



ENVIRONMENTAL LAW & POLICY CENTER

October 7, 2024

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

RE: MPSC Case No. U-21291

Dear Ms. Felice:

Please find enclosed Replies to Exceptions to the Proposed Final Decision of The Ecology Center, The Environmental Law & Policy Center, Union of Concerned Scientists, and Vote Solar (collectively, the Clean Energy Organizations (“CEO”)) which was filed electronically with proof of service in this matter.

Sincerely,

Daniel Abrams
Environmental Law & Policy Center
35 E. Wacker Dr, Suite 1600
Chicago, IL 60601
(773) 726-8701
dabrams@elpc.org

cc: Service List, Case No. U-21291

HQ: 35 East Wacker Drive | Suite 1600 | Chicago, IL 60601
ELPC.org | (312) 673-6500

Manny Flores, Chair | Howard A. Learner, Executive Director

Illinois | Indiana | Iowa | Michigan | Minnesota | North Dakota | Ohio | South Dakota | Wisconsin | Washington D.C.



**STATE OF MICHIGAN
MICHIGAN PUBLIC SERVICE COMMISSION**

In the matter of the Application of DTE)
GAS COMPANY for authority to increase)
its rates, amend its rate schedules and)
rules governing the distribution and)
supply of natural gas, and for)
miscellaneous accounting authority.)

Case No. U-21291

**REPLIES TO EXCEPTIONS TO THE PROPOSED FINAL DECISION
OF THE ECOLOGY CENTER, ENVIRONMENTAL LAW & POLICY CENTER,
UNION OF CONCERNED SCIENTISTS, AND VOTE SOLAR**

October 7, 2024

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The Ecology Center, the Environmental Law & Policy Center (“ELPC”), Union of Concerned Scientists (“UCS”), and Vote Solar (collectively, the “Clean Energy Organizations” (“CEO”)), file its Replies to Exceptions to the Proposed Final Decision (“PFD”) in the above-captioned DTE Gas Company (“DTE” or the “Company”) contested rate case. While the DTE rate case encompasses myriad complex issues, the CEO limits its Replies to Exceptions to the PFD to the following issues: (1) responding to DTE’s position that further analysis of the energy transition should be delayed; (2) responding to DTE’s objection to the PFD’s recommendation that the Company reinstate its demand response programs; and (3) responding to DTE’s objection to the PFD’s proposed disallowance of responsibly sourced gas (“RSG”) expenses.

I. Introduction

The critical issues for the CEO and several other Intervenors all revolve around the forthcoming energy transition and the best ways to prepare for a changing landscape which must account for the State’s emissions reduction goals and declining demand due to electrification. DTE did not incorporate any analysis of electrification into its rate case nor does it have a plan for meeting the State’s goals. CEO Opening Br. at 7-11. Importantly, the proper way for DTE to manage these external pressures is to focus on alternatives to intensive capital expenditure like demand response and non-pipe alternatives. CEO Opening Br. at 11-15; 17-23.

The PFD correctly identified the absence of any energy transition analysis by the Company and recommended that the Commission order the Company to analyze this critical issue. Relatedly, the PFD recommended that the Commission order DTE to reinstate its demand response program. In exceptions to the PFD, the Company objected to these recommendations. However, simply because the Company wishes to delay this analysis does not mean that electrification and the State’s emission goals won’t change the energy landscape. Accordingly, the Commission should build off the PFD and order the Company to undertake a comprehensive

analysis of the energy transition including scenario and sensitivity analyses and a robust alternatives analysis.

II. DTE's Exceptions to the PFD Mischaracterize the PFD's Recommended Remedy on Energy Transition

In a section regarding “Environmental Justice and Energy Transition,” the PFD made two separate recommendations. First, the PFD recommended that the Commission order the Company to assess “how it expects the [energy] transition to take place and what the resultant changes or ramifications may be for the utility and its ratepayers.” PFD at 409. The PFD also found that issues related to environmental justice were not “appropriate to address . . . on this record in this rate case,” and that instead the Energy Access and Affordability Council (“EAAC”) should finish its deliberation on environmental justice. *Id.* at 394.

The CEO took exception to the PFD, requesting that the Commission modify its recommendations while building off the PFD's findings. The CEO argued that the Commission should add detail to the PFD's findings of the need for more careful consideration of the energy transition and also that the Company must study environmental justice impacts in its rate cases going forward rather than relegating the issue to EAAC. CEO Exceptions to PFD at 2-4; 5-6.

In its Exceptions to the PFD, the Company grouped these two issues together and argued that the PFD's recommendations were “in conflict with one another.” DTE Exceptions to PFD at 61. The Company argued that the energy transition and EJ issues are intertwined and that the PFD should have withheld its order on the energy transition until EAAC completes its work on environmental justice and equity. *Id.*

The CEO strongly disagree with DTE's proposed process. First, while the Company's study of the energy transition must include equity and environmental justice, the Company wrongfully treats the study of the energy transition as impossible without EAAC's work. The

PFD did not mandate an outcome – it directed the Company to study the basics of “how, when, and at what cost, the energy transition may occur.” PFD at 409. That work can undoubtedly begin before EAAC releases any final findings.

Second, while here DTE touts the work of EAAC, its position is inconsistent with its earlier filed view of the role of environmental justice in rate cases and gas planning. In briefing, the Company stated its intention to “explore how the MiEJScreen tool can be incorporated into the Company’s existing planning process.” DTE Opening Br. at 158. As the CEO pointed out in exceptions, DTE Electric already utilizes the MiEJScreen tool in its planning process without guidance from EAAC. CEO Exceptions to PFD at 6. The Commission should not allow the Company to backtrack now from that commitment.

The CEO do not wish to diminish the ongoing process around equity at EAAC. However, the important work of studying the impacts of the energy transition should not be delayed for EAAC to make its findings. Instead, the Commission should provide more detail around the required additional analysis of the energy transition and also order the Company to utilize the MiEJScreen Tool as part of its planning process in the next rate case.

III. The PFD Properly Recommended That The Commission Order DTE to Reinstate Its Demand Response Programs

Based on testimony and briefs from the CEO and MNSC, the PFD found that the Company did not properly support its decision to conclude its demand response pilot programs. PFD at 368-369. Specifically, the PFD found that DTE did not “offer[] any characterization or quantifiable assessment of the ‘results’ which would support the discontinuance of the pilots.” *Id.* at 369.

The Company took exception to the PFD’s finding and recommendations, arguing that it “provided ample evidence that the data from these pilot programs demonstrated the programs’

ineffectiveness.” DTE Exceptions to PFD at 57. The Company pointed to the existence of “snapback,” where after a demand response program concludes, demand surges, as the reason for the programs’ ineffectiveness. *Id.* at 58.

The CEO addressed snapback in testimony and in briefs. CEO Opening Br. at 20-22; Cebulko Refiled Direct, 4 TR 749. Simply put, the existence of snapback by itself does not render these programs ineffective. In fact, in four of the five called events, participants used less gas overall, constituting a savings. CEO Opening Br. at 20. As CEO Witness Cebulko pointed out, utilities throughout the industry employ several well-known tactics to reduce snapback including “stagger[ing] customer reintegration or control[ling] the pace of customer’s increase in demand.” Cebulko Refiled Direct, 4 TR 749. The Company’s failure to even attempt to mitigate the impact of snapback, along with several other design and operational issues, demonstrate that the Company prematurely determined its demand response programs to be ineffective. CEO Opening Br. at 22. The Company’s reinstatement of its demand response program is critically important given the need to reduce peak gas demand as part of the transition towards electrification. DTE must make demand response and other alternatives to capital investment central to its offering as it seeks to reduce emissions. The Commission should order the Company to work with stakeholders to refine and improve its demand response offering and then reintroduce the programs as part of its next rate case.

IV. The PFD Properly Recommended a Disallowance for the Company’s Proposed Responsibly Sourced Gas (“RSG”) Expenditures

Based on the testimony and briefs of Staff, the Attorney General, MNSC, CEO, and FLO, the PFD rejected DTE’s proposed RSG purchase premium. PFD at 379. The PFD concluded that DTE did not provide adequate support for its RSG purchase proposal. *Id.*

DTE took exception to this PFD on this point, arguing that it adequately supported its RSG plan. DTE Exceptions to PFD at 59. The Company argued that its proposed procurement of RSG demonstrated its willingness to “be an active participant in the decarbonization effort.” *Id.*

The PFD properly determined that the Company should not charge its customers for the proposed purchase of RSG. The Company did not adequately support its proposed purchase of RSG. Nor did the Company justify its focus on RSG as the center point of its decarbonization strategy. As CEO Witness Siddique found “[t]he Company’s projected CO₂e reduction estimation through RSG is an extremely small proportion of total emissions.” Siddique Refiled Direct, 4 TR 785; CEO Opening Br. at 30.

The Company’s RSG proposal cannot replace a comprehensive decarbonization strategy. The vast majority of the Company’s emissions come from its downstream customer use, and the Company should focus its attention on reducing those emissions through demand response and other initiatives. The Commission should affirm the PFD’s recommendation to disallow RSG expenses because the Company did not justify the expenses nor its singular focus on this small portion of emissions as central to its decarbonization strategy.

V. Conclusion

The CEO Reply to Exceptions to the Proposed Final Decision as outlined above and request that the Commission adopt these recommendations in reaching its final decision.

Dated: October 7, 2024

Respectfully submitted,



Daniel Abrams
Environmental Law & Policy Center
35 E. Wacker Dr, Suite 1600
Chicago, IL 60601
(773) 726-8701
dabrams@elpc.org

**STATE OF MICHIGAN
MICHIGAN PUBLIC SERVICE COMMISSION**

In the matter of the application of DTE GAS) COMPANY for authority to increase its) rates, amend its rate schedules and rules) governing the distribution and supply of) natural gas, and for miscellaneous accounting) authority)	Docket No. U-21291
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PROOF OF SERVICE

I hereby certify that a true copy of the foregoing *Replies to Exceptions to the Proposed Final Decision of the Ecology Center, the Environmental Law & Policy Center, Union of Concerned Scientists, and Vote Solar* was served by electronic mail upon the following Parties of Record, this Monday, October 7, 2024.

Administrative Law Judge Hon. Johnathan Thoits	thoitsj@michigan.gov
DTE Gas Company Carlton D. Watson Paula Johnson-Bacon MSPC Filings Andrea E. Hayden	carlton.watson@dteenergy.com Paula.bacon@dteenergy.com mpsecfilings@dteenergy.com Andrea.hayden@dteenergy.com
MPSC Staff Michael J. Orris Heather MS. Durian Lori Mayabb Monica Stephens Anna Stirling Alena Clark	orrism@michigan.gov durianh@michigan.gov mayabbl@michigan.gov Stephensm11@michigan.gov Stirlinga1@michigan.gov Clarka55@michigan.gov
Attorney General Joel B. King Aaron Walden	kingj38@michigan.gov ag-enra-spec-lit@michigan.gov Waldena1@michigan.gov
Michigan Environmental Council, Citizens Utility Board of Michigan, Sierra Club, NRDC Christopher M. Bzdok Holly L. Hillyer Breanna Thomas	chris@tropospherelegal.com holly@tropospherelegal.com breanna@tropospherelegal.com Nihal.shrinath@sierraclub.org scampbell@clarkhill.com

City of Ann Arbor Valerie Brader Valerie Jackson	valerie@rivenoaklaw.com vjackson@a2gov.org ecf@rivenoaklaw.com
Retail Energy Supply Association, Michigan Power Limited Partnership Jennifer U. Heston	jheston@fraserlawfirm.com
The Ecology Center, The Environmental Law & Policy Center, Union of Concerned Scientists, and Vote Solar Nicholas Wallace Daniel Abrams Carolyn Boyce Alondra Estrada Shubha Harris Robert Kelter	nwallace@elpc.org dabrams@elpc.org cboyce@elpc.org aestrada@elpc.org Shubha.m.harris@gmail.com rkelter@elpc.org
Urban Core Collective, Soulardarity, and We Want Green, Too Amanda Urban Mark Templeton Jacob Schuhardt Sam Heppell Madison Wilson	t-9aurba@lawclinic.uchicago.edu templeton@uchicago.edu jschuhardt@uchicago.edu Heppell@uchicago.edu madisonswilson@uchicago.edu aelc_mpsc@lawclinic.uchicago.edu
Association of Businesses Advocating Tariff Equity (ABATE) Michael J. Pattwell Steven A. Campbell Jim Dauphinais	mpattwell@clarkhill.com scampbell@clarkhill.com jdauphinais@consultbai.com
Dearborn Industrial Generation, LLC Sean P. Gallagher	sgallagher@fraserlawfirm.com
Billerud Americas Corporation Timothy Lundgren Justin K. Ooms	tlundgren@potomaclaw.com jooms@potomaclaw.com



Daniel Abrams
Environmental Law & Policy Center
dabrams@elpc.org