - Distribution Automation to IRM	Appendix E			3,334
37	Resilience and Hardening - Pole Top Maintenance and Modernization to IRM	Appendix E			8,033
38	Resilience and Hardening - Breaker Replacement Program to IRM	Appendix E			354
39	Resilience and Hardening - URD Replacement Program to IRM	Appendix E			354
40	Technology and Automation - Automation Configuration & Test Record Database	Appendix E			623
41	Connections and New Load	Appendix E			89,552
42	Facilities-Construction & Upgrade - Walker Cisler Building Refresh	Appendix E			1,080
43	Information Protection Security - Projects less than \$250k - Info Protection Sect	Appendix E			28
44	Customer IT - Web Transaction Application Health	Appendix E			(5,000)
45	Customer IT - Rider 17-MIGP Residential and C&I Customers - Full Disallowance	Appendix E			(2,211)
46	Customer IT - Customer Relationship and Billing Program - Lack of support/upda	Appendix E			(2,795)
47	Infrastructure Operations - Conference Room Audio Video Support	Appendix E			24
48					-
49	Accumulated Deprecation	Appendix E			15,623
50	Staff Initial Brief	Initial Brief, Appendix B, line 16			\$ 25,509,122

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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

Case No. **U-22046**
(e-file paperless)

/

PROOF OF SERVICE

STATE OF MICHIGAN)
) ss
COUNTY OF EATON)

Cherie A. R. Shea being first duly sworn, deposes and says that on **October 26, 2026**, she served a true copy of **Michigan Public Service Commission Staff's Initial Brief** upon the following parties **via email only**:

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Cherie A. R. Shea

Subscribed and sworn to before me
this 26th day of **October, 2026**.



E. M. Fielder-Attia, Notary Public
State of Michigan, County of Jackson
Acting in the County of Eaton
My Commission Expires: 07-09-2031