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April 3, 2026

Lisa Felice
Executive Secretary
Michigan Public Service Commission
7109 West Saginaw Highway
Lansing, MI 48917

RE: 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
MPSC Case No. U-21973

Dear Ms. Felice:

Attached for electronic filing in the above captioned matter is DTE Gas Company's Rebuttal Testimony and Exhibits of Witnesses, Anthony L. Bolda, George H. Chapel, Michael S. Cooper, Henry J. Decker, Kelly M. Fedele, Matthew A. Fix, Julia L. Huffman, Anna E. Jackson, Eric D. Janness, Scotty N. Kehoe, Timothy J. Lepczyk, Habeeb J. Maroun, Jennifer E. Nelson, Seth B. Shpargel, Jason E. Sparks, Theresa M. Uzenski, Kirk M. Vangilder, and Sherri L. Wisniewski. Also attached is the Proof of Service.

In addition, Ms. Huffman's confidential Rebuttal Testimony will be filed under seal with the Commission. The confidential rebuttal testimony will be sent to the persons who have signed the Non-Disclosure Certificate associated with the Protective Order issued in this proceeding.

Very truly yours,

Carlton D. Watson

Digitally signed by: Carlton D. Watson
DN: CN = Carlton D. Watson email = carlton.watson@dteenergy.com
C = US
Date: 2026.04.03 14:57:40 -04'00'

Carlton D. Watson

CDW/erb
Attachments
cc: Service List

STATE OF MICHIGAN

BEFORE THE 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-21973

REBUTTAL TESTIMONY

OF

ANTHONY L. BOLDA

DTE GAS COMPANY
REBUTTAL TESTIMONY OF ANTHONY L. BOLDA

Line No.

Q1. Are you the same Anthony L. Bolda who previously offered testimony in this proceeding?

A1. Yes, I am.

Purpose of Testimony

Q2. What is the purpose of your rebuttal testimony?

A2. The purpose of my rebuttal testimony is to refute the proposed disallowances recommended by MPSC Staff (Staff) Witness Rogers and Attorney General (AG) Witness Coppola pertaining to the following IT capital and O&M investments:

1) First, Staff Witness Rogers recommends a 10% Capital disallowance for all IT projects carrying Level 3 cost estimates. Staff recommends a capital expenditure disallowance of $4.734 million in the 21-month bridge period ($2.896 million in the year 2025 and $1.839 million in the 9 months ending 9/30/2026) and $1.201 million in the test year ending 9/30/2027. Staff also recommends a disallowance of $0.085 million in IT O&M for the Test Year ending 9/30/2027.
2) Second, Staff Witness Rogers and Attorney General both recommend complete disallowance of $1.12 million in Capital and $0.113 million in O&M in projected test year ending September 30, 2027 for the IFS Mobile Work Management (MWM) Enhancements project.
3) Third, the Attorney General recommends a complete disallowance of the DTE Gas Utility Network Model Capital investments, for $0.451 million for the 2024 historical year, $3.286 million for the 9 months ending September 30, 2026, and $3.66 million for the projected test year ending

September 30, 2027.

4) Fourth, Staff Witness Rogers recommends a $2.130 million O&M disallowance for IT O&M expenses in the projected test year ending September 30, 2027.

My rebuttal testimony will demonstrate that the requested recovery is required for prudent and necessary projects to support Gas IT Operations. The absence of a discussion of other matters in my testimony should not be taken as an indication that I agree with all other aspects of Staff's or the Attorney General's testimony.

Q3. Are you sponsoring any rebuttal exhibits?

A3. I am sponsoring or supporting the following exhibits:

Exhibit	Schedule	Description
A-34	X1	Cost Estimation Analysis: 2025 Actuals vs Projected

Level 3 Disallowances

Q4. What disallowances did Staff propose related to IT capital projects with Level 3 cost estimates, and what reasons does Staff provide in support of those recommendations?

A4. Staff Witness Rogers recommends a 10% disallowance of Capital and O&M costs related to all IT projects carrying Level 3 cost estimates. Witness Rogers in her direct testimony on pages 7-10, lines 6-16 stated that Level 3 cost estimates are "immature and inaccurate in nature" on the grounds that projects receive Level 3 estimates approximately one year or more prior to implementation, and that during this interval "many things can and do change such as a change in project timeline, scope, realized efficiencies, or the necessity of the project altogether." Witness

Rogers further supports her recommendation by reference to Exhibit S-10.3, which compares Level 3 cost estimates submitted by DTE Gas in Case No. U-21291 to 2024 actual costs in the instant proceeding.

Q5. Do you agree with Staff's characterization of Level 3 cost estimates as "immature and inaccurate in nature," and does that characterization accurately describe DTE Gas's project planning and cost estimation process?

A5. No, I respectfully disagree with Staff's characterization of Level 3 cost estimates as "immature and inaccurate in nature" (Witness Rogers' direct testimony page 7-8, lines 16-7). A Level 3 cost estimate is a detailed cost estimate that is prepared before a project is submitted for funding approval and execution. It is generated only after a project has successfully advanced through the Company's Annual Planning Cycle ("APC"). As I described in my direct testimony pages ALB-16 and ALB - 17, Level 3 estimates are developed once the solution design is finalized and all requirements are documented, with vendor cost estimates, detailed workstream estimates prior to final funding approval. The accuracy range of - 10% to + 15% reflects the outer bounds of expected variance on a mature estimate. Importantly, Level 3 estimates reflect both favorable and unfavorable variance. There is no regulatory requirement that cost estimates must be conservative. Staff witness Rogers does not assert such a requirement, but rather recommends a downward adjustment based on perceived over-recovery risk. That recommendation operates as an unreasonable penalty because it asymmetrically reduces estimates that may overstate costs while providing no corresponding mechanism to adjust upward when estimates understate actual costs

Q6. How do the Company's 2025 actual IT capital expenditures compare to the Level 3 projections included in this proceeding?

A6. The 2025 actual expenditure data, as shown in Exhibit A-34, Schedule X1, demonstrates that the Level 3 cost estimates performed reliably. Across all 13 Level 3 projects in this proceeding for which 2025 actual costs are available, the Company spent $29.163 million against a Level 3 projected total of $28.956 million, a net variance of positive $0.207 million, or approximately 0.7%. The Company did not under-spend its Level 3 estimates in 2025; it exceeded its projections. This outcome is consistent with a reliable and well-calibrated estimation system and is inconsistent with Staff's characterization of Level 3 estimates as immature or inaccurate.

Q7. Does Staff's Exhibit S-10.3, which compares Level 3 cost estimates from Case No. U-21291 to 2024 actual costs in this proceeding, provide a complete and reliable basis for evaluating the performance of DTE Gas's Level 3 cost estimation process?

A7. No. Exhibit S-10.3 does not provide a complete basis for evaluating the performance of the Level 3 estimation process, and that the figures cited by Staff overstate the apparent over-recovery for three reasons.

First, the 37 % overall figure of Witness Rogers Exhibit S-10, line 11, omits $2.58 million in actual costs for the Corrosion Database Upgrade and the Leak Survey from its comparison because they were not included in DTE Gas's prior general gas rate case, U-21291, characterizing them as emergent demand. However, a complete assessment of whether ratepayers paid more than the Company spent should include all actual spending. Staff's own Exhibit S-10.3, at Line 14, reflects

this complete picture: when emergent demand is included, the Company hasn't over-recovered, but rather under-recovered. Moreover, the 12% variance between the projected costs in U-21291 and the actual costs in U-21973 (inclusive of emergent demand) falls within the upper bound of the Level 3 accuracy range.

Second, the 30 percent Level 3-specific figure is driven substantially by a single project. The Gas Scada Upgrade was estimated at $2.89 million in U-21291 and came in at approximately $1.035 million in 2024, an underrun attributable to a pull-ahead of hardware procurement and efficiency gains that benefited customers. The remaining three Level 3 projects performed within or close to the stated accuracy range. Therefore, the portfolio does not reflect a pattern of systematic over-estimation.

Third, the comparison in Witness Rogers' Exhibit S-10.3 is structurally limited and compares only 2024 calendar-year expenditures, not total project scope and costs. Capital projects regularly experience variation in annual spending based on procurement timing and implementation phasing and comparing a single year's actual spend to a prior full-project estimate does not provide a reliable measure of estimation accuracy.

Q8. Should the Commission adopt Staff's recommended 10% disallowance of $5.93 million capital and $0.085 million in O&M costs associated with Level 3 cost estimates?

A8. No, the Commission should reject the proposed disallowances for Level 3 estimates by Witness Rogers.

Individual Project Disallowances

Q9. Beginning on page 52, line 7, of AG Witness Coppola's direct testimony, what disallowance did the Attorney General propose related to the DTE Gas Utility Network Model, and what reasons does the Attorney General provide in support of that recommendation?

A9. Attorney General Witness Coppola recommends complete disallowance of the DTE Gas Utility Network Model of $0.451 million for 2024, $3.286 million for the 9 months ending September 2026 and $3.661 for the projected test year ending September 30, 2027. Witness Coppola's basis for disallowance is that the project is currently in the planning phase with costs and timelines not yet firmly established, rendering it premature to include in rate base.

Q10. Does the Attorney General's characterization of the Gas Utility Network Model as premature for rate recovery apply equally to the 2024 historical expenditures and the forecasted bridge and test year amounts?

A10. No. The Attorney General's characterization of the Gas Utility Network Model as premature does not apply equally to all periods at issue, i.e. 2024 historical expenditures and the forecasted bridge and test year amounts.

With respect to the 2024 historical expenditure of $0.451 million, those costs have already been incurred and are reflected in the historical test period of this proceeding. AG Witness Coppola has not identified or even claimed that these historical expenditures were imprudent. Witness Coppola's position rests on a characterization of the project as premature without distinguishing between costs already incurred and costs forecasted for future periods.

AG Witness Coppola's repeated assertion that projects are "premature" is not consistent with well stablished projected-test-year ratemaking. Forward-looking rate cases necessarily evaluate capital investments based on their reasonableness at the time of filing, not post-construction certainty. Requiring full execution or final cost certainty would nullify the use of a projected test year altogether.

With respect to the bridge and test year expenditures, the project's planning-phase status reflects prudent, sequenced project development. Prior to committing to full implementation, the Company has already completed a Proof of Concept to evaluate data readiness, integration complexity, and system requirements associated with ESRI's Utility Network platform. That work included structured data assessments, preliminary data mapping, identification of data quality issues and remediation needs, development of a preliminary unified data model, documentation of system and IT requirements, and configuration of a limited application pilot to validate key concepts. The Proof of Concept was designed specifically to reduce implementation risk and inform investment decisions before the Company committed to full-scale execution. Advancing to full implementation following a completed Proof of Concept reflects sound project governance and appropriate sequencing, not prematurity. The bridge and test year expenditures represent the next logical phase of a project that has already demonstrated its technical feasibility and operational necessity through that prior work. This phased approach reduces execution risk, limits upfront capital exposure, and directly benefits customers by avoiding premature or mis-scoped implementation.

Q11. What is the operational significance of the Gas Utility Network Model to DTE Gas, and why is it appropriate for recovery in this proceeding?

A11. As stated in Bolda's direct testimony pages ALB-30, 31 and in case U-21973 Exhibit A-12, Schedule B5.16 pages 35-37, the Gas Utility Network Model represents the replacement of DTE Gas's current geographic information system infrastructure, which is nearing end of life and can no longer adequately support the operational demands of the Company's gas asset management functions. This investment has direct operational significance across both Gas Transmission and Gas Distribution functions.

From 2026 through 2029, DTE will execute the full implementation of ESRI's Utility Network platform using an iterative approach, beginning with Transmission and followed by Distribution, to manage risk and incorporate lessons learned at each stage. Planned activities include implementation of a new Utility Network data model, migration of gas asset data, redesign of interfaces and integrations with key enterprise systems, and transition to services-based GIS editing workflows. Supporting infrastructure will be reviewed and aligned to ensure compatibility with the new platform.

These activities are intended to improve data accuracy, system integration, and long-term operational efficiency across the Company's gas asset management functions. The platform provides the spatial data infrastructure required to accurately model the Company's gas distribution and transmission networks, manage field assets, support pipeline integrity programs, and meet regulatory reporting and compliance obligations. The investment is reasonably planned, operationally necessary, and appropriate for recovery in this proceeding.

Q12. Should the Commission adopt the AG's recommendation for Gas Utility Network Model disallowance across all periods?

A12. No, the Commission should reject the AG's proposed disallowance for the Gas Utility Network Model projects across all periods.

Q13. Beginning on page 53, line 7, of AG Witness Coppola's direct testimony, and page 13, line 19, of Staff Witness Rogers' direct testimony what disallowance did both witnesses recommend related to IFS Mobile Work Management Enhancements?

A13. Both AG Witness Coppola and Staff Witness Rogers recommend the Commission disallow $1.125 million of Capital expenditure for IFS Mobile Work Management (MWM) Enhancements from test year ending 9/30/2027. Additionally, Staff Witness Rogers recommend full O&M disallowance of $0.113 million for IFS Mobile Work Management Enhancements in the test year ending 9/30/2027.

Q14. What reasons do AG Witness Coppola and Staff Witness Rogers provide for these proposed disallowances?

A14. AG Witness Coppola asserts in his direct testimony on page 53, line 3-6, that the project is still in the early stage of development, with costs and timelines not yet firmly established, based on the Company's discovery response to U-21973 AGDG-6.267 b-c that this project is the second phase of the previous MWM project and is scheduled to begin in 2027. Staff Witness Rogers believes this project will not be used and useful in the test year. Staff Witness Rogers further states that the investment is for enhancements to a Field Service Management application that is not planned for implementation until the end of 2026. If the timeline of that project is delayed, this enhancement project could not be ready for execution until the middle of the test period, or even after the test period, where its use and usefulness

is not realized. Staff Witness Rogers in her direct testimony on page 12, lines 1-12, adds "since these enhancements are for an application not yet in service, the necessity of this investment cannot be certain until the new Field Service Management application is implemented and being used, and a complete view of the gaps are identified."

Q15. Do you agree with the proposed disallowance based on IFS Mobile Work Management (MWM) Enhancements cost estimates?

A15. No. I respectfully disagree with both characterizations. The IFS Mobile Work Management Enhancements project is not speculative or premature. It is directly tied to the implementation of the IFS platform, which will be placed in service in 2026. The IFS platform is replacing ClickSoft Field Service Edge, which is being retired by Salesforce in Q4 2026. That replacement is not discretionary; it is a mandatory migration triggered by a vendor end-of-life decision. The IFS implementation is proceeding on schedule for Q4 2026 execution, and the Enhancements project is properly sequenced as the follow-on phase to address optimization tuning, auditing of optimization logic, and enhanced editing and data viewing capabilities necessary to ensure the system operates at its intended level of effectiveness. The characterization of this project as early-stage or uncertain does not reflect its actual status. The scope of the Enhancements is defined, the operational dependency on the base IFS implementation is established, and the test year timing reflects the logical sequence of a platform go-live followed by post-implementation optimization.

Q16. Is there additional context regarding the operational dependency between the IFS implementation and the MWM Enhancements project that bears on the appropriateness of the requested recovery?

A16. Yes. The relationship between the IFS implementation and the MWM Enhancements project is important context for evaluating the appropriateness of the requested recovery.

The initial IFS implementation is intentionally scoped to replicate the base capabilities currently provided by ClickSoft, ensuring continuity of field service management operations during the transition. This approach was specifically chosen to minimize implementation risk by limiting the scope of change at go-live. The IFS MWM Enhancements project represents the subsequent phase in which the Company will implement capabilities that IFS offers beyond what ClickSoft provides: capabilities that were deliberately deferred from the initial implementation to manage risk but that are necessary to realize the full operational and customer benefit of the new platform.

These additional capabilities will directly benefit DTE Gas customers by enabling more efficient and effective management of field service operations, including improved scheduling, crew management, and work completion processes that support timely and reliable gas service delivery.

The Enhancements project is not a speculative future initiative but an integral completion phase of a platform that will be in service during the test year. A complete disallowance of the IFS MWM Enhancements would leave the Company with an implemented platform whose full operational capabilities remain unrealized, having absorbed the cost and disruption of a mandatory platform migration without recovering the investment required to make that migration fully

beneficial to customers. The Commission should approve the full capital and O&M recovery requested for the IFS MWM Enhancements project.

Q17. Should the Commission adopt Staff's and the Attorney General's recommendations to completely disallow the IFS Mobile Work Management Enhancements capital and O&M?

A17. No. Staff's concern rests on a hypothetical schedule delay in the base IFS implementation that has not occurred and the Attorney General's recommendation is based on the assertion that the Enhancements are early-stage with preliminary timing and costs. The IFS implementation remains on schedule, and the Enhancements are a defined, sequenced second phase. Accordingly, the proposed disallowances by Staff Witness Rogers and Attorney General Witness Coppola should be rejected.

O&M Disallowances

Q18. Beginning on page 12, line 20 of Witness Rogers direct testimony, what disallowance did Staff propose related to IT O&M expenses, and what methodology did Staff use to support that recommendation?

A18. Staff Witness Rogers recommends a $2.13 million disallowance of IT O&M expense for the projected test year ending September 30, 2027. Staff arrives at this figure by reducing the Company's projected IT O&M of $22.82 million to the five-year average of actual IT O&M costs for the period 2020 through 2024, which Staff calculates at $20.69 million. Staff states that because there is no trend in historical IT O&M costs, the five-year average provides a more stable and accurate cost projection.

Q19. Does Staff's five-year historical average provide an appropriate basis for projecting DTE Gas's IT O&M expense for the projected test year?

A19. No. Staff's use of a five-year historical average to set the projected test year IT O&M expense is not an appropriate methodology for this category of cost, and the resulting $2.13 million disallowance is not supported by the record.

Witness Rogers acknowledges in her direct testimony on pages 12-13, lines 19-13, that there is "no trend" in the historical IT O&M data. Averaging across multiple years inherently obscures whether any given year's cost reflects a reasonable baseline or an outlier driven by project-volume.

More fundamentally, IT O&M expenses in the categories at issue are not uniform recurring costs that can be reliably projected by reference to historical averages. The Company's IT O&M Cost-to-Achieve expenses are tied to specific capital projects, cybersecurity-related expenditures, and enterprise software licensing and renewal cycles reflect discrete events and contractual obligations that vary materially from year to year. Disallowing IT O&M while approving the related capital projects results in an artificial separation of inherently linked operational costs.

Q20. What is the appropriate standard for evaluating the reasonableness of the Company's projected IT O&M, and should the Commission adopt Staff's recommended disallowance?

A20. The appropriate standard is whether the projected IT O&M is reasonable and prudent given the capital investment program and project activity before the Commission in this proceeding, rather than matching a historical average calculated

from years with fundamentally different levels of project activity. The Company's projected IT O&M of $22.82 million for the test year is grounded in the specific capital projects and associated Cost-to-Achieve expenses reflected in Company Exhibit A-12, Schedule B5.15.

The Commission should reject Staff's $2.13 million IT O&M disallowance and approve the Company's requested IT O&M for the projected test year.

Q21. Does this complete your rebuttal testimony?

A21. Yes.

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the Application of	)	
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for authority to increase its rates, amend	)	Case No. U-21973
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REBUTTAL TESTIMONY

OF

GEORGE H. CHAPEL

DTE GAS COMPANY
REBUTTAL TESTIMONY OF GEORGE H. CHAPEL

Line No.

Q1. Are you the same George H. Chapel who previously offered testimony in this proceeding?

A1. Yes, I am.

Purpose of Testimony

Q2. What is the purpose of your rebuttal testimony?

A2. The purpose of my testimony is to rebut/address the testimony of Staff Witness Hubbell's:

1. Recommended sales adjustments to the Company's forecast
2. Recommended changes to the Company's seven demand region approach to forecasting
3. Comments regarding the Company's normalization methodology
4. Observation of the Company's filing of Attachments

The absence of a discussion of other matters in my rebuttal testimony should not be taken as an indication that I agree with all other aspects of Staff and intervenor testimony.

Q3. In summary, what are your recommendations to the Commission in this rebuttal testimony?

A3. Consistent with the Company's long-standing, Commission-reviewed forecasting framework, I recommend that the Commission:

1. Reject Staff's proposed adjustments to the projected test year delivery forecasts for Rate A and Rate 2A II and instead adopt the Company's forecasts;
2. Reject Staff's proposal to move from the Company's seven-demand-region forecasting approach, which is designed to take into account the quantifiable regional differences in weather and customer usage across the Company's service territory; and
3. Reject Staff's criticisms of the Company's normalization methodology as a basis to override the Company's test-year forecast.

In summary, Staff's analysis does not comport with recent actual usage and it appears to have been developed using a largely mechanical approach that does not include an adequate reasonableness check. Further, Staff evaluated a mean error analysis without considering other diagnostic results that indicate fundamental errors in the analysis.

Q4. In summary, what are your significant concerns with Staff's forecasting approach in this case?

A4. As discussed more fully below, Staff's proposed adjustments for Rates A and 2A II do not reflect current customer usage behavior and eliminates the Company's region-specific modeling that captures material differences across its service territory. Staff's proposed approach shows a biased sales forecast with errors increasing over time. This bias, shown in Table 4 below, leads to increasingly overstated sales forecasts as the time series goes on. There is no evidence of a current upward trend, and Staff's conclusion risks embedding inflated sales

volumes into base rates. This raises significant concerns because if, as the record demonstrates, actual deliveries continue to follow the documented declining usage trends, then the Company would not have a reasonable chance to recover the Commission-approved revenue requirement—even though the Company complied with the Commission's directives and the underlying costs were found reasonable for recovery.

Q5. Are you sponsoring any rebuttal exhibits?

A5. Yes. I am sponsoring or supporting the following exhibits:

Exhibit	Schedule	Description
A-32	V1	Monthly Sales vs. Normal HDDs
A-32	V2	Discovery Responses STDG-1.2a & 2b
A-32	V3	Discovery Response DGST-2.1 and 2.2
A-32	V4	Supplemental Discovery Response DGST-2.1

Recommended Sales Adjustments

Q6. What are Staff's recommendations for the Company sales forecast for the Projected Test Year?

A6. In her testimony on page 8, lines 1 and 2, Witness Hubbell agreed with the Company's forecasts for Rates GS-1, GS-2, S, and 2A I. For Rates A and 2A II, however, she recommended a higher sales forecast than proposed by the Company. For Rate A, she recommended a forecast of 114,588,658 Mcf with a customer count of 1,266,602 (an average of 90.5 Mcf/customer). For Rate 2A II, she recommended a forecast of 3,691,080 Mcf with a customer count of 4,547 (an average of 811.8 Mcf/customer).

Q7. What is the volumetric variance between Staff's proposed sales forecast versus Witness Chapel's?

A7. For Rate A, Staff recommends a delivery forecast of 114,588,658 thousand cubic feet (Mcf) be used for the test year, an increase of 4,745,364 Mcf from the Company's forecast. For Rate 2A II, Staff recommends a forecast of 3,691,080 Mcf be used for the test year, an increase of 283,864 Mcf from the Company's forecast. In total, Staff is proposing an increase of 5,029,228 Mcf from the Company's forecast. DTE Gas has not seen this level of normalized sales since 2021 - 2022.

Q8. In the Company's as-filed sales forecast, did the Company change any components of the forecasting methodology?

A8. No, the Company's as-filed forecast is consistent with methodology reviewed and approved by the Commission in the Company's GCR Plans, EWR Plans, and Rate Cases each year since 2009.

Q9. Are Staff's proposed changes to the Rate A and the Rate 2A II sales volumes appropriate?

A9. No, they are not.

Q10. What is the impact of Staff's proposed methodology regrading EWR to the Rate A and the Rate 2A II sales volumes?

A10. Staff's proposed methodology results in an erroneous conclusion because, most strikingly, it does not appear to recognize historical normalized volumes adjusted for expected EWR activity.

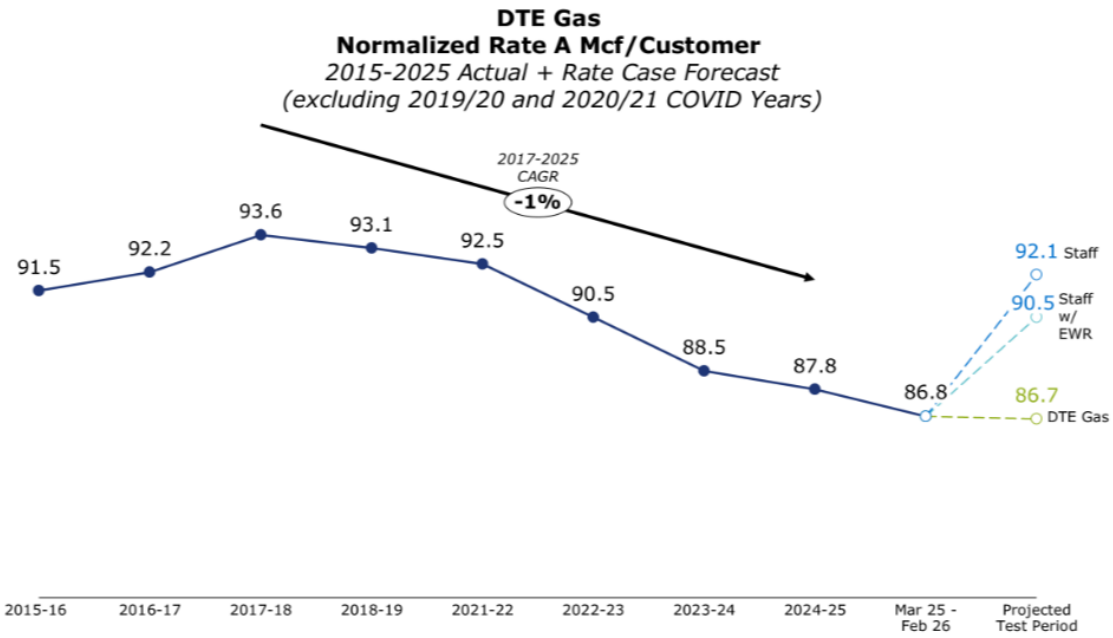
Q11. What is the historical basis for Rate A consumption?

A11. Since 2017, the Company has experienced a consistent trend of modest usage per customer decline. This trend can be seen clearly in See Figure 1 below. Note that historical normalized consumption for Rate A customers was 88.5 Mcf/customer for 12 months ended August 2024 and 87.8 Mcf/customer for 12 months ended August 2025, an average of 88.2 Mcf/customer for that entire 24-month period. From this historical basis, 1% annual reductions due to EWR should bring this average rate down further, closer to the 86.7 Mcf/customer rate that the Company supports on Exhibit A-15, Schedule E1. Staff's proposed rate of 90.5 Mcf/customer reflects historical levels generally not seen in the Rate A class in many years.

Furthermore, on a 12-months-ended February 2026 basis, the normalized actual Mcf/customer for Rate A customers is 86.8, nearly the same as the Company's projected test year. That is, actual usage per customer during the bridge period in this case supports the Company's forecast. (Note that the Covid years of 2019-20 and 2020-21 were omitted from this graph as customer behavior during Covid [90.1 Mcf/customer and 89.3 Mcf/customer, respectively] were outliers and are not expected to happen again. However, even when including the Covid years, the same general downward trend remains.)

Line No.

Figure 1. DTE Gas Normalized Rate A Mcf/Customer



Q12. How did the Company normalize the Rate A consumption of 87.8 Mcf/customer?

A12. The Rate A 87.8 Mcf/customer is calculated based upon 12-months ended August 2025 Rate A actual billed sales of 107,093,400 Mcf with an average customer count of 1,245,325, adjusted for normal weather. See the calculation below:

Actual Mcf	107,093,400	
Base Load Mcf	20,389,056	(August billed sales x 12)
Heat Load Mcf	86,704,344	(Actual – Base Load)
Customers	1,245,325	
Actual Wtd. HDDs	6,007	
HL/Cust./HDD	0.01159	
Normal HDDs	6,164	
Nrmlzed. Heat Load	88,970,464	(Normal HDDs x customers x Mcf/cust)
Nrmlzd. Sales Mcf	109,359,520	(Nrmlzd. Heat Load + Base Load)
Nrmlzd. Mcf/cust.	87.8	(Nrmlzd. Sales / customer)

Line No.

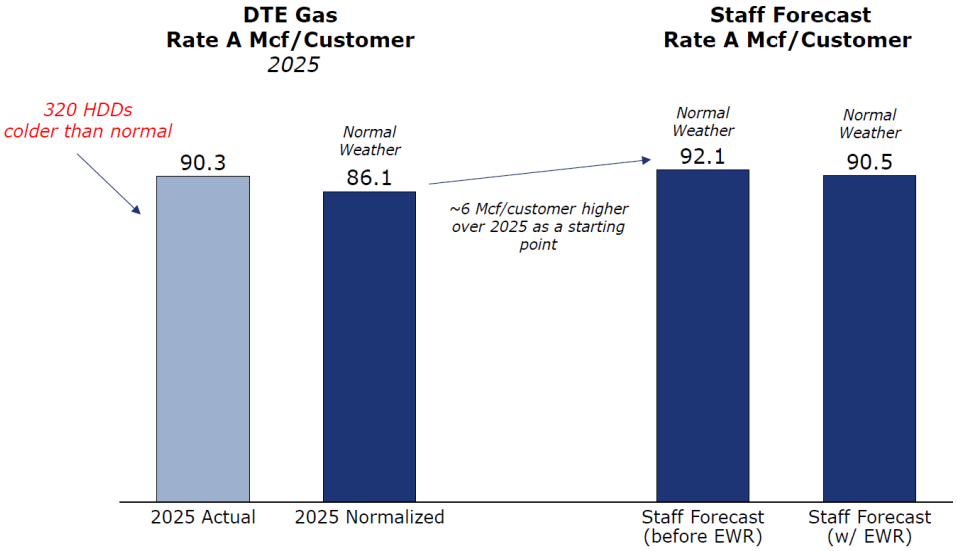
Q13. Is this the same basic process for all of the other historical years analyzed?

A13. Yes, it is. This method calculates the normal usage for each period if HDDs had been 6,146. This normalized usage is then divided by the actual number of customers. The resulting usage per customer shows how much a customer would have used if normal weather was 6,146 HDDs. This process provides an apples-to-apples comparison of how much a customer would use on a per Mcf basis over time.

Q14. How does Staff's rate of 90.5 Mcf/customer for Rate A compare with the recent behavior of that rate class?

A14. As shown in Figure 1, Staff's rate of 90.5 Mcf/customer is notably higher than the 12-months ended February 2026, as well as calendar 2025 as shown in Figure 2 below:

Figure 2. DTE Gas vs. MPSC Staff Rate A Mcf/Customer Forecast



Calendar 2025 was colder-than-normal by 320 system-weighted HDDs. With that colder-than-normal weather, Rate A customers used an average of 90.3 Mcf/customer. Adjusting for normal weather, that usage would drop to 86.1 Mcf/customer. Staff's pre-EWR forecast rate (which should compare with 2025 normalized) is 92.1 Mcf/customer - a 6.0 Mcf/customer higher rate - which is an enormous gap, especially when considering that this would apply to all 1.3 million Rate A customers. Even Staff's figure, that *includes* their adjustment for EWR, is 90.5, still *higher* than the actual *colder*-than-normal per customer usage for 2025. This clearly demonstrates that Staff's methodology overstates usage, by a substantial margin, for Rate A customer consumption.

If the Commission were to determine that an adjustment to the Company's proposed forecast is warranted, the most appropriate alternative would be a forecast based on historical normalized usage. For Rate A, based upon Figure 1 above, the average of twelve months ended August 2025, 87.8 Mcf per customer, and the twelve months ended February 2026, 86.8 Mcf per customer, would provide a forecast based on recent actual normalized data that could be used. This average, 87.3 Mcf per customer, is more in alignment with recent customer behavior than Staff's forecast. For Rate 2A II, the average of twelve months ended August 2025, 741.6 Mcf per customer, and the twelve months ended February 2026, 718.9 Mcf per customer would result in a forecast of 730.2 Mcf per customer. Again, this average, 730.2 Mcf per customer, is more in alignment with recent customer behavior than Staff's forecast. Nonetheless, DTE Gas's initial proposed forecast is most appropriate and should be approved as it reflects expected normal usage in the projected test period, which includes approved EWR impacts, and it is grounded in

a forecasting approach the Commission has reviewed and approved over many years.

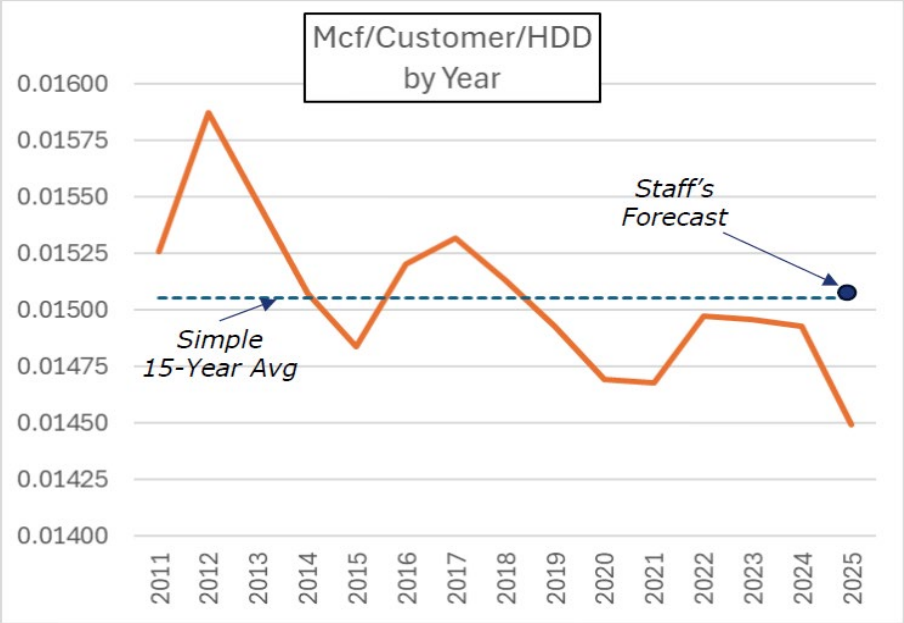
Q15. How did Staff develop their factors for their forecast model?

A15. In discovery, Staff provided their forecast model (See Exhibit A-32, Schedule V3). In that model, they performed a statistical regression on monthly sales data from January 2010 to October 2025. The results of this regression generated an average use per customer for Rate A customers over that nearly 16-year period.

Q16. Is there evidence that Staff's methodology overstates Rate A customer demand for forecast purposes?

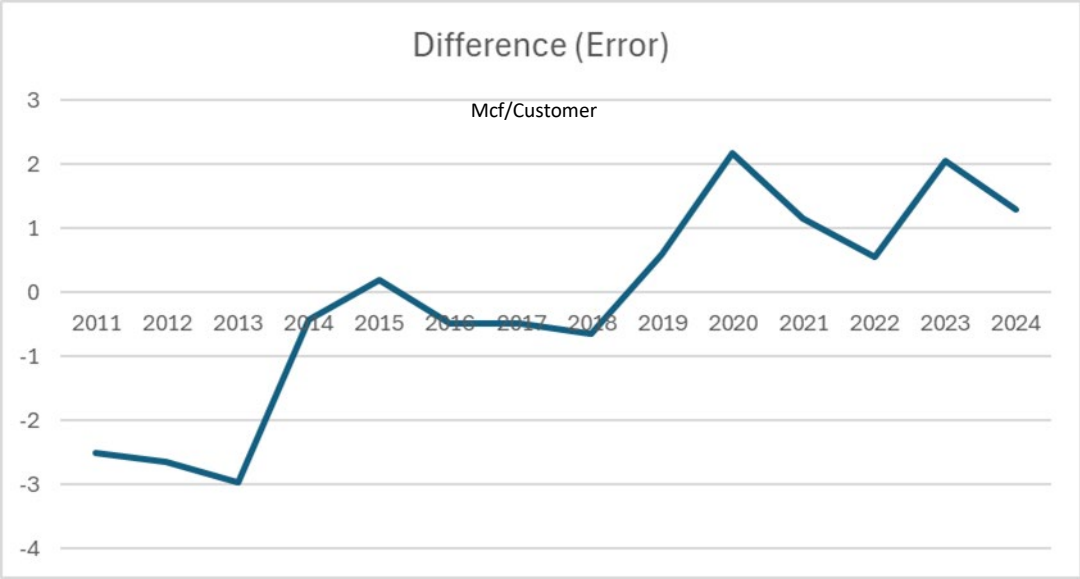
A16. Yes, there is. Staff's regression gives equal weight to each period over the 15-year timeframe. A key, implicit assumption in Staff's methodology is that customer behavior does not change over time. If Staff had used a time variable, their methodology may have produced more reasonable results. As shown in Figure 3 below, customer behavior does indeed change over time:

Figure 3. Mcf/Customer/HDD by Year



Using annual data (12 months ended August 2025) from Staff's regression model inputs, the orange line on this graph depicts how Rate A customer behavior has changed over the past decade and a half, in terms of Mcf/customer/HDD. There is clearly a downward trend over that time, driven by a number of factors including (but not limited to) customers upgrading to high efficiency furnaces, new windows, insulation, and new construction. All these factors lead to a continuing decline in consumption per HDD. Staff's model assumes that Rate A customers would consume natural gas at a rate of ~0.015 Mcf/HDD for each of the past several years. The reality is, though, that Staff's model would underpredict demand from 2011 to about 2018, and then overpredict demand from about 2019 onward, as shown in Figure 4 below:

Figure 4. Difference (Error) of Staff Preduction versus Actuals



Because Staff's forecast gives equal weight to Mcf/customer/HDD to each period over the 15-year timeframe, the resulting 2026-27 forecast is overstated and does not reflect current customer behavior.

Q17. What is the historical basis for Rate 2A II consumption?

A17. Normalized sales for Rate 2A II customers were 743.6 Mcf/customer on a 12-months ended August 2025 basis, 68.2 Mcf/customer (8%) less than the 811.8 Mcf/customer proposed by Staff. From this historical basis, 1% annual reductions due to EWR should bring this average rate down to well below Staff's proposed rate.

Q18. What was the normalized historical usage per customer for the Rate 2A II customer class in the post-Covid era?

A18. See below for Rate 2A II normalized usage per customer on a 12-months ended August basis:

Period	Mcf/Customer
2021-22	800.0
2022-23	788.8
2023-24	783.6
2024-25	792.0
2025-26	719.3 (Note: this line represents Mar 2025 – Feb 2026)

Q19. What is Staff's proposed usage per customer for Rate 2A II in the projected test year?

A19. Staff's proposed usage per customer rate for the Rate 2A II customer class is 811.8 Mcf/customer. This rate of consumption for Rate 2A II customers is higher than anything observed in this rate class in the post-Covid era.

Q20. What is the Company's forecasted usage per customer for Rate 2A II in the projected test year?

A20. The Company's forecast for this rate class in the projected test year is 743.6 Mcf/customer. This number is more in line with the recent trends seen in this customer class and is consistent with the idea that consumption rates are reducing, including as a result of the EWR program. It should be noted that the Company's rate for the projected test year is actually higher than the most recently observed rate of 719.3 Mcf/customer for the 12 months ended February 2026 period.

Q21. What is the typical shape of normalized demand for Rate A customers on a monthly basis?

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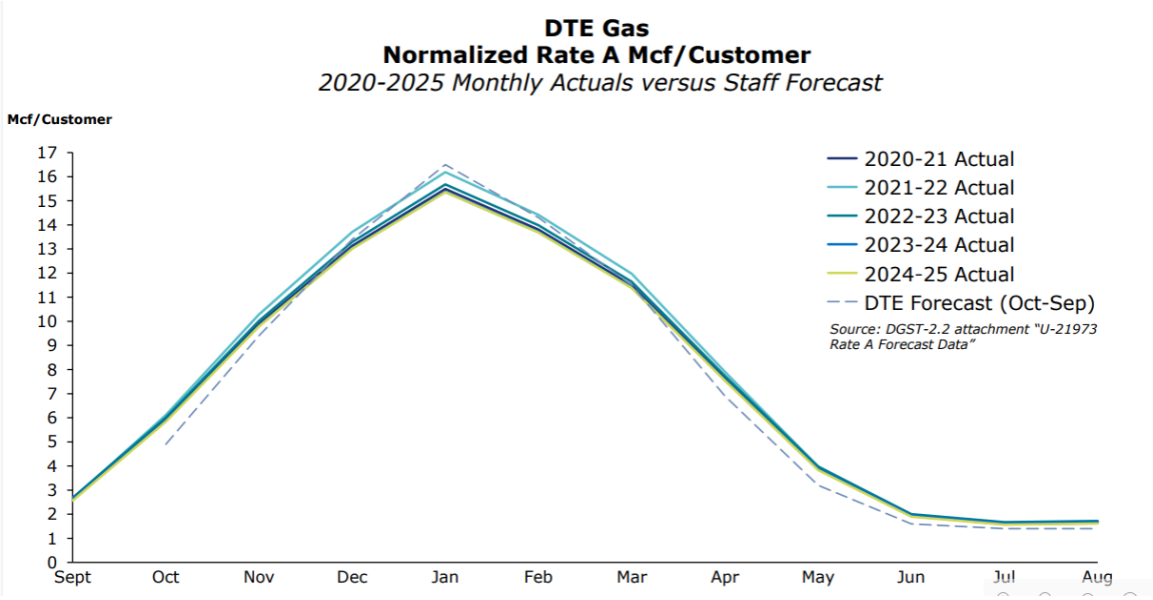
A21. See Figure 5 below:

Figure 5. DTE Gas Normalized Rate A Mcf/Customer



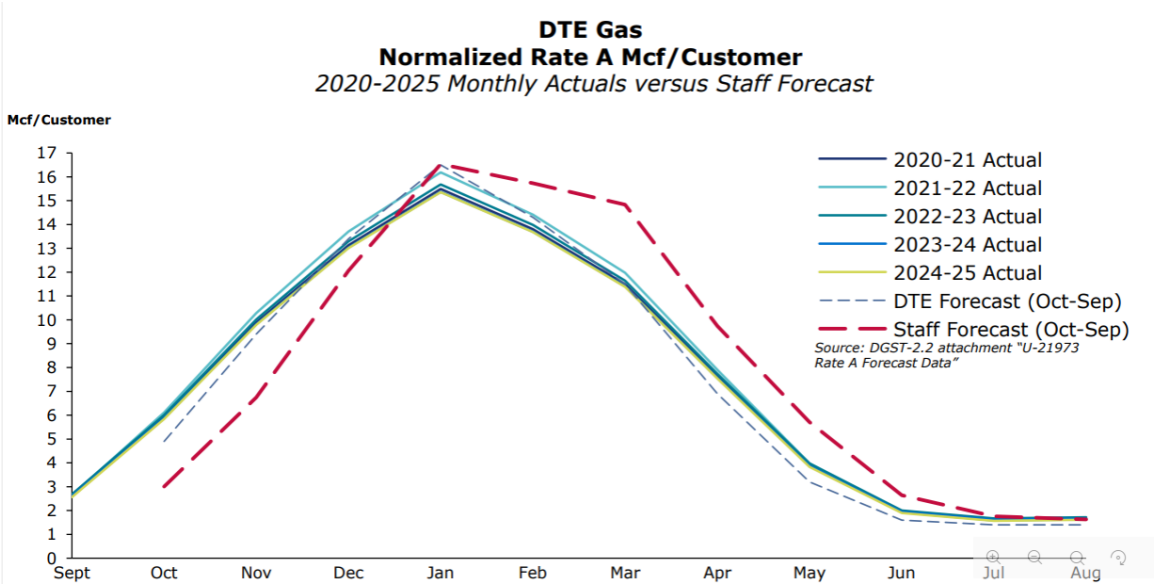
Over the past five years, Rate A normalized demand, on an Mcf/customer basis, has had a very consistent shape, gradually ramping up in the fall months, peaking in January, and then declining through the spring and into the summer months. This is the pattern that the Company's forecast methodology (the dotted line) replicates.

Q22. How does this historical shape of normalized Rate A demand compare with Staff's as-filed monthly forecast?

A22. See Figure 6 below that appends Staff's as-filed monthly forecast to Figure 5 above. It is clear that Staff's methodology of forecasting billed sales, as opposed to calendar-month billed and unbilled sales, produces a forecast out of line with historical actuals. A forecast done in this way would produce erroneous monthly forecasts for all the Company's applications, be they for monthly purchases or

reporting out to the financial community. For example, Staff forecasted that April sales would be nearly 1.5 times higher than November sales, even though there are fewer HDDs in April.

Figure 6. DTE Gas Normalized Rate A Mcf/Customer – Monthly Actuals vs. Staff Forecast



Q23. What was Staff's rationale for its methodology of forecasting billed sales, as opposed to calendar month billed and unbilled sales?

A23. In response to discovery, the Staff stated that "Since the Company used billed sales in its model, Staff chose to also use billed sales … Staff's main consideration in choosing to use billed sales was using the same inputs as the Company." (See Exhibit A-32, Schedule V3, which is Staff's response.)

Q24. Is Staff's understanding of the Company's model accurate?

A24. No. Although Staff refers to a prior discovery response (STDG-1.2a) as support for their claim, it is clear that Staff misunderstood or misinterpreted the Company's response. Furthermore, in the Company's very next discovery response, (STDG 1.2b, and included as Exhibit A-32, Schedule V2), the Company explained in detail its methodology for computing usage factors based on historical billed sales, as well as explaining its process for allocating monthly HDDs on a billed basis to better align with historical billed sales. In its response to STDG 1.2b, the Company also provided 14 attachments that detailed the precise, allocated billed HDDs that the Company used in its historical billed sales analysis.

Q25. Did Staff subsequently prepare a revised forecast model?

A25. Yes. After receiving the Company's discovery request DGST-2, Staff ran a subsequent analysis using calendar month billed and unbilled sales and provided this analysis in their supplemental discovery response (included as Exhibit A-32, Schedule V4). Although this modification (correction) generally addressed the monthly sales distribution problem in their as-filed position, it still did not address the inappropriately high usage per customer forecast, which I have previously rebutted.

Q26. Did Staff prepare their forecast using the seven demand regions that the Company used in preparing its forecast?

A26. No, it did not. Beginning on page 6, line 7 of Witness Hubbell's testimony, Staff indicated no reason to forecast each region independently, stating that "Staff does not see the need to have five separate regions in the Lower Peninsula, especially when many of the regions are located so close to each other. Staff is not convinced

that customers in Grand Rapids behave significantly different to those in Muskegon, when the two areas are located so close together."

Q27. Is Staff correct in making this assessment?

A27. No, it is not. For one, the Company's forecast methodology is used in many applications across the corporate entity, not just in rate cases. The Company's forecast methodology is used in GCR Plans, EWR Plans, financial forecasts, and providing regional assessments of growth and/or decline across the Company's service territory. As this forecast has many uses across the corporation, many assumptions and nuances in the forecast must be considered, among them, forecasts by region. This can only be accomplished by a granular, build-up approach to the forecast. The Company's consistent forecast methodology yields greater reliability over time by considering all the regional nuances, whereas without using those seven regions, the forecasts would be less accurate.

Furthermore, Staff's assertion that customers in Grand Rapids do not behave significantly different from those in Muskegon is directly contradicted by the data. The observed difference, 8%, is material and should be accounted for in the analysis. If Staff's forecast does not account for this measurable regional difference, then Staff's results are not a reliable representation of customer usage.

The average annual GCR/GCC Mcf/customer (residential, commercial, small industrial combined) by region is as follows:

Detroit	114
Grand Rapids	115
Muskegon	106
Traverse City	108
Alpena	107
Sault Ste. Marie	127
Iron Mountain	130

Q28. Does the weather vary significantly amongst the demand regions?

A28. Yes. Weather conditions vary meaningfully across the Company's demand regions. As shown below, the annual 2010-2024 normal HDDs differ by region:

Detroit	5,757
Grand Rapids	6,162
Muskegon	6,044
Traverse City	6,772
Alpena	7,543
Sault Ste. Marie	8,034
Iron Mountain	8,429

In addition to that, there are even anomalies amongst the demand regions on a monthly basis. For instance, in February 2026, Detroit and Muskegon were colder-than-normal (by 30 and 27 HDDs, respectively) while Grand Rapids, which is situated geographically between the two, was *warmer*-than-normal by 20 HDDs. These types of apparent anomalies are not uncommon and further strengthen the Company's argument to subdivide its forecast into a regional, build-up approach.

Accordingly, Staff's assertions that it "does not see the need" to separate Lower Peninsula regions because certain areas are "located so close to each other," and that it is "not convinced" Grand Rapids differs materially from Muskegon, are not supported by the actual differences in these regions, as shown above.

Q29. Why is there no variability in the sales forecast methodology for different uses?

A29. In all instances, it is important that DTE Gas use the single best forecast methodology it has available. If the Company used one forecast for gas purchases and another for financial forecasts, presumably that would mean the Company did not expect one of them to be correct. The Company uses its one forecast methodology because it has delivered consistent and reliable results over nearly the past two decades. It consistently utilizes the same methodology whether it is for internal operational planning, financial reporting, or in regulatory proceedings. It is a forecast that the Company believes accurately forecasts customer behavior and demand. In short, different forecast methodologies for different applications could be seen as disingenuous.

Q30. What is your recommendation regarding the sales forecasts for Rate A and Rate 2A II?

A30. The Company's methodology should be adopted. The Company's methodology appropriately begins with a 24-month historical review of gas demand by rate class, regressing customer demand by region with HDDs by region. It then adjusts for EWR going forward to arrive at projected customer behavior that falls in line with historical trends. Staff's flawed methodology would result in Rate A and Rate 2A

II volume rates that have not been observed in several years and would result in grossly overstating normal demand for the projected test year. DTE Gas's initial proposed forecast, based on forecasting methodology the Commission has reviewed and approved over many years, is most appropriate and should be adopted. If an adjustment is made, the most appropriate alternative would be a forecast based on recent historical normalized usage.

Normalization Methodology

Q31. Did Staff support the Company's normalization methodology?

A31. No, it did not.

Q32. What evidence did Staff provide in supporting their normalization metrics over the Company's?

A32. Staff provided Exhibit S-18.4 describing Mean Average Percent Error (MAPE) scoring for both the Company's and the Staff's normalization methodology.

Q33. What conclusions did Staff arrive at from this exhibit?

A33. Staff's position was that their methodology was superior to the Company's.

Q34. What assumptions were made in Staff's methodology that were erroneous?

A34. Staff's conclusion was that their forecast for both Rate A and Rate 2A II produced lower MAPE scores and, thus, provided greater accuracy.

Q35. Is Staff correct in arriving at this conclusion?

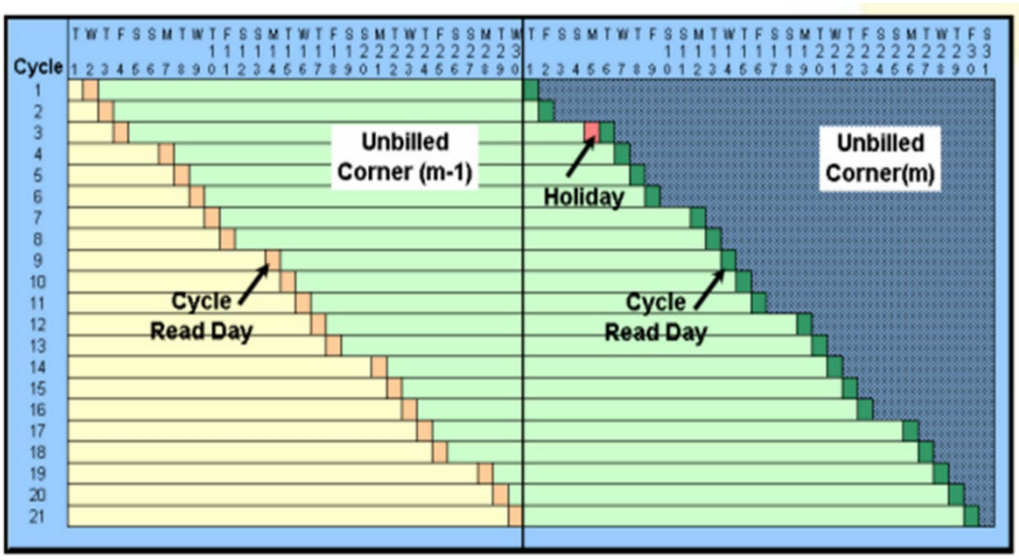
A35. No, it is not. While it is true that the MAPE scores for Staff were lower in the exhibit, Staff's comparison is not valid because it is not an apples-to-apples evaluation. Staff compared their monthly forecast only to billed sales data, rather than calendar month data, while the Company correctly forecasts calendar-month sales. Because Staff's original MAPE comparison evaluated a billed-month model against the Company's calendar-month model, it does not provide a reliable measure of relative forecast accuracy, nor does it support the conclusion that Staff's normalization methodology is superior.

Q36. What is the significance of utilizing calendar month sales instead of billed sales data?

A36. Calendar sales match the HDDs used in a forecast much more closely than billed sales. Billed sales reflect volumes used over the space of two months. The first billing cycle is almost all usage that occurred in the prior month. Using Staff's method, the HDDs used to forecast the first billing cycle are all in the following month. For example, almost all of a customer's bill based on a May 1 read, will have occurred in April. When it is put into a forecast, Staff's model would compare it to HDDs that occurred in May. These data will have no correlation to each other. Only at the very last days of the month will the majority of the volumes used in a bill be related to the month in which the bill is issued. The matching principle supports a using calendar month usage data. Note the chart below for a graphic depiction of billed sales and unbilled sales. Billed sales are depicted in the green parallelogram extending across the two months. When the Company analyzes historical billed demand, it aligns that demand with allocated monthly HDDs that

align with the billed sales (the green parallelogram) in the chart above. See the chart below.

Figure 7. Billed and Unbilled Consumption[1]



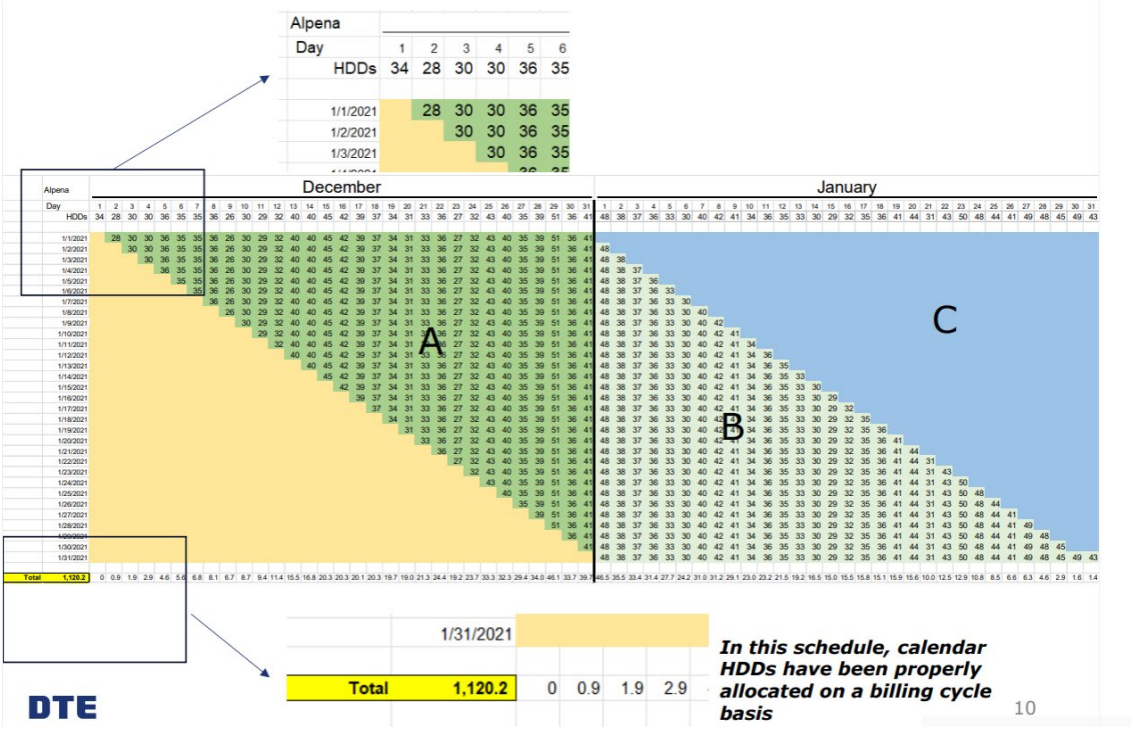
Q37. How does DTE Gas adjust its calendar HDD data to align with billed cycle data?

A37. Figure 8, below, is an example of how the Company allocates monthly HDDs to align with billing periods. (This chart is Alpena for January 2021, but it is a similar process for all seven demand regions and all months. The Company provided all of this historical weather data to Staff in discovery.) The Company's methodology compared billed sales (green triangle A plus light green triangle B) with allocated billed HDDs (green triangle A plus light green triangle B). Staff's methodology compared billed sales (green triangle A plus light green triangle B) with calendar month HDDs (green triangle A plus blue triangle C). By doing this, for each month,

[1] Itron website entitled "Modeling and Accounting Methods for Estimating Unbilled Energy, author J. Stuart McMenamin, PhD, VP Itron Forecasting. https://na.itron.com/o/commerce-media/accounts/-1/attachments/3827763.

they were comparing customer demand with weather that much of those customers did not experience.

Figure 8. Weather Allocation Methodology Used to Create "Billed Basis Weather"



Q38. Did Staff's methodology produce anomalous results?

A38. Yes. Staff's results show anomalies that are inconsistent with the expected relationship between HDDs and demand. To highlight this, I can refer to Staff's forecast for the months of November and April. A normal November will see 727 system-weighted HDDs and a normal April will see 532 system-weighted HDDs. All else equal, demand should be significantly higher in November than in April. Staff's methodology, however, produces the opposite result: it forecasts a lower Rate A demand of 8,463 MMcf for November and higher 12,095 MMcf for April

(3.6 Bcf *more*, despite having 195 fewer HDDs). This type of outcome indicates that Staff is not making an appropriate comparison between billed sales and the corresponding weather experienced during the billed period, and therefore the resulting conclusions are not reliable.

Q39. Does a billed month sales forecast match the way base rate changes are implemented?

A39. No. As reflected in Witness Maroun's proposed tariff sheets in Exhibit A-16, Schedule F5.1, new base rates will be implemented on a service rendered basis. Accordingly, because new base rates are implemented on a service rendered basis, the method used to calculate customer bills should be consistent with the data used to calculate those bills.

Q40. How do the Company's forecast methodology compare with Staff's methodology when calendar month sales are examined?

A40. Figure 9 is demonstrative of the accuracy of the monthly forecast of the Company's methodology. The accuracy is affirmed because forecasted data lines up very tightly around the trendline, yielding an R^2 of greater than 99%. Conversely, Figure 10 Staff's proposed methodology by juxtaposing weighted HDDs against forecasted monthly demand for Rate A customers. The data are much more loosely gathered around the trendline with an R^2 of just 83%. This methodology would produce far less forecast accuracy on a monthly basis.

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Figure 9. DTE Rate A Monthly Forecast vs. Normal HDDs

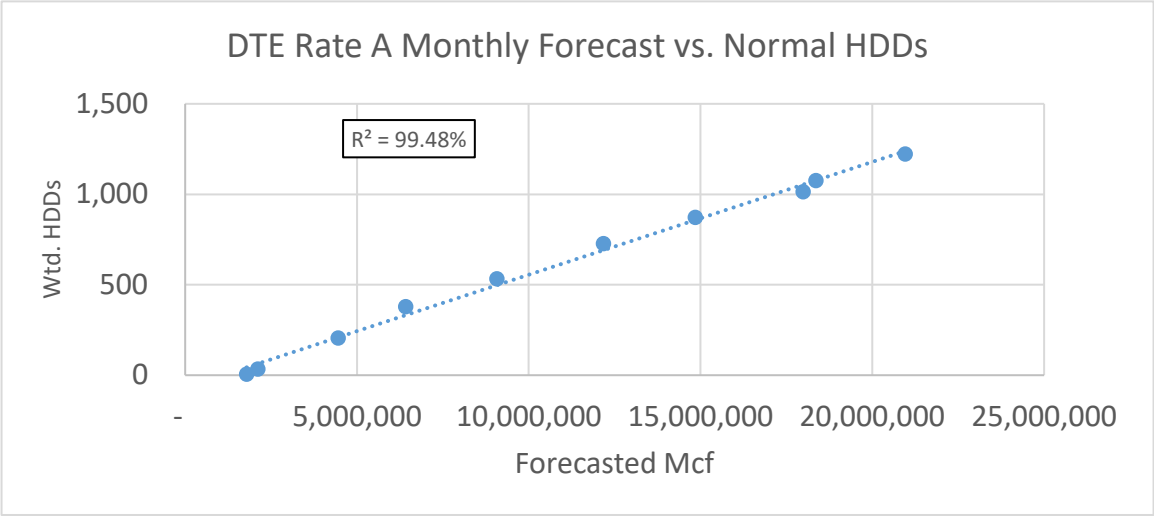
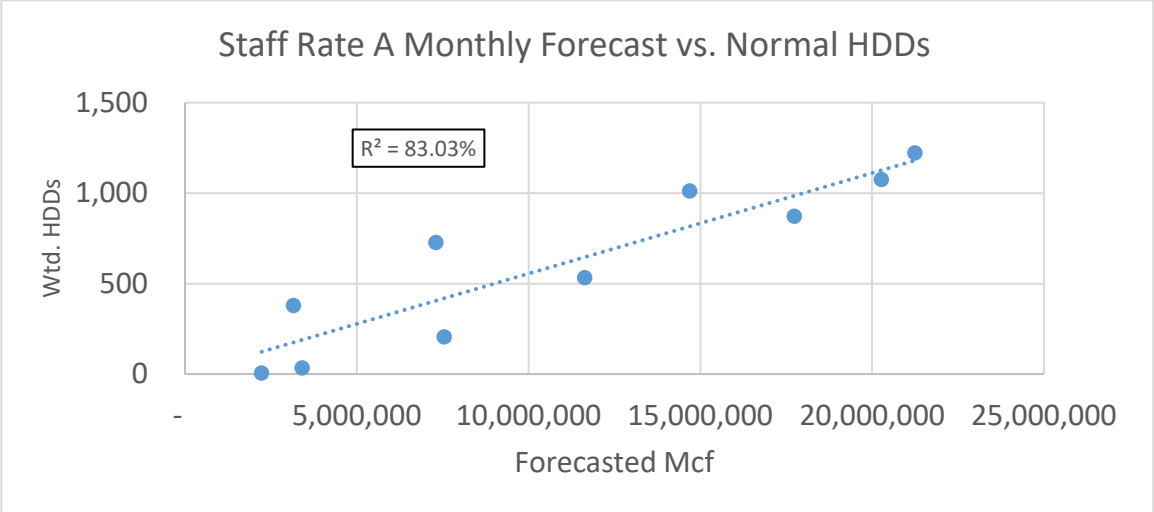


Figure 10. Staff Rate A Monthly Forecast vs. Normal HDDs



Figures 11 and Figure 12 compare the Company's methodology with Staff's methodology with regard to the Rate 2A II customer class. In both instances, the Company's monthly methodology provides greater accuracy, both visually, as the data points are clustered much more closely to the trendline, and with R^2 scores that are significantly greater.

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Figure 11. DTE Rate 2A II Monthly Forecast vs. Normal HDDs

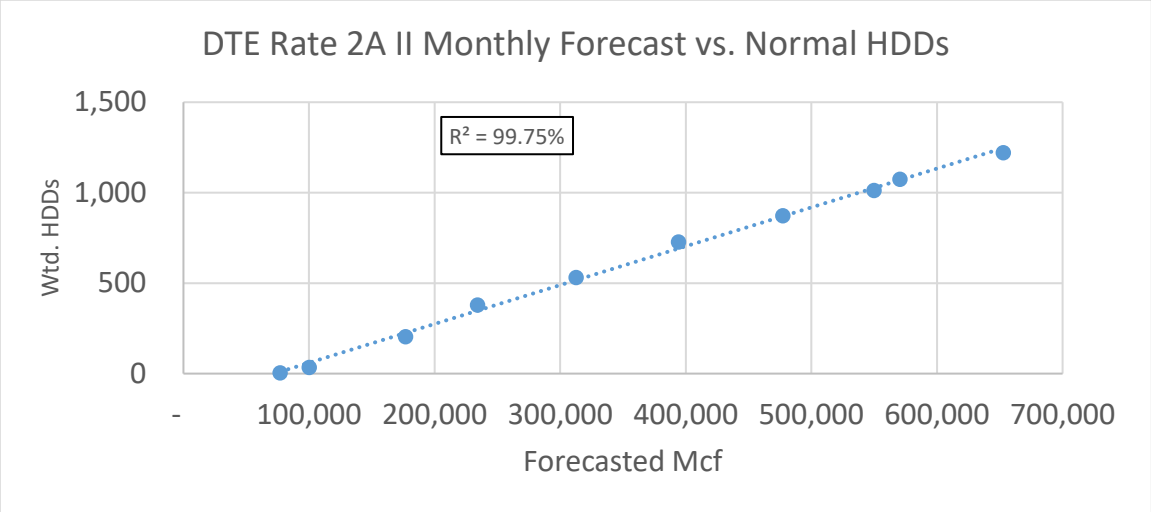
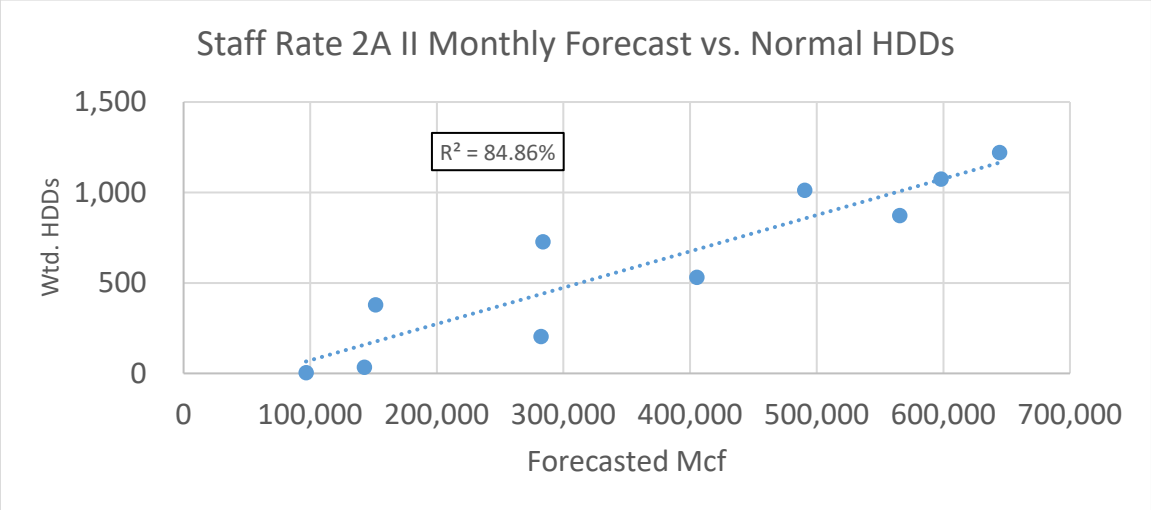


Figure 12. Staff Rate 2A II Monthly Forecast vs. Normal HDDs



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Q41. What evidence do you have that the Company's forecast provides a higher degree of accuracy on a monthly basis?

A41. See Exhibit A-32, Schedule V1. In this exhibit, I have copied Staff's Exhibit S-18.4 and added normal monthly weather data in weighted HDDs. In this file, I juxtaposed normal weighted HDDs against forecasted monthly sales numbers, for both Rate A and Rate 2A II, and graphed them on an xy-graph. As residential sales are highly correlated with HDDs, the methodology that produces the highest R^2 would be preferable. The Company's R^2 values for monthly sales are 99.48% for Rate A and 99.75% for Rate 2A II. Because Staff forecasts sales on a billed sales basis, their methodology produced R^2 values for monthly sales of 83.03% for Rate A and 84.86% for Rate 2A II. Staff's methodology simply does not provide the monthly accuracy necessary for the Company's various forecast requirements.

To emphasize this point, consider the Rate A forecasts for November and May in this exhibit. The forecasted (i.e. normal) HDDs are 727 for November and 205 for May. November is demonstrably colder than May. The Company's methodology forecasts a demand of 12.2 Bcf for November and 4.5 Bcf for May, very much in line with the normal HDDs for each of those months. Staff's methodology, however, forecasts a demand of 7.3 Bcf for November and 7.5 Bcf for May. Despite more than 500 fewer HDDs, Staff's methodology for May forecasts *higher* demand.

Observation on the Company's Filing Attachments

Q42. Did Staff note a mistake in the Company's pre-filed attachment Part III 2f Historical Period Actual Heating Degree Day Information and Part III Att 3.2 Data 60 Months Normalized Sales and Customers?

A42. Yes, it did. Staff noted that the actual HDDs in those files reflected Weighted Company HDDs in the years leading up to 2017, but then reflected Detroit-only HDDs in the years 2018 forward.

Q43. Is Staff correct in this observation?

A43. Yes, it is. The Company filed these attachments erroneously.

Q44. Did this error impact any of the Company's filed exhibits, its sales forecast, or any other sales related forecast issues?

A44. No, it did not. The error only impacted the pre-filed attachments themselves. The Company's sales forecast was developed as described within my direct testimony, incorporating weather, customers, and historical demand from each of the Company's seven demand regions. Further, historical normalizations in the Company's Exhibit A-15, Schedule E4 were developed using system-weighted HDDs for all the years presented.

Q45. Does the Company believe it should change or modify its forecasting methodology to align with Staff's proposed methodology?

A45. No, it does not for the aforementioned reasons.

Q46. Does the Company believe that the Sales Forecast for Rate A and Rate 2AII need to be amended to align with Staff's proposal.

A46. No, it does not. The Company's forecast methodology has been accepted and approved in many regulatory proceedings over many years. This methodology has remained consistent, is responsive to changes over time, reflects the latest customer behavior, and is sensitive to important regional variances across the Company's service territory.

Q47. Does this complete your rebuttal testimony?

A47. Yes, it does.

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the Application of	)	
DTE GAS COMPANY	)	
for authority to increase its rates, amend	)	Case No. U-21973
its rate schedules and rules governing the	)	
distribution and supply of natural gas, and	)	
for miscellaneous accounting authority.	)	

REBUTTAL TESTIMONY

OF

MICHAEL S. COOPER

DTE GAS COMPANY
REBUTTAL TESTIMONY OF MICHAEL S. COOPER

Line No.

Q1. Are you the same Michael S. Cooper who previously offered testimony in this proceeding?

A1. Yes, I am.

Purpose of Testimony

Q2. What is the purpose of your rebuttal testimony?

A2. The purpose of my testimony is to rebut the arguments of the following witnesses:

- Michigan Public Service Commission Staff (Staff) Witness Rueckert's proposals regarding expense estimates for the projected test year for Active Healthcare, New Hire VEBA and Other Benefits.
- Attorney General (AG) Witness Coppola's proposals regarding projected Active Healthcare expense and New Hire VEBA.

The absence of a discussion of other matters in my testimony should not be taken as an indication that I agree with all other aspects of intervenor testimony.

Q3. Are you sponsoring any rebuttal exhibits?

A3. I am sponsoring or supporting the following exhibits:

Exhibit	Schedule	Description
A-36	Z1	Healthcare Articles
A-36	Z2	Active Health Care: Staff Correction
A-36	Z3	Active Health Care: AG Correction
A-36	Z4	New Hire VEBA: Staff Correction
A-36	Z5	New Hire VEBA: AG Correction
A-36	Z6	Other Benefits: Staff Correction

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A-36 Z7 Other Benefits: Rates vs Actual

Active Healthcare

Q4. What adjustments do Staff Witness Rueckert and AG Witness Coppola propose to the Company's projected Active Healthcare expense?

A4. While I will describe the specific proposals in greater detail below, both Staff Witness Rueckert and AG Witness Coppola use a recent average of increases in the Company's Active Healthcare costs which is applied to a historical base to project the Company's future Active Healthcare expense. The average annual escalation proposed by Staff Witness Rueckert is 1.1%, and the average annual escalation proposed by AG Witness Coppola is 2.2%. These Active Healthcare escalations are lower than the average projected increase for the years 2025 through 2027 in the Consumer Price Index (CPI) sponsored by Staff Witness Ufolla of 2.50% and 2.48% sponsored by AG Witness Coppola (Ufolla Direct, p. 25, line 1 and Coppola Direct, p. 16, lines 6-9).

Q5. Do you agree with Staff Witness Rueckert's and AG Witness Coppola's assumption that the Company's actual Active Healthcare cost annual average percent changes are a valid basis for predicting the future rate of increase in the Company's Active Healthcare cost?

A5. No. Both Staff Witness Rueckert and AG Witness Coppola seem to assume, without any stated basis, that historical increases in the Company's Active Healthcare costs are reliable predictors of future cost increases. There is no support for that assumption.

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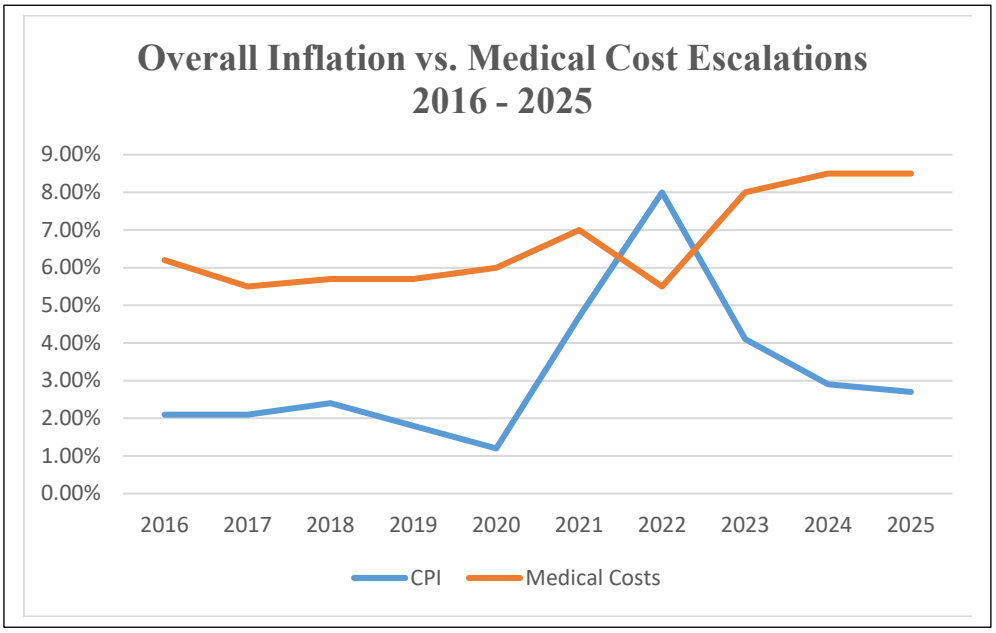
Q6. Is the assumption of Staff Witness Rueckert and AG Witness Coppola that the Company's Active Healthcare costs will increase by less than the overall level of inflation as measured by the CPI reasonable?

A6. No. Other than during the high inflation period of 2022, the cost of healthcare consistently increases faster than the overall rate of inflation as measured by the CPI. The chart below shows how actual medical costs, as measured by PwC in its 2026 Medical Cost Trend Report (Direct Exhibit A-13, Schedule C5.9.2), compared to annual changes in the CPI.

Figure 1: Overall Inflation vs. Medical Cost Escalations



Given the well-established trend of medical costs increasing at a higher rate than overall inflation, it is inconceivable that the Company's actual Active Healthcare costs will increase by less than overall inflation during the projected test year. In addition to the cost pressures identified in Willis Towers Watson's (WTW)

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healthcare cost trends analysis in Exhibit A-13, Schedule C5.11.1, which included cost risks associated with healthcare labor shortages and expectations of future inflation written into recent three- to five-year contracts between carriers and healthcare providers, the popular press is rife with reports of increasing healthcare costs. Exhibit A-36, Schedule Z1 includes two examples of outlooks for healthcare costs, issued by Peterson-KFF and the Business Group on Health.

Q7. Are there any possible explanations as to why the Company's recent historical annual increases have been unrepresentative of medical cost trends experienced by others?

A7. Yes. The small population size of the employees and dependents enrolled in the Company's self-insured health plans, which is the predominant source of the volatility in the Company's Active Healthcare costs, contributes to a substantial degree of volatility in its Active Healthcare costs. This volatility is graphically displayed in the chart below of the Company's actual annual change in Active Healthcare costs per employee for the years 2020 through 2025.

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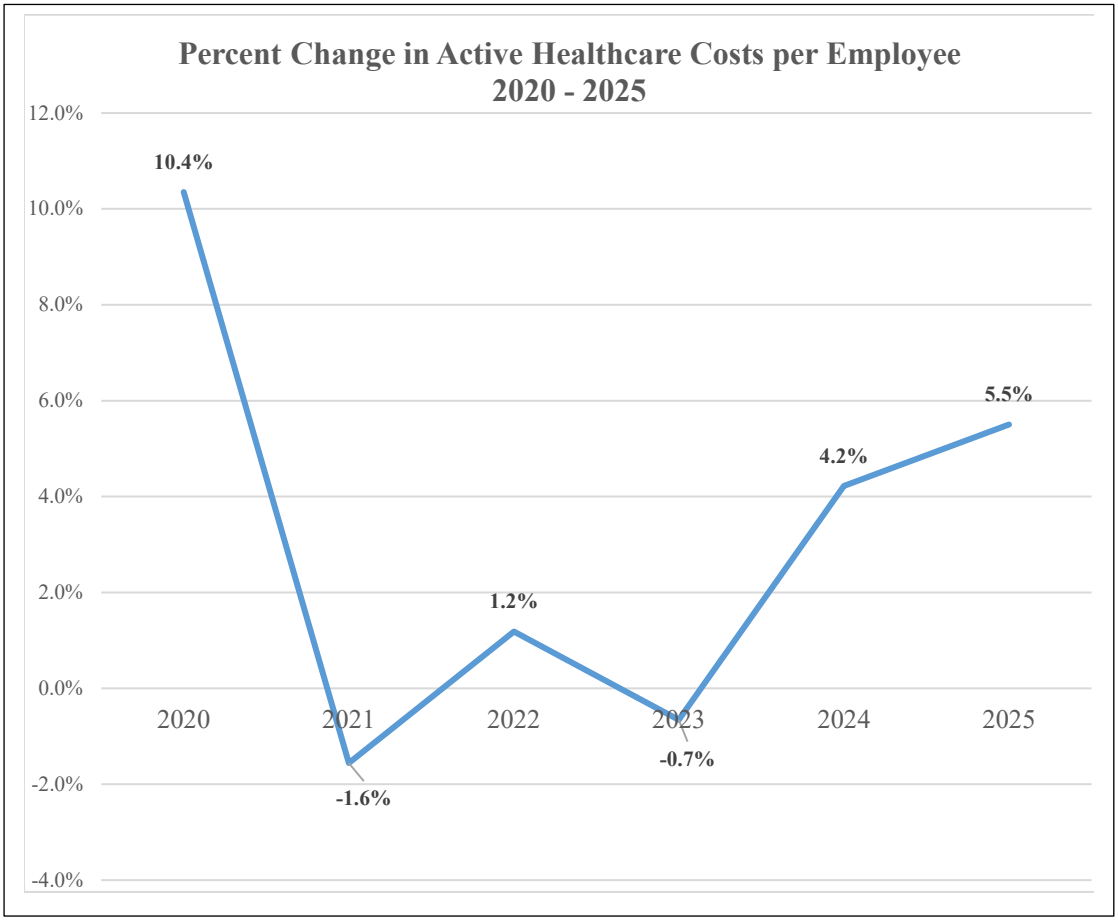
Figure 2: Percent Change in Active Healthcare Costs per Employee



It is precisely this level of annual volatility that makes the use of historical average annual percent changes in the Company's actual Active Healthcare costs an unreliable method of determining future escalations.

Q8. Why doesn't the use of a multi-year average of annual increases address the issue of annual volatility?

A8. While the average annual increase in the Company's Active Healthcare costs for the years 2020 through 2025 was only 3.2%, the Standard Deviation was 4.5%, which means about 68% of the time we could expect the actual annual increase to be between a low of a negative 1.3% or a high of 7.7%. The ratio of the Standard

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Deviation of 4.5% to the average of 3.2% of 1.4 demonstrates an extremely high degree of variability among years. This implies historical averages are unlikely to be accurate predictors of the future.

Q9. What would be a more reliable method of projecting future increases in the Company's Active Healthcare costs?

A9. The more reliable means of projecting future increases in the Company's Active Healthcare costs is to use the escalations prepared by the healthcare experts at Willis Towers Watson as adjusted for the impact of the Company's Wellness program, as I describe in my Direct Testimony (pp. 16 through 19). These projected increases reflect the expectation that prescription drug costs will continue to rise and the actual increases in the Health Maintenance Organization rates. Not directly reflected in the WTW medical trend assumptions used in my projections was the potential impact of the scheduled expiration of the enhanced subsidies under the Affordable Care Act on December 31, 2025. Those enhanced subsidies did in fact expire, which will increase the cost of all healthcare services, which is expected to result in higher levels of uninsured and thus drive up the cost to all users of the healthcare system. Thus, the actual cost of the Company's Active Healthcare costs are likely understated, although the impact remains unquantifiable.

Q10. What adjustments did Staff Witness Rueckert make to the Active Healthcare Expense?

A10. Staff Witness Rueckert proposes a reduction in the Company's projected Active Healthcare expense based on his observation that the Company's Active Healthcare costs have remained relatively flat for four consecutive years. Specifically, Staff

Witness Rueckert calculates a five-year average annual growth rate of 1.1% for the years 2019 through 2024 that he applies to the Company's unadjusted 2024 historical test year cost of $27.637 million, resulting in Active Healthcare costs for the projected test period of $28.519 million. This amount is multiplied by 60.2% of Active Healthcare costs to remove the portion capitalized to arrive at his proposed Active Healthcare expense projection of $17.157 million (Rueckert Direct, page 8, lines 4-9, Exhibit S-14-2, lines 13-18).

Q11. Do you agree with Staff Witness Rueckert's projections?

A11. No. The most significant flaw in Staff Witness Rueckert's projected Active Healthcare is his assumption that the historical increases in Active Healthcare costs are a reliable basis to predict future increases, as described above. In addition, the calculation is further flawed because it is based on the total change in the Company's Active Healthcare costs, without regard to changes in the number of employees. Last, Staff Witness Rueckert failed to adjust the Company's 2024 Active Healthcare costs for both the out-of-period drug rebates and the excess accrual of employee contributions.

Q12. What is Staff Witness Rueckert's position on the out-of-period prescription drug rebate adjustment?

A12. It is Staff Witness Rueckert's position that rebates the Company receives should be to the benefit of the rate payer and not used by the Company to increase the historic test year above the actual expenses for projection purposes to benefit shareholders (Rueckert Direct page 7, lines 6-10).

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Q13. Do you agree with Staff Witness Rueckert's assessment of the out-of-period prescription drug rebate adjustment?

A13. No. Customers do realize the benefits from rebates that are attributable to the historical test year base, but out-of-period rebates should not be included in the base for setting future rates. Doing so understates the historical test year base used to project future costs. In 2024, the Company received a $347,000 rebate from its prescription benefit manager that was related to an audit of 2022 and 2023. This specific out-of-period rebate should not be included in the base for the historical and projected test years because it is non-recuring, consistent with the well accepted practice of excluding non-recuring items from the historical test year.

Q14. Why is an adjustment for the excess accrual of employee contributions adjustment required?

A14. Failure to adjust for the excess accruals of employee contributions in 2024 results in an additional understatement of the 2024 historical test year base. In 2024, the Company accrued 27 pay periods of employee contributions to its Medical, Dental, Vision, and Life Insurance costs, rather than the standard 26 pay periods. Because employee contributions to Medical, Dental, Vision, and Life Insurance are recognized when accrued, the Company recognized non-recurring excess employee contributions in 2024 for these benefits. This resulted in $385,000 of excess employee contributions in 2024 related to Active Healthcare costs. It is worth noting that Staff Witness Rueckert accepted the adjustment for the excess accrual of employee contributions related to Life Insurance, which is included in Other Benefits.

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Q15. How are you proposing to correct Staff Witness Rueckert's calculations?

A15. Exhibit A-36, Schedule Z2 reflects an updated projection of Witness Rueckert's calculation for the Company's Active Healthcare using cost per employee 2019 – 2024 yielding an average annual growth rate of 3.3%. This exhibit adjusts for out-of-period drug rebates of $347,000 and the excess accrual of employee contributions in 2024 of $385,000, then calculates the 2024 active healthcare expense. Finally, this exhibit applies the five-year annual growth rate per employee to the normalized 2024 base expense to arrive at the projected test year expense of $18.643 million, which is $1.486 million higher than Witness Rueckert's calculation. While I continue to advocate that the Commission should adopt the projection of Active Healthcare expense as reflected on Exhibit A-13, Schedule C5.9, as described in my Direct Testimony which properly escalates costs based on projections for healthcare trends provided by the healthcare experts, if the Commission is persuaded by Staff Witness Rueckert's approach, it should at least make these corrections.

Q16. Does AG Witness Coppola adjust Active Healthcare?

A16. Yes. AG Witness Coppola projects Active Healthcare expense based on his calculation that the Company's Active Healthcare costs have increased at an average annual rate of 2.2% for the years 2019 through 2025. He then applied that average annual rate to the actual 2025 healthcare costs to arrive at a projected test year cost of $30.761 million. This amount was reduced by the portion capitalized of $11.997 million to arrive at a projected test year expense of $18.764 million (Coppola Direct, page 127, lines 12-19, Exhibit AG-56, lines 1-6). This compares

to the Company's projection of $20.759 million, which represents a reduction of $1.995 million.

Q17. How are you proposing to correct Witness Coppola's calculations?

A17. Exhibit A-36, Schedule Z3 reflects an updated projection of Witness Coppola's calculation for the Company's Active Healthcare using cost per employee 2019 – 2025 yielding an average annual growth rate of 3.2%. This growth rate is used to calculate active healthcare costs for 2026 and 2027. The percent expensed is then applied to these numbers to get 2026 and 2027 active healthcare expenses to arrive at the projected test year expense of $19.079 million which is $0.315 million higher than Witness Coppola's calculation. While I continue to propose that the Commission adopt the projection of Active Healthcare expense as reflected on Exhibit A-13, Schedule C5.9, as described in my Direct Testimony which properly escalates costs based on projections for healthcare trends provided by the healthcare experts. If the Commission is persuaded by AG Witness Coppola's approach, it should at least make these corrections.

New Hire VEBA

Q18. What adjustments do Staff Witness Rueckert and AG Witness Coppola propose to the Company's projected New Hire VEBA expense?

A18. Both Staff Witness Rueckert and AG Witness Coppola develop projections based on the development of historical trends that they then use to adjust the Company's actual New Hire VEBA expense to produce a projected New Hire VEBA expense. While I will address the specific proposals of both below, the detailed projection presented in my Direct Testimony continues to be the most reliable estimate of New

Hire VEBA expense for the projected test year because it is based on a detailed analysis of participants and expected growth in participants, which appropriately excludes the reductions experienced in the most recent years.

Q19. What adjustments did Staff Witness Rueckert recommend for New Hire VEBA?

A19. Staff Witness Rueckert recommends a five-year average annual growth rate for New Hire VEBA costs for the years 2019 through 2024 of 5.45 % be applied to the 2024 base year New Hire VEBA cost of $4.081 million to develop a New Hire VEBA cost for the projected test year of $4.723 million. This amount is adjusted for the proportion of New Hire VEBA costs charged to expense of 62.1% to arrive at a total expense of $2.934 million. (Rueckert Direct, page 5, lines 17-22 and page 6, lines 1-3, Exhibit S-14.2, lines 1-6.)

Q20. Do you agree with this approach?

A20. No. While Staff Witness Rueckert properly adjusted the Company's 2024 New Hire VEBA expense for the impact of excess true ups, he failed to adjust the actual annual average escalation for that adjustment.

Q21. How should the New Hire VEBA be calculated using Witness Rueckert's approach?

A21. If Staff's approach is adopted, the five-year average growth rate should be adjusted for the impact of the excess 2024 true ups as shown on Exhibit 36, Schedule Z4. This exhibit uses the same approach advocated by Staff Witness Rueckert but determines the average annual escalation of 8.4% rather than the unadjusted

average annual escalation used by Staff Witness Rueckert of 5.4%. Use of the five-year annual growth rate calculated and applied to the adjusted 2024 total New Hire VEBA cost of $4.081 million through the projected test period results in a projected test year cost of $5.101 million, which after adjustment for the portion capitalizes results in New Hire VEBA expense of $3.168 million. This increases Staff Witness Rueckert's projection by $234,000.

Q22. Did AG Witness Coppola also recommend adjustments to the Company's position on New Hire VEBA?

A22. Yes. AG Witness Coppola determined an average annual increase in the number of participants from 2018 to 2025 of 175 participants added annually, which produces an average annual increase of 6.0% for new participants. He then applied the percentage increase in participants to the 2025 VEBA expense to forecast the VEBA expense increase for 2026 and 2027 with a projected test year amount of $2.318 million (Coppola Direct, page 123, lines 3-14, Exhibit AG-51, lines 1-4).

Q23. Do you agree with the approach AG Witness Coppola took?

A23. No. AG Witness Coppola's calculation that determined an average annual increase in the number of participants from 2018 to 2025 is flawed because it includes the decline in participants due to the reduction in plan participants in both 2024 and 2025 due to the financial challenges in 2023 and the VSIP in 2024. Moreover, AG Witness Coppola's projection ignores the unusually large true up recognized in 2025.

Q24. How do you propose to fix AG Witness Coppola's calculation?

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A24. On Exhibit 36, Schedule Z5, I used the same calculation as Witness Coppola with two corrections. First, I normalize 2025 for the excess true up that occurred in 2025 and second, I use an average growth in participants from 2018-2023 to eliminate the distorting effects of the plan participant reductions in 2024 and 2025, which results in an average annual increase of 8.8%. These two adjustments result in $2.831 million, which is an increase to Witness Coppola's calculation of $513,000.

Q25. Why is it appropriate to normalize the 2025 true up?

A25. The Company's true up of the 2024 New Hire VEBA expense to reflect actual 2024 funding was $1.015 million, compared to a five-year average for the years 2020 through 2024 of $421,000, as shown on lines 1-7 of Exhibit A-36, Schedule Z5, page 3 of 3. Since true ups are the result of unexpected changes in the level of actual funding requirements, which are determined based on the number of participants and forfeitures, they are inherently unpredictable. Moreover, as the annual true ups can vary significantly between years with no discernable trend, it is proper to use an historical average rather than the most current year's true ups.

Q26. Did AG Witness Coppola also make some observations about the projections of New Hire VEBA, Employee Savings Plan and Active Healthcare expenses in the Company's most recent general rate case (Case No. U-21291)?

A26. Yes. AG Witness Coppola included in his testimony references a Discovery response to a request by the AG regarding the expense projections for New Hire VEBA, Employee Savings Plan (ESP) and Active Healthcare relative to the actual expenses incurred in these categories during the 12 months ended September 30, 2025, which was the projected test year used in Case No. U-21291.

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Q27. Did the Company provide any context for the differences between the expense levels projected in Case No. U-21291 and the actual expenses incurred?

A27. Yes. Exhibit AG-55 explains that the projected period in Case No. U-21291 did not include the impacts of the Voluntary Separation Incentive Plan implemented in 2024. Thus, total employees allocable to DTE Gas as of September 30, 2025, were about 5% lower than in 2022. The savings in VEBA, ESP and Healthcare expense due to this reduction in employees is estimated to be almost $2 million. Further, the projected Active Healthcare expense included a Constant Dollar adjustment of $1.3 million and $1.5 million of COVID related costs that did not recur in 2025. These factors constitute the majority of the differences between the Company's initial projections in Case No. U-21291 and the actual expenses incurred.

Other Benefits

Q28. What adjustment has Staff Witness Rueckert proposed to the Company's Other Benefits expense?

A28. Staff Witness Rueckert uses the novel approach of grouping all Other Benefits expense categories, as detailed in Exhibit S-14.2. Staff Witness Rueckert begins with the 2024 historical test year and adjusts for temporary items, normalization adjustments and also reduces the Company's 2024 Other Benefits expense for the VSIP and Lag Hiring adjustments. In addition, Staff Witness Rueckert provides no price level escalation for the projected test period based on his observation that Other Benefits expense decreased by 0.6% over the five years 2019 through 2024 (Rueckert Direct, page 8, lines 17-20 and Exhibit S-14.3, lines 19 through 26). In addition, Staff Witness Rueckert seems to support his use of zero escalation through

the projected test year based on his observation that the Company has incurred actual Other Benefits expense that was less than the Other Benefits expense included in the revenue requirement adopted by the Commission in the last four years.

Q29. Why does Staff Witness Rueckert exclude adjustments for VSIP and Lag Hiring as well as any inflationary increases?

A29. Staff Witness Rueckert states that the VSIP and Lag Hiring "should not be borne by the rate payer", and no inflationary increases are applied because the 5-year average annual growth rate was negative for the aggregated expenses and that the Company's actual Other Benefits expense "have been much lower than the amount approved in rates for 4 consecutive years" (Rueckert Direct, p. 9, lines 12 through 14).

Q30. Do you agree with Staff Witness Rueckert?

A30. No. There are four issues with this approach. First, the VSIP and Lag Hiring adjustments are incorrectly excluded by Staff Witness Rueckert from the historical test year because these adjustments were not in the Company's historical 2024 Other Benefits expense used as a starting point by Staff Witness Rueckert. Thus, Staff Witness Rueckert has improperly reduced Other Benefits expense by $32,000, which represents the net of the VSIP and Lag Hiring Adjustments reflected in line 25 of columns (e) and (f) of Exhibit A-13, Schedule C5.9 page 2 in my Direct Testimony. Second, Staff Witness Rueckert has combined into one projection a variety of remarkably dissimilar benefit categories that can be individually projected. Third, Staff Witness Rueckert claims that his acceptance of the

normalization adjustments to the Company's 2024 Other Benefits expense for the programs suspended in 2023, specifically expenses related to Wellness and General Benefits, is sufficient for the projected test year (Rueckert Direct, p. 9, lines 14 and 15). Last, the level of Other Benefits expense included in the Company's revenue requirements adopted by the Commission relative to the Company's incurred Other Benefits expense is irrelevant in the determination of the proper projection of Other Benefits expense in this case.

Q31. Why aren't Staff Witness Rueckert's adoption of the Company's normalization adjustments for Temporary Items related to Wellness and General Benefits expense sufficient for the projected test year?

A31. While acceptance by Staff Witness Rueckert of the Company's normalization of the Temporary Items related to Wellness and General Expense is appreciated, it is insufficient to cover the expenses for these items that will be incurred in the projected test year. Having set the historical base to a level in line with the expense levels prior to the Company's financial challenges of 2023, there is no basis to presume these expenses will remain static through the projected test year. Accordingly, these expenses should be escalated at the expected price level changes appropriate for these cost categories. Moreover, by providing for zero escalation through the end of the projected test year, Staff Witness Rueckert's proposal ignores the other expected changes in Other Benefits expense, as described below.

Q32. What are the proper adjustments to Staff Witness Rueckert's projections?

A32. I propose the Commission adopt my corrections by excluding VSIP and Lag Hiring adjustments, as both initially proposed by the Company and improperly included

Line No.

in Staff Witness Rueckert's adjustment, and project the Other Benefits expense by each component through the end of the projected test year.

Specifically, Exhibit 36, Schedule Z6 uses the same Other Benefits categories reflected in Exhibit A-13, Schedule C5.9 and makes the necessary known and measurable adjustments, as accepted by Staff Witness Rueckert (Exhibit S-14.2, lines 20 and 21), to develop a normalized 2024 Other Benefits expense of $5.869 million. This normalized amount is adjusted for the Company's escalations based on the individual expense component. Accrued Vacation and Life Insurance are escalated at the 3.0% labor escalation, Wellness and Affordable Care Act expense are escalated at the Company's Active Healthcare projected escalations and all other items are escalated by the Company's projected Consumer Price Index increases. In addition to the escalations, Exhibit 36, Schedule Z6 also reflects certain specific projections in column (j). These specific projections include the projected Supplemental Severance expense, which is based on estimates provided by Aon, the Company's actuaries, and Supplemental Savings Plan and Deferred Compensation expense projections, which are based on the Expected Return on Pension assets. These escalations were all described in my Direct Testimony (p 20, line 20, through p. 23, line 8) whereas Company Witness Fix describes the adjustments to Supplemental Severance, Supplemental Savings Plan and Deferred Compensation (Fix Direct, p. 12, line 12 through p. 16, line 25).

This results in a projected Other Benefits expense of $6.562 million compared to Staff Witness Rueckert's projected Other Benefits expense of $5.838 million, or an increase of $0.724 million. This adjusted Other Benefits expense is comparable to the Company's projected Other Benefits expense of $6.596 million, as reflected

on Exhibit A-13, Schedule C5.9, which supports the reasonableness of the Company's original projection.

Q33. Do you agree with Staff Witness Rueckert's conclusion regarding the Company's actual Other Benefits expense compared to the Other Benefits expense included in the Company's revenue requirements adopted by the Commission for the last four years?

A33. No. While Staff Witness Rueckert does not specifically cite the basis for his conclusion regarding the Company's actual Other Benefits expense compared to the Other Benefits expense included in the Company's revenue requirements adopted by the Commission for the last four years, Staff Witness Rueckert seems to be implying that any difference in actual expenses and Commission adopted revenue requirements for Other Benefits would justify zero escalation through the projected test year in this case. This conclusion is inappropriate because it is well-understood that future rates can't be adjusted to refund any past surpluses.

Q34. Are there other flaws with Staff Witness Rueckert's reliance on the comparison of Other Benefits expense included in rates with the Company's actual Other Benefits expense?

A34. Yes. First, while Staff Witness Rueckert references four years, the analysis he relies upon is based on the revenue requirements adopted by the Commission in only two contested cases. That is Case No. U-18999, Order issued on September 13, 2018, and Case No. U- 20940, Order issued on December 9, 2021. In between these Orders was a Commission approval of a settlement in Case No. U-20642 in an Order issued on August 20, 2020. Because this case was settled by the parties,

the Commission did not approve any specific components of the Company's revenue requirement. While the Commission approved rates to by implemented December of 2024 in Case No. U-21291, the costs adopted by the Commission were in effect for only one month of 2024. Second, the disparate nature of the individual cost components contributes significantly to the difference between the expenses included in the Commission adopted revenue requirements and the Company's actual Other Benefits expense.

Q35. Have you prepared an analysis of the components of the Company's Other Benefits expense for the years 2020 through 2024?

A35. Yes. Exhibit A-36, Schedule Z7, details the cost components included in Other Benefits expense for the years 2020 through 2024, which includes the expense levels implicit in the revenue requirements adopted in the rate cases over that period, the actual expenses incurred by the Company, the variances by cost component between the two and the relative contribution of each cost component to the total variance. Note that the amounts on line 13 of this exhibit are identical to the amounts reflected on Exhibit S-14.3, line 8.

Q36. What conclusions do you draw from this analysis?

A36. When the years 2020 and 2021 are combined, the Company's actual expense was greater than the level implicit in the Company's rates by $215,000 (2020 of negative $976,000 and 2021 positive of $761,000), as shown in columns (b) and (c), line 41). For 2022, the entire variance between the Other Benefits expense included in rates and actual Other Benefits expense is due to an increase in the accrued vacation credit as more employees took their vacations after the COVID-

19 pandemic and the poor financial market return that decreased the Company's Supplemental Savings Plan expense. Neither of those can be expected to be recurring. Moreover, in 2023 the largest contributors to the variance between the Other Benefits expense included in rates and actual Other Benefits are due to predicted reduction in the Company's Supplemental Severance plan expense as the prior service cost become fully amortized as well as reductions in Wellness Plan expense and General Benefits expense for tuition reimbursement and Employee Service award programs as a result of the Company's 2023 financial challenges, which have since been restored. Further, for all years one of the largest contributors to the variance between Other Benefits expense included in rates and actual Other Benefits expense annual changes is the Employee vacation expense accrual, which volatility among years is addressed using a multi-year average. For these reasons, the Commission should consider each Other Benefits category individually versus in aggregate as suggested by Staff Witness Rueckert.

Q37. Has the Commission addressed the projection of Other Benefits expense based on an aggregated approach, as proposed by Staff Witness Rueckert in other cases?

A37. Yes. In DTE Electric's most recent rate case Staff Witness Rueckert made an identical proposal to project Other Benefits expense based on the aggregate of the same dissimilar items. The Commission rejected that approach and instead adopted the Company's alternative of individual projections of the components of Other Benefits expense (Case No. U-21860, Order, February 19, 2026, p. 354).

Q38. Does this complete your rebuttal testimony?

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1 A38. Yes, it does.

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the Application of	)	
DTE GAS COMPANY	)	
for authority to increase its rates, amend	)	Case No. U-21973
its rate schedules and rules governing the	)	
distribution and supply of natural gas, and	)	
for miscellaneous accounting authority.	)	

REBUTTAL TESTIMONY

OF

HENRY J. DECKER

DTE GAS COMPANY
REBUTTAL TESTIMONY OF HENRY J. DECKER

Line No.

Q1. Are you the same Henry J. Decker who previously offered testimony in this proceeding?

A1. Yes, I am.

Purpose of Testimony

Q2. What is the purpose of your rebuttal testimony?

A2. The purpose of my testimony is to rebut the following arguments :

1. Michigan Environmental Council (MEC) Witness Napoleon's assertions that DTE Gas did not consider a range of options to decarbonize the gas system, that DTE Gas HVAC cost modeling is flawed, that DTE Gas did not comply with Commission's directives in U-21291, that the GDP does not consider likely reductions in demand due to electrification and the associated risks, and that DTE Gas did not consider changes to forecasts or Non-Pipeline alternatives (NPA) to avoid gas system investments.
2. Citizens Utility Board (CUB) Witness Menghaney's proposal to disallow the expense associated with the Company's carbon offset program.
3. Frontline Organizations (FLO) Witness Cira-Reyes' arguments that electrification is significantly impacting costs to customers on the gas system, that electrification will lead to cost savings for customers, and that the Company did not consider the financial impacts of electrification on its customers,
4. Frontline Organizations (FLO) Witness Kinkhabwala's statement that DTE Gas's investment plan is based on "overly optimistic projections" from incomplete studies and that the evaluation for the costs of electrification are

flawed.

5. Ann Arbor (AA) Witness Stults' assertion that a franchise agreement is required to conduct business within Ann Arbor, that DTE Gas is not including EWR impacts in its forecasting, and that the Company's analysis was not sufficient to consider electrification and the associated impacts on system assets.
6. Ann Arbor (AA) Witness Walsh's testimony in the following areas: the statement that DTE's response to the Commission's order to consider the Energy Transition in its GDP is insufficient, specifically that DTE Gas did not sufficiently engage stakeholders, the validity of the scenarios and outcomes presented in the revenue requirement model, the questioning of the industry standard emission factor-based accounting of methane emissions calculations, that RNG is not a viable emission reduction option due to supply constraints, and that non-pipeline alternatives have not been sufficiently considered by DTE Gas during the capital planning process.

The absence of a discussion of other matters in my testimony should not be taken as an indication that I agree with all other aspects of intervenor testimony.

Q3. Are you sponsoring any rebuttal exhibits?

A3. I am sponsoring or supporting the following exhibits:

Exhibit	Schedule	Description
A-40	DD1	HVAC Cost Model (MECCUBDG-3.12a Discovery Response)

A-40	DD2	NYSERDA Report
A-40	DD3	Pearl Edison Heat Pump Concierge
A-40	DD4	HVAC Appliance Permits
A-40	DD5	LCFS Current Pathways CNG

Emission Reduction Targets

Q4. On page 13, line 7 of MEC Witness Napoleon's direct testimony, what "mandated emission reduction targets" does the witness reference?

A4. Witness Napoleon makes reference to Executive Directive 2020-10, which requires economy-wide carbon neutrality by 2050 and the targets established in the Michigan Healthy Climate Plan that was issued in April 2022. However, none of these emission reductions are mandated by current legislation or regulations. As stated in my direct testimony, there are no federal or state laws that require specific GHG emission reduction targets or actual reductions from the production, transportation, or use of natural gas for heating.

Q5. Does Witness Napoleon specify which target, even though not mandated, is relevant for DTE Gas?

A5. Yes, Witness Napoleon referenced the MI Healthy Climate Plan target to reduce emissions from the built environment 17% by 2030 from a 2005 baseline.

Q6. Witness Napoleon states DTE Gas "has not provided sufficient detail about its plans for achieving state emission reduction targets." Do you agree with this statement?

A6. No. As stated in my direct testimony, DTE Gas has already achieved an 18% reduction in emissions per customer since 2005, exceeding the MI Healthy Climate plan target of 17% and achieving it 5 years early. Also included in my direct testimony was that these emission reductions were primarily achieved through energy efficiency programs.

Q7. Do any other witnesses have concerns about DTE Gas's methods to meet the targets established in the MI Healthy Climate Plan?

A7. Yes, FLO Witness Kinkhabwala states on page 62, line 3 "The Company's current plans to meet the targets set forth by the MI Healthy Climate Plan are not the most effective – from both an affordability and environmental standpoint."

Q8. Does FLO Witness Kinkhabwala explain why DTE Gas's achievement of the MI Healthy Climate Plan target is not the most effective?

A8. Yes, he states "…DTE Gas has not accounted for the decreased demand for natural gas that is likely to result from both external climate goals and its internal programs."

Q9. Do you agree that DTE Gas has not accounted for decreased natural gas demand?

A9. No. As stated in my direct testimony, DTE Gas has already achieved the 17% reduction target established by the MI Healthy Climate Plan and those reductions are already in all forecasts and analyses. Future demand reductions from EWR programs are also accounted for in the demand forecasts provided. Lastly, the two most affordable internal programs for emission reductions, forestry offsets and

RNG, would not impact future demand. This is supported by Staff Witness Creisher who states "Pages 31-38 of the GDP address gas delivery and further addresses supply and future demand on page 85. This information includes a weather normalized demand from 2005 to 2024, a 2030 and 2035 forecast, and future demand considering both growth and energy efficiency".

Q10. Did Witness Kinkhabwala provide suggestions for more effective emission reduction measures?

A10. Yes, on page 60, line 3, Witness Kinkhabwala states "none of the climate or emission reductions measures proposed by DTE Gas are as effective as electrification and renewable energy."

Q11. Do you agree with Witness Kinkhabwala's statement that none of the climate or emission reduction measures proposed by DTE Gas are as effective as electrification and renewable energy?

A11. No. First, Witness Kinkhabwala does not provide any specific measures or evidence to support his claim. Second, as I discussed in my direct testimony, page 18 Table 1, DTE Gas presented four different options to reduce emissions from residential heating: energy efficiency, a hybrid Gas/Heat Pump system, full electrification, and RNG blending. The lowest cost option was energy efficiency, specifically a more efficient furnace, which saves the customer money and reduces emissions. When evaluating it from a cost per metric ton of carbon reduced, it is -$90/mt CO2e. This is the primary measure DTE Gas has used to achieve the built environment target established in the MI Healthy Climate Plan which Witness Kinkhabwala claims is not as effective as electrification. The next most affordable

option was blending of RNG, which reduced emissions at $85/mt CO2e. The hybrid option costs roughly 5 times more at $440/mt CO2e and full electrification, the most expensive option, costs more than 11.5 times RNG blending at $990/mt CO2e. However, DTE Gas does not propose to implement any of the options beyond energy efficiency at this time. DTE Gas has already met the MI Healthy Climate Plan target for the built environment. DTE Gas will continue to use energy efficiency to reduce emissions and lower customer costs. Other decarbonization options specifically for the built environment would, at this time, put additional costs on our customers. As stated in my direct testimony, if additional targets were established today that required emission reductions beyond those achievable with energy efficiency, DTE Gas would propose RNG blending as the most affordable option for customers.

Costs of Electrification

Q12. Have any Witnesses suggested changes or adjustments to the cost analysis DTE Gas used to evaluate the different emission reduction technology options?

A12. Yes. MEC Witness Napoleon suggested the costs associated with installing a furnace were underestimated and costs of installing a heat pump were overestimated. FLO Witness Kinkhabwala suggested that the lack of different rate structures results in an overestimation of the operating costs of electrification and that a dual-fuel system and geothermal systems were not considered.

Q13. Do you agree with the adjustments suggested by Witness Napoleon?

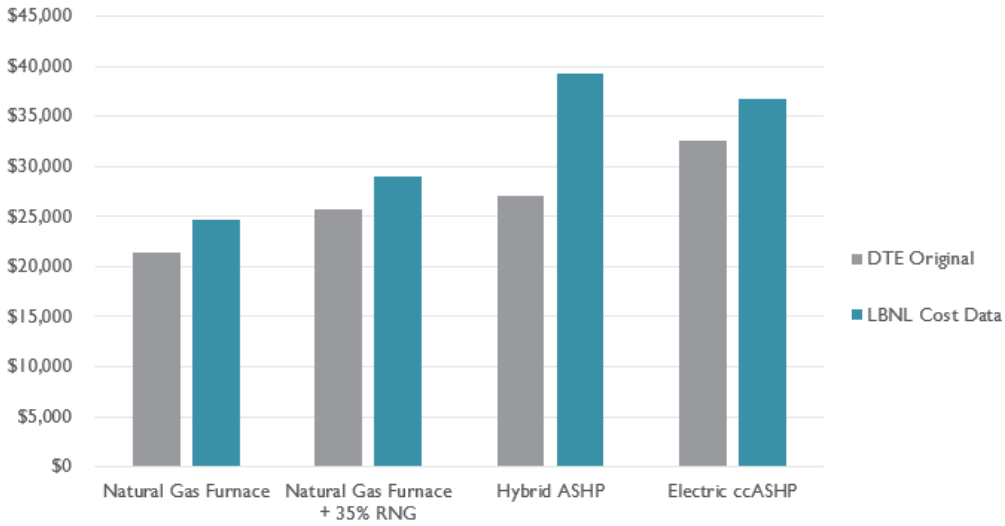
A13. No. I do not agree with the proposed updated costs. The data presented by Witness Napoleon is not reflective of the data presented in the study referenced. Witness

Napoleon's updated model proposed a ccASHP installation cost of $13,500 based purely on the difference between a standard ASHP and a ccASHP, which the LBNL study suggests is only $192 per ton. However, the LBNL study states in the same sentence "it is important to note many of the systems in the 'Standard' category may have been cold climate models that were not adequately labeled in our data sources." This makes Witness Napoleon's proposal of only a 4% increase between a standard ASHP and ccASHP unfounded. Furthermore, Witness Napoleon did not use the actual numbers provided in the LBNL study. Figure G21 in the LBNL study, the figure referenced when discussing the difference between standard ASHP and ccASHP, shows the actual cost of the heat pumps at $4,399 per ton for a standard heat pump and $4,591 per ton for a ccASHP. Based on expected heating loads in Michigan, the Guidehouse model presented by DTE suggests a 5-ton ccASHP is required, resulting in a ccASHP cost of $22,955, which is actually ~$5,000 **more** than the price currently assumed in DTE's proposed costs. Further reinforcing the higher costs of ccASHP, the City of Ann Arbor, a city within DTE Gas territory, provides a Heat Pump Concierge tool to estimate the cost of switching to a heat pump. When selecting a typical house (~1,850 sq. ft., two-story house built in 1969), the tool indicates an installation cost of $20,800 - $28,100, again even higher than the assumptions used in the DTE model. See Exhibit A-40, Schedule DD3, "Pearl Edison Heat Pump Concierge"

Q14. What would be the updated cost comparison if using the cost data presented in the LBNL study?

A14. The below figure shows the difference in costs when using data from the LBNL study cited by Witness Napoleon. As seen below, the cost of the natural gas furnace and RNG blending remain significantly lower than either electrification option.

Figure 1: Lifecycle Costs of Home Heating – LBNL Cost Data



Q15. Do you agree with Witness Kinkhabwala's proposed implementation of alternative rate designs when evaluating the costs of electrification?

A15. No. Although alternative rate designs can be a valid addition to consider in future analysis, Witness Kinkhawala's proposed inclusion of a Geothermal rate, which is *only applicable for ground-source heat pumps*, is not appropriate when considering the costs associated with operating Air-Source Heat Pumps.

Q16. Does Witness Kinkhabwala's proposed alternative rate designs change the outcome of the analysis?

A16. No. The alternative rate designs do decrease the annual operating costs by a few hundred dollars, but under all the appropriately applied rates, the operating costs for electrification are still more expensive than natural gas. Also, Witness Kinkhabwala failed to address the upfront cost of the electrification options, which based on the analysis by Guidehouse are at least $14,000 more than the traditional gas system.

Q17. Do you agree with Witness Kinkhabwala's assertions that DTE Gas did not consider dual-fuel or geothermal systems in the analysis?

A17. No. Table 1 in my direct testimony clearly includes an evaluation of a "Hybrid Gas/HP" system, which is a dual-fuel system. Additionally, the model developed by Guidehouse included a geothermal option, but the high upfront costs and the land requirements make this an even more costly option than the air-source heat pump options evaluated.

Q18. Do you agree with Witness Kinkhabwala's assertion that the analysis is oversimplifying the diversity of the housing stock to favor continued natural gas usage?

A18. No, I do not agree. While the Guidehouse analysis does focus on single-family homes, that currently accounts for 72% of homes in Michigan and on average the energy use of a single-family home is double that of a multi-family unit per data from the EIA. Therefore, the focus on single-family homes is appropriate for planning purposes.

DTE Gas Customer Survey

Q19. Did any Witnesses challenge the validity of the results of the customer survey conducted by DTE Gas to determine customer sentiment around electrification?

A19. Yes. Witness Napoleon, Witness Kinkhabwala, and Ann Arbor (AA) Witness Stults all suggest the conclusions of the survey do not indicate limited customer interest in electrification.

Q20. What issues did Witness Napoleon specify with the survey?

A20. Witness Napoleon states that the target audience of propane customers does not include the universe of potential gas/electrification customers such as "customers using other energy sources like solar, wood, or oil" and that the question phrasing is biased towards natural gas.

Q21. Do you agree with Witness Napoleon's statement that the survey is flawed because of the decision to only survey propane customers?

A21. No. Propane users surveyed are more likely to have considered the different alternative fuel options, and therefore were determined to be a good test case to determine customer opinions based on actual costs and impacts of switching fuels. Additionally, the proposed inclusion of wood and oil would be unlikely to change the results, as cost was identified as the most common factor and both of these options are much more expensive than the natural gas option. Additionally, the overall percentage of households using wood (2%) or oil (0.8%) are small relative to propane (8.7%).

Q22. Do you agree with Witness Napoleon's claim that "the question is biased against electric equipment" and Witness Kinkhabwala's statement that "the phrasing of certain survey questions and answers was unlikely to yield unbiased data" when referring to the question "How likely would you be to switch to electric if your monthly energy bills doubled and there would be additional costs to switch your current appliances to electric"?

A22. No. As shown in the HVAC Cost Model, there will be substantial upfront costs associated with electrification to replace appliances, and the cost of heating will nearly double for customers when considering the geographies in DTE Gas service territory like Muskegon and Saginaw. These are the geographies where many of these customers live. These scenarios are available in the model provided in response to discovery question MECCUBDG-3.12a (Exhibit A-40, Schedule DD1). Therefore, the question includes accurate information and any claim that it is biased or misleading is incorrect.

Q23. Do you agree with Witness Stults' claim that it is unreasonable to make any conclusions about DTE customers as a whole based on the referenced survey?

A23. No. As stated above, the propane customers contacted in the survey are individuals currently dealing with high energy prices and DTE Gas believes these customers are more likely to be aware of the different heating options available and pros and cons of each.

Q24. What support does Witness Stults provide in support of her claim?

A24. Witness Stultz cites two additional data points, the first being a national trend of heat pumps outselling furnaces and the second being permit data from Ann Arbor showing a growing share of heat pumps for HVAC installations.

Q25. Do you agree that the data presented by Witness Stults supports the conclusion that electrification is happening at a significant rate in DTE Gas service territory?

A25. No. The first data point is the national sales of heat pumps versus furnaces. Heat pump economics change drastically based on the climate, housing stock, and energy costs, therefore a national study does not reflect the true economic realities in Michigan. The second data point is the growing Heat Pump HVAC permits in Ann Arbor. Additionally, Table 1 presented by Witness Stults likely overrepresents the number of heat pumps. A review of the data reveals instances of duplicate addresses, permits for air-conditioners being labeled as heat pumps, and approximately 200 of the 450 total residential heat pump permits being mini-split systems (per Permit Desc column), which are not commonly used as furnace replacements In addition, DTE Gas customer counts in the zip codes covering Ann Arbor have increased by a total 660 over the same time period (more than the total permits of 646 identified), and by a total of 2000 customers since 2018. See Exhibit A-40, Schedule DD4, HVAC Appliance Permits.

Impacts of Reduced Demand

Q26. Did any witnesses propose alternative demand reduction scenarios from the DTE Gas proposal of approximately 4% maximum customer electrification?

A26. Yes, Ann Arbor Witness Walsh provided 8 different scenarios of different demand assumptions. Two scenarios are described as baseline scenarios, one scenario called "mild decline", another scenario assuming 100% adoption of hybrid heating systems, and 4 scenarios modeling the elimination of natural gas by 2050. No other intervenor witnesses proposed alternative scenarios.

Q27. What conclusions does Witness Walsh make about the baseline scenarios and the mild decline scenario in the evaluation of these scenarios?

A27. Witness Walsh suggests that these scenarios show that "modest declines of the customer base" create "significant impacts" on customer bills, showing a 15% increase in bills for a "no growth" baseline scenario and a 19% increase with a reduction of 4% of customers.

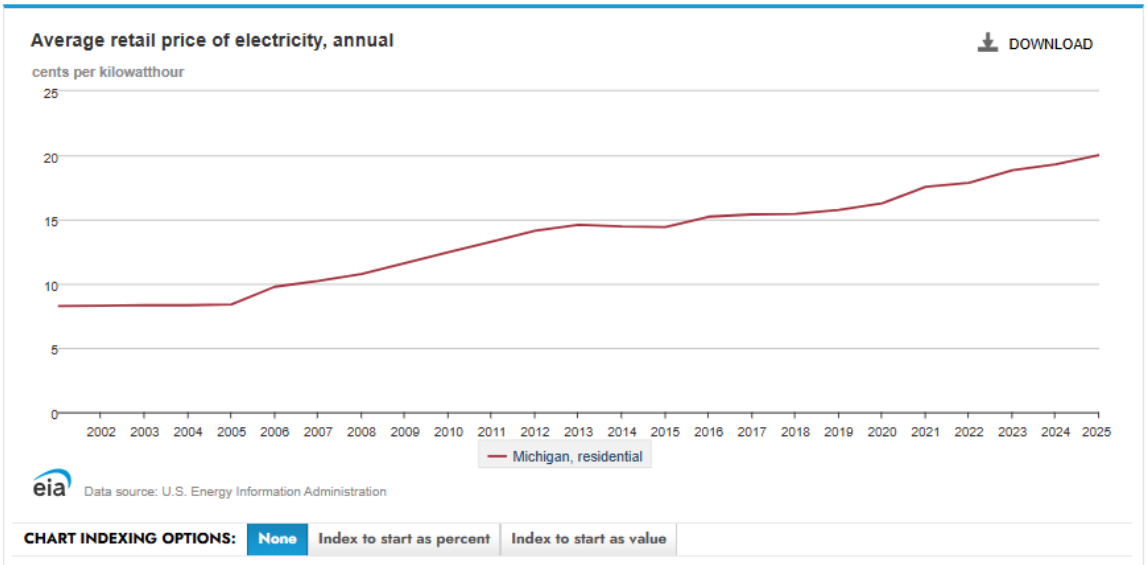
Q28. Do you agree with Witness Walsh's characterization of these as "significant impacts" on customer bills?

A28. No. While DTE Gas strives to provide affordable service while maintaining a safe and reliable natural gas system, the baseline and mild scenarios provided by Witness Walsh are not "significant impacts" based on historical energy prices. In the baseline scenario proposed, bills would grow 15% over the next 25 years, or an average 0.6% annually. For the mild decline scenario, this increases to 36% over 25 years, or 1.44% annually. To put this in context, residential electricity prices in Michigan from 2005 to 2025, when adjusted using the 2.3% inflation rate proposed by Witness Walsh, have increased on average 2.1% annually per EIA average retail price of electricity data (see chart below). Based on this comparison, a 1.44%

Line No.

annual increase is in line with historical cost increases for the proposed alternative energy source.

Figure 2: Average Retail Price of Electricity, Annual[1]



Q29. What conclusions did Witness Walsh reach based on the other scenarios proposed?

A29. Witness Walsh claims that the remaining scenarios show "gas customers face sharply escalating bills under any climate-aligned scenario."

Q30. Do you agree with the characterization of the additional scenarios as "climate-aligned?"

A30. No. The remaining scenarios presented by Witness Walsh represent zero emission scenarios, assuming all electricity is coming from zero emission sources. This is not aligned with the MI Healthy Climate Plan, which targets a 17% reduction in

[1] https://www.eia.gov/electricity/data/browser/ accessed on March 30th, 2026

emissions from the built environment and indicates 40 million metric tons of negative emissions from Michigan's natural lands will offset emissions across all sectors. There are no regulations, policies, or legislation that indicate zero emissions are required from the built environment for the state to meet the target established by the MI Healthy Climate Plan.

Q31. Do you have any other notable concerns with the analysis conducted by Witness Walsh?

A31. Yes. I have identified one notable issue in Witness Walsh's model - the mischaracterization of the cost of RNG. Per Witness Walsh's model, the price for RNG is $48/MMBtu. However, Witness Walsh failed to consider that the $48/MMBtu price identified in the MI RNG report is the marginal price, and that 90% of the RNG achievable at that price is available for under $25/MMBtu, therefore the weighted average cost of RNG would be closer to $20/MMBtu.

Q32. Do you agree with Witness Walsh's characterization of the analysis that the increasing bills are likely to lead to increasing customer defection?

A32. No. Witness Walsh's analysis does indicate that significant emission reductions in the built environment would increase energy costs for gas customers. This much has already been stated in Witness Decker's testimony. To show the risk of customer defection, the analysis would need to include an evaluation of the electric system and customer costs as well. To start, in the full electrification scenario, roughly 1.3 million customers would need to buy a cold-climate air-source heat pump, a heat pump hot water heater and retrofit their home to accommodate them. Based on the Guidehouse analysis, this would be $25,260 per home, less the cost

of replacing their existing appliances of $8,704, for an incremental cost of $16,556 per home. This equates to a total incremental cost of approximately $21.5 billion in total. Additionally, these appliances have a lifespan of only 15 years, so customers would need to spend another $17.6 billion more than current heating and cooling options every 15 years after that (retrofit costs excluded). This is compared to the $15 billion Witness Walsh forecasts DTE Gas will need to spend over the next 15 years. Additionally, the analysis would also need to consider the additional costs for the electric system. This would include the costs to make all electric generation zero emission and the upgrades to the distribution system required to support a peak demand tied to the new heating loads. According to EIA, 2020 total electricity usage in Michigan was 111.9 tBTU while just the natural gas heating load in Michigan was 213 tBTU, which mostly occurs November through April. This suggests, even considering heat pumps capable of 200% efficiency, electric generation would need to double current capacity and at a time when the state is trying to transition to the power sector to zero emissions. On top of that, the electric grid would likely need to support about 3 times current loads, as on the coldest days heat pump efficiency likely drops closer to 100%. The only thing Witness Walsh's analysis confirms is that all scenarios eliminating emissions from the built environment are going to substantially increase costs for customers.

Similar affordability concerns have been raised in other jurisdictions, most notably New York, where state-led analyses have identified material bill impacts for customers who rely on natural gas or heating oil.

Q33. Do any other witnesses provide evidence that the scenarios 3 through 6 presented by Witness Walsh are reasonable futures to consider?

A33. No, Witness Stults, Witness Napoleon, Witness Kinkhabwala, and FLO Witness Cira-Reyes all reference the increasing rates caused by customer defections and the impact on the remaining customers. The only reasoning provided for growing customer defections presented by the witnesses is a transition towards electrification. However, none of these witnesses provide any data that indicates a trend of increased electrification within DTE Gas service territory or any evidence that would indicate such a trend is likely. In fact, no other specific scenarios are presented by any of the above witnesses.

Q34. What does Witness Walsh claim about the effectiveness of RNG as a solution to reduce emissions in the built environment?

A34. Witness Walsh claims that RNG is not an effective emission reduction solution for three primary reasons: limited supply, inaccurate cost assumptions, and incorrect emission factors for RNG and the electric grid.

Q35. Do you agree with Witness Walsh that RNG is not effective to reduce emissions due to limited supply?

A35. No. Whether RNG is sufficient to meet emission reduction targets for the built environment depends on targets being set. At this time, there are no additional targets established beyond the 17% reduction by 2030 target established in the MI Healthy Climate Plan. For an additional 5% reduction in emissions, RNG would be a viable option based on the supply and cost data presented in the MI RNG study and the lowest cost option per the Guidehouse HVAC model. Additionally, Witness Walsh only considers supply available in Michigan. RNG may be available from areas with lower overall gas demand and where electrification is more economical.

Q36. Do you agree with Witness Walsh that the RNG costs relied on inaccurate price assumption for RNG?

A36. No. The assumptions used for that analysis are aligned with current market prices. The MI RNG study shows production costs rising to $48/mmBtu as production increases, but the first 50 tBtu/yr are available at an average price of approximately $12.50/mmBtu. DTE Gas uses a conservative $18/MMBtu in the cost evaluation of HVAC options. As stated above, there is no established target for emission reductions in the built environment. Without a target, it is impossible to know the cost of using RNG to meet that target.

Q37. Do you agree with Witness Walsh that inaccurate emission factors for the electric grid were used?

A37. No. For electric grid emission intensity, MISO PROMOD was used instead of DTE Environmental Target for two reasons. First, DTE Gas service territory does not align with DTE Electric's service territory, where as they both reside in the MISO Zone 7. Second, DTE Environmental Target is a reflection of the energy DTE is specifically producing, but does not necessarily align with energy purchased from the broader MISO market. Therefore, the MISO PROMOD forecast is a more appropriate option.

Q38. Do you agree with Witness Walsh that inaccurate emission factors for RNG were used?

A38. No. Witness Walsh assigns the emissions factor of cleaning biogas to RNG for all RNG emissions. However, RNG emissions vary widely based on feedstock, with

many being negative emissions. Of 770 RNG pathways certified by California Air Resource Board for the LCFS program, 556 have negative emission factors with the average being -163.66. Therefore, using an assumed zero emission factor for RNG is appropriate, and perhaps even conservative. See Exhibit A-40, Schedule DD5, " LCFS Current Pathways CNG".

Non-Pipeline Alternatives

Q39. What concerns with DTE Gas's approach to NPAs were highlighted by intervening witnesses?

A39. Witness Walsh, Witness Kinkhabwala, and Witness Napoleon all point to the lack of consideration for electrification as an NPA as evidence that DTE Gas does not consider NPAs in the capital planning process. Witness Walsh specifically references Witness Decker testimony where it states: "DTE Gas does not foresee a material impact on the need for natural gas infrastructure in realistic electrification scenarios."

Q40. Several witnesses assert that DTE Gas does not consider NPAs in the capital planning process because it does not consider electrification as a viable NPA. Do you agree with that assessment?

A40. No. First, that assertion rests on the unsupported premise that electrification is presently a viable non-pipeline alternative capable of avoiding or deferring natural gas infrastructure investments at scale. Neither Witness Napoleon nor Witness Walsh presents evidence that electrification is economically or politically viable as an NPA, particularly at scale such that it will have a material impact on the need for natural gas infrastructure. Second, Witness Decker, in his direct testimony, cited

a publicly available third-party report from Rocky Mountain Institute (RMI), which concludes that NPAs relying on broad-scale electrification are not viable at scale. Although Witnesses Napoleon and Walsh assert that my testimony mischaracterizes the RMI report, neither identifies any specific portion of the report that reaches a conclusion inconsistent with the conclusions presented in my direct testimony. As discussed further below, the RMI report expressly recognizes the significant barriers to such approaches. Finally, each witness relied on policy actions and limited pilots in other jurisdictions as evidence that electrification is a viable NPA today. However, those examples do not establish that electrification is a scalable, cost-effective alternative for DTE Gas's service territory. In sum, the absence of electrification as an NPA in DTE Gas's capital planning does not support the conclusion that the Company fails to consider NPAs.

Q41. Do you agree with Witness Walsh's and Witness Napoleon's assertion that DTE Gas's conclusion of the RMI study was misleading?

A41. No. Quoting directly from the study, "Individual customer persuasion to reach 100% participation is not a scalable NPA approach for avoided replacement projects. Under the current regulatory framework, NPAs that avoid infrastructure replacement require voluntary and coordinated conversion of 100% of customers on the segment from gas to all-electric equipment. To date, no U.S. utility has successfully completed this type of NPA under the existing regulatory framework for projects serving greater than 5 customers."

Q42. Did Witness Walsh or Witness Napoleon describe what was misleading about Witness Decker's conclusion?

A42. Yes. They suggest that the study does not say NPAs are not viable, but that the study highlights the need for policy and planning changes to make NPAs more effective.

Q43. Are you aware of any policies currently enacted by the state of Michigan that would make NPAs viable per the RMI study?

A43. No. I am not aware of any policies described in the RMI report being considered by the Governor's office, legislature, or other regulatory bodies nor is there any evidence of these policies in the record. Specifically, the RMI study describes policies that would need to be enacted to enable utilities to utilize NPAs as a viable alternative to existing gas infrastructure. These policy examples from RMI include disconnecting existing customers based on community needs or system economics, coordinated planning between electric networks, gas networks, and municipalities, and enabling joint funding of projects by electric customers, gas customers, individuals and local, state, and federal governments. Until those policies exist, DTE Gas continues to see limited impact of electrification as an NPA.

Q44. What are some of the specific programs and policies Witness Walsh, Witness Napoleon, and Witness Kinkhabwala refer to when suggesting electrification as a viable NPA?

A44. Two policy actions, Massachusetts order 20-80-B and California Senate Bill 1221, as well as programs in Colorado, New York, and California.

Q45. Do any of these policy actions or programs demonstrate electrification as an NPAs is a viable solution in Michigan?

A45. No. First, Massachusetts order 20-80-B, which according to Witness Walsh requires all capital projects to include evaluations for NPAs, actually only requires **expansion** projects to include consideration for electrification. Additionally, it does not state that NPAs are viable, only that they must be considered via a standard framework. California Senate Bill 1221 simply enables up to 30 pilots. The purpose of a pilot is to test different solutions to determine if they are viable at scale. Similarly, the projects in New York and Colorado are all either pilots, still in the process of implementation, or are having such a small impact that DTE Gas would characterize them as immaterial. Specifically, Witness Napoleon mentions a program from ConEd in New York that "as of November 2025, has electrified over 100 customers and avoided the installation of nearly 3,000 feet of main." In 2024 alone, ConEd replaced over 100 miles (or 528,000 feet) of legacy main. Therefore, NPAs implemented by ConEd at this point successfully avoided main installation equivalent to approximately half a percent of the Company's annual main replacements. Based on the limited examples of NPA implementations at scale, the economic evaluation of electrification in Michigan, and current customer sentiment towards natural gas, DTE Gas does not believe electrification is a viable NPA option at this time.

Q46. Has DTE Gas considered other NPAs during the capital planning process?

A46. Yes. As stated in my direct testimony, DTE Gas engineers regularly consider multiple solutions to mitigate an identified system risk, including non-pipeline solutions that the engineering teams determine can sufficiently mitigate the identified risk. An example of the Van Born project can be found in Exhibit A-12

Schedule B5.6 and is discussed by Witness Fedele in both direct and rebuttal testimony.

Other Issues

Q47. Do you agree with Witness Menghaney's suggestion that DTE Gas's proposal to retire $1 million in carbon offsets has "no statutory requirement for a program like this, nor is it otherwise necessary to provide safe and reliable gas service"?

A47. No. As ordered by the Commission in case U-21291, DTE Gas was required to provide plans to achieve the targets set forth in the MI Healthy Climate Plan. As part of the support for that plan, DTE Gas is directly supporting the plan's goal of "protecting 30 percent of Michigan's land and water by 2030 to naturally capture GHG emissions." Additionally, as has previously been discussed, expanding the carbon reduction capabilities of our forests has the potential to lessen the impact on the cost of transitioning to a net zero economy, which directly impacts DTE Gas's customers. I provided in my direct testimony the expected cost per metric ton of carbon reduced for RNG, hybrid gas/electric and full electrification scenarios and all were significantly more expensive than the cost per metric ton of carbon from improved forest management.

Q48. Do you agree with Witness Napoleon's and Witness Walsh's claims that DTE Gas did not meaningfully engage stakeholders in the development of the GDP?

A48. No. As stated in my direct testimony, DTE Gas held a stakeholder meeting on April 10, 2025 where the Company solicited feedback, insights, ideas and concerns from participants then and through additional communications by request. The Company

also requested that should any stakeholder have feedback, ideas, or suggestions (i.e. studies from other jurisdictions), after the meeting, they should please forward those to the Company. None of the attending parties provided feedback at the meeting, nor provided any subsequent feedback after the meeting ended.

Q49. Do you agree with Witness Walsh's claim that the use of emission factors to determine emission reductions is not effective and that direct measurement is required to properly characterize emission reductions?

A49. No. DTE Gas uses emission factors established by the Federal government to calculate emissions as required by the Greenhouse Gas Reporting Protocol. Emission factors are a well-established method to estimate emissions. DTE Gas also recognizes the value of direct measurement, and has been investing in Picarro units similar to those mentioned by Witness Walsh, and discussed by Company Witnesses Kehoe and Bolda, to increase our capabilities to do direct measurement. However, at this time, there are insufficient resources to conduct direct measurement across the approximately 21,000 miles of gas pipelines on DTE Gas' system.

Also, Witness Walsh mischaracterizes how emission factors work when he says "…this framing assumes that plastic pipe is perfectly leak free at install and does not develop leaks over time." Emission factors, however, are developed by measuring plastic pipe of multiple ages and conditions. The purpose of emission factors is to capture an average of emissions from that material across a variety of different conditions. The new plastic pipe being installed does not have an emission factor of zero, it has an emission factor tied to average leak rates of existing plastic

pipes. It is also important to note that emission reductions are not the sole purpose for DTE Gas to replace legacy pipe materials. These investments support the safety and reliability of the gas system, as discussed at length by other Company witnesses in their direct and rebuttal testimony.

Conclusion

Q50. Do you think it is appropriate or necessary for DTE Gas to develop additional scenarios of declining gas demand other than what the Company has already included in this case as suggested by Witnesses Napoleon, Walsh, and Stults?

A50. No, I do not. The Company has developed a scenario based on i) current legislation and regulations for the state of Michigan, ii) the relative economics of converting homes to electric technologies and iii) customer preferences for their heating source. Based on these factors, the Company believes the impact on gas demand from electrification in the State of Michigan will be muted and its current Gas Delivery Plan is a reasonable planning scenario. This position is supported by Staff Witness Creisher who, citing my direct testimony, agrees the company has considered energy transition pathways and associated costs. The scenarios proposed by intervenors go well beyond these reasonable planning assumptions.

Q51. Should the Company develop a scenario in which natural gas demand declines to zero as suggested by some intervenors?

A51. No. The Company should not, on its own, develop such a complex and speculative scenario. A zero gas demand scenario assumes total electrification of the built environment and the elimination of natural gas use statewide—an outcome that is

not contemplated by any existing Federal or State legislation, regulatory requirement, or even State policy, including the MI Healthy Climate Plan.

Developing such a scenario would require assumptions and policy determinations well beyond the scope of this rate case and beyond the Company's role as a regulated natural gas utility. Such a scenario would require coordinated, statewide planning across multiple sectors, including electric generation and distribution, building codes, appliance standards, workforce readiness, housing stock characteristics, customer affordability impacts, and local and state policymaking. No single utility has the statutory authority (or requirement), data, or policy direction to independently model such an outcome in a meaningful or credible way.

The inability to plan for, let alone achieve, a zero gas demand scenario is not unique to Michigan. Even in jurisdictions with some of the most aggressive climate laws in the country, including New York, state policymakers and energy agencies are actively reassessing the affordability, timing, and feasibility of large-scale electrification mandates. For example, recent analyses by the New York State Energy Research and Development Authority have highlighted the potential for significant household cost impacts associated with accelerated compliance timelines, prompting public discussion among policymakers about whether statutory targets and implementation pathways require adjustment. See Exhibit A-40, Schedule DD2 for additional information.

If the State of Michigan wishes to evaluate pathways that assume the complete elimination of natural gas demand, that effort should occur through a

comprehensive, statewide initiative codified in legislation and directed by the Commission. Such an initiative would necessarily involve the Legislature, the Commission and its Staff, the Attorney General's Office, regulated utilities, municipalities across the state, home builders, HVAC manufacturers and installers, economic development agencies, low-income customer advocates, and many other stakeholders not represented in a rate case proceeding.

Accordingly, the Company believes it is reasonable and appropriate to limit its demand scenario analysis to futures grounded in existing law, regulation, customer preferences, and economic realities, as has been done in this case.

Q52. Does this conclude your rebuttal testimony?

A52. Yes.

STATE OF MICHIGAN

BEFORE THE 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-21973

REBUTTAL TESTIMONY

OF

KELLY M. FEDELE

DTE GAS COMPANY
REBUTTAL TESTIMONY OF KELLY M. FEDELE

Line No.

Q1. Are you the same Kelly M. Fedele who previously offered testimony in this proceeding on behalf of DTE Gas Company ("DTE" or the "Company")?

A1. Yes, I am.

Q2. What is the purpose of your Rebuttal Testimony?

A2. The purpose of my Rebuttal Testimony is to respond to arguments raised by the intervenors in this proceeding regarding DTE Gas's Gas Delivery Plan ("GDP") and large capital projects. Specifically, I respond to various points and issues raised by intervenors in this docket concerning:

1. The East Petoskey Pipeline Reinforcement Project, as discussed in the testimony of the Attorney General (AG) Witness Coppola, Michigan Environmental Council (MEC) Witness Napoleon, and Ann Arbor Witness Brown;
2. The South Grand Rapids Distribution Line Project, as discussed in the testimony of AG Witness Coppola;
3. The Fort Street Main Replacement Project, as discussed in the testimony of Ann Arbor Witness Brown;
4. The Carlton Main Replacement Project, as discussed in the testimony of the MEC Witness Napoleon, and Ann Arbor Witness Brown;
5. The Van Born Project, as discussed in the testimony of Association of Businesses Advocating Tariff Equity (ABATE) Witness Fitzhenry;
6. The Taggart Compressor Station Replacement Project, as discussed in the testimony of MEC Witness Napoleon, and ABATE Witness Fitzhenry; and

7. Non-Pipeline Alternatives (NPAs) (i.e. Electrification and Demand Response) related to Large Capital Projects as discussed in the testimony of MEC Witness Napoleon.

The absence of a discussion of other matters in my rebuttal testimony should not be taken as an indication that I agree with other aspects of any Staff or intervenor testimony.

Q3. Are you sponsoring any exhibits with your Rebuttal Testimony?

A3. Yes. I am sponsoring the following rebuttal exhibits:

Exhibit	Schedule	Description
A-38	BB1	AGDG-3 Discovery Responses (107a)
A-38	BB2	AADG-2 Discovery Responses (1k)
A-38	BB3	AADG-3 Discovery Responses (8d, 11b-e)
A-38	BB4	AADG-5 Discovery Responses (2a, 2bi-bii)
A-38	BB5	KPS-1 Audit Responses (1a-b)
A-38	BB6	MECCUBDG-8 Discovery Responses (21a-b, 25a)
A-38	BB7	MECCUBDG-5 Discovery Responses (24b)
A-38	BB8	AADG-2 Discovery Response (3a)

Q4. Were these exhibits prepared by you or under your direction?

A4. Yes.

Line No.

I. Response to The East Petoskey Pipeline Reinforcement Project

Q5. What capital expenditure disallowance does Witness Coppola recommend for the East Petoskey Pipeline Reinforcement Project?

A5. On page 41, lines 8–10, of his direct testimony Witness Coppola states that he is recommending a disallowance of $35,840,000 for the East Petoskey Pipeline Reinforcement Project.

Q6. Why does Witness Coppola recommend a disallowance of $35,840,000 for the East Petoskey Pipeline Reinforcement Project?

A6. On page 41, lines 5-8, of his direct testimony Witness Coppola claims that it is premature to seek recovery of the project in this case because the project has not yet obtained the necessary internal approval and because the project is still in the preliminary engineering design phase, which is not estimated to be complete until April 30, 2027. Therefore, Witness Coppola argues that it is unlikely that the project will be placed into service by the end of the projected test period.

Q7. How does DTE Gas respond to Witness Coppola's recommended disallowance?

A7. Since the time of filing, DTE Gas has determined that the East Petoskey Pipeline Reinforcement Project is unlikely to be in service before the end of the projected test period in this proceeding and therefore the Company is no longer seeking cost recovery in this case. The Company intends to seek recovery for this project in a future rate case.

Q8. How does the removal of the East Petoskey Pipeline change the capital plan and the Company's revenue requirement/deficiency in this case?

A8. Updated exhibits have been provided to Staff and intervenors response to audit request KPS-1 and are included as Exhibit A-38 Schedule BB5, to support the changes to the capital plan and the impact to the Company's revenue requirement/deficiency in this case.

Q9. What capital expenditure disallowance does Witness Napoleon recommend for the East Petoskey Pipeline Reinforcement Project?

A9. On page 92 lines 5-9, Witness Napoleon recommends disallowing rate base inclusion of the projected bridge period and test year for East Petoskey Pipeline Reinforcement Project capital expenditures. While Witness Napoleon does not specify an amount, based on her testimony on page 83, lines 12 and 13, the Company infers that this proposed disallowance is $35,434,000 million.

Q10. Why does Witness Napoleon recommend a disallowance of $35,434,000 for the East Petoskey Pipeline Reinforcement Project?

A10. On page 88, lines 5-16, Witness Napoleon claims that the Company has not provided the capacity of the existing line and the impact on reliability of the project, claiming that the analysis was performed using proprietary modeling that could not be shared. She also stated that the Company refused for the same reason to provide any information to support the claim that reducing the MAOP to 405 psig would not provide enough pipeline capacity to serve the existing customers under peak conditions and would not mitigate the outage potential. She also claims that the Company did not demonstrate that it analyzed the ability to perform ILI on the

pipeline during the summer when any problems with getting an inspection tool would be less severe.

Q11. How does DTE Gas respond to Witness Napoleon's recommended disallowance?

A11. As stated above, since the time of filing, DTE Gas has determined that the East Petoskey Pipeline Reinforcement Project is unlikely to be in service before the end of the projected test period in this proceeding and therefore the Company is no longer seeking cost recovery in this case. The Company intends to seek recovery for this project in a future rate case. Nevertheless, to promote a complete record, I will address several of Witness Napoleon's inaccurate and unsupported claims and statements.

Q12. How does DTE Gas respond to Witness Napoleon's claim that DTE would not or could not provide the capacity of the existing pipeline?

A12. Witness Napoleon's request to provide discrete numbers for the capacity of the existing and proposed pipelines displays a lack of understanding of natural gas system planning and pipeline sizing. This question was also addressed in discovery response MECCUBDG-8.21 (see Exhibit A-38, Schedule BB6). Currently customers are supplied from the existing 8" Petoskey line at 20 locations along the pipeline including 18 district regulators and Charlevoix and Petoskey Gate Stations. Each of those supply points has individual load requirements and minimum required inlet pressures that need to be maintained to safely and reliably operate the regulator station equipment at those locations. The Company hydraulically models these systems and reviews the capacities of the regulator stations annually and when

new customer loads are requested to ensure capacity is available. However, pressure drop through a pipeline is a function of fluid flow over distance, so an additional load may be supportable at the start of a pipeline but not at the end. Therefore, a single discrete value cannot be accurately provided for the capacity of the existing 8" Petoskey pipeline, but for reference, the existing pipeline supplies approximately 1265 mcfh of customer load at peak conditions and the new pipeline was sized for that load.

Q13. How does DTE Gas respond to Witness Napoleon's claim that the Company refused to provide information supporting its claim that reducing the pipeline's MOAP to 405 psig would not provide enough pipeline capacity to serve the existing customers during peak conditions, nor mitigate the outage potential?

A13. Witness Napolean's claim here is factually incorrect. The Company shared in discovery response MECCEBDG-8.25a (see Exhibit A-38, Schedule BB6) that the hydraulic modeling results showed that reducing the pipeline's MAOP to 405 psig was not a feasible option, which indicates that the model cannot be balanced because pressures have dropped to below zero on the system when modeled with that low of an inlet pressure. This is a clear indication that deration to 405 psig is not a remotely feasible solution and should not be pursued further. For reference, the lowest MAOP that would maintain acceptable inlet pressures at the regulation stations on this system is approximately 565 psig. To facilitate transparency, the Company offered an in person review of the hydraulic models at Company offices. Despite being offered the opportunity to review the hydraulic models used for this analysis, no request for an in-office review has been received by the Company.

Therefore, Witness Napoleon's characterization that the modeling "could not be shared" is misleading.

Q14. How does DTE Gas respond to Witness Napoleon's claim that the Company did not demonstrate that it analyzed the ability to perform ILI on the pipeline during the summer when any problems with getting an inspection tool stuck would be less severe?

A14. Witness Napoleon's claim that DTE did not seek an alternate pipeline inspection method such as direct assessment is factually incorrect. The Company has performed direct assessments on the pipeline in the past, but this assessment method is limited to only addressing corrosion in specific areas of the pipeline. To utilize the best available technology and ensure the safety and reliability of the entire pipeline, the Company chose to retrofit the Petoskey 8" pipeline with the ability to run ILI tools. Please refer to Witness Janness's direct testimony on page 51 for additional details and regulatory drivers for using ILI.

Witness Napolean testified that the Company, in response to discovery, "acknowledges that it is possible to perform ILI during the summer months when problems would be less severe." However, in making this assertion, Witness Napolean intentionally omits the second half of the Company's response to discovery response AGDG-3.107a, (see Exhibit A-38, Schedule BB1). Specifically, the Company clearly emphasized that regardless of the time-of-year outages occur, customers would still be required to be relit which would be unacceptable to our customers who rely on our service.

Line No.

Q15. What capital expenditure disallowance does Witness Brown recommend for the East Petoskey Pipeline Reinforcement Project?

A15. On page 16 lines 8-11, Witness Brown states that he is recommending disallowance of $39.4 million for the East Petoskey Pipeline Reinforcement Project.

Q16. Why does Witness Brown recommend a disallowance of $39.4M for the East Petoskey Pipeline Reinforcement Project?

A16. On page 16, lines 3-8, Witness Brown claims the expense of the new redundant East Petoskey pipeline is not justified by either the remote risk that backup gas will be needed during the ILI on the existing Petoskey pipeline or as a mitigation strategy for potential future failure of the existing pipeline. He believes that there are other viable, much lower cost alternatives to mitigate the risked raised by the Company.

Q17. How does DTE Gas respond to Witness Brown's recommended disallowance?

A17. As stated above, since the time of filing, DTE Gas has determined that the East Petoskey Pipeline Reinforcement Project is unlikely to be in service before the end of the projected test period in this proceeding and therefore the Company is no longer seeking cost recovery in this case. The Company intends to seek recovery for this project in a future rate case. However, I will still address the inaccurate and unsupported claims and statements made in Witness Brown's testimony.

Q18. How does DTE Gas respond to Mr. Brown's opinion regarding the risk of the ILI project causing customer outage due to a stuck pig tool?

A18. For clarity, when the Company refers to ILI tools or pigs, it refers to the entire suite of tools typically used for preparing and assessing a pipeline. Although ILI technically refers to the smart ILI tool only, any tools run on the Petoskey pipeline may get stuck. This includes the initial foam pig all the way to the smart ILI tools.

With respect to the scenarios that would need to occur for a pig tool to get stuck, it appears that Witness Brown incorrectly assumed that the Company has not performed a thorough mechanical review of the pipeline to address any potential issues that may cause a tool to get stuck. This assumption is unfounded. The Company has performed a review of the available records of this 1963 pipeline to ensure obstructions have been removed. Nonetheless, there remains the possibility of undetected issues within the line due to potential incomplete records, which could increase the risk of a pig becoming stuck. This is a consideration inherent in any initial pipeline assessment; however, given that this pipeline serves as a single feed to Petoskey, the associated risk is considered unacceptable.

Q19. How does DTE Gas respond to Witness Brown's opinion regarding the use of ILI tools designed to identify obstructions that reduce the chance of the ILI tools getting stuck in the pipeline?

A19. The Company is well aware of the tool sequencing leading up to the smart ILI tool run to ensure successful travel, including the highly flexible foam ILI tool referenced by Witness Brown. However, Witness Brown overlooks the fact that the foam tool can compress easily around any obstructions and may provide a false

sense that the pipeline is clear, causing the other more aggressive tools that do not compress to be stuck and are at risk of partially blocking or stopping flow completely. In addition, if there is a blockage in the line like debris, a foam tool would not traverse even though designed as a first pass test. Foam tools would also not be able to tell you where an obstruction is located. Sections of a foam tool may be missing when they come out of the pipeline, which indicate or suggest underlying issues but do not provide an indication of where the issues may be and how to address them. Considering the pipeline has been in service for over sixty years and has never undergone cleaning, it is unreasonable to assume the absence of debris that could potentially cause a blockage. Witness Brown does not identify any historical operational data for this pipeline. Without reference to the pipeline's operating history, his conclusion that the presence of debris is unlikely is unsupported.

Q20. How does DTE Gas respond to Witness Brown's opinion that a stuck ILI tool "may" allow a significant amount of gas to bypass the tool depending on how the tool gets stuck and not cause a customer outage?

A20. Neither Witness Brown nor the Company would be able to practicably predict "how it (the tool) gets stuck in the pipeline". Consistent with prudent utility practice, the Company does not rely on a tool getting stuck in a pipeline in such a way where it "may" still feed our customers. Such an approach would be irresponsible. The Company's operating assumptions prioritize safety and reliability, not uncertain outcomes. Witness Brown's suggestions in this regard are unfounded and unsuitable as a basis for ensuring safe and reliable service.

Q21. How does DTE Gas respond to Witness Brown's operating strategies to dislodge a stuck ILI tool?

A21. While Witness Brown has offered various operational strategies to dislodge a stuck ILI tool, he also oversimplifies what actually occurs and mistakenly assumes these strategies will work on all pipelines. Typically, when a tool is stuck, for reasons other than changes in wall thickness of the pipeline, the only way to remove the tool is by cutting it out regardless of how much differential pressure is across the tool to prevent serious damage to the tool or potentially the pipeline. For pipelines such as Petoskey, there is no way to simply increase the pressure behind the tool because the pipeline pressure is common with the rest of the system. There is also no source of higher pressure that could be used to increase the differential pressure across the tool. In addition, for long distance lines such as Petoskey, there is no way to quickly increase or decrease pressure to cause this surging effect. There is also no way to reverse the flow on the pipeline because there is no source of gas on the other end due to the Petoskey line being a single feed and the tools typically move in one direction. Attempting to push the tool backwards introduces the risk of flipping the drive cups and potentially causing damage to the tool. Deploying a second tool without first identifying the cause of the obstruction of the first tool would likely exacerbate the issue rather than resolve it. All of the proposed strategies offered by Witness Brown for dislodging the tool are oversimplified and impractical on this pipeline.

Q22. How does DTE Gas respond to Witness Brown's comments on things that can be done to avoid customer outages in the event the ILI tool becomes stuck and severely restricts gas flow?

A22. Witness Brown claims that if an ILI tool becomes stuck, the Company could have enough time to cut it out and replace pipe before any customer outages occur. However, this argument is unrealistic. It is impossible to predict the nature of how or where the pig may get stuck and how long it would take to remove it to safely restore the line before customers lose gas service. No amount of preparation could guarantee that the necessary resources and time would be available instantly should an ILI tool get stuck. During an average summer day, if a pig were to get stuck, there would only be approximately 6.5 hours of line pack available on the system before pressures would drop below the minimum inlet pressures required at Petoskey Gate station. This is not a reasonable amount of time to locate a stuck pig, excavate at potentially multiple locations, install stopping equipment, purge the isolated area, cut out the stuck pig, install replacement pipe, perform Non-Destructive Testing (NDT), purge the isolated area back to gas, and remove stopping equipment to restore service.

Q23. How does DTE Gas respond to Witness Brown's comments regarding the use of portable LNG and portable CNG as a means to provide supplemental supply into the gas system?

A23. The Company acknowledges that portable LNG/CNG can be considered as an option to provide gas to customers; however, it is an impractical approach to this problem as stated extensively in my direct testimony on pages KMF-38 and 39 and reiterated in discovery responses (see Exhibit A-38 Schedule BB3). This approach

is not practical, particularly regarding third-party damage and the inability to have LNG/CNG available at a moment's notice. While Witness Brown asserts experience with LNG/CNG, the logistics of maintaining substantial equipment in a populated area with multiple trucks lined up to supply and convert the LNG to gas pose significant challenges and is an impractical approach. Furthermore, Witness Brown's suggestion to add a second unit as a backup would increase costs for a service available only during pipeline pigging, without addressing protection from third-party damage. Comparing the costs of using LNG/CNG to those of installing a new pipeline is inappropriate, as LNG offers only a temporary solution, whereas a new pipeline ensures long term safe and reliable gas delivery, which our customers expect from the Company.

Q24. How does DTE Gas respond to Witness Brown's comments regarding the Company having made no case that there are integrity issues with the pipeline that would cause the pipeline to fail?

A24. I disagree. As a prudent operator, the Company is assessing the current condition of the pipeline to address any potential issues. DTE Gas does not have the necessary data to assess its condition other than where DA has been performed and therefore needs to run ILI tools. The implementation of ILI technology, regarded as the best available technology for pipeline assessments, enables us to evaluate the condition of the entire pipeline and remediate promptly. The Company's objective is to be proactive in preventing incidents, acknowledging that the absence of past events does not eliminate future risk, particularly with respect to third-party damage. Suggesting otherwise contradicts the intent of being a prudent operator.

Witness Brown asserts that the Company should use ILI to identify integrity issues, making a redundant pipeline unnecessary. However, the purpose of the redundant pipeline is to assess the condition of the current line without risk of service interruptions. If an assessment causes customer outages that the redundant line could have mitigated, it undermines its intended benefit.

Q25. How does DTE Gas respond to Witness Brown's comments that third-party damage on this pipeline is unlikely to occur?

A25. I disagree. Witness Brown argues that because no third-party damage has previously occurred on the pipeline, he believes such damage is unlikely due to the population density around it (based on his review of Google Earth). However, trying to predict where, how, or why third-party damage might occur simply by looking at a Google map is perplexing. Third-party damage can take place at any time for various reasons. The Company implements all preventative measures outlined by Witness Brown as required to prevent such damage, but it is unreasonable to assume these steps make third-party damage impossible. Many utilities in the industry have experienced third-party damage even after following all the requirements. Considering how critical this pipeline is for the large number of customers it supplies; it would be imprudent and negligent to assume damage of this type is not possible.

Q26. How does DTE Gas respond to Witness Brown's comments suggesting that the Company could install mainline valves of remote-control valves on the line to isolate sections of the pipeline in the case of an incident?

A26. Witness Brown recommends that the Company could potentially install more mainline valves and even remote controls on these valves to isolate these sections in case of an incident. However, trying to predict when and where pipeline damage might occur and assuming there will be enough gas in the line to serve customers is not an effective strategy. This approach is impractical since it relies on forecasting unpredictable events, while the real solution is to provide an alternate feed to the system. The usefulness of stopple equipment in this context is also questionable as it requires extensive set up and only serves to isolate the pipeline. The Company has extensive experience with pipeline assessments and has previously reviewed, discussed and ultimately rejected all options proposed by Witness Brown. DTE Gas concluded that installing a redundant line is the best solution to ensure long-term safe and reliable natural gas service for our customers.

II. Response to The South Grand Rapids Distribution Line Project

Q27. What capital expenditure disallowance does Witness Coppola recommend for the South Grand Rapids Distribution Line Project?

A27. On page 40, lines 11-15, Witness Coppola states that he is recommending disallowance of $27,767,000 for the South Grand Rapids Distribution Line Project.

Q28. Why does Witness Coppola recommend a disallowance of $27,767,000 for the South Grand Rapids Distribution Line Project?

A28. On page 38, lines 13-15, Witness Coppola claims that the project is unsupported by sufficient and clear evidence. On page 39, lines 1-12, Witness Coppola further states that the Company has not adequately supported the need for the project because there was no evidence of any leaks reported on the pipeline in the last five years and no ruptures have occurred in the last 10 years. He further states that the Company could not provide any specific information on the severity of wrinkle bends on this pipeline and that while the Company reported that some portions have been exposed for construction activities, no direct assessments or laboratory analysis of this pipeline had been performed because the assessment of the pipeline is not due until 2029.

Q29. Do you agree with Witness Coppola's recommended disallowance for the South Grand Rapids Distribution Line Project?

A29. No. Although DTE Gas has not experienced any known leaks or ruptures on the South Grand Rapids Distribution Line in the last five years, the Company cannot wait until after a potentially catastrophic event or a "serious or imminent problem exists" to address known safety risks. A leak on a transmission line is more impactful when compared to a leak on a low-pressure distribution line. Moreover, direct assessment is not a viable option. Therefore, Witness Coppola's comments regarding direct assessment are not applicable. As addressed in my direct testimony on page KMF-46, direct assessment is only applicable in assessing potential corrosion on the pipeline and does not assess all other applicable threats that the pipeline can experience, such as potential cracking in the long seam, the condition

of the wrinkle bends on the pipeline, and the potential hard spots as previously described. Direct assessment therefore would leave many other threats unaddressed on the pipeline that have the potential to cause a rupture. Regarding Witness Coppola's request for evidence on the severity of wrinkle bends, the Company's discovery response Exhibit AGDG3.11b (See Exhibit A-38 Schedule BB1) identifies the South Grand Rapids Pipeline Completion Report dated December 28, 1949, which documents the use of wrinkle bends and details the construction process for this pipeline.

However, it appears that AG Witness Coppola ignored this information. This report notes that changes in direction were made by bending pipe utilizing cold wrinkle method and describes the specifications for the wrinkle bending. The Company has assessed pipes of similar vintage and manufactured by the same manufacturer and has found lack of fusion, seam cracks, selective seam corrosion, and laminations. The Company has also shared, in discovery response AGDG-3.11b (See Exhibit A-38, Schedule BB3), with Witness Coppola that there have been many failures in the industry with wrinkle bends being a root cause, including and a 2010 incident in Louisiana where a 30" line ruptured due to a crack that developed around the circumference of a wrinkle bend and in 2009 where a 24" line ruptured in Alabama due to a failed wrinkle bend.

As explained in my direct testimony at KMF-43, line 5, this project provides current material benefits. Replacing the pipeline with a higher-pressure distribution line that operates below 20% SMYS will reduce integrity risk, improve the reliability of the Grand Rapids area, and remove the need for transmission integrity assessments by transferring its integrity management to the distribution integrity management program. Further, as explained in my direct testimony at KMF-18,

line 21 to KMF-19, line 4, on a standalone basis, certain requests for recovery in an individual rate case may appear to be narrowly focused but are best understood as components of a broader, long-term plan. Replacing the pipeline with a higher-pressure distribution line best balances current needs while also supporting future system reliability improvements that will only further improve DTE Gas's service to customers. The Company has performed an exhaustive review of alternatives, as discussed in my direct testimony on pages KMF-44 to KMF-47, and detailed why these alternatives were not selected. The new 24" line will not only improve safety and reliability, but it will also increase capacity and pressure, which will allow for future system reliability upgrades to improve redundancy and mitigate customer risk in the event of an outage in the Grand Rapids area.

III. Response to The Fort Street Main Replacement Project

Q30. What capital expenditure disallowance does Witness Brown recommend for the Fort Street Main Replacement Project?

A30. While Witness Brown does not recommend a specific disallowance amount, on page 19, lines 15-17, he recommends that the Commission require DTE to provide transparency regarding the breakdown of costs for this project, including the cost for only the number of miles of pipe installed, so that the reasonableness of such costs can be evaluated.

Q31. Does Witness Brown support the need for the Fort Street Main Replacement Project?

A31. Yes. On page 17, lines 18 -22 to page 18 lines 1-2, Witness Brown states that the Company has provided sufficient justification for the Fort Street Main Replacement Project.

Q32. If Witness Brown supports the need for the Fort Street Project, why does he recommend the Company provide the breakdown of costs for only the number of miles of pipe installed for the Fort Street Main Replacement Project?

A32. On page 19, lines 11-13, Witness Brown claims that because the Company has not provided the actual costs of main replacement for this project, he had to make high-level assumptions to estimate the cost per mile of main installed. Based upon these assumptions and his estimations, he determined that the Fort Street Project cost is extremely high and also compares it to a transmission pipeline project.

Q33. Do you agree with Witness Brown's recommendation for the Fort Street Main Replacement Project?

A33. No. As stated in discovery response AADG-2.3a (See Exhibit A-38 Schedule BB8), the Fort Street Main Replacement Project has been completed and tracked by phase and year. Cost for the miles of pipeline is not readily available. The assumptions made by Witness Brown do not include the level of complexity of phasing that were addressed. While the Company does find that the Fort Street Main Replacement project has a higher than typical cost per mile of pipe replaced, it is due to many unique factors, including, large diameter steel pipeline construction, multiple large horizontal directional drills and auger bores, unmarked facility reroutes, historic

Line No.

trolley track removal, thickened pavement removal and replacement, increased trench protection requirements, increased traffic control costs, cost for flowable filling large diameter abandoned pipelines, and additional costs for coordinating with large customers, the Gordie Howe International Bridge (GHIB) project, other Michigan Department of Transportation (MDOT) projects, and local events. Anyone familiar with working in this area of Detroit would understand the complexity of performing this work. The coordination and costs associated with the multiple mobilization and demobilization efforts and traffic plans/permits on short segments to support local businesses, City projects, MDOT streetscape and the construction of the international bridge is over and above that of an average distribution pipeline project. All work for the Fort Street project has been competitively bid, and contract awards have been in line with the Company's internal cost estimates. Additionally, the Company has also realized efficiencies from lessons learned in prior phases resulting in costs savings to the project as described in my direct testimony on pages KMF-56 and KMF-57. Additionally, while Mr. Brown made a comparison to transmission pipeline costs in his review, it should be noted that transmission pipeline installation projects are typically constructed in permanent pipeline right of way easements under soft surface with no abandonment of existing pipeline facilities, so it is not reasonable to compare those costs to the complexity of the Fort Street project.

Line No.

IV. Response to The Carlton Main Replacement Project

Q34. What capital expenditure disallowance does Witness Napoleon recommend for the Carlton Main Replacement Project?

A34. On page 92 lines 5-9, Witness Napoleon recommends disallowing the projected bridge period and test year for Carlton Main Replacement Project capital expenditures. While Witness Napoleon does not specify an amount, based on her testimony on page 83, lines 1 and 2, the Company infers that this proposed disallowance is $13,960,000.

Q35. Why does Witness Napoleon recommend this disallowance for the Carlton Main Replacement Project?

A35. On page 92, lines 5-9, Witness Napoleon states that the Company has not adequately demonstrated consideration of alternatives by providing a "robust quantitative analysis comparing the proposed solutions with a reasonable set of alternatives." More specifically, on page 89, lines 13-14, Witness. Napoleon claims that the Company did not justify why pipe relining or a like for like replacement of the Carlton Main were inferior to the Company's proposed solution to replace the existing main with a pipeline of twice the capacity.

Q36. Do you agree with Ms. Napoleon's recommended disallowance for the Carlton Main Replacement Project?

A36. No. The Company has detailed several alternatives on pages KMF-60 and KMF-61 where I explain why each of these will not mitigate the project risks. As described in my direct testimony, the Carlton Main Replacement Project is driven by the need to mitigate system risk and improve long term reliability and operational flexibility.

Pipe relining was reviewed and not considered as a reasonable alternative because it would not provide the level of risk mitigation required for this project. This was addressed in discovery question MECCEBDG-5.24b (see Exhibit A-38 Schedule BB7). While relining may be suitable in limited circumstances where site conditions make pipe replacement impractical, it does not address the system-level reliability, pressure integration, and operational limitations associated with the existing Carlton Main.

DTE Gas has evaluated pipeline relining technologies and has performed test installations of similar technologies in the past. In doing so, the Company considered total project cost, system impacts, constructability, and realistic field condition constraints when comparing relining to replacement with new plastic or steel pipe. Based on this evaluation, the Company determined that pipe relining is not a reasonable alternative for the Carlton Main replacement.

Replacing this pipeline will improve safety and simplify operations of the high-pressure system in the area by integrating multiple pressure systems while additionally reducing the risk of multiple customer outages as described in my direct testimony on pages KMF-59 – KMF-60.

Q37. What is Witness Brown's overall recommendation for the Carlton Main Replacement Project?

A37. On page 24, lines 18-21 and page 25, lines 1-14, Witness Brown recommends that the Company revisit the option to downrate the pressure of the main to decrease pipeline stress and integrate the main into the local distribution system. He also recommends that the Commission require the Company to perform hydraulic analysis to determine how long the pipeline pressures would be sufficient to

maintain customer service in the event of a failure on the section of pipeline it proposes to replace and to provide estimates for the cost of injecting portable CNG to support the system while repairs are made as compared to significant capital required to install a new pipeline. He would also like to the Company to provide reasons why the 12-inch new main needs to have 4 times the flow capacity of the existing main.

Q38. Do you agree with Witness Brown's recommendations for the Carlton Main Replacement Project?

A38. No. With respect to Mr. Brown's recommendation regarding the option to derate the Carlton main, I explain why replacing the Carlton main at 274 psig is the best solution in my direct testimony on page KMF-61. DTE Gas uses hydraulic modeling to simulate multiple potential solutions for projects and evaluates various system characteristics including system pressures, flow velocities, regulator station capacities, and system reliability during potential failure scenarios to compare the benefits and risks of each potential solution.

Regarding Witness Brown's recommendation to utilize portable CNG to support the system in case of failure, please refer to Q24 above on the East Petoskey project for reasoning on why relying on LNG or CNG as a backup supply for a dead-end pipeline is not a prudent or effective plan and as addressed in Exhibit A-38 Schedules BB2 and BB4. Replacing the pipeline at the current 125 psig MAOP would not mitigate the risk of a failure of the station or pipeline that could result in service interruptions to customers fed by the Carlton Main. On to pages KMF61 to KMF-62 of my direct testimony, I explain that utilizing the existing 274 psig system

capitalizes on the existing infrastructure as well as reduces unique pressure systems that DTE operates by interconnecting multiple single source systems into an integrated 274 psig system with multiple redundant supplies. Installation of a 12-in main is necessary to provide adequate pipeline flow capacity to provide redundancy to the 274 psig system. Replacing this pipeline will improve safety and simplify operations of the high-pressure system in the area by integrating multiple pressure systems while additionally reducing the risk of multiple customer outages as described in my testimony on pages KMF-59 – KMF-60.

V. Response to The Van Born Project

Q39. What capital expenditure disallowance does Witness Fitzhenry recommend for the Van Born Project?

A39. On page 19, lines 6-8 Witness Fitzhenry states that he is recommending disallowance of $4.8 million for the Van Born Project.

Q40. Why does Witness Fitzhenry recommend a disallowance of $4.8 million for the Van Born Project?

A40. On page 19, lines 8-23, Witness Fitzhenry claims that DTE Gas has failed to adequately support the $4.8 million in total costs sought for recovery through the end of the projected bridge year. On page 20, lines 1-2, Witness Fitzhenry states that Company testimony lacks thorough explanation regarding preemptive identification of utility conflicts during preliminary stages of the project.

Q41. Do you agree with Witness Fitzhenry's recommended disallowance for the Van Born Project?

A41. No. During preliminary stages of the project, subsequently denoted as design, it is expected that sufficient foreign utility locations will be surveyed and referenced into project documents to eliminate conflict with proposed designs. This occurred under the Van Born Project. As acknowledged in Witness Fitzhenry's testimony stating, "large rigorous projects may encounter technical issues" (page 16, line 8) "and delays" (page 17, line 11). The construction challenges, i.e. technical issues, experienced at the Middlebelt and Beverly Road main line valve site detailed on page KMF-68 only became apparent during the construction phase of the project. The emergent interferences and necessary timeline to determine reasonable redesign, rerouting, accompanying permitting, and relocating conflicted with the permissible construction timetable and planned outage windows. Any deviations or changes to the construction duration on the Van Born pipeline requires a review by our system planning/gas control teams to ensure the ability to serve customers with the proposed construction impacts. Therefore, the timing required for the redesign and identified tasks pushed the construction work into the following year.

The Company also emphasizes that the cost support is reasonable considering the Non-Pipe Alternative (NPA) approach to address potential customer outages. The Company successfully implemented the NPA, an alternative supported by the Commission and noted as a cost-effective solution on page 13 Line 16 of Witness. Fitzhenry's testimony. Detailed in my testimony from Case U-21291, Table 9 provides several options the Company considered with the associated capital investment. The Van Born NPA provided approximately $122M savings compared

to the original proposed solution of a new 7 mile-24" pipeline from Willow Gate Station to new Van Born Interconnection Station.

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VI. Response to The Taggart Compressor Station Replacement Project

Q42. What capital expenditure disallowance does Witness Napoleon recommend for the Taggart Compressor Station Replacement Project?

A42. On page 92 lines 5-9, Witness Napoleon states that she is recommending to disallow the projected bridge period and test year capital expenditures for the Taggart Compressor Station Replacement Project. While Witness Napoleon does not specify an amount, based on her testimony on page 84, lines 7 and 8, the Company infers that this proposed disallowance is $271,659,000 million.

Q43. Why does Witness Napoleon recommend a disallowance of $271,659,000 for the Taggart Compressor Station Replacement Project?

A43. On page 91, lines 1-11 Witness Napoleon claims that the Company has not filed any evidence in this case to support their case of moving from a Compressor Replacement Project in U-21291 to a Compressor Station Replacement Project in this proceeding. She also claims that the Company has not performed a cost-benefit analysis on the project and has not estimated costs for any alternatives to the project.

Q44. Do you agree with Witness Napoleon's recommended disallowance for the Taggart Compressor Station Replacement Project?

A44. No. As explained in my direct testimony on page KMF-79, at the time of filing U-21291, the Taggart Compressor Replacement project was in the very early stages of the project lifecycle. As the Company completed their reviews of the original

project scope, it was concluded that compression replacement on the existing site would not be a feasible solution. The Company proceeded with the review of several other alternatives and associated risks as described on pages KMF-79 to KMF-82, including stocking of critical spare parts, partial unit replacements, individual plant replacement at the existing site, cooling system replacements and replacement of the auxiliary equipment and buildings. Our review concluded that due to the risks reviewed and the benefits provided on page KMF-83 to KMF-84 in testimony that the current project approach of a complete compression station replacement is the most prudent as it prioritizes safety of infrastructure, Company and Contractor personnel, maintains deliverability through new construction, and affords a reasonable timeline to achieve Company compression and storage objectives of long-term system reliability, operational efficiency, and system resiliency.

DTE Gas performed an extensive review of the project that included engineering, system planning, operational and project management teams who are intimately involved with the site and operational conditions, including responsibility for the overall reliability of providing natural gas to our customers. However, Witness Napoleon simply believes that the only evidence to support this project would be a cost-benefit analysis. Rather, large utility capital projects that are justified by system safety, reliability and regulatory compliance are fundamentally different from discretionary or economic investments. Waiting for a failure to occur before acting may appear to be “cost-effective” under a narrow cost-benefit framework, but it is neither prudent nor an acceptable utility practice. The absence of a cost-benefit analysis does not indicate that the Company lacks cost discipline. Rather, the Company assesses alternative engineering solutions considering phasing,

timing options, constructability, lifecycle costs and ways to reduce scope without compromising safety and reliability. As stated in my direct testimony on page KMF-73 and KMF-74, this project addresses the challenges arising from equipment obsolescence and the advanced age of the facility which has led to unplanned and prolonged outages at the station. The Company is required to serve our customers under design day conditions. Given the existing facility's risks and limitations, and with the trend that we are seeing, we are reaching a point of impacting deliveries to customers with the loss of only one additional unit. This project is essential to proactively resolve challenges associated with aging infrastructure that is approaching the end of its service life and now poses single points of failure. Failing to move forward puts the reliability of both the plant and gas delivery to our customers at risk.

Q45. What capital expenditure disallowance does Witness Fitzhenry recommend for the Taggart Compressor Station Replacement Project?

A45. On page 3 lines, 28-29, Witness Fitzhenry is recommending a proposed disallowance of $360.9 million for the Taggart Compressor Station Replacement Project.

Q46. Why does Witness Fitzhenry recommend a disallowance of $360.9 for the Taggart Compressor Station Replacement Project?

A46. On page 3, lines 29-31 through page 4, lines 1-2, Witness Fitzhenry states that his recommendation of the disallowance is due to the Company's extremely aggressive schedule that leaves no room for typical delays and relies on a narrow 15-day window for complex commissioning.

Line No.

Q47. Do you agree with Witness Fitzhenry's recommended disallowance for the Taggart Compressor Station Replacement Project?

A47. No. The milestone dates provided by the Company in U-21973 Exhibit A-12 Schedule B5.5 are completion dates and are not explicitly specified as start dates for subsequent activities. Select project activities corresponding to these milestones can and typically occur in parallel. Permitting began during the engineering design phase but concludes after design completion. Material procurement also began during the engineering design phase, which included major engineered items such as the compressor units. Presently, the Company has awarded purchase orders to all compressor unit and dehydration plant suppliers, who have in turn committed to providing the equipment within the completion date outlined in Exhibit A-12 B5.5. Regarding site activities, construction will overlap with commissioning. Tail end construction tasks often include punch list resolution, site restoration, and other final completion items. Commissioning activities occur after systems become available throughout construction, provided energizing and operating the new assets can be done safely without compromising personnel and remaining construction activity. Mr. Fitzhenry's recommendation for disallowance is based on misinterpretation of the Company milestone schedule and incorrectly assumed commissioning duration. As stated above and in my direct testimony on page KMF-73 and KMF-74, this project addresses the challenges arising from equipment obsolescence and the advanced age of the facility which has led to unplanned and prolonged outages at the station. The Company is required to serve our customers under design day conditions. Given the existing facility's risks and limitations, and with the trend that we are seeing, we are reaching a point of impacting deliveries to

customers with the loss of only one additional unit. This project is essential to proactively resolve challenges associated with aging infrastructure that is approaching the end of its service life and now poses single points of failure. Failing to move forward puts the reliability of both the plant and gas delivery to our customers at risk.

VII. Response to comments on NPAs (i.e. Electrification and Demand Response) related to Large Capital Projects

Q48. What other recommendations are made by Witness Napoleon with respect to NPAs and Large Capital Projects?

A48. On page 8, lines 12-13, Witness Napoleon states that DTE is not considering demand-side alternatives with the Company's large capital projects.

Q49. Do you agree with Witness Napoleon's recommendation that NPAs such as demand-side and electrification alternatives should be reviewed with large capital projects?

A49. No, not regarding large capital projects. Although the Company does evaluate NPAs in appropriate circumstances such as with the Van Born project, described in Exhibit A-12 Schedule 5.6 and in Q42 above. Witness Napoleon's proposed NPAs such as demand-side measures and electrification alternatives have material limitations that prevent them from serving as a substitute for large, reliability-driven natural gas capital projects. While demand response and electrification may in some situations reduce expected system load, they do not eliminate the need for infrastructure where reliability is critical to serving our customers. These types of demand-side resources are inherently geographic and customer specific and are not

broadly scalable for major reliability projects. These limitations have been verified by the RMI study cited by Witness Decker, which states: "Under the current regulatory framework, NPAs that avoid infrastructure replacement require voluntary and coordinated conversion of 100% of customers on the segment from gas to all-electric equipment. To date, no U.S. utility has successfully completed this type of NPA under the existing regulatory framework for projects serving greater than 5 customers." The Company has evaluated specific demand response programs, as discussed by Witness Farrell in his direct testimony.

Q50. Does this conclude your rebuttal testimony?

A50. Yes, it does.

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the Application of	)	
DTE GAS COMPANY	)	
for authority to increase its rates, amend	)	Case No. U-21973
its rate schedules and rules governing the	)	
distribution and supply of natural gas, and	)	
for miscellaneous accounting authority.	)	

REBUTTAL TESTIMONY

OF

MATTHEW A. FIX

DTE GAS COMPANY
REBUTTAL TESTIMONY OF MATTHEW A. FIX

Line No.

Q1. Are you the same Matthew A. Fix who previously offered testimony in this proceeding?

A1. Yes, I am.

Purpose of Testimony

Q2. What is the purpose of your rebuttal testimony?

A2. The purpose of my testimony is to rebut the arguments of several witnesses, including:

- Michigan Public Service Commission Staff (Staff) Witness Shannon Rueckert's exclusion of 2024 excess forfeitures in the Employee Savings Plan.
- Attorney General (AG) Witness Coppola's reduction in the Company's projected Employee Savings Plan expense and his proposal to exclude 40% of the incentive compensation expense related to the operating measures.

The absence of a discussion of other matters in my testimony should not be taken as an indication that I agree with all other aspects of intervenor testimony.

Q3. Are you sponsoring any rebuttal exhibits?

A3. I am sponsoring or supporting the following exhibits:

Exhibit	Schedule	Description
A-35	Y1	Employee Savings Plan: Staff Correction
A-35	Y2	Revised ESP
A-35	Y3	AIP/REP 2020-2025 Performance Weighted Results

Q4. Were these exhibits prepared by you or under your direction?

A4. Yes, they were.

Employee Savings Plan

Q5. What statements and adjustments did Staff Witness Rueckert propose to the Company's Employee Savings Plan expense projection?

A5. Staff Witness Rueckert recommends rejection of the normalization of the excess forfeitures recognized in 2024 as well as Company's VSIP and Lag Hiring normalization adjustments. He also proposes use of a five-year average annual growth rate of 4.75% be applied to the 2024 total historic expense (Rueckert Testimony, page 6, lines 18-21. Exhibit S-14.2, lines 7-12) resulting in an ESP expense of $11.631 million, or a reduction of $1.635 million compared to the Company's projection of $13.266 million.

Q6. What is Staff Witness Rueckert's basis for rejecting the normalization of the excess forfeitures recognized in 2024?

A6. Staff Witness Rueckert claims that the proposed normalization "simply increases the historic test year by adding back the flat gas allocation of forfeitures the Company incurred in 2024" (Rueckert, p. 6, lines 13 through 14).

Q7. Is this an accurate description of the Company's normalization of excess forfeitures in 2024?

A7. No. As I explained in my Direct Testimony (p. 11, lines 10-20), in 2024, the Company changed its accounting practices related to recognizing ESP forfeitures for employees who leave the Company before becoming vested. Previously, the

Company recognized the impact of employee forfeitures in the year subsequent to forfeiture. Beginning in 2024, the Company started recognizing forfeitures in the same year the employee departed. As a result, in 2024 the Company recognized employee ESP forfeitures related to both 2023 and 2024. That is, the Company recognized total forfeitures in 2024 of $771,000, which included forfeitures related to 2023 of $398,000 and forfeitures related to 2024 of $373,000. (In comparison, the five-year average of forfeitures for the years 2019 through 2023 was $292,000.) The recognition of two years of forfeitures in 2024 resulted in an artificially low ESP cost for 2024. As a result, a normalization adjustment to ESP is required to eliminate the forfeitures related to 2024 of $373,000, resulting in an increase in the 2024 ESP expense of $225,000. By including excess forfeitures recognized in 2024 that were due to this accounting change, Staff Witness Rueckert understates both the historical test year and the average annual growth rate.

Q8. How do you propose to fix this omission?

A8. Both the 2024 historical test year and the growth rate must be adjusted to exclude forfeitures attributable to the accounting change, thereby increasing the historical test year total cost to $17.352 million and the five-year average annual growth rate to 5.2%. When applying the 5.2% growth rate to the 2024 ESP cost, excluding excess forfeitures due to the accounting change, the result is an increase of $395,000 to Staff's ESP expense projection. See calculations on Exhibit A-35, Schedule Y1, Employee Savings Plan Staff Correction.

As described below, the Company has prepared a revised projection of ESP expense that is based on 2025 participants and projected employee additions, and thus, is a

more accurate estimate of the ESP expense to be incurred in the projected test year. The adjustment to Staff's ESP expense merely represents a minimum correction needed.

Q9. How did AG Witness Coppola's calculate ESP?

A9. AG Witness Coppola calculated the five-year average growth rate of 3.63% based on the historical expense from 2020 to 2025 and applied that growth rate to the 2025 savings plan expense of $11.161 million resulting in a forecasted expense of $11.881 million for the projected test year compared to the Company's projection of $13.266 million, or a reduction of $1.385 million (Coppola Direct, page 125, lines 14-17, Exhibit AG-54, lines 1-4).

Q10. Do you agree with AG Witness Coppola's projected for ESP expense?

A10. No. Both Staff Witness Rueckert's and AG Witness Coppola's projections of ESP are flawed because they rely on historical changes in the Company's actual ESP expense without regard to changes in employment levels in the periods analyzed. Specifically, Staff Witness Rueckert uses the period covering the years 2019 through 2024 while AG Witness Coppola uses the period covering the years 2020 through 2025. These periods reflect declines in the Company's headcount in both 2023 and 2024 as result of the temporary cost reductions implemented in 2023 and the Voluntary Separation Incentive Plan (VSIP) implemented in 2024. The number of employees declined by almost 5% during the period 2022 through 2025, which is unsustainable. As importantly, both Staff Witness Rueckert and AG Witness Coppola ignore the projected increases in headcount for the projected test year.

Q11. Do you have an alternative to Staff Witness Rueckert's and AG Witness Coppola's projected ESP expense?

A11. Yes. Exhibit A-35, Schedule Y2, Employee Savings Plan Revised Projection reflects an updated summary of a detailed projection of the Company's ESP that is based on 2025 actual ESP costs, that reflects the actual level of participants and eligible salaries for both those employees covered under the traditional 401(k) matching program and those employees hired after the traditional defined benefit pension plan was closed to new employees in 2012 – 2013, who generally receive a contribution equal to 4% their salaries. Because new employees receive both the 401(k) match and the 4% in lieu of pension contributions, the impact of new employees can be significant, even if the total employee population is static.

Q12. How was the projected Employee Savings Plan expense developed?

A12. The projected ESP expense was calculated based on the total eligible earnings of active plan participants as of December 31, 2025, along with the applicable Company contribution percentage. Eligible employee earnings were increased by 3.0% annually to reflect the projected pay raises. I also adjusted for projected employee growth, prorated to reflect the assumption that new participants are added evenly throughout the year (i.e., divided by two). Additionally, the projection assumes half of the departing employees are currently receiving the additional 4% Company contribution, based on the determination that half of the departing employees in 2025 were covered by plan provisions implemented in 2012-2013, whereas the other half were not eligible for the additional 4% Company contribution because they were participants in a defined benefit pension plan. The actual 2025 Company contribution percentage was applied to the adjusted eligible

earnings to determine the annual ESP costs. These costs were reduced by the five-year average employee forfeitures of unvested Company contributions, as adjusted for the excess forfeitures in 2024 arising from the change in accounting, of $392,000. The resulting cost for the projected period is $20.763 million. This amount is reduced by the capitalized portion of costs, equal to 38.1%, to produce an ESP expense for the projected test period of $12.847 million. This represents a compound annual increase between 2025 and the projected test year of 8.4%. Notably, the cost related to the traditional 401(k) match increases at 5.5% per year while the contributions In Lieu of Pension increase by 12.6% per year, which reflects the growing significance of the defined contribution plan that replaced the defined benefit plan. Based on the assumption of the continuation of the Company's traditional increase in employees base pay of 3% annually, the Company's ESP contributions will increase by at least 3% annually, but the projected increase in both replacement and new employees results in 8.4% average annual increase in Company contributions. However, if in the unlikely situation the Company only replaced the employees who leave the Company, that is a zero net increase in employees, the average annual increase in Company contributions will be 5.1%, which results in an average annual increase in ESP expense of 5.6%. This produces an ESP expense for the projected test year of $12.268 million.

This revised projection is a more realistic estimate of the ESP expense to be incurred by the Company in the projected year than either Staff Witness Rueckert's or AG Witness Coppola's because it is not distorted by employee reductions in 2023 and 2024 and reflects the impact of changes in the mix of the employee

population, as employees covered by the legacy benefit plans are replaced by employees covered by the current plans.

Incentive Compensation

Q13. What adjustments did AG Witness Coppola propose to the Company's projected Incentive Compensation expense?

A13. Among other things, AG Witness Coppola proposes the exclusion of 40% of the incentive compensation expense related to the operating measures.

Q14. What is the basis for Witness Coppola's proposal to exclude 40% of the incentive compensation related to operating measures?

A14. Witness Coppola states that 60% represents the percentage of performance measures that have been achieved at target level or higher over the past five years, from 2020 to 2024 (Coppola Direct page 133, lines 18-19). As a result, he proposes that only 60% of the incentive compensation expense related to the operating measures be included and the remaining 40% should be excluded.

Q15. Do you agree with Witness Coppola's analysis of historical operating performance measures?

A15. No. Witness Coppola's analysis of the proportion of measures that were at Target or above is flawed because it fails to recognize how the program works. While certain measures may produce results that are less than Target, other measures can produce results that are greater than Target. Moreover, even those measures where actual performance was less than Target can still generate payouts if the actual performance was higher than the Threshold level. Under AIP, payouts range from

25% for Threshold performance to 175% for Maximum performance for non-executives, and up to 200% for executives, with 100% payouts for Target performance. Payouts under the REP range from 50% for Threshold performance to 150% for Maximum performance with 100% payouts for Target performance. Thus, if the actual performance is less than Target but higher than Threshold, payouts under the AIP would range between 25% to 100% and the REP payouts would range between 50% and 100%.

These ranges in potential payouts result in Witness Coppola's singular focus on whether actual performance was at Target or above or below Target being an inaccurate representation of the impact of performance on actual payouts. Similarly, Witness Coppola's method ignores the impact of performance above Target, which could result in payouts of 150% for the REP and 200% for the AIP when Maximum performance levels are achieved. Witness Coppola's exclusive reliance on the achievement of performance relative to Target levels fails to recognize the gradients of performance between Threshold and Maximum performance levels that are the basis for actual payouts.

Q16. Is it reasonable to assume that only 60% of the operating performance measures will be achieved in the projected test year?

A16. No. The establishment of costs to be reflected in the Company's revenue requirement is subject to various uncertainties, but the goal is to establish expenses at the levels that are most likely to be incurred. In this instance, it is reasonable to assume that the Company will, on an overall basis, achieve Target performance

levels for both AIP and REP and include all incentive compensation expenses related to the operating measures.

Q17. Have you computed the actual operating performance levels for the same period that recognizes the gradients of performance between Threshold and Maximum levels?

A17. Yes. Exhibit A-35, Schedule Y3, shows that actual weighted performance for the last five years was 89.9% for the REP and 100.3% for the AIP, and the four-year average for Executive AIP was 112.6%. This results in a combined average payout result of 100.9%.

Q18. Has the Commission addressed a similar proposal by the AG in prior DTE cases?

A18. Yes. In DTE Electric's 2024 general rate case in Case No. U-21534, the Commission rejected an identical AG proposal (Order, January 23, 2025, p. 278) and the Commission rejected it again in DTE Electric's 2025 general rate case in Case No. U-21860 (Order, February 19, 2026, p. 363). As the Commission observed in its Order in Case No. U-21860, p. 363, "…the arguments by parties in this case are substantially similar to what was argued in Case No. U-21534 and the Commission sees no reason to depart from the decision in that case." This conclusion remains true.

Q19. Does this complete your rebuttal testimony?

A19. Yes, it does.

STATE OF MICHIGAN

BEFORE THE 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-21973

CONFIDENTIAL REBUTTAL TESTIMONY

OF

JULIA L. HUFFMAN

DTE GAS COMPANY
REBUTTAL TESTIMONY OF JULIA L. HUFFMAN

Line No.

Q1. Are you the same Julia L. Huffman who previously offered testimony in this proceeding?

A1. Yes, I am.

Purpose of Testimony

Q2. What is the purpose of your rebuttal testimony?

A2. The purpose of my Rebuttal Testimony is to respond to arguments raised by the Michigan Public Service Commission Staff (MPSC) and intervenors in this proceeding regarding the following issues:

1. End-use Transportation (EUT), as discussed in the testimony of the Attorney General (AG) Witness S. Coppola, Retail Energy Supply Association (RESA) Witness D. Huth, and Detroit Thermal Witness R. Pucak;
2. Midstream, as discussed in the testimony of the Attorney General (AG) Witness S. Coppola;
3. Customer Attachment Program, as discussed in the testimony of the MPSC Staff Witness C. Creisher, Attorney General (AG) Witness S. Coppola, Michigan Environmental Council (MEC) Witness A. Napoleon, Ann Arbor City Witness M. Walsh, and Frontline Organizations: Urban Core Collective, Soulardarity, and We Want Green, Too (FLO) Witness Y. Kinkhabwala;
4. Home Protection Plus Program, as discussed in the testimony of the Attorney General (AG) Witness S. Coppola, and Frontline Organizations:

Urban Core Collective, Soulardarity, and We Want Green, Too (FLO) Witness J. Schott;

5. Public Awareness Program, as discussed in the testimony of the Attorney General (AG) Witness S. Coppola;

6. Marketing O&M, as discussed in the testimony of the Citizens Utility Board of Michigan (CUB) Witness M. Menghaney, and marketing the use of gas for indoor cooking, as discussed in the testimony of Frontline Organizations: Urban Core Collective, Soulardarity, and We Want Green, Too (FLO) Witness J. Schott; and

7. Corporate Memberships, as discussed in the testimony of the Frontline Organizations: Urban Core Collective, Soulardarity, and We Want Green, Too (FLO) Witness S. Cira-Reyes.

Q3. Are you sponsoring any rebuttal exhibits?

A3. I am sponsoring or supporting the following exhibits:

Exhibit	Schedule	Description
A-37	AA1	WHO Study
A-37	AA2	GAO-25-107514 Report
A-37	AA3	Off-System Transport
A-37	AA4	Discovery Response AGDG-2.59d
A-37	AA5	NAHB Priced-Out Estimates for 2023
A-37	AA6	Staff Recommendation

SECTION 1: END-USE TRANSPORTATION REBUTTAL

Attorney General

Q4. What are Witness Coppola's recommendations concerning End-Use Transportation?

A4. Witness Coppola recommends increasing forecasted EUT revenues by updating the power generation volume to reflect more recent historical data, which he calculates would result in approximately $206,000 of additional revenue (Coppola, Direct-95, lines 1-2). In addition, he recommends eliminating the projected reduction in EUT volumes attributed to energy optimization for ST and LT customers, arguing that the assumed 1% annual reduction is unsupported by historical evidence. Removing this assumption, he recommends an additional increase of approximately $914,000 in forecasted EUT revenues (Coppola, Direct-96, lines 12-13).

Q5. Do you agree with Witness Coppola's recommendation that the five-year power generation customer volume ending 2025 should be used? If not, why?

A5. No. Using the same five-year average approach whereby DTE Gas utilizes the latest volumes available upon the filing of the rate case provides the most consistent approach to forecasting this subset of EUT customers. The Company's projected test period volumes were developed at a point in time with a methodology consistent with prior rate cases. Witness Coppola's methodology is an asymmetric form of selectively updating or "cherry-picking". Witness Coppola's recommendation to shift the five-year window forward simply because later data happens to be higher undermines the very stability that the as-filed five-year average is intended to provide and opens the door for parties to arbitrarily pick

whatever time period best supports their litigation position. The methodology utilized by the Company is specifically designed to smooth short-term volatility in power generation usage and avoid overreacting to temporary spikes or dips. The reality is that power generation customer volumes continue to vary drastically from year-to-year, whether it be due to gas prices, other area plant outages, and/or weather. For example, as shown on Table 2 on page 21 of my direct testimony, the 12-month period ending August 2022 was 2 Bcf lower than the prior 12-month period ending August 2021. In contrast, the 12-month period ending August 2024 was 14.8 Bcf higher than the subsequent 12-month period ending August 2025. These comparisons illustrate that volumes from this segment do not follow a linear trend, and reliance on the most recent 12-month period does not necessarily result in higher volumes. Recalculating the five-year average later in the case to pick up a new twelve-month period effectively converts the five-year power generation forecasting method into a moving target that can be reset mid-proceeding whenever it is advantageous to do so. As such, the Company's proposed historical period and proposed volumes for the projected period should be approved as it avoids arbitrary time period selection.

Q6. Do you agree with Witness Coppola's recommendation that the 769 MMcf future test year volume reduction attributed to EWR, shown in Exhibit A-15, pg. 2 of 2, line No. 3, should be disallowed and $0.9M added to DTE's forecasted revenue?

A6. No, I do not. Witness Coppola made a similar argument in Case No. U-20940 which was not adopted by the Commission in its Order for that case. On pg. 112 of that

Order, the MPSC stated, "The Commission agrees with the ALJ that a separate EWR review and audit proceeding is the appropriate forum for addressing EWR plans and energy savings results." DTE Gas agrees that the correct place to litigate EWR details is in a fully litigated EWR case to which the Attorney General is a party. Witness Coppola's argument here relies heavily on the fact that DTE Gas cannot prove from where each molecule of energy efficiency savings will come. However, the Commission does not require utilities to demonstrate precise historical Mcf level attribution of EWR impacts in rate cases, but instead relies on Commission approved EWR plans, statutory savings requirements, and prospective program goals when evaluating the reasonableness of forecasted volumes. DTE Gas has applied the same 1% EWR adjustment to ST and LT rate classes in all recent general rate cases and the Company stands by its original 769,000 Mcf EWR EUT impact on the future test year in this case.

RESA

Q7. What are Witness Huth's recommendations concerning End-Use Transportation?

A7. Witness Huth argues that DTE Gas is unusual among Michigan and regional gas utilities because it does not offer an EUT pooling option, which she claims would lower supplier and customer costs while improving system reliability (Huth, pg. 14, lines 12-18). Witness Huth proposes DTE Gas adopt a voluntary EUT pooling program where the Company would calculate load balancing and Unauthorized gas usage charges based on the net imbalance of a supplier's pool (Huth, pg. 13 lines 12-23, and Huth, pg. 14, lines 1-3).

Q8. Does DTE Gas already have an approved pooling-like option for EUT customers in the rate book?

A8. Yes. Per section C11 (sheet C-53 and C-54) of the Rate Book, the Company offers the option not only for EUTs, but also for GS-2 and Rate S customers to aggregate their accounts, as long as certain criteria are met as explained in the tariff. DTE Gas realizes this is different than the type of pooling Witness Huth is proposing; however, this is the only pooling-like option with which DTE Gas is able to support in order to protect our current system and operations, as well as other customers.

Q9. Has the pooling concept been proposed in prior DTE Gas general rate cases?

A9. Yes. Constellation New Energy-Gas (CNEG), an affiliate to RESA, intervened in DTE Gas's general rate case, Case No. U-15985. In that proceeding, (pg. 100 of that Order) the Commission denied CNEG's proposal for pooling, citing the intervenor failed to demonstrate pooling would benefit anyone other than gas suppliers. In Case No. U-18999, RESA proposed that DTE Gas adopt an EUT pooling program. While the Commission acknowledged certain concerns raised by DTE Gas, it concluded on pages 120 and 121 of that Order that the proposal lacked sufficient detail to support implementation, could adversely affect daily nominations, would impose additional administrative burdens on the utility, and was unlikely to produce cost savings for EUT customers. The Commission did not require DTE Gas to implement a pooling program; rather, it directed the Company to participate in a pooling collaborative convened by Consumers Gas.

Q10. Did DTE Gas participate in the pooling collaboration with Consumers Gas that Witness Huth mentions on page 9 of her testimony?

A10. Yes. Several DTE Gas employees participated in those meetings. While it was interesting to participate in the discourse, DTE Gas concluded the collaboration with the same concerns as before participating in the collaboration. That is, RESA did not provide any further justification for their proposal or address the system and customer protection concerns that DTE Gas previously raised.

Q11. Does DTE Gas believe implementing a pooling program will increase its operational risk?

A11. Yes. A pooling program, as we understand Witness Huth is proposing, would introduce additional and largely undefined operational risk to the Company's gas system and potentially other EUT customers. As mentioned previously in my testimony, DTE Gas does offer a form of limited pooling via our EUT aggregation option. This comes with restrictions listed in section C of the Rate Book, including common ownership. Although aggregation provides benefits to our customers, the restrictions associated with the EUT aggregation option also inherently helps protect DTE Gas and its customers by limiting the size of the aggregated pool and the potential negative impact that a large aggregation could have on system operations. In the pooling scenario that RESA proposes, a single pool manager (supplier) would control nomination decisions for a large block of EUT load. In response to external market price signals, that pool manager could significantly and unilaterally reduce nominations into the DTE Gas system and redirect supply elsewhere, relying on the ability to rebalance (or catch up) the pool later in the month. This has the potential to negatively impact the system, particularly during

extreme cold winter weather. Without a compelling analysis demonstrating that pooling would not adversely impact the DTE Gas system, the Company does not support adding pooling to the EUT tariff.

Q12. Does DTE Gas believe that adding a pooling option to the EUT tariff would reduce costs for DTE Gas?

A12. No. On page 6 of her testimony, Witness Huth states that pooling would reduce administrative costs by allowing the utility to monitor fewer accounts, verify fewer nominations and storage banks, simplify imbalance tracking, and ultimately reduce manpower and invoicing costs. However, much of the monitoring cited by Witness Huth is performed through automated systems. Whether the system monitors one nomination or multiple nominations does not materially affect staffing requirements. Similarly, imbalance nominations are already tracked automatically, and nominations exceeding a customer's MDQ are rejected by the system without manual intervention.

With respect to invoicing, DTE Gas is required to continue issuing monthly bills to all EUT customers in accordance with existing billing standards, regardless of whether a customer participates in a pool. In addition, a pooling program could require DTE Gas to invoice pool suppliers for pool administration charges and any pool level storage imbalance penalties. Given the above, DTE Gas's administrative costs would not decrease and may instead increase.

Q13. What does Witness Huth state in her testimony about the hypothetical impact of DTE Gas implementation of pooling and the number of suppliers?

A13. Witness Huth suggests, on a hypothetical basis, that pooling implementation by DTE Gas may increase supplier participation (pg. 5, lines 12-13). This assertion is speculative and is not supported by system-specific analysis or evidence demonstrating that pooling would, in fact, result in an increased number of suppliers on the DTE Gas system. Additionally, Witness Huth acknowledges that a customer participating in a pool would "not be able to purchase gas from multiple suppliers" (pg. 7, lines 21–22), indicating that pooling participation could limit, rather than expand, supplier choice for those customers.

Q14. Do you agree with Witness Huth's characterization of how an EUT pooling program would benefit EUT customers?

A14. No. In her testimony, Witness Huth contends that an EUT pooling program would benefit EUT customers by allowing gas suppliers to net imbalances across multiple customers (pg. 4, lines 8 & 9), thereby reducing imbalance fees (pg. 3 lines 15 & 16) and simplifying daily nominations (pg. 3, lines 18-20). She further assumes that any supplier cost savings resulting from pooling would be passed through to EUT customers (pg. 5, lines 22-23) as suppliers could "extract more value" from storage assets. I do not agree with this position, as Witness Huth provides no evidence or mechanism demonstrating that suppliers would be required or incentivized to flow such savings through to EUT customers rather than retain them. Nor does Witness Huth demonstrate that EUT customers on Consumers' system have experienced cost savings or other benefits.

Q15. Does DTE Gas already have a fully optimized gas storage system?

A15. Yes, we do. DTE Gas already optimizes its assets via the Midstream group to generate additional revenue. As stated in my direct testimony (JLH-22, lines 14-18), the services Midstream sells maximize the utilization of DTE Gas's rate base assets. The revenue and associated GIK collected from the sale of these services reduce DTE Gas's overall revenue requirement; therefore, this optimization mitigates rate increases for all DTE Gas customers. Allowing an unregulated third party to "extract" value from these assets would deprive all other customers of the cost offsets they currently enjoy. In the current rate case, DTE Gas is forecasting a revenue benefit to customers of $135.1 million through Midstream Services' optimization of the gas system.

Q16. Witness Huth often compares DTE Gas to Consumers Gas in her testimony, implying that what works for Consumers Gas should also work for DTE Gas. Is it appropriate to compare the Consumers Gas system with the DTE Gas system?

A16. No. While both utilities are large gas providers in Michigan, the DTE Gas and Consumers Gas systems differ in material ways, including how system assets are optimized. Notably, Consumers Gas does not actively optimize excess storage and transportation capacity to generate customer rate offsets, making direct comparisons between the two systems inappropriate.

Q17. Based on your understanding of Witness Huth's pooling proposal, could an EUT customer participating in a pool end the month in balance for its share of the pool, yet still be assessed a pro-rata share of a pool level imbalance penalty by its supplier?

A17. Witness Huth does not provide sufficient detail regarding how individual customer accountability would be maintained within a pooling structure. As described on page 6 of her testimony, it appears possible that an EUT customer could remain individually in balance yet still be allocated a share of a pool level imbalance penalty resulting from the actions of other customers in the pool. Arguably, suppliers offering this utility service, balancing, should be subject to all of the billing rules. Without this requirement, EUT customers would have no recourse if they believed a supplier was not acting properly.

Q18. Even if the policy and operational concerns associated with EUT pooling were resolved, does DTE Gas currently have the system capabilities necessary to implement and administer an EUT pooling program?

A18. No. Even if the policy and operational concerns were resolved, DTE Gas could not implement an EUT pooling program using its current billing and nomination systems. Witness Huth does not account for the significant system enhancements and associated costs that would be required for the Company to operate such a program.

Q19. What are your conclusions concerning RESA's pooling proposal?

A19. In summary, DTE Gas does not support the adoption of an End-Use Transportation pooling program as proposed by Witness Huth. While DTE Gas currently offers a limited aggregation option under its tariff that balances customer flexibility with system protections, the broader pooling construct proposed by RESA raises unresolved policy, operational, and system reliability concerns. Witness Huth's proposal lacks sufficient detail regarding customer accountability, supplier

incentives, and pool governance, and fails to demonstrate that any potential supplier benefits would flow through to EUT customers. Moreover, a pooling program could increase operational risk, impose additional administrative and system costs, and expose non-pool customers to adverse impacts during constrained system conditions. Even if these concerns were addressed, DTE Gas does not currently have the billing and nomination system capabilities necessary to implement such a program. Accordingly, absent compelling evidence that pooling would provide measurable benefits to customers without jeopardizing system integrity; DTE Gas does not support adding the proposed EUT pooling option to its tariff.

Detroit Thermal

Q20. Have you reviewed the rebuttal testimony of DTE Gas Company Witness Habeeb J. Maroun addressing the testimony of Detroit Thermal Witness Pucak?

A20. Yes. I have reviewed the rebuttal testimony of Witness Maroun responding to the direct testimony of Detroit Thermal Witness Pucak in the instant case.

Q21. Do you agree with the rebuttal testimony of Witness Maroun?

A21. Yes. I agree with Witness Maroun's rebuttal testimony addressing Detroit Thermal Witness Pucak's positions regarding the Alternate Cost of Service Study, the XXLT breakeven structure and eligibility threshold, and the relative magnitude of XXLT rate impacts.

Q22. Do you have anything to add in rebuttal to Detroit Thermal Witness Pucak's proposal on page 18 of his testimony to deny the increase in the XXLT

minimum volume threshold to 4 Bcf and to retain XXLT in economic breakeven adjustments?

A22. Yes. The Company's proposal to remove the XXLT rate schedule from economic breakeven adjustments and to establish a minimum participation threshold of 4 Bcf is intended to better align the XXLT rate with its intended purpose. The XXLT rate schedule was designed to serve a very limited number of customers with exceptionally large volumes and distinct usage characteristics, and not as an extension of other end-user transportation classes. Continued reliance on breakeven adjustments for XXLT has contributed to recurring disputes over eligibility and class boundaries, including criticisms that have been raised in prior rate cases.

Establishing a minimum volume requirement of 4 Bcf reinforces the intended role of the XXLT rate schedule by ensuring that eligibility is limited to customers whose scale and service characteristics are consistent with that purpose. This approach is comparable to the treatment used by other Michigan utilities for their largest transportation customers and provides greater clarity and stability in the rate structure. For these reasons, Detroit Thermal's objection does not provide a sufficient basis to reject the Company's proposed refinements.

SECTION 2: MIDSTREAM SERVICES REBUTTAL

Attorney General

Q23. What does Attorney General Witness Coppola conclude regarding Midstream Services?

A23. Witness Coppola asserts that the revenue forecasts for Contract Storage and Off-System Transportation are significantly understated (Coppola, Direct-97, lines 3-4).

Q24. Do you agree with Witness Coppola's findings and recommendations?

A24. No, I do not. As discussed further below, Witness Coppola relies on several miscalculations and unsupported assumptions. As a result, his conclusions regarding the Company's forecasted Midstream Services revenues are incorrect and cannot be relied upon.

CONTRACT STORAGE

Q25. What does Witness Coppola recommend in regards to Contract Storage Revenue?

A25. Witness Coppola recommends that the Commission increase the Company's forecasted Contract Storage revenue by $14.5 million (Coppola, Direct-98, lines 15-17).

Q26. How does Witness Coppola come to this recommendation?

A26. First, Witness Coppola incorrectly calculates the forecasted revenue for Contract Storage services by multiplying the volume of storage available by the BTU factor by the rate (Coppola, Direct-98, line 15). Witness Coppola then cites a storage agreement executed by the Company for 1 Bcf of the 21.7 Bcf of expiring storage at a rate of [redacted] and assumes that this rate should be applied to the entire 21.7 Bcf expiration profile.

Q27. Do you agree with Witness Coppola's recommendation?

A27. No, I do not. Witness Coppola has made a serious calculation error.

Q28. How should Witness Coppola have calculated the forecasted revenue from Contract Storage services?

A28. As stated in my Direct Testimony (Page 31, lines 2-7), "Midstream has 40.8 Bcf of the 62.5 Bcf storage capacity available to it sold and under contract through the projected test period. These longer-term contracts will contribute $47.1 million in revenue. The additional 21.7 Bcf of capacity available for sale in the 2027/28 cycle (Starting April 1, 2027) is forecasted to contribute an additional $4.0 million for a total of $51.1 million of storage revenue."

Because the 21.7 Bcf of available capacity is only available for the final six months of the projected test period, starting April 1, 2027 (or 50% of the forecasted test period), the appropriate way to calculate the forecasted revenue from Contract Storage services for the 21.7 Bcf is:

21.7 Bcf (available capacity) x 1.054 (heat rate) x rate ($/Dth) x 6/12 (applicable months in the test period where the available capacity is under contract, i.e. April 1, 2027 though September 30, 2027).

This methodology is consistent with the Company's forecast and results in the $4.0 million revenue estimate presented in my Direct Testimony (page 31, line 6).

Q29. Did Witness Coppola have the appropriate information to make the correct calculation?

A29. Yes. The information necessary to calculate forecasted Contract Storage revenues was available to Witness Coppola. As discussed above and explained in my Direct Testimony, the appropriate methodology for evaluating Contract Storage revenues was clearly described. In addition, in the Company's response to discovery request AGDG-2.50b, which is also included in the Attorney General's Exhibit AG-37, the Company provided an Excel attachment containing embedded formulas that could be used to correctly calculate annual Contract Storage revenues under any proposed rate.

Q30. If Witness Coppola correctly calculated the increase to Contract Storage, what would his recommended revenue increase have been?

A30. Using the [redacted], rate proposed by Witness Coppola – although not supported by the Company – and applying the correct methodology, the resulting increase to the forecasted Contract Storage Revenues would have been [redacted] The calculation for this is as follows:

[redacted]

By instead making an incorrect calculation, Witness Coppola overstates his own recommendation by [redacted] Under the correct methodology, achieving a [redacted] increase in Contract Storage revenues would require a Contract Storage rate of [redacted]:

Line No.

[redacted]

Such a rate is completely unsupported by prevailing market conditions, nor has Witness Coppola provided any support for Contract Storage rate of [redacted]

Q31. Are there additional considerations for the value of capacity available for sale for the 2027/2028 cycle?

A31. The Company concedes that it is reasonable to incorporate the executed 1 Bcf Contract Storage agreement at a rate of [redacted] into its Contract Storage revenue forecast, as suggested by the Attorney General. The Company further recognizes that storage market conditions for the 2027/2028 cycle have strengthened since the filing of Direct Testimony. Current storage market rates are at $0.45/Dth (Table 1.), representing an increase of $0.10/Dth relative to the rate utilized in the original forecast.

Table 1. MichCon Storage Indicative Value 2027/2028

MichCon Storage Indicative Value 2027/2028							
Month	NYMEX	BASIS	MichCon	Season Avg	Fuel (1%)	Time Value of Money (7%)	Indicative Intrinsic
							2027/2028
Apr-27	$3.24	($0.18)	$3.06				
May-27	$3.21	($0.24)	$2.97				
Jun-27	$3.35	($0.28)	$3.07				
Jul-27	$3.54	($0.36)	$3.18	$3.13	($0.03)	($0.11)	
Aug-27	$3.60	($0.37)	$3.22				
Sep-27	$3.58	($0.42)	$3.15				
Oct-27	$3.65	($0.44)	$3.22				$0.45
Nov-27	$3.89	($0.48)	$3.42				
Dec-27	$4.56	($0.61)	$3.95				
Jan-28	$4.98	($0.84)	$4.14	$3.72	($0.04)	($0.13)	
Feb-28	$4.32	($0.45)	$3.88				
Mar-28	$3.49	($0.30)	$3.19				

Source: ICE 3/13/2026 closing data

Q32. How are the market rates that are used to calculate Contract Storage revenue determined?

A32. The Company utilizes natural gas forward pricing from Intercontinental Exchange (ICE) as the source of this information, which is widely accepted as a reputable industry source of this type of information. The Company then calculates the price differential, or spread, between the projected prices during the withdrawal period and the projected prices during the injection period, discounted for the cost of financing inventory and injection fuel costs. This pricing is dictated by the market conditions at any given point in time and can change over a short period of time.

Q33. How does incorporating the executed Storage contract and utilizing the current market rates change the forecasted Contract Storage revenue for the forecasted test period?

A33. Incorporating the 1 Bcf Contract Storage agreement at [redacted] as identified by the Attorney General, increases the Contract Storage revenue for the forecasted test period by [redacted] The calculation is as follows:

[redacted]

Increasing the forecasted market rate by $0.10/Dth, as described above, increases the Contract Storage revenue for the forecasted test period by approximately $1.09 million. The calculation is as follows:

20.7 Bcf x ($0.45 - $0.35)/Dth x 1.054 (heat rate) x 6/12 = $1.09 million

The Company is recommending incorporation of these two increases into the Contract Storage revenue for the forecasted test period, which will increase the Contract Storage revenue by $1.33 million. This would increase the Company's Contract Storage revenue to approximately $52.4 million for the forecasted test period.

OFF-SYSTEM TRANSPORTATION

Q34. What does Witness Coppola recommend regarding Off-System Transportation Revenue?

A34. Witness Coppola recommends that the Commission increase the Company's forecasted Off-System Transportation revenue by $1.849 million (Coppola, Direct-100, lines 7-8).

Q35. How does Witness Coppola come to this recommendation?

A35. Witness Coppola calculates an average rate per contract and applies that to expiring capacity that is expected to be renewed. Per Exhibit AG-38, Witness Coppola takes all existing Firm Off-System Transportation contractual revenue excluding contracts with Blue Water, ANR and NEXUS ($9.8 million) and divides that by the total volume provided in discovery response AGDG-2.53a (Exhibit AG-38) (48.8 million dekatherms) to calculate an average rate of $0.20/Dth. He then applies that to the expiring capacity and calculates incremental revenue of $1.8 million.

Q36. Do you agree with Witness Coppola's recommendation?

A36. No, I do not.

Q37. What are your concerns with Witness Coppola's calculation?

A37. Witness Coppola's approach materially misrepresents the actual average rate for Off-System Transportation services during the test period and results in an artificial inflation of those rates. The volume in the referenced discovery response (included in Exhibit AG-38) was a forecasted utilization based on historical usage for Firm Off-System Transportation contracts, versus the capacity associated with the stated revenue. The rate for Firm Off-System Transportation services is a daily capacity charge for reserving a set amount of capacity on the system. These charges are a fixed fee paid to the Company to guarantee specific capacity on the pipeline and do not change based on a customer's utilization. Accordingly, revenue is determined by the applicable reservation rate multiplied by the contract's maximum daily quantity ("MDQ") and the number of days in the contract term, not by the volumes actually utilized. For example, if a shipper enters a contract to pay $0.10/Dth for 1,000 Dth for 30 days, the shipper pays $0.10 * 1,000 Dth * 30 days = $3,000 even if the shipper does not actually utilize the capacity.

By relying on utilized volumes rather than contracted MDQs, Witness Coppola ignores the fundamental pricing structure of Firm Off-System Transportation services. Customers are charged based on their reserved capacity at the MDQ and applicable reservation rate, regardless of actual usage. As a result, his calculation does not reflect how Firm Off-System Transportation revenues are incurred and therefore does not produce a valid average rate. In short, customers are charged for the service at the MDQ and reservation rate, regardless of how much they actually utilize the service.

Q38. Why is it important that Witness Coppola uses the MDQ of each Off-System Transportation service in the calculation, rather than the utilized volume of each service during the test period?

A38. The utilized volumes of Firm Off-System Transportation services are smaller than the MDQs of those same services during the test period; therefore, Witness Coppola's analysis would artificially raise the cost per Dth of these services. Witness Coppola's analysis vastly understates the actual reserved volumes while keeping revenues the same and unfairly suggests that the revenues accrued from these services are vastly higher than their actual value.

In effect, Witness Coppola's approach significantly understates reserved capacity and overstates the unit value of these services, creating the misleading impression that revenues from Off-System Transportation services are substantially higher than their actual economic value. Using MDQs, rather than utilized volumes, is therefore necessary to accurately reflect how these services are priced and how revenues are incurred.

Q39. If Witness Coppola were to use his methodology and recalculate the average rate using the MDQs for each service over the test period rather than the utilized volumes, what would the new average rate for Off-System Transportation services during the test period be?

A39. If the Company were to accept Witness Coppola's methodology using the correct information, the average rate of Off-System Transportation services during the test

period would be $0.08/Dth. Refer to Exhibit A-37, Schedule AA3 for further detail on this calculation.

Q40. Using the corrected average price above, what would the change be in the Company's forecasted revenue if the Company were to adopt Witness Coppola's methodology?

A40. Using the methodology used by Witness Coppola with the correct average rate as explained above, the Company would need to **decrease** revenue forecasts for Off-System Transportation services by approximately $565,000.

Q41. How should Witness Coppola have calculated the forecasted revenue from Off-System Transportation services?

A41. As stated in my Direct Testimony, (Page 35, lines 5-6), "the forecasts for Off-System Transportation revenue are defined by the assets available for sale and the market demand for services." Specifically, a primary driver of revenue on any Off-System Transportation service is the difference in price of gas at the receipt point and delivery point (Page 26, lines 22-24). Each service contains unique receipt points, delivery points, maximum daily quantities (MDQ), and seasonality terms.

Because each service is unique, the most reasonable measure of the value of an expiring service to be renewed is the current rate of that same service which is set to expire. Witness Coppola incorrectly postulates that the average of **all** Off-System Transportation services (excluding Blue Water, ANR, and Nexus) in the forecasted test period serves as an appropriate proxy for the forecasted rates for expiring Off-System Transportation contracts, rather than the current rates of those expiring

services themselves. This assumption disregards the service-specific characteristics that drive value and pricing. Therefore, the appropriate rate to be used for calculating forecasted Off-System Transportation revenue is $0.11 per Dth, as reflected in the Company's filing, rather than the $0.20 per Dth proposed by Witness Coppola.

Therefore, the methodology and calculation Witness Coppola presented is incorrect, and the Commission should approve the methodology and the as-filed revenues proposed by the Company for Off-System Transportation services revenue for the forecasted test period.

SECTION 3: HOME PROTECTION PLUS REBUTTAL

Attorney General

Q42. What is Witness Coppola recommending regarding gross profit margin (net revenue) for the Company's Home Protection Plus (HPP) program?

A42. Witness Coppola recommends (Coppola, Direct-103, lines 1-2) that the Commission increase the Company's forecasted net revenue for the projected test year by $6,776,000 for the HPP program (Witness Coppola refers to this as Appliance Service Program).

Q43. How did Witness Coppola calculate this adjustment?

A43. Witness Coppola made this recommendation after reviewing the Company's forecast for the projected test year and comparing it to the actual HPP results produced in discovery. He states (Coppola, Direct-101, lines 6-8) that the Company forecasted the same HPP revenue for the projected test year that it reported for 2024

— $108.5 million. He then says the discovery responses provided actual HPP revenues and operating expenses for 2019 through 2025, and those materials showed 2025 revenue of $116.8 million, which was $8.3 million above 2024. He further explains that he looked at the program's gross profit margin, which he defines as the difference between program revenues and operating expenses. He states that the gross margin increased from $32.9 million in 2022 to $41.1 million in 2025, which he characterizes as approximately 8% average annual growth. He then applied that historical cycle average growth rate to the 2025 actual gross margin to develop his projected test year estimate. Using that approach, he calculated a projected test year gross margin of $47.105 million, which he says is $6.776 million higher than the Company's forecasted amount of $40.392 million.

Q44. Do you agree with Witness Coppola's recommendation to use historical averages to increase revenue?

A44. No, not with the approach Witness Coppola has taken. The approach that Witness Coppola used was not a 4-year straight average where each year is equally weighted; rather, it is a cycle average growth rate from two points in time. Witness Coppola chose a low point, 2022, and then a high point, 2025, and ignored the impact of the years in-between (2023 and 2024). Margin growth rates are highly sensitive to starting points, one-time effects, and timing differences. Sensitivity to timing is evident in Witness Coppola's approach. Using the data in Exhibit AG-40, calculating the yearly growth rates shows a large swing in results. Gross margin, highlighted on the exhibit, shows a growth rate of 21% from 2022-2023, while the growth from 2023-2024 and 2024-2025 are 1.5% and 1.9%, respectively. Therefore, the Company disagrees with using this approach of taking a cycle

average growth rate, since it ignores the small margin growth rates from 2023 thru 2025.

Q45. Do you agree with Witness Coppola's secondary recommendation to adopt 2025 actual gross margin of $41,147,000 (Coppola, Direct-103, lines 2-5)?

A45. Yes. The Company supports using the most recent historical financial data for revenue and expenses. The Company does not support calculations that arbitrarily choose years to achieve a desired outcome as Witness Coppola has recommended. Using this historical approach the margin would increase by $755,000 and not the arbitrary amount in Witness Coppola's testimony of $6,776,000.

Q46. What are Witness Coppola's recommendations concerning the Company's HPP IT Projects?

A46. Witness Coppola testified that the Company has not made compelling arguments regarding the investment in the Self-Service Portal Project and the HPP Product Enhancements Project. He further states that $6.4 million should be disallowed as he views these as "non-essential", as referenced on Page 51, lines 18-19 of his direct testimony.

Q47. Do you agree with Witness Coppola's recommendation?

A47. No. Witness Coppola's "non-essential" label is not a ratemaking standard and does not justify a disallowance. As an unregulated program, HPP's investments are outside the scope of the Commission's prudence and reasonableness review in this proceeding. HPP has a proven track record of serving its customers and providing

benefits to regulated customers. Witness Coppola offers no valid basis for disallowing these costs in this proceeding.

While HPP's investment decisions fall outside the scope of the Commission's ratemaking review, those business decisions are reasonable and certainly do not provide a basis for disallowance in this proceeding. Given the HPP program's profitability (which is a benefit to customers) and scale, the relatively modest investments in the HPP Self-Service Portal and Product Enhancements are necessary to maintain competitiveness, enhance customer experience, and protect an important revenue source while supporting customer affordability. Specifically, the HPP program generated gross revenues of approximately $108.5 million in 2024 and has consistently reduced the overall cost of service to customers.

Q48. On page 49, lines 11-17, and page 50, lines 1-12, Witness Coppola challenges investments in the HPP Self-Service Portal. Do you agree?

A48. No. The HPP Self-Service Portal is a Strategic IT project that modernizes how HPP customers interact with the Company. Through a secure online portal integrated with their DTE account, HPP customers can: review enrollment dates, contract cost, and coverage; make certain enrollment changes; view their service history; and create service orders to request repairs. Without the HPP Self-Service Portal, HPP customers are required to call the HPP call center during business hours to perform these actions. As I explained in my Direct Testimony, customer expectations have shifted toward digital self-service. Additionally, I provided information to the Attorney General in AGDG-2.59d (see Exhibit A-37, Schedule AA4) where I referenced a study that was conducted on prospective customers in

Western Michigan. The study found that certain age groups and customer segments recommended modernizing the customer experience, specifically by adding digital interaction options. The conclusion was that these enhancements would attract customers who would not otherwise enroll unless digital options were available. Finally, industry benchmarking showed that competitors in the heating and cooling sector were already offering digital experiences, further motivating DTE Gas to provide similar capabilities to remain competitive and attract new customers. The study results reflect the growing importance of digital tools in customer transactions. The HPP portal supports operational efficiency, improves customer satisfaction, and ensures alignment with industry standards and competitive offerings. Notably, the HPP Self-Service Portal is implemented on an existing SAP cloud platform already in use for the HPP Check Reimbursement Solution approved in Case No. U-21291.

Q49. Do you agree with Witness Coppola's summary of the discovery conducted by the AG as referenced on page 49, lines 11-16?

A49. No. Discovery question AGDG-2.59f (Coppola Exhibit AG-15) asked: "Confirm that the Company provides a copy of the contract when customers sign up for HPP service and are given a copy of the service order and invoice for their record when services are provided to the customer. If not confirming, explain why this information is not provided to the customer in hard copy". In response, DTE Gas explained that customers are given a copy of their contract terms and conditions at the time of enrollment, along with a welcome letter. HPP does not provide copies of paper invoices to customers when repair services are received. Beginning on line 11, page 49, Witness Coppola uses this answer to conclude that the HPP Self-

Service Portal project is unnecessary, since HPP provides customers with the relevant information at enrollment and they can call customer service for the "infrequent" occasion when appliance service is needed. The Company did not at any time indicate that calls for service were infrequent.

Witness Coppola's position appears to be that, because HPP did not explicitly ask or track customer demand for HPP Self-Service, the decision lacks a sound business basis. This overlooks the core purpose of Self-Service: improving the customer experience by providing access to information that is not easily available to them thereby increasing the value of HPP repair coverage to customers.

Q50. On page 51, lines 1 - 15, Witness Coppola challenges the investments in the HPP Product Enhancements. Do you agree?

A50. No. The HPP Product Enhancements project is an IT Enhancement initiative targeting the Customer Relationship and Billing (CR&B) system and associated tools used to administer the HPP program. This is not a new system, but a set of targeted enhancements to existing capabilities: HPP plan management and pricing, to simplify configuration across regions; data structure and analytics, to improve data storage, access, and insight into the relationship among enrollment, tenure, and service costs; and customer service tools, to give agents a single, consolidated view of a customer's plan, enrollment, and service history—reducing screen navigation, errors, call handling time, and customer frustration. CR&B is a shared platform used to bill and service HPP customers and all DTE Gas customers. Therefore, enhancements that improve CR&B's data quality, configuration capabilities, and agent tools therefore support both HPP and core utility billing.

Q51. What does Witness Coppola assert on page 51, lines 8-11?

A51. Witness Coppola claims "Additional discovery responses show that the ability to effectively operate the current system exists by involving the IT department when making price changes, soliciting customers in new zip code areas of the state, and supporting other functions needed by operating personnel". In summary, Witness Coppola believes the "IT Department" magically makes these changes happen without funding.

Q52. Do you agree with this claim?

A52. No. The HPP Product Enhancements project is conducted by IT personnel and contractors, as acknowledged by Witness Coppola (pg.58, lines. 8–11), and is fully funded through DTE Gas IT Capital approved in general rate cases, including this case. While Witness Coppola suggests alternative means of completing the work, the IT department is already executing the project – which is the purpose of including the capital recovery in this case.

Q53. Please explain the prudency and necessity of HPP Self-Service Portal and HPP Product Enhancements.

A53. As explained above, the relevant inquiry here is the appropriate ratemaking treatment of the revenues and costs associated with HPP- which is separate and distinct from regulation of HPP's (a non-regulated entity) business decisions. The Company's multi-year investments supporting the HPP program are appropriate. Specifically, investments totaling $3.1 million for the HPP Self-Service Portal ($1.2 million in the Historical Test Year, $1.4 million in the bridge period, and $0.5

million in the Projected Test Year) and $3.0 million for HPP Product Enhancements ($0.8 million in the Historical Test Year, $1.7 million in the bridge period, and $0.5 million in the Projected Test Year) are necessary to modernize customer interactions and to effectively maintain and manage a program of this size. Together, the HPP Self-Service Portal and Product Enhancements address high call volumes, service complaints, and inefficient plan and data management, while supporting customer attraction and retention. Sustaining HPP participation preserves program profitability, which helps reduce utility rates and supports affordability. If the investments in both the Self-Service Portal and HPP Product Enhancements are not approved, the result could be lower customer enrollments and a decrease in customer satisfaction. Furthermore, HPP revenues and costs are both included in the Company's revenue requirement and, on a net basis, reduce that requirement for customers. Excluding capital or O&M expenditures associated with HPP while continuing to include HPP revenues and expenses would be inconsistent.

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Q54. Identify Witness Schott's recommendations concerning the Company's HPP program.

A54. On pages 51 through 53 of his testimony, Witness Schott recommends that the Commission:

"(4) Penalize DTE for failing to submit the financial statements required in its Code of Conduct for HPP and other limited regulation programs and require the Company to correct this failure immediately.

(5) Investigate the potential issues of loose and comingled accounting of DTE's HPP and regulated rates and require full separation.

(6) Until DTE can demonstrate that no shutoff is the result, in full or in part, from a customer's HPP arrears, which would be illegal, the Commission should prohibit DTE from shutting off customers enrolled in HPP programs.

(7) Ban DTE from i) Collecting any ratepayer funds for IT or other improvements that would be used for its HPP programs and ii) Passing on uncollectible expenses from HPP programs to other ratepayers.

(8) Require the Company provide prominent additional disclosures to customers about the costs and benefits of participating in HPP programs.

(9) Prohibit DTE from marketing the use of gas for indoor cooking, which is known to cause multiple health problems and disproportionately harms Detroiters.

[redacted]

Each issue will be addressed separately in the subsequent Q&As. Recommendation 9 is addressed in section 6 of my rebuttal.

Q55. Witness Schott has suggested that DTE Gas be penalized for failing to submit financial statements required by the Code of Conduct (Recommendation 4, page 52, of Witness Schott's direct testimony). Do you agree?

A55. No. DTE Gas has complied with the Code of Conduct by timely filing its annual Code of Conduct reports for its Home Protection Plus ("HPP") program, as required by Rule 12 and MCL 460.10ee. The Code of Conduct is a reporting requirement, not an accounting system mandate, and it does not require utilities to create or maintain standalone balance sheets, general ledgers, or trial balances for unregulated value added programs.

Rule 12(1)(e) requires a balance sheet only "where available," and no HPP specific balance sheet exists; consistent with the rule, the Company provided an HPP income statement and detailed information identifying program specific revenues and direct and indirect costs, including the methodologies used to derive those costs (Ex. FLO232, p. 9). Likewise, Rule 12(1)(f) presupposes the existence of a general ledger or trial balance, neither of which is maintained for HPP, and the Code does not require their creation.

These annual Code of Conduct reports have been filed and accepted for multiple years and have never been found deficient or non-compliant by the Commission. Witness Schott himself acknowledges the existence of annual reporting to the Commission (Schott Direct Testimony, p. 43). Accordingly, there is no basis in the Code of Conduct or the record to support Witness Schott's claim that DTE Gas failed to comply or should be penalized.

Q56. In his testimony at page 45, line 11, Witness Schott states that he believes DTE Gas does not fully segregate the finances of its regulated operations and the

HPP program. (Recommendation 5, page 52, of Witness Schott's direct testimony). Do you agree?

A56. No. Witness Schott's assertion is expressly based on discovery and discussion from Electric Rate Case No. U-21860, which did not involve DTE Gas or the HPP program. On page 45, line 14 of his testimony, Witness Schott relies on Commission commentary from Case No. U-21860, an electric rate case, and attempts to apply it to DTE Gas operations and HPP. DTE Gas, as well as HPP, operates separately from electric utility operations, and conclusions regarding value added programs drawn from Case No. U-21860 do not provide a factual or procedural basis to evaluate the segregation of finances between DTE Gas's regulated operations and the HPP program. Accordingly, Witness Schott's statement does not support a conclusion that DTE Gas fails to properly segregate HPP finances.

Q57. In his summary of findings, Page 50, lines 13-16, Witness Schott testifies that DTE Gas could not confirm or refused to confirm that DTE Gas had a mechanism for segregating costs for the HPP program. Is that accurate? (Recommendation 5, page 52, of Witness Schott's direct testimony)

A57. No. Witness Schott's claim is incorrect. As I explained in response to discovery request FLODG 3.2a (Exhibit FLO-227), for customers enrolled in an appliance service program, the monthly HPP charge is billed on the DTE statement as its own line item, separate from regulated electric or natural gas service charges (Schott Direct Testimony, Ex. FLO-227, pg. 2). This billing structure demonstrates that the Company has a mechanism to segregate HPP charges from regulated service. Moreover, the Code of Conduct does not require a particular accounting system or

separate books for value added programs; rather, Rule 12 requires annual reporting sufficient to identify program specific revenues and costs, including the separation of direct and indirect costs. As reflected in the Company's annual Code of Conduct reports, DTE Gas satisfies that requirement. Accordingly, the record does not support Witness Schott's claim that the Company lacks a mechanism to segregate HPP costs.

Q58. Witness Schott has suggested that DTE Gas be banned from collecting rate payer funds for IT improvements. Do you agree? (Recommendation 7, page 52, of Witness Schott's direct testimony)

A58. No. Regulated customers are not paying for these IT improvements. While HPP IT improvements are not segregated for individual reporting, they are more than offset by HPP revenues, providing a net benefit to all customers. The net impact on regulated customers is to reduce their rates. If these costs are not included in calculating base rates, the corresponding revenues should not be included either. As I stated in my direct testimony, HPP program revenues exceed the program's fully allocated costs, and those excess revenues are included in General Rate Case proceedings, where they reduce the overall cost of service for all DTE Gas customers, thereby supporting affordability (Huffman Direct Testimony, pg. 56, lines 12-19, and pg. 58-59, lines 19-2 respectively).

Q59. Does DTE Gas agree that HPP is contributing to shut-offs and that shut-offs are racially driven? (Recommendations 6, page 52, of Witness Schott's direct testimony)

A59. No. These unfounded allegations are addressed and rebutted in detail in Witness Sparks's rebuttal testimony, Questions 58 through 60. The record does not support the claim that HPP contributes to shutoffs or that shutoffs are racially driven. .

Q60. Witness Schott's testimony cites FLO-204 Workpaper 1, Section 3.3, page 62 of 238, which characterizes HPP enrollment by low-income customers in certain communities as creating a financial burden and recommends additional disclosures. How is HPP helping with affordability? (Recommendation 8, page 52, of Witness Schott's direct testimony)

A60. Witness Schott's discussion in FLO-204, Section 3.3, is based on a comparison of HPP premiums to low-income assistance credits using aggregated, community-level data. Using the same ten communities identified in that analysis, the Company reviewed actual HPP service activity and found that customers in those communities received approximately 81,000 covered repair services in 2025. From the Company's perspective, this service usage indicates that participating customers are receiving value from the program, including protection from unplanned repair costs, and the Company therefore does not agree that the record supports the need for additional disclosures beyond those already provided.

Q61. [redacted]

(Recommendations 8 & Recommendation 10 confidential, page 52-53 of Witness Schott's direct testimony)

A61. As described in Witness Huffman's direct testimony, customers receiving covered repair services through HPP, which is a voluntary program, have access to repairs for essential household equipment, including heating, cooling, hot water, and other basic appliances, generally without additional charges for common repairs (Huffman Direct Testimony, pp. 52–53). Access to these covered repair services can help customers who also participate in LIA or RIA by limiting exposure to unplanned repair expenses associated with maintaining essential household equipment. While HPP operates separately from income-based assistance programs, the availability of covered repairs may help participating customers manage household costs related to necessary repairs (Huffman Direct Testimony, p. 53). By contrast, a customer not enrolled in HPP may face an unplanned repair expense that can amount to several hundred dollars or more for labor and parts, depending on the equipment and nature of the repair.

Q62. Do you agree with Witness Schott's analysis that the correlation he identifies between enrollment in low-income assistance programs and HPP shows [redacted] (Witness Schott pg. 49, line 11 through pg. 51, line 7)?

A62. No. Witness Schott's analysis identifies a correlation at an aggregated, community level, but it does not evaluate the covered repair services customers receive through HPP or the role those services play in managing household costs. As described in my direct testimony, customers receiving covered repair services through HPP have access to repairs for essential household equipment, generally without additional charges for most common repairs, which can limit exposure to unplanned repair expenses (Huffman Direct Testimony, pg. 52, line 21–25 and pg. 53, line 1–5).

Accordingly, the correlation identified does not support the conclusion [redacted] (Huffman Direct Testimony, pg. 53, line. 10–15).

Q63. [redacted] **(Recommendation 10 confidential, page 53, of Witness Schott's direct testimony)**

A63. No. Witness Schott's conclusion that HPP is contributing to an affordability gap for BIPOC communities is not supported by his analysis. As reflected in his testimony, Witness Schott relies on regression analysis identifying correlations between HPP enrollment patterns, geography, and participation in low-income assistance programs. That analysis identifies geographic associations and does not demonstrate that HPP enrollment causes or contributes to an affordability gap. Correlation alone is insufficient to support the conclusion underlying his recommendation. As I explained in my direct testimony, HPP is a voluntary service that provides participating customers—including those in BIPOC communities—with value by helping manage appliance repair costs and reducing exposure to unexpected, out-of-pocket expenses. Because Witness Schott does not establish a causal relationship between HPP and affordability outcomes, his recommendation should be disregarded.

Q64. Does DTE Gas agree with Witness Schott's characterization of HPP as operating in an anticompetitive manner or that customers are captive to DTE's marketing (Witness Schott, pg. 42, line 10)?

A64. No. DTE Gas does not agree with Witness Schott's characterization of HPP as operating in an anticompetitive manner or that customers are captive to DTE's marketing. As explained in my direct testimony, HPP marketing activities are conducted in full compliance with the Commission's Code of Conduct and are required to rely exclusively on non-utility data that is separate from regulated utility operations. HPP does not have access to utility customer lists, utility billing information, payment status, or participation in low-income programs, and does not use, nor is it able to use, such information for marketing or customer solicitation (Huffman Direct Testimony, pg. 53, lines 16–25). While the Company uses the billing system to bill and dispatch service for existing HPP customers, that system is not used for marketing or customer targeting. HPP marketing relies on externally obtained data consistent with the Code of Conduct (Huffman Direct Testimony, pg. 54, lines 1–10).

Accordingly, the record does not support the claim that HPP marketing is anticompetitive or that customers are captive to HPP's marketing efforts. Those characterizations are factually inaccurate, unsupported by the record, and inconsistent with the Code of Conduct's clear restrictions on information sharing and marketing practices, and therefore should be rejected.

Q65. [redacted]

[redacted] **(Recommendation 10, p. 53 of Witness Schott's direct testimony)**

A65. No. Witness Schott's assertion is inaccurate and unsupported by evidence. As reflected in his testimony, Witness Schott does not identify any DTE practice that uses race or ethnicity in the design, administration, or marketing of the HPP program, nor does he demonstrate that HPP participation causes harm to customers in any community. DTE Gas's HPP program is a longstanding, voluntary appliance service program that is not designed, administered, or marketed based on race or ethnicity. DTE Gas does not collect or use customer race data for HPP, does not conduct analyses linking HPP enrollments to shutoff activity or racial demographics, and does not target marketing to specific racial or ethnic communities. HPP is broadly available to all eligible customers and exists to provide cost predictability and access to qualified repair services, particularly to help customers avoid unexpected and potentially unaffordable repair expenses.

To characterize HPP as predatory or of no benefit to customers who voluntarily enroll is a gross mischaracterization of the program and is inconsistent with the evidence I have sponsored. Because Witness Schott does not establish that HPP causes harm to any community, and because his assertions rest on inference rather than record support, the Commission should disregard his recommendations calling for action related to HPP's practices.

Q66. Witness Schott asserts that DTE Gas has not previously presented testimony about HPP, and "certainly not in its last gas rate case U-21291" (Schott, pg. 6, lines 6-7). Has DTE Gas previously presented testimony related to HPP?

A66. Yes, testimony about HPP has been included in prior rate cases. The most recent case in which there was testimony regarding HPP was in Case No. U-21291.

Q67. Why does the Company include testimony on HPP in general rate case proceedings?

A67. As I have previously testified, HPP is a voluntary program that provides its customers with covered repairs for essential household equipment, which can help participants reduce exposure to unexpected repair expenses. In addition, all DTE Gas customers benefit from a ratemaking standpoint. DTE Gas's pricing structure for the HPP program results in revenue that fully exceeds the fully allocated costs from the program, which reduces the overall cost of service to DTE Gas customers, assisting in affordability to all DTE Gas customers (Huffman Direct Testimony, pg. 52, lines 10-25 and pg. 53 lines 1-2). Therefore, the Company includes testimony on HPP in general rate case proceedings.

SECTION 4: CUSTOMER ATTACHMENT PROGRAM REBUTTAL

MPSC Staff

Q68. What are Witness Creisher's recommendations concerning the Company's Customer Attachment Program?

A68. Witness Creisher recommends that the Commission not support the Company's Customer Attachment Program (CAP) as filed. She concludes that the Company's projected increase in customer attachments for 2026 and 2027 is not adequately

supported by historical attachment data and therefore recommends reducing projected attachments to 10,400 per year, based on multi-year historical averages (Creisher, pg.8, lines 12-14). Consistent with this adjustment, she recommends reducing the associated capital expenditures for non-large end-use transportation attachment categories—community expansions, main extensions, new construction, and on-main conversions. She is recommending capital expenditures be set at $72,506,423 for the nine months ending September 30, 2026, and $86,082,185 for the test year ending September 30, 2027 (Creisher, pg. 10, lines 3–5).

Q69. What level of attachment reduction does adopting a forecast of 10,400 in 2026 and 2027 result in?

A69. Adopting a forecast of 10,400 attachments would reduce projected attachments by 1,495 in 2026 and 1,446 in 2027, relative to the Company's forecast in this case.

Q70. What level of capital expenditure reduction does adopting Witness Creisher's recommendation of $72,506,423 for the nine months ending September 30, 2026, and $86,082,185 for the test year ending September 30, 2027, result in?

A70. Witness Creisher's recommendation of $72,506,423 for nine months ending September 30, 2026, results in a decrease of $9,470,577. The recommendation of $86,082,185 for calendar year 2027 results in a decrease of $11,215,815.

Q71. What is the basis of Witness Creisher's attachment recommendation of 10,400 per year for 2026 and 2027?

A71. Witness Creisher relies on a 3-year average 2022-2024, which was 10,472.

Q72. Does the Company rely exclusively on historical averages to project growth in new attachments?

A72. No. Attachment forecasts are informed by blending historical performance with a range of forward-looking indicators, including customer sign-ups, housing starts, relative fuel prices, and community expansion construction timing. The relevance of these indicators varies by attachment category, with some more closely tied to housing activity and others to pricing signals and fuel-conversion economics. Please refer also to my rebuttal below to Witness Coppola for more information regarding the Company's forward-looking forecast methodology.

Q73. Do you agree with Witness Creisher's recommendations on reduced attachments and associated capital expenditures?

A73. No, the Company maintains the forecast of 11,895 attachments for 2026 and 11,846 attachments for 2027 and associated capital expenditures. Any reduction in the attachments forecast would result in a reduction in the sales forecast, as attachments have a direct impact on sales.

Attorney General

Q74. What are Witness Coppola's recommendations concerning the Company's Customer Attachment Program?

A74. Witness Coppola contends that the Company's forecast of customer attachments materially exceeds recent historical experience and relies on overly broad statewide indicators that may not accurately reflect the Company's service territory (Coppola, Direct-35, lines 17–19 and Direct-36, lines 1-8). Based on these concerns, Witness

Coppola recommends lowering the new attachment forecast and associated capital expenditures.

Q75. What adjustment is Witness Coppola recommending for the forecasted attachments for 2026 and 2027?

A75. Witness Coppola is recommending 10,168 attachments for each calendar year 2026 and 2027. This represents a reduction of 1,727 attachments in 2026 and 1,678 attachments in 2027, from the Company's forecast of 11,895 in 2026 and 11,846 in 2027.

Q76. What is the basis for Witness Coppola's adjustments?

A76. In support of this recommendation, Witness Coppola relies on a comparison of the Company's forecasted customer attachments to a three-year historical average, which he characterizes as a more reliable indicator of future attachment levels than the Company's forward-looking forecast.

Q77. Do you agree with Witness Coppola's exclusive reliance on an historical average for forecasting future attachments?

A77. No. Forecast periods reflect approved or active expansion programs that are not captured in historical averages. In addition, historical averages do not reflect forecast-period economic trends affecting new construction activity, which influence attachment decisions and are not strictly historical in nature. The Company uses a blended approach for forecasting, as explained below.

Q78. What aspects of the Company's forecasting process does Witness Coppola challenge?

A78. Witness Coppola questions the use of statewide housing starts and average gas penetration as inputs, asserting that these indicators may not sufficiently reflect conditions within the Company's service territory, and he expresses concern that the forecast's multiple attachment components could overlap.

Q79. Do you agree that statewide housing starts and average gas penetration are too broad for forecasting purposes? (Coppola, Direct-34, lines 12–13)

A79. No. In the absence of more granular, service territory specific forward-looking data, statewide housing starts and average gas penetration are reasonable leading indicators for forecasting purposes. Importantly, these measures are not relied upon in isolation. For new construction, the Company uses statewide housing start forecasts and average gas penetration to understand overall market trends, then adjusts those results to reflect the Company's service territory. These forward-looking indicators are blended with historical Company experience to calibrate and moderate the forecast. For proactive attachments (on-main conversions, main extensions, and community expansions), the Company relies on a three-year historical average reflecting actual Company experience and incorporates project-specific details that are not captured in history. These assumptions and methodologies result in a balanced, methodologically sound forecast, rather than an overreliance on any single metric.

Q80. Do you agree with Witness Coppola's characterization that the methodology is "convoluted" and asserts that it may result in duplication? (Coppola, Direct-35, line 3)

A80. No. The forecast is clearly delineated by component, including new construction, on-main conversions, main extensions, and community expansion attachments. Each category is tracked separately for planning and execution purposes and reflects distinct customer pathways, not duplicative counts. As part of discovery response MECCUBDG-3, the Company provided the complete forecasting model (NDA U-21973 MECCUBDG-3.9a Attachment - Historical and Projected by Category - 07.2025 Rate Case Update), which is included as exhibit AG-7 with these assumptions clearly laid out. Witness Coppola does not identify any specific instances of double counting, nor does he cite Company workpapers demonstrating overlap among these categories.

Q81. Do you agree with Witness Coppola characterizing the Upper Peninsula and the City of Detroit as having "extremely low" or declining attachment growth (Coppola, Direct-34, lines 13–16)?

A81. No, the Company disagrees. In 2025, approximately 38 percent of the Company's community expansion projects were located in the Upper Peninsula, demonstrating meaningful attachment activity in that region. As stated in my Direct Testimony, page JLH-48, line 24, the Company's Area Expansion Projects typically support underserved areas and provide affordable energy options to vulnerable, disadvantaged, and senior citizen populations—many of which are located in the Upper Peninsula. In addition, 28 percent of all new attachments in 2025 occurred

in Southeast Michigan, including the City of Detroit, further contradicting the assertion that these areas are not experiencing attachment growth.

Q82. What adjustments to capital expenditures does Witness Coppola recommend?

A82. Witness Coppola recommends reducing capital by $19,406,000 for the 9 months ending September 2026 and $13,870,000 for the 12 months ending September 2027 (Coppola, Direct-36, lines 6-8).

Q83. What is the basis for this recommendation?

A83. Witness Coppola divides the total capital of $97.3 million for the 12 months ending September 30, 2027 (see Exhibit A-12, Schedule B5.1 p2 of 2 row 13, column (g) in my Direct Testimony) by the incorrect number of total attachments of 11,858 for the 12 months ending December 31, 2027, and arrives at a per attachment capital cost of $8,205. He then applies this to his recommended attachment forecast:

2026: $8,205/attachment * 10,168 attachments * 9/12 = $62,571,330

2027: $8,205/attachment * 10,168 attachments = $83,428,440

He then subtracts these amounts from the capital expenditures in the original exhibit to arrive at the recommended disallowances:

2026: $81,977,000 - $62,571,330 = $19,405,670

2027: $97,298,000 - $83,428,440 = $13,869,560

Q84. Do you agree with this methodology?

A84. The Company does not agree with Witness Coppola's calculation methodology. The approach is inaccurate for multiple reasons:

1. The capital expenditures in Exhibit A-12, Schedule B5.1, p2 of 2, line 13, include both New Customer Attachment capital and EUT capital. Witness Coppola's largest error is that he calculates a New Attachments capital amount for both time periods and does not include any capital cost for EUT. He then subtracts this new attachments-only capital from the overall capital shown in the exhibit, which includes EUT capital. Therefore, he is overstating his recommended disallowance by $7,500,000 EUT capital for the nine months ending September 30, 2026, and $6,300,000 EUT capital for the twelve months ending September 30, 2027 (reference DTE Gas's responses to audit question CLC-1.1_Supplemental included in Creisher Exhibit S-17.2); and
2. He incorrectly includes EUT capital in the cost per unit calculation. The correct methodology would include removing EUT capital from the calculation of capital cost per attachment; and
3. He assumes 2026 attachments are straight-lined through the year. As shown in DTE Gas's audit response to CLC-2.1 included in Witness Creisher Exhibit S-17.2, 7,474 attachments are forecasted for the first nine months of 2026, or approximately 63 percent of the total 11,895 forecast; and
4. The calculation, particularly for 2026, is based on forecast period capital expenditures ending September 30, 2027.

New Markets and EUT costs are driven by distinct, year-specific projects, resulting in different cost characteristics across forecast periods. Additionally, attachment activity varies throughout the year due to weather, customer demand, timing, and

project schedules. It is more appropriate to calculate and apply the cost per attachment applicable to each respective period.

Q85. What is the correct methodology for calculating the cost per attachment?

A85. First of all, EUT capital expenditures reflected in Exhibit A-12, Schedule B5.1, page 2 of 2, line 13 should be excluded from the cost per attachment calculation. This requires removing $7.5 million of EUT capital for the nine months ending 2026 and $6.3 million for the twelve months ending September 30, 2027.

After removing EUT capital, total capital for new markets equals $74,477,000 for the nine months ending 2026 and $90,998,000 for the twelve months ending September 30, 2027. These amounts should then be divided by the forecasted number of attachments, excluding EUT attachments, for the corresponding periods—7,474 attachments for the nine months ending 2026 and 11,862 attachments for the twelve months ending September 30, 2027 (see Exhibit S-17.2 DTE Gas's Audit Response CLC-2.1 in Witness Creisher Exhibit: S-17.2).

For the nine months ending September 30, 2026, Witness Coppola also over-estimated the number of attachments using a straight-line approach. He assumed 75 percent of his 10,168 attachments would be achieved through September 30, however, company forecasts estimate approximately 63 percent would be achieved based on historical performance. Taking 63 percent of 10,168 results in 6,406 attachments.

Following this methodology results in a cost per unit (CPU) of $9,965 for the nine months ending 2026 and $7,671 for the twelve months ending September 30, 2027. Applying these CPU values to Witness Coppola's attachment forecasts—6,406 attachments for the nine months ending 2026 and 10,168 attachments for the twelve months ending September 30, 2027—results in capital amounts of $71,335,790 and $84,298,728, respectively, for New Market Attachments including EUT. As shown in the table below, Witness Coppola's recommended attachment reductions result in a disallowances of $10,641,210 for the nine months ending September 30, 2026 and $12,999,272 for 12 months ending September 30, 2027. This calculated outcome is more consistent with Witness Creisher's methodology.

Table 2. Corrected Calculation Using Witness Coppola's Recommended Attachment Target Reduction

		9 Months Ending Sept 30, 2026	12 months Ending Sept 30, 2027
1	EUT Capital as filed	$7,500,000	$6,300,000
2	New Market (NM) Capital as filed	$74,477,000	$90,998,000
3	**Total Capital in Exhibit** A-12, Schedule B5.1, page 2 of 2, line 13 (line 1 + line 2)	**$81,977,000**	**$97,298,000**
4	Forecasted New Attachments Excluding EUT's	7,474	11,862
5	CPU Excluding EUT Capital (line 2 divided by line 4)	$9,965	$7,671
6	AG Proposed Attachment Target	6,406	10,168
7	NM With AG Proposed Attachment Target (line 5 * line 6)	$63,835,790	$77,998,728
8	**Total NM and EUT With AG Proposed Attachment Target (line 1 + line 7)**	**$71,335,790**	**$84,298,728**
9	Difference (line 8 – line 3)	($10,641,210)	($12,999,272)

Q86. In total, how much do Witness Coppola's errors overstate his recommended disallowance for 1,727 attachments in 2026 and 1,678 attachments in 2027?

A86. For the nine months ending September 30, 2026, Witness Coppola's recommended disallowance of $19,406,000 is overstated by $8,764,790 ($19,406,000 less $10,641,210 = $8,764,790).

For the twelve months ending September 30, 2027, Witness Coppola's recommended disallowance of $13,870,000 is overstated by $870,728 ($13,870,000 less $12,999,272 = $870,728).

The table above is simply correcting Witness Coppola's forecast errors to illustrate the magnitude of the multiple mistakes. The Company maintains the capital forecasts of $81,977,000 for the nine months ending September 30, 2026, and $97,298,000 for the twelve months ending September 30, 2027.

Q87. In summary, do you agree with Witness Coppola's recommendations to reduce forecasted attachments and capital?

A87. No, the Company maintains the forecast of 11,895 attachments for 2026 and 11,846 attachments for 2027 and associated capital expenditures. Witness Coppola relies on historical averages in isolation. This approach fails to account for approved and active expansion programs, as well as forecast period economic and construction trends that materially influence future attachments. Specifically, in the absence of service-territory-specific forward-looking data, statewide housing starts and average gas penetration serve as reasonable leading indicators for forecasting purposes. These indicators are used in combination with historical experience to forecast new construction. Forecasts of proactive attachments rely on historical experience supplemented by project-specific information. The forecast is clearly

segmented by distinct, non-overlapping attachment categories, and no evidence of double counting has been identified. In addition, the Company rejects Witness Coppola's characterization of limited growth in the Upper Peninsula and Detroit, citing recent attachment and community expansion activity that demonstrates continued and meaningful growth.

Furthermore, Witness Coppola's mathematical errors grossly overstate the disallowance recommendation by eliminating EUT capital costs and incorrectly calculating cost per attachment for the appropriate time periods; therefore, it cannot be relied upon.

Finally, any reduction in the attachments forecast would result in a reduction in the sales forecast, as attachments have a direct impact on sales.

City of Ann Arbor

Q88. What are Witness Walsh's recommendations concerning the Company's Customer Attachment Program?

A88. Witness Walsh recommends that the Commission substantially reform or eliminate the Company's Customer Attachment Program (CAP). He asserts that the current program design shifts a material portion of the costs and risks associated with new customer attachments to existing customers. Witness Walsh contends that CAP relies on overly optimistic assumptions regarding long-term customer usage and retention by not adequately accounting for declining gas demand. Based on these concerns, he recommends eliminating or reducing line extension allowances, shortening the payback period used to evaluate customer attachments, and

increasing required upfront CIAC for new attachments to a minimum of 75 percent (Walsh, pg. 73-74).

Q89. Describe what Witness Walsh refers to as a "line extension allowance".

A89. Witness Walsh explains that under the Company's Customer Attachment Program, a "line extension allowance" is the portion of gas line extension costs for new customer attachments that is not paid by the new customer, but instead is recovered from existing customers through rates. He identifies this allowance as a key feature of CAP that shifts costs associated with new attachments to existing customers (Walsh, pg. 73, lines 10-14).

Q90. Do you agree with Witness Walsh's description of a "line extension allowance"?

A90. No, I do not. While Witness Walsh characterizes a line extension allowance as the portion of construction costs that is capitalized and placed into rate base, implying that existing customers pay for that amount, this description is incomplete and inaccurate because it omits the purpose and design of the Customer Attachment Program ("CAP"). Under CAP, the allowance represents the financed portion of a new attachment that is supported by projected revenues from the new customer or customers. This financed portion is calculated as stated in Rate Book section C8.9 and includes a Commission approved carrying cost rate. Together with any CIAC, the allowance is structured to ensure the project is economic and results in no net cost to existing ratepayers.

Q91. What would be the impact to the customer contribution (CIAC) of significantly reducing or eliminating this financing mechanism (line extension allowances)?

A91. Witness Walsh proposes to prohibit line extension allowances entirely, requiring new customers to make an upfront payment for the full cost of connection to the gas distribution system.

Q92. Do you agree with Witness Walsh that the Commission prohibit line extension allowances entirely (Walsh, pg. 72, lines 9-10), requiring new customers to pay the full cost of connection?

A92. No. This proposal is inconsistent with long-standing Commission policy, unsupported by the record, and contrary to Michigan's public interest—particularly with respect to affordability and access to essential energy services.

First, the Michigan Public Service Commission has previously approved the Customer Attachment Program (CAP) as a long-standing and well-established mechanism designed to balance system growth, customer choice, and appropriate cost recovery. The CAP exists precisely to ensure that gas system expansion can occur without shifting costs to existing customers, while simultaneously providing a reasonable financing pathway for new customers seeking access to natural gas service. Eliminating the CAP would upend this carefully calibrated balance that the Commission has repeatedly found to be just and reasonable.

Second, the CAP is not unique to DTE Gas. Comparable line extension allowance programs are utilized by at least five other Michigan gas utilities, reflecting a shared

regulatory understanding that system expansion should be structured in a way that promotes growth while maintaining fairness between new and existing customers.

Third, Witness Walsh's assertion that eliminating line extension allowances is "consistent with many other states" is not supported by the evidence. As he acknowledges in his direct testimony (page 72, line 11), only four states have adopted the practice he endorses, implying that the remaining 46 states have not done so. Reliance on such a limited subset of jurisdictions does not establish a national consensus and provides no basis for abandoning Michigan's long-standing regulatory approach, particularly where the Commission has already found Michigan's framework to be reasonable and effective.

Fourth, prohibiting line extension allowances would have serious affordability and equity consequences. Requiring new customers to pay the full, upfront cost of connection would create a significant financial barrier to access, particularly for customers in underserved and lower-income communities. The CAP provides a mechanism that enables these customers to obtain gas service without imposing higher upfront costs, while still ensuring that expansions are not subsidized by existing customers. Eliminating the CAP would therefore restrict access to affordable energy.

Finally, Witness Walsh's proposal fails to acknowledge the fundamental purpose of the CAP: it is not a subsidy, but a **financing and cost allocation tool** that aligns system expansion with customer usage and revenue recovery over time. Removing

this tool would not improve cost causation or fairness; instead, it would unnecessarily limit customer opportunity.

For these reasons, Witness Walsh's recommendation to eliminate the CAP and require full upfront payment for line extensions should be rejected. The CAP remains a Commission-approved, widely used, and effective program that appropriately balances affordability, equity, and cost recovery for Michigan gas customers.

Q93. What is the basis for Witness Walsh's recommendation to shorten the recovery period in the CAP?

A93. Witness Walsh recommends shortening the CAP recovery period to seven years based on his view that a twenty-year payback horizon increases the risk that projected revenues from new customers may not be realized (Walsh, pg.72, lines 15-16). His recommendation reflects a policy judgment regarding assumed long-term demand uncertainty rather than evidence that the Company's CAP methodology is inconsistent with Commission-approved practice. In support of this recommendation, Witness Walsh relies on an assumed one percent annual decline in natural gas demand cited from the Company's Gas Delivery Plan. That figure, however, represents an average across the existing customer base and reflects historical efficiency improvements and changes in building stock. Witness Walsh does not demonstrate that this system-wide average is representative of, or appropriately applied to, the more than 10,000 new customer attachments added annually through the CAP. As explained in my Direct Testimony (JLH-50, lines 1-9), declining gas demand should not be considered in the CAP model, as it would

occur if customers chose to invest in an alternative heating source, after already investing in converting to natural gas, or as a result of EWR from replacing appliances. Customers who convert to natural gas from higher-cost fuels (e.g. propane) either invest in new, high efficiency appliances or invest in retrofitting existing appliances that have a substantial remaining life. Accordingly, Witness Walsh's recommendation to shorten the CAP recovery period is based on applying a system-wide average demand decline to new customer attachments and on policy considerations regarding risk allocation, rather than on evidence that the Company's current twenty-year recovery period is unreasonable or unsupported.

Q94. Do you agree with Witness Walsh's adjustment to shorten the recovery period in the Customer Attachment Program?

A94. No. This adjustment is based on an incorrect assertion regarding declining gas demand from newly attached customers. It is not reasonable that newly connected customers will experience the same one percent EWR as the broader existing customer base (as explained above), and even more unreasonable that they will convert to hybrid heat pumps given the significant additional cost required for a hybrid heating solution – particularly after already making a substantial upfront investment in gas piping and equipment. Please reference Witness Decker's rebuttal testimony on this discussion.

Witness Walsh recommends shortening the CAP recovery period as part of a broader restructuring of the CAP model. Shortening the recovery period in this manner would materially increase the Fixed Monthly Surcharge for new CAP and Area Expansion Project customers, reducing the affordability of gas conversions

and disproportionately impacting rural and lower-income customers who benefit most from lower long-term energy costs.

Shortening the term would also place an additional financial burden on homeowners, thereby impacting housing affordability in Michigan. A housing economics study completed in 2023, Exhibit A-37, Schedule AA5 indicates that in Michigan, a $1,000 rise in the median new home price (valued at $375,352) would push an extra 4,521 households out of the market. This increase would lead to an equivalent number of households becoming disqualified for a new home mortgage. The affordability of housing, particularly for first-time buyers, is challenged by the dual effect of escalating mortgage interest rates and home prices.

This issue was litigated in Case No. U-21291, and in its November 7, 2024 order (pp. 246–247), the Commission agreed with DTE Gas that a 20-year period is appropriate.

Q95. Do you agree with witness Walsh that DTE Gas establish a minimum CIAC, ensuring that every new customer pays at least a specified portion of the actual connection cost regardless of projected revenues? (Walsh, pg. 72-73, lines 21-3)

A95. No. Witness Walsh's proposal is inconsistent with Commission policy, unsupported by cost-causation principles, and would disproportionately impact underserved and lower-income communities.

The Customer Attachment Program is a Commission approved line extension framework that explicitly relies on projected revenues to offset construction costs. This revenue-based approach ensures that new customers pay only the portion of costs not supported by their expected usage, while also protecting existing customers from subsidizing system expansion. A mandatory minimum CIAC would disregard this Commission-approved methodology and require customers to pay upfront costs even when their projected revenues fully justify the investment.

Imposing a minimum CIAC regardless of revenues would also break the link between cost responsibility and customer usage, resulting in some customers paying more than the costs they cause. An arbitrary minimum contribution requirement would undermine cost-based allocation and is inconsistent with the current commission approved CAP model program.

Moreover, the proposal would have a disproportionately adverse impact on affordability and access, particularly for customers in underserved and lower-income communities. By creating an unavoidable upfront financial barrier, a minimum CIAC would limit access to gas service even where extensions are economically justified and consistent with prudent system growth—an outcome contrary to the Commission's broader public-interest objectives.

Finally, the existing CAP already satisfies the Commission's requirement that system expansions not be subsidized by existing customers. A minimum CIAC provides no additional customer protection and instead shifts costs unnecessarily onto new customers.

For these reasons, establishing a minimum CIAC regardless of projected revenues would be unjust, unreasonable, and inconsistent with long-standing Commission policy.

Q96. Do you agree with Witness Walsh that new customers should be required to guarantee revenues supporting their allowance calculation?

A96. No. I do not agree with Witness Walsh's recommendation to require new customers to guarantee revenues supporting their allowance calculation. Walsh proposes that the Company "require new customers to guarantee revenues supporting their allowance calculation, for example through a clawback provision," based on his concern that customers may reduce usage or disconnect before projected revenues are realized (page 73, lines 4–5). The Company disagrees that such an asymmetric revenue guarantee is necessary or appropriate, as it would impose non-standard obligations on customers, depart from traditional utility ratemaking principles under which customers pay for actual usage, and could discourage economically efficient customer attachments.

Q97. Do you agree with the assertion on page 64 of Witness Walsh's testimony that capital costs over and above the customer contribution are included in rate base and financed by existing customers?

A97. No. Witness Walsh's testimony is misleading because it omits a key element of DTE Gas's tariffed cost-recovery framework. While he asserts that costs not recovered through CIACs are added to rate base, this characterization fails to acknowledge that DTE Gas's tariff includes a Commission-approved carrying cost

that applies to customer-related investments, including new service installations. The presence of this carrying cost ensures that the Company is recovering financing costs consistent with Commission-approved tariff provisions and reflects the time value of money and financing costs associated with construction expenditures incurred prior to recovery.

Q98. Do existing customers subsidize new attachment customers?

A98. No. As explained above, existing customers are protected by CAP's design. Any CAP shortfall is recovered from new attachment customers through CIAC and Fixed Monthly Surcharges, not existing customers. Additionally, the Company models CAP revenue conservatively—CAP revenues are held at today's distribution rates for twenty years and if future rates are higher than assumed, the additional revenues are a buffer that benefits existing customers, not CAP customers. For these reasons, Witness Walsh's claim that existing customers are subsidizing newly attached customers is not supported by how CAP actually operates.

Q99. Do new customer attachments provide a benefit to existing customers?

A99. Yes. Future rate increases are spread across a larger number of customers and can reduce the impact to each individual customer. Further, some community expansions include components that enhance overall system resiliency and reliability through integrating systems, which provides benefits to both new and existing customers.

In summary, the CAP is designed to enable the expansion of cleaner, safer, more reliable, and more affordable energy to new customers with a financing mechanism. Under the CAP, the costs of installing the necessary gas facilities for expansions are charged to new customers and the costs are balanced by the revenue generated by the newly attached customers over a 20-year period. The CAP protects existing customers from subsidization, and existing customers benefit from these new attachments.

MEC

Q100. What are Witness Napolean's recommendations concerning the Company's Customer Attachment Program?

A100. Witness Napoleon recommends multiple changes to the Company's Customer Attachment Program that would materially alter its assumptions, methodology, and capital recovery outcomes. She asserts that the CAP tariff effectively provides no-charge service line installations below 400 feet (Napoleon, pg. 45, lines 8-11), challenges the Company's forecasting methodology for new construction and customer attachments as overly optimistic (Napoleon, pg. 62, line 6), claims that DTE Gas did not comply with the Order in Case No. U-21291 (Napolean, pg. 40, lines 3-14), and recommends revising the CAP to account for declining gas demand and electrification risk, including shortening the Commission-approved 20-year evaluation period. Witness Napoleon also recommends lower residential consumption assumptions for new attachments and reducing the assumed adoption rate for Area Expansion Projects from 90 percent to 77 percent based on a limited set of older projects. Consistent with these assumptions, she proposes disallowances for specific projects, including Peach Ridge, Austin, and US-2 AEPs,

and recommends capping overall CAP-related capital spending at 2025 levels. Finally, she concludes that the CAP and CIAC methodology results in subsidization by existing customers and recommends adjustments to prevent such alleged cost shifting (Napoleon, Direct, pg. 63, lines 6-22).

Q101. Do you agree with Witness Napoleon's statement that DTE Gas provides a new attachment at no charge to the customer if the length of the connection is less than 400 feet (Napoleon, pg. 51, lines 1-11)?

A101. No. Witness Napoleon's statement is incorrect, and demonstrates a lack of understanding of the Company's CAP. That characterization does not accurately reflect the CAP tariff design or customer cost responsibility. Customers remain responsible for the cost of their required service line as part of the project regardless of length. Rate Book Section C8.5 does not establish a free service line allowance up to 400 feet. Rather, it defines the Service Line Limit for determining whether an additional Excessive Service Line Fee applies. The 400-foot threshold for a single service line functions solely as the point at which the Excessive Service Line Fee may be assessed when service line requirements exceed standard parameters, and that fee applies in addition to, not in lieu of, the service line costs otherwise borne by the customer. Accordingly, the absence of an Excessive Service Line Fee below 400 feet does not eliminate the customer's obligation to pay for their service line.

Q102. Does DTE Gas's methodology for forecasting new construction result in overly optimistic forecasts (Napoleon, pg. 44, lines 3-14)?

A102. No. To forecast New Construction attachments, DTE Gas does not employ an overly optimistic methodology. Historical evidence shows that Global Insights has

consistently under-forecasted New Construction attachments in DTE Gas's service territory prior to adjustment. From 2021 through 2024, actual attachments exceeded the Global Insights forecast by approximately 12 to 26 percent annually, demonstrating a consistent downward bias. While Napoleon states that averaging Global Insights with historical actuals "increases" the forecast by 10 to 30 percent (Napoleon, pg. 44, lines 7-8), this characterization omits the critical context that Global Insights has repeatedly understated observed demand. The averaging methodology is therefore a corrective adjustment, not an optimistic bias, as it anchors forecasts to empirical performance rather than reliance on a single external housing model. This is confirmed by 2025 results, where the averaged forecast of 6,475 New Construction attachments closely aligned with the actual outcome of 6,630 attachments, resulting in a variance of approximately 2 percent.

Q103. Did DTE Gas comply with the Commission's directives from Case No. U-21291 to consider declining gas demand and energy transition considerations (Napoleon, pg. 40, lines 3-14)?

A103. Yes. As explained in my Direct Testimony (JLH-50, lines 1-9), declining gas demand should not be considered in the CAP model, as it would occur if customers chose to invest in an alternative heating source, after already investing in converting to natural gas, or as a result of EWR from replacing appliances. Customers who convert to natural gas from higher-cost fuels (e.g. propane) either invest in new, high efficiency appliances or invest in retrofitting existing appliances that have a substantial remaining life. In both of these cases, over the twenty years included in the CAP model, these customers are unlikely to make another investment to switch fuels again or see declining demand from EWR. To further support this, in my

direct testimony (JLH-48, lines 5-20) I explained that the Company engaged an independent third-party to assess Michigan residents' energy preferences (Exhibit A25 — Electrification Consideration Study) which further informed the Company's planning assumptions. That research, along with observed customer behavior, demonstrates continued demand for natural gas—particularly in underserved communities—driven by affordability and cost savings relative to alternative energy sources.

Q104. What is the scope and purpose of the CAP model?

A104. The Michigan Public Service Commission has previously approved the CAP as a long-standing program intended to balance system growth, customer choice, and cost recovery. The CAP is not unique to DTE; comparable programs are utilized by five other Michigan utilities. The CAP is intended to ensure that new customer attachments are financially self-supporting and do not impose unrecovered costs on existing customers. The CAP provides a structured mechanism for financing new service while accounting for project specific costs and revenues. The CAP also incorporates conservative assumptions, including the use of current distribution rates over the evaluation period, which limits credited revenues and protects existing customers.

Q105. Do you agree with Witness Napoleon's recommendation to revise the CAP model methodology due to declining gas demand and electrification risk (Napoleon, pg. 41, lines 3-6)?

A105. No. DTE Gas does not agree with Witness Napoleon's recommendation to revise the Customer Attachment Program model methodology.

Witness Napoleon bases her recommendation on broad, system-level decarbonization and electrification considerations – for which she presents no credible support. In particular, on page 46, lines 9–13, Witness Napoleon states that future gas demand may differ from historical demand and that competition from more efficient electric alternatives could cause customers to leave the gas system earlier than DTE assumes. She also cites observed declines in average usage per customer across the gas system, stating on page 47, lines 4–7, that DTE projects continuing declines in gas usage per customer.

These arguments reflect policy-level concerns regarding long-term system-wide evolution across 1.3 million customers rather than a demonstrated deficiency in the CAP model's design or application. Accordingly, DTE Gas does not agree that the concerns cited by Witness Napoleon warrant revisions to the CAP model methodology. Please reference Company Witness Decker's rebuttal testimony for further discussion related to declining gas demand and electrification.

Q106. Do you agree with witness Napoleon's recommendation to revise the 20-year term in the CAP model used to calculate the CIAC? (Napoleon, pg. 47, line 7 through pg. 48 line 8)?

A106. No. The 20-year period that the Company employs is consistent with the Commission-approved CAP and is the same period used by the five other Michigan utilities participating in the CAP since the 1990s. Additionally, Witness Napoleon ignores the reality that existing homes will remain viable for more than twenty years, and as explained above, fails to consider that CAP customers are typically

converting from higher-cost fuels (e.g., propane) and making a substantial upfront investment in gas piping and equipment. It is not realistic to assume that large numbers of these customers will undertake a second major conversion (to all-electric) within the 20-year period. For further discussion of the term, please reference my rebuttal to Witness Walsh. Witness Napoleon does not propose an alternative term or demonstrate that the existing term is unreasonable.

Q107. Do you agree with Witness Napoleon that DTE Gas assumes unrealistically high residential customer consumption levels above recent historical average consumption (Napoleon, pg.41, lines 16-18)?

A107. No. Witness Napoleon relies on an assumed annual usage level of approximately 90 Mcf derived from historical system level averages from 2020-2024 (Napoleon, pg. 50, lines 7–10). That figure reflects normalized consumption for approximately 1.3 million existing residential customers over that time period, not expected usage for new attachments. Witness Chapel's testimony does not address new customer consumption assumptions in isolation (Chapel, Direct, pp. 11–19).

Moreover, the record includes testimony supporting higher expected consumption for conversion customers. Witness Walsh supports an annual usage level of approximately 121 Mcf for conversion customers in rural areas with older homes as a starting point (Walsh, pg. 65, lines 18 through pg. 66, lines 1-7).

Q108. What number of total potential customers does Witness Napoleon recommend be used to calculate CIACs for Area Expansion Projects (AEPs)?

A108. Witness Napoleon proposes a 77 percent factor be used to determine the number of customers for an AEP, rather than the Company's 90 percent assumption (Napoleon, pg. 63, lines 6-7). This is derived from the performance of a limited subset of AEPs—specifically, ten projects that began in 2020 (Napoleon, pg. 55, lines 6-7). —and is applied as a uniform adjustment across all AEPs, regardless of project-specific characteristics or circumstances.

Q109. Do you agree with this recommendation?

A109. No. Attachment outcomes from ten AEPs initiated in 2020—during a period marked by atypical economic and construction conditions—do not provide a sufficient analytical basis for redefining CIAC assumptions for all current and future AEPs. This approach represents a generic, backward-looking adjustment rather than a forward-looking, project-specific forecast methodology.

DTE Gas's existing CIAC framework already incorporates reasonable mechanisms to address forecast risk, including spreading customer attachments over multiple years and recognizing that not all potential customers connect in the initial year of service. Furthermore, Witness Napoleon acknowledges that customer adoption rates for 2024 projects are at 102 percent (Napoleon, pg.56, lines 19-20), which is a more relevant indicator of project performance than interim, in-year attachment levels.

Q110. Do you agree with Witness Napoleon that DTE Gas overestimates the number of new customers that will connect to AEPs, (Napoleon, pg. 41, lines 19-21)?

Line No.

A110. No. Witness Napoleon emphasizes ultimate saturation levels from older projects while discounting recent evidence of strong customer commitments and adoption trends.

As stated above, Witness Napoleon acknowledges that customer adoption rates for 2024 projects were 102 percent (Napoleon, pg.56, lines 19-20). In addition, as reflected in the Community Expansion segment, customer sign-ups in 2025 totaled 2,226 compared to a goal of 1,988, exceeding the target by approximately 12 percent.

As stated in my testimony, a sign-up forms a contract between the customer and the Company and indicates significant obligations for both parties; therefore, it is appropriate to reference sign-ups alongside installation activity when evaluating customer adoption rates for AEPs. Installations are dependent on construction schedules, project completion timing, weather conditions, and customer conversion behavior, which may extend across calendar years.

For example, the largest Community Expansion project, Austin, was completed in late October. While customer commitments for that project reached 940, exceeding the goal of 889, a portion of those customers are expected to convert in subsequent periods as they exhaust existing fuel sources (propane) during the winter season. Meter installations are not typically scheduled during periods of peak cold weather to avoid disrupting an existing heat source, and winter weather conditions can also limit construction activity and access in certain locations. This carryover of installations into later calendar years is an expected and recognized outcome of

construction timing and customer conversion patterns, not evidence of systematic overestimation of customer adoption.

Q111. Do you agree with Witness Napoleon that the Commission should not approve the $912,000 previously disallowed for Peach Ridge (Napoleon, pg. 58, lines 1-2)?

A111. No, I do not. The record shows that Peach Ridge has achieved approximately 96 percent of its forecasted adoption through August 2025, (Huffman, JLH 47, line 23) demonstrating that the Company's original planning assumptions were reasonable and prudent. Since initial filing, Peach Ridge has continued to add customers, further reinforcing that adoption is progressing as expected. Currently, the Peach Ridge project is in Year 2; per the approved CAP, the targeted adoption is 75 percent. For Peach Ridge to date (March 23, 2026), that equates to 369, and 357 have been achieved (97 percent). The total target for the project is 493, meaning the project is just over 72 percent subscribed compared to the 75 percent target. The fact that the project has not yet reached 90 percent of its ultimate adoption potential reflects the normal timing of customer attachments over multiple years rather than evidence of imprudence or forecast failure.

Q112. What is Witness Napoleon recommending for Austin AEP?

A112. Witness Napoleon recommends a $3,063,821 disallowance of Austin AEP capital, citing overly optimistic customer attachment and consumption assumptions that she claims would shift costs to existing customers (Napoleon, pg. 63, lines 3-5).

Q113. Do you agree with this recommendation?

A113. No. Witness Napoleon's recommendation is based on lower consumption than modeled and an assumed 77 percent adoption rate for the Austin AEP. As discussed above, the Company stands by the consumption assumption in the CAP and the recommended disallowance should be ignored. Furthermore, early adoption for the Austin AEP exceeded first-year targets, undermining the basis for a reduced adoption assumption. Actual early adoption is exceeding expectations, with a 940 customer adoption rate compared to a first-year target of 889. This strong initial performance demonstrates that customer adoption is ahead of schedule and does not support the use of a reduced adoption assumption for the Austin AEP. Furthermore, as explained above, the 77 percent is based on a subset of older projects; 2024 projects provide better insight into adoption rates into the future.

Q114. Does the Austin project benefit existing customers?

A114. Yes. The Austin Project benefits existing customers by enhancing system reliability and resiliency through the integration of three major systems, Grand Rapids, Muskegon, and Big Rapids, which were previously unconnected portions of the gas system. This integration increases redundancy and operational flexibility, allowing the Company to maintain reliable service during peak demand conditions and to reroute gas during outages or maintenance activities. These system enhancements strengthen long-term system integrity and reduce reliability risks for existing customers.

Q115. What is Witness Napoleon recommending for US-2 AEP?

A115. Witness Napoleon recommends a $542,242 disallowance of US-2 AEP capital, based on the same concerns identified for the Austin AEP (Napoleon, pg. 63, lines 3-5).

Q116. Do you agree with this recommendation?

A116. No. For the same reasons stated above with respect to the Austin AEP, early customer adoption for the US-2 AEP is exceeding expectations, with 60 customers signed up compared to a first-year target of 53; therefore, a reduced adoption assumption is not supported. In addition, as with Austin, the Company stands by the consumption assumption in the CAP.

Q117. In summary, what is Witness Napoleon's recommended overall capital adjustment?

A117. Witness Napoleon recommends several capital adjustments, first capping overall spend at 2025 levels and then adjusting for Austin and US-2 AEPs (Napoleon, pg. 63, lines 3-5). A few pages prior she recommends an adjustment for Peach Ridge as well, although not captured in the summary recommendations (Napolean, pg. 58 lines 1-2).

Q118. Do you agree with this recommendation?

A118. No. Witness Napoleon's proposed adjustments reflect a disagreement with the CAP's policy design rather than evidence of imprudence or non-compliance. Her adjustment relies on a small subset of covid-era projects and generalized assumptions that are inconsistent with the CAP's design, which expressly allows attachments to mature over time and includes conservative protections for existing

customers. Witness Napoleon has not shown that the Company's assumptions were unreasonable or that the Austin AEP, US-2 AEP, or New Market Attachments failed to comply with the CAP framework, and DTE Gas therefore does not agree that the Commission should adopt the proposed disallowance.

Q119. Does DTE Gas's CAP and CIAC methodology result in new attachment subsidization by existing customers?

A119. No. Witness Napoleon's recommendation is inconsistent with the Commission-approved CAP framework, the actual characteristics of CAP customers, and the conservative revenue assumptions in the CAP model that protect existing customers. The Company's CAP model already incorporates features that protect existing customers from the risks Witness Napoleon describes. Please see my rebuttal to Witness Walsh for additional discussion related to declining gas demand, subsidization protections, and benefits of new attachments to existing rate payers.

FLO

Q120. Do you agree with Witness Kinkhabwala that slower or declining population growth will negatively affect the forecast of future new connections (Kinkhabwala, pg. 31, line 10)?

A120. No, I do not. While population trends are one factor in forecasting customer growth, they are not determinative on their own and should not be viewed in isolation.

First, new gas connections are more directly correlated with housing development patterns, customer fuel choice, and attachment opportunities in existing structures than with aggregate population growth alone. Even in periods of flat or declining

population, service territory–specific factors such as household formation, redevelopment, infill construction, and commercial activity can sustain connection opportunities. Population decline at the state or regional level does not preclude localized growth within the Company's service territory.

Second, forecasts of new connections already incorporate forward-looking housing start data, market share assumptions, and natural gas penetration rates, which inherently reflect demographic conditions. As a result, the effect of slower population growth is embedded in the underlying economic and housing inputs used in the forecast. Treating population trends as an additional, independent downward pressure risks double-counting their impact.

Third, the Company's forecast is conservative with respect to the source of future connections. Beginning in 2026 and beyond, new construction is projected to account for approximately 53 percent of total new connections, with the remaining 47 percent coming from existing structures. This assumption is materially more conservative than historical experience: from 2017 through 2025, new construction accounted for an average of approximately 69 percent of all new connections. By assuming a significantly lower reliance on new construction and a greater share of attachments from the existing building stock, the forecast already reflects caution regarding future development trends and demographic uncertainty, as reflected in the discovery response to MECCUBDG-3 and summarized in Witness Creisher's Exhibit S-17.3.

Finally, Witness Kinkhabwala's position implicitly assumes a one-to-one relationship between population change and gas connections, which oversimplifies customer behavior and market dynamics. Customer choice, redevelopment activity, infrastructure availability, and local economic conditions all influence connection decisions and may offset or outweigh population effects over the forecast horizon. Accordingly, while population trends provide useful context, they do not, by themselves, support the conclusion that the Company's forecast of future new connections is overstated or unreasonable. A comprehensive and reasonable forecast must consider the full set of housing, market, and behavioral drivers rather than relying on population growth as a singular explanatory variable.

Q121. Do you agree with Witness Kinkhabwala's recommendation that the Commission should disallow expenses relying on connection rates higher than historic levels for new customer attachments, based on anticipated electrification and declining future gas connections? (Kinkhabwala, pg. 78, lines 19-22)

A121. No, I do not. As discussed in above rebuttal, for customer attachments, it is more appropriate to incorporate forward looking forecast assumptions rather than solely relying on history. As also described above and in Witness Decker's rebuttal testimony, the Company does not anticipate electrification or declining gas demand to negatively impact customer attachments, particularly in the next few years.

SECTION 5: PUBLIC AWARENESS PROGRAM REBUTTAL

Attorney General

Q122. What adjustment is Witness Coppola recommending for the public awareness program (Coppola, Direct-119, lines 12-19, Direct-120, lines 1-17, and Direct-121, lines 1-3))?

A122. Witness Coppola recommends that the Commission approve only a $1 million increase for the Public Awareness Program in the projected test year and disallow the remaining $1 million of the Company's proposed increase. This would raise total annual program spending to approximately $1.5 million, which he characterizes as a tripling of prior funding and sufficient to enhance awareness without imposing undue cost on customers.

Q123. Do you agree with Witness Coppola's adjustment to funding?

A123. No. Witness Coppola's recommendation focuses solely on reducing the funding level without consideration of the safety incidents, customer behavior gaps, and research-driven communication needs that the Company identified in its direct case. Witness Coppola's proposal to limit the program's expansion to $1 million does not align with what is required to meaningfully influence customer behavior related to natural gas safety. The Company's proposed $2 million increase was not arbitrary, rather it was developed based on specific program objectives. However, arbitrarily reducing the increase, as Witness Coppola proposes, would eliminate specific gas safety programs and activities – to the detriment of customer safety. Further, Witness Coppola does not identify any specific expense as imprudent or unnecessary.

As outlined in my testimony, the Company has experienced multiple 2025 incidents in which customers and the affected public smelled gas but did not call DTE Gas, resulting in explosions, injuries, and fatalities. These cases clearly demonstrate that current communication methods are not sufficiently driving the necessary behavioral response.

To address this gap, the Company is proposing to enhance its efforts to include television, radio, digital media, a schools safety program, and expanded efforts on activations, CO detectors and direct mail. These channels were not selected arbitrarily; they reflect the methods identified by the Company as critical to reaching customers and closing identified gaps based on customer research.

The proposed $2 million increase is the minimum level required to support a sustainable, broad reach, multichannel safety campaign with a frequency capable of achieving the behavioral change necessary to reduce the likelihood of future incidents. A $1 million level would be insufficient to provide the frequency, coverage, or reach required for effective mass media safety messaging. This would result in a 64% reduction in mass media investment, materially limiting reach and frequency and significantly diminishing overall impact. It is important to note that mass media is inherently costly, and this level of investment has historically been out of reach, making the $2 million proposal the first opportunity to execute a campaign at the scale required for impact.

In addition, the $1 million scenario would require scaling back the schools program, reducing participation by approximately 40%, thus limiting our ability to engage students and communities at the intended scale.

Q124. Has Staff provided any recommendations regarding the Company's Public Awareness campaign?

A124. Yes. On April 1, 2026, MPSC Staff provided DTE Gas the following recommendation (Exhibit A-37, Schedule AA6, Staff Recommendation) as it relates to our public awareness campaign:

"Staff makes the following recommendations regarding DTE's Public Awareness Program: evaluate, enhance, and improve metrics for monitoring the program effectiveness to ensure the message content, frequency of messaging, and media used are as comprehensive as necessary to effectively reach all stakeholders in the areas in which DTE transports gas. Staff further recommends that DTE document its evaluation and any program enhancements to demonstrate continued compliance with the public awareness regulations and the effectiveness of all enhancements."

Q125. What conclusion does the Company draw from Staff's recommendations regarding its Public Awareness campaign?

A125. The Company concludes that the proposed $2 million public awareness funding proposal is appropriately calibrated to implement Staff's recommendations and support a more comprehensive and effective public awareness program.

SECTION 6: MARKETING O&M (DEMONSTRATING AND SELLING EXPENSES) REBUTTAL

CUB

Q126. What are Witness Menghaney's recommendations concerning Marketing O&M (Menghaney, pg. 23-30)?

A126. Witness Menghaney does not support DTE Gas's proposed Marketing O&M expense levels and recommends specific disallowances. Combining the inflation-related disallowance and the forestry program disallowance, Witness Menghaney recommends a total Marketing O&M disallowance of $2.924 million, resulting in an allowed Marketing O&M level of $56.204 million. This is "Demonstrating and Selling Expenses", Exhibit A-13, Schedule C5.5, Line 4 of my Direct Testimony.

Q127. Do you agree with Witness Menghaney's adjustment to inflation?

A127. No, please see Q22-Q25 in Witness Shpargel's rebuttal testimony regarding inflation.

Q128. Do you agree that Marketing is not directly related to the "day-to-day" provision of safe and reliable gas service?

A128. No. Marketing encompasses essential utility communications, including safety messaging, billing information, tools and customer assistance. Additionally, it includes Home Protection Plus (HPP) activities that support approximately $108.5 million in HPP revenues included in this proceeding, including vendor management, call center operations, and marketing costs necessary to administer and sustain the program.

Q129. Do you agree that Demonstrating and Selling expenses should only increase by 3% each year?

A129. No. In fact, Demonstrating and Selling expenses increased by approximately 5.7% from 2024 to 2025, exceeding a 3% growth assumption, with spending rising from $52.8 million to $55.8 million.

Q130. What led to the increase in Demonstrating and Selling Expenses from 2024 to 2025?

A130. The primary driver of the increase is HPP marketing. Smaller items include other HPP expenses, such as the call center and vendor costs. As Witness Coppola pointed out in his testimony, HPP revenue grew from $108.5 million in 2024 to $116.8 million in 2025. This jump in revenue required higher costs as well, and some of these higher costs are reflected in this line item. HPP Marketing accounts for marketing expenses to manage a program that is participating in an increasingly competitive service contract and HVAC industry. As changes in the HVAC industry are occurring through the purchases of smaller contractors by private equity firms, so has the marketing by HVAC contractors. To remain competitive, HPP marketing expenses have increased year-over-year as customer acquisition and education have become more critical, particularly given average contract growth of less than 1% over the past five years. We have expanded marketing channels and partnerships to address regional differences across Michigan, and investment in HPP marketing benefits DTE Gas customers by contributing revenues in excess of cost that reduce rates. Therefore, applying a straight 3% year-over-year does not capture the nature of the expenses captured in this line item.

Q131. Are there known and measurables that should also be included?

A131. Yes. There are two known and measurables included in my direct testimony. One, the proposed $2 million for the Public Awareness Program, can be found in Section 5 of this rebuttal. The second, the forestry program, is discussed in Witness Decker's rebuttal testimony.

Q132. Do you agree with Witness Menghaney's recommendation to disallow $2.924 million from DTE Gas's proposed Marketing O&M expenses?

A132. No. Witness Menghaney recommends disallowing $2.924 million from DTE Gas's proposed Demonstrating and Selling expenses, citing concerns about inflation assumptions and the inclusion of forestry program costs. However, this recommendation overlooks the essential role that marketing plays in supporting customer communications, safety outreach, and the Home Protection Plus (HPP) program. As detailed in Company Witness Shpargel's rebuttal, the inflation adjustment is addressed and justified. Moreover, the increase in Demonstrating and Selling expenses, from $52.8 million in 2024 to $55.8 million in 2025, is primarily driven by HPP related activities that support growing revenues in a competitive HVAC service market. These marketing efforts are critical to sustaining a program that contributes positively to the Company's overall rate structure, with revenues exceeding costs and helping to reduce rates for all DTE Gas customers. Known and measurable items, such as the Public Awareness Program and the forestry initiative, are also appropriately included and further support the proposed expense level.

FLO

Q133. Please summarize Witness Schott's recommendation concerning marketing the use of gas for indoor cooking (Schott, pg. 19, lines 5-19, and pg. 55, lines 3-5).

A133. Witness Schott recommends prohibiting DTE Gas from marketing the use of gas for indoor cooking citing potential health risks.

Q134. Do you agree with this recommendation?

A134. No. While Witness Schott expresses concern that natural gas stoves contribute to asthma and respiratory problems, there is no consensus to substantiate that concern. The World Health Organization (WHO) published a study in the Lancet in February 2024 (Exhibit A-37, Schedule AA1, WHO Study). This study found no statistically significant correlation between gas cooking and asthma in children or adults when compared to electricity. The authors caution against overinterpreting earlier studies that did not adequately control for confounding factors. While gas cooking may emit NO_2, the current evidence does not support a causal link to asthma in the general population.

Likewise, the March 18, 2025, US Government Accountability Office (GAO) Gas Stoves report (Exhibit A-37, Schedule AA2, GAO-25-107514 Report) states "there is no consensus on the health effects of nitrogen dioxide emissions directly attributable to gas stove cooking."

Witness Schott recommends that DTE Gas be prohibited from marketing the use of natural gas for indoor cooking, citing potential health risks. As demonstrated in the

WHO study and GAO report there is no consensus on the health effects of nitrogen dioxide emissions directly attributable to gas stove use. Considering this lack of scientific consensus, DTE Gas will continue to responsibly highlight the benefits associated with its product.

SECTION 7: CORPORATE MEMBERSHIPS REBUTTAL

FLO

Q135. What are Witness Cira-Reyes's recommendations concerning the Company's corporate membership costs?

A135. On page 74, lines 1-16, Witness Cira-Reyes recommends that the Commission (1) disallow DTE Gas's entire $819,886 recovery request for its American Gas Association membership dues to prevent ratepayers from funding advocacy, and (2) closely examine the Company's remaining corporate membership requests and reject those that either fund political advocacy or lack sufficient detail to demonstrate tangible customer benefits, consistent with the Commission's order in Case No. U-21291.

Q136. Do you agree with this recommendation?

A136. No, I do not.

Q137. Is DTE Gas requesting recovery of corporate membership dues in Case No. U-21973?

A137. Yes. The Company is requesting to recover approximately $2.0 million in corporate membership dues. Of that, the three largest corporate memberships—American

Gas Association, Operations Technology Development, and Utilization Technology Development—total $1.9 million.

Q138. Has the Company excluded lobbying or political advocacy costs from its corporate membership recovery request?

A138. Yes. The Company agrees that lobbying and political advocacy costs are not recoverable from ratepayers, and those costs have been excluded from the Company's request. As explained in my Direct Testimony (JLH-75 through JLH-76) and supported by Company Witness Uzenski, any reported lobbying component of a corporate membership is identified and removed. The amounts included in Exhibit A-23, Schedule M1 are therefore net of lobbying. Accordingly, Witness Cira-Reyes's recommendation to disallow AGA dues on this basis is already addressed in the Company's filing, and the full $2.0 million of corporate membership costs—including $819,886 associated with AGA—should be approved for recovery.

Q139. Has DTE Gas complied with the Commission's directive in Case No. U-21291 by disclosing its corporate memberships, itemizing the projected corporate membership fees, and providing justifications showing why those costs are necessary to maintain safe and reliable gas service?

A139. Yes. DTE Gas has complied with the Commission's directive in Case No. U-21291 by fully disclosing its corporate memberships, itemizing projected membership fees, and providing specific justifications demonstrating that the costs are required to support safe and reliable gas service and are in ratepayers' interests. As explained in Witness Huffman's direct testimony (JLH-75 through JLH-81), Exhibit A23,

Schedule M1 identifies each corporate membership and includes the organization name, description, benefit category, customer benefit explanation, responsible business unit, and associated cost for the projected test year. Consistent with the Commission's instruction in Case No. U21291, the Company has provided membership-specific justification showing why those costs are necessary to maintain safe and reliable gas service.

Q140. Does Witness Huffman's direct testimony provide enhanced support for the Company's three largest corporate memberships?

A140. Yes. As discussed in Witness Huffman's direct testimony (JLH-78 through JLH-81), the Company provides enhanced support for its three largest memberships—American Gas Association (AGA), Gas Technology Institute–Utilization Technology Development (GTI-UTD), and Gas Technology Institute–Operations Technology Development (GTI-OTD) which make up approximately 95% of the Company's total membership costs. These memberships support safety and reliable gas service through the development and sharing of industry safety and integrity standards; collaborative research and development that improves safety and reduces costs; and ongoing technical and regulatory information exchange. Participation in these organizations ensures alignment with evolving industry standards and best practices related to pipeline design, construction, inspection, and integrity management, which directly inform the Company's leak detection, integrity assessments, storage and transmission initiatives, and ongoing O&M practices. GTI-UTD and GTI-OTD also enable the Company to leverage shared R&D investments rather than independently developing technologies, reducing costs and accelerating deployment of proven solutions.

Q141. Does DTE Gas's participation in the AGA Quality Committee support the Company's ISO 9001-aligned quality management and operational improvement efforts?

A141. Yes. Company Witness Kehoe testifies that DTE Gas's participation in the AGA Quality Committee directly supports the Company's ongoing development of a Quality Management System guided by ISO 9001 principles. The AGA Quality Committee provides an industry forum for sharing best practices among utilities implementing ISO 9001-based quality frameworks, supporting improved service delivery, operational risk reduction, and regulatory alignment, which aligns with the Company's obligation to provide safe and reliable natural gas service.

Q142. The Commission has directed DTE Gas to justify why corporate memberships are truly required and in ratepayers' interests. In this proceeding, Ann Arbor Witness Stults relies on AGA Energy Insights data (Exhibit AA-21) for her testimony. How do you respond?

A142. The reliance by Ann Arbor Witness Stults on AGA Energy Insights data, submitted as Exhibit AA-21, demonstrates that the American Gas Association produces objective, industry-wide research that is relevant to Commission review.

Accordingly, the demonstrated use of AGA analytical products by an intervenor witness in this case provides tangible evidence that DTE Gas's AGA membership yields customer-relevant value. It shows, in addition to the support I already provided in my direct testimony, that the membership supports access to data and

research that informs regulatory decision making and long-term system planning, rather than providing only generalized or internal corporate benefits.

Q143. Do you agree with Witness Cira-Reyes's assertion (pg. 65, lines 1–12, recommendation #2) that Witness Huffman's direct testimony and Exhibit A-23, Schedule M1 lacked sufficient detail to demonstrate tangible customer benefits for eight corporate memberships totaling approximately $99,000?

A143. No. As explained in my Direct Testimony (JLH-75 through JLH-81) and documented in Exhibit A23, Schedule M1, the Company provided specific, membership level customer benefits for each of the eight corporate memberships identified by Witness Cira-Reyes: Common Ground Alliance; Council on State Taxation; E Source Companies LLC; Midwest Energy Association; National Association of Corporate Directors; North American Energy Standards Board; The Conference Board Inc.; and The Engineering Society of Detroit. As shown in columns (b), (c), and (d) of Schedule M1, these memberships provide concrete benefits—including benchmarking, best practices, research, and networking—that support the Company's ability to provide safe and reliable gas.

Specifically, the approximately $99,000 associated with these memberships supports documented operational benefits, including damage prevention best practices (Common Ground Alliance); tax research and compliance support (Council on State Taxation); customer service benchmarking and research (E Source Companies LLC); operational training and benchmarking (Midwest Energy Association); governance best practices (National Association of Corporate Directors); gas market standards development (North American Energy Standards

Board); economic research and benchmarking (The Conference Board Inc.); and engineering best practices and professional collaboration (The Engineering Society of Detroit). Accordingly, the approximately $99,000 associated with these memberships should be approved for recovery.

Q144. Do you agree with Witness Cira-Reyes claims (pg. 65, lines 13-21) that DTE Gas "provided only generic, vague descriptions of supposed customer benefits" for the five corporate memberships listed totaling approximately $92,000?

A144. No. I do not agree with Witness Cira-Reyes's claim. As explained in my Direct Testimony (JLH-77) and as documented in Exhibit A-23, Schedule M1, the Company provided specific, concrete descriptions of customer benefits for each of the five corporate memberships identified. As shown in columns (c) and (d) of Schedule M1, these memberships are associated with clearly identified benefit categories—benchmarking, best practices, research, and networking—that are directly tied to utility operations and customer outcomes.

Specifically, the American Society of Employers supports benchmarking and research related to workforce practices that enable the Company to attract, retain, and manage a skilled workforce necessary to operate the gas system safely and reliably. Chartwell and E Source Companies LLC provide utility specific benchmarking, research, and best practices that support customer service operations. Gartner LLC provides research and advisory services that support audit functions and strengthen technology and risk governance. HR Policy Association and the Institute for Corporate Productivity provide benchmarking, research, and

best practices that support effective governance, risk management, and organizational performance. These descriptions are neither generic nor vague and demonstrate tangible customer benefits.

Q145. How do Witness Cira-Reyes's arguments compare to issues previously raised by intervenors and rejected by the Commission in DTE Electric's most recent rate case No. U-21860?

A145. Witness Cira-Reyes's arguments mirror those previously raised by intervenors in DTE Electric's most recent Rate Case, Case No. U-21860, where intervenors asserted that corporate membership benefits were vague and failed to demonstrate discrete customer "achievements." In that proceeding, the Commission found that DTE Electric adequately supported recovery by identifying the nature of the corporate memberships, describing the operational benefits of corporate memberships and excluding lobbying expenditures from recovery. On that basis, the Commission determined that recovery of those costs was reasonable. The same reasoning should apply in this proceeding. DTE Gas has identified the nature of the benefits provided by its corporate memberships, demonstrated their operational value, and excluded lobbying from recovery. The Commission has not required utilities to demonstrate isolated customer outcomes attributable to each membership, but rather to show that the memberships provide operational value consistent with Commission guidance. The Company's evidentiary presentation is consistent with the standard applied by the Commission in DTE Electric's most recent rate case. Accordingly, approval of the Company's corporate membership cost recovery is reasonable.

Q146. Does this complete your rebuttal testimony?

A146. Yes, it does.

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the Application of	)	
DTE GAS COMPANY	)	
for authority to increase its rates, amend	)	Case No. U-21973
its rate schedules and rules governing the	)	
distribution and supply of natural gas, and	)	
for miscellaneous accounting authority.	)	

REBUTTAL TESTIMONY

OF

ANNA E. JACKSON

DTE GAS COMPANY
REBUTTAL TESTIMONY OF ANNA E. JACKSON

Line No.

Q1. Are you the same Anna E. Jackson who previously offered testimony in this proceeding?

A1. Yes, I am.

Purpose of Testimony

Q2. What is the purpose of your rebuttal testimony?

A2. The purpose of my rebuttal testimony is to rebut the arguments raised by Attorney General (AG) Witness Coppola, Michigan Attorney General and Citizens Utility Board of Michigan (CUB) Witness Woolley, and Michigan Public Service Commission (MPSC) Staff (Staff) Witness Hansen regarding the Company's proposed Routine Capital Expenditures. Specifically, I respond to various points and issues raised in this docket concerning:

1. Unplanned Main Renewal, as discussed in testimony by AG Witness Coppola;
2. Public Improvement, as discussed in testimony by AG Witness Coppola;
3. Service Alterations, as discussed in testimony by AG Witness Coppola;
4. Communications & Control – Meters, as discussed in testimony by AG Witness Coppola and MPSC Staff Witness Hansen;
5. System Reliability, as discussed in testimony by AG Witness Coppola;
6. Routine Storage Plant, as discussed in testimony by AG Witness Coppola;
7. Structures and Improvements, as discussed in testimony by AG Witness Coppola;
8. Transportation Vehicles & Equipment, as discussed in testimony by AG and CUB Witness Woolley.

I will show that the expenditures are reasonable and prudent and should be approved. The absence of discussion of other matters in my testimony should not be taken as an indication that I agree with all other aspects of intervenor testimony.

Q3. Are you sponsoring any rebuttal exhibits?

A3. I am sponsoring or supporting the following exhibits:

Exhibit	Schedule	Description
A-41	EE1	Discovery Response AGDG-4.136a
A-41	EE2	Discovery Response AGDG-4.155d
A-41	EE3	Discovery Response AGDG-4.157b
A-41	EE4	Discovery Response AGDG-4.161a

Unplanned Main Renewal

Q4. Beginning on page 19, line 9 of AG Witness Coppola's direct testimony, what disallowance did he recommend related to Unplanned Main Renewal?

A4. Witness Coppola recommended a disallowance of $7,604,000 for 2025, $141,000 for the 9 months ending September 2026 and $1,795,000 for the projected test year from the Company's forecasted capital expenditures.

Q5. Why is AG Witness Coppola recommending the disallowance of Unplanned Main Renewal capital expenditures?

A5. Witness Coppola recommended disallowances for the Company's forecasted capital expenditures in 2026 and 2027 because he is utilizing the average number of main installed feet for the most recent years of 2023-2025 – 21,113 feet. He then

applied the Company's projected cost per unit in each of those years to arrive at his proposed capital expenditures for the years 2026 and 2027.

Q6. Do you agree with AG Witness Coppola's recommended disallowances for 2025 Unplanned Main Renewal capital expenditures?

A6. The Company acknowledges that 2025 actual capital expenditures for Unplanned Main Renewal were lower than projected in this rate case. However, two projects totaling $2.1 million, that were planned to occur in 2025 are scheduled to be completed in 2026. Therefore, $2.1 million of the $7.6 million underspend should be added to the Company's projected 2026 capital expenditures. $2.1 million represents the total cost estimate to complete these two projects; these two projects will be discussed in detail below.

Q7. Why does the Company feel the 2025 completed units of Unplanned Main Renewal were anomalous when compared to its historical three-year average of 2022-2024?

A7. The Company considers the 2025 Unplanned Main Renewal capital expenditures to be anomalous when compared to the historical three-year average largely driven by two significant projects that were identified and scheduled to be completed in 2025. However, due to design related complexities both projects will be completed in 2026. Together, these two projects represent $2.1 million of capital expenditure that would normally have occurred in 2025.

The first of these projects, located at Wyoming & Southern in Dearborn, involves the renewal of ~6,000 feet of 16" main located underneath concrete and running

under a railroad. This project also involves the replacement of an existing vault. To avoid any impacts to system supply during heating season as a result of the vault replacement, construction was moved from late 2025 to 2026. At the time this testimony is being written, this project is planned to be executed during the 2026 construction season, at the current estimate of ~$1.5 million.

The second project consists of three separate 6" and 8" steel mains totaling ~4,000 feet, each initially identified as individual Unplanned Main Renewals. Because of their proximity, it would be more efficient, from an engineering perspective, to complete these as a single coordinated project. Additionally, to renew these three segments, the Company must obtain an easement for a portion of the main to be renewed in the alley. At the time this testimony is being written, the procurement of this easement is expected to be resolved by the end of May 2026, allowing for construction to be completed by the end of July 2026.

These two projects will result in the renewal of ~10,000 feet of steel main and are estimated to cost ~$2.1 million. Neither of these projects were completed in 2025, the year they were identified, materially reducing the level of Unplanned main Renewal capital expenditures in 2025.

Q8. Do you agree with AG Witness Coppola's recommended disallowances for 2026 and 2027 Unplanned Main Renewal capital expenditures?

A8. No, I do not agree with Witness Coppola's recommended disallowances for 2026 and 2027. The Company's projected main install unit figures for 2026 and 2027 are higher than the figures calculated by Witness Coppola because our projections are

based on the 2022-2024 three-year average, whereas Witness Coppola utilized the 2023-2025 three-year average. The year 2025 completed units of main install feet is clearly anomalous when compared to our historical units of main install feet, as illustrated in the table below, which the Company provided in its discovery responses to the AG (See Exhibit A-41, Schedule EE1).

Table 1. Unplanned Main Renewal

	2022	2023	2024	2025
Capital Spend ($000)	$6,618	$5,818	$7,244	$3,173
Units (feet)	27,409	23,838	23,327	16,769
Cost / Unit	$241	$244	$311	$189

Relying on 2025 to project future years units of main install feet materially understates the level of capital expenditures the Company projects to incur. Based on Witness Coppola's methodology, his recommendation would result in ~$4.5 million of annual Unplanned Main Renewal capital expenditures for 2026 and 2027. When this value is compared to the Company's historical Unplanned Main Renewal capital expenditures, this represents a reduction of $2 million per year below our 2022-2024 historical average. The Company is already projecting an annual reduction of ~$1 million dollars for 2026 and 2027. Any further reduction in proposed capital expenditures for Unplanned Main Renewal beyond what the Company has already proposed would underrepresent necessary expenditures.

Q9. Do you agree with AG Witness Coppola's assertion that the Company did not provide a clear explanation as to how the forecasted number of units and capital expenditures were determined.

A9. No. As discussed in my direct testimony, the Company stated that it expects to perform less overall Unplanned Main Renewal work while also recognizing that a larger percentage of the projected workload is expected to occur in Greater Michigan, which historically has a lower cost per unit, driven in large part by select municipalities having less extensive restoration requirements. To that effect, the Company projected to incur an overall lower cost per unit than the historical 2022-2024 three-year average, which was supported by Witness Coppola in his direct testimony. Furthermore, the Company utilized the 2022-2024 historical average for units to project its future completed units of Unplanned Main Renewal. Because the projected cost per unit was lower than the historical average, the Company already projected an annual reduction of ~$1 million dollars for 2026 and 2027 when compared to the 2022-2024 historical average expenditure.

Public Improvement

Q10. Beginning on page 22, line 13 of AG Witness Coppola's direct testimony, what disallowance did he recommend related to Public Improvement?

A10. Witness Coppola recommended a disallowance of $2,898,000 for 2025, $1,275,000 for the 9 months ending September 2026 and $2,203,000 for the projected test year from the Company's forecasted capital expenditures.

Q11. Why is AG Witness Coppola recommending the disallowance of Public Improvement expenditures?

A11. Witness Coppola removed two of the largest projects from the Company's projected project list to identify the amount of his recommended disallowances – for the I-375 Russell Bridge Project, $1,195,000 in the 9 months ending September 2026 and $398,000 in the projected test year and for the Ford Road Relocate Project, $80,000 in the 9 months ending September 2026 and $1,805,000 in the projected test year.

Q12. Do you agree with the AG Witness Coppola's recommended disallowance?

A12. The Company agrees with the recommended disallowances for 2025 as actual capital expenditures for Public Improvement were lower than projected for that year. However, the Company does not agree with Witness Coppola's recommended disallowances for 2026 and 2027. Capital expenditures for 2026 and 2027 are based on historical averages. As stated in the Company's response to discovery, Public Improvement projects often vary in regard to timing and scope. Historically, new projects have come in to replace projects that become delayed, as is the case with the I-375 bridge and Ford Road Relocation project incurring schedule delays. The Company has already proposed a reduction to its Public Improvement capital expenditures by $3.0 million per year when compared to the 2022-2024 historical three-year average, as stated in my direct testimony. Further reductions, such as those recommended by Witness Coppola, would significantly impair the Company's ability to be respond to municipal and external stakeholder construction projects that conflict with our existing gas infrastructure. Historically, the Company is made aware of Public Improvement projects with short or immediate notice and requires the Company to undertake these projects as soon as they are identified. As stated in my direct testimony, the Company is required to relocate existing gas

assets to comply with section 15 of Act 368, of MI Public Act 1925 (MCL § 247.185). Adopting Witness Coppola's proposed disallowances would jeopardize the Company's ability to remain compliant with section 15 of Act 368, of MI Public Act 1925 (MCL § 247.185). The Company's proposed level of Public Improvement capital expenditures is therefore both reasonable and necessary to ensure timely compliance and maintain responsiveness to municipality and external stakeholder construction projects.

Q13. Can you please provide an example of the type of municipal projects the Company needs to be responsive to and complete?

A13. Yes, for example, an MDOT project has recently been proposed along US-12 (Michigan Avenue) between I-96 and Cass Avenue in the City of Detroit. MDOT is proposing new drainage infrastructure and an inductive charging system along this corridor, which will require the relocation of existing gas assets for approximately 30-40 locations. Based on MDOT's proposed schedule, the Company would need to complete this work by Q1 2027, necessitating construction to begin late in 2026. Current estimates anticipate the cost of this project at ~$1.5 million. This single project is equal to nearly half of the recommended disallowances by Witness Coppola and demonstrates the short or immediate notice with which Public Improvement projects are identified. As this project demonstrates, additional projects will continue to surface with limited notice, and the Company must be prepared to respond and complete this work to meet statutory obligations and ensure public safety.

Service Alterations

Q14. Beginning on page 19, line 8 of AG Witness Coppola's direct testimony, what disallowance did he recommend related to Service Alterations?

A14. Witness Coppola recommended a disallowance of $4,629,000 for 2025, $661,000 for the 9 months ending September 2026, and $4,355,000 for the projected test year from the Company's forecasted capital expenditures.

Q15. Why is AG Witness Coppola recommending the disallowance of Service Alteration capital expenditures?

A15. Witness Coppola recommended disallowances for the Company's forecasted capital expenditures in 2026 and 2027 because he is utilizing the average number of completed service alterations for the most recent years of 2023-2025. He then applied the Company's projected cost per unit in each of those years to arrive at his proposed capital expenditures for the years 2026 and 2027. In his testimony, Witness Coppola stated that he disagrees with the Company's assertions that the rising number of complex service alterations and an increase in cross bore inspections are leading to an increase in capital expenditures for Service Alterations. However, he additionally states that he finds the projected cost per unit reasonable and uses this projected cost per unit to provide his recommendations for 2026 and 2027. By using the Company's projected cost per unit and stating that he finds it reasonable, Witness Coppola is inherently agreeing with the Company's reasoning and the methodology used to project future capital expenditures.

Q16. Do you agree with AG Witness Coppola's recommended disallowances for Service Alterations capital expenditures?

A16. The Company agrees with the recommended disallowances for 2025 as actual capital expenditures for Service Alterations were lower than projected for that year. However, the Company does not agree with Witness Coppola's recommended disallowances for 2026 and 2027. As stated above, Witness Coppola finds the Company's projected cost per unit reasonable but disagrees that the projected number of units is justified.

Q17. What does the Company propose for 2026 and 2027 Service Alterations capital expenditures instead?

A17. To determine the projected number of units for 2026 and 2027, the Company initially used a historical three-year average to project its number of units. The number of units completed in 2022-2024 averages to 6,612 and the projected number of units completed for 2026-2027 averages to 6,614 – which is directly in line with the historical average. Witness Coppola is utilizing the 2023-2025 three-year average of units – which is 6,050 as stated in his direct testimony – to project the number of completed units for 2026 and 2027. The Company would contend that due to the anomalous and considerably sharp drop in the number of units completed in 2025, utilizing a four-year average would be more appropriate to project the number of units in 2026 and 2027. For this immediate rate case and for Service Alterations only, the Company believes that utilizing a four-year average would be more appropriate considering the distinct divergence from historical norms in the number of completed units in 2025. As a result, the Company acknowledges a reduction of $23,000 for the 9 months ending September 2026, and $3,505,000 for the projected test year from the Company's initial forecasted capital expenditures.

Communication & Control – Meters

Q18. Beginning on page 32, line 19 of AG Witness Coppola's direct testimony, what disallowance did he recommend related to Communication & Control – Meters?

A18. Witness Coppola recommended a disallowance of $2,396,000 for the 9 months ending September 2026 and $7,507,000 for the projected test year, from the Company's projected capital expenditures, which reflects the entirety of the planned investment in ultrasonic meter technology and by-pass devices.

Q19. Do you agree with the points of contention AG Witness Coppola raised in his Communication & Control – Meters direct testimony?

A19. No, the Company disagrees with the points of contention raised by AG Witness Coppola, specifically:

1. The Company should not include the installation costs of ultrasonic meters and by-pass devices within the IRM
2. The Company needed to or should have presented a comprehensive program with the full cost of replacement from inception to completion
3. Ultrasonic metering technology has not been widely implemented or adopted throughout the gas industry
4. Replacing failing AMI/AMR modules with new AMI/AMR is a more economical approach than installing new ultrasonic meters
5. Benefits realized from the installation of by-pass devices are not justified
6. The Company did not perform a complete cost/benefit analysis (CBA) and therefore, is not able to provide economic justification for the program

I will specifically discuss why the Company disagrees with each of these points of contention from AG Witness Coppola.

Q20. Why do you disagree with AG Witness Coppola's assertion that the Company should not include installation costs of ultrasonic meters and by-pass devices within the IRM?

A20. Witness Coppola incorrectly asserts that the Company intends to move an entire meter replacement program into the IRM. As stated in my direct testimony, page 31 lines 1-4,

> "The Initial installs will be prioritized through integration with existing operational programs, including routine meter work and the Gas Renewal Program (GRP)"

To further clarify, the Company plans to install new ultrasonic meters through existing routine meter work performed because the work is already occurring, installing ultrasonic meters through this process does not create additional installation costs for customers. Similarly, the Company intends to install ultrasonic meters through the GRP when crews are already performing meter move outs or when renewing / impacting existing gas services. Leveraging GRP in this way avoids multiple return trips to the same location and impacting customers more than once. Installing ultrasonic meters during planned GRP work is the most efficient and cost-effective approach, and therefore the associated installation costs should be appropriately included within the IRM. Under these circumstances, it would be less prudent to continue installing new diaphragm meters and AMI/AMR modules than to transition to a modern ultrasonic platform. Doing nothing, or perpetuating expiring technologies, would expose customers to higher long-term costs, increased

failure risk, and lost safety and reliability benefits. Accordingly, the Company's decision to begin installing ultrasonic meters is both prudent and necessary to ensure safe, reliable, and cost-effective service over the long term.

Q21. Why do you disagree with AG Witness Coppola's assertion that the Company should have presented a comprehensive program with full costs from inception to completion?

A21. The Company disagrees with Witness Coppola's assertion that a comprehensive program with full costs from inception to completion should have been presented in this case. As stated in my direct testimony, Q56, page 27, "The Company must address near-term module replacements and aging meters. We also need to determine how the new technology performs on a larger scale in the field and potential benefits before replacement of gaining infrastructure accelerate in the future." The Company will use the investment proposed in the instant case to gain that data and refine the proposal for inclusion in a future rate case for a full program recommendation on pace, duration and cost benefit impact to address the full population of meters. Also if for some unknown reason the Company does not continue installing ultrasonic meters, the IT technology investment would support other types of equipment such as AMI cellular modules and would not be considered a stranded cost.

Q22. Why do you disagree with AG Witness Coppola's assertion that ultrasonic meter technology has not been adopted throughout the gas industry?

A22. Witness Coppola's claim focuses solely on the fact that diaphragm meters are still in use today and misses the more important point- that diaphragm meters are an

aging and declining technology. As I explained in my direct testimony, major manufacturers are explicitly redirecting their production toward ultrasonic meters, with only two major manufacturers still producing diaphragm meters. For example, in 2020, ITRON discontinued manufacturing diaphragm meters to focus on ultrasonic meters. That is a direct indication that one of the largest meter manufacturers views diaphragm meters as a legacy product and is investing in new ultrasonic meter technology instead. Additionally, Honeywell has publicly projected 400,000 units per year of ultrasonic meter capacity by the end of 2026, with plans to scale to 1 million ultrasonic meters in 2027. Notably, when Honeywell ramps up to 1 million ultrasonic units in 2027, it will be producing the same number of ultrasonic meters annually as diaphragm meters. This is a significant signal: Honeywell is aligning ultrasonic production with its historical mass-production capability for diaphragm meters, indicating where it sees the future of the market. These manufacturer decisions show that, while diaphragm meters have not disappeared, new investment and production growth are centered on ultrasonic meters, not diaphragm meters. Additionally, gas utilities in other operating regions are increasingly moving toward residential ultrasonic meters rather than traditional diaphragm meters. For example, CenterPoint Energy, Spire, and Peoples have each deployed ultrasonic meters in quantities ranging from approximately 700,000 to over 1 million meters, demonstrating that ultrasonic technology is becoming the industry standard of measurement for residential sites. As manufacturers and the broader gas industry transition away from diaphragm meters, customers will be met with growing procurement and lifecycle risks.

Q23. Do you disagree with AG Witness Coppola's assertion that replacing failing AMI/AMR modules with new AMI/AMR is a more economical approach than installing new ultrasonic meters?

A23. Yes, because as my direct testimony explains, the impetus for undertaking ultrasonic meter installations is a result of aging diaphragm meters that need to and are already being replaced. Replacing only the modules on aging diaphragm meters would be a short-sighted and ultimately more expensive solution for customers. As I explained in my direct testimony, the Company's existing AMI/AMR modules were installed beginning in 2008 and are reaching the end of their expected twenty-year service lives. The Company reasonably expects a significant increase in module failures beginning around 2030 — at which point the earliest AMI/AMR modules will be twenty-two years old and the average age of the diaphragm meters will be thirty-five years — if they are not replaced in an orderly fashion. Specifically, in 2030, the Company expects approximately 110,000 AMI/AMR modules to fail, and between 2030 through 2038, the Company anticipates an average of 115,000 AMI/AMR module failures each year. At the same time, the diaphragm meters themselves are becoming obsolete, as discussed in my direct testimony, page 27 lines 5-12. If the Company were to replace only the AMI/AMR modules on these legacy diaphragm meters, we would be investing new capital into expiring technology, both at the meter and module level. Additionally, we would still need to replace the underlying diaphragm meters, resulting in duplicative replacement efforts and increased total costs. Finally, if the Company were to replace only the AMI/AMR modules, customers would not receive the enhanced safety and operational benefits that modern ultrasonic meters provide.

Q24. Why do you disagree with AG Witness Coppola's assertion that that benefits realized from the installation of by-pass devices are not justified?

A24. The Company disagrees with Witness Coppola's conclusion that the benefits of bypass devices are not justified. By-pass devices are a prudent, long-lived investment that materially improves both customer experience and field operations at a very modest cost. The target cost of each by-pass is approximately $150 per unit, with an expected service life of about sixty years. Once the by-pass is more broadly deployed, the Company expects to use this feature roughly 25,000 times per year across the meter population. In each of those instances, the by-pass allows the Company to perform meter work (maintenance, inspection, replacement, or upgrades) without interrupting gas service. This has two important implications: it preserves service continuity for the customer, avoiding unnecessary interruptions to gas service for routine meter work; and it eliminates the need for customer appointments to relight appliances following that work in those cases. Taken together, the modest unit cost, significant service life, and volume of anticipated use demonstrates that by-pass devices are a cost-effective, long-term improvement to the metering installation. Far from being an unnecessary addition, they are a prudent, customer-focused enhancement that supports reliability, efficiency, and customer convenience over many decades.

Witness Coppola's suggestion that by-pass devices create safety concerns during emergency work by not notifying or involving customers during these incidents grossly mischaracterizes their purpose. In emergency situations, the Company will continue to involve the customer and shut off gas services when safety reasons dictate. These by-pass devices simply provide flexibility in situations where

shutting off service is not required. Additionally, Witness Coppola's suggestion that customers may discover a way to by-pass the meter on their own is also misplaced. Whether or not the Company installs by-pass devices or not, customers may discover a way to illegally by-pass the meter on their own. Customers engaging in this activity have no bearing or impact on the by-pass device itself and is therefore completely irrelevant.

Q25. Why do you disagree with AG Witness Coppola's assertion that the Company did not provide economic justification for the program due to not completing a cost/benefit analysis (CBA)?

A25. I disagree. AG Witness Coppola's position focuses narrowly on economics metrics and completely overlooks significant safety, reliability, and operational benefits these devices provide. As stated in my direct testimony, ultrasonic meters eliminate mechanical issues common in traditional diaphragm meters that can affect billing accuracy and customer satisfaction. They also provide enhanced reliability features including remote shut off, alarms, and auto-shutoff capabilities for pressure, flow and temperature that materially improve system safety.

When paired with new by-pass devices, ultrasonic metering technology will also allow the Company to perform routine and emergency work without temporarily shutting off gas to customers, thereby eliminating need for customer appointments and improving the overall customer experience. Additionally, as described earlier, the Company is leveraging existing work streams to support the installation of ultrasonic meters and by-pass devices. This approach avoids multiple return trips to the same location, minimizing customer disruption, and is in fact the most efficient and cost-effective approach. As stated in my direct testimony on page 27

rows 15-25 and above in my rebuttal, it does not make sense to install infrastructure that is becoming obsolete.

Q26. Do MPSC Staff Witnesses Hansen and Creisher support the Company's proposed installation of ultrasonic and by-pass devices?

A26. Yes, both MPSC Staff Witness Hansen and Creisher are supportive of the Company's proposed installation of ultrasonic and by-pass devices. As stated in Witness Creisher's direct testimony, page 18 lines 8-15,

> "However, as outlines by the customer experience, operational, and safety benefits, it is Staff's position that there is sufficient support for the ultrasonic meter technology program to move forward as apart of the GRP. Staff is supportive of the ramp up of the program through existing workstreams, such as the GRP. By completing the installations while the Company is already in an area performing work, this reduces customer interruptions to return to install ultrasonic meters at a later date."

Staff Witness Hansen states in his direct testimony, page 8 lines 19-23 and page 9 lines 1-4,

> "Because of the AMI/AMR modules reaching end of life, the aging of the diaphragm meters, and the reliance of the modules on DTE's electric meters for communication, Staff agrees that the Company is at a point where it needs to begin addressing replacement of its current diaphragm meters and AMI/AMR modules. The proposed ultrasonic meters offer safety benefits that its current meters are not capable of such as auto-shutoff and threshold alarms. The new meters also have no meters also have no moving parts, which improves accuracy and reliability, they also have a higher delivery

capacity which reduces the number of customers upgrading their current diaphragm meter for a higher capacity one."

Q27. Beginning on page 13, line 7 of MPSC Staff Witness Hansen's direct testimony, what disallowance did he recommend related to Communication & Control – Meters?

A27. Witness Hansen recommended a disallowance of $1,410,000 for the 9 months ending September 2026 and $2,210,000 for the projected test year, from the Company's projected capital expenditures.

Q28. Why is MPSC Staff Witness Hansen recommending the disallowance of Communication & Control – Meters capital expenditures?

A28. Witness Hansen is recommending disallowances for Communication & Control – Meters based on his calculations when referencing my direct testimony. He contends that if you take the Company's proposed meter purchases from Table 7 from my direct testimony and multiply by the stated unit price of $290, the Company should expect to incur $870,000 in 2026 and $4,785,000 in 2027 rather than the $2.2 million and $6.1 million for 2026 and 2027 the Company stated for ultrasonic meters in Table 5 from my direct testimony. Similarly with by-pass devices, Witness Hansen utilized the exact values from Table 7 and stated the Company should expect to incur $450,000 in 2026 and $2,475,000 in 2027 rather than the $1.1 million and $3.2 million for 2026 and 2027 the Company stated for by-pass devices in Table 5 from my direct testimony.

Q29. Do you agree with MPSC Staff Witness Hansen's recommended disallowances for Communication & Control – Meters capital expenditures?

A29. No, the Company disagrees. Staff Witness Hansen's methodology is accurate, however, it appears that he missed the footnote for Table 7 in my direct testimony that states the Company plans to purchase ~4,500 more ultrasonic meters and by-pass devices than the values articulated in Table 7, to ensure delivery and material is on hand for installations the following year. If Staff Witness Hunter had included the purchase volumes noted in the footnote, and applied his own methodology, he would have calculated that the Company plans to purchase 7,500 meters in 2026 (the 3,000 listed in Table 7 plus the 4,500 mentioned from the footnote). Using his stated assumed unit cost of $290, this results in an estimated expenditure of $2.2 million for ultrasonic meters, which is exactly the figure reflected in Table 5 of my direct testimony. This adjustment to Witness Hansen's calculations should apply to ultrasonic meters in 2027 and by-pass devices in 2026 and 2027 as well, for him to arrive at the capital expenditures provided by the Company in my direct testimony and in audit and discovery responses.

Q30. Do you agree with the other points MPSC Staff Witness Hansen raised in his Communication & Control – Meters direct testimony?

A30. No. I disagree with Staff Witness Hansen's suggestion that the Commission require the Company to provide Staff with a full program recommendation and cost benefit analysis to receive any recovery for costs beyond what Staff recommends in this case. It will take several years of operational experience and data collection to fully evaluate the performance of ultrasonic meters and quantify long-term benefits. Safety benefits may not be quantifiable but must be taken into account. Several

meaningful benefits – such as improved accuracy, enhanced safety features, and operational efficiencies –can be achieved right away as detailed in MPSC Staff Witness Creisher's testimony. It would be inappropriate to limit the Company or Commission as new information becomes available, and likewise imprudent to stop using existing workstreams to deploy these meters. Further, consistent with all the Company's proposed expenditures, meter expenditures should similarly be evaluated for reasonableness and prudence in each case. For example, continuing to install ultrasonic meters and by-pass devices through routine meter work in 2028, as the Company enters only its second full year of data collection, remains both reasonable and efficient. Both Witness Creisher and Hansen, note that meters and modules need to be replaced and it make sense utilize new technology that brings additional benefits rather than expiring technology.

System Reliability

Q31. On page 37, line 7 of AG Witness Coppola's direct testimony, what disallowance did he recommend related to System Reliability?

A31. Witness Coppola recommended a disallowance of $89,000 for the 9 months ending September 2026 and $3,721,000 for the projected test year from the Company's forecasted capital expenditures.

Q32. Why is AG Witness Coppola recommending the disallowance of System Reliability capital expenditures?

A32. Witness Coppola removed two projects from the Company's projected project list to identify the amount of his recommended disallowances. He contends that each of the two projects – Euclid 60 PSI Huber Main and McNichols & Greenfield

project – are still too early in the phase of development and are premature to include in rate base because they are each in the early stage of engineering design with construction not planned until the middle of 2027. He is comparing these project timelines to other projects discussed by the Company in discovery responses, that are further along in their project timelines.

Q33. Do you agree with the AG Witness Coppola's recommended disallowance?

A33. No, The Company does not agree with Witness Coppola's recommended disallowances. The design for the Euclid 60 PSI Huber Main project was completed in 2025 and the construction is scheduled in 2027 due to coordination with other System Reliability and GRP projects and to comply with road cut restrictions for new pavement on related City of Detroit streets.

The Company typically utilizes a two-year project design cycle for routine projects with engineering design to be completed in year 1 and construction to be completed in year 2. The scope, schedule, and estimate for the McNichols & Greenfield project was completed in 2025. Detailed engineering design is planned to begin in July 2026 and will be completed by the end of the year, with construction planned to occur during the 2027 construction season and finish by the end of September to be ready for the upcoming heating season.

Both of these projects are necessary to construct in 2027 (and will be completed and in service within the projected test period) to support safety and reliability in the Company's distribution system. The Euclid 60 PSI Huber Main project is needed to support plans to uprate the remaining Euclid main from 50 psig to 145 psig and integrate it into the overall 145 psig system to improve reliability, eliminate unique pressure systems, and provide high pressure supply for GRP

projects in the area. The McNichols and Greenfield project is needed to replace an obsolete district regulator with legacy regulators and will also eliminate a unique isolated 50 psig pressure system.

Gas Storage Plant

Q34. Beginning on page 42, line 9 and continues on page 43, line 4 and page 43, line 15 of AG Witness Coppola's direct testimony, what disallowance did he recommend related to Gas Storage Plant?

A34. Witness Coppola recommended a disallowance for the Columbus 23 of $2,300,000 for the projected test year, a disallowance for the Belle River Mills Z5 Engine & Compressor Overhaul of $6,100,000 for the projected test year, and a disallowance for the Belle River Mills Unit 8 Engine Exchange of $6,000,000 for the projected test year from the Company's forecasted capital expenditures.

Q35. Do you agree with the AG Witness Coppola's recommended disallowance?

A35. No, the Company does not agree with Witness Coppola's recommended disallowances for any of the three projects mentioned in his direct testimony. I will detail why the Company disagrees with each project's recommended disallowances below and separately.

Q36. Why does the Company take issue with AG Witness Coppola's recommended disallowance related to the Columbus 23 facility upgrade project?

A36. Witness Coppola contends that the first phase of the Columbus 23 project is too early in the stage of development and is premature to include in rate base. However, the Columbus 23 facility upgrade project is at the appropriate stage of development

for inclusion in this rate case. The Company is utilizing a two-year project cycle for phase one of this project with engineering and design to be completed in year 1 and construction to be completed in year 2. The Columbus 23 facility upgrade project is currently in the project planning and scoping phase, expecting to enter the engineering design phase in Q2 of 2026, as discussed in the Company's discovery response AGDG-4.155d (See Exhibit A-41, Schedule EE2). Further, the first phase of construction is planned to begin in 2027, with the project placed into service within projected test year. As stated in my direct testimony, upgrading this facility will address the BTEX odor complaints and prevent having to maintain Columbus Storage Field at discovery pressure improving liquid containment and processing systems. If we do not upgrade the facility, it will reduce the working capacity of the facility by 8 Bcf, which will negatively impact customer affordability.

Q37. Why does the Company disagree with AG Witness Coppola's recommended disallowance related to the Belle River Mills Z#5 Engine Overhaul & Compressor Overhaul project?

A37. Witness Coppola recommends disallowance of the Belle River Mills Z#5 Engine Overhaul & Compressor Overhaul project because he believes the project is too early in its development. He notes that the project is currently in the planning and scoping phase with the subsequent phase being requesting competitive contract bids and is therefore premature to include in rate base. However, as stated in its discovery response AGDG-4.157b (See Exhibit A-41, Schedule EE3), the Company has previously undergone an engine and compressor overhaul on Belle River Mills Z#5. Because an engine and compressor overhaul has been performed

on this engine previously, the Company has a detailed understanding of the work required. Additionally, and as identified through the scoping and planning phase, the Company already has materials on order for the project, which account for more than half of the overall cost of the project. These materials are long lead time items and need to be ordered well in advance of construction starting. The full project timeline is clearly presented in Exhibit A-12 B5.5 DTE Gas Highest Cost Top 25 Capital Projects, page 22, with the engineering design expecting to be completed by the very beginning of 2027. Further, construction is planned to be completed early in March 2027 and as indicated by the project timeline in Exhibit A-12 B5.5, the duration of construction is only two months. Therefore, the completion timing is aligned with the projected test year. This project is at an appropriate stage of development for inclusion in this rate case. As stated in my direct testimony, if this investment is not supported and a failure occurs, "Z#5 would be down for several months before being able to be restored. This would significantly reduce our injection and withdrawal capabilities and impact our ability to reliably provide natural gas to customers from storage, especially during peak demand during colder weather months. This is not a prudent operating decision and risks the reliable delivery of gas to our customers."

Q38. Why does the Company disagree with AG Witness Coppola's recommended disallowance related to the Belle River Mills Unit#8 Turbine Engine Exchange project?

A38. Witness Coppola recommends disallowance of the Belle River Mills Unit #8 turbine Engine Exchange project because he believes the project is too early in its development. He notes that the project is currently in the planning and scoping

phase and that the Company did not identify a subsequent phase in its discovery response and is therefore premature to include in rate base. While the Company did not specify the next phase of the project in its discovery response, the full project timeline is clearly presented in Exhibit A-12 B5.5 DTE Gas Highest Cost Top 25 Capital Projects page 25. This exhibit shows that the Engineering Design phase is expected to be completed by the end of September 2026. Additionally, the Company is currently in the construction phase of the Mil Unit 3100 Turbine Exchange project, which involves the same type of turbine engine exchange that will occur at Belle River Mills Unit#8. Because the two projects involve identical equipment and construction steps, the Company has a detailed understanding of the work required. The Company intentionally staggered these two turbine exchange projects to maintain adequate injection and withdrawal capabilities and ensure continually reliable gas delivery to customers. This project is expected to be completed by April in 2027 and perfectly aligns with the test year. Therefore, the project is neither speculative nor premature, and the Company disagrees with Witness Coppola's recommended disallowance. Similar to Belle River Mills Z#5 and as stated in my direct testimony page 54 lines 24-25 and page 55 line1-3, if this investment is not supported and a failure occurs, the unit

> "would be down for several months. This would significantly reduce our injection and withdrawal capabilities, which would impact our ability to reliably provide natural gas to customers from storage, especially during peak demand during colder weather months."

Structures and Improvements

Q39. Beginning on page 19, line 8 of AG Witness Coppola's direct testimony, what disallowance did AG Witness Coppola recommend related to Structures and Improvements?

A39. Witness Coppola recommended a disallowance for the NORC of $1,125,000 for the 9 months ending September 2026 and $3,750,000 for the projected test year, and a disallowance for the Michigan Avenue Service Center Renovation Project of $200,000 for the 9 months ending September 2026 and $4,800,000 for the projected test year from the Company's forecasted capital expenditures.

Q40. Why is AG Witness Coppola recommending the disallowance related to the NORC Expansion and Renovation project?

A40. Witness Coppola recommends disallowance for the NORC Expansion and renovation project for several reasons. First, he argues that the training needs identified for employees based in Northern Michigan are not unique to that region, and, therefore, do not justify constructing or expanding a dedicated facility. In his view, the Company should instead rely on its existing training facilities elsewhere in the state, even if it requires employees to travel multiple times per year. Additionally, he contends that the lack of cost benefit analysis leaves the project without sufficient economic support to justify undertaking this project.

Q41. Why does the Company disagree with the recommended disallowances?

A41. The Company disagrees with Witness Coppola's recommendation primarily as it relates to two points. First, that Northern Michigan employees should rely on training facilities outside their service territory to meet frequent and recurring

training needs. This view overlooks the operational realities of the Northern Region and does not consider that the Northern Michigan training team already conducts some of the training required for employees in this region. Second, the Company disagrees that the absence of a supporting cost benefit analysis undermines the economic justification for the project. Relying on a cost benefit analysis alone to provide justification for this project inherently relies on biased decision making toward reactive maintenance rather than proactive investment that allows the Company to operate in a safe and efficient manner. The project is in the planning and scoping phase, and the Company has identified clear operational needs that warrant continued development of the project. The existing building supports both the Northern Training and Northern Construction teams, creating space constraints that limit the operating efficiency of both teams during day-to-day activities. Furthermore, and as described in my direct testimony, the NORC Expansion and Renovation project will not be placed in service during the projected test year and therefore, will not be included in base rates at this time; only doing so once the project is placed in service at the end of 2028. Therefore, there is no revenue requirement impact in this case of the project.

Q42. Why is AG Witness Coppola recommending the disallowance related to the Michigan Avenue Service Center Renovation project?

A42. Witness Coppola recommends disallowance of the Michigan Avenue Service Center Renovation project for two main reasons. First, he contends that the list of repairs provided by the Company reflects only routine maintenance needs and that the Company did not identify any structural issues with the building. Second, he argues that the Company's use of a facility renovation scoring methodology is

insufficient for providing a sound economic justification to support undertaking this project.

Q43. Why does the Company disagree with the recommended disallowances?

A43. The Company disagrees with the assertion that renovation needs at the Michigan Avenue Service Center amount to only routine maintenance. The repair list, provided by the Company in discovery response AGDG-4.161a (See Exhibit A-41, Schedule EE4), reflects symptoms of broader facility deterioration, not isolated maintenance tasks. These issues identified demonstrate that the continued patch-and-repair approach is neither cost effective nor operationally sustainable. Additionally, the Company disagrees with Witness Coppola's assertion that the use of the Facilities Condition Index (FCI) and the current replacement value (CRV) is insufficient in determining economic justification for the Michigan Avenue Service Center Renovation project. As stated in the Company's discovery responses, FCI and CRV are widely used facilities-management tools for evaluating the physical condition and long-term viability of buildings. These metrics are not company specific metrics rather, they are universally recognized industry standards that are used across multiple sectors including government, higher education, healthcare and commercial real estate. The Michigan Avenue Service Center's FCI score of 65% indicates that the facility is at a high risk of failure and is already incurring disproportionately high maintenance costs. Furthermore, an FCI score of 65% means that the cost to repair the building is nearly two-thirds of the cost to fully replace it at current constructions costs. This level of deterioration clearly demonstrates that the continued reliance on incremental maintenance is neither cost-effective nor sustainable. If the Company were to follow Witness Coppola's

recommendation and continue performing reactive maintenance as individual systems fail, the result would be costly repairs that would still need to be replaced or rebuilt once a full renovation occurs. In effect, customers would be required to pay for the same building systems twice. For these reasons, Witness Coppola's recommended disallowance for the Michigan Avenue Service Center Renovation project should be rejected.

Q44. Are there any other issues you take with AG Witness Coppola's direct testimony?

A44. Yes. The Company takes issue with several aspects of AG Witness Coppola's direct testimony. Throughout his testimony, Witness Coppola focuses exclusively on the economic benefit of each investment and does not consider the safety and reliability benefits associated with the Company's Routine Capital projects. As detailed throughout my rebuttal testimony, many of these investments are necessary to maintain or improve the safety and reliability of our operations. His perspective suggests that investments driven by safety or reliability concerns should only occur after a failure or incident has already taken place, rather than proactively addressing known risks. Once the Company identifies a credible safety or reliability deficiency, the relevant question is not whether the quantified economic benefit exceeds the cost, but how the risk can be mitigated in a manner that is prudent, timely, and consistent with our engineering standards. In this context, applying a traditional cost-benefit analysis improperly reframes a mandatory obligation as a discretionary economic choice. That approach is inconsistent with utility law, Commission precedent, and the Company's duty to provide safe and reliable service.

Transportation Vehicles and Equipment

Q45. On page 26, line 16 of AG & CUB Witness Woolley's direct testimony, what disallowances and conclusions did he recommend related to Transportation Vehicles and Equipment?

A45. Witness Woolley recommended a disallowance of $17,929,766 for the period between January 1, 2026 and September 30, 2027 from the Company's forecasted capital expenditures. Additionally, Witness Woolley recommended the Commission requires the Company to conduct and present a comprehensive idling analysis as well require the Company to develop and present a fleet electrification plan.

Q46. Why is AG & CUB Witness Woolley recommending the disallowance related to Transportation Vehicles and Equipment?

A46. Witness Woolley recommends a disallowance for Transportation Vehicles and Equipment based on his analysis contending that the Company is accelerating its planned retirement schedule beyond the pattern it has established in recent practice.

Q47. Do you agree with Witness Woolley's recommended disallowance and other conclusions?

A47. No, the Company does not agree with Witness Woolley's recommended disallowances for Transportation Vehicles and Equipment nor does the Company agree with his conclusions that it should conduct and present a comprehensive idling analysis or develop and present a fleet electrification plan. Additionally, it is

not clear based on Witness Woolley's recommended disallowances, which vehicles and in what years he is recommending disallowances for.

Q48. Why does the Company disagree with Witness Woolley's recommended disallowances?

A48. First, the Company has already proposed a reduction to its Transportation Vehicles and Equipment capital expenditures by $2.0 million per year when compared to the 2022-2024 historical three-year average, as stated in my direct testimony. Second, while Witness Woolley attempts to evaluate the Company's fleet replacement practices, his analysis treats the Company's fleet as a uniform group and does not account for (a) the mix of different types of vehicles retired in any given year and (b), the condition or usage patterns of individual vehicles. (A), because Witness Woolley is evaluating the Company's fleet as a uniform group, he fails to consider the replacement timeline amongst specific vehicle types or classes. He states in his testimony, page 7 lines 12-14,

> "My analysis shows that the Company's planned retirements systematically accelerate vehicle turnover relative to recent practices."

However, if he were to look at the replacement practices of specific vehicle types or classes, he would see something different. For instance, Cargo Vans – which account for the largest number of vehicles by a specific type in the Company's fleet – have maintained consistency with recent practices. As illustrated by the table below, the planned replacements for cargo vans historically have occurred between three years past their useful life to almost six years past their useful life. The

Company's planned replacements for cargo vans will average four years, which falls squarely within our historical replacement practices.

Table 2. Cargo Van Replacements

	2022	2023	2024	2025	2026/2027
Average replacement years past useful life	3.7	5.6	4.6	4.6	4.1
No. of vehicles replaced	14	34	103	71	40

(B) Many of the Company's vehicles are deployed daily by field technicians and accumulate high driving mileage as they respond to service calls, emergency work, and geographically dispersed work. This level of continuous use results in significant wear and tear that accelerates mechanical degradation and shortens the practical service life of these vehicles. Operating vehicles that have exceeded their useful life or are in deteriorating condition presents safety risks not only to the employees who use them to perform their work, but also to the public. Vehicles used in utility operations must be dependable, capable of carrying specialized equipment or trailers, and safe to operate in all weather and road conditions.

Q49. Do you agree with Witness Woolley's recommendation that MPSC Staff should require studies relating to idling and electrification?

A49. No, the Company does not agree with Witness Woolley's recommendation that MPSC Staff should require the Company to conduct and present a comprehensive idling analysis or a fleet electrification plan. First, the Company already employs tools that actively monitor idling behavior across its fleet, including which vehicles

are idling, for how long, and at what locations. This information is used to coach employees on improper idling practices and reduce unnecessary idle time. However, many fleet vehicles must idle while on job sites to safely power tools and equipment required for field work, or to remain positioned for rapid response to emergency situations such as gas leak calls. These operational realities cannot be eliminated through additional studies.

Second, conducting the type of idling or electrification study envisioned by Witness Woolley would require the Company to hire an external consultant, as the Company does not have the internal resources to perform such an analysis. Moreover, the Company has already evaluated several electric vehicle options for different light-duty vehicle types. During discovery, the Company stated:

> "Based on internal field testing, the Company rejected Ford's electric transit van option because its performance in winter conditions impacted the vehicles' driving range and was insufficient for daily use. For Ford's F-150 Hybrid and Lightning electric pickup truck alternatives, the Company accepted both alternatives due to their performance offering sufficient driving range for daily use. Initially the Ford F-150 Lightning electric pickup truck was purchased and used but after 2023, the Company did not make any further purchases of F-150 Lightning electric pickup trucks because its performance in winter conditions impacted the vehicles' driving range and was insufficient for daily use."

Finally, the Company's fleet investment decisions must be guided by cost prudency and the ability to reliably execute its operational responsibilities, not by prescriptive

requirements to electrify or conduct studies that do not reflect the practical demands of utility field work.

Q50. Does this complete your rebuttal testimony?

A50. Yes, it does.

STATE OF MICHIGAN

BEFORE THE 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-21973

REBUTTAL TESTIMONY

OF

ERIC D. JANNESS

DTE GAS COMPANY
REBUTTAL TESTIMONY OF ERIC D. JANNESS

Line No.

Q1. Are you the same Eric D. Janness who previously offered testimony in this proceeding?

A1. Yes, I am.

Purpose of Testimony

Q2. What is the purpose of your rebuttal testimony?

A2. The purpose of my rebuttal testimony is to rebut:

1) The arguments made by the Attorney General (AG) Witness Coppola to:
   a) Set GRP portion of IRM at $255 million.
   b) Disallow $18.4 million of 2025 IRM capital expenditures;
   c) Terminate or shorten the IRM;
   d) Reject proposed additions to IRM scope, including cathodic protection, ultrasonic meter/bypass conversion, and regulator station replacement, and
   e) Apply a lower cost of capital to calculate the IRM surcharge. I will show that these proposals are unsupported and that the Company's expenditures and proposed IRM treatment are reasonable and prudent and should be approved.
2) The arguments made by the Michigan Environmental Council (MEC) Witness Napoleon to:
   a) Impose structural constraints on the Infrastructure Recovery Mechanism by asserting that IRM investments are not cost-effective, that eligibility criteria are unclear, that routine capital work is inappropriately included, and that IRM spending should be capped or subject to budget-based limitations;

b) Require IRM investments to be selected based on risk-reduction-per-dollar metrics and expanded consideration of non-pipeline alternatives; and

c) Reject inclusion of specific safety-driven programs from the IRM, including legacy services, Cathodic Protection, Ultrasonic Meter and by-pass device replacement, and the Regulator Station Replacement Program.

3) The arguments made by the Association of Businesses Advocating Tariff Equity (ABATE) Witness Fitzhenry to reduce the spend of the GRP by:

a) Reducing the cost per mile assumption for main replacement and

b) Eliminating legacy services, ultrasonic meters, and bypass devices.

4) The arguments made by Ann Arbor Witness Walsh to:

a) Diminish the benefit to emissions from the GRP and

b) Change the strategy for mitigating risks associated with leaks

5) The argument made by Michigan Public Service Commission (MPSC) Staff (Staff) Witness Creisher to reduce projected GRP expenditures in the nine months ending September 30th, 2026, down to $211,176,847 and the capital expenditures for the test year ending September 30, 2027, down to $64,937,616.

The absence of a discussion of other matters in my rebuttal testimony should not be taken as an indication that I agree with all other aspects of any Staff or intervenor testimony.

Q3. Are you sponsoring any rebuttal exhibits?

A3. I am sponsoring or supporting the following exhibits:

Exhibit	Schedule	Description
A-39	CC1	GRP Update: Direct Exhibit A-12, Sch B5.6

A-39	CC2	Discovery Response DGAG-2.5
A-39	CC3	Discovery Response MECCUBDG-11.4a

Rebuttal to the Attorney General

IRM Spending

Q4. Is AG Witness Coppola correct in stating, on page 144, line 16-17, that it is unclear why the Probabilistic Risk Assessment (PRA) model has resulted in increasing complexity?

A4. No. The PRA model is discussed extensively in my direct testimony in this proceeding (beginning on page 38, line 18) and was also discussed in the Company's last rate case. In my direct testimony in Case No. U-21291 – a case in which Witness Coppola provided testimony - beginning on page 25, line 6, I explained how the PRA assigns greater risk values to densely populated urban areas with impervious surfaces susceptible to underground gas migration. These areas inherently present greater design and construction complexity. The PRA's prioritization of these high-risk areas leads to faster risk reduction compared to previous approaches, thereby enhancing public safety. The Commission drove DTE Gas's development of the PRA with their 2016 order recommending that the Company seek the services of a risk expert to review the Company's risk model and main renewal/abandonment priority selection procedures. (See U-17999 Order at 53).

Q5. Is Witness Coppola correct when, beginning on page 144, line 17, he claims that complex projects are not a significant portion of the total projects completed each year?

A5. No. Witness Coppola's statement reflects an oversimplified view of how project complexity affects program costs. First, complex projects do not need to represent a majority of total projects to materially influence overall unit costs. As explained in my testimony, higher-complexity work is disproportionately concentrated in dense urban environments, larger-diameter mains, and locations requiring specialized construction methods and extensive restoration. These projects account for a meaningful share of total capital expenditures even when they represent a smaller share of total project count or mileage. A 2025 project such as Milwaukee Junction 2 that was designated high complexity accounted for roughly 3.5% of total program spend while only yielding about 0.4% of legacy miles retired. The presence of complex projects has a significant impact on unit costs regardless of whether they constitute the majority of projects completed in a given year. See also Exhibit A-39, Schedule CC3, which is the Company's discovery response to MECCUBDG-11.4a, which demonstrates how project complexity in 2025 drove cost increases from 2024.

Second, complexity is not limited to grids with a high complexity designation. This is an assumption made ahead of design in an effort spread out the complexity and balance program costs. Even projects without this designation have had a tendency to include complex portions of work driving up the average unit cost.

Q6. Is Witness Coppola's implication that the volume of MRP work DTE Gas is completing is leading to higher unit costs?

A6. No. Witness Coppola frames an argument, on page 145, lines 6 through page 146, line 8, that DTE Gas's work is leading to increased unit costs. However, Witness

Coppola provides no evidence supporting this assertion beyond, what he even refers to as, a "simple" supply-and-demand theory, as confirmed in Exhibit A-39, Schedule CC2, Discovery Response DGAG-2.5. However, DTE Gas maintains unit based contracts with major vendors that have known escalators and are periodically renegotiated. Increases in unit costs under the Gas Renewal Program are driven by the complexity and characteristics of the work performed, not by the volume of projects or permits executed. Elevated costs result from challenging underground conditions, extended construction durations, heightened coordination requirements, and increased regulatory and permitting obligations as the Company advances through the remaining legacy infrastructure. Higher permit-related costs reflect expanded municipal permitting and restoration requirements, including longer approval timelines, enhanced compliance obligations, and more extensive roadway and surface restoration standards particularly in dense and congested areas rather than an increase in the number of permits issued. Restoration scope and cost are dictated by municipal specifications and site-specific conditions, and do not expand simply because more work is performed.

Q7. Do DTE Gas's actual costs and milage provide evidence that higher milage is not associated with higher unit costs?

A7. Yes. Consistent with this, the Company's experience shows that even though overall mileage has declined, costs have increased due to project complexity and execution constraints, not volume. Accordingly, the record does not support Witness Coppola's conclusion that the quantity of GRP work being completed is the cause of higher unit costs. As discussed in my direct testimony on page 30, DTE Gas's miles retired fell from 224 in 2023 to 161 in 2025, yet the unit cost per

installed mile increased. This demonstrates that per unit costs are not driven by the volume of miles replaced. While this simplistic comparison does not account for differences in scope, it illustrates that cost increases are attributable to complexity rather than mileage.

Q8. Beginning on page 146, line 12 of his testimony, Witness Coppola asserts that there is no quantitative or qualitative basis for continuing the MRP at its current pace. Do you agree?

A8. No. Quantitative system risk analysis through the Probabilistic Risk Assessment measures system risk by evaluating the likelihood and consequence of failure and identifies the remaining legacy mains posing the highest risk. In addition, qualitative execution experience demonstrates that slowing the pace delays retirements of higher-risk infrastructure, extends system risk exposure, and disrupts the multi-year planning and execution necessary to deliver safety-driven infrastructure replacement. Reductions in the program pace do not produce proportional cost savings but instead defer risk mitigation and extend the overall program timeline. Maintaining the current pace of the MRP is necessary to continue systemically reducing system risk and advancing the safety and reliability objectives the Commission has consistently endorsed.

Q9. Is Witness Coppola's assertion, on page 148, line 14 through p 149 line 3, that delaying retirement of legacy mains isn't a concern?

A9. No. Witness Coppola misunderstands that retiring the mains in place is very different from delaying retirement. While DTE Gas does leave the mains in place when it retires them, it disconnects them from the system, and they no longer hold

gas. In some cases, depending upon municipal permitting and engineering requirements, mains may be filled with a flowable material. The difference is not simply "delaying switchover and reporting old mains as retired on the books of the company" as erroneously claimed by Witness Coppola. Rather, leaving mains with flowing gas is the safety risk, and delaying degassing the lines is a safety risk.

Q10. Is Witness Coppola's statement, on page 147, line 8, that DTE Gas spent $50 million in excess of its 2024 GRP plan supported by past Commission orders?

A10. No. To support this statement, Witness Coppola relies upon Exhibit A-12, Schedule B6.1. He uses this sheet to state DTE Gas exceeded approved IRM amounts. However, the "Planned" amounts on this sheet reflect only the amounts included in calculating the surcharge for the year at issue. The $255 million for the GRP and $21 million for MAC MMO were approved in U-20940 and used to calculate the IRM surcharges in that case. In case U-21291, DTE Gas supported a total GRP/MAC MMO amount of $329 million. The Commission adjusted this amount by $5 million resulting in a total of $324 million GRP/MAC MMO capital expenditures included in base rates in U-21291. DTE Gas included, on Exhibit A-12, Schedule B5.3, line 5, column b, $325.8 million for actual 2024 GRP/MAC MMO capital expenditures, in line with the amount approved in U-21291.

Q11. What is AG Witness Coppola's recommendation regarding the capital expenditures for the GRP portion of the IRM, beginning on page 147, lines 13–21 and page 148, lines 1–13 of his testimony?

A11. Witness Coppola recommends that the Commission restrain IRM spending by establishing a maximum amount for the GRP portion of the IRM with no possibility

of recovery for any expenditures above that amount. He asserts that IRM capital spending has become "unlimited and increasing" and contends that a budgetary constraint is necessary to impose discipline on program costs. Witness Coppola recommends basing the surcharge on expenditures of $255 million for the GRP. Witness Coppola characterizes this $15 million increase as a modest escalation from the prior approved level, so that any GRP spending above that amount would be non-recoverable through the IRM and would, in his view, incentivize cost control.

Q12. What is AG Witness Coppola's basis for asserting that the IRM spending is "unlimited and increasing"?

A12. Witness Coppola bases this assertion on comparisons of aggregate IRM spending levels over time. He does not evaluate those spending levels in relation to program scope, safety drivers, or the Commission-approved IRM framework.

Q13. How does AG Witness Coppola's arrive at his proposed $255 million Gas Renewal Program capital expenditures?

A13. Witness Coppola arrived at the $255 million expenditure level for the 2027 GRP using a simple inflation factor and the previous approved spend, which is insufficient to meet the program completion timeline of 2037. Witness Coppola's recommended capital expenditure limit is not derived from an assessment of GRP scope, risk prioritization, or execution needs. Witness Coppola's recommendation is not based on an evaluation of whether the Company's proposed GRP expenditures are reasonable and prudent under the Commission approved IRM framework. Rather, he has arbitrarily set a cap on capital expenditures and ignores

both the safety and reliability impacts of his recommendation, which would extend the program completion timeline beyond 2037. The Company's projected 2027 GRP capital expenditures, of $341.7 million, reflect the level of investment required to execute that program as proposed.

2025 Disallowance

Q14. What disallowances does AG Witness Coppola recommend based on preliminary 2025 reporting, beginning on page 149, line 19 and page 150 lines 1-12 of his direct testimony?

A14. Based upon preliminary 2025 reporting, AG Witness Coppola recommends a disallowance of $7.9 million on the GRP and $10.5 million on the Pipeline Integrity ("PI") program, for a total of $18.4 million above the amount approved for inclusion in the IRM surcharge in Case No. U-21291.

Q15. Has DTE Gas updated its 2025 figures since AG Witness Coppola developed those recommendations?

A15. Yes. after Witness Coppola developed his recommendations using preliminary data, DTE Gas finalized its 2025 actuals. They were prepared in mid-March 2026 as part of the March 31st IRM filing, and finalized at the end of March with the submission of the report. With this filing, DTE Gas determined that pipeline integrity expenditures included in the IRM were $25.5 million, rather than the $33.5 million included in AG-62.

Q16. Why does the $33.5 million figure in AG-62 not represent IRM PI spending?

A16. The $33.5 million cited in AG-62 (Page 7, Line 34) includes the total pipeline integrity expenditures, which includes both IRM and non-IRM PI expenditures. However, only $25.5 million of the total expenditures were completed as part of the IRM program.

Q17. How does DTE Gas differentiate between IRM and non-IRM PI expenditures?

A17. DTE Gas differentiates between IRM and non-IRM PI expenditures based on the Commission's IRM eligibility framework established in the Commission's order approving the original IRM in case No. U-16999, and as reiterated in my direct testimony on page 47 - 49. Items not on this list cannot be inlcuded as IRM PI expenditures. For example, pig trap upgrades, trap replacements, pigging equipment, stopple equipment and ultrasonic sensors for direct assessments are not eligible for recovery through the IRM. This framework is important because it prevents non-IRM work from being recovered through the IRM.

Q18. Why does AG Witness Coppola recommend the disallowance of these 2025 capital expenditures for the GRP and the PI programs?

A18. Witness Coppola does not believe any IRM expenditures in excess of the amount included in the surcharge should be recovered. He argues that this overspending is not sustainable and that it will negatively affect customer bill affordability.

Q19. Does the Company agree with the recommendation to disallow these used and useful 2025 capital expenditures for the GRP and PI programs?

A19. No. This recommendation does not comport with the Commission's direction in Case No. U-21291. In that case, the Commission, on page 77 of its order, found

the capital expenditures associated with overperformance beyond the levels authorized in the surcharge would be closely scrutinized for reasonableness and prudence. DTE Gas's IRM capital expenditures were not a result of overperformance. The table below is from DTE Gas's 2025 IRM filing.

Table 1. 2025 IRM Report Data

IRM Capital Expenditures	U-21291 2025 Target /1	2025 Actual Spend	Higher / (Lower) than 2025 Target
Gas Renewal Program /2	$ 287,545	$ 299,031	$ 11,486
Pipeline Integrity /4	23,060	25,520	2,460
Total	$ 310,605	$ 324,551	$ 13,946
Vehicle Depreciation		(3,583)	(3,583)
Annual Incentives		(2,277)	(2,277)
Adjusted Total	$ 310,605	$318,691	$8,086

Some confusion arises because the IRM surcharge does not include Vehicle Depreciation or Incentives. While these amounts are adjusted out when evaluating IRM expenditures against surcharge requirements, they are included when the capital expenditures are rolled into base rates. These amounts are appropriate for recovery in base rates, but it was established in Case No. U-16999 that these costs should not be included in determining if DTE Gas had met its spending requirements because when the program was started, the concern was that DTE Gas was not committed to the program. DTE Gas must spend more, in total, to meet its targets because these two items are not included in determining program spending compliance.

Q20. Why did DTE Gas's IRM expenditures exceed targets in 2025?

A20. There are two main drivers that led to DTE Gas's final 2025 capital expenditure levels. First, the exact amount that will be adjusted out for vehicle depreciation and annual incentives is not known until after the year is over and these amounts can be calculated. Second, given the size of the program and the nature of the projects, it is operationally imprudent, and at times practically impossible, to simply stop expenditures in ongoing projects at an arbitrary point to reach an exact number. For the PI program, these expenditures were necessary to bring ILI Expansion to a close in 2026. See my direct testimony on pages EDJ-57 through EDJ-58 and page EDJ-60 where I explain DTE Gas's proposed PI programs for 2025 and 2026 and its proposed spending for those years.

All of these 2025 expenditures are in service, used and useful and were reasonable and prudent. None of them were a result of DTE Gas trying to spend more than the amount in the IRM surcharge or from replacing more miles of pipeline than necessary. Furthermore, aside from claiming that DTE Gas spent more than the 2025 surcharge amount, Witness Coppola has not found that these used and useful capital expenditures were unreasonable or imprudent. Therefore, Witness Coppola's proposed disallowance of $18.4 million of 2025 capital expenditures (and resulting $18.4 write-off of used and useful utility plant) must be rejected.

Terminate or Shorten IRM

Q21. What is AG Witness Coppola's recommendation regarding the duration of the IRM beginning on page 150, lines 13-20; page 151 lines 1-13?

A21. AG Witness Coppola recommends that the Commission terminate the IRM after 2027 or, alternatively, limit the IRM to three years. He asserts that the IRM has not reduced the frequency of rate cases as originally intended, contends that

IRM-eligible capital expenditures can be reviewed more holistically in general rate cases, and expresses concern that the IRM adds complexity, reduces visibility and scrutiny relative to rate cases, and requires additional reconciliation proceedings.

Q22. Does the Company agree with AG Witness Coppola's recommendation to terminate or shorten the IRM, and would doing so be consistent with the IRM's purpose and design?

A22. No. The IRM is a Commission-approved cost-recovery mechanism designed to support the programmatic execution of safety- and integrity-driven investments that extend beyond a single rate case cycle. The IRM provides a structured framework for multi-year planning, annual reconciliation, and prudence review, allowing the Commission to maintain ongoing oversight of safety-driven infrastructure investment rather than relying solely on the timing of future rate cases. Terminating the IRM after 2027 or limiting it to a shorter duration would reintroduce regulatory lag and uncertainty into the recovery of ongoing safety investments and disrupt the coordinated, multi-year planning and execution of IRM-supported programs. Such an approach would impose an artificial endpoint unrelated to remaining program scope, system risk, or regulatory requirements, without a finding that continued IRM recovery is unnecessary or that the Company's proposed investments are imprudent. Furthermore, the 5-year IRM surcharge timeframe has been proposed and approved in the last six DTE Gas rate cases, beginning in Case No. U-16999, and AG Witness Coppola provides no convincing argument for changing this long-standing Commission approved regulatory construct.

IRM Program Expansion

Q23. What does AG Witness Coppola propose regarding the Company's proposal to expand the IRM to include additional programs?

A23. AG Witness Coppola recommends that the Commission reject the Company's proposal based upon his concern that the Company is continuing to expand the IRM while the advantages of the IRM can be achieved through general rate cases.

Q24. What is AG Witness Coppola's position regarding inclusion of Cathodic Protection in the IRM beginning on page 151, lines 14-20 and page 152, lines 1-6?

A24. Witness Coppola states that the Company proposed including Cathodic Protection in the IRM in Case No. U-21291 and the Commission rejected that proposal. Witness Coppola asserts that there is nothing new in this rate case that warrants a different outcome.

Q25. Do you agree with Witness Coppola's proposal to not include Cathodic Protection in the IRM?

A25. No, his argument ignores the changing circumstances I described in my direct testimony from page EDJ-73 to page EDJ-82. DTE Gas's Cathodic Protection proposal is very different from the proposal in the last case. For instance, a new PHMSA rule (PHMSA-2011-0023 for Repair Criteria, Integrity Management Improvements, Cathodic Protection, Management of Change, and Other Related Amendments) went into effect resulting in increased CP expenditures to cover mitigation stray current impacts and voltage from overhead power lines on pipelines in power corridors (aka AC Mitigation). In addition, DTE Gas is

proposing to implement a strategic program to address the following integrity issues:

(1) Multiple Year Down (MYD) segments that require alternative to anode installation to permanently restore cathodic protection and prevent corrosion (pipe replacement alternative)

(2) Remediation of 54,000 segments susceptible to active corrosion that were called out in a non-compliance but not covered under GRP

(3) Remediation of over 600 shorted casings that were called out in a non-compliance and require methods other than periodic monitoring by leak survey to ensure the integrity of the segments.

In addition, the assertion that the Company is merely repeating a proposal rejected in Case No. U-21291 ignores the fundamental purpose of the IRM and the essential role Cathodic Protection plays in pipeline integrity and public safety. Cathodic Protection is a foundational element of DTE Gas's long term strategy to ensure the safety, reliability, and environmental performance of its natural gas system. Except for MYD related work, these investments are required under federal and state safety regulations and are integral to the Company's pipeline integrity program—an area already recognized as appropriate for IRM treatment. Inclusion therefore aligns directly with the IRM's core purpose of supporting timely recovery of capital investments necessary to maintain system safety and operational integrity.

Including Cathodic Protection in the IRM provides a transparent, disciplined, and accountable framework for planning, executing, and reconciling these investments through annual review. This structure protects customers by tying the recovery to

actual expenditures and performance while ensuring dedicated funding to maintain minimum investment levels through 2031. That certainty is critical to sustaining the pace of renewal needed to reduce gas leaks and methane emissions and to support the transition from continued remediation to permanent replacement of MYD segments, which, although more capital intensive, delivers superior long-term safety and reliability benefits.

Consistent with prior Commission orders emphasizing prudent infrastructure investment, including Case Nos. U-16407 and U-18999, incorporating Cathodic Protection into the IRM complements existing IRM programs and strengthens the Company's comprehensive infrastructure renewal strategy. Absent IRM inclusion, DTE Gas cannot be assured it will be able to invest at the pace necessary to achieve the replacement levels proposed in this case, particularly for MYD segments. Accordingly, the Company's proposal is reasonable, supported by the record, and fully consistent with the Commission's stated goal of ensuring safe and reliable utility service. Furthermore, the certainty of cost recovery under the IRM allows the Company to enter into multiyear construction contracts for the proposed CP work elements, ultimately resulting in longer-term cost savings to customers.

Q26. What is AG Witness Coppola's position regarding the ultrasonic meters and bypass devices within GRP beginning on page 152, lines 7-13?

A26. AG Witness Coppola asserts that the Company has not presented a comprehensive plan for the ultrasonic meter and by-pass device replacement to justify undertaking it at this time and therefore recommends that these investments not be included in the IRM. He further states that, when the time comes, the Company can propose an

appropriate level of spending for inclusion in a general rate case rather than through the IRM. As discussed by Company Witness Jackson in her rebuttal testimony, beginning on page 13 line 15,

"The Company disagrees with Witness Coppola's assertion that a comprehensive program with full costs from inception to completion should have been presented in this case. As stated in my direct testimony, Q56 page 27, "The Company must address near-term module replacements and aging meters. We also need to determine how the new technology performs on a larger scale in the field and potential benefits before replacement of gaining infrastructure accelerate in the future." The Company will use the investment proposed in the instant case to gain that data and refine the proposal for inclusion in a future rate case for a full program recommendation on pace, duration and cost benefit impact to address the full population of meters."

Q27. Do you agree with AG Witness Coppola's recommendation to exclude ultrasonic meters and by-pass devices from the IRM?

A27. No. As explained in the testimony of Company Witness Jackson, the Company must replace aging diaphragm meters and associated communication modules with new meter technology, and ultrasonic meters represent the appropriate long-term replacement solution. Company Witness Jackson explains that the proposed ultrasonic meters and by-pass devices are planned to be installed through existing work streams, including the Gas Renewal Program, and that the projected capital expenditures reflect materials only, with no incremental labor required because crews are already on-site performing GRP work. Installing ultrasonic meters and by-pass devices in conjunction with GRP work avoids duplicative construction,

reduces the number of customer interruptions, and minimizes overall cost by eliminating the need for separate visits solely to replace metering equipment. Excluding these investments from the IRM would require the Company to either defer necessary meter modernization or undertake the same work outside of GRP, increasing customer disruption and system inefficiency.

Q28. What is AG Witness Coppola's position regarding the Regulator Station Replacement Program beginning on page 152, lines 14-16?

A28. AG Witness Coppola asserts that the Regulator Station Replacement Program has not been sufficiently justified for inclusion in the IRM and contends that the program can be addressed through a general rate case with proposed spending levels reviewed as part of base rates rather than through the IRM.

Q29. Do you agree with Witness Coppola's position regarding the Regulator Station Replacement Program

A29. No. Witness Coppola does not provide any substantive evidence in his testimony supporting the conclusion that the Regulator Station Replacement program is not justified. Instead, he simply states "This program also needs to be better justified". However, I have fully justified the Regulator Station Replacement program in my direct testimony, where I explained on pages 64-68, regulator stations are critical safety components of the gas distribution system, and therefore, in order to maintain safe and reliable service, it is necessary to mitigate overpressure and outage risks by upgrading or replacing regulator stations with legacy regulators, regulator stations without overpressure protection, and regulator stations with common-mode failure risks. The Regulator Station Replacement Program is a safety driven, capital

intensive program that is appropriately planned and executed on a multiyear, programmatic basis. Inclusion of this program in the IRM is consistent with the IRM's purpose of supporting timely execution of safety and integrity investments while providing annual planning, reconciliation, and Commission oversight.

Excluding the Regulator Station Replacement Program from the IRM would fragment recovery of related safety work and increase reliance on the timing of future rate cases, reintroducing regulatory lag and uncertainty into execution of necessary system improvements without a finding that such investments are unnecessary or imprudent. This program and the Company's position to include it in the IRM has been supported by the MPSC Staff in Witness Creisher's testimony because it meets the core principles of the IRM to ensure investment for accelerated replacement programs that are necessary for the safety and reliability of the Company's natural gas system.

Rebuttal to MEC

IRM eligibility, risk-based evaluation and NPAs

Q30. What is MEC Witness Napoleon's position regarding the IRM and the Gas Renewal Program beginning on page 75 of her testimony?

A30. MEC Witness Napoleon contends that IRM investments are not cost-effective because projects are not selected based on risk reduction per dollar spent. She also states that the criteria for what types of projects qualify for IRM treatment is unclear and that the utility has incentives to include routine projects in the IRM. She further asserts that DTE does not adequately consider non-pipeline alternatives ("NPAs") to IRM expenditures.

Q31. Do you agree with MEC Witness Napoleon's assertion that IRM eligibility criteria are unclear and that the Company has incentives to include routine work in the IRM?

A31. No. This characterization does not reflect how IRM programs are established or reviewed and demonstrates Witness Napoleon's clear lack of understanding of the long regulatory history of the IRM. The IRM is not an open-ended category for routine capital work. The programs included in the IRM are specifically identified by the Company, described in testimony, and reviewed by intervenors and the Commission in each rate case. The Commission determines which programs qualify for IRM treatment and at what funding levels. This established review process makes it clear that the Company cannot unilaterally add routine work to the IRM.

Q32. Do you agree with MEC Witness Napoleon's assertion that IRM and GRP investments lack cost-effectiveness and discipline?

A32. No. The IRM is a Commission-approved mechanism designed to support the programmatic execution of safety- and integrity-driven investments that address the highest-risk portions of the gas system. IRM investments are subject to annual planning, reconciliation, and Commission oversight. The record does not support the conclusion that the IRM lacks discipline or appropriate review.

Q33. Why are GRP projects prioritized based on highest risk rather than lowest cost or risk-per-dollar metrics?

A33. The Gas Renewal Program is designed to eliminate legacy infrastructure that poses the greatest safety risk as quickly as practicable. Higher risk legacy mains

frequently occur in dense or complex environments that are more costly to remediate. Selecting projects primarily based on cost per dollar metrics would defer or exclude high risk assets and undermine the program's core safety objective of risk elimination. MEC Witness Napoleon's proposed risk per dollar metrics would actually force DTE Gas to avoid or delay work in the City of Detroit and other older urban communities in favor of less dense suburban and rural communities.

Q34. How does the Company respond to MEC Witness Napoleon's claim that it does not adequately consider non-pipeline alternatives?

A34. The Company considers alternatives where they can be demonstrated to meet project requirements while maintaining safety and service obligations. However, IRM supported investments address physical safety risks associated with legacy infrastructure where gas service must continue to be provided. In those circumstances, non-pipeline alternatives that reduce demand do not substitute for replacing high risk legacy assets. When the Main Renewal Program (now a part of the GRP) was originally established, DTE Gas targeted retiring 15 miles of main without replacement annually. These miles were no longer needed to serve customers due to population and load decreases over time in certain areas. DTE Gas retired 15 miles annually until 2016, at which point the Company could not identify additional pipeline mileage that could be retired without negatively impacting the reliability of the distribution system.

Q35. Why are non-pipeline alternatives not a universal substitute for GRP main replacement?

A35. NPAs may affect demand or operational conditions, but they do not eliminate the physical safety risks associated with aging legacy materials where infrastructure remains in service. As I explained in my rebuttal testimony in Case No. U-21291, since the goal of the GRP is to replace leak-prone pipe, energy efficiency or demand response would not change the need for that investment where customers continue to rely on gas service.

Q36. Why is replacement necessary even where repairs or other mitigations are available?

A36. Repairs and short-term mitigations address isolated conditions but do not eliminate the underlying risks associated with legacy materials that are prone to corrosion, cracking, and joint failure. Replacement permanently removes the legacy material and provides the long-term safety benefit that the GRP is designed to achieve.

Q37. How do these conclusions relate to MEC Witness Napoleon's broader proposal to constrain IRM execution?

A37. MEC Witness Napoleon's proposals to impose cost-per-dollar selection metrics, expand substitution of non-pipeline alternatives, or restrict IRM eligibility would defer safety-driven replacement of high-risk legacy infrastructure. The record does not support replacing the IRM's risk-based framework with approaches that do not eliminate the underlying physical safety risks addressed by the Gas Renewal Program.

IRM Program Expansion

Q38. What specific changes does MEC Witness Napoleon recommend with respect to IRM-supported programs?

A38. MECB Witness Napoleon, beginning on page 80 of her direct testimony, recommends that certain programs and activities be excluded from the IRM, including the Cathodic Protection Program, the Regulator Station Replacement Program, and legacy service renewals proposed as part of the Gas Renewal Program. She contends that "DTE [Gas] should allocate sufficient resources to system improvements regardless of the cost recovery methodology."

Q39. Do you agree that these programs should be excluded from the IRM and funded through base rates instead?

A39. No. These programs address safety and reliability risks that require consistent, programmatic execution. As explained in my direct testimony, the IRM is designed to support accelerated and sustained investment in such programs through Commission-approved targets and annual reconciliation. Whether an activity could technically be recovered through base rates does not resolve whether IRM treatment is appropriate to ensure timely and disciplined execution. In addition to the rebuttal discussed below, please also refer to my rebuttal testimony above on similar arguments proposed by AG Witness Coppola.

Q40. Why is Cathodic Protection appropriate for inclusion in the IRM?

A40. The Cathodic Protection Program addresses corrosion risks that directly affect system integrity and public safety. As described in my direct testimony, the proposed IRM treatment ensures minimum annual investment levels, improves

transparency through unit and cost tracking, and aligns prioritization with risk and compliance deadlines.

Q41. Why is Regulator Station Replacement appropriate for inclusion in the IRM?

A41. Regulator station replacements address aging pressure-regulating facilities that present system-level safety and reliability risks if not systematically replaced. Inclusion in the IRM supports coordinated planning, consistent execution, and Commission oversight of these investments. MEC Witness Napoleon does not dispute the safety purpose of regulator station replacement but instead questions the cost recovery mechanism.

Q42. Why are legacy service renewals appropriately included within the Gas Renewal Program and supported through the IRM?

A42. Legacy service renewals address aging metallic service lines that are prone to leaks and failures and are often replaced in coordination with main renewal and meter relocation work. Including these renewals within the GRP and supporting them through the IRM allows for efficient, programmatic replacement of high-risk infrastructure under Commission-approved targets and reporting. MEC Witness Napoleon does not dispute the safety purpose of legacy service renewals but questions whether IRM treatment is necessary.

Q43. Does MEC demonstrate that excluding these programs from the IRM would improve safety outcomes or reduce long-term risk?

A43. No. MEC Witness Napoleon's proposal focuses on cost recovery form rather than on how best to ensure timely mitigation of known safety risks. Excluding these

programs from the IRM would not eliminate the need for the work and could undermine the programmatic structure that supports consistent investment and accountability.

Rebuttal to ABATE

Cost of the Gas Renewal Program

Q44. What is Witness Fitzhenry proposing for the GRP program?

A44. Witness Fitzhenry is proposing significant reductions to GRP's main replacement ranging from $89.8M to $112M per year during the period 2026 to 2031. This proposal is based on utilizing the cost per mile from 2024 and an inflation factor of 2.5% then applying this new cost per mile to the proposed miles per year.

Q45. Why does Witness Fitzhenry propose a reduction to the cost of the GRP?

A45. On page 11, lines 13 - 21 and page 12, lines 1 -16 of Witness Fitzhenry's testimony, he puts forward two concerns regarding the DTE Gas proposal.

1. There is a lack of evidence supporting the increase in cost, particularly related to the increasing complexity of the work the program is doing
2. There is mathematical inconsistency in the application of inflationary cost drivers

Q46. Does the Company agree with Witness Fitzhenry's proposal for the GRP?

A46. No. There are several concerns with Witness Fitzhenry's proposal to reduce the spend of the GRP:

1. Witness Fitzhenry's is completely ignoring the increasing cost drivers described in detail in my direct testimony. Actuals for 2025 were provided

in discovery and can be found in Exhibit A-39 Sch CC1 accompanying this testimony. The cost per mile in 2025 of $1,405 has already surpassed the cost per mile Witness Fitzhenry proposes, despite several initiatives to improve program efficiency.

2. There is no mathematical inconsistency with the DTE Gas proposal. The annual 2-3% inflationary pressures referenced in testimony were only a portion of the overall cost of the program, so it is reasonable that there would be a cost per mile increase of 5% over 3 years. There is, however, mathematical concern in Witness Fitzhenry's Table CTF-3. The table assumes replacing the DTE Gas proposed cost per mile from 2026 -2031 with the 2024 actual cost per mile plus a 2.5% inflation adjustment. If correctly applied to the proposed number of miles installed, the assumption should result in a reduction of $55M to $88M per year during the period 2026 to 2031, which is lower than the $90 million to $112 million calculated by Witness Fitzhenry.
3. The proposal to reduce GRP spend so significantly would slow the pace of the program, ultimately delaying the project completion date and thereby increase the risk of potential failures that could impact the safety of customers and overall reliability of the system. Please also refer to my rebuttal testimony of AG Witness Coppola, who also proposed an unsupported reduction to GRP expenditures.

Legacy Services, Ultrasonic Meters, and Bypass Manifolds

Q47. What is Witness Fitzhenry's proposal regarding Legacy Services, Ultrasonic Meters, and Bypass Devices?

A47. Witness Fitzhenry proposes to remove all costs for legacy services, ultrasonic meters, and bypass devices.

Q48. Does Witness Fitzhenry provide any support for the removal of ultrasonic meters and bypass devices?

A48. No. There is no support in Witness Fitzhenry's testimony for the removal of the ultrasonic meter and bypass device costs.

Q49. Why does Witness Fitzhenry propose to remove all cost for legacy services?

A49. On page 12, lines 19 - 23 and page 13, lines 1 -16 of Witness Fitzhenry's testimony, he claims this proposal conflicts with regulatory guidance and that non-pipe alternatives could mitigate the risk associated with these services. He also claims that the current level of investment is already effective according to the leak data in Table CTF-1.

Q50. Does the company agree with Witness Fitzhenry's proposal to remove all costs for Ultrasonic Meters and Bypass devices?

A50. No. The Company does not agree with Witness Fitzhenry's proposal to remove all costs for Ultrasonic Meters and by-pass devices from the IRM. As discussed in my direct testimony, page 37 lines 13-23, including these costs as part of the GRP would allow for operational efficiencies in the implementation of these devices and reduce the impact to customers. Additionally, as discussed by Company Witness Jackson in her rebuttal testimony, beginning on page 12 line 23,

"…the Company plans to install ultrasonic meters through the GRP when crews are already performing meter move outs or when renewing / impacting existing gas

services. Leveraging GRP in this way avoids multiple return trips to the same location and impacting customers more than once. Installing ultrasonic meters during planned GRP work is the most efficient and cost-effective approach, and therefore the associated installation costs should be appropriately included within the IRM."

Q51. Does the Company agree with Witness Fitzhenry's proposal to remove all cost for legacy services?

A51. No. The cost of addressing these legacy services is not incremental but rather an extension of the existing MMO portion of the GRP program. Existing resources would be redeployed to renew legacy services at the conclusion of moving out all feasible inside meters that are not on legacy main in the Southeast territory. The data referenced by Witness Fitzhenry in Table CTF-1 does not show a significant improvement in the trend of corrosion related leaks to services. From 2020 to 2024 there is a 7.3% improvement in corrosion related leaks on services compared to a 25.9% improvement of the same on mains. If anything, this highlights the effectiveness of proactive main replacement work and supports the proposal to target legacy services. While non-pipeline alternatives can be considered, they are not a dependable solution to the mitigation of this risk as they are dependent on customer adoption.

Rebuttal to Ann Arbor

Emissions reductions through the Gas Renewal Program

Q52. What is Witness Walsh proposing regarding the GRP?

A52. Witness Walsh claims, page 28, beginning on line 9, that emissions reductions based on changes in pipe material inventory, in lieu of actual measured or observed reductions, should have little weight as evidence and justification for the GRP. Also Witness Walsh proposes that the Commission should re-evaluate the strategy of infrastructure replacement as it should be considering electrification.

Q53. Why does Witness Walsh claim that emissions reductions based on changes in pipe material inventory, in lieu of actual measured or observed reductions, should have little weight as evidence and justification for the GRP?

A53. Witness Walsh explained that DTE Gas's current emissions calculations are based on the change in material pipe inventory and utilize an emissions factor. Instead, the use of direct measurement would yield more accurate results.

Q54. Why does Witness Walsh propose that the Commission should re-evaluate the strategy of infrastructure replacement?

A54. Witness Walsh explains that the social impact of methane leaked from a cast iron main over 20 years is about $156,000 whereas the average cost to replace that same mile of main is $1.6M. So, from a pure emission mitigation perspective, main renewal is not a cost-effective solution.

Q55. Does the Company agree with Witness Walsh's proposal?

A55. No. The strategy for the GRP is based on improving the safety and reliability of the distribution system. While reduced emissions are an important benefit, it is not the only benefit of the program. Also, the program's scope is defined by the PRA risk model that was recommended by the Commission. So, the method of measuring

emissions benefit would not change the approach to the GRP. See Witness Decker's rebuttal testimony for additional discussion on pipe material inventories and emission factors.

Rebuttal to Staff

Proposed Expenditures for the Gas Renewal Program

Q56. What is Witness Creisher proposing regarding the GRP?

A56. Witness Creisher is proposing to reduce the capital expenditures for the nine months ending September 30, 2026, down to $211,176,847 and the capital expenditures for the test year ending September 30,2027 down to $64,937,616.

Q57. Why does Witness Creisher propose these reductions to the GRP capital expenditures?

A57. Witness Creisher recommends the cost per mile in 2026 for southeast Michigan to be $2,200,000 as opposed to the $2,388,000 originally filed. This reduction along with no change in total mileage results in the recommended total expenditure reductions.

Q58. Does the Company agree with Witness Creisher's proposal?

A58. No. The proposal by Witness Creisher would put program expenditures below what was approved in U-21291 for GRP expenditures. The initial assumptions for cost per mile in 2025 and 2026 were high due to risks with a number of complex projects in the short term and not wanting to overcommit miles and risk significantly exceeding the approved spend. As these risks were resolved and several efficiencies realized, additional miles were added to scope in 2025 resulting in a lower cost per

mile. The same is planned for 2026 as shown in the accompanying Exhibit A-39 Sch CC1.

If the Commission does adopt Witness Creisher's proposal for lower projected capital expenditures in 2026, then DTE Gas would anticipate exceeding GRP capital expenditures reflected in the IRM surcharge (assuming the miles remain unadjusted). The incremental expenditures would be a result of increasing costs, regardless of the assumptions made when setting rates.

Q59. Does this complete your rebuttal testimony?

A59. Yes, it does.

STATE OF MICHIGAN

BEFORE THE 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-21973

REBUTTAL TESTIMONY

OF

SCOTTY N. KEHOE

DTE GAS COMPANY
REBUTTAL TESTIMONY OF SCOTTY N. KEHOE

Line No.

Q1. Are you the same Scotty N. Kehoe who previously offered testimony in this proceeding?

A1. Yes, I am.

Purpose of Testimony

Q2. What is the purpose of your rebuttal testimony?

A2. The purpose of my testimony is to rebut the arguments made by:

1. Attorney General (AG) Witness Coppola's and Citizens Utility Board of Michigan (CUB) Witness Menghaney's proposals to exclude certain O&M Expenses for Pipeline Integrity
2. Attorney General (AG) Witness Coppola's and Citizens Utility Board of Michigan (CUB) Witness Veerapaneni's proposals to exclude certain O&M Expenses for Transmission Right of Way (ROW) Maintenance
3. Attorney General (AG) Witness Coppola's, ABATE Witness Fitzhenry, and Citizens Utility Board of Michigan (CUB) Witness Veerapaneni's proposals to exclude certain O&M Expenses for Advanced Leak Detection
4. Attorney General (AG) Witness Coppola's and Michigan Public Service Commission (MPSC) Witness Martus' proposals to exclude certain O&M Expenses for Gas Leak Repair
5. Attorney General (AG) Witness Coppola's and Citizens Utility Board of Michigan (CUB) Witness Veerapaneni's proposals to exclude certain O&M Expenses for Gas Leak Survey/ Work Management

Line No.

6. Attorney General (AG) Witness Coppola's and Citizens Utility Board of Michigan (CUB) Witness Veerapaneni's proposals to exclude certain O&M Expenses for Damage Prevention
7. Attorney General (AG) Witness Coppola's and Citizens Utility Board of Michigan (CUB) Witness Veerapaneni's proposals to exclude certain O&M Expenses for Staking Leadership
8. Attorney General (AG) Witness Coppola's and Citizens Utility Board of Michigan (CUB) Witness Veerapaneni's proposals to exclude certain O&M Expenses for Regulator Station Replacement Program (RSRP)
9. Attorney General (AG) Witness Coppola's and Citizens Utility Board of Michigan (CUB) Witness Veerapaneni's proposals to exclude certain O&M Expenses for Gas Refresher Training
10. Citizens Utility Board of Michigan (CUB) Witness Veerapaneni's proposal to exclude certain O&M Expenses for Pipeline Markers
11. Citizens Utility Board of Michigan (CUB) Witness Veerapaneni's proposal to exclude certain O&M Expenses for MISS DIG Ticket Volume
12. Citizens Utility Board of Michigan (CUB) Witness Veerapaneni's proposal to exclude certain O&M Expenses for Labor Negotiations
13. Citizens Utility Board of Michigan (CUB) Witness Veerapaneni's proposal to exclude certain O&M Expenses for Transmission Painting

The absence of a discussion of other matters in my testimony should not be taken as an indication that I agree with all other aspects of intervenor testimony.

Q3. Are you sponsoring any rebuttal exhibits?

A3. I am sponsoring or supporting the following exhibit:

Exhibit	Schedule	Description
A-42	FF1	Discovery Response AGDG-6.231a

Pipeline Integrity

Q4. Beginning on page 105, line 11 of AG Witness Coppola's direct testimony, what is the recommended disallowance for Pipeline Integrity?

A4. Witness Coppola recommended a disallowance of $4.7 million for the projected test year.

Q5. Why is AG Witness Coppola recommending the disallowance of Pipeline Integrity expenses?

A5. Witness Coppola stated that the Company did not provide specific costs for the digs planned per project and that the forecasted expenses could not be confirmed. Therefore, Witness Coppola calculated a historical average cost per assessment adjusted for inflation of $2,491,000 for 2026 and $2,548,000 for 2027. Witness Coppola multiplied the respective cost per assessment by the number of projects in the projected test year.

Q6. AG Witness Coppola stated that the Company did not associate specific costs to the number of digs and lack of information for each work activity. Is this correct?

A6. No. Contrary to AG Witness Coppola's assertion, the Company did provide extensive detail of the assessment type, assessment cost, remediation costs (dig costs), and number of digs for every Pipeline Integrity project from 2022 through

2027. In fact, this detail is shown in AG Witness Coppola's Exhibit AG-42 (which is a copy of the Company's response to AGDG-6.220b). Therefore, the basis of AG Witness Coppola's argument is unfounded.

Q7. Is an average cost per assessment appropriate for calculating forecasted Pipeline Integrity expenses?

A7. No. The pipeline integrity budget includes costs other than pipeline assessments as shown in Company's response AGDG-6.220b. Merely taking the total spend for the year and dividing by the number of assessments to get an average assessment cost is incorrect. As described in my direct testimony, the costs of pipeline assessments are increasing because more assessments are being completed using ILI and an increased amount of remediation is being performed due to the MEGA Rule part 2 updated repair criteria. The costs of ILI assessments can greatly vary due to the different types of ILI tools that are needed for each assessment based on the characteristics of the pipeline being assessed, and the number of remediation digs anticipated for each year, as well as digs from prior years assessments (one year and two-year scheduled digs per regulation). For example, as shown in AGDG-6.220b in the year 2025, the assessment for the Ann Arbor pipeline cost $0.8M and the remediation costs $2.0M. On the other hand, the assessment for the Van Born pipeline was more expensive at $1.2M but the remediation was less at $0.3M. This example illustrates the point that each pipeline assessment should be considered a standalone project with its own specific spend instead of averaging the cost of all assessments to determine what each assessment should cost. Furthermore, pipeline assessments are on a frequency prescribed by federal and state safety regulations which require that DTE Gas assess its pipelines no later than

every seven years. Additionally, the number of pipeline assessments scheduled for each year is also influenced by possible operational impacts—namely, ensuring that the outages caused by the assessments will not overly restrict the system in meeting contractual gas supply and delivery obligations. Therefore, AG Witness Coppola's proposed disallowance based on historical average costs does not account for the changing regulations or large ILI assessment scope and should be rejected.

Q8. Beginning on page 23, line 10 of CUB Witness Menghaney's direct testimony, what is the recommended disallowance for Pipeline Integrity?

A8. Witness Menghaney recommended a disallowance of $18.7 million for the projected test year.

Q9. Why is CUB Witness Menghaney recommending the disallowance of Pipeline Integrity expenses?

A9. Witness Menghaney believed it was reasonable to conduct the same number of inspections or mileage of pipeline every year. Witness Meghaney recommended using a four-year historical (2022-2025) annual average for the projected test year.

Q10. Is CUB Witness Menghaney's proposal to limit pipeline integrity expenses in the projected test period to a four-year historical average appropriate?

A10. No. It is not reasonable to ILI the same number of pipelines every year because pipeline assessments are on a frequency prescribed by federal and state safety regulations which require that DTE Gas assess its pipelines every seven years. Additionally, the number of pipeline assessments scheduled for each year is also influenced by possible operational impacts—namely, ensuring that the outages

caused by the assessments will not overly restrict the system in meeting contractual gas supply and delivery obligations. As described in my direct testimony, the costs of pipeline assessments are increasing because more assessments are being completed using ILI and an increased amount of remediation is being performed due to the MEGA Rule part 2 updated repair criteria. The costs of ILI assessments can greatly vary due to the different types of ILI tools that are needed for each assessment based on the characteristics of the pipeline being assessed, and the number of remediation digs anticipated. Therefore, CUB Witness Menghaney's proposed disallowance based on historical average costs does not account for the changing regulations or large ILI assessment scope and should be rejected. In addition, the proposed $18.7M for the projected test period would cause the Company to be out of compliance with the assessments required in 2026 and 2027.

Q11. Are there other reasons why CUB Witness Menghaney is recommending the disallowance of Pipeline Integrity expenses?

A11. Witness Menghaney states the Company has discretion to use DA instead of ILI and that the Company does not justify the increase as necessary to meet federal requirements.

Q12. Do you agree with Witness Menghaney's statement that the Company did not justify the increased use of ILI to meet federal requirements?

A12. No. DTE Gas Witness Janness, on page 51-52 in his direct testimony, fully describes regulatory drivers for the ILI expansion program, including a 2015 safety report by the National Transportation Safety Board (NTSB) on "Integrity

Management of Gas Transmission Pipelines in High Consequence Areas" and associated industry recommendations.

Q13. Do you agree with CUB Witness Menghaney's statement that the Company has discretion to use DA instead of ILI?

A13. No. Once a pipeline has previously been assessed with ILI, as most of our pipelines already have, as a prudent operator, performing DA on those pipelines in the future instead of ILI would be irresponsible and counter to the regulatory drivers. Pipelines are required to be assessed by methods that address the applicable threats to those pipelines per CFR 192.917, CFR 192.923 and ASME B31.8S. DA only addresses potential corrosion issues on a small portion of the pipeline and does not for example assess long seam threats on vintage pipeline as compared to ILI that assesses more potential threats on the entire pipeline. By completing DA in place of ILI, the company risks not identifying potential points of failure on pipelines which could result in a significant pipeline event leading to serious injury, fatality, or substantial system reliability.

Transmission Right of Way (ROW) Maintenance

Q14. Beginning on page 11, line 1 of AG Witness Coppola's direct testimony, what is the recommended disallowance for Transmission Right of Way (ROW) Maintenance?

A14. Witness Coppola recommended a disallowance of $4.0 million for the projected test year.

Q15. Why is AG Witness Coppola recommending the disallowance of Transmission Right of Way (ROW) Maintenance?

A15. Witness Coppola stated that the Company's maintenance activity has not been consistent and the forecasted miles of mechanical brushing and cost per mile are too high. Witness Coppola proposes utilizing a $10,000 per mile cost and 200 miles of mechanical brushing for the projected test year.

Q16. Does the Company agree with Witness Coppola's recommendation?

A16. No. The Company disagrees that the forecasted ROW maintenance miles and cost per mile are too high. The Company acknowledges that the cost per mile of ROW maintenance is increasing compared to the Historical Test Year. The Company is accelerating the completion of a baseline ROW management effort to establish a continuous cycle of ROW maintenance. The cost per mile of ROW maintenance will vary based on the geographic area and brushing needs of the ROW, including cutting of trees, mowing of vegetation and removal of canopies. In evaluating the areas in most need of mechanical brushing, the Company anticipates an increased cost per mile of ROW maintenance. This is due to a higher amount of large tree removal, and extensive brush growth removal. The projected test year expense is based on the miles of mechanical brushing, spraying, and canopy management needed to support the program. Without appropriate cost per mile funding, the company will be required to perform dramatically less miles of ROW maintenance, or prioritize away from the most densely effected areas of brushing. This will increase the difficulty of future ROW maintenance and diminish accessibility to these access points to the Company's facilities. Without reliable and unimpeded

access, DTE Gas will be less able to meet current regulatory required maintenance and will experience unnecessary delays in responding to emergency events.

Q17. Beginning on page 23, line 10 of CUB Witness Veerapaneni's direct testimony, what is the recommended disallowance for Transmission Right of Way (ROW) Maintenance?

A17. Witness Veerapaneni recommended a disallowance of $5.0 million for the projected test year.

Q18. Why is CUB Witness Veerapaneni recommending the disallowance of Transmission Right of Way (ROW) Maintenance expenses?

A18. Witness Veerapaneni stated there has been no change in ROW maintenance requirements and that the Company should be able to meet those requirements with existing cost recovery so there is no justification for the increased ROW expense.

Q19. Does the Company agree with Witness Veerapaneni's recommendation?

A19. No. First, CUB Witness Veerapaneni provides no evidentiary support for his statement that the Company can meet ROW requirements at existing expense levels. As stated in my direct testimony, DTE Gas is increasing the number of miles of ROW maintained annually to enable safer access to pipelines for code required maintenance tasks. It is illogical that the Company can achieve more miles with the same expense level. Second, CUB Witness Veerapaneni's other argument is that there hasn't been a change in requirements, but he fails to acknowledge the benefits of the ROW program, including unimpeded access for any required repairs, investigations, surveys and routine monitoring activities that

are required for the safe and reliable operation of the Company's transmission assets. Without the requested funds to establish a continuous cycle of mechanical brushing and spraying (herbicide treatment), the Company risks impeded access to pipeline facilities in the event of an emergency or need for regulatory compliant work.

Advanced Leak Detection

Q20. Beginning on page 110, line 5 of AG Witness Coppola's direct testimony, what is the recommended disallowance for Advanced Leak Detection?

A20. Witness Coppola recommended a disallowance of $9.0 million for the projected test year.

Q21. Why is AG Witness Coppola recommending the disallowance of Advanced Leak Detection expenses?

A21. Witness Coppola stated that no final rule mandating an expanded leak detection ruling program has been issued by PHMSA and there is no significant incremental benefit identified for Advanced Leak Detection. Absent of a final rule from PHMSA, Witness Coppola states that the Company should continue with the current leak detection program.

Q22. Beginning on page 17, line 8 of CUB Witness Veerapaneni's direct testimony, what is the recommended disallowance for Advanced Leak Detection?

A22. Witness Veerapaneni recommended a disallowance of $9.0 million for the projected test year.

Q23. Why is CUB Witness Veerapaneni recommending the disallowance of Advanced Leak Detection expenses?

A23. Witness Veerapaneni stated that the Company should wait for a final PHMSA order before implementing an Advanced Leak Detection Program.

Q24. Beginning on page 21, line 8 of ABATE Witness Fitzhenry's direct testimony, what is the recommended disallowance for Advanced Leak Detection?

A24. Witness Fitzhenry recommended a disallowance of $9.0 million for the projected test year.

Q25. Why is ABATE Witness Fitzhenry recommending the disallowance of Advanced Leak Detection expenses?

A25. Witness Fitzhenry stated that the additional funding for Advanced Leak Detection is not justified by current operational data or regulatory requirements.

Q26. Does the Company agree with Witness Coppola, Witness Veerapaneni, and Witness Fitzhenry's recommendations?

A26. No. Each of these witnesses base their proposal on the still pending final PHMSA regulations. However, as stated in my testimony on page SNK-90, The Company believes that Advanced Leak Detection technology is beneficial to customers and should be incorporated into the existing system regardless of the outcome of NPRM. Advanced Leak Detection promotes a proactive leak detection process and is more prudent than reactively responding. Advanced Leak Detection technology utilizes more sensitive equipment and identifies more existing leaks earlier compared to traditional leak detection. Identifying and repairing these leaks that

would not have been identified with traditional leak survey improves the safety and reliability of the system for customers. This is a benefit to customers regardless of the PHMSA requirement and is therefore a prudent use of rate recovery.

Leak Repair

Q27. Beginning on page 111, line 6 of AG Witness Coppola's direct testimony, what is the recommended disallowance for Leak Repair?

A27. Witness Coppola recommended a disallowance of $4.0 million for the projected test year.

Q28. Why is AG Witness Coppola recommending the disallowance of Leak Repair expenses?

A28. Witness Coppola stated that the 2027 forecasted leak repair expense should be similar to the 2026 forecast.

Q29. Do you agree with Witness Coppola's recommendation?

A29. No. The incoming leak forecast is based on a three-year survey cycle with a unique geographical survey area annually. Therefore, basing 2027 expenses on the 2026 forecast is not appropriate because geographic areas for those two years are significantly different. Rather, the 2027 survey area is the same as the 2024 survey area, making the 2024 O&M expense of $11.1 million an appropriate baseline for the 2027 forecast. This disallowance would limit the Company's ability to proactively address non-hazardous leaks, leading to an increased risk of the leaks becoming hazardous in the future and increasing lost gas potential.

Q30. Beginning on page 5, line 3 of MPSC Witness Martus' direct testimony, what is the recommended disallowance for Leak Repair?

A30. Witness Martus recommended a disallowance of $1.4 million for the projected test year.

Q31. Why is MPSC Witness Martus recommending the disallowance of Leak Repair expenses?

A31. Witness Martus stated that the calendar years 2023 and 2025 Leak Repair O&M expense was lower than calendar year 2024. Witness Martus recommended utilizing a 3-year historical average for the test period.

Q32. Do you agree with Witness Martus' recommendation?

A32. No. As discussed previously, the Company has a three-year survey cycle with a distinct annual geographic area. A 3-year historical average, which includes 2023 and 2025, is not appropriate as it utilizes incoming survey leak data from a different survey area than is planned for 2027. As discussed in my rebuttal testimony in A32 above, a disallowance would limit the Company's ability to proactively address non-hazardous leaks.

Gas Leak and Work Management Systems Training Expense

Q33. Beginning on page 112, line 4 of AG Witness Coppola's direct testimony, what is the recommended disallowance for Gas Leak and Work Management Systems Training?

A33. Witness Coppola recommended a disallowance of $1.5 million for the projected test year.

Line No.

Q34. Why is AG Witness Coppola recommending the disallowance of Gas Leak and Work Management Systems Training expenses?

A34. Witness Coppola agreed that the $1.8 million of external resources to implement the training expenses was necessary. Witness Coppola claims that the $1.5 million of internal resources that will be trained is not incremental to the Historical Test Period.

Q35. Is AG Witness Coppola's claim that the $1.5 million of internal training costs are not incremental to the Historical Test Period accurate?

A35. No. The internal resources include both the time of the trainers and the time of the employees being trained. This training does not replace the hours spent in customer driven or regulatory compliant field work. This training is in addition to the normal Gas Field work. Therefore, the hours and cost associated with this training are incremental. Without training on the new systems, Gas field employees cannot be dispatched work, complete work orders in the field, create work orders for emerging jobs, or update field conditions in the system. This would lead to significant delays or even work stoppages for critical field work including Gas leak response, meter maintenance, leak identification and repair, and customer-initiated work.

Q36. Beginning on page 16, line 4 of CUB Witness Veerapaneni's direct testimony, what is the recommended disallowance for Gas Leak and Work Management Systems Training?

A36. Witness Veerapaneni recommended a disallowance of $3.3 million for the projected test year.

Q37. Why is CUB Witness Veerapaneni recommending the disallowance of Gas Leak and Work Management Systems Training expenses?

A37. Witness Veerapaneni believed that the Company continuously trains employees and that Operator Qualifications (OQ) are met with the current training requirements.

Q38. Are the O&M expenses for Gas Leak and Work Management Systems Training only for training hours?

A38. No. The expenses include:

1. $1.8 million in contractor services to bring the bring the IFS Work Management System live
2. $1.5 million in training costs associated with both the internal trainer resources and the Gas field employees

Q39. Is the Gas Leak and Work Management Systems Training expense related to Operator Qualifications?

A39. No. Witness Veerapaneni provided no basis for this assumption and is incorrect. As detailed in my direct testimony, the Gas Leak and Work Management Systems training is for the structured rollout of new technologies to replace the previous Leak Survey and mobile workforce management technology. All field employees will need to be trained before the retirement of the old systems. In addition to the rebuttal testimony in A38 regarding the $1.5 million in internal training cost, the

additional disallowance would prevent the new Work Management System from going live. This is mutually exclusive of the Operator Qualifications required for Gas field employees.

Q40. Can Gas Leak and Work Management Systems Training be conducted during normal OQ required training sessions?

A40. No. As stated above, all field employees must be trained on the new technologies to continue to perform their job. Waiting for the cycle of OQ training would prevent employees from working in the field.

Damage Prevention

Q41. Beginning on page 113, line 6 of AG Witness Coppola's direct testimony, what is the recommended disallowance for Damage Prevention?

A41. Witness Coppola recommended a disallowance of $2.7 million for the projected test year.

Q42. Why is AG Witness Coppola recommending the disallowance of Damage Prevention expenses?

A42. Witness Coppola believed that the forecasted increase in MISS DIG ticket volume does not justify the expansion of the Damage Prevention team. Furthermore, Witness Coppola believed that there is no evidence that Damage Prevention liaisons reduce damage to facilities.

Q43. Do you agree with Witness Coppola's statement that the increase in MISS DIG ticket volume does not justify the expansion of the Damage Prevention team?

A43. No. Witness Coppola's statement that the increase in MISS DIG ticket volume does not justify the expansion of the Damage Prevention team is unsupported and unfounded. With the annual significant increase in MISS DIG tickets, current Company resources are experiencing resource constraints and cannot conduct the necessary pre-construction work for new projects. This increases the risk of contractor damages to underground facilities which can lead to costly repairs, gas outages, or severe safety events. Current resources also limit the team's ability to serve all regions of DTE Gas territory including Greater Michigan Northern areas. Specifically in Greater Michigan Northern areas, expansion of fiber and other municipal projects have significantly increased ticket volume where Damage Prevention resources are unavailable.

Q44. Is AG Witness Coppola correct that Damage Prevention Liaisons don't prevent damage to facilities?

A44. No. The current Damage Prevention resources help keep customers and communities safe by reducing damages that can cause outages, or safety events. As discussed in my testimony, Damage Prevention Liaisons work with contractors and community members to reduce the risk of damaging underground facilities both through pre-construction evaluations and ad-hoc safety meetings. In 2021, the Damage Prevention team was expanded to the Grand Rapids and Muskegon areas. This helped reduce the damage rate of Greater Michigan from 5.3 damages per 1000 tickets in 2021 to 3.8 damages per 1000 tickets in 2025. This prevented approximately 312 damages in 2025. This significant reduction of damages per 1000 tickets justifies the expansion of the Damage Prevention team to currently uncovered Greater Michigan Northern areas.

Q45. Beginning on page 15, line 7 of CUB Witness Veerapaneni's direct testimony, what is the recommended disallowance for Damage Prevention?

A45. Witness Veerapaneni recommended a disallowance of $2.7 million for the projected test year.

Q46. Why is CUB Witness Veerapaneni recommending the disallowance of Damage Prevention expenses?

A46. Witness Veerapaneni stated that regulatory requirements have not changed and that the expense should not qualify as a known and measurable increase.

Q47. Are regulatory requirements the only driver for Damage Prevention?

A47. No. Damage Prevention provides value to customers by helping prevent costly damages to underground facilities that can lead to significant outages and serious safety events that can put the public at risk. As a prudent Gas operator focusing on public safety and reliability, the Company believes it is appropriate and necessary to continue to reduce the number of damages to facilities even without added regulatory drivers.

Staking Leadership

Q48. Beginning on page 114, line 18 of AG Witness Coppola's direct testimony, what is the recommended disallowance for Staking Leadership?

A48. Witness Coppola recommended a disallowance of $0.7 million for the projected test year.

Q49. Why is AG Witness Coppola recommending the disallowance of Staking Leadership expenses?

A49. Witness Coppola stated the incremental expense was for four Staking Leader employees. Witness Coppola believed that the program needed more time to mature before the expansion of the program to Greater Michigan.

Q50. Beginning on page 16, line 19 of CUB Witness Veerapaneni's direct testimony, what is the recommended disallowance for Staking Leadership?

A50. Witness Veerapaneni recommended a disallowance of $0.7 million for the projected test year.

Q51. Why is CUB Witness Veerapaneni recommending the disallowance of Staking Leadership expenses?

A51. Witness Veerapaneni stated the expense does not represent incremental staffing levels and there is no additional workload for the employees in the projected test year.

Q52. Is the Staking Leadership Expense for four incremental employees as stated by AG Witness Coppola?

A52. No. The Staking Leadership program began in 2025 with six Staking Leader employees in Southeast Michigan. These six employees were not in the Historical Test Year of 2024. The Company is expanding the Staking Leadership program to the Greater Michigan territory with the addition of four leaders. Therefore, the expense is for a total of ten incremental employees. If AG Witness Coppola's disallowance was approved the Company would be required to discontinue the

Staking Leadership Program resulting in less support to pipeline stakers. Less support would result in employee quality errors, and less direct communication with excavators. This would increase the risk of staked-on time delays or errors with locating that can lead to damages.

Q53. Do you agree with AG Witness Coppola's statement that the Staking Leadership program should not yet be expanded to Greater Michigan?

A53. No. The Staking Leadership Program provides support to staking employees to help ensure compliance with quality performance and staked-on-time goals. This support leads to improved performance from staking employees and facilitates knowledge transfer to new employees from the experienced field leaders. With increasing construction trends in the Greater Michigan area, the Company believes it is prudent to support the Greater Michigan staking team with the additional staking field leaders.

Q54. Do you agree with CUB Witness Veerapaneni's statement that the Staking field leaders are not incremental labor and there is no additional workload?

A54. No. As stated previously in my rebuttal testimony, the expense is for ten employees incremental to the 2024 historical period (six employees which were hired in 2025, and four more to be hired in 2027). As detailed in my direct testimony, their additional workload will include:

- Support on difficult locates
- Ticket Completion Auditing
- Ensuring quality work performance from staking employees
- Assisting with shifting technician work areas when ticket volume fluctuates

- Serve as a regional contact and escalation point

Regulator Station Replacement Program (RSRP)

Q55. Beginning on page 116, line 15 of AG Witness Coppola's direct testimony, what is the recommended disallowance for Regulator Station Replacement Program?

A55. Witness Coppola recommended a disallowance of $1.7 million for the projected test year.

Q56. Why is AG Witness Coppola recommending the disallowance of Regulator Station Replacement Program expenses?

A56. Witness Coppola compared 2025 RSRP units to the forecasted units for 2026/2027 and noted a 17% increase. Witness Coppola then applied the 17% increase to the 2025 O&M expense to calculate a Projected Test Year RSRP expense.

Q57. Do you agree with Witness Coppola's recommendation?

A57. No. Witness Coppola assumed that the cost per RSRP unit is consistent. A soft good replacement for a regulator is unique depending on the make/model, location, and physical state of the components of the regulator. For example, one RSRP unit could require one to three diaphragm replacements, increasing the material and labor costs of the unit. The size and complexity of design of the regulator can lead to additional labor hours to rebuild after a soft good replacement. Therefore, 2025 O&M expense and RSRP units are not predictive for 2026 and 2027. This disallowance would increase the cycle cadence for regulator inspections and soft good replacements. Increasing the cycle cadence would lead to an increased risk of

over-pressurization which can lead to loss of gas supply, costly repairs/replacements, and safety risks such as pipeline leak or rupture.

Q58. Beginning on page 13, line 3 of CUB Witness Veerapaneni's direct testimony, what is the recommended disallowance for Regulator Station Replacement Program?

A58. Witness Veerapaneni recommended a disallowance of $3.1 million for the projected test year.

Q59. Why is CUB Witness Veerapaneni recommending the disallowance of Regulator Station Replacement Program expenses?

A59. Witness Veerapaneni stated that the Regulator Station Replacement Program practice is not new and already included in existing rate recovery.

Q60. Do you agree with Witness Veerapaneni's recommendation?

A60. No. As detailed in my testimony, the RSRP O&M expenses are to establish a new inspection and soft good replacement cadence. Contrary to Witness Veerapaneni's statement, the company did not have an existing inspection process for these regulator stations. The company does conduct regularly scheduled inspections on other types of regulation; however, these regulation stations are not included in that previously established program therefore this request is incremental to the existing program. Additionally, soft good replacements were only completed upon failure. Awaiting failure poses a system risk of over pressurization or outages, which equate to safety and reliability risks to customers.

Employee Refresher Training

Q61. Beginning on page 118, line 12 of AG Witness Coppola's direct testimony, what is the recommended disallowance for Employee Refresher Training?

A61. Witness Coppola recommended a disallowance of $1.9 million for the projected test year.

Q62. Why is AG Witness Coppola recommending the disallowance of Employee Refresher Training expenses?

A62. Witness Coppola believed that the internal resources of the employees and trainers was not incremental to the Historical Test Period.

Q63. Do you agree with AG Witness Coppala's recommendation?

A63. No. The internal resources include both the time of the trainers and the time of the employees being trained. This training does not replace the hours spent in customer driven or regulatory compliant field work. This training is in addition to the normal Gas Field work. Therefore, the hours and cost associated with this training are incremental.

Q64. Beginning on page 15, line 14 of CUB Witness Veerapaneni's direct testimony, what is the recommended disallowance for Employee Refresher Training?

A64. Witness Veerapaneni recommended a disallowance of $1.9 million for the projected test year.

Q65. Why is CUB Witness Veerapaneni recommending the disallowance of Employee Refresher Training expenses?

A65. Witness Veerapaneni stated that the refresher training is already a part of the normal employee training practices.

Q66. Do you agree with CUB Witness Veerapaneni's recommendation?

A66. No. Witness Veerapaneni has provided no basis for this statement and is incorrect. As detailed in my testimony, normal Operator Qualifications (OQ) training is a three-year cadence. The Company believes it is prudent to adopt a set cycle of refresher training beyond normal OQ training to ensure employees continue to hone their skills, maintain safe procedures, and utilize best practices. This training would be in addition to the current OQ training cycle. As has been prevalent in the industry, the Company has experienced high turnover in employees, providing a refresher training would result in higher quality work, prevent errors or re-work, and improve customer satisfaction and safety.

Pipeline Markers

Q67. Beginning on page 19, line 9 of CUB Witness Veerapaneni's direct testimony, what is the recommended disallowance for Pipeline Markers?

A67. Witness Veerapaneni recommended a disallowance of $1.5 million for the projected test year.

Q68. Why is CUB Witness Veerapaneni recommending the disallowance of Pipeline Markers expenses?

A68. Witness Veerapaneni stated that Pipeline Markers should be installed when new pipes are constructed and be maintained when they are found to be missing. Witness Veerapaneni believed that because there has been no change in requirements, the

Company should be able to maintain Pipeline Markers without the incremental expense.

Q69. Do you agree with CUB Witness Veerapaneni's recommendation?

A69. No**.** The Company believes proactively locating and addressing pipeline markers that are damaged, missing, or deteriorated from exposure to the elements is a prudent decision. As stated in my direct testimony, clear pipeline identification is required by state regulation. While there is not a requirement for a proactive replacement program, the Company believes that the intent of the state regulatory requirement supports a proactive remediation program. The basis of this regulation is to provide clear identification and contact information of the facility owner to members of the public. Public safety and system reliability are at significant risk if a pipeline is struck. To mitigate this risk and meet the spirit of the requirement, DTE Gas disagrees with Witness Veerapaneni's reactionary approach to pipeline marker replacement.

MISS DIG Ticket Volume

Q70. Beginning on page 13, line 12 of CUB Witness Veerapaneni's direct testimony, what is the recommended disallowance for MISS DIG Ticket Volume?

A70. Witness Veerapaneni recommended a disallowance of $1.5 million for the projected test year.

Q71. Why is CUB Witness Veerapaneni recommending the disallowance of MISS DIG Ticket Volume expenses?

A71. Witness Veerapaneni claimed that the MISS DIG ticket volume increase has stopped in 2025 and that there is no evidence for increasing construction trends in Michigan and that no methodology was provided for forecasting the increased ticket volume.

Q72. Do you agree with CUB Witness Veerapaneni's statement that the growing MISS DIG Ticket Volume trend has stopped?

A72. No. As shown in Table 1, the annual MISS DIG ticket volume has had a percent increase of 37.6% from 2018 to 2025. However, CUB Witness Veerapaneni provides no actual support whatsoever for his assertion that the increase in MISS DIG ticket volume trend has stopped with the slight reduction in volume from 2024 to 2025.

Table 1. Historical MISS DIG Distribution Ticket Volume

Year	DTE MISS DIG Distribution Ticket Volume
2018	310,807
2019	304,308
2020	256,740
2021	321,247
2022	348,248
2023	405,085
2024	427,543
2025	425,356

Line No.

Q73. Is there any indication that increase volume of construction project trend will continue?

A73. Yes. In addition to the historical high-ticket volume, recent investments from the State of Michigan indicate that construction project volume will continue to increase. This includes the investment of $1.47 billion for the Broadband Equity, Access, and Deployment (BEAD) program that will install 31,000 miles of fiber-optic infrastructure in the state through 2030 (LEO - Gov. Whitmer celebrates $1.47B high-speed internet investment). Additionally, the State continues to target lead water service line replacements with 75,000 services in the city of Detroit alone. DTE utilizes statewide and local incremental initiatives in conjunction with historical trends to determine anticipated volume fluctuations year over year. Limiting projections to historical trends without consideration of incremental construction activities creates a flawed forecast. If this disallowance is approved, the Company would not be able to maintain its requirements for locating underground facilities per Public Act 176.

Q74. Did the Company provide a methodology for the forecasted MISS DIG ticket volume for the Projected Test Year?

A74. Yes. The Company utilized the historical average ticket volume increase in addition to known incremental construction activities statewide and locally to calculate the forecasted ticket volume for the Projected Test Year. This methodology was explained in my Direct Testimony, SNK-74.

Line No.

Labor Negotiations

Q75. Beginning on page 14, line 11 of CUB Witness Veerapaneni's direct testimony, what is the recommended disallowance for Labor Negotiations?

A75. Witness Veerapaneni recommended a disallowance of $2.0 million for the projected test year.

Q76. Why is CUB Witness Veerapaneni recommending the disallowance of Labor Negotiation expenses?

A76. Witness Veerapaneni stated that there are no legal or regulatory requirements for the increase and that there is no benefit to customers.

Q77. Do you agree with CUB Witness Veerapaneni's recommendation?

A77. No. As detailed in discovery response U-21973 AGDG-6.231a (See Exhibit A-42, Schedule FF1), an intervenor was utilized by the Company to ensure the new agreement was fair to employees and better aligned with industry wages. Remaining competitive with the industry, will better help the Company retain employees and prevent knowledge and skill loss from turnover. This provides value to customers by providing higher quality work in a safer and more consistent manner. Further, contrary to Witness Veerapaneni's statement, the Company is legally obligated to negotiate in good faith with organized labor per The National Labor Relations Board. See obligations of employers: Collective bargaining rights | National Labor Relations Board and Section 8 (a)(5) of the National Labor Relations Act.

Transmission Painting

Q78. Beginning on page 10, line 4 of CUB Witness Veerapaneni's direct testimony, what is the recommended disallowance for Transmission Painting?

A78. Witness Veerapaneni recommended a disallowance of $4.0 million for the projected test year.

Q79. Why is CUB Witness Veerapaneni recommending the disallowance of Transmission Painting expenses?

A79. Witness Veerapaneni stated that there is no change in the regulatory requirements and Transmission Painting should be completed with existing rates.

Q80. Do you agree CUB Witness Veerapaneni's recommendation?

A80. No. As detailed in my testimony, the Company believes it is prudent to shift from previously addressing select assets that required immediate attention to an annual program that targets assets in a systematic approach. Addressing the needed maintenance and painting of these assets will help prevent future costly repairs or potential safety events such as natural gas leaks, or ruptures from occurring.

Q81. Does this complete your rebuttal testimony?

A81. Yes

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the Application of	)	
DTE GAS COMPANY	)	
for authority to increase its rates, amend	)	Case No. U-21973
its rate schedules and rules governing the	)	
distribution and supply of natural gas, and	)	
for miscellaneous accounting authority.	)	

REBUTTAL TESTIMONY

OF

TIMOTHY J. LEPCZYK

DTE GAS COMPANY
REBUTTAL TESTIMONY OF TIMOTHY J. LEPCZYK

Line No.

Q1. Are you the same Timothy J. Lepczyk who previously offered testimony in this proceeding?

A1. Yes, I am.

Purpose of Testimony

Q2. What is the purpose of your rebuttal testimony?

A2. The purpose of my testimony is to rebut arguments made by Michigan Public Service Commission Staff (Staff) Witness Joseph E. Ufolla, Attorney General (AG) Witness Sebastian Coppola, Citizens Utility Board of Michigan (CUB) Witness Matthew Bandyk, and Association of Businesses Advocating Tariff Equity (ABATE) Witness Christopher C. Walters.

The absence of a discussion of other matters in my testimony should not be taken as an indication that I agree with all other aspects of intervenor testimony.

Q3. Are you sponsoring any rebuttal exhibits?

A3. No, I am not.

Capital Structure Cost Rates

Q4. What are the capital structure recommendations proposed by Staff, the AG, CUB and ABATE?

A4. The testimonies of Staff witness Ufolla, AG witness Coppola, CUB witness Bandyk, and ABATE witness Walters each support a capital structure consisting of 50% common equity and 50% long-term debt.

Line No.

Q5. Does the Company feel a capital structure consisting of 50% common equity and 50% long-term debt is most appropriate for DTE Gas?

A5. No. While DTE Gas recognizes the Commission's preference for a 50.00% common equity / 50.00% long-term debt capital structure, a 50.75% common equity / 49.25% long-term debt capital structure is more appropriate for DTE Gas.

There are various data points that support a higher equity percentage for gas utilities relative to those of electric utilities. While the DTE Electric business and DTE Gas business have similar risk profiles, they also have some fundamental differences that result in lower cash flows and therefore lower credit metrics for gas utilities. For example, while the property owned by both utilities is depreciated over its estimated useful life using straight-line rates approved by the Michigan Public Service Commission (MPSC), gas utility assets are depreciated over a significantly longer life than electric utility assets. The Broad Group Average Service Life for the total DTE Gas utility was 50.83 years in Case No. U-21384, while the Broad Group Average Service Life for the total DTE Electric utility was 33.20 years in Case No. U-18150. A longer depreciation life means that the investment is recovered over a longer timeframe, and the resulting cash flows are lower on average when compared to a utility with assets that have a shorter depreciation life. Lower cash flows result in lower credit metrics and therefore require a more conservative capital structure. Other regulatory Commissions have acknowledged this difference between electric and gas utilities by approving an average equity ratio for gas LDC's that is approximately 2% higher than the average equity ratio approved for electric utilities (see Exhibit A-14 Schedule D1.1 of my direct

testimony in Case No. U-21860 and Exhibit A-17 Schedule G3 of my direct testimony in this case).

Q6. Can you explain how you calculated the projected cost of long-term debt as shown on Exhibit A-14, Schedule D2?

A6. Yes. As discussed in Q&A #32 of my direct testimony, the purpose of the exhibit is to calculate long-term debt costs as of a specific date, such as the end of the test year, and not the specific monthly interest expenses throughout the test year. Specifically, I started with the actual December 31, 2024, long-term debt outstanding, any known maturities were considered redeemed and any forecasted long-term debt issuances were added to arrive at the projected balance as of September 30, 2027.

Q7. Mr. Coppola reduces the Company's long-term debt cost rate by 6 basis points due to only using one-twelfth of the Company's planned September 2027 debt issuance in his calculation.[1] Do you agree with this practice?

A7. No, I do not. As a preliminary matter, I disagree with Mr. Coppola's characterization that the Company's longstanding approach of calculating the embedded cost of debt as of the end of the test year is "incorrect"[2]. Just because Mr. Coppola has a different opinion does not make the Company's approach "incorrect". Notwithstanding, the debt associated with the issuance will support the Company's operations beyond the end of the test year. Similarly, the rates from this proceeding are expected to be in place during September 2027 and beyond, during

[1] Direct Testimony of Sebastian Coppola, page 70, lines 3-13
[2] Direct Testimony of Sebastian Coppola, page 70, lines 10-13

which time the Company will pay interest on the full amount of the planned debt issuance. If only one-twelfth of that debt issuance is recovered in base rates, a mismatch between interest expense that the Company pays and revenue received in rates will occur, and will persist until the rates from DTE Gas's next base rate case go into effect. In short, Mr. Coppola's recommendation will cause DTE Gas to under-recovery its actual interest expense until its next rate case. Mr. Coppola's proposed adjustments to the Company's capital structure and cost of debt for ratemaking purposes do not negate the reality that DTE Gas's cost of debt depends, in part, on its per-books capital structure and that it will pay interest on the full amount of debt outstanding on its books. Additionally, if the Commission were to adopt Mr. Coppola's recommendation, it would send the message that the Company should issue its debt at the start of the test year to ensure full cost recovery. This practice may encourage the Company to access capital markets at inopportune times, which may not be in the best interest of customers who ultimately bear the cost.

Q8. Do you agree with the cost of long-term debt proposed by Witness Ufolla?

A8. No. Staff Witness Ufolla used a different forecasted Treasury rate than the Company to arrive at a lower forecasted rate for the projected 2026 and 2027 debt issuances, which results in a lower total cost of long-term debt. Since the end of February 2026, the 30-year Treasury rate has increased approximately 30 basis points (the closing 30-year Treasury rate as of March 20, 2026 was approximately 4.95%). Due to this recent sharp increase, the Company feels it is prudent to maintain its originally calculated cost of long-term debt rate of 4.65%.

Q9. Do you agree with the cost of long-term debt proposed by Witness Coppola?

A9. No. As explained in Q&A #5, the Company calculates its projected cost of long-term debt based on the debt outstanding as of the end of the test period and not on the specific monthly basis during the test period.

Q10. Do you agree with Staff Witness Ufolla's recommendation on page 8 of his direct testimony for a short-term debt rate of 4.06%?

A10. No. The Company maintains its original position that due to the continued uncertainty regarding the timing and occurrence of prospective Fed Funds rate cuts, the Company feels it is prudent to use the current short-term borrowing rate of 5.06% as calculated in my direct testimony. Furthermore, AG Witness Coppola accepted this 5.06% short-term debt rate.[3]

IRM

Q11. Can you summarize Witness Coppola's proposal regarding the ROE rate for the IRM?

A11. Witness Coppola proposes that the ROE rate applied to IRM investments be set as the average of the Commission approved ROE rate and the cost of long-term debt.

Q12. Do you agree with Witness Coppola's recommendation?

A12. No. IRM investments are standard long-term utility assets owned by the Company that are used and useful for customers and which require the opportunity to earn a commensurate rate of return. Just like investments that are recovered through base rates, IRM investments are funded at the onset with long-term debt and equity.

[3] Direct Testimony of Sebastian Coppola, page 70, lines 17-18

However, equity investors do not have an option to direct their investments into specific projects or to limit their investment into projects that are recovered through base rates instead of the IRM. As such, approving a rate of return below the actual cost of permanent capital that finances the investments would discourage debt and equity investment, ultimately raising the cost of capital paid by customers. Furthermore, in the regulated model, return on capital, on an absolute basis, is highest in year 1 and declines thereafter as the asset is depreciated. Denying the opportunity to earn a rate of return for this first year materially deteriorates the overall return profile of that asset.

Q13. Does this complete your rebuttal testimony?

A13. Yes, it does.

STATE OF MICHIGAN

BEFORE THE 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-21973

REBUTTAL TESTIMONY

OF

HABEEB J. MAROUN

DTE GAS COMPANY
REBUTTAL TESTIMONY OF HABEEB J. MAROUN

Line No.

Q1. Are you the same Habeeb J. Maroun who previously offered testimony in this proceeding?

A1. Yes, I am.

Purpose of Testimony

Q2. What is the purpose of your rebuttal testimony?

A2. The purpose of my testimony is to rebut the arguments made by:

1) The Attorney General's (AG) recommendation to limit the proposed monthly customer charge for Rate Schedule GS-1 to $53;
2) ABATE's proposal to replace the Commission-approved Average and Peak (A&P) allocation methodology with a design-day-only allocation method;
3) ABATE's proposed limitation that any class revenue increase be capped at 1.5 times the system-average increase;
4) Detroit Thermal's proposal to rely on the Alternate Cost of Service Study as the preferred basis for rate design, rather than the Company's Proposed Cost of Service Study (COSS);
5) Detroit Thermal's opposition to the removal of the XXLT rate schedule from breakeven adjustments and its objection to the proposed increase of the XXLT eligibility threshold to 4 Bcf;
6) Detroit Thermal's criticism regarding the relative magnitude of rate increases applicable to the XXLT rate schedule compared to other end-user transportation rate schedules;
7) MPSC Staff's proposal that DTE Gas modify its rate design model in its next gas rate case to automatically maintain economic breakeven points for

transportation customer classes, consistent with the model used by other utilities such as Consumers Energy.

The absence of a discussion of other matters in my testimony should not be taken as an indication that I agree with all other aspects of intervenor testimony.

Q3. Are you sponsoring any rebuttal exhibits in this proceeding?

A3. No.

Rebuttal of AG Witness Coppola

Q4. What does the Attorney General propose regarding the monthly customer charge for Rate Schedule GS-1?

A4. Beginning on page 156, line 1 of his direct testimony, Attorney General witness Coppola recommends limiting the proposed monthly customer charge for Rate Schedule GS-1 to $53 rather than the $55 charge proposed by the Company in the instant case. Witness Coppola asserts that the as-filed increase of approximately 10 percent is excessive and contends that a lower increase—approximately six percent—would be more reasonable because it aligns with the percentage increase proposed for residential customers.

Q5. Do you agree with the Attorney General's proposal to limit the GS-1 customer charge to $53?

A5. No, I do not agree. The Attorney General's proposal is not supported by cost-of-service principles or by any customer-charge methodology. Instead, it

applies an arbitrary limitation based solely on a targeted percentage increase and a comparison to residential rate impacts.

Q6. What do you recommend regarding the GS-1 monthly customer charge?

A6. I recommend that the Commission approve the GS-1 monthly customer charge of $55 as proposed in the Company's initial filing in the instant case. This charge is supported by the same historical cost-based methodology previously approved by the Commission in their November 7, 2024 order in Case No. U-21291 and appropriately reflects customer-related costs rather than an arbitrary percentage limitation.

Rebuttal of Abate Witness York

Average & Peak Methodology

Q7. What does ABATE witness York propose regarding the allocation of transmission and distribution costs?

A7. On page 4, lines 3 through 10 of her direct testimony, ABATE witness York proposes replacing the Average and Peak ("A&P") allocation methodology with a design-day-only allocation method for purposes of allocating transmission and distribution costs. Witness York states that a design-day approach better reflects cost-causation by customer class and should therefore be relied upon rather than the A&P methodology.

Q8. Do you agree with ABATE witness York's proposal to replace the Average and Peak allocation methodology?

A8. No, I do not. The A&P methodology has been repeatedly approved by the Commission and was explicitly affirmed for continued use in the Commission's November 7, 2024 Order in Case No. U-21291 (see page 228). As such, the Company supports the continued use of the Commission-approved A&P methodology in developing its cost of service in the instant case.

Class Rate Increase Limitations

Q9. What does ABATE witness York propose with respect to rate increases by customer class?

A9. On page 4, lines 11 through 19 of her direct testimony, ABATE witness York proposes limiting the rate increase for any customer class to no more than 1.5 times the system-average increase. Witness York presents this limitation as a means of moderating rate impacts across customer classes.

Q10. Do you agree with ABATE's proposal to cap class revenue increases at 1.5 times the system-average increase?

A10. No, I do not. ABATE's proposal is arbitrary and is not supported by the cost of service results developed in this case. The increases proposed for each rate schedule are based on the allocation of the Company's revenue requirement using Commission-approved cost-of-service methodologies. Imposing a cap on class increases independent of those results would override cost-based outcomes and therefore should be rejected.

Rebuttal of Detroit Thermal Witness Pucak

Alternate Cost of Service Study

Q11. What does Detroit Thermal Witness Pucak propose regarding the use of the Alternate Cost of Service Study?

A11. On page 18, lines 15 through 17 of his direct testimony, Detroit Thermal witness Pucak proposes relying on the Alternate Cost of Service Study as the primary cost of service for purposes of rate design, rather than the Company's Proposed Cost of Service Study. Witness Pucak asserts that the Alternate Cost of Service Study more accurately reflects differences in service characteristics across customer classes by distinguishing between high-pressure and low-pressure distribution service and therefore should be used as the preferred basis for rate design.

Q12. Why did the Commission require the Alternate Cost of Service Study?

A12. The Commission explained the purpose of the Alternate Cost of Service Study in its November 7, 2024 Order in Case No. U-21921. On pages 233 through 236 of that Order, the Commission directed the Company to continue preparing and filing the Alternate Cost of Service Study as an informational and analytical exercise to explore the potential effects of allocating certain distribution main costs based on high-pressure and low-pressure service distinctions. Commission Staff supported the continued preparation of the Alternate Cost of Service Study as a supplemental analytical tool to help evaluate shifts in revenue responsibility between end-user transportation rate schedules, including for purposes of examining economic breakeven relationships. The study was not intended or designed to replace the Company's primary cost of service study for setting base rates.

Q13. Do you agree with Detroit Thermal Witness Pucak's proposal to use the Alternate Cost of Service Study as the primary cost of service?

A13. No, I do not. The Alternate Cost of Service Study has several material limitations that make it unsuitable as the primary cost of service for rate design purposes. In addition, Witness Pucak's discussion relies in part on Figure 3, which is based on outdated information from Case No. U-20940, two gas rate cases prior. While the Alternate Cost of Service Study provides useful supplemental information, it relies on simplifying assumptions and incomplete data that prevent it from accurately reflecting cost causation at the level required to design base rates.

Q14. What limitations affect the reliability of the Alternate Cost of Service Study?

A14. As the Company has explained in prior proceedings, its accounting and plant records do not differentiate distribution main costs between high-pressure and low-pressure facilities, nor does the Company comprehensively track customer volumes by service level—whether customers are served from low-pressure distribution, high-pressure distribution, or directly from the transmission system. Both the allocation of distribution main costs by pressure class and the differentiation of customer volumes by service level are critical inputs required to develop the Alternate Cost of Service Study.

Q15. What limitations affected the development of the additional cost and volume detail required for the Alternate Cost of Service Study?

A15. Limitations in the Company's underlying records constrain the development of the additional cost and volume details required for the Alternate Cost of Service Study. For example, financial records of distribution main costs in account 376 in the instant case lacked sufficient detail to align those costs with the corresponding engineering records for at least 50 percent of the distribution main costs. In

addition, historical engineering records did not track the pipeline service level from which the individual meters take service. As a result, there are gaps between meter locations and the ability to determine service level. Consequently, approximately 6 Bcf of sales volumes, out of roughly 134 Bcf attributed to sales customer classes, could not be confidently assigned to a specific service level in the instant case

Q16. Why would relying on the Alternate Cost of Service Study as the primary study for setting base rates be problematic?

A16. When considered collectively, these data limitations raise serious concerns about relying on the Alternate Cost of Service Study as the foundation for base rate design. Fully resolving these limitations would require a substantial and time-intensive effort across the organization, including cataloging more than $2.9 billion of distribution main plant recorded in Account 376 (per the 2024 DTE P-522 report) and developing service-level classifications for approximately 1.4 million customers and roughly 305 Bcf of throughput as projected for the test year in the instant case. Such an effort would entail significant cost and operational complexity, and even then, uncertainty would likely remain. It is unclear whether it is even feasible. For these reasons, the Alternate Cost of Service Study is appropriately used as a supplemental analytical tool, while the Company's Proposed Cost of Service Study remains the reliable and Commission-approved foundation for rate design.

XXLT Breakeven Adjustments and Eligibility Threshold

Q17. Why does Detroit Thermal Witness Pucak object to the Company's proposed changes to the XXLT breakeven structure and eligibility threshold?

A17. On page 18, lines 18 through 21 of his direct testimony, Detroit Thermal witness Pucak states that Detroit Thermal objects to the Company's proposal to remove the XXLT rate schedule from breakeven adjustments and to increase the XXLT eligibility threshold from 3.5 Bcf to 4 Bcf. On page 14 to 18 of his direct testimony, Witness Pucak maintains that these changes would restrict access to the XXLT rate schedule and reduce flexibility for large end-user transportation customers that may not satisfy the revised minimum volume requirement. He further contends that the proposed changes could adversely affect customers' ability to remain on the XXLT rate schedule and therefore should not be adopted.

Q18. Do you agree with Detroit Thermal's position regarding the proposed changes to the XXLT breakeven structure and eligibility threshold?

A18. No, I do not. The Company's proposed changes to the XXLT breakeven structure and eligibility threshold are reasonable and supported by the testimony of Company Witness Huffman, who is responsible for the design of end-user transportation rate classes. These changes better reflect the structural characteristics of the XXLT class and address long-standing rate design issues associated with maintaining economic breakeven points for this rate schedule.

Q19. How does the record support the removal of XXLT from breakeven adjustments and the increase in the XXLT eligibility threshold to 4 Bcf?

A19. As explained in the testimony of Company Witness Huffman, the XXLT rate schedule was designed for a very small number of customers with exceptionally large volumes and distinct service characteristics (Huffman Direct Testimony, page 13, lines 2 through 10). XXLT customers are not simply larger versions of other

end-user transportation classes. Based on the Company's projected test-year data as shown in my as-filed Exhibit A-16, Schedule F3, page 4, five XXLT customers are projected to consume approximately 75.8 Bcf, or an average of approximately 15.2 Bcf per customer, while nineteen XLT customers are collectively projected to consume approximately 29.4 Bcf, or an average of approximately 1.5 Bcf per customer.

Witness Huffman further explains that establishing a minimum volume requirement of 4 Bcf aligns with the end-user transportation rate structure used by Consumers Energy, which applies a similar minimum volume requirement for its largest transportation customers (Huffman Direct Testimony, page 68). The proposed 4 Bcf threshold is intended to ensure that the XXLT rate schedule remains limited to the very largest customers with service characteristics and usage profiles consistent with the purpose of the rate. Removing XXLT from breakeven adjustments and establishing a 4 Bcf minimum volume requirement therefore better aligns the rate schedule with its intended purpose and scale of service.

Q20. Why are the proposed changes to the XXLT breakeven structure and eligibility threshold appropriate from a cost-of-service and rate design perspective?

A20. From a cost-of-service and rate design perspective, the XXLT class is fundamentally different from other end-user transportation classes due to the magnitude of volumes served by a very small number of customers. As reflected in the Company's as-filed cost and revenue exhibits, XXLT customers individually take service at volumes that are an order of magnitude larger than customers in

other EUT classes. As Witness Huffman explains, maintaining a competitive and clearly defined XXLT rate structure helps mitigate bypass risk and supports the retention of large volumes that materially contribute to recovery of fixed system costs. The proposed refinements to the breakeven structure and eligibility threshold reinforce the intended role of the XXLT rate schedule and are consistent with rate design approaches used by other Michigan utilities. For these reasons, Detroit Thermal's opposition does not provide a sufficient basis to reject the Company's proposal.

Relative Magnitude of XXLT Rate Increases

Q21. What criticism does Detroit Thermal Witness Pucak raise regarding the magnitude of rate increases applicable to the XXLT rate schedule relative to other end-user transportation rate schedules?

A21. In his direct testimony on pages 3 to 10, Detroit Thermal Witness Pucak criticizes the relative magnitude of the increase applicable to the XXLT rate schedule compared to other end-user transportation rate schedules. He asserts that, under the Company's proposal, the XXLT class experiences a smaller percentage increase than other transportation classes and contends that this outcome is unreasonable.

Q22. Do you agree with Detroit Thermal's criticism, and what observations do you have regarding relative rate impacts for XXLT?

A22. No, I do not agree. An accurate measure of rate impacts is reflected in Attachment A included with the Commission's Orders, which is based on the same methodology I explain and present in my Exhibit A-16, Schedule F2, page 1, adjusted for the specific revenue requirement, allocators, and rate design elements

approved by the Commission. Both the Attachment and Exhibit A-16 compare present and proposed total revenues by class on a projected test-year basis using test-year billing determinants and applicable base rates and Infrastructure Recovery Mechanism (IRM) revenues. This approach reflects the rate-class impacts of the Commission's order—namely, the total revenues projected to be collected from each class before and after the rate case in the test year. Importantly, it captures both the roll-in of IRM revenues into base rates and the reset of the IRM surcharge upon approval of new rates, rather than focusing on isolated changes to base rates alone.

Q23. How have rate impacts for XXLT compared to other transportation rate schedules in recent rate cases?

A23. Table 1 below summarizes the percentage change in total projected test-year revenues for transportation rate schedules in the Company's two most recent approved gas general rate cases, Case Nos. U-20940 and U-21291, along with the Company's as-filed position in the current case, Case No. U-21973. The figures for the prior cases are taken from the Attachment A tables in the Commission's Orders, which reflect approved base rates, billing determinants, and IRM treatment. The current case reflects the Company's as-filed proposal and does not reflect any adjustments that may result from the Commission's final order.

Line No.

Table 1. Comparison of Percent Changes in Projected Test-Year Revenues for End-User Transportation Rate Schedules

EUT Rate Schedule	U-20940 Order	U-21291 Order	U-21973 As-Filed
ST	+6.1%	-15.1%	+37.3%
LT	+8.2%	-15.0%	+35.5%
XLT	+9.8%	+0.9%	+36.8%
XXLT	+26.1%	+26.4%	+7.9%

This history demonstrates that relative impacts for XXLT vary from case to case and are driven by a combination of cost-of-service results, billing determinants, and the treatment of IRM revenues, rather than preferential or punitive rate design.

Q24. How should the Commission view the rate impacts shown for XXLT in the current case?

A24. The rate impacts shown for XXLT in the current case reflect the Company's as-filed position and are based on projected test-year billing determinants and proposed rates, including the roll-in of prior Infrastructure Recovery Mechanism (IRM) revenues into base rates and the reset of the IRM surcharge. These impacts will change based on the adjustments adopted by the Commission in its final order.

One significant change affecting the XXLT class in this case is the reduction in XXLT volumes of approximately 8 Bcf, as described in the Company's testimony (see Huffman Direct Testimony, page JLH-18). Changes in billing determinants can materially affect the allocation of fixed system costs and corresponding revenue impacts across classes. In addition, when viewed across multiple rate cases, relative impacts for XXLT vary from case to case and reflect the combined effects of cost-of-service results, billing determinants, and rate design elements. Following several cases in which XXLT experienced relatively higher increases, the as-filed results in the current case could reflect a degree of normalization relative to other transportation classes.

Ultimately, the revenue impacts by class in the instant case are driven primarily by the costs reflected in the Company's projected revenue requirement and by the characteristics of each rate schedule that determine how those costs are allocated. Accordingly, Detroit Thermal's criticism does not provide a sufficient basis to reject the Company's proposed rate design, particularly when impacts are evaluated using the Commission-approved methodology reflected in the Attachments to the Commission's Orders.

Rebuttal of MPSC Staff

Q25. What does MPSC Staff witness Blizzard propose regarding the calculation of economic breakeven adjustments for end-user transportation rate schedules?

A25. On page 11 of his direct testimony, MPSC Staff witness Blizzard proposes that, in the Company's next rate case, DTE Gas modify its rate design model to automatically maintain economic breakeven points for the EUT transportation

classes. Staff states that this proposal is intended to promote standardization across rate design models and improve efficiency and functionality for interested parties, and notes that similar approaches have been used by other gas utilities, such as Consumers Energy.

Q26. What is the Company's response to Staff's proposal regarding automation of breakeven adjustments?

A26. The Company appreciates Staff's objective to improve efficiency, transparency, and usability of its rate design model and will make its best effort to develop a formula-based method to calculate rate design adjustments to achieve economic breakeven targets in its next gas rate case. As part of this effort, the Company will engage in discussions with Staff and Consumers, as needed, to better understand alternative methodologies.

At the same time, the Company respectfully requests that the Commission allow flexibility with respect to the methodology ultimately used. If a formula-based approach proves impractical or produces outcomes that result in excessive rate shifts relative to tariffs in effect at the time, the Company requests the flexibility to use an alternative methodology, such as its current solver-based or a comparable goal-seek approach. The solver-based methodology has been used successfully by the Company to calculate breakeven adjustments in conjunction with proposed fixed monthly charges for EUT classes and is designed to achieve the same economic breakeven objectives.

The Company has not previously embedded its solver-based methodology directly within its working rate design models due to the learning curve involved and to avoid confusion regarding its use among intervening parties; however, if a formula-based method is not suitable, the Company can make the solver-based methodology, along with supporting documentation and instructions, available in its next gas rate case.

Accordingly, the Company requests that any Commission direction regarding automation of breakeven adjustments provide flexibility to allow alternative methodologies that achieve equivalent economic breakeven results without causing unreasonable rate impacts.

Q27. Does this complete your rebuttal testimony?

A27. Yes, it does.

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the Application of	)	
DTE GAS COMPANY	)	
for authority to increase its rates, amend	)	Case No. U-21973
its rate schedules and rules governing the	)	
distribution and supply of natural gas, and	)	
for miscellaneous accounting authority.	)	

REBUTTAL TESTIMONY

OF

JENNIFER E. NELSON

DTE GAS COMPANY
REBUTTAL TESTIMONY OF JENNIFER E. NELSON

Line No.

Q1. Please state your full name, title, business address, and by whom you are employed.

A1. My name is Jennifer E. Nelson and I am employed by Concentric Energy Advisors, Inc. as a Vice President. My business address is 293 Boston Post Road West, Suite 500, Marlborough, Massachusetts, 01752.

Q2. Did you file direct testimony in this proceeding on behalf of DTE Gas Company ("DTE Gas" or the "Company")?

A2. Yes, I did.

Purpose of Testimony

Q3. What is the purpose of your Rebuttal Testimony?

A3. The purpose of my Rebuttal Testimony is to respond to the following Michigan Public Service Commission ("Commission") Staff and intervenor witnesses as they relate to the appropriate return on equity ("ROE") and capital structure for DTE Gas:

- Mr. Joseph E. Ufolla on behalf of Commission Staff;
- Mr. Sebastian Coppola on behalf of the Attorney General's ("AG") office;
- Mr. Christopher C. Walters on behalf of the Association of Business Advocating Tariff Equity ("ABATE"); and
- Mr. Matthew J. Bandyk on behalf of Citizens Utility Board ("CUB").

I collectively refer to these individual witnesses as "the Opposing Witnesses." My silence on a particular issue should not be construed as agreement with respect to that issue.

Line
No.

Q4. Are you sponsoring any exhibits in this proceeding?

A4. Yes. I am sponsoring the following exhibits:

	Exhibit	**Schedule**	**Description**
	Exhibit A-31	U1	Constant Growth DCF Results
	Exhibit A-31	U2	Quarterly Growth DCF Results
	Exhibit A-31	U3	Forward Market Return Calculations
	Exhibit A-31	U4	CAPM and Empirical CAPM Results
	Exhibit A-31	U5	Bond Yield Plus Risk Premium Analysis
	Exhibit A-31	U6	Suggested Revisions to Mr. Ufolla's Two-Step DCF Analysis
	Exhibit A-31	U7	Suggested Revisions to Mr. Ufolla's CAPM Analysis
	Exhibit A-31	U8	Suggested Revisions to Mr. Ufolla's Risk Premium Analysis
	Exhibit A-31	U9	Suggested Revisions to Mr. Coppola's DCF Analysis
	Exhibit A-31	U10	Suggested Revisions to Mr. Coppola's CAPM Analysis
	Exhibit A-31	U11	Suggested Revisions to Mr. Coppola's Risk Premium Analysis
	Exhibit A-31	U12	Suggested Revisions to Mr. Walters's Risk Premium Analysis
	Exhibit A-31	U13	Suggested Revisions to Mr. Bandyk's DCF Analysis

Q5. Were these exhibits prepared by you or under your direction?

A5. Yes, they were.

Summary of Rebuttal Testimony

Q6. What are your key conclusions regarding the analysis and recommendations provided by the Opposing Witnesses regarding the appropriate ROE and capital structure for DTE Gas?

A6. My key conclusions are as follows:

1. The Opposing Witnesses' analyses contain flaws and inconsistencies that produce certain model results that are far below a reasonable return in the current capital market environment.[1] Mr. Bandyk's 8.82 percent ROE recommendation is lower than all authorized natural gas distribution utility ROEs since January 1, 2022, which is especially problematic given the rising cost of capital in recent years. Mr. Bandyk's ROE recommendation defies any rational basis, does not satisfy the *Hope* and *Bluefield* standards, and should be dismissed from the outset. Mr. Walters' 9.50 percent ROE recommendation is primarily calculated by averaging unreasonably low cost of equity estimates produced by his reliance on flawed inputs that only serve to bias his recommendation downward.
2. Each of the Opposing Witnesses recommends either not changing or reducing DTE Gas's authorized ROE, yet none of the Opposing Witnesses demonstrate that the cost of equity, or the Company's risk, has decreased. For example, Mr. Ufolla recommends no change in the Company's authorized ROE even though his cost of equity estimates increased from the results of his corresponding models in DTE Gas's prior rate case in U-21291. Long-term interest rates and geopolitical tensions have increased

[1] Source: S&P Capital IQ Pro, Regulatory Research Associates ("RRA"). 8.70 percent is the lowest authorized ROE for a natural gas distribution utility since at least 1980.

since the Company's current 9.80 percent ROE was authorized, putting upward pressure on the return investors require.

3. The cost of equity for regulated utility companies is affected by several key factors in the current and prospective capital markets, including heightened geopolitical tensions, the interest rate environment, central bank monetary policy, inflationary pressure, and the longer-term outlook for inflation. While the Federal Reserve reduced short-term interest rates in 2025, long-term interest rates increased, in part due to heightened economic policy uncertainty. These circumstances reinforce the importance of considering the results of multiple models, as I have with the Capital Asset Pricing Model ("CAPM"), Discounted Cash Flow ("DCF"), and Bond Yield Plus Risk Premium ("Risk Premium") approaches.

4. Based on my updated DCF, CAPM, and Risk Premium analyses, I continue to find a reasonable range of ROE for DTE Gas to be in the range of 10.00 percent to 11.35 percent and the Company's requested ROE of 10.25 percent to be a reasonable and conservative estimate of DTE Gas's cost of equity. In addition, I support DTE Gas's proposed capital structure of 50.75 percent common equity and 49.25 percent long-term debt as reasonable.

Q7. Please summarize the Opposing Witnesses' respective ROE and equity ratio recommendations for DTE Gas.

A7. The Opposing Witnesses recommend an authorized ROE for DTE Gas between 8.82 percent and 9.80 percent.[2] I note from the outset that my 10.25 percent

[2] Direct Testimony of Joseph E. Ufolla, page 10, lines 15-16; Direct Testimony of Sebastian Coppola, page 70, lines 1-2; Direct Testimony of Christopher C. Walters, page 3, line 3; Direct Testimony of Matthew J. Bandyk, page 4, line 19.

recommendation falls within Mr. Ufolla's range of reasonableness. As it relates to capital structure, each of the Opposing Witnesses recommends that the Commission reject the Company's proposed capital structure. They propose that the Commission authorize a hypothetical capital structure consisting of 50 percent common equity and 50 percent debt.[3]

As is evident, there are a broad array of recommendations from multiple witnesses. However, ROE recommendations as low as 8.82 percent are in the bottom 1 percent of authorized returns for natural gas distribution utilities since at least 1980 and should be dismissed.[4]

Table 1 below summarizes the ROE and equity ratio recommendations in this proceeding. I emphasize that the low end of my recommended range is near or overlaps with the high end of the ranges recommended by Mr. Ufolla, Mr. Coppola, and Mr. Walters. Mr. Bandyk's recommendation, however, is far removed from the other witnesses' recommendations and should be considered an outlier.

Table 1. Summary of Witnesses' ROE and Equity Ratio Recommendations

Witness	Party	ROE	ROE Range	Equity Ratio
Ufolla	Staff	9.80%	9.30% - 10.30%	50%
Coppola	AG	9.80%	9.40% - 9.96%	50%
Walters	ABATE	9.50%	9.20% - 9.80%	50%
Bandyk	CUB	8.82%	N/A	50%
Nelson/Lepczyk	DTE Gas	10.25%	10.00% - 11.35%	50.75%

[3] Direct Testimony of Joseph E. Ufolla, page 4, lines 6-7; Direct Testimony of Sebastian Coppola, page 58, line 12; Direct Testimony of Christopher C. Walters, page 3, line 4; Direct Testimony of Matthew J. Bandyk, page 5, lines 8-9.

[4] Source: RRA.

There are a number of flaws and inconsistencies with the analyses conducted by the Opposing Witnesses. I address each analytical approach and recommend appropriate adjustments where appropriate; if I do not address a particular topic or issue, that does not mean that I agree with it. At the outset, one must question analyses producing results that are below any return authorized for a natural gas distribution utility since at least 1980.

Q8. Please describe the legal standards that must be met to establish the authorized ROE for a regulated public utility such as DTE Gas.

A8. As discussed in my Direct Testimony, the standards for a just and reasonable return established by the United States Supreme Court in the *Hope* and *Bluefield* cases are:

(1) Financial integrity: the return must be adequate to ensure the company's financial soundness and support credit quality;

(2) Capital attraction: the return must be sufficient to enable the company to attract capital on reasonable terms and conditions; and

(3) Comparable return: the return must be comparable to those available to investors in firms with commensurate risk.

Q9. Mr. Ufolla and Mr. Bandyk reference authorized ROEs for natural gas utilities in other jurisdictions.[5] Do you agree with their characterization of the

[5] Direct Testimony of Joseph E. Ufolla, page 23, lines 2-5; Direct Testimony of Matthew J. Bandyk, page 3, lines 21-22; page 12, lines 1-3.

trend in authorized ROEs and the relevance of the trend on DTE Gas's cost of equity?

A9. National average returns must be placed in the proper context in order to be useful. While I agree that investors consider authorized returns in other states in assessing the reasonableness of the authorized ROE for DTE Gas, I have concerns with the nationwide average ROE information presented by the Opposing Witnesses. First, market conditions at the time the authorized returns were established are very different than conditions going forward. For example, as I explain in my Direct Testimony and the following section, the current capital market environment has elevated risk compared to 2023 and 2024. Further, each jurisdiction is unique, and simply referencing national annual average ROEs does not take into account the business risks that are unique to DTE Gas. Finally, simply referencing average authorized returns of the past does not take into account current or projected capital market conditions, which may lead to an overestimation or underestimation of the cost of equity. It is more appropriate to instead capture the *relationship* between authorized returns and bond yields and apply that to current or projected capital market conditions, as my Risk Premium approach does.

Q10. Mr. Coppola refers to historical authorized ROEs and market to book ("M/B") ratios as evidence that investors "continue to migrate to utility stocks."[6] What is your response?

A10. In short, the suggestion that the investor-required return is one-size-fits-all and that a previous allowed ROE for a single utility in another jurisdiction at a different point in time is equally representative of investors' going forward return

[6] Direct Testimony of Sebastian Coppola, page 90, lines 20-21 to page 91, lines 1-10.

requirements for all other gas utilities runs counter to financial theory. There are multiple examples of adverse market reactions to unduly low authorized ROEs that are below industry benchmarks and expectations. The point is not that investors will stop "migrating" to utility stocks altogether, rather the price they are willing to pay for a share will be lower as a result of a higher return requirement. In the end, customers pay the price of poor regulatory outcomes. Therefore, it is in customers' best interest that Michigan's regulatory environment maintains its perception as being predictable and constructive.

Lastly, Mr. Coppola's conclusion that an M/B ratio above 1.0 indicates that a company is *earning* returns above the expected return on book equity capital is incorrect. The M/B ratio is not a measure of the earned return. Though it includes accumulated retained earnings over time, book value per share (the denominator in the M/B ratio) does not measure a rate of return. It is a backward-looking accounting measure of net investment capital attributable to common shareholders, adjusted for depreciation, amortization, impairments, and retained earnings. In short, book value growth does not equal an economic return. I explain these concepts in more detail in my response to Mr. Coppola below.

Capital Market Conditions

Q11. Please summarize recent changes in the economic and financial markets since you prepared your Direct Testimony.

A11. Since the Company filed its rate case on November 13, 2025, economic and federal policy uncertainty has remained elevated. As *Blue Chip Financial Forecasts* ("*Blue Chip*") explains, "Numerous Fed officials have noted that there are currently upside

risks to the inflation outlook while there are downside risks to the employment outlook, a combination that makes the near-term course for monetary policy very uncertain."[7] Further, in its Outlook 2026 report, J.P. Morgan Private Bank emphasized the structural, rather than temporary, shift in the state of inflation.[8] J.P. Morgan notes that inflation is expected to remain more volatile and prone to upward shocks compared with the pre-pandemic period.[9] Consumer sentiment fell 21 percent between January 2025 and February 2026,[10] and declined an additional 2 percent based on preliminary March 2026 data.[11]

Q12. Please discuss recent monetary policy actions by the Federal Reserve.

A12. At its December 2025 meeting, the Federal Open Market Committee ("FOMC") lowered the target range of the federal funds rate by 25 basis points for the third time in 2025 to a range of 3.50 to 3.75 percent. In doing so, the FOMC noted the downside risks to employment on the one hand but that "[i]nflation has moved up since earlier in the year and remains somewhat elevated."[12] The FOMC maintained its federal funds rate target range at its January 2026 and March 2026 meetings, noting that inflation remains "somewhat elevated," uncertainty about the economic outlook remains "elevated," and "[t]he implications of developments in the Middle East for the U.S. economy are uncertain."[13]

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7 Blue Chip Financial Forecasts, Vol. 44, No. 12, December 1, 2025, at 1.
8 J.P. Morgan Private Bank, *2026 Outlook: Promise and Pressure*, at 7.
9 *Id.*
10 University of Michigan, Survey of Consumers, "Final Results for February 2026", accessed March 7, 2026, https://www.sca.isr.umich.edu/.
11 University of Michigan, Survey of Consumers, "Preliminary Results for March 2026", accessed March 19, 2026, https://www.sca.isr.umich.edu/.
12 Federal Reserve FOMC Press Release, December 10, 2025, https://www.federalreserve.gov/newsevents/pressreleases/monetary20251210a.htm.
13 Federal Reserve FOMC Press Release, March 18, 2026, https://www.federalreserve.gov/newsevents/pressreleases/monetary20260318a.htm.

Q13. Mr. Walters claims that you use long-term Treasury yields that "are at odds with current market expectations and inconsistent with the Federal Reserve's ('Fed') projections and monetary policy."[14] Do the Federal Reserve's recent cuts to the Federal Funds rate mean that long-term government and utility bond yields will automatically follow?

A13. Not necessarily. As explained in my Direct Testimony, long-term government and utility bond yields – such as the 30-year Treasury yield that is applied in the ROE models and used as a benchmark for long-term utility debt – are less sensitive to the Federal Reserve's monetary policy.[15] Despite the Federal Reserve's decision to cut the Federal Funds rate by 25 basis points in each of September, October, and December 2025 (75 basis points total), the cost of equity for a regulated utility such as DTE Gas did not decline commensurately. In fact, since the Federal Reserve first cut the Federal Funds rate in mid-September 2025, long-term government and utility bond yields have since *increased* into March 2026, as shown below in Table 2.

Table 2. Government and Utility Bond Yields (September 2025 vs. March 2026)[16]

	10-Year Treasury	30-Year Treasury	Moody's A-Rated Utility Bond Index
September 18, 2025	4.11%	4.72%	5.56%
March 30, 2026	4.35%	4.91%	5.92%
Basis Point Change	+24 bp	+19 bp	+36 bp

[14] Direct Testimony of Christopher C. Walters, page 16, lines 15-17.
[15] Direct Testimony of Jennifer E. Nelson, page 62, lines 12-15.
[16] Source: Federal Reserve Board of Governors, H.15 Selected Interest Rates; Bloomberg Professional. Spot yields.

Q14. Is the Federal Reserve's future path of monetary policy certain?

A14. No, far from it. Considerable market uncertainty exists due to geopolitical events, which has caused significant volatility in both the equity and bond markets. For example, S&P noted significant bond yield volatility in recent weeks, stating "[t]he war with Iran has stoked volatility in US government bond yields and interest rate expectations while boosting concerns about inflation."[17] As a result, the market's expectations regarding the Federal Reserve's future path of interest rates have seen similar volatility. In the same article, S&P discussed the swing in market expectations for future FOMC meeting interest rate policy changes, noting significant movements from expectations for a rate cut to a rate hike in a matter of days. Consequently, analysts expect the Federal Reserve to maintain its current Federal Funds rate until uncertainty subsides:

> *'The market is very volatile, and as quickly as it priced out cuts, and then priced in hikes, it has now mostly removed those hikes following today's comments by President Trump,' said Esther Sholes, a senior macro analyst for Take Profit Trader, in a March 23 interview. 'In light of this uncertainty, I continue to see the Fed on hold until they get clarity on the impact of the war, particularly of oil prices, on inflation, or until a definitive downside risk to growth and employment develops.' The Fed, which has not moved its benchmark interest rate since December 2025, will likely hold rates in its current 3.5% to 3.75% target range, unless 'there is more clarity on how the macros impulses will evolve,' said Padhraic Garvey, head of global rates and debt strategy at ING.*[18]

[17] S&P Global Market Intelligence, "Volatility in interest-rate expectations set to persist as Iran war continues," March 24, 2026.
[18] S&P Global Market Intelligence, "Volatility in interest-rate expectations set to persist as Iran war continues," March 24, 2026.

Q15. Have long-term government and utility bond yields increased since DTE Gas's last rate filing in U-21291?

A15. Yes, they have. As shown in Table 3 below, long-term government and utility bond yields have increased by 52 and 38 basis points, respectively, since the Company's last rate case. This data supports an increase in the Company's cost of equity and corresponding authorized ROE, not a decrease or no change, as the Opposing Witnesses recommend.

Table 3. Long-Term Government and Utility Bond Yields (U-21291 vs. March 2026)[19]

	30-Year Treasury Bond	Moody's A-Rated Utility Index
U-21291 (average Jan. 8, 2024-Nov. 7, 2024)	4.39%	5.54%
August 29, 2025 (U-21973 Direct filing)	4.92%	5.81%
March 30, 2026	4.91%	5.92%
Basis Point Change (U-21291 to March 2026)	+52 bp	+38 bp

Q16. Are long-term government and utility bond yields expected to remain elevated in the near term?

A16. Yes. In Figures 2 and 3 of my Direct Testimony, I showed that the near-term and medium-term projections of the 30-year Treasury yield and A-rated utility bond yield from *Blue Chip* were above the levels observed during DTE Gas's last rate case in U-21291. As bond yields have risen since I prepared my Direct Testimony, *Blue Chip*'s projections have similarly increased. As shown in Table 4, near-term and medium-term forecasts for the 30-year Treasury yield increased from 4.66

[19] Source: Federal Reserve Bank of St. Louis (FRED); Bloomberg Professional.

percent and 4.40 percent, respectively, in my Direct Testimony to 4.77 percent and 4.60 percent, respectively in my Rebuttal Testimony. Similarly, near-term and medium-term forecasts for Moody's A-rated utility bond index increased from 5.73 percent and 5.65 percent, respectively, in my Direct Testimony to 5.82 percent and 5.83 percent, respectively, in my Rebuttal Testimony. In total, projected government and utility bond yields increased between 9 and 20 basis points since I prepared my Direct Testimony.

Table 4. 30-Year Treasury Yield and Moody's A-Rated Utility Bond Index[20]

	30-Year Treasury Bond		Moody's A-Rated Utility Bond Index	
	Near-Term Forecast (Next 6 Quarters)	Medium-Term Forecast (2027-2031)	Near-Term Forecast (Next 6 Quarters)	Medium-Term Forecast (2027-2031)
Direct Testimony	4.66%	4.40%	5.73%	5.65%
Rebuttal Testimony	4.77%	4.60%	5.82%	5.83%
Basis Point Change	+11 bp	+20 bp	+9 bp	+18 bp

Q17. Mr. Coppola contends that volatile capital market conditions do not affect investment in utility stocks.[21] Do you agree?

A17. No. Mr. Coppola makes two arguments. First, he cites *Value Line* to assert that "volatility is only risk […] if you sell a stock."[22] This argument ignores the effect of higher market risk on how *potential* investors looking to buy a stock evaluate the effect of market risk on their investment decisions. Further, holding a volatile

[20] Sources: Direct Testimony of Jennifer E. Nelson, Figure 2 and Figure 3, page 7, lines 4-7; Federal Reserve Bank of St. Louis, FRED Economic Database (Series DAAA); Bloomberg Professional (Moody's Utility A Index); Blue Chip Financial Forecasts, Vol. 44, No. 12, page 14; Blue Chip Financial Forecasts, Vol. 45, No. 3, page 2.

[21] Direct Testimony of Sebastian Coppola, page 91, lines 17-21; page 92, lines 1-20; page 93, lines 1-2.

[22] Direct Testimony of Sebastian Coppola, page 92, lines 10-11

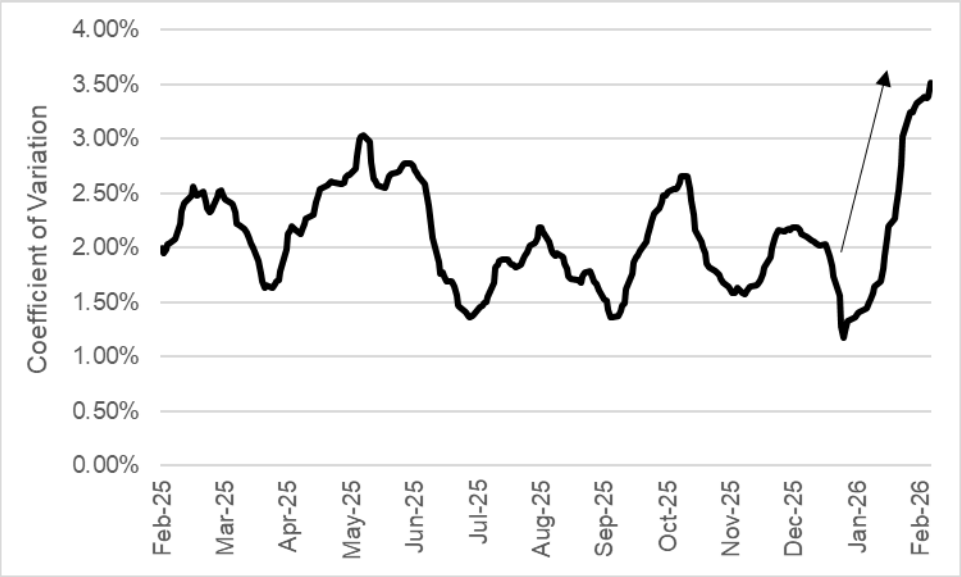
Line No.

security exposes the investor to foregone opportunities, which merely shifts the risk of a capital loss to liquidity risk, since higher volatility is associated with lower liquidity.[23] Volatility constrains future options and increases the probability that future circumstances may force a sale at an unfavorable time. Risk exists regardless of whether an investor sells; investors require higher returns to hold more volatile assets, which is priced into the value of the security. Mr. Coppola's second argument appears to be that because utilities are defensive stocks (by reference to Beta coefficients that are below 1.0), they are less volatile than the market. This argument ignores the fact that Beta coefficients do not only measure volatility, but also measure correlation with the market. If the correlation in returns between a company's stock and the market declines, *even as relative volatility increases*, the Beta coefficient may still fall. In other words, changes in Beta coefficients may obscure absolute changes in volatility. As shown in Figure 1 below, volatility for the proxy group (as measured by the Coefficient of Variation[24]) increased relative to February 2025 when President Trump announced the first of his executive orders implementing tariffs, and spiked considerably since the beginning of 2026. In other words, the proxy group has not been immune to market volatility stemming from recent geopolitical events.

[23] *See, e.g.,* Yakov Amihud, Haim Mendelson, and Lasse Heje Pedersen, "Liquidity and Asset Prices," Foundation and Trends in Finance, Vol. 1 No. 4, pages 269-364 (2005) for a literature review on the effect of liquidity on the required returns of capital assets. Accessible at: https://w4.stern.nyu.edu/facdir/lpederse/papers/LiquidityAssetPricing.pdf

[24] The Coefficient of Variation is a measure of volatility that is calculated as the ratio of the standard deviation to the mean over a sample period.

Figure 1. Proxy Group Average Stock Price Volatility (February 2025-February 2026)[25]



Q18. Please discuss the recent changes in U.S. trade and geopolitical policy and the effect on volatility.

A18. As discussed in my Direct Testimony,[26] the Trump administration's announcement, implementation, and delayed implementation of tariffs on numerous U.S. trade partners introduced significant uncertainty around the future course of U.S. trade policy and how it will affect the economy. On February 20, 2026, the Supreme Court struck down President Trump's tariffs,[27] though he responded with a pledge to impose a new global 15 percent tariff.[28]

[25] Source: S&P Capital IQ. Represents the average of Coefficient of Variation on a rolling 30-trading day basis for the proxy group.
[26] Direct Testimony of Jennifer E. Nelson, page 63, lines 8-15.
[27] https://apnews.com/article/supreme-court-tariffs-trump-0485fcda30a7310501123e4931dba3f9.
[28] https://www.nytimes.com/2026/02/21/business/trump-tariffs.html.

Additionally, in recent months, the U.S. launched "Operation Southern Spear" and captured Venezuelan President Nicolás Maduro in Latin America, and in late February, a major combined U.S.-Israel military operation, "Operation Epic Fury," targeted Iranian political and military leaders as well as military and nuclear infrastructure in the Middle East. These events, along with increased trade tensions with China over Taiwan in late 2025 and uncertain domestic monetary and fiscal policy have increased economic volatility and uncertainty across the board, particularly for energy companies. The war in the Middle East has created the largest supply disruption in the history of the global oil market[29] along with a significant impact on global product markets. While U.S. natural gas markets have been minimally affected thus far, Asian and European natural gas prices increased sharply.[30] IEA member countries agreed to release emergency reserves to the market to mitigate the negative impact on economies from the supply disruptions, however, the ongoing conflict in the Middle East will continue to strain global supply. Vanguard, one of the largest American asset managers, notes that "the scale and persistence of energy disruptions raise noteworthy risks for growth, inflation, and central bank decision-making" in which "[s]ustained energy price shocks could push inflation higher, tighten financial conditions, and complicate policy trade-offs."[31]

[29] IEA, Oil Market Report – March 2026. Accessible at https://www.iea.org/reports/oil-market-report-march-2026.

[30] Iran war deals harder blow to natural gas than oil, Reuters, March 24, 2026, https://www.reuters.com/markets/commodities/iran-war-deals-harder-blow-natural-gas-than-oil-2026-03-24/.

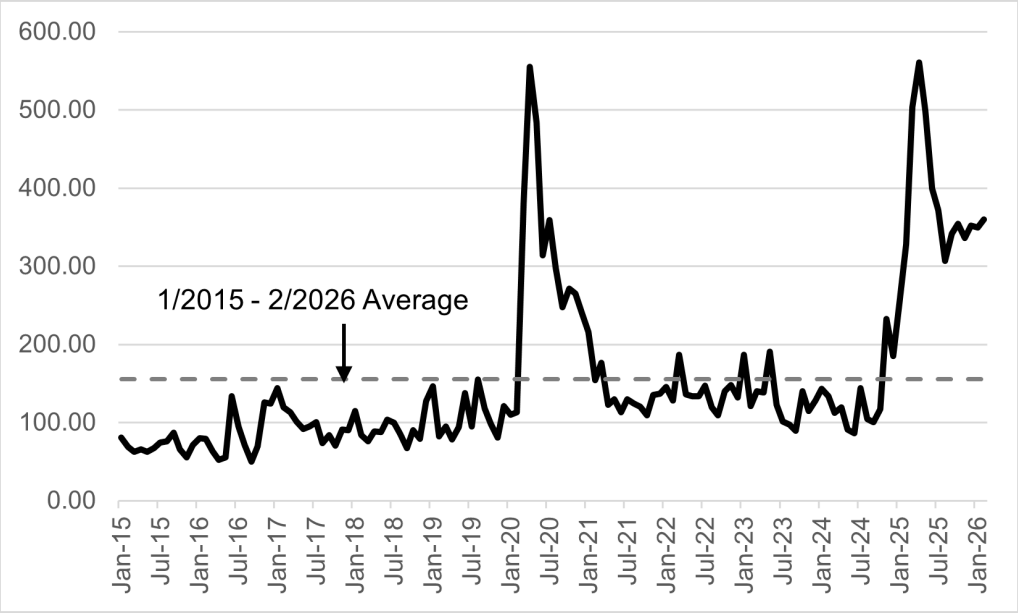
[31] Vanguard, "The potential impact of high oil prices on economies," March 10, 2026.

Line No.

These events created significant policy and market uncertainty; as can be seen in Figure 2 below, the Federal Reserve Bank of St. Louis' Economic Policy Uncertainty Index (the "EPU Index") remains elevated. The EPU Index has increased in recent months (to 360.22 as of February 2026), well above levels cited in my Direct Testimony (308.50 as of August 2025)[32] and corresponding with the Commission's Order in the Company's last filed rate case (232.69 as of November 2024). This heightened U.S. policy and market uncertainty is further evidenced by the weakened U.S. dollar ("USD"), which depreciated against gold and a broad set of foreign currencies in 2025; from December 31, 2024, to December 31, 2025, the USD depreciated 7.80 percent against the Federal Reserve's trade-weighted USD index, and gold prices (as measured in USD) increased by approximately 65 percent.[33] As a result, there is significant uncertainty related to international trade and the broader macroeconomy. Uncertainty increases risk, which increases the cost of equity, all else equal. While this volatility may affect utility stocks less than other industries, volatility still increases the risk of investing in utility stocks since utility sector stocks have positive Beta coefficients (see, *e.g.*, Exhibit A-31, Schedule U4).

[32] Direct Testimony of Jennifer E. Nelson, page 63, line 20.
[33] Sources: Federalreserve.gov H10 data; Goldprice.org.

Figure 2. Economic Policy Uncertainty Index January 2015 – February 2026[34]



Q19. What conclusions do you draw from your review of the current capital market environment and its implications for the Company's cost of equity?

A19. The economic and financial market environment is experiencing heightened risk and uncertainty associated with geopolitical events. Although the Federal Reserve cut the level of short-term interest rates in the final quarter of 2025, long-term government and utility bond yields have not followed suit and remain elevated relative to the very low-interest rate environment experienced in the prior decade, as well as compared to interest rates during DTE Gas's last rate case. These factors support an increase in the cost of equity and underscore the importance of using multiple models when determining the Company's cost of equity.

[34] Federal Reserve Bank of St. Louis Economic Database (FRED), Economic Policy Uncertainty Index for United States (USEPUINDXD), monthly average frequency updated February 27, 2026, https://fred.stlouisfed.org/series/USEPUINDXD.

Line No.

Response to Staff Witness Ufolla

Q20. Please summarize Staff Witness Ufolla's ROE recommendation for DTE Gas.

A20. Mr. Ufolla recommends an ROE of 9.80 percent, with a recommended range of 9.30 percent to 10.30 percent,[35] which reflects a continuation of the Company's current authorized ROE, despite higher capital costs since the Company's last rate case. At the time of the Commission's order in U-21291 on November 7, 2024, the 30-day average for 30-year Treasury yields was 4.38 percent, or approximately 41 basis points *lower* than the 30-day average through February 27, 2026 of 4.79 percent.[36] As noted by the Commission in previous proceedings, the Commission considers "a variety of market factors in future applications, including market reactions to recent events and measures of volatility and uncertainty, as well as measures of investor confidence, and the utility's risk profile."[37] Capital costs have increased since DTE Gas's last case, and must be factored in determining the Company's authorized ROE. Maintaining the current authorized ROE when capital costs are rising reduces the relative attractiveness of an investment in the Company and would hinder DTE Gas's ability to remain competitive among its peers as it secures the capital it needs to serve customers.

Q21. Is Mr. Ufolla's ROE recommendation congruent with the change in his cost of equity model results since DTE Gas's last rate case?

35 Direct Testimony of Staff Witness Joseph E. Ufolla, page 10, lines 15-16.
36 Source: Federal Reserve Bank of St. Louis (FRED).
37 Order in Case No. U-20561, page 177.

A21. No, it is not. As shown in Table 5, Mr. Ufolla's own cost of equity model results have increased since the Company's last rate case;[38] therefore, his decision to maintain his recommendation from the last rate case is incongruous with the results of his analysis. Although his analyses indicate an increase in the Company's cost of equity, he chose to maintain the same ROE range and recommendation.

Table 5. Comparison of Staff ROE Analysis Results[39]

Cost of Equity Model	Prior Case (U-21291)	Current Case (U-21973)	Basis Point Change
Constant Growth DCF	10.21% - 10.47%	10.26% - 10.92%	+25
Two-Step DCF	N/A	9.53% - 9.93%	N/A
CAPM	9.59% - 9.88%	9.68% - 9.79%	0
Risk Premium – Utility Bond	9.21%[40]	9.64%	+43
Risk Premium – Treasury Bond	8.97%	9.74%	+77
Average Auth. ROE (MRY[41])	9.64%	9.73%	+9
Average Auth. ROE (MRY-1)	9.53%	9.72%	+19
Recommended Range	9.30% - 10.30%	9.30% - 10.30%	0
Final ROE Recommendation	9.80%	9.80%	0

Q22. Is Mr. Ufolla's ROE recommendation consistent with his model results?

A22. No, it is not. The minimum of Mr. Ufolla's recommended range (9.30 percent) is 23 basis points below his lowest model result (9.53 percent), and he provides no

[38] *In the Matter on 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, Direct Testimony of Staff Witness Joseph E. Ufolla, page 24, lines 7-8.

[39] *Id.*; Direct Testimony of Staff Witness Joseph E. Ufolla, page 23, line 10.

[40] Represents the average of Staff's "Risk Premium A-Rated Bond" and "Risk Premium Baa-Rated Bond" ROE models.

[41] MRY represents the "most recent year" of data presented in the respective testimonies.

justification for selecting a range that falls below the lowest of his model results.[42] Mr. Ufolla also provides no explanation for why the upper end of his range is 62 basis points below his highest DCF result. Moreover, his 9.80 percent ROE recommendation is below the average (9.89 percent) of his five model results shown in Chart 4 of his Direct Testimony.[43] Mr. Ufolla simply provides no justification for selecting an ROE that is below the benchmarks supported by his analysis. At minimum, Mr. Ufolla should have recommended a 9.90 percent ROE based on his filed model results. My 10.25 percent ROE recommendation falls within Mr. Ufolla's analytical results and his recommended range of reasonableness, and is therefore reasonable.

Q23. Are there areas of agreement between you and Mr. Ufolla?

A23. Yes. As Mr. Ufolla acknowledges in his Direct Testimony,[44] we ultimately arrive at the same proxy group of six companies despite differences in our screening criteria to determine the proxy group.[45] Additionally, I agree with Mr. Ufolla's reliance on analysts' expected earnings growth rates in his DCF analysis, as well as his calculation of the forward-looking dividend yield. In our CAPM analyses, we both use projected 30-year Treasury bond yields as the risk-free rate and adjusted five-year Beta coefficients sourced from *Value Line*.

[42] Direct Testimony of Staff Witness Joseph E. Ufolla, page 23, line 10.

[43] For the purposes of equally weighting Mr. Ufolla's five cost of equity models, the average and midpoint values consider both risk premium model results, along with the average of the mean and median ROE estimates for each of Mr. Ufolla's Single Step DCF, Two-Step DCF, and CAPM.

[44] Direct Testimony of Staff Witness Joseph E. Ufolla, page 12, lines 21-22.

[45] I note that because there is general alignment between the experts' proxy groups in this case (with the exception of some differences in Mr. Coppola's group that I address in the subsequent Section), to narrow the scope of issues in this proceeding, I did not re-screen my proxy group in my updated analysis.

Q24. Please summarize the principal areas in which you disagree with Mr. Ufolla's analyses and conclusions.

A24. The principal areas in which I disagree with Mr. Ufolla include: (1) his application of the DCF analysis, in particular the Two-Step DCF approach; (2) his application of the CAPM and his criticism of my ECAPM analyses; and (3) his application of the Risk Premium approach.

DCF Analysis

Q25. Please summarize Mr. Ufolla's DCF analysis.

A25. Mr. Ufolla performs a Constant Growth DCF analysis that produces a cost of equity estimate average of 10.92 percent and median of 10.26 percent for his proxy group. For the stock price, Mr. Ufolla developed a three-month average price for each proxy company using the closing stock price from October-December 2025 as reported by Yahoo! Finance. For the growth rate component, Mr. Ufolla relies on the three sources for earnings growth: *Value Line,* Zacks, and Seeking Alpha. I note that we both used *Value Line* and Zacks earnings growth estimates in deriving growth rates for our respective DCF analyses, and I take no objection to the Seeking Alpha growth rates. Mr. Ufolla developed a dividend yield by multiplying last quarter's dividend from Yahoo! Finance for each proxy company by four to estimate an annualized dividend rate, and multiplied the annualized dividend rate by one-half the average annual growth rate, which is the same approach that I use.

Mr. Ufolla also presents a two-step DCF analysis by which the same analysts' projected earnings growth rates are used for the short-term first stage of growth. For the long-term second stage of growth, Mr. Ufolla relies on a projected GDP

growth rate derived from S&P Global. Mr. Ufolla applies a 2/3 weight to the first stage of growth and a 1/3 weight to the second stage of growth to arrive at average and median ROE estimates of 9.93 percent and 9.53 percent, respectively.

Q26. As a preliminary matter, are your DCF results and your ROE recommendation supported by Mr. Ufolla's DCF analysis?

A26. Yes, my Constant Growth DCF results and Mr. Ufolla's Constant Growth DCF results are substantially similar. In fact, Mr. Ufolla's proxy group average Constant Growth DCF result of 10.92 percent is 22 basis points higher than my updated Constant Growth DCF results using a 90-day stock price average (10.70 percent[46]). Moreover, my ROE recommendation of 10.25 percent is 45 to 67 basis points below these results.

Q27. What is your response to Mr. Ufolla's criticisms of your DCF analysis?

A27. Mr. Ufolla criticizes my use of a 30-day and 180-day average stock price in my DCF analysis.[47] He contends that the 30-day average is too short to "prevent temporary fluctuations in stock price from skewing the results" and that my 180-day average is unnecessary. Rather, he argues that the 90-day price average is "sufficient enough to mitigate the skewness that can occur in a shorter time period, but a longer timeline is simply not necessary."[48] As I explain in my Direct Testimony, using three averaging periods balances the concerns of using more recent data and data that is not skewed by anomalous events.[49] The effect of relying

[46] Exhibit A-31, Schedule U1.
[47] Direct Testimony of Staff Witness Joseph E. Ufolla, page 15, lines 17-22; and page 16, lines 1-2.
[48] Direct Testimony of Staff Witness Joseph E. Ufolla, page 15, lines 21-22; and page 16, line 1.
[49] Direct Testimony of Jennifer E. Nelson, page 22, lines 13-18.

solely on a 90-day trading period as compared to all three trading period averages, however, is minor (one basis point in my DCF analyses).

Q28. What is your response to Mr. Ufolla's Two-Step DCF analysis?

A28. Limiting growth for utilities to long-term GDP growth in the DCF model is an unfounded constraint. As discussed below, the premise that utility earnings growth is constrained by the U.S. GDP growth rate does not reflect historical or expected natural gas utility growth. Further, the use of a single uniform growth rate is inconsistent with the underlying assumptions of the DCF model. Therefore, Mr. Ufolla's Two-Step DCF analysis should be given no weight.

Additionally, if Mr. Ufolla is going to rely on FERC's methodology,[50] he should use its current two-step DCF methodology. In Opinion 569-A,[51] FERC changed its Two-Step DCF methodology to use an 80 percent weight on the short-term growth rate and 20 percent weight on the long-term growth rate ("80/20 weighting methodology").[52] As shown in Exhibit A-31, Schedule U6, applying FERC's current growth rate methodology results in a 10.32 percent cost of equity estimate for DTE Gas, which is in line with my 10.25 percent ROE recommendation. Although I do not agree that the Two-Step DCF method is appropriate for utilities at this time, if the Commission gives Mr. Ufolla's Two-Step DCF analysis any consideration, it should use FERC's current 80/20 weighting methodology

[50] MPSC Staff's Answer to the DTE Gas Company's Second Discovery Request, MPSC Case No. U-21973, March 24, 2026, Question DGST-2.11, part a. "Mr. Ufolla has not reviewed a plethora of FERC decisions. Mr. Ufolla is aware of FERC Opinion 569 which states DCF growth rates should be weighted at 2/3 short-term and 1/3 long-term."

[51] Association of Businesses Advocating Tariff Equity v. Midcontinent Independent System Operator, Inc.,171 FERC ¶ 61,154 (May 2020).

[52] *Id*., at P. 2.

presented in Exhibit A-31, Schedule U6. FERC's updated methodology more appropriately weights analysts' projected growth rates that are more relevant for utilities than GDP growth.

Q29. As a preliminary matter, what is the primary driver of utility earnings?

A29. Utility earnings and dividend growth are primarily driven by rate base growth. Because rate base growth is driven by capital expenditures, utility earnings and dividend growth should be closely related to growth in utility capital expenditures.

Q30. Please describe the growth in utility capital expenditures over the last decade.

A30. As shown in Table 6 below, the compound annual growth rate in the proxy group's capital expenditures over various periods has been between approximately 7.9 percent and 11.3 percent. These growth rates are closely aligned with the overall natural gas utility sector's growth in capital expenditures and are well above GDP growth.

Table 6. Compound Annual Growth in Capital Expenditures (2014-2024)[53]

	3-yr CAGR (2021-2024)	5-yr CAGR (2019-2024)	10-yr CAGR (2014-2024)
DTE Gas Proxy Group	11.31%	7.86%	9.80%
Total Natural Gas Utility Sector	10.76%	6.53%	8.66%

The proxy group average analyst projected earnings growth rates used in my and Mr. Ufolla's DCF analyses (7.42 percent and 7.52 percent, respectively) are at the low end of the range of growth rates in natural gas utility capital expenditures and

[53] Source: S&P Global Market Intelligence, RRA Financial Focus: Utility Capex Capital Expenditures Update H1 2025: 2014–29f, March 24, 2025.

therefore are not overstated. Rather, they are highly consistent with rate base growth, as would be expected. Moreover, these growth rates are significantly higher than projected GDP growth, which indicates that utility growth is not constrained by economic growth at the national level. Given the substantial amount of capital that is expected to be invested to meet growing demand and improve reliability, it is unlikely that natural gas utilities are nearing the end of their investment cycles; rather it is likely the beginning.

Notably, S&P recently noted in a recent article that utilities have significantly increased their five-year capital plans when reporting quarterly results, with many also extending or increasing their five-year growth projections for earnings per share ("EPS").[54] S&P notes that "utilities are now growing EPS closer to 8% at the midpoint," while "the biggest take investors need to know out of earnings season is that EPS growth is continuing to move higher."[55] Moreover, S&P explains that utility managements' and analysts' projected EPS growth rates reflect longer-term growth expectations and have moved away from shorter-term influences on growth:

> *Historically, earnings outcomes were dictated by near-term regulatory execution, completion of large [capital expenditure] projects, [operations and maintenance] discipline, weather normalization, and financing mechanics…This quarter, however, management teams consistently* ***anchored investor discussions around longer-dated narratives****.*[56]

In other words, analysts' projected growth rates for the broad utility sector are grounded in long-term earnings expectations and fundamentals that exceed GDP

54 S&P Global, "Utilities trade focus on quarterly results for long-term outlooks," March 9, 2026.
55 *Id*.
56 *Id.* [Emphasis added.]

growth estimates, further demonstrating that utility growth is not constrained by economic growth at the national level.

Q31. Are there concerns with relying on a single, universal growth rate as the terminal growth rate in the multi-stage DCF model?

A31. Yes. Specifically, the use of a single, uniform terminal growth rate for all companies in the proxy group (as Mr. Ufolla assumes with a uniform second-stage growth rate based on national GDP growth) is inconsistent with the underlying structure of the DCF model because it violates the fundamental relationship between the stock price (and therefore the dividend yield) and investors' company-specific growth expectations.

A multi-stage DCF approach (such as Mr. Ufolla's Two-Step DCF analysis) is based on the premise that expected growth changes over time, and transitions to a growth rate equal to expected growth in the overall economy in perpetuity. One concern with a multi-stage DCF analysis is that it does not account for the fact that the dividend yield and growth rate are interrelated. All else equal, the dividend yield and growth rate are typically inversely related, since higher expected growth increases demand for a stock increasing its price, and reducing the dividend yield (and vice versa). In the multi-stage DCF model, however, the dividend yield remains constant but the growth rate changes over time, contrary to the fundamental structure of the DCF model. Consequently, an assumption that the expected dividend yield remains constant as the growth rate is reduced toward GDP over time is flawed and inconsistent with the fact that if investors expect lower growth

in the future, they would likely pay less for the stock than is assumed by a constant dividend yield.

A second, related concern is the assumption that all companies' growth will equal GDP growth in the long-term, when in fact each company is unique and the growth and prospects of each company are unique. Using a single long-term growth rate for all proxy companies is illogical and inconsistent with valuation theory.

Q32. Is there any other evidence that shows that utility growth is not limited by GDP growth?

A32. Yes. From 2010 through the end of February 2026, the S&P 500 Utilities Index had a compound annual growth rate ("CAGR") of 7.15 percent, when looking at price-only growth (excluding dividends, which is comparable to the analyst earnings growth rates used in my DCF analysis, as stock prices are driven by earnings growth over the long-term).[57] This CAGR is much more comparable to the analyst earnings growth rates that I use in my analysis (7.42 percent) than Mr. Ufolla's 4.52 percent GDP growth rate. Moreover, it is significantly higher than the 4.92 percent GDP CAGR over approximately the same time period (Q1 2010 through Q4 2025), further demonstrating that the utility sector's rate of growth is not bounded by the rate of growth for the national economy.[58]

[57] Source: S&P Capital IQ Pro.

[58] Federal Reserve Bank of St. Louis, *FRED Economic Database, Series GDP*, Accessed March 25, 2026, https://fred.stlouisfed.org/series/GDP/.

Q33. Have other commissions rejected the use of GDP growth in the DCF analysis?

A33. Yes. For example, the North Carolina Utilities Commission noted that "Witness Walters' 'generic' GDP-based growth rate simply does not reflect the real world expected growth of a utility like [Duke Energy Carolinas]. Accordingly, the Commission determines that neither the sustainable growth methodology nor the Multi-Stage DCF should be accorded any weight in this case."[59] Similarly, the Florida Public Service Commission noted "[w]e find that [Office of Public Counsel] witness Garrett's DCF model result of 7.1 percent is not reasonable because it uses the national GDP as the growth rate and does not reflect the growth rate of regulated natural gas utilities, and shall be given little weight."[60]

Q34. What is your recommendation regarding Mr. Ufolla's Two-Step DCF estimate?

A34. In conclusion, no company, or investor, would be satisfied with growth that simply tracks the broader economy. Investors would and do shift capital to more attractive investments. Companies are constantly searching for new avenues of growth and have levers such as capital resource allocation to achieve growth greater than GDP. There is no reason to expect that an individual corporation competing for capital as a going concern will limit its future earnings or dividend growth rate to that of GDP. The underlying premise of Mr. Ufolla's Two-Step DCF analysis does not hold and is unsupported. Therefore, I recommend that the Commission give no weight to

[59] *In the Matter of Application of Duke Energy Carolinas, LLC for Adjustment of Rates and Charges Applicable to Electric Service in North Carolina and Performance-Based Regulation*, Order Accepting Stipulations, Granting Partial Rate Increase, Requiring Public Notice, and Modifying Lincoln CT CPCN Conditions, Docket No. E-7, Sub 1276, at 203 (clarification added).

[60] *In re: Petition for rate increase by Florida City Gas*, Order Granting in Part and Denying in Part Florida City Gas' Petition for Certain Rate Increases, Docket No. 20220069-GU, June 9, 2023, at 41 (clarification added).

these results. Instead, I recommend that the Commission give more weight to the Constant Growth DCF results.

CAPM Analysis

Q35. Please summarize Mr. Ufolla's CAPM analysis.

A35. Mr. Ufolla applies a projected risk-free rate of 4.425 percent from S&P Global, five-year Beta coefficients from *Value Line*, and a historical market risk premium of 7.00 percent for 1928-2025. These inputs result in an average CAPM ROE estimate of 9.79 percent and a median of 9.68 percent.[61]

Q36. What is your primary concern with Mr. Ufolla's CAPM analysis?

A36. Mr. Ufolla misapplies the CAPM by employing two different risk-free rates within the CAPM formula, specifically his 4.425 percent risk-free rate and the 4.85 percent long-term average risk-free rate between 1928 and 2025 assumed in his 7.00 percent market risk premium. As I explain in my response to Mr. Coppola, the risk-free rates applied in the CAPM analysis should be the same. If this is not done, the CAPM will underestimate the ROE if the risk-free rate is below the long-term historical average risk-free rate (as is the case in Mr. Ufolla's analysis) or overstate the ROE if the risk-free rate is above the long-term historical average risk-free rate. By using the long-term historical average market return as I have, the risk-free rate and market risk premium estimates are synchronized to ensure that both risk-free rate components are the same in the CAPM model.

[61] Direct Testimony of Staff Witness Joseph E. Ufolla, page 18, lines 16-18; and JEU Exhibit S-4, Schedule No. D-5, page 7 of 13.

I corrected Mr. Ufolla's CAPM analysis for this inconsistency, using his 11.85 percent average market return[62] and his 4.425 percent risk-free rate to calculate a market risk premium of 7.425 percent on Exhibit A-31, Schedule U7. This shows a cost of equity estimate of 10.12 percent, which is in line with my historical CAPM cost of equity estimate, shown in Exhibit A-31, Schedule U4. If the Commission relies on Mr. Ufolla's CAPM analysis, I recommend that they rely on this corrected version of his analysis.

Q37. Do you agree with Mr. Ufolla's criticism that your use of a current risk-free rate is not congruent with the test year?[63]

A37. No, I do not. As stated in my Direct Testimony, I relied on both a current and a projected risk-free rate, whereas Mr. Ufolla relied only on a projected risk-free rate. The cost of equity is forward-looking; therefore, the inputs to the CAPM analysis, theoretically, should be forward-looking. However, no one knows with certainty what the future risk-free rate will be, despite Mr. Coppola's personal belief that the projected risk-free rate "more reliably reflects the trend in interest rates over the next 18 months."[64]

Because current and projected interest rates are both investor influencing, it is reasonable and prudent to consider both a current risk-free rate and a projected risk-free rate in the CAPM. Recognizing the current uncertainty in the market, I believe it is reasonable to give equal weight to both current and projected risk-free rates.

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62 Direct Testimony of Staff Witness Joseph E. Ufolla, Exhibit No. S-4, Schedule No. D-5, page 8 of 13.
63 Direct Testimony of Staff Witness Joseph E. Ufolla, page 19, line 9.
64 Direct Testimony of Sebastian Coppola, page 82, lines 20-21.

As Dr. Roger Morin observes, both current and projected risk-free rates are informative:

> *One reasonable option for the regulator is to accord equal weight to both current interest rate levels and the analysts' consensus forecast. Each proxy for expected interest rates brings information to the judgment process from a different light. Neither proxy is without blemish, each has advantages and shortcomings.*[65]

Lastly, if Mr. Ufolla's criticism is that only forward-looking inputs are congruent with DTE Gas's forward test year, his reliance only on a historical market risk premium is also incongruent with the test year.

Q38. Do you agree with Mr. Ufolla's criticism that your "forward-looking [V]alue [L]ine models have results that are out of alignment with all other models."?[66]

A38. As a preliminary matter, I note that I developed both a forward-looking CAPM analysis, as well as a historical CAPM analysis that tempers the forward-looking CAPM estimates. I also note that I assessed three forward-looking market return estimates, based on *Value Line* estimates, Bloomberg estimates, and S&P's Earnings and Estimates report.[67] In order to be conservative, I relied on the lowest of the three: *Value Line*'s estimate at 14.84 percent. As explained in my Direct Testimony, the *Value Line* forward-looking market return estimate is well within the bounds of reasonableness; approximately 51 percent of the time from 1926 through 2024, the market return was at least 14.84 percent.[68] My updated analysis uses a *Value Line* forward-looking market return of 16.02 percent. Similarly, from 1926 through 2025, 48 percent of the annual market returns were at or above 16.02

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65 Roger A. Morin, Ph.D., New Regulatory Finance, at 173 (2006).
66 Direct Testimony of Staff Witness Joseph E. Ufolla, page 19, lines 5-6.
67 Direct Testimony of Jennifer E. Nelson, page 30, lines 15-22.
68 Direct Testimony of Jennifer E. Nelson, page 31, lines 5-11.

percent.[69] In other words, annual market returns of 14.84 percent and 16.02 percent, or higher, have occurred frequently and are not outliers.

Q39. Please summarize Mr. Ufolla's concerns with your empirical CAPM ("ECAPM") analysis.

A39. Mr. Ufolla asserts that my ECAPM analysis is unnecessary due to the use of long-term interest rates and Blume adjusted Beta coefficients in my traditional CAPM analysis.[70] Specifically, Mr. Ufolla does not agree with the use of the ECAPM "especially in conjunction with the use of a *Value Line* (or Bloomberg) adjusted beta instead of a raw beta."[71] Mr. Ufolla argues that the inputs used in his CAPM analysis already account for many of the shortcomings recognized by the ECAPM, rendering it "unnecessary". According to Mr. Ufolla, the Blume adjusted Beta coefficients and long-term risk-free interest rates used in regulated proceedings flatten the slope of the Security Market Line curve.[72]

Q40. Do you agree with Mr. Ufolla on those points?

A40. No, I do not. As explained below in my response to Mr. Coppola, the ECAPM formula that I rely on applies a conservative alpha adjustment that reflects the use of a long-term risk-free rate.

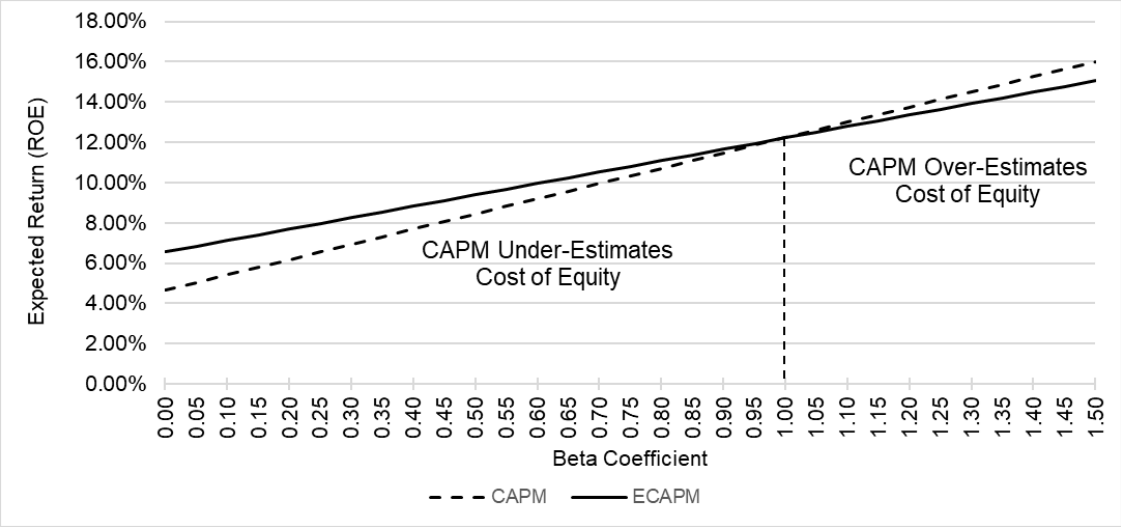
For background, the ECAPM reflects published research that companies with lower Beta coefficients like utilities tend to have higher returns than those predicted by

[69] Source: Kroll, 2023 SBBI Yearbook, Appendix A-1, (years 1926-2023); Cost of Capital Navigator (2023-2025 data).
[70] Direct Testimony of Staff Witness Joseph E. Ufolla, page 19, lines 11-22; and page 20, lines 1-7.
[71] Direct Testimony of Staff Witness Joseph E. Ufolla, page 19, lines 11-12.
[72] Direct Testimony of Staff Witness Joseph E. Ufolla, page 19, line 22; and page 20, lines 1-5.

Line No.

the CAPM, and those with higher Beta coefficients tend to have lower returns than expected.[73] Beta coefficient adjustments such as those used by *Value Line*, on the other hand, address the tendency of "raw" Beta coefficients to regress toward the market mean of 1.00 over time. As explained below, the ECAPM is not an adjustment to the Beta coefficient; the two are different issues and are addressed with different methods.[74] The relationship between expected returns from the CAPM and ECAPM can be seen in Figure 3, below. Figure 3 illustrates that when Beta coefficients are less than 1.00, the CAPM understates the expected return relative to the ECAPM.

Figure 3. CAPM and ECAPM Expected Returns



The ECAPM is an adjustment to the risk/return line which, as shown in Figure 3 above, is flatter than the CAPM assumes. That adjustment is required even with the use of adjusted Beta coefficients, such as those provided by *Value Line*. As Dr. Morin observes (emphasis added):

[73] Direct Testimony of Jennifer E. Nelson, pages 35, lines 22-25. *See also*, Roger A. Morin, PhD., New Regulatory Finance, Public Utility Reports, Inc., at 175-176 (2006).

[74] Roger A. Morin, PhD., New Regulatory Finance, Public Utility Reports, Inc., at 191 (2006).

Fundamentally, the ECAPM is not an adjustment, increase or decrease, in beta. This is obvious from the fact that the expected return on high beta securities is actually lower than that produced by the CAPM estimate. The ECAPM is a formal recognition that the observed risk-return tradeoff is flatter than predicted by the CAPM based on myriad empirical evidence. The ECAPM and the use of adjusted betas comprised two separate features of asset pricing…Both adjustments are necessary.[75]

Q41. Please explain why *Value Line* adjusts its Beta coefficients.

A41. *Value Line*'s adjustment is based on the research of Marshall Blume, who found that "[n]o economic variable including the beta coefficient is constant over time."[76] Consistent with that finding, Blume observed a tendency of raw Beta coefficients to change gradually over time and that the tendency to regress toward 1.0 was stronger for lower risk portfolios:

…there is obviously some tendency for the estimated values of the risk parameter [beta] to change gradually over time. This tendency is most pronounced in the lowest risk portfolios, for which the estimated risk in the second period is invariably higher than that estimated in the first period. There is some tendency for the high risk portfolios to have lower estimated risk coefficients in the second period than in those estimated in the first. Therefore, the estimated values of the risk coefficients in one period are biased assessments of the future values, and furthermore the values of the risk coefficients as measured by the estimates of β_1 tend to regress towards the means with this tendency stronger for the lower risk portfolios than the higher risk portfolios. (emphasis added)[77]

Blume proposed a correction for that "regression bias" to provide more accurate assessments of risk and, therefore, the Cost of Equity:

For individual securities as well as portfolios of two or more securities, the assessments adjusted for the historical rate of regression are more

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[75] *Id.* [emphasis added].

[76] Marshall E. Blume, *On the Assessment of Risk*, The Journal of Finance, Vol. XXVI, No. 1, March 1971, at 6.

[77] *Id.* at 7-8.

accurate than the unadjusted or naïve assessments. Thus, an improvement in the accuracy of one's assessments of risk can be obtained by adjusting for the historical rate of regression even though the rate of regression over time is not strictly stationary.[78]

Based on Blume's results, *Value Line* adjusts its "raw" Beta coefficients according to the following formula:

$$\beta_{adjusted} = 0.35 + \left(0.67 \times \beta_{raw}\right) \quad [1]$$

Q42. Did Marshall Blume's study include utility companies?

A42. Yes. Blume's study included all common stocks listed on the New York Stock Exchange (NYSE) during any part of the period from January 1926 to June 1968, which included any utilities listed on the New York Stock Exchange at that time. For example, Consolidated Edison, AEP, and Duke Energy were listed on the NYSE in 1968.

Q43. Are you aware of any academic studies that support the use of adjusted Beta coefficients in the ECAPM for utility companies?

A43. Yes, in my Direct Testimony, I referenced a 2011 study by Stéphane Chrétien and Frank Coggins[79] in which the authors studied the CAPM and its ability to estimate the risk premium for the utility industry in particular subgroups of utilities. The study considered the traditional CAPM approach, the Fama-French three-factor model, and a model similar to the ECAPM method that I apply. In the study, the ECAPM relied on adjusted Beta coefficients similar to the approach applied by *Value Line*. As Chrétien and Coggins found, the ECAPM significantly

[78] *Id.* at 9-10.
[79] Stéphane Chrétien and Frank Coggins. *Cost Of Equity For Energy Utilities: Beyond The CAPM.* Energy Studies Review, Vol. 18, No. 2 (2011).

outperformed the traditional CAPM model at predicting the observed risk premium for the various utility subgroups.

Q44. Is the ECAPM an accepted methodology?

A44. Yes, it is. The New York Public Service Commission ("NYPSC") relies on both the traditional and empirical forms of the CAPM.[80] Additionally, the North Carolina Utilities Commission ("NCUC") accepted the ECAPM in recent orders for Duke Energy Carolinas and Duke Energy Progress.[81] I note that both the NYPSC and NCUC used adjusted Beta coefficients with the ECAPM analysis. Additionally, I am aware that the ECAPM has been accepted by regulatory commissions in Alaska, Maryland, and Mississippi.[82] Lastly, I am aware the ECAPM has been presented by state regulatory commission staff in Maryland, Nevada, and by the Department of Commerce in Minnesota.[83]

[80] See, New York Public Service Commission, Case 16-G-0058, *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of KeySpan Gas East Corporation d/b/a National Grid for Gas Service*, Order Adopting Terms of Joint Proposal and Establishing Gas Rate Plans, at 32 (December 16, 2016). I note that the ECAPM is also referred to as the Zero-Beta CAPM.

[81] See, *In the Matter of Application of Duke Energy Carolinas, LLC for Adjustment of Rates and Charges Applicable to Electric Service in North Carolina and Performance-Based Regulation*, Docket No. E-7, Sub 1276, Order Accepting Stipulations, Granting Partial Rate Increase, Requiring Public Notice, And Modifying Lincoln CT CPCN Conditions, at 209-210 (December 15, 2023); *In the Matter of Application of Duke Energy Progress, LLC for Adjustment of Rates and Charges Applicable to Electric Service in North Carolina and Performance-Based Regulation*, Docket No. E-2, Sub 1300, Order Accepting Stipulations, Granting Partial Rate Increase, and Requiring Public Notice, at 162-163 (August 18, 2023).

[82] See, Regulatory Commission of Alaska, Docket No. P-97-4, Order No. 151, at 146 (November 27, 2002); Maryland Public Service Commission, Case No. 9311, Order No. 85724, at 105 (July 12, 2013); Mississippi Public Service Commission, Docket No. 01-UN-0548, *Notice of Intent of Mississippi Power Company to Change Rates for Electric Service in its Certificated Areas in the Twenty-Three Counties of Southeast Mississippi*, Final Order, at 19 (December 3, 2001).

[83] See, Maryland Public Service Commission, Case No. 9311, Order No. 85724, at 88; Minnesota Public Utilities Commission, MPUC Docket No. G011/GR-15-736, Findings of Fact, Conclusions of Law, and Recommendation, at 29 (August 19, 2016); Public Utilities Commission of Nevada, Docket No. 12-02019, Second Modified Final Order, at 36 (March 20, 2013).

Q45. Do investors use the ECAPM?

A45. Yes, investors do use the ECAPM, or models that are very similar and assume a flatter security market line as the ECAPM does. For example, in chapter five of Professional Investment Portfolio Management, Kolari, Liu, and Pynnönen detail how they worked with the pension investment division at the Teachers Retirement System of Texas to manage about $100 million using the ZCAPM model (which is a special case of the zero-beta CAPM) from 2012 to 2014.[84] In summary, the ECAPM is an accepted approach used by investors. Consequently, I believe the ECAPM is a reasonable approach and should be considered by the Commission.

Risk Premium Analysis

Q46. Please describe Mr. Ufolla's Utility Risk Premium Analysis.

A46. Mr. Ufolla develops two risk premium estimates: (1) the difference between historical realized natural gas utility equity and utility bond returns between 1954 and 2025; and (2) the difference between historical realized natural gas utility equity and Treasury bond returns over the same 72-year period. His analysis reviews the historical average risk premium investors received "for choosing to invest in the equity of a utility company as opposed to a less risky utility bond or Treasury bond."[85]

Q47. Do you agree with Mr. Ufolla's Risk Premium Analysis?

A47. No, I do not. My primary concern is that Mr. Ufolla's Utility Risk Premium analyses do not capture the inverse relationship between bond yields and the equity

[84] Kolari, James W., Liu, Wei, and Pynnönen, Seppo, Professional Investment Portfolio Management, 2023, at 87.
[85] Direct Testimony of Joseph E. Ufolla, page 21, lines 9-10.

risk premium over the 1954-2025 period he analyzes. Specifically, as interest rates increase, the equity risk premium decreases, and vice versa. Thus, the risk premium is not constant over time, as Mr. Ufolla assumes. Accordingly, a statistical relationship to identify the connection between interest rates and returns is critical. Mr. Ufolla's analysis does not capture this inverse relationship, despite the fact that equity markets and Treasury bond yields moved in different directions during the historical period. Lastly, Mr. Ufolla does not consider a forward-looking utility risk premium analysis. A forward-looking analysis would better align Mr. Ufolla's Risk Premium analysis with the Company's forward test period in this proceeding.

Q48. What revisions do you suggest to Mr. Ufolla's Risk Premium Analysis to address your concerns regarding a forward-looking utility risk premium analysis?

A48. As mentioned above, Mr. Ufolla's Risk Premium analysis does not capture the inverse relationship between bond yields and the equity risk premium or consider a forward-looking utility risk premium analysis, relying instead on the Gas Utility Realized Market Return Average from 1954 through 2025 for the market return estimate.[86] A significant drawback of Mr. Ufolla's analysis is the significant variability in annual realized gas utility returns, which does not enable a statistical analysis to observe the inverse relationship between bond yields and the historical equity risk premium. Nevertheless, I supplemented Mr. Ufolla's Risk Premium analysis by calculating a forward-looking market return for the utility industry. As shown in Exhibit A-31 Schedule U8, I apply the Constant Growth DCF approach to the S&P 500 Utilities Index that consists of the 31 utility companies included in

[86] Direct Testimony of Joseph E. Ufolla, page 21, line 12.

the S&P 500 Index. This approach is the same approach I use to estimate the forward market return estimate for the S&P 500 Index; however, it is limited to just the utility companies in the S&P 500 Index. Using the S&P 500 Utilities Index companies, I calculated two estimates for the estimated market return, 12.23 percent using long-term earnings growth rates estimates from *Value Line* and 11.84 percent from Bloomberg. Averaging these two estimates, I derived a forward-looking utility return of 12.04 percent. Applying this estimate to Mr. Ufolla's Utility Bond and Treasury Bond Risk Premium analyses results in an increase of 108 basis points to both models, as shown below in Table 7.

Table 7. Risk Premium Model Cost of Equity Estimate Revisions

ROE Result	As Filed	Revised	Change (basis points)
Utility Bond Risk Premium	9.64%	10.72%	+108
Treasury Bond Risk Premium	9.74%	10.82%	+108

Q49. Please respond to Mr. Ufolla's concerns regarding your Risk Premium Analysis.

A49. Mr. Ufolla disagrees with the use of authorized ROEs as a measure of the investor required return and he disagrees with use of a current bond yield because it does not align with the future test year.[87] I note that Mr. Ufolla's sole reliance on a historical average equity risk premium also does not align with the forward test year. However, in my analysis, I apply current and projected bond yields to the regression analysis to estimate a forward-looking equity risk premium and ROE estimate under similar bond yields and market conditions.

[87] Direct Testimony of Joseph E. Ufolla, page 22, lines 8-10.

Response to AG Witness Coppola

Q50. Please summarize AG Witness Coppola's ROE recommendation for DTE Gas.

A50. Mr. Coppola recommends an ROE of 9.80 percent, based on his model results that range from 9.40 percent to 9.96 percent.[88] Mr. Coppola explains that his 9.80 percent recommendation was developed by giving 50 percent weight to his DCF result of 9.96 percent, 25 percent weight to his CAPM result of 9.88 percent, and 25 percent weight to his Equity Risk Premium result of 9.40 percent.[89]

Importantly, Mr. Coppola's recommendation runs counter to the current capital cost environment that DTE Gas faces when raising capital. Mr. Coppola recommends no change to the Company's authorized ROE, even though capital costs have increased since the Company's last rate case. Because the cost of equity is a cost the Company pays to raise and retain equity capital and is part of its cost of service, it must have the opportunity to recover its capital costs just like any other component of the revenue requirement. An authorized ROE that does not keep pace with the rising capital cost environment reduces DTE Gas's relative attractiveness to investors and diminishes its ability to attract capital.

Q51. Is the DCF approach more reliable than the CAPM or Risk Premium approaches as Mr. Coppola asserts?[90]

A51. No. No single methodology is more reliable than any other in all market environments. Dr. Roger Morin explains this:

[88] Direct Testimony of Sebastian Coppola, page 93, lines 6-9.
[89] Direct Testimony of Sebastian Coppola, page 93, lines 10-12.
[90] Direct Testimony of Sebastian Coppola, page 75, lines 13-14.

> *When measuring equity costs, which essentially deals with the measurement of investor expectations, no one single methodology provides a foolproof panacea. Each methodology requires the exercise of considerable judgment on the reasonableness of the assumptions underlying the methodology and on the reasonableness of the proxies used to validate the theory.*[91]

Moreover, as Mr. Ufolla correctly observes, "[n]o one methodology provides an exact measure of a fair rate of return on equity."[92]

Q52. Are there areas of agreement between you and Mr. Coppola?

A52. Yes. I agree with Mr. Coppola's reliance on analysts' projected earnings growth rates in his DCF analysis. Additionally, we both use the 30-year Treasury bond yield as the risk-free rate and *Value Line* as a source of five-year Beta coefficients in the CAPM analysis.

Q53. Please summarize the principal areas in which you disagree with Mr. Coppola's analyses and conclusions.

A53. The principal areas in which I disagree with Mr. Coppola include: (1) his proxy group selection; (2) his arbitrary removal of "aberrant" growth rates in his DCF analysis; (3) his application of the CAPM; and (4) his application of the Risk Premium approach. I address each of these areas individually below.

[91] Roger A. Morin, Ph.D., New Regulatory Finance, at 28 (2006).
[92] Direct Testimony of Joseph E. Ufolla, page 12, lines 7-8.

Trends in Authorized ROEs

Q54. Mr. Coppola presents exhibits that show authorized ROEs across jurisdictions and his proxy group.[93] Do you have concerns with these exhibits?

A54. Yes, I do. At page 88 of his direct testimony, Mr. Coppola attempts to distinguish recent authorized ROEs for natural gas utilities that were above 9.90 percent as being unrepresentative for company-specific reasons, but then asserts that authorized ROEs for other utilities on the low end are reasonable comparators for the Company. The suggestion that the investor-required return is one-size-fits-all and that an allowed ROE for a single utility in another jurisdiction is equally representative of investors' returns for all other gas utilities runs counter to financial theory.

Additionally, I note several inaccuracies in Mr. Coppola's exhibits. First, there is an error in Exhibit AG-28. Michigan Gas Utilities Corp. was authorized a 9.86 percent ROE in its 2024 rate case (U-21540), not an 8.86 percent ROE.[94] Further, Northwest Natural Gas's current ROE authorized in Oregon in October 2025 is 9.50 percent,[95] not 9.40 percent as shown in Exhibit AG-30.

Lastly, I take issue with Mr. Coppola's Exhibit AG-30 that only presents the most recent authorized ROE regardless of jurisdiction and is an incomplete representation of the authorized returns for his proxy group since the majority of the companies have multiple operating companies across multiple jurisdictions. For example, Exhibit AG-30 ignores the current 10.25 percent authorized ROE for

93 Direct Testimony of Sebastian Coppola, Exhibit AG-28; Exhibit AG-30.
94 Source: RRA.
95 Source: RRA; Oregon PUC Docket No. UG 520, final order issued on October 24, 2025.

Chesapeake Utilities subsidiary Florida Public Utilities that was approved in January 2023 when capital costs were much lower than they are now.[96]

Q55. Mr. Coppola relies on his Exhibit AG-28 as purported evidence that "several gas utilities that have accessed the capital markets at competitive interest rates since receiving an ROE near or below the 2025 average rate of 9.64%."[97] Are you aware of any utilities listed on Exhibit AG-28 that have had diminished access to capital due to an adverse regulatory environment?

A55. Yes, I am. Avangrid Inc. subsidiaries Connecticut Natural Gas Corp ("CNG"), Southern Connecticut Gas ("SCG") and United Illuminating experienced restricted access to capital and higher borrowing costs in 2024 after an adverse regulatory decision for United Illuminating in Connecticut in 2022. In testimony filed before the Connecticut Public Utilities Regulatory Authority ("PURA") in Docket No. 24-10-04, United Illuminating explained that on November 15, 2023, Avangrid attempted to place a bond issuance for five of its operating affiliates, including United Illuminating, CNG, and SCG. On the day of pricing, the subscriptions sought for SCG and CNG were only roughly 50 percent fulfilled. The Revenue Panel explained:

> *After some additional negotiation, Avangrid secured the full financing level sought for SCG and CNG and priced the transaction on the following day; however, the credit spreads were wider than anticipated for all three companies, raising the financing cost by approximately 10-15 basis points, or by approximately $300,000-$450,000 annually. The bankers informed Avangrid that the difficulty in fulfilling the necessary subscription levels and the wider credit spreads attracted were caused in part by the limited interest to invest in Connecticut*

[96] Source: RRA.
[97] Direct Testimony of Sebastian Coppola, page 90, lines 11-13.

utilities due to concerns over the regulatory environment impacting current ratings.[98]

I emphasize that although CNG and SCG were ultimately able to access capital, it was at a less competitive price and higher premium that their customers will ultimately bear for the term of the loan. Contrary to Mr. Coppola's assertions, I would not agree with the characterization that these companies received "competitive rates" compared to what they may have received for these issuances under a more stable regulatory environment.

Q56. Mr. Coppola refers to authorized ROEs as low as 9.40 percent during the past few years and asserts that investors "continue to migrate to utility stocks" by reference to market to book ("M/B") ratios.[99] What is your response?

A56. As noted earlier, the suggestion that the investor-required return is one-size-fits-all runs counter to financial theory. On the contrary, while a 9.40 percent ROE may be a reasonable cost of equity estimate for a particular company in a particular market environment, it may be unreasonable for another company and under different market circumstances. Mr. Coppola's own analysis illustrates the wide range of investor-required equity returns among the proxy group companies. For example, his DCF analysis shown in Exhibit AG-23 produces a range of the indicated cost of equity for the proxy companies between 8.64 percent and 11.28 percent, with results for four of his six companies above 9.40 percent. The position

[98] Connecticut PURA Docket No. 24-10-04, Direct Testimony of the Revenue Requirements Panel, at 23-24, accessible at: https://www.dpuc.state.ct.us/dockcurr.nsf/8e6fc37a54110e3e852576190052b64d/d3b44da492184a1285258bd30063f5d0/$FILE/17844817.pdf/Exh%20UI-RRP-1%20Revenue%20Requirement%20Testimony.pdf. (emphasis added).

[99] Direct Testimony of Sebastian Coppola, page 90, lines 20-21; page 91, lines 1-10.

that a particular authorized ROE is equally appropriate for all other utilities is simply illogical.

Q57. How has the market reacted to unduly low authorized ROEs?

A57. The market has reacted adversely to unduly low authorized ROEs that are below industry benchmarks and expectations. Earlier I described the consequences of Connecticut's regulatory environment on the Avangrid subsidiaries in Connecticut. The consequences of Connecticut's restrictive regulatory environment also extended to other Connecticut utilities. In 2024, S&P and Moody's downgraded the Avangrid utilities, as well as Eversource Energy and its subsidiaries that operate in Connecticut due to highly restrictive regulatory outcomes.[100,101] In discussing Eversource's downgrade, S&P noted that adverse orders for the Avangrid utilities increased Eversource Energy's regulatory risk:

> *On Nov. 18, 2024, the Connecticut Public Utilities Regulatory Authority (PURA) issued final rate-case orders for Connecticut Natural Gas Corp. and Southern Connecticut Gas Co., which included material base-rate decreases for both utilities. These rate orders follow a recent pattern of adverse regulatory developments for investor-owned utilities operating in Connecticut, which we believe has increased business risk for Eversource Energy and its Connecticut-based subsidiaries.* [102]

Both S&P Global Ratings and its affiliate RRA downgraded their assessment of Connecticut's regulatory construct to the lowest tier. Additionally, Arizona Public Service Company ("APS") was downgraded following a November 2021 order that

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100 S&P Global Ratings, "Eversource Energy Issuer Credit Rating Lowered To 'BBB+' From 'A-'; Subsidiaries Ratings Also Lowered; Outlooks Stable," December 9, 2024, https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3297352.

101 S&P Global Ratings, "Connecticut Natural Gas Corp. And Southern Connecticut Gas Co. Downgraded To 'BBB+' On Final Rate Orders, Outlook Stable," December 6, 2024, https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3296633.

102 S&P Global Ratings, "Eversource Energy Issuer Credit Rating Lowered To 'BBB+' From 'A-'; Subsidiaries Ratings Also Lowered; Outlooks Stable," December 9, 2024, https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3297352.

included an 8.70 percent ROE[103] inclusive of a 20-basis point penalty. RRA commented that the decision was "negative from an investor perspective" that imposed "numerous disallowances on the utility, and has garnered strong reactions in the investment community."[104] RRA further noted that the decision was "expected to impede APS' ability to earn its authorized return in the first year of new rates."[105] Lastly, RRA lowered the ranking of Arizona regulation to Below Average/3, its lowest ranking. Despite a decision in March 2024 that increased the authorized ROE to 9.55 percent, APS's credit rating has remained the same.

Q58. Mr. Coppola contends that investors have not "abandoned" utilities.[106] How do you respond?

A58. With respect to Mr. Coppola's assertion that investors have not "abandoned" utilities, I note that the relevant concern is not whether utilities have maintained access to capital; the relevant concerns are the prices and terms required to access that capital. Adverse regulatory decisions result in an increase in the cost of capital (both debt and equity costs), which is ultimately borne by customers. In the end, customers pay the price of poor regulatory outcomes. Therefore, it is in customers' best interest that Michigan's regulatory environment maintains its perception as being predictable and constructive. An authorized ROE that trends in the opposite direction of the higher capital cost environment that DTE Gas faces, or that undermines the Commission's long-perceived convention of regulatory

[103] I note that the case was appealed and the authorized ROE was increased to 8.90 percent on remand.
[104] Regulatory Research Associates, "Arizona Public Service electric rate case decision viewed as negative for investors," December 3, 2021.
[105] *Id*.
[106] Direct Testimony of Sebastian Coppola, page 90, lines 20-21; page 91, lines 1-6.

supportiveness, would introduce a level of uncertainty with respect to the predictability of the regulatory environment in Michigan.

Q59. Mr. Coppola concludes that an M/B ratio above 1.0 indicates that a company is earning returns above the expected return on book equity capital.[107] Do you agree with him?

A59. No. Mr. Coppola's conclusion that an M/B ratio above 1.0 indicates that a company is earning returns above the expected return on book equity capital is incorrect. Utility M/B ratios in excess of 1.0 are not evidence that utilities are overearning or regulators are setting authorized ROEs above the cost of equity; there are several problems with this oversimplified argument. First, Mr. Coppola draws his conclusion based on the M/B ratios of the publicly traded consolidated holding companies. The regulated utility operating companies to which the authorized ROEs apply (e.g., DTE Gas) are not publicly traded; thus their market value is not observable and there is no M/B ratio for the regulated operating companies. Publicly traded utility holding companies (e.g., DTE Energy Company) are the entities with a publicly available market value. Publicly traded holding companies are diversified companies, many of which operate both regulated and unregulated business segments across multiple jurisdictions. Therefore, the stock prices of the publicly traded holding companies reflect investors' return requirements for the consolidated entity on a sum-of-the-parts basis. The contention that operating utilities would trade at the same M/B level as a diversified consolidated holding company is simply conjecture that is unsupported by any evidence.

[107] Direct Testimony of Sebastian Coppola, page 91, lines 7-10.

Moreover, book value is an accounting measure that reflects historical costs. Market value is forward-looking and reflects future earnings dependent upon many factors, including future cash flows. The expectation that a backward-looking accounting measure should equal a forward-looking market measure is contrary to market economics. Most, if not all, investor-owned utilities have negative free cash flow (*i.e.,* the cash spent on plant is more than their operating cash flow). The use of M/B ratios to evaluate the cost of equity is an outdated view that does not consider that most publicly traded companies trade above book value (*see* Table 8 below) and that utilities compete for capital among all companies, both regulated and non-regulated.

Table 8. Market to Book Ratio by Sector[108]

Sector	12/31/25	12/31/24	12/31/23	12/31/22
Communications	5.93	5.10	3.91	2.61
Consumer Discretionary	9.22	10.06	9.40	7.54
Consumer Staples	6.55	6.33	5.54	6.12
Energy	1.93	1.99	2.13	2.50
Financials	2.48	2.33	2.05	1.64
Health Care	5.21	4.86	4.83	5.07
Industrials	6.72	6.35	5.82	5.27
Information Technology	13.40	13.09	11.42	7.93
Materials	2.90	2.74	3.01	2.90
Real Estate	3.03	3.02	3.03	3.00
Utilities	**2.35**	**2.22**	**1.93**	**2.21**

As Table 8 shows, market values for publicly traded companies in all sectors, both regulated and unregulated, exceed book value. As Dr. Roger Morin notes, "M/B ratios are determined by the marketplace, and utilities cannot be expected to

[108] Siblis Research, "Price-to-Book (P/B) Ratio by Sector (U.S. Large Cap)", 2025, https://siblisresearch.com/data/price-to-book-sector/.

compete for and attract capital in an environment where industrials are commanding M/B ratios well in excess of 1.0 while regulation reduces their M/B toward 1.0."[109] To enable utilities the ability to attract capital that is not significantly dilutive, the market price must be sufficiently above book value.

Importantly, Mr. Coppola fails to consider that utility earnings are heavily regulated and confuses a utility's "market price" with "regulatory value." Book value is based on historical cost less depreciation. Utility assets are long-lived but heavily depreciated assets, leading to a lower book value than the cost required to replace or build new infrastructure today. Thus, the impact of depreciation—as well as other factors such as regulatory lag and regulatory assets and liabilities, including accumulated deferred income taxes ("ADIT")—have a significant impact on the regulatory value. The market price (*i.e.,* numerator) reflects investor sentiment, inflation, dividend policy, and growth expectations, while the book value (*i.e.,* denominator) represents a historical accounting figure governed by the regulatory environment in which it operates and associated accounting treatment. As such, an M/B ratio of 1.5 indicates that although investors are paying $1.50 for every $1.00 of book equity, it does not mean the company is *earning* 50 percent on its equity. A utility's earned ROE is still governed by its regulated authorized return. In summary, a utility M/B ratio over 1.0 highlights a "safe harbor" premium, rather than an indication of excess earnings, as regulators generally limit utilities from achieving sustained excessive profitability.

[109] Roger A. Morin, Ph.D., New Regulatory Finance, at 377 (2006).

The reality is that if utilities did not receive a fair, just, and reasonable allowed rate of return, service to their customers would suffer, hard-working employees would get laid off, and utilities would have to pay higher rates to raise capital, which would ultimately be borne by customers.

Proxy Group

Q60. Please describe Mr. Coppola's proxy group selection.

A60. To develop his proxy group, Mr. Coppola began with the nine companies classified in *Value Line*'s Natural Gas Utility industry. He then eliminated three companies: Spire (due to M&A activity); UGI (due to its large propane and foreign operations); and Southwest Gas (due to the impact on its finances from a reorganization). He also added WEC Energy Group because 40 percent of its revenues and 48 percent of its customers are in the natural gas business; this left Mr. Coppola with seven companies in his proxy group.[110] As discussed below, my proxy group better reflects DTE Gas's operations and risk profile.

Q61. Do you agree with Mr. Coppola's proxy group?

A61. No, I do not. Mr. Coppola's screening criteria inappropriately removes Southwest Gas and includes proxy companies that have less than 50 percent of revenue or net income from regulated gas operations in 2024.

Q62. Why do you disagree with the exclusion of Southwest Gas from the proxy group?

A62. Removing Southwest Gas from the proxy group appears to be purely outcome-driven, and I disagree with the exclusion of Southwest Gas for several reasons.

[110] Direct Testimony of Sebastian Coppola, page 72, lines 17-20; and page 73, lines 1-13.

First, many analysts base their earnings projections on "core," "operating," or "Non-GAAP" earnings that exclude one-time events such as those that Mr. Coppola references. Second, the Icahn activist campaign was launched in 2021 and focused on Southwest Gas's Questar Pipeline acquisition,[111] which significantly pre-dates any market data that the Opposing Witnesses and I use in our DCF models. In short, the market data used in my analyses and the Opposing Witnesses' analyses are not affected by the Icahn activist campaign. Third, Southwest Gas's capital expenditures have grown by an annual CAGR of 9.1 percent and 9.7 percent over the past 10 and 3 years (through 2024), respectively.[112] These growth rates are in line with Southwest Gas's analyst projected earnings growth rates that Mr. Ufolla, Mr. Walters, Mr. Bandyk, and I use in our DCF models. Finally, I use the average of the mean and median when presenting my model results; using the median tempers the effect of high and low growth rates.

Q63. Do you agree with Mr. Coppola's screening criteria based on operating revenue?

A63. No. I disagree with Mr. Coppola's decision to screen his proxy group based on the percentage of regulated natural gas revenue rather than the percentage of regulated natural gas operating income. Net operating income better reflects the contribution of each business segment to a given company's earnings, which is the factor that equity investors are most focused on as they establish their return requirements and make investment decisions. Since regulated natural gas distribution utilities collect the cost of purchased fuel through rates on a pass-through basis without margin,

[111] Carl C. Icahn Issues Open Letter to Southwest Gas Stockholders, October 13, 2021, https://www.sec.gov/Archives/edgar/data/1034563/000119312521298785/d153494dex99a5a.htm.
[112] Source: S&P Global Market Intelligence, RRA Financial Focus: Utility Capex Capital Expenditures Update H1 2025: 2014–29f, March 24, 2025.

regulated revenue can fluctuate materially from year-to-year with changes in weather and the cost of purchased fuel, without affecting the corporation's earnings or financial position. In contrast, net operating income, which excludes pass-through commodity costs, more closely represents the effect of each business segment on the corporation's overall earnings, and therefore its risk profile. For that reason, the percentage of net operating income from regulated natural gas operations is more representative of the risks faced by DTE Gas and its investors than is the percentage of revenue. In practice, using a revenue screen as compared to an operating income screen does not change the result of Mr. Coppola's proxy group though. The two companies that Mr. Coppola includes based on his revenue screen that I do not include in my proxy group, WEC Energy and Chesapeake Utilities Corporation, are not sufficiently comparable to DTE Gas at this time because natural gas distribution net operating income does not make up the majority of the consolidated company's net operating income.

Q64. How does Mr. Coppola's proxy group compare to Mr. Ufolla's, Mr. Walters', and Mr. Bandyk's proxy group?

A64. Mr. Coppola's proxy group is the outlier; Mr. Ufolla, Mr. Walters, and Mr. Bandyk use the same proxy group that I do. As such, if the Commission is to rely on Mr. Coppola's analyses, I recommend that it use the proxy group that Mr. Ufolla, Mr. Walters, Mr. Bandyk, and I use, as I've demonstrated in my suggested revisions to Mr. Coppola's DCF analysis that I explain below.

DCF Analysis

Q65. Please summarize Mr. Coppola's DCF analysis described on pages 74 through 76 of his Direct Testimony and shown in Exhibit AG-23.

A65. Mr. Coppola performs a Constant Growth DCF analysis which produces an ROE estimate of 9.96 percent for his proxy group. For the dividend yield component, Mr. Coppola divides *Value Line*'s projected dividends in 2026 by the average 30-day high and low prices per Yahoo! Finance as of December 31, 2025. For the growth rate component, Mr. Coppola relies on the average of *Value Line*'s long-term earnings growth rate projections and the S&P Capital IQ growth rates from my Direct Testimony, Exhibit A-14, Schedule D5.2, column [6]. He also removes any growth rates above eight percent, which he deems to be "an aberration."[113]

Q66. What is your primary concern with Mr. Coppola's DCF analysis?

A66. My primary concern is his removal of growth rates above eight percent. Mr. Coppola either ignores or doesn't realize that natural gas utility earnings growth isn't necessarily driven by growth in customers,[114] rather by growth in rate base. Although customer growth is one driver of capital investment, utilities must invest capital in their systems to replace and modernize aging infrastructure regardless of whether customer count or demand is growing. As can be seen in Table 6 in my response to Mr. Ufolla, natural gas utility capital expenditures have been growing by more than eight percent per year for a decade, as natural gas utilities replace aging infrastructure and modernize their distribution systems to continue to provide safe and reliable service to customers. Additionally, given the nation's energy needs and the condition of aging infrastructure, this pace of capital investment is likely to

[113] Direct Testimony of Sebastian Coppola, page 75, lines 3-6.
[114] Direct Testimony of Sebastian Coppola, page 75, lines 5-6.

persist for the foreseeable future. As noted in my response to Mr. Ufolla, S&P noted that an eight percent earnings growth rate is consistent with the midpoint of expected utility earnings growth and is not short-term in nature. As such, an eight percent (or higher) growth rate is not an "aberration" as Mr. Coppola claims, but rather consistent with actual capital investment growth, as would be expected.

Q67. What would Mr. Coppola's DCF results be if they were revised for the proxy group concerns and growth rate exclusions?

A67. As shown in Exhibit A-31, Schedule U9, removing Chesapeake Utilities Corporation and WEC Energy Group from the proxy group, adding back Southwest Gas to the proxy group, and removing his eight percent growth rate threshold produces an average DCF model result of 10.70 percent, which is in line with my Constant Growth DCF model results that I present in my Direct Testimony (Exhibit A-14, Schedule D5.2) and updated in Exhibit A-31, Schedule U1. I also note that Mr. Coppola's *Value Line* earnings growth rate for Atmos Energy Corporation of 7.00 percent is incorrect; the *Value Line* report that he references reports an 8.50 percent projected earnings growth rate.[115] Exhibit A-31, Schedule U9 corrects for this error.

Q68. What is your response to Mr. Coppola's criticisms of your DCF analysis?

A68. Mr. Coppola asserts that the difference in our DCF analyses are driven by differences in the dividend yield and growth rates. In reality, the difference is primarily driven by timing differences in our analyses and his exclusion of Southwest Gas from the proxy group.[116] My more up-to-date Constant Growth DCF analysis presented in Exhibit A-31, Schedule U1 shows an average expected

[115] Atmos Energy Corp., *Value Line*, November 21, 2025.
[116] Direct Testimony of Sebastian Coppola, page 75, lines 15-19; and page 76, lines 1-15.

dividend yield of 3.28 percent using the 30-day stock price (column [4]), which is in line with the 3.22 percent expected dividend yield that Mr. Coppola presents. Regarding the proxy group composition, Mr. Coppola's proxy group does not reflect the operations and risk of DTE Gas because it inappropriately includes companies that have more than half their operations in business segments other than natural gas distribution operations.

CAPM Analysis

Q69. Please summarize Mr. Coppola's CAPM analysis.

A69. As explained at pages 77-78 of his Direct Testimony and Exhibit AG-24, Mr. Coppola applies a risk-free rate of 4.35 percent, five-year Beta coefficients from *Value Line* that average 0.74 for his proxy group, and the long-term historical average market risk premium between 1926 and 2024 of 7.45 percent. These inputs produce an average CAPM-based ROE estimate of 9.88 percent for his proxy group.

Q70. Do you have any comments regarding the inputs to Mr. Coppola's CAPM analysis?

A70. Yes. First, Mr. Coppola relies on the risk-free rate that is in the *Blue Chip* reports that I referenced in my Direct Testimony. *Blue Chip* updated its long-term interest rate projections in its December 2025 issue to 4.6 percent for 2027 to 2031 and 4.5 percent for 2032 to 2036.[117] Using this more recent data, according to Mr. Coppola's calculation, his risk-free rate should be 4.55 percent (the average of 4.6 percent and 4.5 percent).

[117] Blue Chip Financial Forecasts, Vol. 44 No. 12, at 14.

Second, Mr. Coppola applies a risk-free rate of 4.35 percent in the first risk-free rate term, however, his market risk premium of 7.45 percent reflects an average risk-free rate of 4.84 percent, as he explains in Exhibit AG-24. Therefore, Mr. Coppola's CAPM analysis does not use a consistent risk-free rate, violating the CAPM theory and creating an inconsistency in his analysis. Mr. Coppola's analysis should instead use a long-term market return (which he cites as 12.29 percent on Exhibit AG-24) and the *Blue Chip* risk-free rate to calculate his market risk premium.

Q71. Are you "unsure" which risk-free rate is appropriate as Mr. Coppola asserts?[118]

A71. No. Mr. Coppola mischaracterizes my testimony. As I explain in my response above to Mr. Ufolla, both current and projected risk-free rates are reasonable.

Q72. What is your response to Mr. Coppola's assertion that there is "no validity" to the fact that the market risk premium changes with the risk-free rate?[119]

A72. Mr. Coppola is incorrect and he cites no evidence to support his claim. Mr. Coppola describes the CAPM formula at page 77 of his testimony and accurately expresses the market risk premium (denoted as "R_p" in his testimony) as the difference between the overall return of the market less the risk-free rate. Therefore, it is a mathematical fact that the market risk premium is a function of the risk-free rate. Unless Mr. Coppola believes that the overall return on the market moves in lock-step with changes in the risk-free rate (of which he makes no claim, nor provides any support to justify), the market risk premium, by definition, changes as the risk-

[118] Direct Testimony of Sebastian Coppola, page 82, lines 1-2.
[119] Direct Testimony of Sebastian Coppola, page 81, lines 5-7.

free rate changes. Since the market risk premium is a function of the risk-free rate, using a constant market risk premium regardless of the risk-free rate understates the market risk premium when the risk-free rate is below the long-term average, and overstates the market risk premium when the risk-free rate is above the long-term average. To avoid overstating or understating the market risk premium, I do not rely on a constant market risk premium like Mr. Coppola. Instead, I use the long-term average historical market return, and calculate the resulting market risk premium as the difference between the return on the market and the risk-free rate estimate, exactly as the CAPM formula prescribes.

In fact, academic research has concluded that the market risk premium and the risk-free rate are inversely related; as the risk-free rate increases, the market risk premium decreases, and vice versa.[120] For example, Harris and Marston found "…strong evidence…that market risk premia change over time and, as a result, use of a constant historical average risk premium is not likely to mirror changes in investor return requirements."[121] Among their findings is that the market risk premium is inversely related to government bond yields. Therefore, I continue to believe my CAPM analysis using the long-term average historical market return is properly specified.

Moreover, the risk-free rate appears twice in the CAPM formula as shown below:

[120] *See, e.g.,* Robert S. Harris and Felicia C. Marston, *Estimating Shareholder Risk Premia Using Analysts' Growth Forecasts*, Financial Management, (Summer 1992), at 63-70; Eugene F. Brigham, Dilip K. Shome, and Steve R. Vinson, *The Risk Premium Approach to Measuring a Utility's Cost of Equity*, Financial Management, (Spring 1985), at 33-45; and Farris M. Maddox, Donna T. Pippert, and Rodney N. Sullivan, *An Empirical Study of Ex Ante Risk Premiums for the Electric Utility Industry*, Financial Management, (Autumn 1995), at 89-95.

[121] Robert S. Harris and Felicia C. Marston, *Estimating Shareholder Risk Premia Using Analysts' Growth Forecasts,* Financial Management, Summer 1992, at 69.

ROE = Risk-Free Rate + Beta (Required Market Return – Risk-Free Rate)

Therefore, the risk-free rate that is used in the CAPM and in the market risk premium must be the same, otherwise there is an internal inconsistency. As I noted above, the risk-free rate implied in Mr. Coppola's market risk premium (7.45 percent) is 4.84 percent; however, he applies a risk-free rate of 4.35 percent as the other risk-free rate term in his CAPM analysis. Exhibit A-31, Schedule U10 revises Mr. Coppola's CAPM analysis to use the same, updated risk-free rate in both components of the CAPM (with all other inputs the same), which calculates a market risk premium of 7.74 percent. This revision results in a cost of equity estimate of 10.30 percent, which is in line with my historical CAPM cost of equity estimate and my 10.25 percent ROE recommendation.

Q73. Please respond to Mr. Coppola's assessment of your projected market risk premium.[122]

A73. Mr. Coppola disagrees with my forward market return estimate because (1) it relies on three- to five-year earnings growth rates that he believes fluctuate and can cause the forecasted market risk premium to vary significantly; and (2) the S&P 500 Index is a market capitalization-weighted index and some companies' growth rates have greater weight in the index. I address each of these individually below.

Q74. Does Mr. Coppola rely on "short-term" earnings growth rates in his DCF analysis?

A74. Yes, he does. As explained in my Direct Testimony, my forward market return estimate applies the Constant Growth DCF model to the S&P 500 Index. Mr.

[122] Direct Testimony of Sebastian Coppola, page 84, lines 10-21; page 85, lines 1-21.

Coppola also relies on *Value Line*'s three- to five-year earnings growth rate projections in his DCF analysis, which is the same source I rely on for the forward market return estimate. Mr. Coppola has provided no explanation to justify why *Value Line's* three- to five-year earnings growth rate projections are appropriate for the Constant Growth DCF analysis applied to the proxy group, but not for the S&P 500 Index. Mr. Coppola's criticism is without merit.

Q75. What is your response to Mr. Coppola's position that large technology companies with high growth prospects have a larger than normal weighting in the calculation of S&P 500 market return?[123]

A75. As a preliminary matter, Mr. Coppola states that the "overweighting of large technology stocks is minimized" if the CAPM analysis uses "the historical market return rates from 1926 to 2024."[124] However, I did present a CAPM analysis using the long-term average historical market return from 1926-2024, which Mr. Coppola either overlooks or purposely neglects to mention.

Nevertheless, the S&P 500 Index is a common proxy for the broad market. Beta coefficients are calculated for individual companies as compared to the entire market; if certain companies are removed from the market return calculation, but included in the Beta coefficient calculation, it will bias the Beta coefficients, leading to an inaccurate CAPM estimate. Further, the S&P 500 Index is a market capitalization-weighted index and, by design, companies with larger than average market capitalization will have greater weight in the index. For every dollar invested in a market capitalization-weighted index like the S&P 500 Index, an

[123] Direct Testimony of Sebastian Coppola, page 84, lines 12-14.
[124] Direct Testimony of Sebastian Coppola, page 84, lines 14-16.

investor receives a weighted return according to the market capitalization of the constituent companies. Therefore, my analysis accurately reflects the estimated weighted market return by reference to the S&P 500 Index

Q76. Mr. Coppola asserts that Dr. Morin "strongly supports the use of the longest possible period for calculating a market risk premium."[125] What is your response?

A76. Mr. Coppola's testimony incorrectly ascribes Dr. Morin's position on the appropriate *historical* market risk premium methodology to a *forward* looking market risk premium. On page 116 of his textbook, New Regulatory Finance, Dr. Morin explains that while historical return studies over long periods provide a useful guide for the future, "forward-looking risk premiums based on expected returns are preferable." [126] Further, Dr. Morin recommends that

> *"a regulatory body should rely on the results of both historical and prospective studies in arriving at an appropriate risk premium, data permitting. Each proxy for the expected risk premium brings information to the judgment process from a different light."*[127]

Given that the cost of equity is forward-looking, I believe it is reasonable and consistent with investor practice to consider both historical and forward-looking market return estimates.

Q77. Mr. Coppola criticizes the ECAPM, citing Dr. Morin's textbook New Regulatory Finance to support his criticism regarding the use of long-term

[125] Direct Testimony of Sebastian Coppola, page 85, lines 6-18.
[126] Roger A. Morin, Ph.D., New Regulatory Finance, at 116 (2006).
[127] Roger A. Morin, Ph.D., New Regulatory Finance, at 163 (2006).

risk-free rates in the CAPM.[128] Has Mr. Coppola accurately cited Dr. Morin's position on the ECAPM?

A77. No, Mr. Coppola misquotes Dr. Morin's textbook and takes his discussion of the ECAPM out of context to make it appear as if Dr. Morin disagrees with the use of long-term risk-free rates in the ECAPM. To be clear, Dr. Morin is an advocate of the ECAPM and has presented it before regulatory commissions using a long-term risk-free rate and the same formula I rely on. In his discussion of the use of long-term risk-free rates in the ECAPM, Dr. Morin explains that if long-term risk-free rates are used, a conservative (*i.e.,* lower) alpha adjustment is applied because the long-term risk-free rate partially accounts for the flatter slope. Dr. Morin's full explanation in his textbook New Regulatory Finance states:

> *An alpha range of 1 %-2% is somewhat lower than that estimated empirically. The use of a lower value for alpha leads to a lower estimate of the cost of capital for low-beta stocks such as regulated utilities. This is because the use of a long-term risk-free rate rather than a short-term risk-free rate already incorporates some of the desired effect of using the ECAPM. That is, the long-term risk-free rate version of the CAPM has a higher intercept and a flatter slope than the short-term risk-free version which has been tested. Thus, it is reasonable to apply a conservative alpha adjustment. Moreover, the lowering of the tax burden on capital gains and dividend income enacted in 2002 may have decreased the required return for taxable investors, steepening the slope of the ECAPM risk-return trade-off and bring it closer to the CAPM predicted returns.*[129]

The ECAPM formula that I apply assumes a conservative alpha adjustment in the range of one percent to two percent, which is consistent with the academic literature and Dr. Morin's recommendation. In other words, my ECAPM accounts for the

[128] Direct Testimony of Sebastian Coppola, page 85, lines 22-24; page 86, lines 1-11.
[129] Roger A. Morin, Ph.D., New Regulatory Finance, at 190-191 (2006). Emphasis added.

use of a long-term risk-free rate. Mr. Coppola's characterization of the ECAPM is inaccurate, unsupported, and without merit.

Q78. Have regulatory commissions explicitly adopted the ECAPM in recent proceedings, contrary to Mr. Coppola's testimony?[130]

A78. Yes. Mr. Coppola ignores the decisions in 2023 by the North Carolina Utilities Commission ("NCUC") for Duke Energy Progress and Duke Energy Carolinas, in which the NCUC explicitly adopted Dr. Morin's ECAPM methodology, including adjusted Beta coefficients.[131] Mr. Coppola also ignores the New York Public Service Commission's reliance on the ECAPM (which is referred to as the zero-beta CAPM and uses the same formula I use).[132] The New York Public Service Commission explains that "[t]he rationale is that investors cannot actually borrow at the risk-free rate."[133]

[130] Direct Testimony of Sebastian Coppola, page 86, line 15 to page 87, line 11

[131] North Carolina Utilities Commission Docket No. E-7, Sub 1276, *In the Matter of Application of Duke Energy Carolinas, LLC for Adjustment of Rates and Charges Applicable to Electric Service in North Carolina and Performance-Based Regulation, Order Accepting Stipulations, Granting Partial Rate Increase, Requiring Public Notice, and Modifying Lincoln Ct CPCN Conditions*, at 209-210 (December 15, 2023); North Carolina Utilities Commission Docket No. E-2, Sub 1300, *In the Matter of Application of Duke Energy Progress, LLC for Adjustment of Rates and Charges Applicable to Electric Service in North Carolina and Performance-Based Regulation*, Order Accepting Stipulations, Granting Partial Rate Increase, and Requiring Public Notice, at 162-163 (August 18, 2023).

[132] See, e.g., New York Public Service Commission, Case 16-G-0058, *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of KeySpan Gas East Corporation d/b/a National Grid for Gas Service*, Order Adopting Terms of Joint Proposal and Establishing Gas Rate Plans, December 16, 2016, at 32.

[133] State of New York Public Service Commission, Case 91-M-0509, *Proceeding on Motion of the Commission to Consider Financial Regulatory Policies for New York State Utilities*, Recommended Decision by Janet Hand Deixler and Richard Ansaldo Co-facilitators, July 19, 1994, at 50.

Utility Risk Premium Analysis

Q79. Please describe Mr. Coppola's Utility Risk Premium Analysis.

A79. Mr. Coppola calculates a Risk Premium-based ROE estimate of 9.40 percent by adding his 3.86 percent average historical spread of total returns on natural gas utility stocks, to his 5.54 percent projected "A" rated utility bond yield.[134] Mr. Coppola's Utility Risk Premium approach is substantially similar to Mr. Ufolla's approach based on utility bond yields. Therefore, my arguments, as well as the revised forward-looking Risk Premium analysis I prepared in response to Mr. Ufolla, also apply to Mr. Coppola.

Similar to Mr. Ufolla, my primary concern is that Mr. Coppola's Utility Risk Premium analysis does not capture the inverse relationship between bond yields and the equity risk premium. Additionally, as with Mr. Ufolla's analysis, Mr. Coppola does not consider a forward-looking utility risk premium analysis.

Lastly, as noted earlier in response to his CAPM analysis, Mr. Coppola applies an outdated long-term projection of the 30-year Treasury bond yield to calculate his projected utility bond yield. Revising Mr. Coppola's Risk Premium analysis to use the more recent projected 30-year Treasury bond yield increases his Risk Premium estimate to 9.60 percent (see Exhibit A-31, Schedule U11).

Q80. Does Mr. Coppola accurately describe your Risk Premium analysis?

A80. No, he does not. Mr. Coppola appears to misunderstand my Risk Premium analysis and misrepresents it in his testimony. The first error is that Mr. Coppola only

[134] Direct Testimony of Sebastian Coppola, at page 79, lines 7-15; Exhibit AG-25.

references the analysis using projected bond yields and does not reference the fact that I also provide an analysis using a current 30-day average bond yield.[135] The second error is that he asserts that I conclude that the average risk premium over the 1980 to 2025 period is 5.63 percent.[136] The 5.63 percent risk premium is not the average over the 1980 to 2025 period; it is the implied equity risk premium when the bond yield is 4.53 percent, based on the regression coefficients produced from the statistical model. The third error is Mr. Coppola's incorrect assertion that the analysis "assumes a direct relationship between declining interest rates and ROE decisions as happening almost instantaneously on a monthly basis."[137] The bond yields used in my analysis are not spot prices and reflect the average bond yield over the average length of a rate case, approximately 189 days. This most certainly is not "instantaneous." Mr. Coppola's failure to comprehend my analysis leads him to erroneously conclude that my analysis is flawed.

Q81. What is your response to Mr. Coppola's claim that "the analysis is biased because it covers a period when interest rates declined from 12.1% in late 1980 to between 4% to 5% in 2025."[138]

A81. Once again, Mr. Coppola fails to understand the analysis and is incorrect. Because the equity risk premium and bond yields are inversely related, the equity risk premium during periods of high interest rates is low, and vice versa. The objective of the analysis is to model how the equity risk premium changes over a long period of time (nearly 1,400 rate cases over 46 years) with respect to various economic

[135] Direct Testimony of Sebastian Coppola, page 80, lines 1-11.
[136] Direct Testimony of Sebastian Coppola, page 80, lines 7-8.
[137] Direct Testimony of Sebastian Coppola, page 81, lines 1-2.
[138] Direct Testimony of Sebastian Coppola, page 80, lines 19-21.

cycles and interest rate environments. Therefore, it is not biased; it considers both high and low interest rate environments, using the full history of data available over the last 46 years.

Q82. Is Mr. Coppola correct that your Risk Premium analysis "has no validity as a tool to determine an appropriate ROE in rate case proceedings?"[139]

A82. No, he is not. My Risk Premium analysis is firmly grounded in peer reviewed academic literature. ABATE Witness Walters's Risk Premium analysis is also based on a regression analysis of the relationship between authorized ROEs and bond yields.

Published research has shown that the equity risk premium is not constant but varies inversely with interest rates. As noted earlier, Harris and Marston concluded that the equity risk premium moves inversely with changes in interest rates.[140] Similarly, a study by Virginia Corporation Commission Staff members Maddox, Pippert, and Sullivan, found that their results "indicate a statistically significant inverse relationship between interest rates and utility equity risk premiums."[141] Simply assuming a constant equity risk premium, as Mr. Coppola and Mr. Ufolla do, is inconsistent with published research and fails to reflect changes in the equity risk premium over various economic cycles.

[139] Direct Testimony of Sebastian Coppola, page 81, lines 5-6.
[140] Robert S. Harris and Felicia C. Marston, *The Market Risk Premium: Expectational Estimates Using Analysts' Forecasts*, Journal of Applied Finance, Vol. 11, No. 1, 2001, at 11-12, 14.
[141] Farris M. Maddox, Donna T. Pippert, and Rodney N. Sullivan, *An Empirical Study of Ex Ante Risk Premiums for the Electric Utility Industry*, Financial Management, Vol. 24, No. 3, Autumn 1995 at 95.

Q83. Does your Risk Premium analysis reflect the various factors that regulators consider when setting ROEs, including that regulators do not adjust ROEs "in lock step with interest rate changes."[142]

A83. Yes, the model shows that authorized ROEs do not move "in lock step with interest rates." In fact the equity risk premium moves about 30 to 50 percent of the change in interest rates. As explained in my Direct Testimony, one advantage of the Bond Yield Plus Risk Premium approach is that it adds a measure of stability because it is less vulnerable to changes in market data. As shown in Table 9 of my Direct Testimony, a 35-basis point increase in the bond yield (from 4.53 percent to 4.88 percent) results in only a 16-basis point change in the ROE from 10.15 percent to 10.31 percent. Thus, I agree that the cost of equity does not move in lock step with changes in interest rates, and it reflects all the various factors that regulators consider in setting authorized ROEs. By incorporating nearly 1,400 rate case decisions over the last 46 years, the effect of any company-specific, or jurisdiction-specific factors on the authorized ROE is mitigated.

Q84. Is Mr. Coppola inconsistent in his position regarding the relevance of authorized ROEs?

A84. Yes, he is. As explained in my Direct Testimony, authorized ROEs in other jurisdictions are a significant part of the market information that investors consider when evaluating their investment alternatives, consistent with the comparable return standard of the *Hope* and *Bluefield* decisions. Mr. Coppola clearly understands this, which is why he reviews authorized ROEs in other jurisdictions as support for his recommendations in his Exhibit AG-28 and Exhibit AG-30 and

[142] Direct Testimony of Sebastian Coppola, page 81, lines 2-5.

on pages 88-89 of his Direct Testimony. It is hypocritical for him to rely on authorized ROEs to support his recommendation on the one hand, yet criticize the relevance of authorized ROEs in the Risk Premium analysis on the other. Mr. Coppola's criticisms lack merit and should be rejected.

Infrastructure Recovery Mechanism Risk

Q85. Mr. Coppola recommends that the Commission adopt a lower ROE to apply to the Company's Infrastructure Recovery Mechanism ("IRM").[143] Do you agree with him?

A85. No, I do not. As a preliminary matter, I reiterate that assessing business or regulatory risk is a comparative exercise; while DTE Gas has mechanisms that improve the timeliness of cost recovery, all the proxy group operating companies have similar "risk reducing" mechanisms. Specific to the IRM, as I explained on page 51 in my Direct Testimony, 96 percent of the proxy group companies have a capital cost recovery mechanism. Thus, the Company's risk profile is no different than its peers on account of its IRM.

Mr. Coppola is incorrect when he says that "investments made through the IRM are not comparable to investments made and recovered through a general rate case and pose considerably less risk for the Company."[144] Michigan uses a forward-test year that also provides for timely cost recovery like the IRM. Further, the Commission must approve the Company's investments for recovery in both the IRM and base rates. Regardless of the recovery mechanism, the Company must show that future

[143] Direct Testimony of Sebastian Coppola, page 152, lines 19-20; page 153, lines 1-21; and page 154, lines 1-10.
[144] Direct Testimony of Sebastian Coppola, page 153, lines 15-17.

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investments would be used, useful, and prudent. As such, the risk of recovery disallowance is the same as the risk in base rates.

Additionally, the investments that are recovered through the IRM are financed at the Company's weighted average cost of capital, which includes both debt and equity. Imputing an equity return for the IRM investments that is purely based on the cost of debt, or approximately halfway between the Company's ROE and cost of debt as Mr. Coppola proposes,[145] would result in a mismatch in the cost of financing the investments compared to the amount recovered in rates. In short, DTE Gas would under-recover its capital costs associated with the investments recovered through the IRM.

Finally, Mr. Coppola's statement that "[g]iven that the investments through the IRM last only one to two years, a strong argument could also be made that the equity rate of return should be even closer to the cost of short-term debt"[146] reflects a profound misunderstanding of the IRM. Investments made through the IRM generally last the same amount of time as investments made through base rates, generally multiple decades. Investments recovered through the IRM are only recovered through the IRM until the next base rate case, at which point they are transferred from the IRM to rate base and are thereafter recovered through base rates.

[145] Direct Testimony of Sebastian Coppola, page 154, line 2 to line 8.
[146] Direct Testimony of Sebastian Coppola, page 153, line 21; and page 154, lines 1-2.

In conclusion, the IRM cost recovery mechanism does not have lower risk than costs recovered in base rates. As such, I recommend that the Commission reject Mr. Coppola's proposal to lower the ROE that is applied to the IRM.

Response to ABATE Witness Walters

Q86. Please summarize Mr. Walters' cost of capital recommendation.

A86. Mr. Walters recommends an ROE range of 9.20 percent to 9.80 percent by reference to: (1) my Constant Growth and his Multi-Stage DCF models (which he combines to calculate a DCF-based ROE estimate of 9.5 percent);[147] (2) my historical CAPM analysis and his CAPM analysis (which he combines to calculate a 9.23 percent cost of equity estimate);[148] and (3) his Risk Premium study (which results in a 9.81 percent cost of equity estimate).[149] Mr. Walters selects the midpoint of his range and recommends DTE Gas's authorized ROE be set at 9.50 percent.[150] Unlike past testimonies filed before this Commission, Mr. Walters does not perform his own independent DCF and CAPM analyses in this proceeding. Instead, he selectively replaces inputs from my Constant Growth DCF and CAPM analyses submitted in my Direct Testimony with lower inputs in an effort to produce an outcome-oriented result with a downward bias.

147 Direct Testimony of Christopher C. Walters, page 8, lines 23-29; and page 9, lines 1-2.
148 Direct Testimony of Christopher C. Walters, page 14, lines 1-7.
149 Direct Testimony of Christopher C. Walters, page 27, lines 19-21.
150 Direct Testimony of Christopher C. Walters, page 28, lines 2-8.

Q87. What are the components of your analysis with which Mr. Walters appears to agree?

A87. Mr. Walters appears to agree with the following components of my analyses: (1) the proxy group of risk comparable companies; (2) the use of *Value Line* and Bloomberg Beta coefficients in the CAPM; and (3) the dividend yields that he uses in his Constant Growth DCF model. As explained below, however, many of Mr. Walters' revised inputs and approaches are flawed, causing him to erroneously conclude that the Company's cost of equity has declined.

DCF Analysis

Q88. Please summarize Mr. Walters' DCF analysis.

A88. Mr. Walters employs a Multi-Stage DCF ("MSDCF") model that relies on the 90-day average stock prices, annualized dividend yields, and analyst EPS growth rates that I present in Schedule D5.2 of my Direct Testimony. Mr. Walters uses projected GDP growth from *Blue Chip* as the terminal growth rate in his MSDCF analysis.[151] Using these inputs, his MSDCF model produces an average result of 8.53 percent and a median of 8.57 percent, which he averages to get 8.55 percent.[152] Mr. Walters then takes the average of my low and mean constant growth DCF results of 10.38 percent, 10.43 percent, and 10.46 percent (for 30-, 90-, and 180-day stock prices, respectively), along with his 8.55 percent MSDCF result, to produce a composite DCF results in the range of 9.47 percent to 9.51 percent, concluding that a DCF-based ROE of 9.5 percent is reasonable.[153]

[151] Direct Testimony of Christopher C. Walters, Exhibit AB-3, column (9).
[152] Direct Testimony of Christopher C. Walters, page 8, lines 26-28.
[153] Direct Testimony of Christopher C. Walters, page 8, lines 28-29; and page 9, lines 1-2.

Q89. Do you have any concerns with Mr. Walters' approach?

A89. Yes. I disagree with Mr. Walters' MSDCF analysis and the use of a GDP growth rate as the terminal growth rate. Further, I disagree with Mr. Walters's decision to average the lower half of my Constant Growth DCF results with his unjustifiably low MSDCF results, which only serves the purpose of producing a lower ROE estimate.

Q90. Turning first to Mr. Walters' MSDCF model, do you agree with Mr. Walters' position that utility earnings growth rates applied in the DCF model are limited by forecasted GDP growth?

A90. No, I do not. Mr. Walters' MSDCF analysis is premised on the assumption that analysts' projected EPS growth rates are "unsustainable" because a utility stock cannot grow at a faster pace than the growth in the overall economy.[154] Therefore, he concludes that the projected national GDP growth rate is the maximum long-term sustainable growth rate, which he applies as the terminal growth rate in his MSDCF analysis. I addressed the use of a GDP growth rate in the DCF model in response to Mr. Ufolla above and those arguments also apply to Mr. Walters.

Q91. Are Mr. Walters's MSDCF results of 8.53 percent and 8.57 percent reasonable estimates of DTE Gas's cost of equity?

A91. No. I am not aware of any natural gas utility that received an authorized ROE in the range of Mr. Walters's MSDCF results since at least 1980, especially during market environments similar to the current market environment. Mr. Walters's own Exhibit AB-4 illustrates the unreasonableness of these results. Exhibit AB-4 shows

[154] Direct Testimony of Christopher C. Walters, page 7, lines 17-22; and page 8, lines 1-22.

that the annual average authorized ROE for natural gas utilities has not been below 9.46 percent since 1986. Moreover, the last time that the 30-year Treasury bond yield was at the same level it was in 2025 (4.80 percent) was in 2007, when the annual average authorized ROE was 10.22 percent. Simply, these results fail the *Hope* and *Bluefield* standards for a fair return and should be rejected.

Q92. Mr. Walters asserts that your Constant Growth DCF results are based on "unsustainably high growth rates."[155] What is your response?

A92. As explained in my response above to Mr. Ufolla, Mr. Walters' position that the proxy group's growth is constrained by his estimate of GDP growth is without merit. The primary driver of earnings growth (*i.e.,* rate base growth) has grown at a compound annual average rate of over 8 percent per year for at least the last decade or longer (*see* Table 6 above). Therefore, the analyst earnings growth rates in my DCF analyses are not unsustainably high.

Q93. What is your recommendation regarding Mr. Walters' DCF estimates?

A93. The underlying premise of Mr. Walters' MSDCF analyses does not hold and is unsupported. Therefore, I recommend that the Commission reject Mr. Walters' MSDCF results.

CAPM Analysis

Q94. Please summarize Mr. Walters' CAPM analysis and results.

A94. Mr. Walters' CAPM analysis uses Kroll's 5.00 percent estimate of the market risk premium ("MRP"), the Beta coefficients that I used from *Value Line* and

[155] Direct Testimony of Christopher C. Walters, page 6, line 1.

Bloomberg, along with his projected risk-free rate of 4.75 percent based on the current 20-year Treasury yield (applied in his Kroll Normalized Method MRP estimate). This produced CAPM results of 8.25 percent and 8.45 percent, which Mr. Walters averaged to get a midpoint result of 8.35 percent. He then averaged this with my historical 10.10 percent CAPM average result to produce an overall CAPM estimate of 9.23 percent.[156]

Q95. Are ROE estimates ranging from 8.25 percent to 8.45 percent reasonable?

A95. No. As with his MSDCF results, no regulatory commission that I am aware of has authorized an ROE of 8.45 percent or lower for a natural gas distribution utility since at least 1980.[157] Such results are far below any reasonable estimate of DTE Gas's cost of equity and should be rejected outright.

Q96. What are your specific concerns with Mr. Walters' CAPM analysis?

A96. My primary area of disagreement with Mr. Walters' CAPM analysis is his reliance on Kroll's normalized market risk premium method. I also disagree with Mr. Walters' use of 20-year Treasury yields rather than 30-year Treasury yields for the risk-free rate, though the impact is minor; his 4.75 percent 20-year Treasury yield is in line with my 4.79 percent and 4.66 percent 30-year Treasury yields.

[156] Direct Testimony of Christopher C. Walters, page 14, lines 1-7.
[157] Source: RRA.

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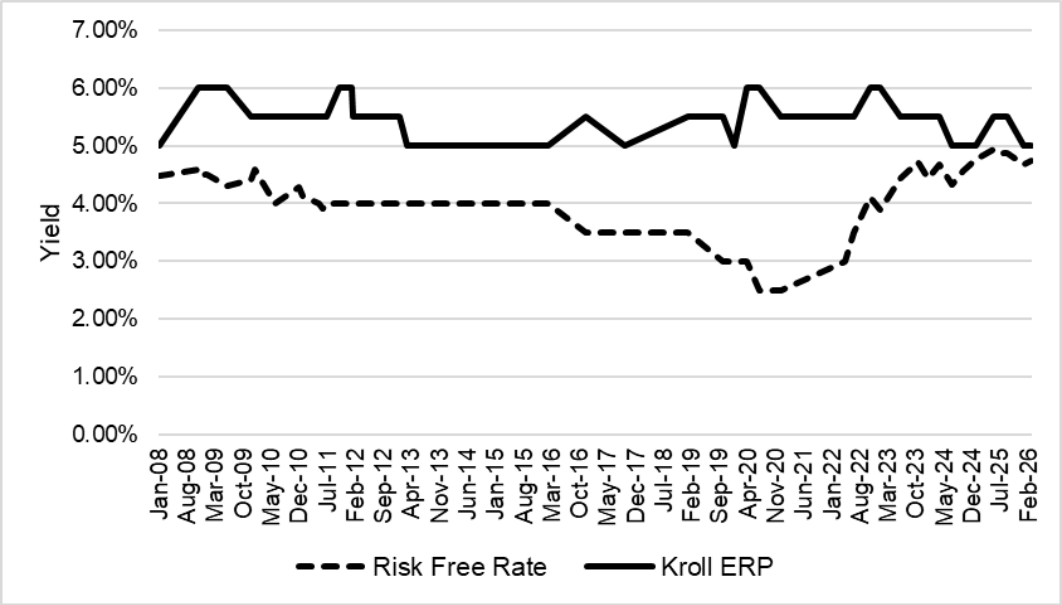
Q97. Why do you disagree with Mr. Walters' reliance on Kroll's normalized market risk premium method?

A97. Kroll's methodology for developing its normalized market risk premium is opaque and it is not clear that Kroll develops its market risk premium in relation to its risk-free rate. The market risk premium is calculated as the difference between the market return and risk-free rate; therefore, it is a function of the market return and risk-free rate at a point in time. Consequently, the market risk premium and risk-free rate are not independent of each other, but are instead interrelated. In fact, academic studies have shown that the two are inversely related.[158] As the risk-free rate decreases, the market risk premium increases and vice versa. However, as shown in Figure 4 below, there is no clear relationship between Kroll's recommended Equity Risk Premium and risk-free rate. Whereas academic studies indicate that the two lines should move in opposite directions, Figure 4 shows they do not have a clear relationship.

[158] *See, e.g.*, Robert S. Harris and Felicia C. Marston, Estimating Shareholder Risk Premia Using Analysts' Growth Forecasts, Financial Management, (Summer 1992), at 63-70.

Figure 4. Kroll Recommended Equity Risk Premium and Risk-Free Rate (2008 – February 2026)[159]



The conclusion that there is no clear relationship between the two variables provided by Kroll is supported by statistical analysis. The R-squared is 0.016, which indicates that Kroll's risk-free rate explains less than 2 percent of the change in the equity risk premium. This runs counter to the fundamental fact that the market risk premium is a function of the risk-free rate, as noted earlier. Further, the two variables are very weakly correlated, contrary to the fact that the two variables are inversely related and thus should have a strong negative correlation.

Q98. Have other commissions rejected Kroll's recommended equity risk premium as an input to the CAPM?

A98. Yes, they have. For example, in Order No. PSC-2023-0177-FOF-GU, the Florida Public Service Commission found that the "use of Kroll's ERP and the results of

[159] Sources: Kroll Cost of Capital Navigator; Federal Reserve Bank of St. Louis FRED Economic Data.

the CAPM using that data are unreasonable."[160] Additionally, in Docket No. E-7 Sub 1276, the North Carolina Utilities Commission similarly concluded that the "use of Kroll's 5.5% MRP fails the test of *Bluefield*/*Hope*, in that it does not meet the test of comparable return."[161] In conclusion, I recommend that the Commission reject Kroll's ERP when calculating the CAPM-based ROE estimate in this case.

Q99. Mr. Walters suggests your forward-looking market return is "inflated and not reliable" because expected individual growth rates of certain companies exceed his measure of GDP growth.[162] What is your response?

A99. I disagree. Determining whether a company's individual growth rate is "sustainable" is highly subjective and introduces bias in the analysis. Mr. Walters' criticism focuses on individual company growth rates he deems as "too high"; however, he fails to acknowledge that my forward-looking market return estimates also include growth rates that are unsustainably low, and he does not deem those growth rates as "too low" or unreliable. The calculation of the *Value Line* forward market return shown in Exhibit A-14, Schedule D5.4 includes 11 companies with negative growth rates. Further, there are 36 companies with expected growth rates less than or equal to the current rate of inflation (2.4 percent). That is, the analysis includes both high and low growth rates and is not biased toward only high growth rates. In other words, by not attempting to evaluate the sustainability of each of the 500 individual companies' growth rate as Mr. Walters suggests, I do not introduce

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160 Florida Public Service Commission Docket No. 20220069-GU, *In re: Petition for rate increase by Florida City Gas*, Order No. PSC-2023-0177-FOF-GU, at 43 (June 9, 2023).

161 In the Matter of Application of Duke Energy Carolinas, LLC for Adjustment of Rates and Charges Applicable to Electric Service in North Carolina and Performance-Based Regulation, Docket No. E-7, Sub 1276, Order Accepting Stipulations, Granting Partial Rate Increase, Requiring Public Notice, And Modifying Lincoln CT CPCN Conditions, at 208.

162 Direct Testimony of Christopher C. Walters, page 11, lines 13-16.

bias into my forward market return analysis. More importantly, a proper market return estimate must include all companies in the analysis to avoid internal inconsistencies with the Beta coefficients. Selectively excluding certain high growth companies would bias the analysis downward.

Additionally, Mr. Walters' illustration of TKO Group Holdings' ("TKO") growth vs. GDP[163] is meaningless in the context of my projected market return and resulting market risk premium. It is the growth of the *market* (in this case, the S&P 500) that is important, not the growth of any individual company that comprises the market. While TKO may not grow at a 93.4 percent CAGR in perpetuity, there may be other high growth companies added to the S&P 500 index, or an existing company may launch a new product or service that accelerates its growth, which could have similar growth rates in the future. Any market index will contain companies with both high and low (or negative) growth rates; arbitrarily choosing the highest growth company to attempt to discredit an analysis is merely one-sided and results-oriented.

Q100. Please summarize Mr. Walters' concerns with your ECAPM analysis.

A100. Mr. Walters' principal concern with my ECAPM analysis is the use of adjusted Beta coefficients such as those published by *Value Line*.[164] I addressed Mr. Walters' concern in response to Mr. Ufolla and Mr. Coppola earlier and explained that it is correct to use adjusted Beta coefficients in the ECAPM formula I use .

[163] Direct Testimony of Christopher C. Walters, page 13, lines 3-14; Figure CCW-1.
[164] Direct Testimony of Christopher C. Walters, page 15, lines 20-23; page 16, lines 1-22; page 17, lines 1-13; page 18, lines 1-25; and page 19, lines 1-2.

Risk Premium Analysis

Q101. Please describe Mr. Walters' Risk Premium approach.

A101. Mr. Walters performs a Risk Premium analysis that uses a Weighted Least Squares ("WLS") regression instead of an Ordinary Least Squares ("OLS") regression using authorized ROEs, long-term Treasury bond yields, and corresponding equity risk premia between 1986 and September 2025. Mr. Walters' WLS approach gives more weight to more recent annual bond yields and equity risk premia (within the last 5-10 years) and less weight to older annual observations.[165]

Q102. For context, what is a least squares regression (both Ordinary Least Squares and Weighted Least Squares) and what is the purpose of a least squares regression analysis?

A102. A least squares regression estimates a line of "best fit" through the data points being analyzed by minimizing the distance (also referred to as "residuals" or "errors") between the actual data and the estimate produced by the line of best fit. Stated differently, a least squares regression finds the line that best represents the overall pattern or relationship of the data by minimizing total prediction errors. Minimizing the prediction errors is the central goal of a least squares regression, regardless of whether the data points are weighted equally in an OLS approach or are weighted differently in a WLS approach. I emphasize that under a WLS approach, since the goal is to minimize prediction errors, data points with low variance (or errors) should be given higher weights than points with higher variance. Conversely, if higher weights are assigned to data points with higher

[165] Direct Testimony of Christopher C. Walters, page 27, lines 10-11 and lines 16-17; Exhibit AB-4.

variance, as Mr. Walters has done as I demonstrate below, the regression and resultant ROE estimates will generally be less reliable.

Q103. Is a WLS regression necessary or appropriate?

A103. No. There are three problems with Mr. Walters' WLS regression analysis. The primary issue is that Mr. Walters is attempting to solve a problem that doesn't exist. WLS regressions are primarily used to correct for heteroskedasticity, a statistical problem where the error terms of the regression are correlated and have a distinct pattern. OLS regressions assume that the error terms are random and independent. I ran an OLS regression on Mr. Walters's risk premium data and then checked for heteroskedasticity in the error terms using both the Breusch-Pagan Test and the White Test. The results of those tests demonstrate there is no pattern in the error terms of Mr. Walters's OLS regression (*i.e.*, Mr. Walters's data is homoskedastic[166]); thus the error terms are uncorrelated. Therefore, Mr. Walters' WLS regression is unnecessary.

Second, even if Mr. Walters' WLS analysis was necessary, he provides no statistical basis for his lambda coefficient of 0.20 that he appears to have selected arbitrarily. While he explains his rationale for selecting this value, he does not provide any quantitative analysis nor any evidence of the purported "strong statistical fit to the data"[167] compared to any other potential values of lambda coefficients.

[166] Homoskedasticity occurs when there is no pattern in the error terms, in contrast to heteroskedasticity, where the error terms are correlated and have a pattern (*e.g.,* the magnitude of errors may increase or decrease over time).
[167] Direct Testimony of Christopher C. Walters, page 26, lines 19-20.

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Third, Mr. Walters erroneously presumes that more recent observations are, by definition, more accurate and therefore are more likely to persist by giving those observations more weight. To the contrary, by giving more weight to the most recent five to ten years,[168] Mr. Walters gives more weight to data that occurred during years when the government implemented extraordinary monetary and fiscal policy to support the U.S. economy during the slow recovery of the Great Recession and the COVID-19 pandemic. The current market environment is vastly different with interest rates at levels not seen in approximately 15 years. Further, monetary policy is currently relatively restrictive, unlike the seven or eight years of near-zero percent Federal Funds rate and Quantitative Easing between 2009-2015 and 2020-2021. Thus, Mr. Walters has prejudiced his analysis by choosing to give significantly less weight to data that are similar to current market environment and more weight to periods of markedly different government intervention.

Finally, Mr. Walters acknowledged that "he is unaware of commission orders that have explicitly accepted or rejected a WLS regression risk premium analysis."[169] This Commission should reject Mr. Walters' WLS regression risk premium analysis.

[168] Direct Testimony of Christopher C. Walters, page 26, lines 10-11.
[169] Responses and Objections to the Second Discovery Request by DTE Gas Company of the Association of Businesses Advocating Tariff Equity, DGAB-2.5, part c, March 25, 2026.

Q104. Mr. Walters asserts that WLS regression is appropriate for other applications beyond correcting for heteroskedasticity.[170] How do you respond?

A104. I reiterate that WLS regression is primarily used to correct for heteroskedasticity. While I acknowledge that it could potentially be used for other applications, such as when there is unequal measurement precision or disproportionate sampling in surveys, those applications are not present when estimating DTE Gas's cost of equity. As such, I have multiple concerns with Mr. Walters's application of WLS regression to estimate the risk premium for a given Treasury or utility bond yield. First, I emphasize that Mr. Walters has not demonstrated that WLS regression is appropriate here. As I explained above, Mr. Walters's data is homoskedastic. An OLS regression, as I use, assumes homoskedasticity (*i.e.*, errors are uncorrelated, normally distributed, and have relatively equal variance). Therefore, an OLS regression best estimates the relationship between the independent variable(s) and the dependent variable by minimizing the error terms under homoskedasticity (*i.e.*, OLS regression is most appropriate for the data used in Mr. Walters's Risk Premium analysis).

Second, Mr. Walters misapplies the WLS regression framework. A WLS regression minimizes the weighted sum of squared residuals, is best used when the residual errors are correlated or have relatively unequal variance and, as explained earlier, is appropriately applied by giving greater weight to observations with *smaller* residuals since observations with smaller error variance indicate more reliable data. In a WLS regression, assigned weights are typically inversely proportional to the variance of each observation. Thus, the assigned weights are

[170] Direct Testimony of Christopher C. Walters, page 22, lines 5-24; page 23, lines 1-17.

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based on the *statistical* nature of the residuals, not necessarily how *recent* the data is. A proper weighting factor is determined by inspecting the residuals to ensure that the weighted sum of squared residuals is minimized. If more recent observations have higher standard errors, then a WLS regression that weights these observations more heavily gives more weight to *less* reliable data (*i.e.*, data points with higher errors) and would not minimize the weighted sum of squared residuals. Thus, a WLS regression that gives weight to more recent observations is appropriate only if the most recent observations have the smallest residuals. The opposite is true in this case.

Mr. Walters does not indicate that he reviewed the residuals when determining his lambda factor. In fact, he admits that the weights he applies "are not derived from an estimate of residual variance."[171] Reviewing the residuals of Mr. Walters's data shows that four of the last six years (2020, 2023, 2024, and 2025) are among the top five years with the highest errors and are being given the greatest weight in Mr. Walters's construct. Calculating the absolute value of the residuals from Mr. Walters's WLS regression and ranking them in order from largest to smallest shows that 2020, 2023, 2024, and 2025 have four of the five largest residuals; *see* Table 9 below. In fact, 2025 has the second largest residual, which is given the most weight in Mr. Walters's construct. The fact that Mr. Walters' analysis gives the most weight to data points that have the *highest* errors rather than the lowest errors as a least squares regression[172] demonstrates that his application of WLS regression is significantly flawed. If Mr. Walters' premise that the most recent data points were

[171] Direct Testimony of Christopher C. Walters, page 22, lines 10-11.
[172] As explained earlier, least squares analysis encompasses both OLS and WLS regressions.

most accurate for predicting the relationship between Treasury bond yields and risk premiums were true, one would expect the most recent residuals to be the lowest; yet the data clearly shows that the inverse is true.

Table 9. Mr. Walters' WLS Regression Errors[173]

Year	Residual	Absolute Residual	Rank
1986	1.31061	1.31061	1
2025	-0.88340	0.88340	2
2024	-0.64881	0.64881	3
2020	0.60348	0.60348	4
2023	-0.59514	0.59514	5

Q105. Mr. Walters asserts that the regression study used in your Risk Premium Analysis is less accurate than his WLS analysis.[174] What is your response?

A105. I disagree. First, while Mr. Walters' WLS regression has a higher R-square value (0.95 compared to approximately 0.83 in my Exhibit A-31, Schedule U5), it is important to note that R-square is not always a good measure of accuracy and the goal of a statistical model should not be to maximize the R-square as this could lead to questionable modeling assumptions and inputs. For example, the R-square can be increased by simply adding more independent variables, even if they are unrelated to the dependent variable. A 1988 essay in American Statistician titled "Another Cautionary Note About R^2: Its Use in Weighted Least-Squares Regression Analysis" explains:

> *Weighted least-squares regression analysis minimizes the sum of squared residuals (and therefore maximizes the coefficient of determination) with respect to the transformed variables, whereas OLS regression analysis minimizes the sum of squared residuals (and maximizes the coefficient of determination) with respect to the original*

[173] Calculated using data from Exhibit AB-4.
[174] Direct Testimony of Christopher C. Walters, page 21, lines 18-23 and page 22, lines 1-4.

> *variables. Providing that the weighting scheme has been chosen appropriately to counteract the heteroscedastic nature of the random errors, a better fit will be achieved by WLS in the transformed world. Thus the coefficient of determination obtained unthinkingly from a statistical computer package under WLS regression is frequently much larger than the value obtained under the corresponding OLS fit. To the naïve consumer of computer output, this apparent increment to the coefficient of determination can represent a considerable improvement in fit and is displayed prominently in any account of the analysis, whereas closer inspection reveals that the increment reflects, in part, the success of the weighting in solving the problem of heteroscedasticity* [175]

The R-square in the WLS regression is the coefficient for the *transformed* dataset. It does not improve the R-square for the original dataset. As explained above, heteroskedasticity is not present in Mr. Walters' data; therefore the higher R-square is providing false confidence that his WLS regression is more accurate. Further, as I explain above, an estimate that "better reflects today's utility environment"[176] does not improve accuracy; on the contrary, it biases the analysis.

Q106. Mr. Walters also asserts that "with so many daily data points, [your] model can start chasing random ups and downs in the numbers instead of capturing a meaningful trend" and that "statistical noise" in your Risk Premium analysis weakens the analysis.[177] Do you agree?

A106. No, I do not. To the extent there is a statistical problem in my analysis, I ran an OLS regression model on the Treasury bond yield and equity risk premium data filed in Exhibit A-14, Schedule D5.6 using heteroskedastic 2 ("HC2") robust standard errors to correct for any potential problem. After correcting for HC2

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[175] John B. Willett and Judith D. Singer, "Another Cautionary Note About R2: Its Use in Weighted Least-Squares Regression Analysis," The American Statistician, Vol. 42, No. 3, August 1988, at 237 (emphasis in original).

[176] Direct Testimony of Christopher C. Walters, page 22, lines 1-2.

[177] Direct Testimony of Christopher C. Walters, page 20, lines 20-23. (clarification added).

robust standard errors, the regression formula remains the same as was filed in my Direct Testimony (Y = -0.023 - 0.0257X) and the R-square remains at approximately 0.83. Thus, there is no bias in my Risk Premium analysis.

Q107. Mr. Walters observes that the relationship between interest rates and the Equity Risk Premium is "evolving" and has "changed over time."[178] Do you agree with him?

A107. I agree that the relationship evolves over time, and my analysis captures that change. However, I disagree with the analysis that Mr. Walters uses to support his claim. The analysis he presents in his Figure CCW-3 on page 24 of his Direct Testimony is not correctly structured or robust. Mr. Walters shows the percentage change in risk premium divided by the percentage change in bond yield. And when there is a very small change in bond yields (*i.e.*, 8 basis points in 2021), any moderate change in risk premium would have an outsized impact on the analysis. For example, even though the change in risk premium in 2001 (65 basis points) was nearly half the absolute magnitude of the change in 1999 and 2000 (125 and 114 basis points, respectively), because the change in bond yields was small, the result was inflated and given more weight than it should have. This is apparent by looking at the large spike in 2001 followed by the near-zero result in 2002.

Additionally, Mr. Walters conducts a Chow test to attempt to show that there has been a "structural break" in the relationship between bond yields and the equity risk premium since 2010.[179] While Mr. Walters's Chow test may have statistical

[178] Direct Testimony of Christopher C. Walters, page 23, lines 18-23; page 24, lines 1-14; page 25, lines 1-13.
[179] Direct Testimony of Christopher C. Walters, page 24, line 12 to page 25 line 7.

significance, it does not have economic significance, as that test misses the point that utilities are required to provide safe and reliable service, and potentially raise capital to do so, in all market conditions, including throughout any periods with purported "structural breaks" in the relationship between bond yields and risk premia. Moreover, to the extent that a structural break in 2010 exists and is meaningful, as demonstrated earlier, the data post 2010 that Mr. Walters gives most weight to exhibit the largest errors. If anything, more weight should be given to data prior to 2010, since that period is similar to the current economic market environment, as noted earlier.

Q108. Mr. Walters cites a peer-reviewed article that he claims demonstrates that the WLS methodology improves the forecasting of stock returns compared to the OLS methodology.[180] How do you respond?

A108. Mr. Walters's conclusion is not correct as it applies to utilities. As shown in Table 5 on page 13 of the article that Mr. Walters referenced,[181] the WLS model did not outperform the OLS model for the utility stock portfolio. The OLS model had a higher reduction in the Mean Square Predicted Error (out-of-sample R-square, *i.e.*, it was more accurate) and was more statistically significant (*i.e.*, the OLS model for the utility portfolio was statistically significant at the 95 percent confidence level, whereas the WLS model was statistically significant at the 90 percent confidence level).

[180] Direct Testimony of Christopher C. Walters, page 23, lines 3-5.

[181] Wang, Yudong, Hao, Xianfeng, and Wu, Chongfeng, *Forecasting stock returns: A time-dependent weighted least squares approach*, Journal of Financial Markets 53 (2021).

Additionally, the authors of the study further explain the limitations of the time-weighted least squares methodology (which they refer to as "TWLS") on the final page of the study: "Although the TWLS method is successful in forecasting stock returns, we should also recognize its some [sic] limitations. *TWLS lacks enough theoretical fundamentals*. The statistical properties of such estimates also need to be further dug out. We leave it to future work."[182]

Q109. What would the results of Mr. Walters' Risk Premium analysis have been had he used the more appropriate OLS regression, rather than WLS regression?

A109. Using the data in Mr. Walters' Exhibit AB-4, in Exhibit A-31, Schedule U12, I conduct an OLS regression analysis to estimate the relationship between the long-term bond yields and equity risk premiums that Mr. Walters presents. I then use that relationship to calculate the equity risk premium that corresponds to the 2025 4.8 percent bond yield, similar to what Mr. Walters does. This calculates an equity risk premium of 5.77 percent, which corresponds to a cost of equity estimate of 10.57 percent, which is in line with my Risk Premium results.

Q110. What is your conclusion with regard to Mr. Walters' analyses and ROE recommendation?

A110. Mr. Walters' analyses include several flaws that produce results that fail to meet the *Hope* and *Bluefield* standards for a fair return. This is evident by his need to average his DCF and CAPM results with my respective model results in order to arrive at an ROE estimate that is closer to DTE Gas's current authorized ROE. Figure 5 below shows that Mr. Walters' DCF and CAPM cost of equity estimates

[182] *Id*. at 16. (emphasis added).

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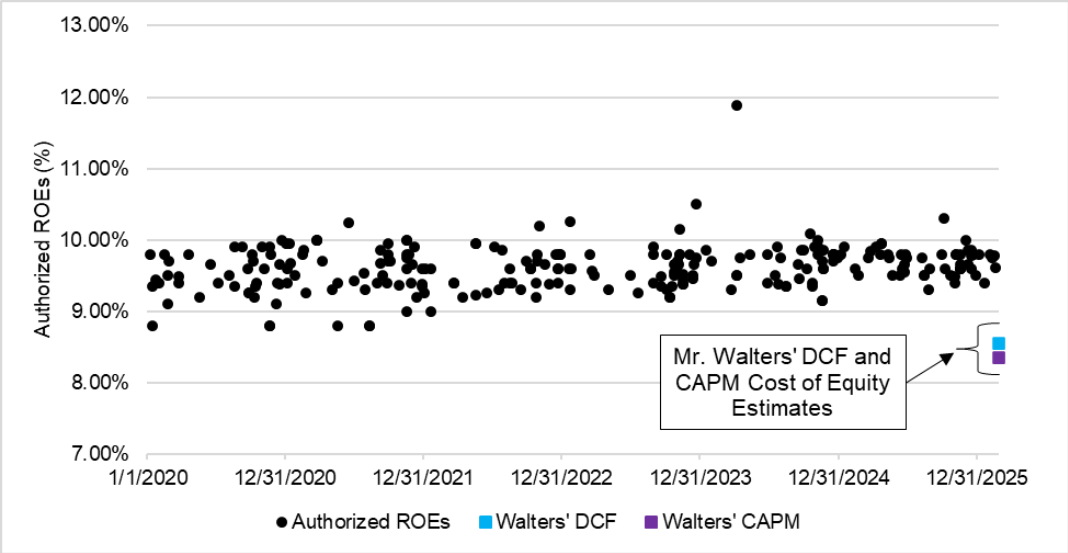
are well below recently authorized natural gas distribution utility ROEs; I recommend that the Commission reject his DCF and CAPM cost of equity estimates.

Figure 5. Mr. Walters' DCF and CAPM Cost of Equity Estimates vs. Recently Authorized Natural Gas Utility ROEs[183]



Lastly, Mr. Walters' Risk Premium analysis is severely flawed and fails to adhere to the objectives of OLS regression, which is to minimize the residual error terms. After correcting these flaws as shown in Exhibit A-31, Schedule U12, the analysis results in a more reasonable 10.57 percent cost of equity estimate, which is in line with my Risk Premium analysis result and 10.25 percent ROE recommendation. If the Commission is to consider Mr. Walters' Risk Premium analysis, I recommend it reference this corrected version.

183 Source: RRA.

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Response to CUB Witness Bandyk

Q111. Please summarize Mr. Bandyk's ROE recommendation in this case.

A111. Mr. Bandyk recommends that the Commission authorize an ROE of 8.82 percent,[184] which is the approximate midpoint of Mr. Bandyk's cost of equity estimate (7.86 percent) and DTE Gas's current authorized ROE (9.80 percent). Mr. Bandyk's 7.86 percent cost of equity estimate is the average of his 8.64 percent DCF estimate and his 7.08 percent CAPM estimate.[185] Mr. Bandyk's analyses apply many of the same flawed inputs and methodologies as discussed in response to Messrs. Ufolla, Coppola, and Walters. As shown in Figure 6 below, with the exception of his DCF results that use analyst EPS growth rates (which remain flawed, as I explain below), the results of Mr. Bandyk's various methodologies are unreasonably low, well below all natural gas distribution utility authorized ROEs in at least the past 46 years, and should be dismissed as outliers.

[184] Direct Testimony of Matthew J. Bandyk, page 15, lines 4-6.
[185] Direct Testimony of Matthew J. Bandyk, page 15, line 1.

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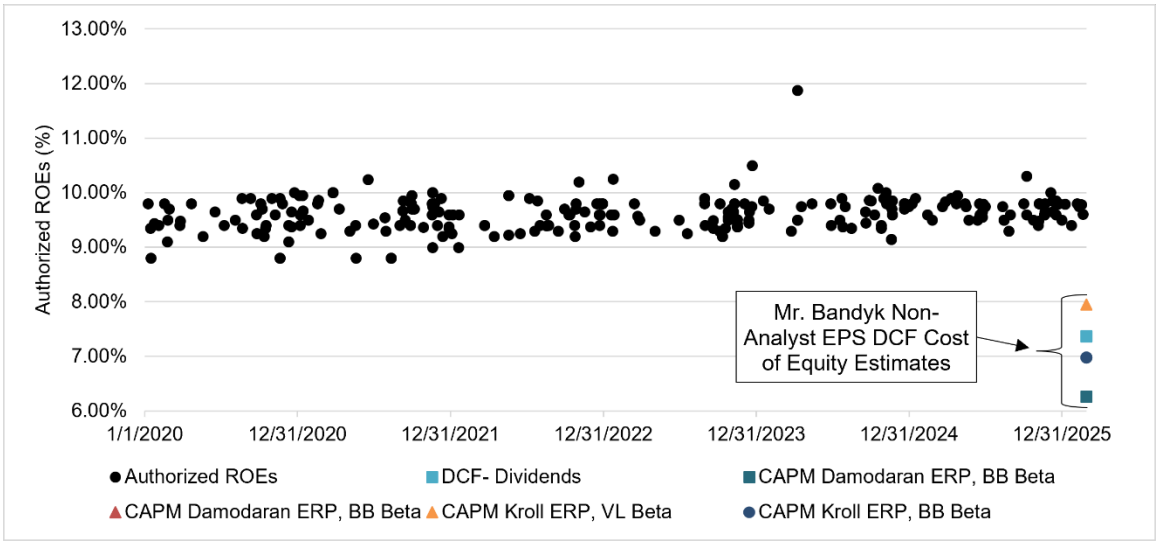
Figure 6. Mr. Bandyk's ROE Results vs. Authorized ROEs for Natural Gas Distribution Utilities[186]



Q112. Do the majority of Mr. Bandyk's cost of equity estimates and ROE recommendation meet the *Hope* and *Bluefield* standards for a fair rate of return?

A112. No. Mr. Bandyk's primary recommendation of 8.82 percent is far below any reasonable measure of DTE Gas' cost of equity. As shown in Figure 6 above, Mr. Bandyk's unreasonably low recommendation is driven by his reliance on results that are clear outliers and do not meet the *Hope* and *Bluefield* standards for a fair return.

There have only been eight cases in at least the last 46 years in which an ROE of 8.82 percent or lower has been authorized for a natural gas distribution utility.[187] The ROEs in those cases were authorized between 2017 and 2021, when long-term

[186] Source: RRA.
[187] Source: RRA.

interest rates were substantially lower than they are now. An ROE in the range of Mr. Bandyk's recommendation is likely to be viewed very unfavorably by the financial community; moreover, it would introduce a heightened level of instability and unpredictability in Michigan's regulatory environment which would increase the regulatory risk and cost of capital for all Michigan utilities.

Q113. Mr. Bandyk references several articles that suggest that authorized ROEs exceed market returns.[188] Do you agree with the conclusions of the authors of those articles?

A113. No, I do not. The referenced articles contain serious flaws in the logic that would not withstand the scrutiny of a regulatory commission proceeding. For example, Mr. Bandyk references a 2025 working paper by Karl Dunkle Werner and Stephen Jarvis entitled "Rate of Return Regulation Revisited" and a 2019 study in the journal Energy Policy by David Rode and Paul Fischbeck that assert that authorized ROEs were above levels that historical relationships would suggest. As a preliminary matter, the Dunkle Werner and Jarvis paper is only a working paper that has not been peer reviewed or subject to review by any editorial board;[189] the Commission should not rely on this paper. Notwithstanding, the first flaw is that authors of these studies only rely on the CAPM to estimate the cost of equity, whereas investors and most regulatory commissions consider multiple models when determining the appropriate cost of equity. Additionally, the CAPM as specified by Dunkle Werner and Jarvis has certain limitations for measuring the cost of equity and relies on assumptions that are inconsistent with current market

[188] Direct Testimony of Matthew J. Bandyk, page 8, lines 16-21; page 9, lines 1-10; page 10, lines 1-2.

[189] Direct Testimony of Matthew J. Bandyk, Ex. CUB-25, at 1.

data. The authors assume a constant market risk premium and a constant unlevered Beta coefficient. Therefore, both measures of equity risk are held constant and thus do not incorporate changes in market risk premia or changes in industry risk that have occurred over the study period. A more complete CAPM, as well as outputs from alternative models, such as the DCF and Risk Premium models, demonstrate that regulators' authorized ROEs are consistent with evidence of investors' return requirements and are not overcompensating utilities. These points highlight the importance of considering the evidence produced by multiple methodologies provided in the context of capital market conditions at the time.

Rode and Fischbeck acknowledge the decline in the risk-free rate over time, but do not even test that variable in any of their econometric tests. As shown in my Risk Premium analyses, changes in the equity risk premium are strongly related to changes in the risk-free rate. Rode and Fischbeck simply ignore one of the most important variables that explains changes in the equity risk premium.

Mr. Bandyk cites an article (Ex. CUB-27) that references stock market return forecasts to conclude that the average forecasted stock market return is 6.7 percent, implying that authorized utility ROEs are approximately 30 percent higher than the expected cost of equity for the stock market as purported by Wall Street asset managers .[190] It is important to understand how these market return forecasts are developed and the purpose for which they are used. For example, BlackRock (one of the asset managers cited in Ex. CUB-27) projects a five-year 7.8 percent annualized total return for U.S. equities. However, looking at the components of

[190] Direct Testimony of Matthew J. Bandyk, page 9, lines 8-10; page 10, lines 1-2.

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the forecast, the 7.8 percent expected return is driven by 10.8 percent earnings growth, a 1.6 percent dividend yield, and a -4.5 percent adjustment for "repricing."[191] Simply put, repricing is an *expected* return concept, not a *required* return concept, and it is the required return that we seek to estimate in this proceeding. Repricing belongs in asset allocation forecasts (*i.e.,* how to allocate funds across a portfolio of investments for a given level of risk), not in the determination of the investor required return (*i.e.,* the cost of equity) for a specific investment like DTE Gas.

In his DCF analysis, Mr. Bandyk correctly explains that he estimates the cost of equity as the dividend yield plus the growth rate,[192] illustrating that "repricing" is not included as a standalone variable in the cost of equity formula. Instead, investors' expectations regarding the future price movements of a stock are embedded in the share price that is captured in the dividend yield. In the BlackRock example, the appropriate market cost of equity estimate is 12.4 percent,[193] which is slightly higher than, but consistent with, the 12.23 percent long-run average historical market return that I use.[194] Accordingly, the Commission should not rely on these figures, just as it did not give the 6.7 percent market return figure weight in Consumers Energy Company's authorized ROE in Case No. U-21870.[195]

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[191] Blackrock, Capital market assumptions, Assumptions sub-group, Risk and return tab, page 2 of 3, https://www.blackrock.com/institutions/en-us/insights/thought-leadership/capital-market-assumptions.

[192] Direct Testimony of Matthew J. Bandyk, page 26, lines 2-6.

[193] Calculated as 10.8 percent earnings growth rate + a 1.6 percent dividend yield.

[194] Exhibit A-31, Schedule U4.

[195] *In the Matter of the Application of Consumers Energy Company for Authority to Increase its Rates for the Generation and Distribution of Electricity and for Other Relief*, Case No. U-21870, Order, at 269.

In summary, Mr. Bandyk's erroneous conclusion that authorized ROEs have exceeded market returns is due to faulty and illogical estimates that do not measure the investor-required market return, not because commissions like this Commission have been setting authorized ROEs above the market cost of equity.

DCF Analysis

Q114. Please summarize Mr. Bandyk's DCF analyses.

A114. Mr. Bandyk performs two two-stage[196] DCF analyses applied to the same proxy group that I use. The first DCF analysis, with a proxy group average ROE of 9.91 percent, applies a weighted average of analyst EPS growth rates that I use in my Direct Testimony with 80 percent weighting, and a long-term growth rate based on a nominal GDP growth rate projected for 2029-2036, with 20 percent weighting.[197] His second DCF analysis, with a proxy group average cost of equity estimate of 7.37 percent applies the same approach, but uses projected dividend growth rates from *Value Line* rather than projected analyst EPS growth rates. For the reasons explained earlier, GDP growth is an unfounded constraint. It is inconsistent with both financial theory and the DCF model's assumptions to assume that all companies will grow at the same rate in perpetuity. Moreover, despite his criticism that the projected earnings and dividend growth rates are short-term,[198] Mr. Bandyk uses a relatively short-term forecast of GDP growth for the perpetual growth rate (from 2029 to 2036).[199]

[196] The "two-stage" and "two-step" DCF analyses are synonymous; these terms are typically used interchangeably to refer to the same methodology.
[197] Direct Testimony of Matthew J. Bandyk, page 27, lines 6-8; page 28, lines 5-6.
[198] Direct Testimony of Matthew J. Bandyk, page 26, line 13.
[199] Direct Testimony of Matthew J. Bandyk, page 26, lines 16-17.

Q115. Mr. Bandyk disagrees with the use of 90- or 180-trading day averaging periods.[200] What is your response?

A115. As can be seen by the various approaches taken by the Opposing Witnesses, there are a variety of approaches used to calculate recent averages for relevant market data. Mr. Ufolla asserts that the 30-day average is too short, while Mr. Bandyk asserts the 90- and 180-day averages run the risk of relying on stale data. Mr. Coppola uses a 30-day average, while Mr. Walters uses a 90-day average. The fact that each of the witnesses take various approaches to calculating recent averages in their market data confirms the reasonableness of considering multiple averaging periods and demonstrates my approach is consistent with the methodologies applied by practitioners.

Q116. Are dividend growth rates appropriate measures of growth in the DCF model?

A116. No, they are not. Over the long term, dividend growth can only be sustained by earnings growth. Additionally, dividend growth depends on management decisions regarding the dividend payout ratio over the near term and may not necessarily reflect the long-term growth prospects of the company. Further, *Value Line* is the only source I am aware of that publishes dividend growth rate projections. As such, they are more susceptible to potential anomalies than earnings growth rates which are reported by many sources and generally represent a consensus view. The fact that dividend growth rate projections are not widely reported by other sources further supports the conclusion that earnings growth is the most meaningful measure of growth among the investment community. In other words, if investors

[200] Direct Testimony of Matthew J. Bandyk, page 29, lines 5-10.

relied heavily on projections of dividend or book value growth, more sources would offer that data.

Q117. Do academic studies support the use of dividend growth rates in investors' stock valuations?

A117. No. Academic studies suggest that investors base their investment decisions on analysts' expectations of growth in earnings.[201] Additionally, analysts' consensus earnings forecasts are better at predicting the valuation of common stocks.[202] A 2002 study in the Journal of Accounting Research examined "the valuation performance of a comprehensive list of value drivers" and found that "forward earnings explain stock prices remarkably well" and were generally superior to other value drivers analyzed.[203] A 2012 study from the journal Contemporary Accounting Research found that the sell-side analysts with the most accurate stock price targets were those who the researchers found to have more accurate earnings forecasts.[204] I am not aware of any similar findings regarding dividend growth or GDP growth estimates. I also note that no other witness in this proceeding uses dividend growth rates.

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[201] *See*, *e.g.*, Harris and Marston, *Estimating Shareholder Risk Premia Using Analysts Growth Forecasts,* Financial Management, Summer 1992, at 65; and Vander Weide and Carleton, *Investor Growth Expectations: Analysts vs. History*, The Journal of Portfolio Management, Spring 1988, at 81. Please note that while the original study was published in 1988, it was updated in 2004 under the direction of Dr. Vander Weide. The results of that updated study are consistent with Vander Weide and Carleton's original conclusions.

[202] Direct Testimony of Jennifer E. Nelson, page 23, lines 10 to page 24, lines 2.

[203] Liu, Jing, et al., "Equity Valuation Using Multiples," Journal of Accounting Research, Vol. 40 No. 1, March 2002.

[204] Gleason, C.A., et al., "Valuation Model Use and the Price Target Performance of Sell Side Equity Analysts," Contemporary Accounting Research.

Q118. What would Mr. Bandyk's DCF analysis be if it was revised to only rely on projected earnings growth rates?

A118. As shown in Exhibit A-31 Schedule U13, I revised Mr. Bandyk's DCF analysis to rely only on projected earnings growth rates. Additionally, I note that Mr. Bandyk relies on my annual dividends and earnings growth rates as of August 29, 2025, combined with his stock prices as of February 12, 2026, creating an internal inconsistency in his analysis; therefore, I revised his analysis to use the annualized dividends and analyst EPS growth rates included in my rebuttal analysis (Appendix A-31, Schedule U1). These changes produce an ROE estimate of 10.91 percent for his proxy group on average, which is in line with my Constant Growth DCF ROE estimate.

CAPM Analysis

Q119. Please summarize Mr. Bandyk's CAPM analyses and results.

A119. Mr. Bandyk applies two estimates of the risk-free rate, two estimates of the Beta coefficient, and two estimates of the market risk premium to develop four CAPM estimates that range from 6.26 percent to 7.95 percent.[205]

Q120. Do you have any concerns with Mr. Bandyk's risk-free rates?

A120. Yes, I do. Mr. Bandyk's 4.26 percent risk-free rate is the current yield on long-term Treasury bonds that Dr. Damodaran uses, which is the yield on the 10-year Treasury bond[206] and the 4.74 percent risk-free rate is the spot 20-year Treasury

[205] Direct Testimony of Matthew J. Bandyk, page 15, line 1-2 and Exhibit CUB-5.

[206] Direct Testimony of Matthew J. Bandyk, page 22, line 6-8. Mr. Bandyk relies on NYU Professor Dr. Aswath Damodaran's risk-free rate and implied equity risk premium model. Dr. Damodaran uses the current yield on 10-year Treasury bonds as the risk-free rate in his implied equity risk premium model.

yield.[207] In determining the security most relevant to the application of the CAPM, it is important to select the term that best matches the life of the underlying investment. As explained by Morningstar:

> *The traditional thinking regarding the time horizon of the chosen Treasury security is that it should match the time horizon of whatever is being valued… Note that the horizon is a function of the investment, not the investor. If an investor plans to hold stock in a company for only five years, the yield on a five-year Treasury note would not be appropriate since the company will continue to exist beyond those five years.*[208]

Since utility assets are long-duration investments, it is appropriate to use yields on long-term Treasury bonds as the risk-free rate component of the CAPM. Therefore, the 30-year Treasury bond is the most appropriate security for that purpose, not the shorter-term 10-year or 20-year Treasury bonds.

Q121. What Beta coefficients does Mr. Bandyk apply?

A121. Mr. Bandyk uses adjusted Beta coefficients reported by *Value Line* and Bloomberg and converts them to raw Beta coefficients by removing the Blume adjustment.[209]

Q122. Please respond to Mr. Bandyk's claim that there is "extensive academic literature supporting the inapplicability of the Blume adjustment when it comes to utilities."[210]

A122. Despite referencing "extensive academic literature," Mr. Bandyk cites only to two studies, one of which is primarily focused on Australian natural gas utilities using

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207 Direct Testimony of Matthew J. Bandyk, page 22, line 8-10. Mr. Bandyk relies on Kroll's recommended method for risk-free rate and uses spot 20-year Treasury yields.
208 Morningstar Inc., Ibbotson SBBI 2013 Valuation Yearbook, at 44.
209 Direct Testimony of Matthew J. Bandyk, page 23, lines 14-18.
210 Direct Testimony of Matthew J. Bandyk, page 24, lines 11-15.

study periods that are approximately 20 or more years old.[211] For the analysis relating to U.S. natural gas distribution utilities, the authors' studies showed a significant increase in Beta post the "Technology Bubble" (*i.e.,* 2002-2007) with the high end of the 95 percent confidence interval increasing to 1.0 for the average portfolio return.[212] As seen during the COVID-19 era, it is possible for utility Beta coefficients to reach near 1.0.

Q123. Are raw Beta coefficients widely used by rate of return analysts in regulatory proceedings or have they been accepted by regulatory commissions?

A123. No. I am not aware of any regulatory commission that has accepted the use of raw Beta coefficients. *Value Line* and Bloomberg are widely used by investors and both use the Blume adjustment. Mr. Bandyk's raw Beta coefficients should be rejected.

Q124. Do you agree with Mr. Bandyk's use of the market risk premium estimates from Kroll and NYU?

A124. No, I do not. I explain in detail the flaws with Kroll's methodology in response to Mr. Walters; those flaws (*i.e.,* Kroll's equity risk premium misaligning with the risk-free rate) would apply to Mr. Bandyk's use of Kroll's equity risk premium estimate as well.

Turning to the NYU Implied Equity Risk Premium model, as Mr. Bandyk explains, the approach applies a multi-stage DCF analysis for the S&P 500 Index in which

[211] Direct Testimony of Matthew J. Bandyk, page 24, lines 11-17; page 25 lines 1-3.

[212] Allen Consulting Group, "Empirical evidence on proxy beta values for regulated gas distribution activities," June 2007, at 19-20. https://www.aemc.gov.au/sites/default/files/content/3016ea51-04c4-4b64-890c-845d23d2c47d/Annexure-C-Empirical-Evidence-on-Proxy-Betas.pdf.

the first stage of growth relies on an estimate of analysts' earnings growth rates for the first five years, and a terminal stage of growth equal to the 10-year Treasury bond yield for years six through perpetuity. The Implied Equity Risk Premium model assumes the 10-year Treasury bond yield as the risk-free rate, which is also equal to the discount rate. The assumed terminal growth rate is an especially critical input because the large majority of the cash flows that are discounted depend substantially on it.

In my opinion, the Implied Equity Risk Premium model's assumptions are not reasonable or consistent with the cost of equity analyses that I see typically applied in utility regulatory proceedings. For example, the other witnesses in this proceeding have assumed a risk-free rate using the 30-year Treasury bond yield, not the 10-year Treasury bond yield. Additionally, the assumption that the market will grow in the long term at the rate of a risk-free government bond backed by the full faith and credit of the U.S. government defies financial theory. Investors require a premium to compensate them for the risk of investing in equities relative to government bonds. Investors simply would not be satisfied with growth equal to the rate of return they could earn on a risk-free security. These concerns should not be construed to mean I am criticizing the Implied Equity Risk Premium model for academic purposes; rather it is my opinion that the Implied Equity Risk Premium model has limited application for utility ratemaking purposes given its underlying assumptions. For these reasons, it should be rejected.

Q125. Mr. Bandyk criticizes historical-based estimates of the market risk premium.[213] What is your response?

A125. Mr. Bandyk's first concern is that historical-based estimates are sensitive to the historical time period selected and is exposed to subjective bias. I rely on the entire 100-year historical data period available, so I have not introduced subjective bias with respect to the appropriate historical time period.

Mr. Bandyk's second concern is that historical estimates of the market risk premium are subject to survivorship bias. I note that Mr. Bandyk relies on the NYU Implied Equity Risk Premium model to estimate the expected return on the S&P 500 Index, which is routinely updated to remove companies that do not survive or are no longer traded on a major U.S. stock exchange. To the extent that survivorship bias is a concern, the NYU Implied Equity Risk Premium analysis is similarly exposed to such concerns.

Risk Premium Analysis

Q126. What is your response to Mr. Bandyk's criticisms of your Risk Premium analysis?

A126. Mr. Bandyk asserts that the approach is not based on objective data, that it perpetuates excessive ROEs, and that the FERC has rejected the approach.[214] I disagree on all three points.

First, every regulatory commission in the country that I am aware of adheres to the *Hope* and *Bluefield* standards with regard to determining the authorized return and

213 Direct Testimony of Matthew J. Bandyk, page 17, lines 8-17 and page 18, lines 1-6.
214 Direct Testimony of Matthew J. Bandyk, page 30, line 20 to page 31 line 3.

considers a broad range of market-based data applied to various financial models. To suggest that regulators – including this Commission – do not base their authorized ROE determinations on a robust review of objective market data is inaccurate and without merit. Even if it were the case that Mr. Bandyk's financial models were accurate and "objective" estimates of the Company's cost of equity (which they are not), an authorized ROE in the ranges produced by most of Mr. Bandyk's methodologies would (1) fail to provide a return commensurate with returns available to other investments of similar risk, and (2) deny DTE Gas a return sufficient to attract capital and ensure confidence in its financial integrity to maintain its credit. The U.S. Supreme Court has held that under the statutory standard of "just and reasonable," it is the reasonableness of the end result, not the methodologies applied, that is controlling.[215] In that respect, Mr. Bandyk's ROE recommendation, and the analytical results on which it is based, fail that standard. Second, for the reasons explained earlier, Mr. Bandyk relies upon flawed and outdated studies in reaching his conclusion that authorized ROEs exceed market returns.

With respect to the FERC's stance on the Risk Premium model, Mr. Bandyk has not cited FERC's most recent decision regarding the Risk Premium analysis. In its most recent Order on the ROE topic, FERC explained that "[w]e decline to adopt the Risk Premium model in the base ROE methodology applied in this proceeding. […] However, we do not foreclose the use of a Risk Premium model in future proceedings if parties can demonstrate the concerns discussed above have been

[215] *Hope,* 320 U.S. at 602.

addressed."[216] As such, FERC has not "ruled out" the Risk Premium model; it would consider it if parties can demonstrate that its concerns have been addressed. Thus, the FERC has not closed the door entirely on the Risk Premium analysis.

Q127. Mr. Bandyk accuses the Company of using "the circular Risk Premium method, which anchors the risk premium to previously authorized ROEs that are themselves excessive, and has been rejected by FERC for being redundant and circular."[217] How do you respond?

A127. To expand on my Direct Testimony,[218] while my Risk Premium analysis uses authorized ROEs and the corresponding Treasury yields at the time the regulatory decisions were issued (adjusted for the average length of a rate case) to estimate the equity risk premium, investors are informed by allowed ROEs from hundreds of rate case decisions to frame their return expectations. A fundamental principle in setting a just and reasonable return is that the return must be comparable to returns available to investors in companies with commensurate risk. In that regard, the returns that have been authorized for other gas utility companies are highly relevant to investors. Moreover, the use of nearly 1,400 rate case decisions over the last 46 years mitigates the effect of the unique circumstances of any one rate case. Lastly, commissions are tasked with determining the appropriate regulated return that is based on a utility's cost of equity. In my experience, regulators like this Commission carefully weigh the results of various models that reflect investor behavior and use market data. From that perspective, authorized ROEs reflect the commission's informed opinion regarding investors' views of the utility's cost of

216 *Martha Coakley v. Bangor Hydro-Electric Company*, 194 FERC ¶ 61,208 (March 2026).
217 Direct Testimony of Matthew J. Bandyk, page 4, lines 9-11.
218 Direct Testimony of Jennifer E. Nelson, page 42, lines 1-19.

equity, and consequently, the Risk Premium ROE estimates are based on market data and are not circular.

Business Risk Factors

Q128. Mr. Bandyk addresses the Company's business risk factors, noting that he did not adjust his ROE results to reflect risk from capital expenditures.[219] As a preliminary matter, does your ROE recommendation include an explicit adjustment to reflect DTE Gas's business risk factors?

A128. No it does not. As explained in my Direct Testimony, my recommendation is conservatively near the lower end of my recommended ROE range, and I have not made an explicit adjustment on account of DTE Gas's business risks.

Q129. Do you agree with Mr. Bandyk's position that the level of DTE Gas' capital expenditures is not relevant to its business risk profile?[220]

A129. No, I do not. Mr. Bandyk ignores risks pertaining to high levels of capital expenditures. A full and timely return must include full recovery of the Company's capital costs. As demonstrated above, Mr. Bandyk's recommended ROE and capital structure would not adequately compensate investors for their equity investment into DTE Gas. The authorized return must be sufficient to provide the cash flow necessary to fund higher levels of capital expenditures, as well as support the Company's credit and enable it to compete for external capital on favorable terms. DTE Gas's ratio of projected capital expenditures to net utility plant is 1.06 times higher than the median ratio for the proxy group of 60.74 percent.[221]

219 Direct Testimony of Matthew J. Bandyk, page 31, lines 5-10.
220 Direct Testimony of Matthew J. Bandyk, page 31, lines 8-10.
221 Direct Testimony of Jennifer E. Nelson, pages 46, lines 9-15.

Capital is finite and the Company and its peers compete for capital from the same pool of investors. To compete for the significant amount of external capital from debt and equity investors that its heightened level of capital expenditures will require, DTE Gas must provide a competitive return relative to those available from other natural gas distribution utilities. An ROE in the range of Mr. Bandyk's recommendations would hamper the Company's ability to compete for capital and constrain its ability to execute on its investment plans.

Q130. Does a utility's credit rating fully capture the risks to equity investors as Mr. Bandyk suggests?[222]

A130. No. Credit ratings, while important, are not the only consideration in assessing business or financial risk, and the risks for equity investors are not the same as the risks for bondholders. Credit ratings assess the likelihood a company could default on its debt. Equity investors are more concerned with cash flow and earnings, including regulatory support for recovery of prudently-incurred costs, capital spending, and changes in interest rates. Bondholders are focused on whether a company can meet its debt and other financial obligations as they come due.

Capital Structure

Q131. Please summarize the capital structure recommendations of the Opposing Witnesses.

A131. All of the Opposing Witnesses recommend a capital structure consisting of 50 percent common equity and 50 percent debt. As discussed in my Direct Testimony, regulatory guidelines recommend that a Company's ratemaking capital structure

[222] Direct Testimony of Matthew J. Bandyk, page 31, lines 8-10.

reflect its actual capital structure when three criteria are met: the subject utility (1) issues its own debt; (2) has its own credit rating; and (3) its actual capital structure is consistent with the proxy group's capital structure. As explained in my Direct Testimony, the Company's proposed capital structure meets all three criteria and should be approved. Mr. Lepczyk responds to the Opposing Witnesses' capital structure recommendations on behalf of the Company.

Q132. Mr. Coppola references the capital structures of the proxy group at the consolidated holding company level.[223] Are comparisons to the capital structure at the holding company level the correct measure of an appropriate capital structure for a regulated gas utility?

A132. No, they are not. As a preliminary matter, the rate base – rate of return regulatory construct is grounded in the recognition that a utility's rate base on the asset side of the balance sheet is financed with the subject utility's capital structure included on the liabilities and equity side of the balance sheet. For that reason, the actual capital structure should be used unless it is demonstrated that it greatly diverges from sound industry practice. DTE Gas's 50.75 percent equity ratio is less than the average proportion of equity used by its peers as Mr. Lepczyk's Exhibit A-17 Schedule G3 shows. Therefore, it is not unsound or unreasonable.

Consolidated holding companies do not have an obligation to serve and are therefore financed differently than their regulated operating subsidiaries. Unlike the parent company, because of the obligation to serve, operating subsidiaries must maintain financial flexibility and access to capital under a variety of operating and

[223] Direct Testimony of Sebastian Coppola, page 59, lines 12-14.

capital market environments and constraints. Thus, operating companies require more equity in the capital structure than their consolidated parent holding companies in order to maintain financial flexibility necessary to meet the obligation to serve. Further, capital at the holding company level finances a variety of business segments (both regulated and unregulated) each with different risk profiles and return requirements. The only appropriate apples-to-apples comparison to discern the appropriate capitalization for a regulated operating utility is a comparison to other regulated operating utility companies.

Q133. Mr. Bandyk performs an interest coverage ratio analysis to support his recommendation.[224] Do you agree with his analysis and the conclusions he draws from it?

A133. No, I disagree with his analysis. The interest coverage ratio that Mr. Bandyk uses is not used by the rating agencies for the utilities sector. Mr. Bandyk refers to Dr. Damodaran's data of corporate interest coverage ratios and bond ratings, however, this data is not specific to the utilities sector and reflects non-regulated sectors without the obligation to serve. For the utilities sector specifically, the rating agencies focus on measures of cash flow to debt and debt leverage as the primary metrics.[225]

[224] Direct Testimony of Matthew J. Bandyk, page 35, lines 3-20; Exhibit CUB-23.

[225] For example, S&P's primary metrics are Funds From Operations ("FFO")/Debt and Debt/Capitalization. Moody's primary metrics are Cash From Operations pre-working capital ("CFO pre-WC")/Debt, CFO pre-WC less dividends/Debt, and Debt/Book Capitalization.

Updated ROE Analysis

Q134. Have you updated your ROE analyses?

A134. Yes, I have updated the results of the financial models used to estimate the cost of equity for DTE Gas in my Direct Testimony (data as of August 29, 2025) to include market data through February 27, 2026. The results of the updated analyses are shown in Table 10 and Exhibit A-31 Schedule U1 to Exhibit A-31 Schedule U5.

Table 10. Updated ROE Results[226]

Model	August 29, 2025	February 27, 2026
Constant Growth DCF	10.78%	10.71%
Quarterly Growth DCF	11.07%	10.87%
Average DCF	10.93%	10.79%
CAPM: Forward Market Return	12.03%	12.88%
CAPM: Historical Market Return	10.10%	10.14%
ECAPM: Forward Market Return	12.73%	13.66%
ECAPM: Historical Market Return	10.61%	10.66%
Average CAPM	11.37%	11.84%
Risk Premium	10.23%	10.23%
3-Model Average	10.84%	10.95%
ROE Recommendation	**10.25%**	**10.25%**

[226] Direct Testimony of Jennifer E. Nelson, page 4, Table 1; Exhibit A-31 Schedule U1 to Exhibit A-31 Schedule U5. DCF results reflect only the results using the mean EPS growth rates. DCF and CAPM results reflect the average of the proxy group mean and median ROE estimates.

Q135. How do these updated results compare with those presented in your Direct Testimony?

A135. On average, the model results indicate an increase in the cost of equity. The updated data decreased the results of the DCF model by 14 basis points to 10.79 percent, though increased the average CAPM results by 47 basis points to 11.84 percent. The Risk Premium results remained the same at 10.23 percent. My 10.25 percent ROE recommendation still falls well below the average of the updated DCF, CAPM, and Risk Premium results, which collectively increased by 11 basis points to 10.95 percent.

Conclusion

Q136. Please summarize your key conclusions and recommendations.

A136. As discussed in my Direct and Rebuttal Testimonies, it is critical that the Company maintain its financial profile in order to provide safe, reliable service to the benefit of customers. The Opposing Witnesses' recommendations run counter to the higher capital cost environment, which would diminish DTE Gas's ability to compete for capital. Based on the analyses discussed throughout my Rebuttal Testimony, my 10.25 percent ROE recommendation remains a reasonable and conservative estimate of the Company's cost of equity. The results of the updated DCF, CAPM, ECAPM, and Risk Premium analyses, along with my analyses of capital market data and the Company's risk profile, continue to support my 10.25 percent ROE recommendation as reasonable, though conservative. I further continue to support the proposed capital structure consisting of 50.75 percent common equity and 49.25 percent long-term debt.

Line
No.

1 **Q137. Does this conclude your Rebuttal Testimony?**

2 A137. Yes, it does.

STATE OF MICHIGAN

BEFORE THE 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-21973

REBUTTAL TESTIMONY

OF

SETH B. SHPARGEL

DTE GAS COMPANY
REBUTTAL TESTIMONY OF SETH B. SHPARGEL

Line No.

Q1. Are you the same Seth B. Shpargel who previously offered testimony in this proceeding?

A1. Yes, I am.

Purpose of Testimony

Q2. What is the purpose of your rebuttal testimony?

A2. The purpose of my testimony is to rebut the arguments made by:

1. Attorney General (AG) Witness Coppola's proposal to disallow certain rate case expenses and his recommendation for a rate case cost tracking mechanism.
2. Michigan Public Service Commission (MPSC or Commission) Staff (Staff) Witness Klocke's recommendation that the Company be ordered to provide more detailed responses in the future regarding Customer Service O&M expenditures. Company Witness Sparks more fully rebuts the specific disallowances proposed by Staff Witness Klocke.
3. AG Witness Coppola, Citizens Utility Board (CUB) Witness Menghaney, and Staff Witness Rueckert's proposals regarding overall O&M inflation. Other DTE Gas witnesses will address project specific inflation proposals.

The absence of a discussion of other matters in my testimony should not be taken as an indication that I agree with all other aspects of intervenor testimony.

Q3. Are you sponsoring any rebuttal exhibits?

A3. No, I am not.

Rate Case Expenses

Q4. What has AG Witness Coppola proposed in this case regarding rate case expenses?

A4. As summarized on page 140 of his direct testimony, AG Witness Coppola makes two proposals regarding rate case expenses: 1) A 50% disallowance of $418,000 (or $209,000) of external consultant and legal costs, and 2) that the Company establish a rate case cost tracking mechanism for future rate cases.

Q5. Do you agree with AG Witness Coppola's proposed disallowance of projected external consultant expenses?

A5. No, I do not. The expenses identified by AG Witness Coppola are related to regulatory legal support, along with a return on equity (ROE) expert witness and employee benefit expense support. These expenses are necessary for preparing and litigating rate cases, which is a necessary cost of being a regulated utility. The Company must ensure that a rate case filing is well supported, meets all applicable laws, Commission filing requirements and rules, and prior Commission orders, as well as provide timely responses to audit and discovery requests. Rate case filings are necessary to recover reasonable and prudent costs that are necessary to provide safe and reliable service to customers.

Q6. Has AG Witness Coppola provided any evidence that the external consultant expenses were not reasonably or prudently incurred?

A6. No. AG Witness Coppola has not provided any evidence, nor does he even claim that these expenses were unnecessary. Rather, as shown in Witness Coppola's Exhibit AG-61 (Discovery Response AGDG-8.343a), the Company has utilized

Line No.

external consultants and legal support in lieu of internal resources. Furthermore, over the last several years the number of parties to rate cases has increased, filing requirements and Commission directives have expanded, and discovery requests have multiplied. Absent the use of these specific external resources that are dedicated to rate case support (and not day-to-day Company activities), the Company would have hired these necessary resources as full-time employees and thereby would incur these costs whether or not the Company filed a rate case. Therefore, the Company has actually been more prudent and cost effective by utilizing these external resources rather than incremental hires.

Q7. Can you please describe the increase in intervenors, case requirements, and discovery questions?

A7. Yes. As shown in Figures 1 through 4 below, the number of intervenors, witnesses, quantity of testimony and exhibits, and audit/discovery questions has grown significantly. Over just the last few DTE Gas rate cases, the number of intervenors and witnesses have increased over 50%, the quantity of intervenor testimony/exhibits has increased 344%, and the number of audit/discovery requests has increased 41%. In the current case, over 2,100 audit/discovery questions have been asked to date and Staff and intervenor direct testimony/exhibits exceed 5,700 pages.

Line
No.

Figure 1 – Number of Intervenors

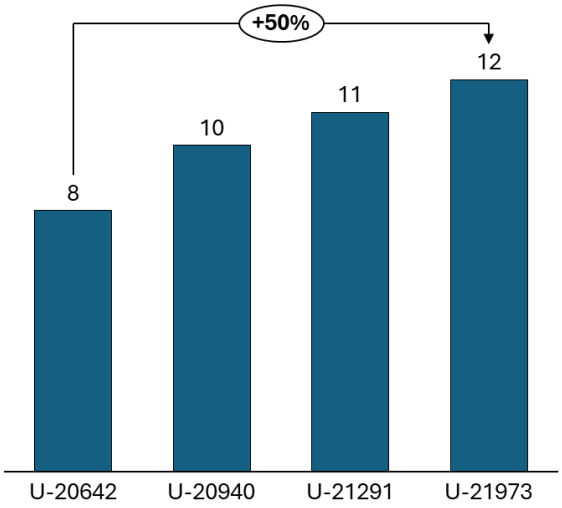


Figure 2 – Number of Staff and Intervenor Witnesses

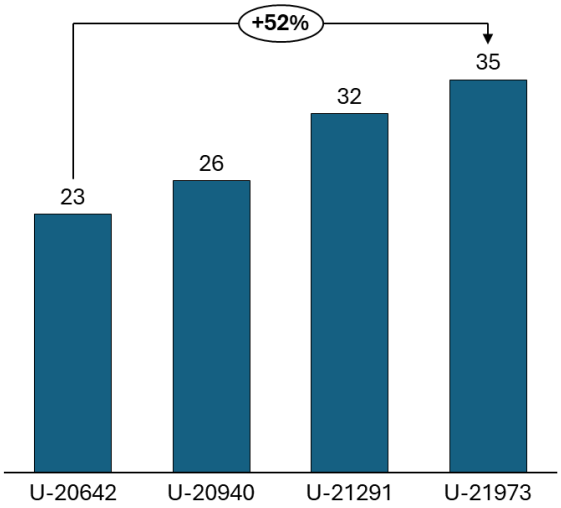


Figure 3 – Number of Pages of Staff and Intervenor Testimony and Exhibits

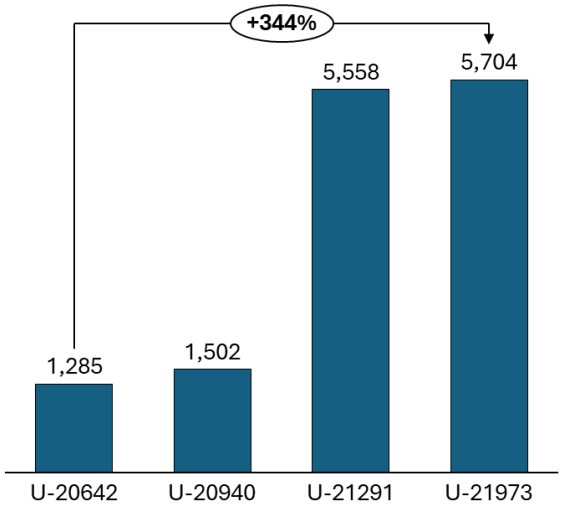
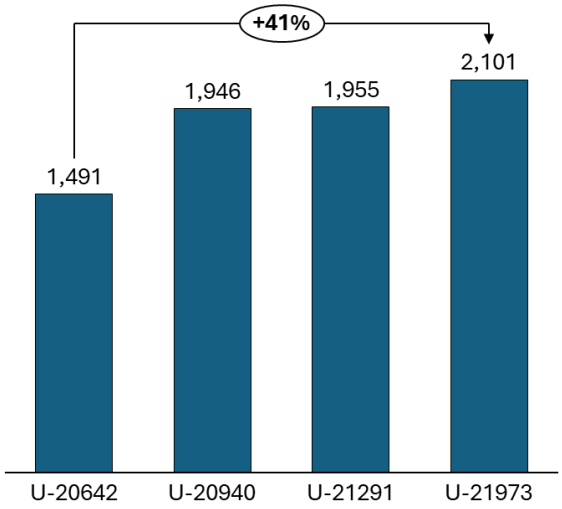


Figure 4 – Number of Audit and Discovery Questions Received



Q8. How did AG Witness Coppola determine a 50% disallowance was appropriate in this case?

A8. AG Witness Coppola briefly references two states with statutes that exclude rate case expenses from cost recovery, and two other states that have purportedly disallowed 50% of rate case expenses.

Q9. Does AG Witness Coppola provide adequate support for the precedent he claims has been set in other jurisdictions?

A9. No. AG Witness Coppola offers no analysis of the specific recommendation for a 50% disallowance. He simply asserts its prudence based on limited examples from other states without context. AG Witness Coppola cites Connecticut and Colorado as example states that preclude rate case expense recovery, but he also notes that these states "have statutes that exclude rate case expense from recovery." Michigan has no such statute, thus a comparison to these states for precedent is inappropriate. He also asserts, without citation to any commission rule or order, that New Jersey and Missouri have "regulatory commission precedents" for the 50% split. Cherry picking legislation or regulatory precedent from another state fails to consider what are certainly complex and distinct regulatory environments. For example, other states may have more or fewer intervening witnesses, statutory rate case timelines may be different, regulatory rules of evidence that are more or less stringent and filing requirements which may be more or less extensive. The full picture of the regulatory context is important to consider when making a recommendation such as AG Witness Coppola's, however, the AG has not provided any substantiating context. Thus, the examples provided by AG Witness Coppola should be disregarded as incomparable to applicable law and regulatory proceedings in Michigan. Furthermore, Michigan has long permitted recovery of reasonable and prudent rate case expenses.

Line No.

Q10. What is AG Witnesses Coppola's second proposal regarding rate case expenses?

A10. Beginning on page 140, line 2, of his direct testimony, AG Witness Coppola states "[T]he total cost for the Company to prepare and complete a rate case likely exceeds $2.7 million." AG Witness Coppola then goes on to recommend, beginning on line 16, that "[T]he Commission direct the Company to establish a mechanism to keep track of all costs to complete future rate cases and provide that cost with each new rate case filing".

Q11. Do you agree with AG Witnesses Coppola's estimate of rate case expenses or his recommendation to create a cost tracking mechanism?

A11. No. The merit of AG Witness Coppola's proposal for rate case cost tracking is premised on his $2.7 million rate case cost estimate. However, the $2.7 million cost estimate is deeply flawed. First, AG Witness Coppola assumes, without support, that there is a significant *incremental* cost for internal Company resources to prepare and litigate a rate case. Second, AG Witness Coppola arbitrarily calculates the cost of utilizing these internal Company resources by estimating a "cost per page" by taking aggregate external consultant rate case expenses and dividing them by the total number of pages of testimony filed by external witnesses. Then he takes this inappropriate cost per page amount and applies it to the total number of pages filed by the Company in the instant filing. This calculation is arbitrary, speculative, inadequately supported and wholly inconsistent with the evidentiary record. Therefore, it cannot be given any evidentiary weight. As I will show later in my testimony, applying AG Witness Coppola's same methodology to

Staff and Intervenor case work implies a rate case cost of Staff and intervenors of more than three times that of DTE Gas's implied cost.

Q12. Why is there no significant incremental cost for internal Company resources to prepare and litigate a rate case?

A12. While I acknowledge that preparing and litigating a rate case takes many dedicated hours for internal resources to complete, that does not imply that there is a significant *incremental* cost for internal Company resources. In DTE Gas's current rate case, 20 out of the 22 witnesses are full-time salaried employees of the Company. Each of these witnesses has primary work responsibilities, as described in each witnesses direct testimony. Whether the Company chooses to file or not file a rate case in any given year, the primary work responsibilities of each of these witnesses does not change. Rather, any work required or time dedicated to prepare and litigate a rate case is *above and beyond* each witness' existing work responsibilities. For example, Witness Kehoe is the Director of Greater Michigan Gas Operations. When the Company decides to file a rate case, his work responsibilities to ensure the continued safe and reliable gas service to our customers remain unchanged. Further Witness Kehoe's salary does not increase based on his work and time supporting the rate case, and therefore no incremental cost of his time is passed onto customers. This example is applicable to all other Company witnesses.

Furthermore, DTE's Regulatory Affairs and Regulatory Legal organizations manage over 400 filings and submittals with the MPSC and Federal Energy Regulatory Commission (FERC) on an annual basis. The frequency of rate cases

does not alleviate or reduce these other obligatory filings and submittals. Therefore, AG Witness Coppola's underlying premise and subsequent calculations of the cost to prepare and litigate a rate case are wrong and cannot be relied upon.

Q13. If there are no significant incremental costs to customers for internal Company resources to prepare and litigate a rate case, is there a need for a rate case cost tracking mechanism?

A13. No. As I have just discussed, there is no significant incremental cost for internal Company resources to prepare and litigate a rate case. Furthermore, the Company already tracks and provides external rate case costs in each rate case in Part III of the rate case filing requirements established in Case No. U-18238. Therefore, requiring a separate tracking mechanism would be duplicative for external rate case costs and, as discussed above, unnecessary for internal rate case costs. Consequently, AG Witness Coppola's proposal should be rejected.

Q14. You previously stated "[A]pplying AG Witness Coppola's same methodology to Staff and Intervenor case work implies a rate case cost of Staff and intervenors of more than three times that of DTE Gas's implied cost". How did you make that determination?

A14. As discussed earlier, AG Witness Coppola calculates a $500 "cost per page" to prepare testimony and exhibits. He then multiplies this cost by an assumed 1,800 pages of DTE Gas testimony and exhibits to estimate a $900,000 cost for DTE Gas's initial filing. He then multiples this amount by a factor of 3 to account for costs tied to other parts of this case, resulting in an estimated $2.7 million cost for the total case for DTE Gas.

Applying AG Witness Coppola's same $500 "cost per page" assumption to the 5,704 pages of Staff and Intervenor testimony and exhibits filed in this case, results in a Staff and Intervenor rate case cost of $2.9 million for direct testimony and $8.6 million for the total case. Therefore, using AG Witness Coppola's own methodology results in Staff and Intervenor rate case costs over three times his estimate of DTE Gas's rate case costs.

Detailed Responses for Customer Service O&M

Q15. Staff Witness Klocke states on page 11, line 3, or her direct testimony "Staff recommends the Commission order the Company to provide in future rate cases significantly more detailed responses regarding requested expenditures, how those expenditures will be used, their necessity at the time requested, and how they will benefit customers." Do you believe this recommendation is appropriate?

A15. No. I don't believe this recommendation is necessary or warranted. It appears Witness Klocke's recommendation is based on her assertion that the Company did not adequately respond to audit questions in this case. Specifically, on page 8 of her direct testimony, Witness Klocke states:

"The information provided by the Company regarding the Customer Service O&M costs was not adequate for Staff to be able to conduct a full analysis of those costs. Vague, one sentence information is not the detailed information Staff was seeking and absent that detailed information regarding the use of the requested expenditures and how and why those expenditures will benefit ratepayers, Staff

cannot make an informed decision about the reasonableness and prudence of those expenditures."

Q16. Do you agree with this assessment of the Company's audit responses?

A16. No. Witness Klocke's description of the Company's audit responses and associated support detail is inaccurate. Witness Klocke sought and received extremely detailed and extensive explanations, with the Company providing detailed breakdowns of costs and explanations at the FERC account level, and even for sub-categories within FERC accounts. Company Witness Sparks's rebuttal testimony further supports the extensive detail provided in the Company's audit responses, including an illustrative example of the type of detail Witness Klocke sought and the Company provided.

Q17. Did Witness Klocke identify what data was lacking or define what further information was necessary?

A17. No. Witness Klocke has not articulated what further information or data would be sufficient. Although, in her direct testimony, Witness Klocke does admit that the Company did provide "blurbs about the work performed by the areas under Customer Service", she still claims additional (although yet undefined) detail was necessary. As can be seen in the example provided by Witness Sparks, as well from review of the Company's audit responses included in Staff Exhibits by Witness Klocke and DTE Gas Exhibits Company Witness Sparks, the Company provided more than sufficient detail regarding Customer Service O&M costs.

Q18. What is the appropriate regulatory standard for cost recovery?

Line No.

A18. The Company's test period expenditures should be evaluated for reasonableness and prudence. In the current case, as in prior rate cases for over a decade, the historical test year has been used and then normalized and adjusted for known and measurable changes, along with an inflation factor, to arrive at expenditures in the projected test period. That is, the projected test year is a projection of the expenses that are likely to be made given the information known at the time of the rate case filing.

Q19. Did Staff Witness Klocke find that the Company's historical test year O&M expenditures were imprudent or unreasonable?

A19. No. Staff Witness Klocke cites no evidence that the Company's expenditures were unreasonable or imprudent. Further, Staff Witness Klocke does not provide any evidence that Customer Service O&M costs will not experience the same inflationary pressure that all other areas in the Company will experience[1]. Instead, Witness Klocke has established a new standard for cost recovery, not based on reasonableness and prudence, but rather on an arbitrary and undefined standard of "further information is needed". Therefore, Staff Witness Klocke's recommendation that the Company be ordered to provide more detailed responses is inappropriate and unsupported. Furthermore, modifying the cost recovery standard from reasonable and prudent to an arbitrary and undefined standard for adequate information creates an inappropriate regulatory precedent that should be rejected.

[1] MPSC Staff has proposed an inflation increase in this case to all DTE Gas O&M categories, *except* for Customer Service (see Staff Witness Rueckert direct testimony, at pages 4 and 5)

Company Witness Sparks in his direct and rebuttal testimony, further discusses that the 2024 Customer Service O&M expenses were reasonably and prudently incurred, and the application of inflation to calculate projected test year expenses is appropriate.

Inflation Rate

Q20. What intervenor positions related to the Company's proposed inflation rates are you addressing?

A20. There are two intervenor positions I will address related to the Company's proposed inflation rates:

- AG Witness Coppola's and Staff Witness Rueckert's recommendation to reject the Company's proposed "blended" inflation rate and instead use an alternative rate
- CUB Witness Menghaney's recommendation to apply a productivity offset to the Company's proposed inflation rates

Q21. Does the Company agree with AG Witness Coppola's and Staff Witness Rueckert's recommendations to reject the Company's proposed "blended" inflation rate and instead use an alternative rate?

A21. No. The use of a composite rate best reflects the inflationary pressures faced by the Company. It rightfully separates labor inflation, which is subject to Company-specific dynamics like collective bargaining agreements where there is an established rate of inflation, from non-labor inflation. As stated by Company Witness Fix in his direct testimony "Under existing Collective Bargaining Agreements, the Company is contractually obligated to increase pay rates by at

least 3% annually through the term of agreements. These agreements also include progression increases for employees who have not yet reached the maximum pay rate for their positions. Compensation for non-represented employees is typically adjusted annually based on a review of external market pay practices, changes in competitive market and internal pay alignment." Therefore, the Attorney General's and Staff's proposed adjustments to inflation should be rejected.

Q22. Can you summarize CUB Witness Mengahaney's recommendation to reduce the Company's proposed inflation rates to account for productivity improvements?

A22. Yes. In his direct testimony, CUB Witness Mengahaney proposes that the Company's proposed inflation rates should be reduced to account for potential productivity offsets. If the Commission adopts a blended inflation rate, he proposes a labor productivity adjustment using the Labor Productivity Index for Michigan private, nonfarm workers. Alternatively, if the Commission adopts a CPI-U inflation rate, he proposes a productivity adjustment using the Total Factor Productivity Index for Private nonfarm business.

Q23. Does the Company agree with CUB Witness Mengahaney's recommendations regarding inflation productivity?

A23. No. Under traditional rate regulation and Michigan's current regulatory construct, O&M cost recovery is set (and recovery essentially capped) in each rate case. That is, the Commission authorizes recovery of a certain level of O&M expense, and that level remains constant until the Commission sets a new level of expense in a subsequent rate case. Any change in costs in between rate cases is subject to

regulatory lag. Therefore, in between rate cases, a utility is incentivized to operate more efficiently to reduce costs because it will retain any savings or be penalized for any cost increases. When the utility files its next rate case, any efficiencies achieved in the interim period are reflected in the historical test period costs. Consequently, efficiency benefits are then passed onto customers because O&M expenses included in new rates are lower than they would otherwise have been absent those efficiencies. Therefore, traditional rate regulation inherently acts as an incentive function in utility ratemaking, and consequently no additional productivity factor is appropriate.

Furthermore, any known and measurable (i.e. future) cost reductions related to productivity gains are embedded in the Company's O&M exhibits As such, adjusting the Company's inflation rates downward to account for potential productivity gains when future productivity gains are already embedded in the Company's O&M exhibits would represent a "double counting" of productivity improvements.

Q24. Do you have any additional concerns with CUB Witness Mengahaney's recommendations regarding labor inflation productivity?

A24. Yes. There are multiple flaws in his labor productivity analysis. First, Witness Mengahaney uses incomparable periods for his calculation of a proposed labor inflation rate. He uses historical labor productivity offsets (2017-2024), which are unsupported in their applicability to forecast future labor cost offsets or productivity gains, and applies them to future wage growth. He provides no evidence of forecasted productivity offsets but to use a rolling 10-year annual average of prior

years. Second, the analysis does not provide sufficient support for why the category of "Michigan private non-farm workers" is applicable to the Company or the utility industry, except to simply say that DTE Gas operates in Michigan. It is entirely possible that dissimilar industries are responsible for the change in labor productivity in greater proportion than regulated energy companies. Furthermore, as discussed previously, DTE Gas is subject to Company-specific dynamics like collective bargaining agreements where there is an established rate of inflation.

Q25. Do you have any additional concerns with CUB Witness Mengahaney's recommendation to adjust non-labor inflation for TFP?

A25. Yes. CPI is a well-established and widely used measure of inflation. Adjusting the inflation factor for TFP or other productivity estimates will double count productivity and inappropriately understate (or overstate) the impact of productivity. When productivity rises, unit costs fall or rise more slowly, and the lower unit costs reduce inflation pressure. The following simple example will illustrate this point. The economy produces 100 units of goods at an input cost of $100. If the input cost increases by $5 and productivity did not change, inflation would be 5%. The total cost for 100 units of goods would be $105. However, if productivity had increased by 2% for the economy, the economy would produce 102 units of goods at a cost of $105. Therefore, the cost of 100 units would be $102.94, which means inflation would be approximately 3%. Therefore, adjusting inflation again for another productivity factor would be unnecessary and inappropriate.

Q26. Does this complete your rebuttal testimony?

A26. Yes, it does.

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the Application of	)	
DTE GAS COMPANY	)	
for authority to increase its rates, amend	)	Case No. U-21973
its rate schedules and rules governing the	)	
distribution and supply of natural gas, and	)	
for miscellaneous accounting authority.	)	

REBUTTAL TESTIMONY

OF

JASON E. SPARKS

DTE GAS COMPANY
REBUTTAL TESTIMONY OF JASON E. SPARKS

Line No.

Q1. Are you the same Jason E. Sparks who previously offered testimony in this proceeding?

A1. Yes, I am.

Purpose of Testimony

Q2. What is the purpose of your rebuttal testimony?

A2. The purpose of my testimony is to rebut the arguments made by:

- MPSC Staff's recommended disallowance of $3.86 regarding inflation,

Attorney General and CUB Witness Bunch's recommendation of a $1.27M disallowance of incremental uncollectible expense attributed to the cash only policy,

- Attorney General Witness Coppola's recommendation of the direct expense disallowance of $1.04M in uncollectible expense,
- Witness Jacob, on behalf of FLO, position on customer service call handling and income qualified payment programs,
- Witness Cira-Reyes, on behalf of FLO, regarding energy assistance programs and shutoff protection plans, and
- Witness Schott on behalf of FLO regarding customer shutoffs.

The absence of a discussion of other matters in my rebuttal testimony should not be taken as an indication that I agree with all other aspects of Staff and intervenor testimony.

Q3. Are you sponsoring any rebuttal exhibits?

A3. I am sponsoring or supporting the following exhibits:

Line No.	Exhibit	Schedule	Description
1			
2	A-33	W1	BMK-1 Audit Response
3	A-33	W2	BMK-6 Audit Response
4	A-33	W3	BMK-7 Audit Response
5	A-33	W4	BMK-8 Audit Response
6	A-33	W5	BMK-9 Audit Response
7	A-33	W6	BMK-11 Audit Response
8	A-33	W7	FLODG-5 Discovery Response
9	A-33	W8	HPP Bill Sample
10	A-33	W9	AGMECCUBDG-1 Cash-Only-Analysis
11	A-33	W10	FLODG-7 Discovery Response

12

13 Staff Recommended Disallowances

14 **Q4. What is Staff Witness Klocke's proposed adjustment of $3,860,000 regarding**
15 **Customer Service O&M?**

16 A4. Staff Witness Klocke recommends an adjustment of $3,860,000, for the projected
17 test year ending September 30, 2027, from Company Exhibit A-13, Schedule C5.4,
18 consisting of:

19 - $3,860,000 of inflation applied to Customer Service O&M line items 3, 4,
20 5, 8, 13, and 15, and
21 - Witness Klocke bases these adjustments associated with FERC 901, 902,
22 903, 905, 908 and 910 on her view that the Company did not provide
23 sufficient detail supporting projected increases for 2025–2027 and therefore
24 defaults to 2024 actuals for projected increases.

25

Q5. How does Staff characterize the Company's O&M forecast?

A5. Staff asserts that:

- The Company provided only "vague and general" information regarding O&M needs.
- Inflation was applied broadly without adequate justification.
- Digital engagement savings, including e-billing and call-volume reductions, should have resulted in lower future O&M.

Staff therefore defaults to historical 2024 cost levels as the basis for their recommendation.

Q6. Do you agree with Staff's conclusion that the Company did not justify its Customer Service O&M projections?

A6. No. The Company provided significant detail supporting its O&M forecast, including eight rounds of audit and discovery that detailed breakdowns of labor, outside services, inflation, cost drivers, and digital savings. This material responds directly to Staff's requests and provides adequate detail needed to understand O&M requirements.

Q7. Staff argues that inflation should not be applied to the Customer Service cost categories. Do you agree?

A7. No. Inflation represents a composite labor and non-labor factor applied throughout the Company that is consistent with its overall rate case methodology. As noted in the Company's filings, inflation reflects anticipated cost increases across labor wages, vendor contracts, materials, and services, and is aligned with testimony from other Company witnesses (Fix, Uzenski, and Shpargel). Staff's claim that inflation

is speculative disregards its use as a standard ratemaking tool and the detailed documentation already provided.

Q8. Does the Company's O&M forecast already incorporate cost efficiencies and digital savings?

A8. Yes. The Company's forecast includes:

- Annual call reduction savings of $1.3M from adjusted historical test year ending December 31, 2024 to projected test year ending September 30, 2027, driven by digital engagement and self-service expansion.[1]
- Sustained E-billing savings of approximately $2.4M annually.[2]

These adjustments are already embedded in the O&M projections that Staff claims are overstated.

Q9. How do you respond to Staff's assertions that the Company provided insufficient detail for FERC 901, 902, 903, 905, 908, and 910.

A9. The Company disagrees with this assertion as the Company provided:

- Detailed functional descriptions of each cost center,
- FERC-level breakdowns for labor, outside services, materials, and adjustments, and
- Activity descriptions for call center operations, billing, revenue management, digital experience, data analytics, and customer outreach.

[1] U-21973 O&M CS Exhibit A-13 Schedule C5-4
[2] Exhibit A-33 Schedule W2 BMK-6 Discovery Response

These details were provided over multiple Staff audit responses and supporting schedules, directly contradicting Staff's assertion of inadequate support. Additionally, the Company's approach and policy regarding inflationary rates and regulatory standard for cost recovery is explained further in Witness Shpargel's rebuttal testimony.

Q10. Can you provide an example of the level of detail the Company provided to Witness Klocke?

A10. Yes. Witness Klocke asked a series of questions regarding eight different FERC accounts within Customer Service. To provide an illustrative example of the type of detail Witness Klocke sought and the Company provided, I have isolated and summarized questions and responses related to FERC account 903 in the timeline below:

1. In BMK-1.4a Witness Klocke asked what the expenditures consist of for eight different FERC accounts, including Account 903, within Customer Service. In response the Company provided a breakout of labor, materials/outside service costs, along with normalization adjustments and inflation by period for each of the eight FERC accounts.[3] This type of FERC breakout has been provided and accepted in Gas Case U-20940 and Electric Case U-21860. Further, in responses to BMK-1.4c-e, the Company also provided drivers for projected cost changes, a description of changes in staffing levels, and the reason why each FERC account increased or decreased from the historic to projected test period

[3] Exhibit A-33 Schedule W1 BMK-1 Audit Response

Line No.

2. In BMK-6.10a Witness Klocke asked to further describe the components of the costs from FERC accounts 903. In response, the Company again provided a breakout of labor, materials/outside service costs, along with normalization adjustments and inflation by period for FERC account 903, and further added a description of the materials and outside services costs.[4]
3. In BMK-8.1b Witness Klocke asked for a breakdown of the projected costs for each of the six areas under FERC account 903, showing how the costs are allocated to the different areas/line items. In response, the Company provided a detailed breakout of labor, material, outside service costs, normalization adjustments and inflation by period for each of the six areas under FERC account 903 – Contact Center Operations, RM&P, Digital Experience, Customer Service Operations and Support, and Customer Strategy and Reporting.[5]
4. In BMK-8.1e Witness Klocke requested a description of the duties and responsibilities of each area falling under FERC account 903. In response, the Company provided a two-page long narrative audit response that listed the duties and responsibilities for each of the six areas.
5. In BMK-9.1, Witness Klocke asked to explain how each line item contained within those accounts is necessary, how the requested expenditures for the test year will be used, the benefits provided to customers as a result of those requested expenditures, and a breakdown of those costs for each line item within each FERC account by business function. In response the Company referred to BMK-8.1d - j which had

[4] Exhibit A-33 Schedule W2 BMK-6 Audit Response
[5] Exhibit A-33 Schedule W4 BMK-8 Audit Response

already provided descriptions of the activities within each account and the way they interface with and benefit customers. [6]Further, the Company states that cost breakdowns by business functions for FERC accounts were provided in BMK-6.10a. For example, Line 5 (FERC 903) has costs broken down by business function in spreadsheet rows 38 - 75. Inflation and adjustments were allocated by business function in attachment U-21973 BMK-8.1b and 8.1c Breakdown of Projected Costs 903 and 910.

6. In BMK-11.3, Witness Klocke asked to further describe the costs for Materials/Outside Services for Contact Center Operations provided in BMK-6.10a, including what telecom costs and outside call vendor costs are and how the requested costs specifically be used. In response, the Company provided a further narrative description, stating specifically "Contact Center Operations handle over 3 million customer calls annually, utilizing internal staff and external call vendors. Telecom costs are the expenses paid to telecommunications providers to enable the communications and execution of those calls. The duties of external call vendors were previously addressed in response to BMK-7.1a." [7]

Accordingly, based on the testimony and audit responses already provided, we believe the Company has adequately demonstrated and explained the costs included in Exhibit A-13, Schedule C5.4, and their underlying purposes.

Q11. Did Staff Witness Klocke find that the Company's historical test year O&M expenditures were imprudent or unreasonable?

[6] Exhibit A-33 Schedule W5 BMK-9 Audit Response
[7] Exhibit A-33 Schedule W6 BMK-11 Audit Response

A11. No. Staff Witness Klocke does not cite evidence that the Company's investments were unreasonable or imprudent. Further, Staff Witness Klocke does not provide evidence that Customer Service O&M costs will not experience the same inflationary pressure experienced in all other areas of the Company. Instead, Witness Klocke attempts to establish a new standard for cost recovery based on an undefined standard of "further information is needed". Staff Witness Klocke's recommendation that the Company be ordered to provide more detailed responses, after providing numerous detailed audit and discovery responses, is unsupported and should be rejected.

Q12. How does the Company justify its overall approach to O&M forecasting?

A12. The Company's approach is consistent across both the Gas and Electric business lines and includes:

- Standard company-wide inflation methodology
- Integration of digital savings and operational efficiencies
- Alignment with updated staffing methodologies across utilities

These practices demonstrate a consistent and defensible forecasting framework that have been consistently approved in commission orders.

Q13. Should the Commission accept Staff Witness Klocke's recommended disallowances?

A13. No. Staff's recommendation is not based on reasonableness or prudency, but instead the adjustments rely on:

- Replacing detailed forecasts with historical cost levels,

- Rejecting Company-standard inflation methodologies that have been consistently approved in Commission orders, and
- Overlooking extensive supporting material already provided.

The Company has fully demonstrated the reasonableness and prudence of its Customer Service O&M forecast and therefore Staff's proposal should be denied.

Witness Bunch's recommended treatment of incremental Uncollectible Expense attributed to the Cash-Only Policy

Q14. What is Witness Bunch's recommendation with respect to the Company's cash-only payment method restriction policy?

A14. Witness Bunch recommends that the Commission disallow the $1.27M incremental uncollectible expense attributed cash-only payment policy.

Q15. How does Witness Bunch describe the Company's cash-only payment method restriction?

A15. In his *Payment Method Restriction Policy* section pages 4-8, Witness Bunch asserts that the cash-only policy worsens customer arrears, increases uncollectible expense that shifts financial risk onto other ratepayers.

Q16. Does the Company agree with Bunch's conclusion that the cash-only policy increases arrears and Uncollectible Expense?

A16. No. The cash-only policy mitigates higher arrears balances for customers by preventing repeated failed or delayed non-cash payments that allows for the accumulation of arrears due to fraudulent payments.

Q17. Do you agree with Witness Bunch's assertion that the cash-only designation is the reason why those customers have higher arrears than payment troubled customers without a cash-only designation?

A17. No. Higher arrears are not caused by the cash-only designation itself. Rather, when a payment is returned, the customer effectively receives an additional billing cycle, allowing continued usage and increased charges before the Company can begin the disconnection process. By comparison, nonpayment situations that do not involve non-sufficient funds or declined payments move directly into the disconnection process as permitted under the billing practice rules, limiting further arrearage growth.

Q18. Would eliminating or relaxing the cash-only restriction reduce arrears and Uncollectible Expense, as implied by Witness Bunch?

A18. No. Eliminating or relaxing the cash-only restriction would increase arrears and uncollectible expense. Allowing additional returned payments would further delay disconnection and reset the collections process, enabling even greater usage and balance accumulation. If additional returned payments were permitted before imposing cash-only status, the arrears attributed to these customers would be larger, not smaller, than those cited by Witness Bunch.

Q19. Has the Company demonstrated that the cash-only policy mitigates arrears and costs?

A19. Yes. In AGMECCUBDG-1.6-01 Cash-Only-Analysis[8], the Company provided analysis evaluating the cash-only policy. The analysis shows that triggering the policy after one returned payment, rather than two, reduces average arrears by approximately $90 per customer. This demonstrates that the policy is an effective mitigation tool that limits arrears growth and associated uncollectible expense.

Q20. Why does the Company believe Witness Bunch's disallowance recommendation is inappropriate?

A20. Witness Bunch's recommendation is based on a misattribution of causality. His analysis observes higher arrears among cash-only customers but incorrectly attributes those arrears to the policy rather than to the returned-payment mechanics required under billing practice rules. Witness Bunch asserts that this results in higher write-offs and uncollectible expense, which he argues contradicts the Company's objective of reducing arrears. However, the cash-only policy is a corrective measure designed to prevent repeated returned payments and escalating arrears. Disallowing $1.273 million of uncollectible expense on this basis would penalize the Company for implementing a policy that mitigates, rather than exacerbates, uncollectible expense.

Q21. Do you agree with Witness Bunch's claim that Witness Foley's statements about merchant fees and credit-card limits support his view that payment restrictions increase arrears and uncollectible expenses?

A21. No. Company Witness Foley's testimony about transferring the risk of non-payment to card issuers only applies when the card issuer processes the payment and the

[8] Exhibit A-33, Schedule W9

transaction is not rejected. Customers with payment restrictions, on the other hand, are getting restrictions *because* their payments are rejected by the card issuer and the risk of non-payment is never transferred.

Q22. What is the Company's overall rebuttal position regarding the proposed $1.273 million disallowance?

A22. The Company respectfully recommends that the Commission reject Witness Bunch's proposed $1.273 million uncollectible expense disallowance. The record demonstrates that the cash-only policy is consistent with billing practice rules, limits arrears growth, and reduces uncollectible expense. Removing or penalizing the policy would increase financial risk to both the Company and its customers.

Q23. What additional recommendation does Witness Bunch make?

A23. Witness Bunch recommends that the Commission require a Benefit-Cost Analysis (BCA) if it does not adopt his proposed disallowance.

Q24. What is the Company's response to Witness Bunch's recommendation of a Benefit-Cost-Analysis (BCA)

A24. A BCA analysis was provided in discovery AGMECCUBDG-1.6[9]. The company does not agree that an additional BCA is warranted, especially since this disallowance should not be approved.

Attorney General Witness Coppola recommended Uncollectible Expense Disallowance

[9] Exhibit A-33 Schedule W9 AGMECCUBDG-1 Cash-Only-Analysis

Q25. What is Witness Coppola's recommendation regarding the historical 3-year average charges to direct expense?

A25. Witness Coppola recommends disallowance of approximately $1.04 million of Uncollectible Expense representing the historical 3-year average charges to direct expense. The main component of this $1.04 million is associated with the Company's Low-Income Household Energy Assistance Program (LIHEAP) Direct Match activity. He asserts that these amounts are speculative, unsupported, and should not be included in uncollectible expense because they reflect assistance related activity rather than uncollectible balances.

Q26. Does the Company agree with Witness Coppola's recommendation?

A26. No. The Company does not agree. The direct expense associated with the LIHEAP Direct Match reflects historical, verifiable charges that were directly expensed to avoid customer arrears becoming uncollectible. These costs are a longstanding and appropriate component of uncollectible expense and are consistent with past Commission-approved ratemaking treatment in Gas Case Nos. U-20940 and U-21291. These costs are not recovered anywhere else in the rate case filing and their inclusion here is appropriate.

Q27. What is the Low-Income Household Energy Assistance Program (LIHEAP) Direct Match activity?

A27. The LIHEAP Direct Match activity was implemented in partnership with the Michigan Department of Health and Human Services through the LIHEAP Direct Support initiative authorized under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The Company applied LIHEAP Direct Match dollars to

reduce arrears exceeding 90 days for low-income customers with household incomes between 150% and 200% of the Federal Poverty Level (FPL). Because these customers exceeded the income eligibility thresholds for most state and federal energy assistance programs, their arrears would otherwise have remained unresolved and were likely to progress to uncollectible status absent the Direct Match support.

Q28. Is the LIHEAP Direct Match expense consistent with historical ratemaking treatment?

A28. Yes. Direct Expense associated with arrears mitigation has historically been included as a component of uncollectible expense and reflected in prior general gas rate cases (Case Nos. U-20940 and U-21291). The Company's inclusion of the LIHEAP Direct Match expense is consistent with that precedent and reflects the practical reality that these dollars substitute for larger future write-offs.

Q29. What is the Company's rebuttal conclusion regarding the Direct Match expense?

A29. The Company respectfully recommends that the Commission reject Witness Coppola's proposed disallowance. The direct expense associated with the LIHEAP Direct Match is reasonable, supported by historical data, consistent with prior Commission treatment, and demonstrably effective in mitigating arrears and uncollectible expense on behalf of all customers.

FLO Witness Cira-Reyes' position on energy assistance programs and shutoff protection plans

Q30. What are Witness Cira-Reyes recommendations on the Company's energy assistance programs?

A30. Witness Cira-Reyes recommends broad restructuring of the Company's low-income assistance framework, including adoption of an income-based payment program, increased bill credits, expanded shutoff protections, elimination of certain payment requirements, and enhanced reporting and enrollment mandates.

Q31. What impact would Witness Cira-Reyes recommendations have on the programs?

A31. These recommendations would materially change the design and administration of Commission-approved programs.

Q32. Does the Company agree with Witness Cira-Reyes that the Company's current low-income programs are unreasonable or ineffective?

A32. No. The Company's low-income programs are reasonable, effective, and administered in full compliance with Michigan billing practice rules and Commission orders. These programs, including the Low Income Self Sufficiency Plan (LSP), Low Income and Residential Income Assistance (LIA) and (RIA) Credits, Shutoff Protection Plan (SPP), and Medical and Critical Care protections provide bill relief and shutoff protection to income eligible customers and reflect longstanding Commission policy.

Q33. How does the Company respond to the claim that existing assistance levels are insufficient to address affordability?

A33. The Company acknowledges that affordability challenges persist for some customers; however, assistance demand exceeds available state and federal funding across all utilities. This constraint cannot be resolved through unilateral program expansion in a rate case.

Q34. Does the Company agree that a Percentage of Income Payment Plan (PIPP) should be adopted in this proceeding?

A34. The Company supports the intent of PIPP and the objective of improving affordability for eligible customers. We are currently awaiting the Commission's decision on the PIPP pilot proposal presented in Case No. U-20929 and reported out on in Case No. U-20757. The Company believes these dockets (U-20929 and U-20757) are the appropriate forum for discussions regarding the adoption of a PIPP.

Q35. Do you agree with Witness Cira-Reyes assertion that the Company failed to offer a satisfactory explanation regarding not proposing an LIA credit increase in this case?

A35. No. As stated in discovery response FLODG-5.1c,[10] the Company's decision not to propose an additional LIA increase in this regulatory filing was the result of a deliberate and comprehensive evaluation not an omission or lack of analysis. In determining whether to seek further changes to the LIA credit, the Company carefully considered (1) the cumulative impact of prior LIA enhancements, (2)

[10] Exhibit A-33 Schedule W7 FLODG-5 Discovery Response

current enrollment levels, and (3) the total cost of low-income assistance programs already reflected in rates. This assessment reflects an understanding that the LIA credit does not operate in isolation but is one component of a broader low-income assistance portfolio.

The Company also considered recent increases in funding for the Michigan Energy Assistance Program (MEAP), which provides additional bill payment and arrearage assistance to eligible customers through state-administered programs. Since the Company prioritizes the LIA credit with LSP, the associated MEAP payment plan, the impact of additional changes in LIA were considered.

Further, the Company is awaiting additional guidance from the Commission regarding recent Percentage of Income Payment Plan (PIPP) pilot collaborations. Those pilots are intended to inform longer-term decisions regarding income-based assistance structures, funding mechanisms, and enrollment strategies. Proposing additional incremental increases to the LIA credit in advance of that guidance could undermine the Commission's broader policy objectives and preempt the outcome of an active, Commission-directed process.

Q36. Does the Company agree with Witness Cira-Reyes's assertion that reconnection fees disproportionately impact low-income customers?

A36. No. The Company does not agree. DTE Gas does not charge reconnection fees to customers who are identified as low-income at the time service is reconnected or restored.

Q37. Why is Witness Cira-Reyes's conclusion incorrect?

A37. The Company does not charge reconnection fees to customers who are identified as low-income at the time the service is restored. The Exhibit FLO-42 page 1, includes a critical clarification that is not reflected in Cira-Reyes's interpretation. Specifically, the exhibit notes that the "low-income flag appeared during the year". This means that customers identified as low-income in the exhibit were not necessarily designated as low-income at the time the reconnection fee was assessed.

Q38. What is the Company's conclusion regarding reconnection fees and low-income customers?

A38. The Company respectfully submits that Witness Cira-Reyes' assertion is unsupported by the record. The Company does not charge reconnection fees to customers who are identified as low-income at the time service is restored. The claim that reconnection fees disproportionately impact low-income customers is based on a misinterpretation of data that does not account for the timing of low-income status designation.

Q39. Does Witness Cira-Reyes accurately describe the Winter Protection Plan (WPP)?

A39. No. While enrollment in the Winter Protection Plan occurs during November 1 through March 31 enrollment window, the protections associated with the WPP extend throughout the entire year, provided customers continue to meet program requirements as stated in FLODG-2 and FLODG-5. Witness Cira-Reyes incorrectly implies that WPP protections are limited to the winter months only.

Q40. Does Witness Cira-Reyes accurately describe how the Company defines "low-income" for purposes of the Winter Protection Plan?

A40. No. Witness Cira-Reyes incorrectly states that the Company defines low-income customers as those at or below 150% of the Federal Poverty Level (FPL) and therefore WPP excludes many households may need such protections. However, for purposes of the Winter Protection Plan, the Company identifies low-income customers as those with household incomes at or below 200% of FPL, consistent with Commission-approved program requirements.

Q41. Who determines the structure and requirements of the Winter Protection Plan?

A41. The Michigan Public Service Commission, not the Company, determines the structure, eligibility criteria, and core requirements of the Winter Protection Plan. The Company administers WPP in accordance with Commission rules and orders and does not have unilateral authority to modify enrollment periods, eligibility thresholds, payment requirements, or the duration of protections.

Q42. What is the Company's rebuttal conclusion regarding Witness Cira-Reyes's WPP testimony?

A42. Witness Cira-Reyes's testimony contains material inaccuracies regarding low-income eligibility thresholds, the duration of WPP protections, and the Company's role in program design. The Winter Protection Plan is a Commission-mandated program, applies to customers at or below 200% FPL, and provides protections that extend beyond the winter enrollment period. The Company administers the program consistent with Commission requirements.

Q43. Do you agree with Witness Cira-Reyes that the Company's communication with customers is inadequate?

A43. No. The Company does not agree. The Company communicates information about its assistance programs through multiple, recurring channels designed to reach customers with varying needs and preferences. The Company uses a combination of bill messaging, mailed notices, website content, social media, community-based outreach, and direct engagement through Customer Assistance Days (CADs) and Customer Resource Fairs (CRFs). These communications are supplemented by partnerships with community organizations, state agencies, and regional stakeholders who directly engage eligible customers.

Q44. Does Witness Cira-Reyes raise concerns regarding the Company's medical emergency and critical care shutoff protections?

A44. Yes. Witness Cira-Reyes raises concerns regarding eligibility determinations, transparency, and the administration of medical and critical care shutoff protections.

Q45. Does the Company agree that its medical and critical care shutoff protections are unreasonable or non-compliant?

A45. No. The Company administers medical emergency and critical care shutoff protections in accordance with Commission-approved billing practice rules and applicable Commission directives. Eligibility is determined based on Commission-approved medical certification, completed and certified by a qualified medical provider. The Company's role is purely administrative to verify that the

certification is complete and meets Commission requirements, not to make independent medical judgments.

Q46. How does the Company respond to customer applications for medical or critical care protection?

A46. The Company responds promptly upon receipt of a completed medical certification. When an application is denied, customers are provided with specific reasons for the denial and guidance on any deficiencies or corrections needed to proceed. Customers are also informed of their ability to resubmit corrected documentation.

Q47. Does the Company have unilateral authority to change the structure of these protections?

A47. No. The structure, eligibility criteria, and core requirements for medical emergency and critical care shutoff protections are established by the Commission. The Company administers these protections in compliance with Commission rules and does not have unilateral authority to modify program design.

Q48. What is the Company's rebuttal conclusion regarding medical and critical care shutoff protections?

A48. The Company respectfully submits that it administers medical emergency and critical care shutoff protections consistent with Commission requirements and continues to engage constructively in Commission led reviews of these policies. The record does not support the conclusion that the Company is failing to provide or administer these protections appropriately.

Witness Jacob for FLO on low income affordability and customer call handling

Q49. Is FLO Witness Jacob's assertions accurate that the Company forces "computer-generated" and inflexible payment agreements on customers without regard to their ability to pay?

A49. No. Witness Jacob's characterization omits critical context and misstates the Company's obligations and constraints. DTE Gas administers payment agreements in accordance with the Michigan Public Service Commission's Consumer Standards and Billing Practice Rules, which govern how utilities may structure, offer, and enforce payment arrangements. Payment agreements are designed to ensure consistent**,** nondiscriminatory treatment of customers, protect customers from accruing additional arrears, and reduce uncollectible expense, while still providing a path for customers to remain in service. To that end, system-supported agreements are used to ensure compliance with Commission rules and internal controls, not to deny customers flexibility.

Q50. Does DTE Gas acknowledge concerns about affordability and the limitations of traditional payment agreements?

A50. Yes. The Company has consistently acknowledged that traditional payment agreements, standing alone, are not a complete solution to affordability challenges for low-income customers. That is precisely why the Company, along with other stakeholders, is actively engaged in the Commission directed process evaluating a Percentage of Income Payment Plan (PIPP) or similar income-based framework.

As reflected earlier in my rebuttal testimony, the Company has been clear that it is awaiting the outcome of the Commission's decision on PIPP program with changes that could fundamentally restructure affordability programs. Implementing fragmented changes to payment plans and agreements in advance of that determination would risk inconsistency with the Commission's ultimate policy direction and could undermine a comprehensive solution.

Q51. What is the response to Witness Jacob suggesting that excessive call wait times prevent customers from meaningfully negotiating payment agreements?

A51. The record demonstrates that the Company actively manages and monitors Contact Center performance and has made sustained investments to improve customer access, efficiency, and resolution across call, chat, and self-service channels.

As described in my Direct Testimony J. E. Sparks, (JES-15-17), Contact Center Operations focus on streamlining customer experience through continuous improvement, quality monitoring, efficient call handling[11], and effective use of telephony and IVR technology. These efforts are specifically intended to reduce wait times, improve routing, and resolve customer issues more efficiently.

Q52. How does the Company respond to the policy concerns raised by Witness Jacob?

A52. Witness Jacob's testimony relies merely on anecdotal observations rather than a review of the Company's operational data or performance metrics. In contrast, the Company's evidence demonstrates that:

- call wait times are actively tracked and managed,

[11] U-21973 FLODG-5.9b. See Exhibit A-33 Schedule W7.

- investments have been made specifically to reduce wait times and improve access, and
- payment agreement discussions occur within a regulated framework designed to ensure fairness and consistency.

Accordingly, the record does not support the claim that DTE Gas's call handling practices or payment agreement processes are unreasonable, unlawful, or inconsistent with Commission rules.

FLO Witness Schott assertions on shutoffs and unregulated programs

Q53. Does the Company agree with FLO Witness Schott's recommendation that the Commission establish as a fact that "race is the only statistically significant independent driver of shutoffs"?

A53. No. Shutoffs occur as the result of nonpayment under Commission approved Billing Practice Rules, and the record demonstrates that shutoff risk is influenced by a complex interaction of socioeconomic, structural, and programmatic factors, not a single variable. The Company therefore disagrees with Witness Schott's framing.

Q54. How does the Company make shutoff decisions?

A54. Shutoff decisions are made strictly in accordance with the Commission's Billing Practice Rules, which establish uniform criteria based on payment status, notice requirements, eligibility for protections, and customer participation in assistance or protection programs. The Company does not collect or use race, or any other personal or socioeconomic data, as a customer level attribute in its shutoff decision

making. While Witness Schott asserts correlations between shutoffs and demographic characteristics, Witness Schott cannot demonstrate that the Company considers anything other than Commission Rules in individual shutoff determinations.

Q55. Does the Company agree with Witness Schott's assertion that existing assistance programs are underperforming and insufficient to mitigate shutoff risk?

A55. No. The Company agrees that available funding is insufficient to meet the full scope of need, a point that has been acknowledged consistently in Company testimony. However, this limitation is not evidence that the programs themselves are ineffective or improperly designed. Rather, assistance program performance is constrained by:

- finite funding levels set outside the utility's control, and
- customer enrollment and participation rates that vary across populations.

The Company has taken steps to expand energy assistance levels and eligibility within these constraints and continues to participate in Commission led efforts to evaluate broader affordability solutions.

Q56. Does the Company agree with Witness Schott that shutoffs should be prohibited?

A56. No. Shutoffs are governed by Commission rules that balance customer protections with the need to maintain system integrity and equitable cost recovery. The Company administers shutoffs only as permitted by rule, after notice, and with

multiple opportunities for customers to enroll in payment arrangements or protection programs. Any proposal to categorically prohibit shutoffs based on statistical associations would represent a fundamental policy change that is beyond the scope of this rate case.

Q57. How is the Company addressing concerns about evaluating affordability and equity outcomes?

A57. The Company notes that the Energy Assistance Advisory Committee (EAAC) has been tasked with examining how to define and evaluate energy security and energy equity metrics on a forward-looking basis. DTE Gas supports this collaborative approach rather than adopting unilateral metrics in isolation. This process recognizes that affordability and equity are system-level issues that require coordinated policy development, not utility specific statistical conclusions drawn from limited datasets.

Q58. Does the Company agree with Witness Schott's assertation that participation in Home Protection Plus (HPP) materially worsens affordability and shutoff risk?

A58. No. The record affirmatively establishes that HPP is an unregulated value-added program (VAPS) and does not factor into DTE Gas shutoff actions. As explained in discovery,[12] there is no causal link between HPP participation and utility shutoffs. Accordingly, HPP cannot drive shutoff outcomes because shutoff decisions are based solely on regulated utility arrears and Commission approved Billing Practice Rules, not unregulated program charges.

[12] Exhibit A-33 Schedule W10 FLODG-7 Discovery Response

Q59. Is Witness Schott's suggestion that customers cannot distinguish between regulated and unregulated arrears because they are billed through the same platform accurate?

A59. No. While regulated utility charges and unregulated program charges may appear on the same bill for customer convenience, regulated and unregulated arrears balances are tracked separately. Unregulated program charges, including HPP, do not convert into regulated utility arrears and do not place a customer at risk of gas shutoff. The Company's billing and collections practices reflect this separation, and shutoff eligibility is determined exclusively by the status of regulated utility charges under the Billing Practice Rules.[13]

Q60. Why is the distinction between regulated and unregulated arrears important in evaluating shutoff claims?

A60. The distinction is critical because only regulated utility arrears can result in shutoff. Assertions that unregulated programs such as HPP contribute to shutoff risk incorrectly conflate separate billing categories and mischaracterize the Company's collections practices.

As the record shows, even where a customer has participated in HPP, that participation neither increases nor accelerates shutoff actions, and any shutoff reflects non-payment of regulated gas service charges alone.

[13] Exhibit A-33 Schedule W8 HPP Bill Sample

Q61. Do you agree with Witness Schott's recommendation that the Company remove HPP uncollectible expense from its filings (page 52 line 21)?

A61. No. HPP revenues and HPP-related O&M are both included in the Company's revenue requirement and, on a net basis, reduce that requirement for customers. Excluding uncollectible expense associated with HPP while continuing to include HPP revenues and expenses would be inconsistent. Removing HPP uncollectibles would require removing all associated HPP revenues and expenses, which would increase the revenue requirement and increase customer rates.

Q62. Does this complete your rebuttal testimony?

A62. Yes, it does.

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the Application of	)	
DTE GAS COMPANY	)	
for authority to increase its rates, amend	)	Case No. U-21973
its rate schedules and rules governing the	)	
distribution and supply of natural gas, and	)	
for miscellaneous accounting authority.	)	

REBUTTAL TESTIMONY

OF

THERESA M. UZENSKI

DTE GAS COMPANY
REBUTTAL TESTIMONY OF THERESA M. UZENSKI

Line No.

Q1. Are you the same Theresa M. Uzenski who previously offered testimony in this proceeding?

A1. Yes, I am.

Purpose of Testimony

Q2. What is the purpose of your rebuttal testimony?

A2. The purpose of my testimony is to rebut the argument made by Attorney General (AG) Witness Coppola to reduce shared asset rent expense. The absence of a discussion of other matters in my testimony should not be taken as an indication that I agree with all other aspects of intervenor testimony.

Q3. Are you sponsoring any rebuttal exhibits?

A3. No.

Q4. What is AG Witness Coppola's recommended reduction to shared asset rent expense?

A4. Witness Coppola recommended a disallowance of $4.445 million for the projected test year. Starting at line 7 of page 135 of his direct testimony, Witness Coppola describes how the Company forecasted $52.2 million of shared asset charges based on the related revenue reflected in its Electric rate case No. U-21860. He states that 2025 actual shared asset expense was $46.2 million and that the Order in Case No. U-21860 reflected some disallowances to facilities and IT capital projects. Based on these factors, he asserts that the Company's forecast is overstated. On page 136, Witness Coppola explains that he calculated an alternative forecast based on

applying an inflation factor to 2025 actual expense. His calculation of $47.920 million of projected expense results in a reduction of $4.277 million as shown on his Exhibit AG-59, line 10. There is an additional adjustment of $167,000 related to the amortization of previously deferred costs shown on line 11, bringing the total proposed reduction to $4.445 million on line 12.

Q5. Do you agree with Witness Coppola's proposed reduction?

A5. I agree with the $167,000 reduction in amortization. However, I do not agree with the $4.277 million reduction to projected expense. DTE Gas's shared asset expense is subject to a deferral mechanism originally approved by the Commission in Case No. U-20940. The shared asset mechanism requires the Company to accrue a regulatory liability for any amount recovered in base rates above the amount billed to DTE Gas by DTE Electric. (It also provides regulatory asset treatment for under-recoveries.) The base expense for the mechanism is designed to be equal to the revenue assumed in DTE Electric's approved rates. In Case No. U-21860, DTE Electric included shared asset revenue of $52.2 million from DTE Gas, and the Commission's final order in the case did not reduce DTE Electric's as-filed projection.

Q6. What amount of shared asset rent expense are you proposing?

A6. Projected shared asset rent expense should be approved as $52.197 million as shown on my direct Exhibit A-13, Schedule C5.6, line 16 because it is the amount of corresponding revenue approved by the Commission in Electric Case No. U-21860. If the actual charges from DTE Electric are different, the Company will defer the difference as a regulatory liability (or asset). The shared asset

amortization on line 17 of that exhibit should be reduced by $167,000 to $3.389 million.

Q7. Does this complete your rebuttal testimony?

A7. Yes, it does.

STATE OF MICHIGAN

BEFORE THE 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-21973

REBUTTAL TESTIMONY

OF

KIRK M. VANGILDER

DTE GAS COMPANY
REBUTTAL TESTIMONY OF KIRK M. VANGILDER

Line No.

Q1. Are you the same Kirk M. Vangilder who previously offered testimony in this proceeding?

A1. Yes, I am.

Q2. What is the purpose of your rebuttal testimony?

A2. The purpose of my rebuttal testimony is to respond to the direct testimony of Attorney General (AG) Witness Sebastian Coppola relative to his proposal (Witness Coppola direct testimony page 154) that the Company use the overall pre-tax cost of capital instead of the pre-tax cost of permanent capital to calculate the annual revenue requirement on the Company's proposed Infrastructure Recovery Mechanism (IRM). DTE Gas Witnesses Nelson and Lepczyk will further rebut AG Witness Coppola's proposal regarding the appropriate Return on Equity (ROE) to utilize for the IRM revenue requirement.

The absence of a discussion of other matters in my rebuttal testimony should not be taken as an indication that I agree with other aspects of any Staff or intervenor testimony.

Q3. Are you sponsoring any rebuttal exhibits?

A3. No.

Q4. Beginning on page 154, line 11 of his direct testimony, AG Witness Coppola proposes that "the Company use the overall pre-tax cost of capital instead of

Line No.

the pre-tax cost of permanent capital to calculate the annual IRM revenue requirement." Do you agree with this proposal?

A4. No. The primary difference between the pre-tax cost of capital and the pre-tax cost of permanent capital is the dilutive effect of Accumulated Deferred Income Tax (ADIT) and the primary driver for accumulated deferred income tax stems from the temporary timing differences in depreciation rates for book and tax purposes. For DTE Gas investments recovered through base rates, this calculation is based on all DTE Gas capital assets forecasted to be in service during the projected test period. As shown on my Exhibit A-14, Schedule D1, line 6, DTE Gas is projecting $1.4 billion in ADIT for the projected test period which represents 17.2% of the Company's total capitalization and is financed at a zero percent rate.

Because IRM assets are separate from DTE Gas rate base and recoverable through a separate mechanism, IRM-specific book-tax differences and ADIT are calculated and used to adjust IRM rate base (for example, see my Exhibit A-18, Schedule H1, page 1, line 6). To be certain, it would be inappropriate to factor in the book-tax differences attributable to the depreciation of assets not being recovered through the IRM surcharge and apply the resultant dilutive effect of ADIT on the rate of return for IRM. Therefore, it is appropriate to use the pre-tax rate of return based on permanent capital structure when calculating IRM revenue requirement, and not the overall pre-tax cost of capital which is applicable to DTE Gas assets recovered through base rates.

Q5. Has the applicable rate of return for the IRM been challenged by intervenors in the past?

Line
No.

A5. Yes. In DTE Gas general rate case No. U-21291, Michigan Environmental Council, Natural Resources Defense Council, and Sierra Club (MNSC) Witness Alice Napoleon contested which rate of return should be applied to DTE Gas IRM investments, similar to how AG Witness Coppola is contesting the rate of return on IRM investments in this current case. In that case, both the Administrative Law Judge and the Commission agreed with the Company that there should be no change to utilizing the pre-tax cost of permanent capital when calculating the revenue requirement for IRM investments.

Q6. Has the calculation methodology for the IRM's revenue requirement changed over time?

A6. No. This calculation methodology has been used and approved by the Commission since the inception of the DTE Gas IRM in Case No. U-16999 and in all subsequent DTE Gas rate cases (Case Nos. U-17999, U-18999, U-20642, U-20940, and U-21291).

Q7. Does this complete your rebuttal testimony?

A7. Yes, it does.

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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DTE GAS COMPANY	)	
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REBUTTAL TESTIMONY

OF

SHERRI L. WISNIEWSKI

DTE GAS COMPANY
REBUTTAL TESTIMONY OF SHERRI L. WISNIEWSKI

Line No.

Q1. Are you the same Sherri L. Wisniewski who previously offered testimony in this proceeding?

A1. Yes, I am.

Purpose of Testimony

Q2. What is the purpose of your rebuttal testimony?

A2. The purpose of my testimony is to:

1. Rebut Attorney General (AG) Witness Coppola's assertion that the Company's calculation of Taxes Payable is seriously flawed and incorrect.
2. Rebut AG Witness Coppola's assertion that the Company's forecasted increase in Prepayments is excessive and unjustified.
3. Rebut AG Witness Coppola's proposed adjustment to Prepayments for Property Taxes.
4. Rebut the property tax expense adjustments proposed by both AG Witness Coppola and Michigan Public Service Commission Staff (Staff) Witness Hecht, because their adjustments do not take into consideration that projected test period property tax expense is calculated by taking 3/12ths of the 2026 calendar year property tax expense and 9/12ths of the 2027 calendar year property tax expense.
5. Propose a methodology for adjusting property tax expense if capital disallowances are ordered by the Commission.

The purpose of my testimony is not to discuss the reasonableness of any capital adjustments proposed by Staff or any intervenors, as that is being addressed in the

rebuttal testimony of other Company witnesses. The absence of a discussion of other matters in my rebuttal testimony should not be taken as an indication that I agree with other aspects of any Staff or intervenor testimony.

Q3. Are you sponsoring any rebuttal exhibits?

A3. Yes, I am sponsoring the following rebuttal exhibit:

Exhibit	Schedule	Description
A-30	T1	Discovery Response AGDG-5.214a Prepaid Property Tax

Q4. What Taxes Payable adjustment did AG Witness Coppola propose?

A4. On page 56 of AG Witness Coppola's direct testimony, he makes the assertion that the Company's calculation of Taxes Payable is seriously flawed and incorrect. As a result, AG Witness Coppola recommends that the Commission utilize the 2024 historic balance of Taxes Payable of $9.5 million for the projected test year.

Q5. Do you agree with AG Witness Coppola's assertion that the Company's calculation of Taxes Payable is seriously flawed and incorrect?

A5. No. The Company's calculation of the projected test year balance for Taxes Payable is reasonable. The Company's calculation of Taxes Payable starts with the historic balance and makes changes that are driven by detailed calculations of current income tax expense that utilize test-period data and assumptions. These are discussed in my direct testimony and illustrated in my exhibits as follows:

1. Current Federal Income Tax (FIT) expense is described in my direct testimony on page 14 and illustrated on Exhibit A-13, Schedule C8.

2. Current Michigan Corporate Income Tax (MCIT) expense is described in my direct testimony on page 15 and illustrated on Exhibit A-13, Schedule C9.
3. Current municipal income tax expense is described in my direct testimony on page 16 and illustrated on Exhibit A-13, Schedule C10.

These are incorporated herein by reference. The Company's calculation of Taxes Payable is also consistent with both generally accepted accounting principles and what was approved in the Company's prior rate cases, including the most recent case, Case No. U-21291.

Q6. Do you agree with AG Witness Coppola's assertion on page 57 of his testimony that the Company's calculation of Prepayments is excessive and unjustified?

A6. No. The Company's calculation of the projected test year balance of Prepayments for Property Taxes is based on both actual data and detailed calculations that utilize bridge and test period data and is, therefore, completely reasonable and justified.

The Company's calculation of Prepayments for Property Taxes starts with the historic balance. As explained in the Company's response to AGDG 5.214a, which is included in Exhibit AG-20 of AG Witness Coppola's Direct testimony, the Prepaid Property Tax balance increases when Property Tax payments are made in January and August and decreases when Property Tax expense is accrued monthly. AG Witness Coppola's testimony does not include the attachment to the Company's response to AGDG 5.214a, which is provided in my Rebuttal testimony as Exhibit A-30, Schedule T1. As illustrated in this exhibit, the Property Tax

payments (increases to the Prepaid Property Tax balance) and Property Tax expense (decreases to the Prepaid Property Tax balance) are based on the 2024, 2025, 2026, and 2027 Property Tax liabilities. How these Property Tax liabilities were derived is described in detail in my Direct testimony on pages 7 through 11. In summary, the 2024 Property Tax liability is based on bills paid, the 2025 Property Tax liability is based on assessments received, and the 2026 and 2027 Property Tax liabilities are based on detailed calculations that utilize bridge and test period data as shown on Exhibit A-13, Schedule C7.1.

Q7. Do you agree with AG Witness Coppola's proposed reduction of $5.8 million to the Company's Prepayments for Property Taxes, which appears on page 57 of his testimony?

A7. No. AG Witness Coppola's proposed reduction to the Company's Prepayments for Property Taxes of $5.8 million would reduce the Prepayments for Property Taxes from $14.0 million per the Company's calculations to $8.2 million. Witness Coppola calculates this $8.2 million by utilizing an annualized growth rate that is based on the change in balance of the Prepayments for Property Taxes from 2020 to 2024. This methodology is not accurate, because it completely disregards the actual payments and assessments as well as the bridge and test period data that drives the Property Tax liabilities that, in turn, drive Prepayments for Property Taxes.

Q8. What property tax expense adjustments did AG Witness Coppola and Staff Witness Hecht propose?

A8. AG Witness Coppola and Staff Witness Hecht both proposed reductions in property tax expense related to their proposed capital adjustments.

On page 142 of AG Witness Coppola's testimony, he recommends a reduction in property tax expense for the projected test year of $1,007,000.

On page 8 of Staff Witness Hecht's testimony, he recommends a reduction in property tax expense for the projected test year of $325,000.

Q9. Do you agree with the methodology AG Witness Coppola and Staff Witness Hecht are using to calculate their proposed property tax expense reductions?

A9. Not entirely. To arrive at their proposed property tax expense reductions, both Coppola and Hecht are using the change in 2027 calendar year property tax expense. Both adjustments fail to consider that the adjustments to property tax expense for the twelve months ending September 30, 2027, projected test period must be calculated by taking 3/12ths (or 25%) of the change in 2026 calendar year property tax expense and 9/12ths (or 75%) of the change in 2027 calendar year property tax expense. This causes the proposed property tax expense reduction to be overstated.

Q10. If capital disallowances are ordered by the Commission, what methodology should be used to calculate the corresponding adjustment to property tax expense in this case?

A10. Other than the improper calculation of the projected test period expense as described above, Staff Witness Hecht's methodology is similar to the methodology

the Company utilized to calculate property tax expense in this case. Therefore, if capital disallowances are ordered by the Commission, Staff Witness Hecht's methodology, modified to take 3/12ths (or 25%) of the change in 2026 calendar year property tax expense and 9/12ths (or 75%) of the change in 2027 calendar year property tax expense, is reasonable and should be used to calculate the corresponding adjustment to property tax expense.

Q11. Does this complete your rebuttal testimony?

A11. Yes, it does.

STATE OF MICHIGAN

BEFORE THE 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-21973

PROOF OF SERVICE

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

ALEX SPRATLEY states that on the April 3, 2026, she served a copy of the she served a copy of DTE Gas Company's Rebuttal Testimony and Exhibits of Witnesses Anthony L. Bolda, George H. Chapel, Michael S. Cooper, Henry J. Decker, Kelly M. Fedele, Matthew A. Fix, Julia L. Huffman, Anna E. Jackson, Eric D. Janness, Scotty N. Kehoe, Timothy J. Lepczyk, Habeeb J. Maroun, Jennifer E. Nelson, Seth B. Shpargel, Jason E. Sparks, Theresa M. Uzenski, Kirk M. Vangilder, and Sherri L. Wisniewski in the above captioned matter, via electronic mail upon the persons listed on the attached service list and Ms. Huffman's confidential Rebuttal Testimony was filed under seal with the Commission.

Alex Spratley

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MPSC Case No. U-21973
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