August 29, 2023

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

Via E-Filing

RE: MPSC Case No. U-21389

Dear Ms. Felice:

The following is attached for paperless electronic filing:

Direct Testimony and Exhibits of Douglas B. Jester on behalf of Michigan Environmental Council, Natural Resources Defense Council, Sierra Club, and Citizens Utility Board of Michigan (MEC-1 through MEC-5); and

Proof of Service.

Sincerely,

Digitally signed by Christopher M. Bzdok
DN: cn=Christopher M. Bzdok, o=Olson, Bzdok & Howard, PC, email=chris@envlaw.com, c=US
Date: 2023.08.29 13:25:29 -04'00'

Christopher M. Bzdok
chris@envlaw.com

xc: Parties to Case No. U-21389

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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.	U-21389

DIRECT TESTIMONY OF DOUGLAS B. JESTER

ON BEHALF OF

NICHIGAN ENVIRONMENTAL COUNCIL NATURAL RESOURCES DEFENSE COUNCIL, SIERRA CLUB, AND CITIZENS UTILITY BARD OF MICHIGAN

August 29, 2023

DIRECT TESTIMONY OF DOUGLAS JESTER FOR MNSC
CASE NO. U-21389

TABLE OF CONTENTS

I. INTRODUCTION

Q. Please state for the record your name, position, and business address.

A. My name is Douglas B. Jester. I am Managing Partner of 5 Lakes Energy LLC, a Michigan limited liability corporation, located at Suite 218, 220 MAC Avenue, East Lansing, Michigan 48823.

Q. On whose behalf is this testimony being offered?

A. I am testifying on behalf of Michigan Environmental Council ("MEC"), Natural Resources Defense Council ("NRDC"), Sierra Club ("SC"), and Citizens Utility Board of Michigan ("CUB").

Q. Please summarize your experience in the field of utility regulation.

A. I have worked for more than 30 years in utility industry regulation and related fields. My work experience is summarized in my resume, provided as Exhibit MEC-1.

Q. Have you testified before this Commission or as an expert in any other proceedings?

A. I have previously testified before the Michigan Public Service Commission ("Commission") in the following cases:

- Case U-17473 (Consumers Energy Company Plant Retirement Securitization);
- Case U-17096-R (Indiana Michigan 2013 PSCR Reconciliation);
- Case U-17301 (Consumers Energy Renewable Energy Plan 2013 Biennial Review);
- Case U-17302 (DTE Energy Renewable Energy Plan 2013 Biennial Review);
- Case U-17317 (Consumers Energy 2014 PSCR Plan);
- Case U-17319 (DTE Electric 2014 PSCR Plan);
- Case U-17671-R (UPPCO 2015 PSCR Reconciliation);

- Case U-17674 (WEPCO 2015 PSCR Plan);
- Case U-17674-R (WEPCO 2015 PSCR Reconciliation);
- Case U-17679 (Indiana-Michigan 2015 PSCR Plan);
- Case U-17688 (Consumers Energy Cost of Service and Rate Design);
- Case U-17689 (DTE Electric Cost of Service and Rate Design);
- Case U-17698 (Indiana-Michigan Cost of Service and Rate Design);
- Case U-17735 (Consumers Energy General Rates);
- Case U-17752 (Consumers Energy Community Solar);
- Case U-17762 (DTE Electric Energy Optimization Plan);
- Case U-17767 (DTE General Rates);
- Case U-17792 (Consumers Energy Renewable Energy Plan Revision);
- Case U-17895 (UPPCO General Rates);
- Case U-17911 (UPPCO 2016 PSCR Plan);
- Case U-17911-R (UPPCO 2016 PSCR Reconciliation);
- Case U-17990 (Consumers Energy General Rates);
- Case U-18014 (DTE General Rates);
- Case U-18089 (Alpena Power PURPA Avoided Costs);
- Case U-18090 (Consumers Energy PURPA Avoided Costs);
- Case U-17911-R (UPPCO 2016 PSCR Reconciliation);
- Case U-18091 (DTE PURPA Avoided Costs);
- Case U-18092 (Indiana Michigan Power Company PURPA Avoided Costs);
- Case U-18093 (Northern States Power PURPA Avoided Costs);
- Case U-18094 (Upper Peninsula Power Company PURPA Avoided Costs);

- Case U-18095 (Wisconsin Public Service Company PURPA Avoided Costs);
- Case U-18096 (Wisconsin Electric Power Company PURPA Avoided Costs);
- Case U-18224 (UMERC Certificate of Necessity);
- Case U-18232 (DTE Renewable Energy Plan);
- Case U-18255 (DTE Electric General Rates);
- Case U-18322 (Consumers Energy General Rates);
- Case U-18406 (UPPCO 2018 PSCR Plan);
- Case U-18408 (UMERC 2018 PSCR Plan);
- Case U-18419 (DTE Certificate of Necessity);
- Case U-20072 UPPCO 2017 PSCR Reconciliation);
- Case U-20111 (UPPCO Tax Cuts and Jobs Act of 2017 Adjustment);
- Case U-20134 (Consumers Energy General Rates);
- Case U-20150 (UPPCO Revenue Decoupling Mechanism Complaint);
- Case U-20162 (DTE General Rates);
- Case U-20165 (Consumers Energy Integrated Resource Plan);
- Case U-20229 (UPPCO 2019 PSCR Plan Case);
- Case U-20276 (UPPCO General Rates);
- Case U-20350 (UPPCO Integrated Resource Plan);
- Case U-20359 (I&M 2019 General Rate Case);
- Case U-20471 (DTE Integrated Resource Plan);
- Case U-20479 (SEMCO 2019 General Rate Case);
- Case U-20561 (DTE 2019 General Rate Case).;
- Case U-20591 (Indian Michigan Power Company IRP);

- Case U-20642 (DTE Gas 2020 General Rate Case).;
- Case U-20649 (Consumers Electric Voluntary Green Pricing).;
- Case U-20650 (Consumers Gas 2020 General Rate Case);
- Case U-20697 (Consumers Electric 2020 General Rate Case);
- Case U-20713 (DTE 2020 Voluntary Green Pricing);
- Case U-20836 (DTE Electric 2022 General Rate Case);
- Case U-20874 (Alpena Power 2022-23 EWR Plan Case);
- Case U-20875 (Consumers Energy 2022-23 EWR Plan Case);
- Case U-20876 (DTE Electric 2022-23 EWR Plan Case);
- Case U-20877 (Indiana Michigan 2022-23 EWR Plan Case);
- Case U-20878 (NSP 2022-23 EWR Plan Case);
- Case U-20879 (UPPCO 2022-23 EWR Plan Case);
- Case U-20880 (UMERC 2022-23 EWR Plan Case);
- Case U-20881 (DTE Gas 2022-23 EWR Plan Case);
- Case U-20882 (MGU Gas 2022-23 EWR Plan Case);
- Case U-20883 (SEMCO Gas 2022-23 EWR Plan Case);
- Case U-20889 (Consumers Karn Retirement Securitization);
- Case U-20963 (Consumers Energy Electric Rate Case);
- Case U-21015 (DTE Securitization Case);
- Case U-21048 (Consumers Energy 2022 PSCR Plan);
- Case U-21081 (UMERC 2021 IRP);
- Case U-21090 (Consumers Energy 2021 IRP);
- Case U-21189 (Indiana Michigan 2022 IRP);

- Case U-21193 (DTE Electric 2022 IRP);
- Case U-21224 (Consumers Energy 2022 Electric Rate Case);
- Case U-21297 (DTE Electric 2023 Electric Rate Case); and
- Case U-21377 (Indiana Michigan Renewable Acquisition Certificate of Necessity).

Additionally, I have testified as an expert witness before the Public Utilities Commission of Nevada in Case No. 16-07001 concerning the 2017-2036 integrated resource Plan of NV Energy; and before the Missouri Public Service Commission in Case Nos. ER-2016-0179, ER-2016-0285, and ET-2016-0246 concerning residential rate design and electric vehicle ("EV") policy, revenue requirements, cost of service, and rate design. I testified before the Kentucky Public Service Commission in Case No. 2016-00370 concerning municipal street lighting rates and technologies. I testified before the Massachusetts Department of Public Utilities in Case Nos. DPU 17-05 and DPU 17-13 concerning EV charging infrastructure program design and cost recovery. Before the Rhode Island Public Utilities Commission, in case 4780, I testified concerning Advanced Metering Infrastructure and EV charging infrastructure. Before the Delaware Public Service Commission, I testified regarding EV charging infrastructure in case 17-1094. I testified before the Georgia Public Service Commission in Case No. 4822 concerning PURPA avoided cost. I testified before the Colorado Public Utilities Commission in Cases No. 20A-0204E and 20A-195E concerning cost recovery for EV charging infrastructure. I also testified before the Minnesota Public Utilities Commission in Case No. 22-432 regarding EV charging rate design.

I have also testified as an expert witness on behalf of the State of Michigan before the Federal Energy Regulatory Commission ("FERC") in cases relating to the relicensing of

hydro-electric generation and have participated in state and federal court cases on behalf of the State of Michigan, concerning electricity generation matters, which were settled before trial.

Q. What is the purpose of your testimony?

A. I am testifying on behalf of MEC, NRDC, SC, and CUB regarding Consumers Energy's performance, particularly with respect to reliability and residential rates, return on equity, strategy to improve reliability, deferrals and unconventional ratemaking mechanisms, investment recovery mechanism, electric vehicle charging infrastructure and Consumers Energy's fleet electrification, and property tax refunds.

Q. Are you sponsoring any exhibits?

A. Yes, I am sponsoring the following exhibits:

Exhibit MEC-1:	Resume of Douglas B Jester
Exhibit MEC-2:	Causes and Affected Components in Distribution System Outages
Exhibit MEC-3:	Consumers Energy discovery responses regarding line clearing cycles (MNSC-CE-0235, MNSC-CE-0236, MNSC-CE-0239, MNSC-CE-0242)
Exhibit MEC-4:	Consumers Energy discovery response U-21224 MNSC-CE-0691
Exhibit MEC-5:	Workpapers BJV-5 and BJV-8

II. OVERVIEW OF CASE

Q. Please summarize the present case.

A. The essentials of this case are summarized by Consumers Energy's witness Heidi J. Myers or presented in the Company's Application. Table 1 of her testimony[1] summarizes the jurisdictional rate relief requested by the Company as $216 million in the projected test year of March 1, 2024 through February 28, 2025. Of this amount, $102 million is due to projected increases in investment (rate base) directly included in this case, $6 million is due to projected investments that the Company proposes to recover through an Investment Recovery Mechanism, $87 million is due to a proposed increase in the cost of capital, $14 million is due to an increase in operations and maintenance ("O&M") expenditures, increased sales are projected to offset revenue requirements by $2 million, and an additional $9 million is requested through a surcharge to recover deferred distribution costs authorized in Case No. U-20963.

This increase in revenue presented in witness Myers' Table 1 is approximately 4.7% above the revenue expected from continuation of the rates currently in use, with class revenue increases of 3.3% for residential customers, 8.9% for secondary commercial customers, 2.2% for primary customers, 22% for lighting customers, and 3% for self-generation customers.[2]

Consumers Energy attributes much of the projected increase in rate base and O&M to its efforts to improve system reliability and enhance distribution system technology.[3] The

[1] Direct Testimony of Heidi J. Myers, 5:12.

[2] Application, Attachment A.

[3] Application, p. 3, paragraph 8.

Company attributes the increase in O&M spending to ramping up tree trimming of their low-voltage distribution circuits.[4] Some of the proposed distribution investments are to undertake a pilot project to underground selected overhead lines, with an associated deferred accounting request for undergrounding in excess of the proposed pilot.[5]

In addition to the revenue request summarized above, the Company requests a surcharge for demand response programs[6] that is not included in witness Myers' Table 1. Revenue requested through that surcharge totals $56.835 million but for a $(10,046) reconciliation of an accrued demand response regulatory liability that reduces the demand response revenue requirement to $46.789 million of jurisdictional revenue.[7] This proposed surcharge increases the requested revenue above that shown in Table 1 to $273 million, or an increase in total jurisdictional revenues of 5.7% with associated increases in the percentage revenue increase of each customer class.

Consumers Energy further proposes authority for several deferrals in this case, including a "Symmetrical Performance Incentive Mechanism" for service restoration costs that could result in future incremental revenue requirements or refunds,[8] a Defined Benefit/Other Post-Employment Benefits ("OPEB") Volatility Mechanism that could result in future incremental revenue requirements or refunds,[9] an Uncollectible Deferral/Refund

[4] Application, p. 4, paragraph 9.

[5] Application, p. 5, paragraph 11.

[6] Application, p. 8, paragraph 22.

[7] Exhibit A-81.

[8] Direct Testimony of Heidi J. Myers, 9:10-18.

[9] Application pp. 8-9, paragraph 23.

Mechanism,[10] continuation of the deferral of excess expenditures for New Business, Demand Failures, and Asset Relocation initiated in Case No. U-20963,[11] potential deferral of undergrounding expenditures in excess of the proposed pilot project referenced above,[12] and deferral of certain expenditures in its Electric Vehicle ("EV") programs.[13]

In addition to the request for deferral of certain EV expenditures, the Company proposes certain changes to its Electric Vehicle ("EV") programs, including converting elements of its EV charging pilot projects to permanent programs.[14]

III. CONSUMERS ENERGY'S PERFORMANCE - GENERALLY

Q. What is the relevance in this case of Consumers Energy's performance?

A. A respected paper on this subject states:

> …some describe the role of regulation as "balancing" the interests of shareholders and consumers. A balance presumes opposition of interests. But customers' and shareholders' legitimate interests – reasonable prices, reasonable returns, satisfied customers, and satisfied shareholders – are consistent and mutually reinforcing. High quality performance and efficient consumption benefit multiple interests: consumers, shareholders, bondholders, employees, -- the environment and the nation's infrastructure. What regulation must balance is not competing private interests but competing components of the public interest – e.g., long-term vs short-term needs, affordable rates vs efficient price signals, environmental values vs global competitiveness.
>
> …Universal, reliable, safe service at reasonable rates doesn't happen by itself. In short, regulation is necessary to align private behavior with the public interest.

[10] Application pp. 8-9, paragraph 23.

[11] Application p. 9, paragraph 24.

[12] Application p. 5, paragraph 11.

[13] Direct Testimony of Jeffrey A, Myrom, 9:2-4.

[14] Application p. 6, paragraph 16.

> Regulation defines standards for performance, then assigns consequences, positive and negative, for that performance. The purpose of regulation is performance.[15]

Consumers Energy's overall performance is relevant in judging whether its proposals are reasonable and prudent, and particularly in drawing attention to those aspects of this case that should be most carefully scrutinized. The Commission may also consider overall performance when it authorizes a level of return on equity, as a positive or negative consequence of Consumers Energy's performance.

Q. What are the most important metrics to consider when evaluating Consumers Energy's performance?

A. Former Governor Snyder identified these as Adaptability, Reliability, Affordability, and Protection of the Environment. Adaptability is an attractive consideration, but I am not aware of any metrics that are systematically reported and allow a comparison of the adaptability of utilities. Reliability, Affordability, and Protection of the Environment contain most of components of the public interest that concern electric utilities. A report was published by the Citizens Utility Board of Michigan in 2022, which was prepared by me and my staff at 5 Lakes Energy and undertakes such comparisons between states and between Michigan utilities based on 2020 data.[16] We are currently preparing a similar report based largely on 2021 data (these delays between the year on which we report and the publication date reflect lags in reporting of relevant data by the US Department of Energy's Energy Information Administration and the US Bureau of the Census).

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[15] Hempling, S. Regulating Public Utility Performance: The Law of Market Structure, Pricing and Jurisdiction. American Bar Association Section of Environment, Energy, and Resources. 2013.

[16] Citizens Utility Board of Michigan, Utility Performance Report – 2022 Edition, available at https://www.cubofmichigan.org/utility_performance_report_2022_edition.

Q. Please summarize your assessment of Consumers Energy's performance?

A. Since Consumers Energy serves approximately 35% of electricity delivered to Michigan residents and businesses, its performance is reflected in Michigan's overall performance. Put simply, Michigan and Consumers Energy's performance is somewhat below median in all respects except the level and cost-effectiveness of its energy efficiency programs. It is particularly poor in reliability and its residential rates are high.

Consumers Energy's pollution emissions are high primarily due to its continuing reliance on fossil-fueled generation, which has been addressed in Consumers Energy's Integrated Resource Plan, Case No. U-21090; I will therefore not testify further about Consumers Energy's emissions in this case.

I further address Consumers Energy's reliability and residential rates below.

IV. CONSUMERS ENERGY'S RELIABILITY

Q. Please summarize Consumers Energy's reliability.

A. Generally, Consumers Energy's distribution reliability is amongst the worst in the country. The US Department of Energy's Energy Information Administration ("EIA") requires electric utilities to file various reports, including Form 861. Form 861 annually provides a number of statistics for each electric utility for each state in which it operates. The most recent complete EIA compilation of Form 861 data covers the year 2021.[17] In the 2021 data, there were 174 investor-owned electric utility ("IOU") – state service territories that reported reliability data to EIA.

[17] EIA has complied an early release of these data, which does not include some utilities, and cautions against aggregating those data.

The most comprehensive reliability statistic included in Form 861 is the System Average Interruption Duration Index ("SAIDI"), which is the average minutes of outage the utility's customers experienced during the year. Consumers Energy in Michigan had SAIDI of 911.2 minutes per customer in 2021. This was 17th highest amongst the IOU-state service areas in the United States.

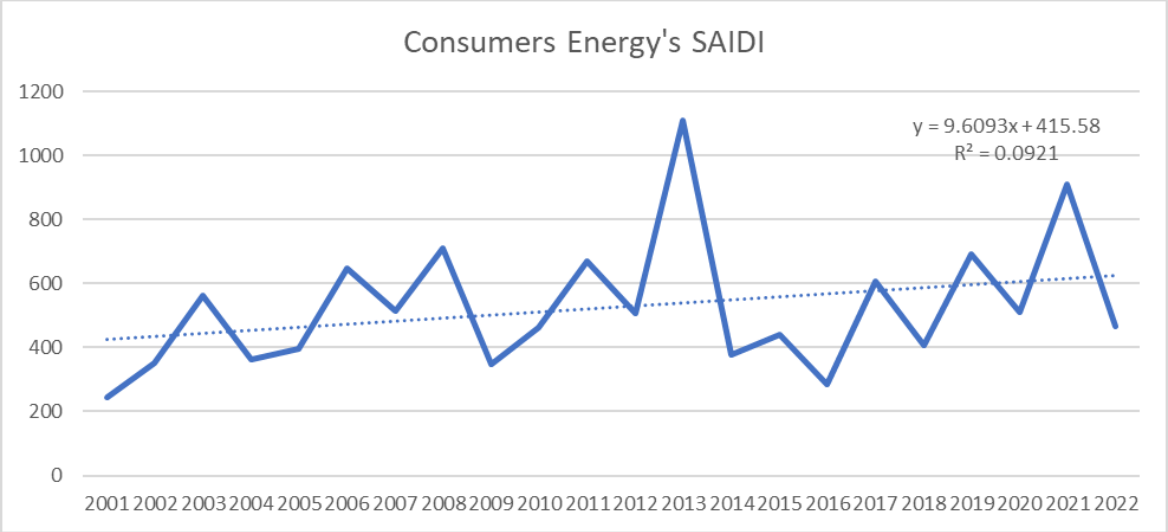
Form 861 also includes the System Average Interruption Frequency Index ("SAIFI"), which is the average number of power interruptions per customer over the year, excluding momentary interruptions of less than 5 minutes duration. Consumers Energy in Michigan had SAIFI of 1.60 outages per customer in 2021. This was 58th highest amongst the IOU-state service areas in the United States.

Form 861 also includes the Customer Average Interruption Duration Index ("CAIDI"), which despite its name is the average duration of a customer outage per outage occasion, which has the algebraic relationship that SAIDI = SAIFI * CAIDI. Consumers Energy in Michigan had CAIDI of 569 minutes per customer outage in 2021. This was 8th highest amongst the IOU-state service areas in the United States.

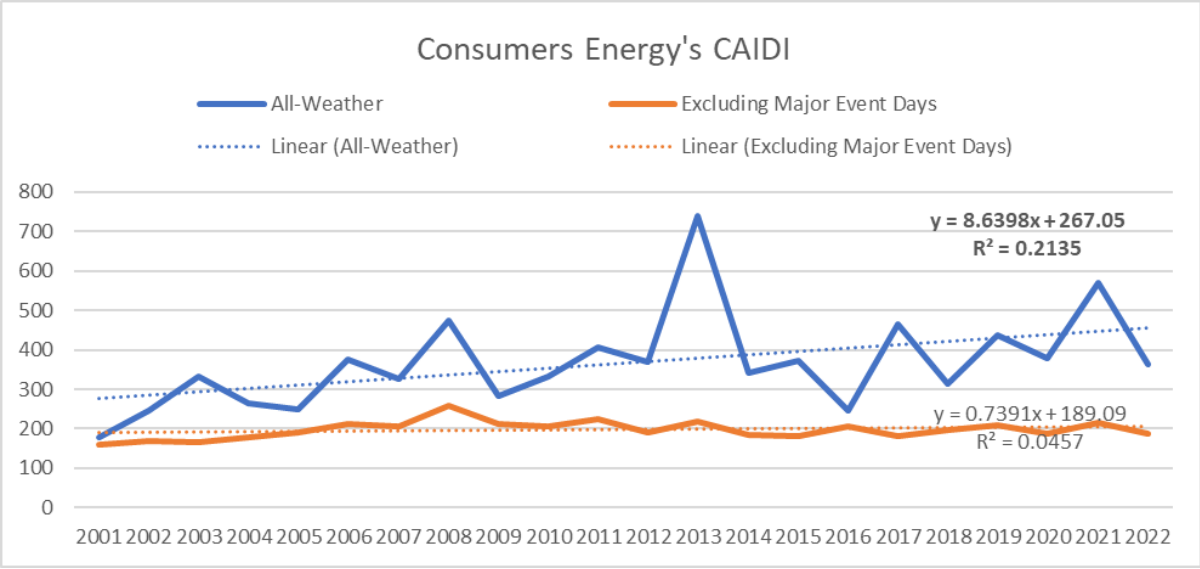
Q. Is Consumers Energy's reliability problem a recent development?

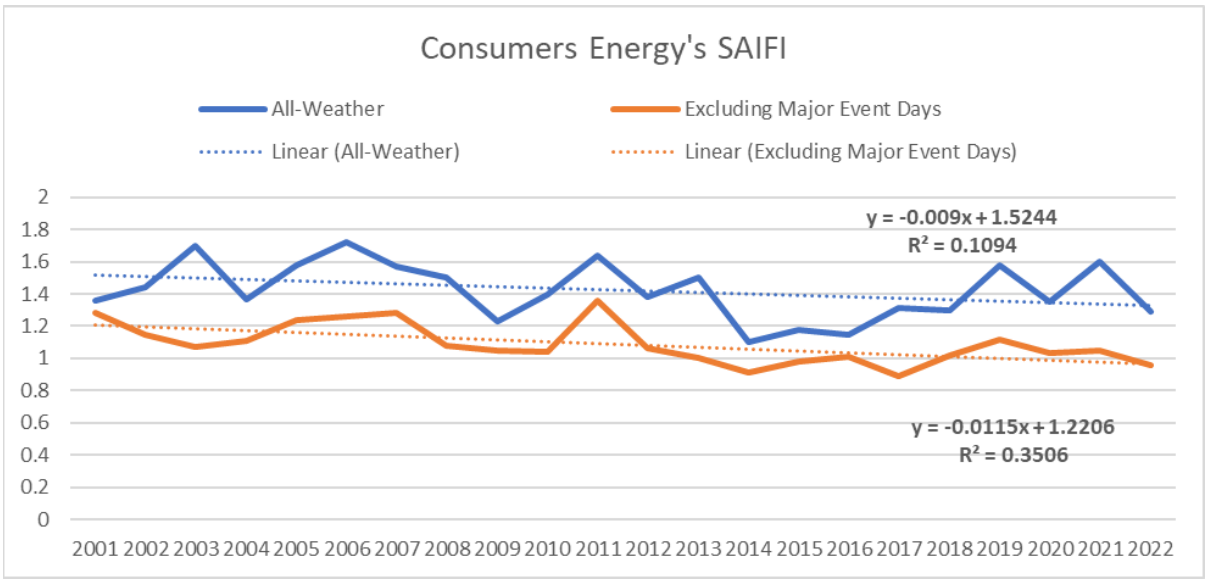
A. No. The Commission has required Consumers Energy to report SAIDI, SAIFI, and CAIDI annually in the docket for Case No. U-12066. I prepared the following graphs illustrating those data.

The graph below shows that Consumers Energy's SAIDI has not changed much since 2001, though there are significant variations between years. There is an upward trend that is not statistically significant.

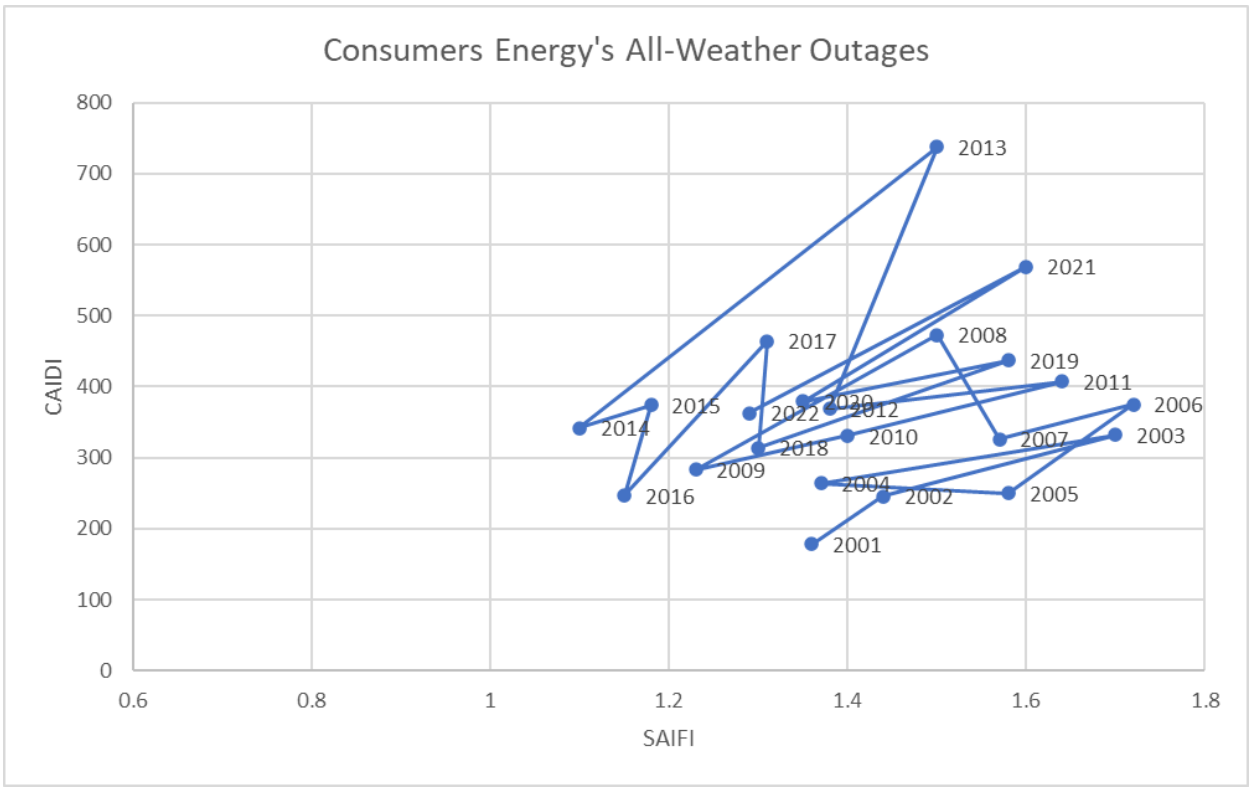


The following graphs show that Consumers Energy's CAIDI excluding major event days has not changed much since 2001 but there has been increasing when considering all weather conditions. There has been a slight downward trend in SAIFI including all weather conditions and when excluding major event days



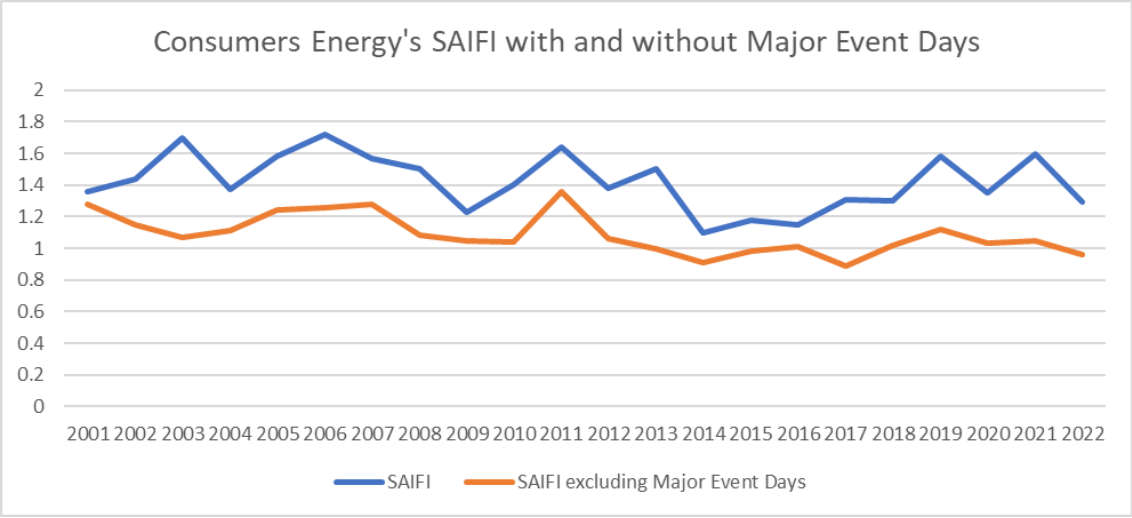


Since SAIFI and CAIDI are not statistically independent, with both tending to be larger due to storms, it is also useful to consider how they have evolved over time as shown in the following graph. This graph shows that, excluding 2013, Consumers Energy's SAIFI and SAIDI have generally randomly within the same general zone.

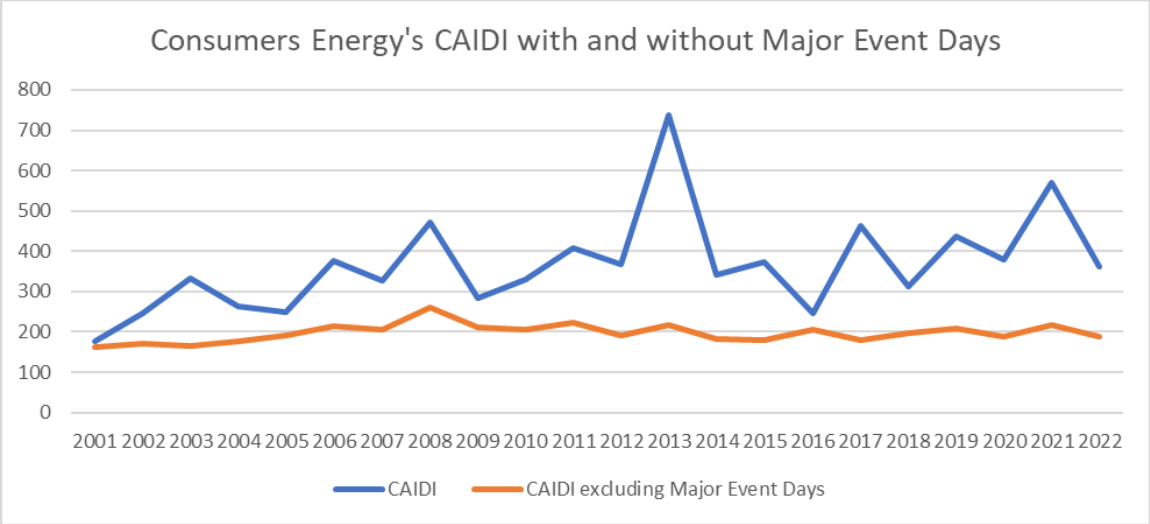


Q. How important are storms in Consumers Energy customers' outage experiences?

A. Storms are a significant aspect of the outages experienced by Consumers Energy customers. The Commission is well aware of this, having opened numerous dockets to review storm response. This can also be seen statistically. In addition to requiring utilities to report SAIDI, SAIFI, and CAIDI, the EIA also allows them to report these statistics excluding Major Event Days. Major Event Days are calendar days during which more than 10% of a utility's customers experience an outage, so are typically days with significant storms. Because the exclusion of Major Event Days only excludes outages on the Major Event Day and does not exclude outages that are ongoing during the restoration process following a Major Event Day, CAIDI and SAIDI excluding Major Event Days nonetheless include significant storm outages. SAIFI, however, is reported based on the day the outage began so that SAIFI excluding Major Event Days includes only more modest storms and non-storm outages. The following graph illustrates that SAIFI and SAIFI excluding Major Event Days has been relatively stable and perhaps decreasing, and that the difference between these reflecting the frequency of outages starting on Major Event Days has also been relatively stable.



The next graph shows that Consumers Energy's CAIDI excluding Major Event Days has been relatively stable while all-weather CAIDI has worsened. This pattern suggests that Consumers Energy's recent efforts to improve reliability may have marginally improved outage frequency but that restoration following storm outages continues to be problematic and is worsening.



Q. What do you conclude about Consumers Energy's reliability problem?

A. Consumers Energy's reliability is poor and has been persistently so. It has long had particularly bad performance in outage restoration. Outage restoration, particularly after storms, appears to be worsening. The frequency of outages may have improved, but only marginally, and not with any statistical significance.

V. CONSUMERS ENERGY'S RESIDENTIAL RATES

Q. Please summarize Consumers Energy's residential rates.

A. Rate designs vary between utilities and states, based on a variety of considerations. It is therefore both impractical and of limited value to compare detailed rates. Rather, it is helpful to consider the cost of electricity to residential customers, calculated as the total

revenue from residential customers divided by the electricity delivered to residential customers. I obtained 2022 Form 861M (the monthly version of Form 861 referenced earlier), which does not contain all of the statistics from Form 861 but does include sales, revenue, and customer count by month from each reporting utility. I calculated annual revenue from and sales to residential customers for each investor-owned utility – state service area and calculated the ratio of these to obtain electricity cost to residential customers per kWh. Data are available for 144 service areas of investor-owned utilities. I then ranked these utility service areas by residential cost per kWh and calculated the percentile of customers with residential electricity cost less than or equal to the cost for each utility. In 2022, Consumers Energy customers paid electricity costs of 18.11 cents per kWh, which was the 71.8th percentile of investor-owned utility residential customers in the United States. Almost all IOUs with higher residential electricity cost are in Hawaii, Alaska, California, and New England. In EIA's East North Central Division, which includes Ohio, Michigan, Indiana, Illinois, and Wisconsin, only Upper Peninsula Power Company and DTE Electric had higher residential electricity cost in 2022 than did Consumers Energy. The national average residential cost of electricity was 15.47 cents per kWh, so Consumers Energy customers paid 17% above the national average rate..

Q. What does Consumers Energy propose to be the cost of residential electricity in this case?

A. I summed the projected MWh sales and proposed revenue for all of the residential rate schedules in Exhibit A-16 Schedule F3 to determine the average residential cost proposed by DTE in this case. DTE proposes that the average residential customer pay 18.56 cents per kWh in the projected test year. Other investor-owned utilities will increase rates

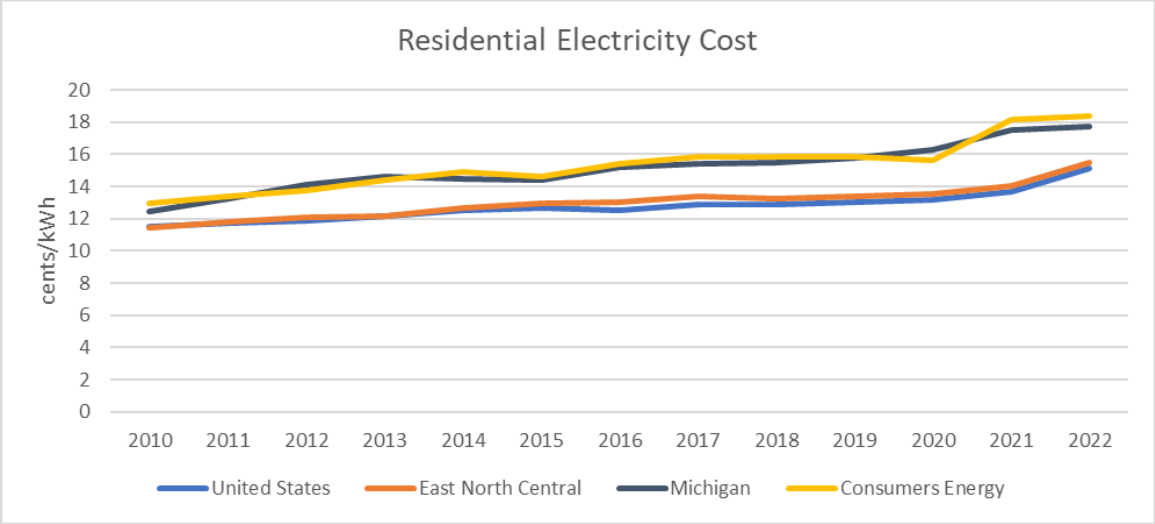
between 2022 and the projected test year, so the percentile placement of Consumers Energy's residential customers in the projected test year is unknown. In 2022, this proposed cost per residential kWh would have been in the 77.3th percentile.

Q. Is Consumers Energy's high residential cost of electricity a recent development??

A. No, it is an accumulating problem. I extracted Consumers Energy customer cost per kWh from annual Form 861 data for 2010 through 2022, and obtained averages for the United States, the EIA East North Central Division, and for Michigan from the EIA Electricity Data Browser[18] for the same years. The Electricity Data Browser uses Form 861 data for these same statistics, so these are comparable, but the Electricity Data Browser does not provide data by individual utility.

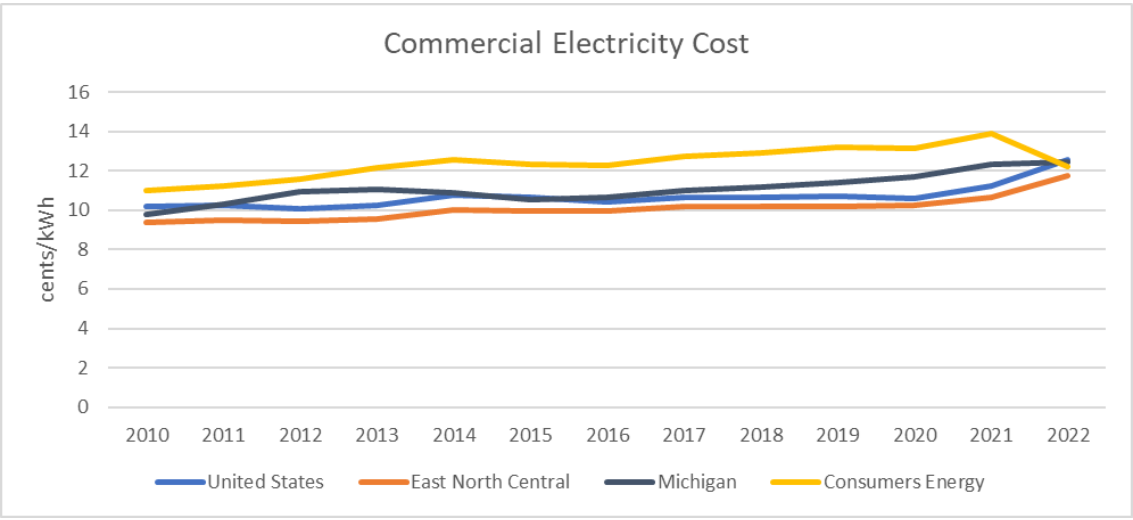
The following graph shows Consumers Energy residential electricity cost per kWh compared to the United States, East North Central Division, and Michigan from 2010 through 2022.

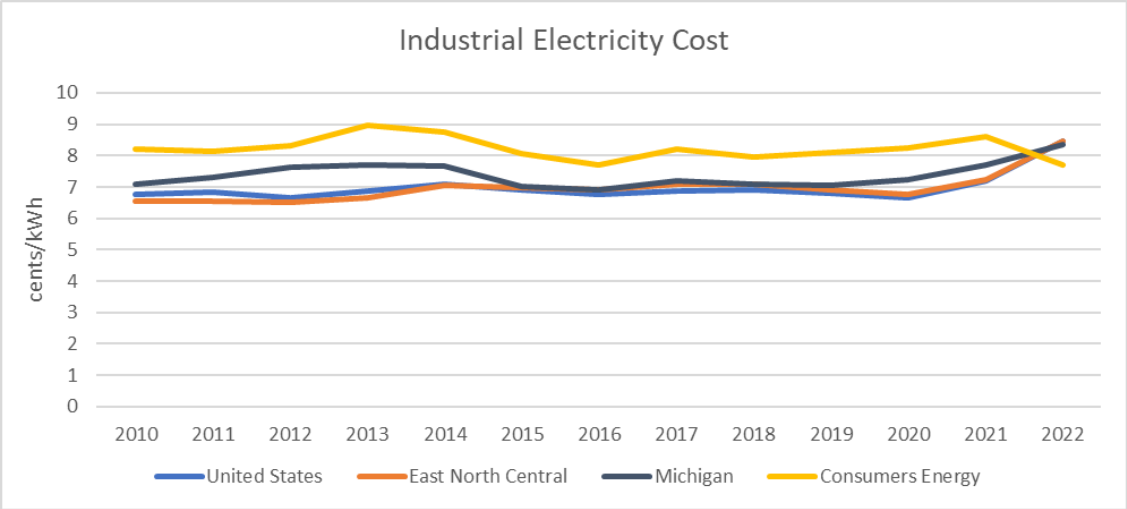
[18] See https://www.eia.gov/electricity/data/browser/#/topic/7?agg=0,1&geo=i0004&endsec=u&linechart=ELEC.PRICE.US-ALL.A&columnchart=ELEC.PRICE.US-ALL.A&map=ELEC.PRICE.US-ALL.A&freq=A&start=2010&end=2022&ctype=linechart&ltype=pin&rtype=s&pin=&rse=0&maptype=0.



Although not shown here, Michigan, hence presumptively Consumers Energy, residential electricity costs were below national average from 2000 until 2009. Thus, Consumers Energy residential electric rates have been consistently increasing faster than national and regional residential costs.

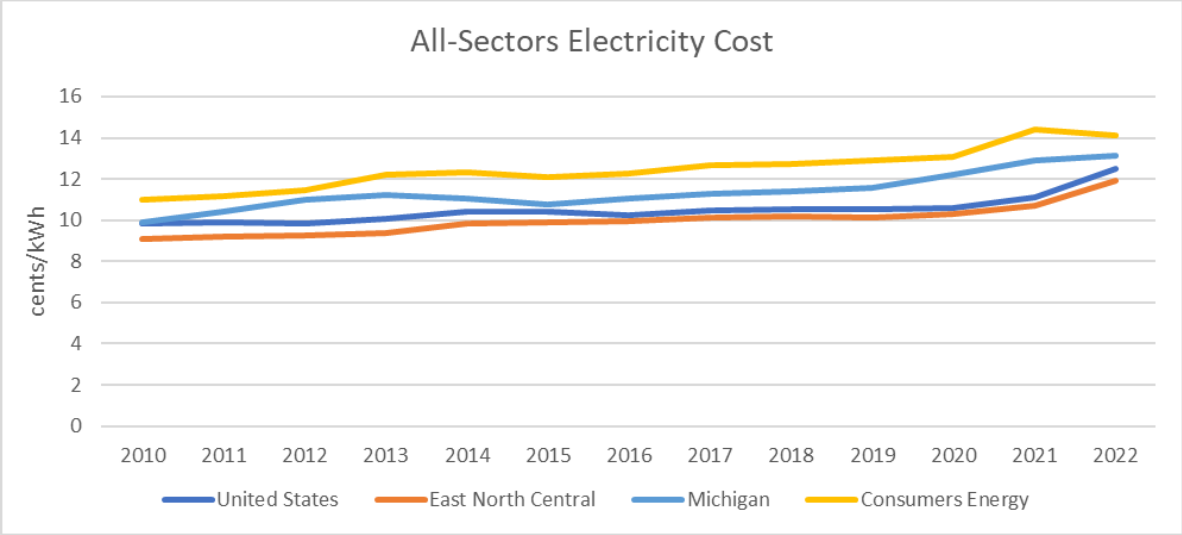
In contrast, Consumers Energy commercial electric costs and industrial electric costs have been increasing in line with national and regional costs and have moved relatively downward in 2022.





Q. What is the cause of Consumers Energy's high residential electricity costs per kWh?

A. Residential electricity costs per kWh are, tautologically, the utility's total revenue requirement, multiplied by the share of those costs allocated to residential customers, divided by residential sales. The following graph illustrates that Consumers Energy had somewhat higher costs per kWh sold to all sectors in 2010 than the Michigan and national averages, which were nearly identical, and also higher than the average for the East North Central Division. Since then, Consumers Energy and Michigan costs per kWh for all sectors have increased materially faster than national and East North Central costs per kWh for all sectors.



Over that same period, Consumers Energy and Michigan industrial and commercial costs per kWh have remained close to national and East North Central Division costs, while Consumers Energy and Michigan residential costs per kWh have increased faster than national and East North Central residential costs per kWh. It is clearly the case that Consumers Energy costs per kWh have increased faster than the national average and that those costs have been allocated disproportionally to residential customers. Consumers Energy has maintained the affordability of electricity for its industrial and commercial customers, while deteriorating affordability for residential customers. This must either be due to Consumers Energy's cost increases being in categories that are disproportionately allocated to residential customers or that Consumers Energy allocates an unusual share of costs to residential customers, or both.

Q. What is driving Consumers Energy's high increase in costs per all-sectors kWh?

A. Consumers Energy's revenue requirements are determined in the usual fashion of cost-of-service regulation. Operating expenses are passed through, and capital investments are recovered over time through depreciation, but the undepreciated value of capital

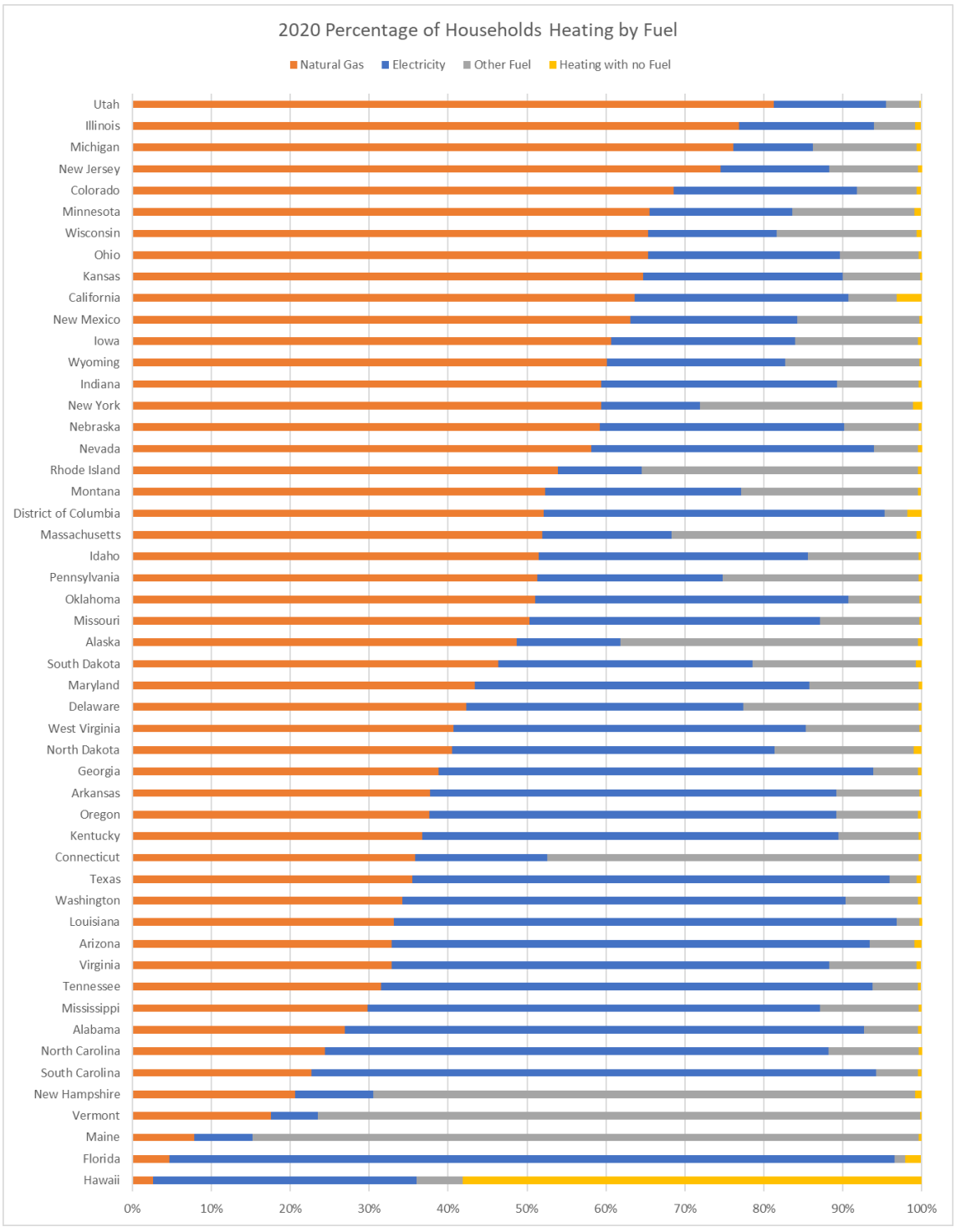
investments earns "return on capital". Higher depreciation increases near-term revenue requirements but reduces future revenue requirements by reducing the amount of net capital in use by the utility. "Return on capital" is determined as a weighted sum of accumulated deferred income tax at no cost, debt at actual interest rates, and equity with a return on equity determined by the Commission. Thus, in an accounting sense, the ratios of operating expenses to sales, the ratio of plant to sales, a low ratio of accumulated depreciation to plant, or a high return on capital must in aggregate explain Consumers Energy's high cost per all-sectors kWh. To my knowledge, this analysis has not previously been done. Doing so is a current project of my firm, but the work will not be completed timely for use in this case.

We do know that Consumers Energy has long received a higher return on equity than the average for investor-owned electric utilities, due to what stock analysts have deemed the Commission's longstanding "constructive" approach to regulation; I discuss this below. It is also well-established that high returns on capital induce inefficient additional capital investment.[19]

Q. Michigan utilities often say that residential electricity bills in Michigan are relatively low. Is that consistent with your claim that cost per kWh is high?

A. Yes, but it does not justify Consumers Energy's high residential rates. A very large proportion of Michigan residents use natural gas for space and water heating, which reduces average electricity consumption compared to other places. The following graph based on data from the US Census Bureau American Community Survey illustrates this.

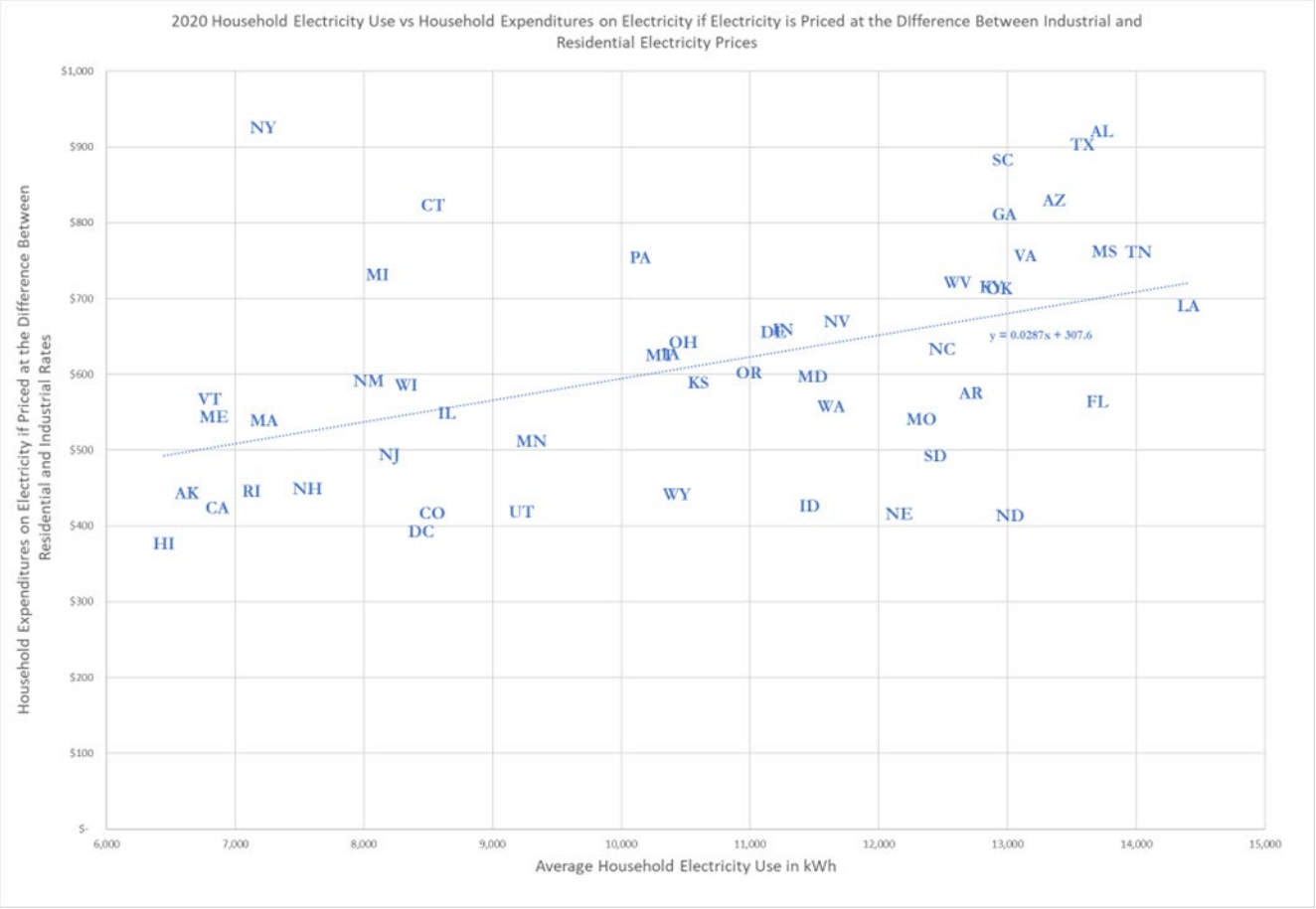
[19] Averch, H.; Johnson, L. 1962. Behavior of the Firm Under Regulatory Constraint. American Economic Review 52(5) 1052-1069.



This makes simplistic comparisons of residential electric utility bills across places irrelevant.

Q. Utilities have costs that do not vary with kWh delivered per customer, which could cause costs per kWh to be high. Does that explain Consumers Energy's high cost per kWh?

A. No. Power production costs vary geographically due to varying availability of generation resources, with Hawaii, Alaska, and New England having particularly high generation costs. Overall residential bills and rates include both this effect and costs of distribution. Since industrial rates generally contain primarily generation and transmission costs, the difference between residential rates and industrial rates is a good proxy for distribution costs. The following graph shows for each state in 2020 the average residential annual electric utility bill less the cost of supplied power at industrial rates, vs the average annual kWh delivered to residential customers. It is obvious that Michigan utilities have a much higher cost of distribution than do most other states with similar average household electricity use. The difference between Michigan distribution costs and the trendline of distribution costs at the same level of average household electricity use (exemplified by New Mexico, Wisconsin, Illinos, New Jersey, Colorado and the Districit of Columbia) is approximately $200 per year. It is particularly notable that Wisconsin, which is likely the State most similar to Michigan in vegetation and weather, has annual residential distribution costs approximatley $130 less per household than does Michigan.

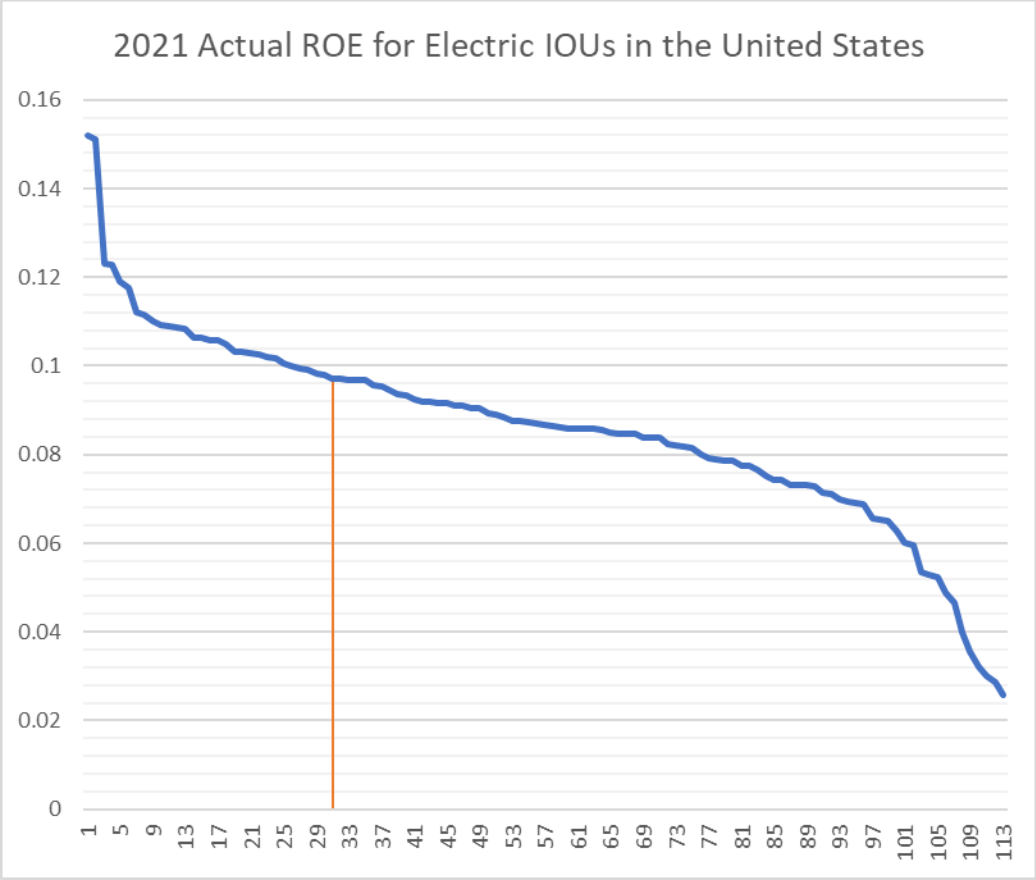


VI. CONSUMERS ENERGY'S RETURN ON EQUITY AND COST OF CAPITAL

Q. How high has Consumers Energy's ROE been compared to other utilities?

A. I obtained FERC Form 1 data from all investor-owned utilities in the United States from 2010 through 2021. 2022 data are not yet complete. I excluded utilities lacking retail customers and determined actual ROE for all 114 utilities with retail customers and filed Form 1 for 2021. Consumers Energy's actual ROE was 9.72%, which was the 31st highest amongst these utilities. This realized ROE was below the 9.9% authorized ROE for Consumers Energy, which would have been 28th amongst these utilities. The following graph shows the distribution of ROEs of these utilities cumulatively from the right. Rank from highest to lowest ROE is shown across the horizontal axis, so the highest ROE

reported is on the left side of the graph and the lowest is on the right side of the graph. The vertical line at rank 31 identifies Consumers Energy.



The median actual ROE of IOUs with retail customers in 2021 was 8.69%.

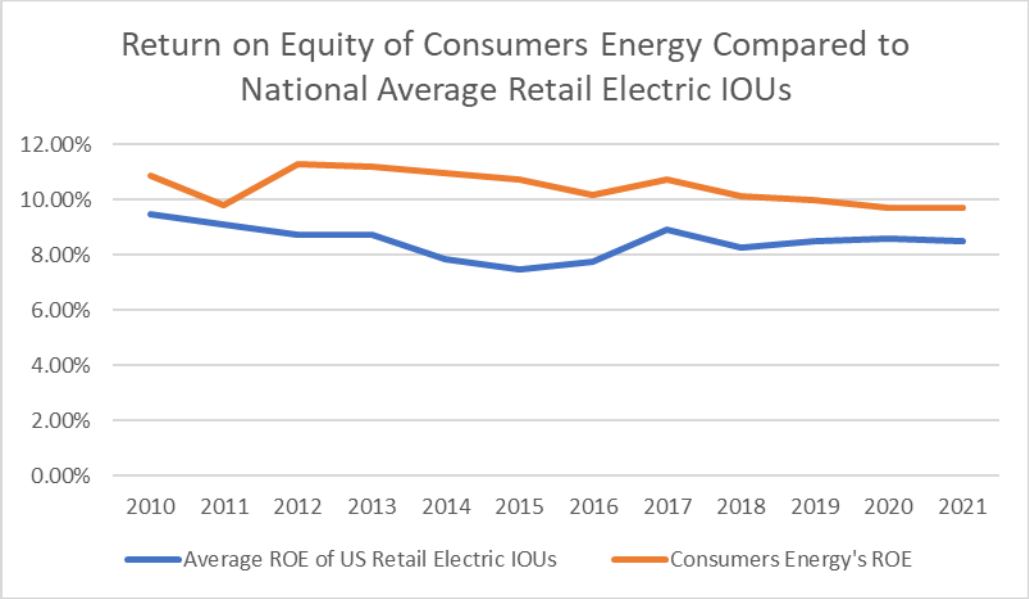
Q. In economic theory, ROE should vary with the equity share of utility financing. Is that a consideration here?

A. I used the same FERC Form 1 data to determine the weighted average returns to permanent capital, incorporating net income, preferred stock dividends and interest on long-term debt as the returns to permanent capital, divided by the sum of common equity, preferred stock, and long-term debt. Consumers Energy's 2021 actual return to permanent capital was 6.58%, which was the 53rd highest amongst these utilities. The median actual return to

permanent capital of IOUs with retail customers in 2021 was 6.41%. Had Consumers Energy achieved its authorized ROE in 2021, it would have ranked 47th with weighted average return to permanent capital of about 6.67%.

Q. Is this a long-standing pattern or specific to 2021?

A. It is a long-standing pattern, though the commission has recently begun bringing Consumers Energy's ROE closer to the national average. As a simple illustration of this, the following graph displays Consumers Energy's actual ROE for each year from 2010 through 2021 and the average actual ROE for all IOUs reporting on FERC Form 1 in each of those years that had retail customers. The national average ROE in 2021 was 8.5%, in contrast to Consumers Energy's 9.72%



Q. What do you conclude about Consumers Energy's return on capital?

A. The Commission has been generous with Consumers Energy, authorizing ROE and cost of permanent capital well above the returns obtained by most other utilities across the United States. And, the Commission has done so despite Consumers Energy's poor performance

on the major metrics of electric utility performance. It is particularly important to note that one of the ways in which Consumers Energy performs poorly is rates, which are made higher by high ROE.

Q. How should the Commission respond to this evidence?

A. The Commission should further lower Consumers Energy's ROE until it is commensurate with Consumers Energy's performance. Since Consumers Energy's performance is below median for investor-owned utilities, its ROE should be below median for investor-owned utilities. An ROE at or below the national average of about 8.5% would be just and reasonable.

VII. HOW THE COMMISSION SHOULD APPROACH THIS CASE

Q. In light of your preceding analysis, how should the Commission approach this case?

A. The Commission should focus on the two objectives of improving Consumers Energy's distribution reliability and reducing Consumers Energy's high residential rates.

Q. How can the Commission make progress on both of these objectives when it appears that improving distribution reliability requires additional spending?

A. To improve affordability for Consumers Energy's customers, the Commission must demand that Consumers Energy take a more austere approach to spending than it proposes. Lowering Consumers Energy's return on capital would also incent greater capital discipline in their spending.

To improve reliability in the context of a focus on affordability, the Commission should support those spending categories that are clearly important and beneficial to improving reliability, disallow those that are less cost-effective to improve reliability, and use its

ability to structure regulatory incentives to focus Consumers Energy on cost-effective improvements in reliability.

VIII. RELIABILITY IMPROVEMENT STRATEGY

Q. What spending categories are clearly important and beneficial to improving Consumers Energy's electricity reliability?

A. First, it is important to fully understand the distribution system components whose failures cause outages, and the causes of their failures. To gain a more detailed understanding of this than provided in Consumers Energy's testimony, I obtained through discovery a spreadsheet[20] consisting of one row for each outage during calendar years 2018 through 2022. For each such outage, this spreadsheet provided the outage start time, outage end time, duration in minutes, Consumers Energy work headquarters name, feeder ID, number of customers interrupted, the distribution system component that failed, the Consumers Energy "cause", and whether the outage occurred on a Major Event Day.

The distribution system components identified by Consumers Energy as failed for these outages included "Dist Trf" and Distribution Transformer, which I took to have the same meaning, so I converted all "Dist Trf" to Distribution Transformer. Similarly, the Company switched from using the category "Sub Trf" to using the category "Substation Transformer, so I relabeled al "Sub Trf" cases as "Substation Transformer" cases. I also noted that the category "Misc Hardware" was used and the category "Misc OH Hardware" was not through June 4, 2022 and that after that "Misc OH Hardware" was used and the category "Misc Hardware" was not used; I concluded that these two categories had the same

[20] Spreadsheet U21389-MNSC-CE-0184-Kelly-ATT_1 in response to discovery request MNSC-CE-0184.

meaning and converted all to "Misc OH Hardware" to contrast with the Company's category "Misc UG Hardware" which was used throughout the period 2018 through 2022. On or about the same date, the Company ceased use of the category "Metro Equip" and began using "Metro UG Equipment", so I converted all "Metro Equip" to "Metro UG Equipment". On or about the same date, the Company ceased using the category "UG Equip" and began using "UG Equipment", so I relabeled all "UG Equip" as "UG Equipment". Although there was not the same clear change date, I similarly combined the categories "None" and "Null" as semantically equivalent. There were similar changes in the labeling of overhead conductor and underground conduction, each of which was further subdivided in category names according to the material of which the conductor was made. For purposes of my analysis, I combined all overhead conductor categories as "OH Conductor" and all underground cable categories as "UG Cable".

I similarly combined outage cause categories "None" and "NULL", of which there was only one each into the category "No Specific Cause Found". For purposes of my analysis, I combined the causes "Trees" and "Trees – Outside ROW".

I also computed the contribution of each outage to customer outage minutes by multiplying the outage duration and the number of customers interrupted and the customer outage minutes for those outages exceeding 24 hours duration.

In total, these outage events numbered 270,023, causing 13,095,173 customer outages, with customer outage minutes totaling 6,400,486,863 minutes, and with customers who experienced outages lasting more than 24 hours experiencing 3,120,690,035 customer outage minutes including the first 24 hours of such outages. Of these outages, 51,052 began on Major Event Days, causing 3,544,239 customer outages, with customer outage minutes

totaling 4,185,845,582, and with customer who experienced outages lasting more than 24 hours experiencing 2,892,239,661 customer outage minutes including the first 24 hours of such outages.

Q. What did you observe in these data?

A. I present these data in Exhibit MEC-n (DJ-2).

First, I note that 38.6% of outage events, constituting 36.8% of customer interruptions and 32.1% of customer outage minutes, have no distribution system component assigned. It seems implausible that repairs could be made to restore service without the Company knowing what component(s) failed. Unknown causes are understandable; unknown failed components are not. If these events are, for example, outages resolved by simply removing trees that are in contact with wires, then the Company needs to revise its component list to capture that fact and should not allow "none" as a valid value for the failed component in this database. Of those outages identified as not involving any component, 16.2% of total customer outage minutes are attributed to trees affecting the None component, 8.9% of total customer outage minutes are attributed to weather affecting the None component, 2.1% of total customer outage minutes are attributed to the None component and have no specific cause found, 1.4% of total customer outage minutes are attributed to the None component as due to equipment failure. Each of the other causes associated with the None component contributes less than 1% of total customer outage minutes.

Second, failures of overhead conductors are the identified distribution system component that caused the largest share of customer outage minutes, at 24% of total customer outage minutes and 26.8% of customer outage minutes amongst customers experiencing an outage lasting over 24 hours.17.6% of total customer outage minutes are attributed to trees causing

failure of an overhead conductor, 4.0% of total customer outage minutes are attributed to weather causing failure of an overhead conductor, and 1.2% of customer outage minutes are attributed to equipment failure of overhead conductor.

Third, fuses are the identified distribution system component that caused the second largest share of customer outage minutes, at 9.9%. 5.5% of total customer outage minutes were attributed to fuse failures caused by trees, and 2.5% of total customer outage minutes were attributed to fuse failures caused by weather. Less than 1% of total customer outage minutes were attributed to any other cause of fuse failures.

6.7% of total customer outage minutes were attributed to miscellaneous overhead hardware failures, with 4.0% of total customer outage minutes attributed to failure of miscellaneous overhead hardware caused by trees and 1.6% of total customer outage minutes attributed to failure of miscellaneous overhead hardware caused by weather. No other cause of miscellaneous overhead hardware caused as much as 1% of total customer outage minutes.

6.4% of total customer outage minutes were attributed to wood poles, with 3.2% of total customer outage minutes attributed to wood poles failing because of trees, 1.2% of total customer outage minutes attributed to wood poles failing because of weather, and 1.1% of total customer outage minutes attributed to car/pole accidents. No other cause of wood pole failure was attributed more than 1% of total customer outage minutes.

4.2% of total customer outage minutes were attributed to events affecting multiple distribution system parts, with 2.1% of total customer outage minutes attributed to failure of multiple distribution system parts caused by trees, 1.4% of total customer outage minutes attributed to failure of multiple distribution system parts caused by weather.

3.7% of total customer outage minutes were attributed to crossarm failure, with 2.4% of total customer outage minutes attributed to crossarm failure caused by trees and no other cause of crossarm failure contributing more than 1% of total customer outage minutes.

3.5% of total customer outage failures were attributed to "other" components, with 1.4% of total customer outage minutes due to failure of "other" components caused by trees and 1.1% of total customer outage minutes due to weather causing failure of "other" components.

2.8% of total customer outage minutes were attributed to cutout failure, with 1.3% of total customer outage minutes attributed to cutout failure caused by trees and no other cause of cutout failure attributed more than 1% of customer outage minutes.

No other combination of components and causes was attributed more than 1% of total customer outage minutes. Those combinations of component and cause described above were attributed 80% of all customer outage minutes.

Viewed from the perspective of causes, trees were the attributed cause for 55.1% of customer outage minutes with 53.5% of customer outage minutes caused by trees being included in the combinations of component and cause described above. Weather was the attributed cause for 22.7% of total customer outage minutes, with 20.7% of total customer outage minutes attributed to the component failures caused by weather as described above. 9.4% of total customer outage minutes were attributed to equipment failure and the components affected by that cause to which more than 1.0% of total customer outage minutes were attributed were only None and overhead conductor; all other customer outage minutes caused by equipment failure were broadly spread across a variety of components. 3.5% of total customer outage minutes were attributed as no specific cause found, or which

2.1% of total customer outage minutes were attributed to the component None with no specific cause found; almost all of the remainder of total customer outage minutes for which no specific cause was found involved overhead conductor or fuses.

Q. What do you conclude from the preceding analysis?

A. Aside from my previous comment about the use of None as the affected distribution system component, it appears that for purposes of significantly improving distribution system reliability, the only causes combined with components of importance are the effects of trees and weather on overhead conductor, fuses, miscellaneous overhead hardware, wood poles, multiple part failures, crossarms, and cutouts. These combinations were attributed 70.7% of total customer outage minutes.

The Company has made much of the need to replace old equipment at an accelerated rate. But while equipment failure is attributed as the cause of 9.4% of total customer outage minutes, 2.6% of total customer outage minutes attributed to equipment failure are attributed to the "None" components or to overhead conductor, which is not generally the focus of the Company's equipment replacement efforts. The remaining 6.8% of total customer outage minutes attributed to equipment failure is spread fairly evenly across many types of equipment. The Company's focus on replacing many types of equipment appears misplaced and inefficient.

The outages attributed to fuses are mostly also attributed to trees or weather, suggesting that the fuse failures are due to the fuse functioning as intended when overcurrent is caused by tree contact or conductor motion in wind. A focus on fuses per se appears unjustified.

It appears that the only programs of strategic importance to reduce outages are tree trimming; line inspections addressing conductor, poles, crossarms, cutouts, and other

overhead line equipment; and hardening conductor and perhaps poles against tree and weather damage.

IX. TREE TRIMMING

Q. Please summarize Consumers Energy's tree trimming programs and proposals in this case.

A. Consumers Energy's tree trimming program is discussed in depth by Company witness Bolden, who refers to it as "line clearing".[21] She subdivides line clearing into two programs, addressing the high-voltage distribution system (HVD) and the low-voltage distribution system (LVD). She characterizes the LVD line clearing program as managing vegetation along its primary distribution system and its secondary voltage systems, including service conductors. The Company clears vegetation within a 30-foot-wide right of way for primary voltages to attain a minimum 10 feet of separation between conductors and vegetation at the time of clearing and to maintain accessibility along the right-of-way for maintenance and repair of the line. As part of line clearing, hazard trees, such as dead or dying trees that are within 20 feet of the edge of the right-of-way that are accessible to aerial lift trucks, are removed when not objected to by the property owner.[22] Secondary conductors and services are cleared of tree limbs displacing or rubbing on these conductors.[23] The Company's plan as presented in this case is to ramp up the rate of LVD

[21] Direct Testimony of Pamela L. Bolden.

[22] Bolden Direct, 3:14-21.

[23] Bolden Direct, 5:16-18.

line clearing until one-seventh of the LVD system is cleared annually and then maintain that level of clearing to achieve an effective 7-year clearing cycle.[24]

She characterizes the HVD line clearing program as managing vegetation along the Company's HVD system. This includes clearing vegetation within an 80- to 120-foot-wide right-of-way for these voltages to attain a minimum of 15 feet separation for 46 kV lines and 20 feet of separation for 138 kV lines between conductors and vegetation at the time of clearing. The Company also manages vegetation within the right-of-way for maintenance and repair of the line. The Company identifies and removes hazard trees up to 40 feet from the edge of the right-of-way.[25] The Company currently clears HVD lines on a 4-year cycle.[26]

Q. Do you consider Consumers Energy's line clearing program to be adequate?

A. No, I do not. I consider it likely that the LVD cycle length is too long and that the targeted level of clearance may be inadequate. I have observed that many of Consumers Energy's peer utilities, including DTE Electric and UPPCO, use shorter line-clearing cycles, with 5 years being common. Line-clearing cycle length is particularly important. Transmission and Distribution World published a 2010 paper authored by Siegfried Guggenmoos, President of Ecological Solutions Inc., entitled: "Vegetation Management Concepts and Principles".[27] The foundation of the study is the understanding that the two core factors that are responsible for service interruptions, tree growth (biomass addition) and tree

[24] Bolden Direct, 12:4-9.

[25] Bolden Direct, 4:5-13.

[26] Bolden Direct, 12:10-11.

[27] Guggenmoos, S. *Vegetation Management Concepts,* Ecological Solutions, Inc.

mortality, change by exponential or logarithmic function. As a consequence, "the progression of tree related outages is, necessarily, also exponential".[28]

The author necessarily concluded that "The failure to manage the tree liability leads to both exponentially expanding future costs and tree related outages."[29] Because of the exponential relationship of costs and outages, the impact of underfunding of tree maintenance may be "imperceptible for a time".[30] However, there is a point where "the effect of annual compounding of workload and costs is large".[31] The study found that "At this point, the power of compounding is well under way and **only a very aggressive increase in funding will arrest the trend**."[32]

The Company provided Exhibit A-46 in support of its current cycle lengths. Through discovery, I asked the Company to support its tree trimming practices, including both clearances and cycle length.[33] Crucially, in its responses to discovery request MNSC-CE-0242 regarding Exhibit A-46, the Company states that "[c]ustomer costs of outage are not accounted for in the determination of optimal cycle length in this table; however, the Company continues to take cost to its customers into consideration" and "[a]voided service restoration costs are not accounted for in the determination of optimal cycle length in this table."

[28] *Id.* at p. 3.

[29] *Id.*

[30] *Id.* at p. 5.

[31] *Id.*

[32] *Id.* (emphasis added).

[33] Exhibit MEC-3 consisting of responses to MNSC-CE-0235, MNSC-CE-0236, MNSC-CE-0239, MNSC-CE-0242.

As important as tree-caused outages are in Consumers Energy's system and line clearing is to the level of these outages, it is disconcerting that the Company has not formally optimized its cycle lengths in consideration of the Company's restoration costs and the customers' experienced harms. I further note that in response to a request within MNSC-CE-0242 to provide customer minutes of outages related to the numbers of outage incidents included in Exhibit A-46, the Company's discovery response multiplied the number of outage incidents by the average number of customer outage minutes per outage in their system at the given voltage, apparently not recognizing that trees cause a disproportionate share of long-duration outages and that it is very likely that longer line clearing cycles mean that access to lines to restore service are likely longer and involve more work when tree clearing must precede actual restoration work.

Simply as a matter of mathematics, consideration of cycle length when costs such as customer outage costs and restoration expenses that increase with cycle length will lead to a shorter optimum cycle than will result from an analysis that ignores those costs.

Q. What do you recommend to the Commission regarding the Company's line clearing programs?

A. The Commission should order Consumers Energy to file with the Commission in this docket within 90 days a report providing a formal optimization analysis of line clearing cycles, or alternatively risk-based line clearing using vegetation data, that accounts for the customer cost of customer outage minutes, the Company cost of service restoration, as well as the costs of line clearing. In doing so, the Company should look with particularity to the customer costs and restoration costs associated with tree-caused outages and not at average values acrost all outages.

X. DEFERRALS AND UNCONVENTIONAL RATEMAKING MECHANISMS

Q. Consumers Energy proposes a number of accounting authorizations in this case. How should the Commission approach these requests?

A. Deferrals may be just and reasonable, or unjust and unreasonable, depending on the particular circumstances. Generally, deferrals that align cost recovery with revenues related to the costs can be just and reasonable, while deferrals that are not aligned in that way are likely to be unjust or unreasonable. Generally, deferrals that transfer risks from the Company to its general body of customers will be unjust and unreasonable since the Commission's reliance on industry averages and proxies in financial analysis completely fails to adjust authorized cost of capital to the Company's particular risk profile. Generally, deferrals that weaken the Company's incentives for good performance or incent poor performance will be unjust or unreasonable.

Q. What is your assessment of Consumers Energy's proposed Symmetrical Performance Incentive Mechanism for storm restoration costs?

A. This proposal is unjust and unreasonable. The Company proposes that would return 90% of unspent storm restoration expenses below rate levels to customers and allow the Company future recovery of 90% of storm restoration expenses above rate levels. This proposal transfers to future customers the unspent or excess expenditures for service restoration to current customers, with no justification that there are corresponding benefits accruing to future customers. This proposal effectively transfers risk (financial risk is uncertainty in both directions not just risk of excess expenditures) from the Company to customers, without compensating them in the form of lower return on equity for taking on that risk.

The effects on incentives to the Company are multiple. Since it is very likely that the principal cause of variation between projected and actual spending on service restoration will simply be variation in weather, any incentives related to costs of service restoration will be obscured. Transfer of risk related to service restoration costs to customers may encourage the Company to spend more heavily to restore service more quickly, which could marginally improve CAIDI. However, the transfer or risk to customers also reduces the Company's incentives to manage the distribution system so that it is less vulnerable to outages. The Commission has other tools to encourage the Company to rapidly restore service following an outage, so incentive effects of the transfer or risk are not sufficient to warrant the unjust and unreasonable transfer of risk from the Company to its future customers.

It is also notable that, notwithstanding the Company's name for this mechanism, there is little about it that bears on performance in service restoration.

Q. What is your assessment of Consumers Energy's proposed Defined Benefit/OPEB Volatility Mechanism?

A. This proposal is unjust and unreasonable. The Company proposes that it defer differences between the expenses for Defined Benefit Pension and OPEB and the expenses for those practices that are included in rates.[34] Although the Company's testimony on this is replete with claims that the mechanism will protect customers from volatility in these expenses, the Company completely fails to explain how the mechanism protects customers rather

[34] Direct Testimony of Kendra K. Grob, 11:4-22.

than the Company from that volatility. This proposal is effectively a transfer of risk from the Company to its customers, for which customers are not compensated.

Q. What is your assessment of Consumers Energy's proposed Uncollectable/Deferral Refund Mechanism?

A. The proposed mechanism should not be approved as requested, but should be modified to be reasonable. The Company's proposal is to defer the difference between uncollectibles and the amount of uncollectibles included in rates.[35] This proposal would defer an expense to future customers, so does not align cost recovery with benefits. Further, it is an uncompensated transfer of risk from the Company to its customers. It also reduces the incentives for the Company to collect unpaid bills. However, the Company argues that it is warranted because there is uncertainty regarding the amount of funding that will be available to assist customers who are unable to pay their bills, and therefore protects customers in the event actual uncollectible expense is less than projected.[36] The Commission can provide such protection to the Company's customers without transferring risk or weakening incentives by creating a one-way tracker that would defer a regulatory liability if uncollectible expenses are lower than expected.

Q. What is your assessment of the continuation of the deferral of excess expenditures for New Business, Demand Failures, and Asset Relocation initiated in Case No. U-20963?

A. Deferral of expenditures on New Business is reasonable because it aligns cost recovery with the availability of incremental revenue from the new customers. On this basis, it would be reasonable to defer all New Business expenditures to better align cost recovery with

[35] Direct Testimony of Matthew J. Foster, 13:16 – 14:10.

[36] Foster Direct, 14:5-10.

incremental revenues. In that context, it is also reasonable to keep allowances for New Business that are in the rates low enough that there is no likelihood that the Company will expend less than was budgeted in rate setting. With deferral of New Business expenditures, there is no particular incentive for the Company to resist New Business. On these grounds, it would be reasonable to defer all expenditures on New Business.

As capital expenditures, both Demand Failures and Relocations are inherently recovered over time roughly consistent with their period of use, though neither directly produces offsetting revenue as is the case with New Business. Deferring each of these transfers some risk from the Company to customers. However, both eliminate incentives to over-project requirements as is the case generally with use of a projected test year. On balance, these are reasonable.

Q. What is your assessment of the potential deferral of undergrounding expenditures in excess of the proposed pilot project?

A. This deferral request relates only to the potential for the Commission to authorize a larger undergrounding pilot project. The expenditures are principally capital expenditures so are automatically and naturally recovered over time, consistent with the expected life of the assets. As incremental spending, it is not a risk transfer to customers, nor does it create particular incentives for the Company aside from the question of scale of the proposed pilot.

Q. What is your assessment of the deferral of certain expenditures in the EV program?

A. Deferral of EV program expenditures, particularly expenditures that are proportional to EV adoption is reasonable. EV adoption produces incremental revenue to the Company that more than covers expenditures on the program, but those incremental revenues occur over

the life of the vehicle. Deferring recovery of the costs incurred around the time of EV adoption aligns the timing of cost recovery close to the availability of incremental revenue. Additionally, given that the costs of the program are recovered by incremental revenue, a deferral mechanism such that the Company only recovers actual expenditures is just and reasonable. Deferral of EV program expenditures also makes it unnecessary to limit program expenditures based on a "budget" in rates, so that there is no incentive for the Company to ration rebates to customers who are adopting EVs; this is a beneficial effect of the deferral mechanism on the Company's incentive to assist EV customers.

XI. INVESTMENT RECOVERY MECHANISM

Q. Please summarize Consumers Energy's proposed Investment Recovery Mechanism?

A. The Investment Recovery Mechanism ("IRM") proposed by the Company is summarized in the testimony of Heidi J. Myers.[37] The IRM would cover certain capital expenditures for the 3-year period from February 2024 through February 2027, the costs of which instead of being included in the rates established in this and future cases would be recovered through a surcharge based on actual investments. The IRM expenditures are projected to include test year expenditures of $100,770,000 out of a total of $130,686,000 that the Company plans to spend in the test year for programs it has labeled as Lines Reliability – LVD, Resiliency, Automation, Lines Reliability – HVD, and System Protection. The IRM expenditures in the 2nd and 3rd years of the IRM would be capped at the test year level of spending (though no such limit would apply to non-IRM spending in these same categories).

[37] Direct Testimony of Heidi J. Myers, 26:8-34:23.

Q. How does Consumers Energy justify the use of an IRM for these expenditures?

A. The Company claims that the IRM mechanism will provide customer protections, transparency, collaboration, and increased accountability for distribution investments.[38]

Q. Will the IRM provide customer protections?

A. The Company's claim of customer protection is that "[c]ustomers will benefit from the certainty of investments in the capital programs included in the IRM that are critical to improved reliability" and that "customers do not pay to support investments if they are not actually made."[39] The Company does not explain why it cannot be relied upon to make these investments and not charge customers for investments they do not make, in the absence of an IRM.

Q. Will the IRM provide additional transparency?

A. The Company discusses transparency in the context of their proposal to meet with Commission Staff in advance of each year to present their intended IRM spending.[40] These meetings will not be open to any other stakeholders, will not provide an opportunity for discovery, and will not be for the purpose of approval of the Company's plans by either Staff or the Commission.[41] The Company does not explain how this process is more transparent than the consideration of their spending proposals is what is, for all practical purposes, their annual rate case. I do not see that the IRM provides additional transparency.

Q. Will the IRM provide additional collaboration?

[38] Myers Direct, 27: 11-13.

[39] Myers Direct, 27:13-17.

[40] Myers Direct, 31:11-17.

[41] Myers Direct, 32:1-8.

A. The Company does not discuss collaboration using that term, but makes numerous mentions of working with the Commission Staff. I am aware that the Company frequently meets with Commission Staff and am not aware of any instances where the Commission Staff have rejected an effort by the Company to discuss their plans with Staff. The Company does not mention working with any other stakeholders in the context of the IRM. I do not see that the IRM provides additional collaboration.

Q. Will the IRM provide additional accountability?

A. The Company represents that the IRM reconciliation process will ensure that customers only pay for actual expenditures. Additionally, the Company proposes that it will present planned targets for and actual outcomes of certain reporting metrics.[42] However, the Company also says that the identified metrics will not be tied to financial incentives or cost recovery and abjures any performance mechanism in relation to the IRM.[43] I do not see that the IRM provides any additional accountability other than a reporting mechanism that the Commission could simply order for expenditures within the rates proposed in this case. It weakens accountability for plans with respect to all stakeholders, including the Commission Staff.

Q. Do you recommend that the Commission adopt the IRM?

A. No. It does not materially improve customer protections or collaboration, and materially weakens transparency and accountability with respect to all stakeholders.

[42] Myers Direct, 32:13-16.

[43] Myers Direct, 33:1-22.

XII. EV CHARGING INFRASTRUCTURE

Q. Please summarize Consumers Energy's EV Charging infrastructure proposals.

A. Witness Jeffrey A. Myrom presents the Company's EV charging proposals.[44] The Company proposes to continue the PowerMIDrive residential program as approved in Case No. U-21224;[45] complete the ongoing PowerMIDrive public charging pilot; develop a permanent Level 2 and long-duration Level 1 program with strategically targeted off-peak and equitable locations;[46] complete the ongoing PowerMIFleet pilot; and shift to a permanent PowerMIFleet program focused on off-peak charging for public transit, school bus, non-profit, and small to medium size business fleets.[47]

Q. Do you support the Company's EV charging proposals?

A. I do. The proposal continues a successful EV charging program with a focus on integrating charging to the grid with minimal cost. It provides some support for further market development, particularly those market segments that face structural challenges in adopting electric vehicles and reserves significant benefits to non-participating customer in the form of margin that will dilute rates for other customers. As I discuss earlier in this testimony, the proposal to continue to defer costs of this program is reasonable in that it aligns the timing of cost recovery with the incremental revenue that results from EV adoption.

Q. Do you have any concerns about the Company's EV charging proposals?

[44] Direct Testimony of Jeffrey A. Myrom.

[45] Myrom Direct, 3:1-4.

[46] Myrom Direct, 3:5-17.

[47] Myrom Direct, 3:18-4:2.

A. Only one. According to witness Myrom, if requests for rebates exceed the Company's transportation electrification budget, the Company will prioritize some rebates and wait list others.[48] However, given the Company's proposal to defer EV charging costs, this is unnecessary. The Company will receive significant net revenue from each EV adopted and its programs are designed to encourage off-peak charging. Withholding rebates may slow EV adoption or encourage more use of on-peak charging, Since the Company proposes to defer EV charging expenditures, the Company will not lose income if EV expenditures are higher than budgeted. The Company should not place budget limits on requests for EV charging program participation.

Q. How does the Company propose to assess the benefits of EV adoption and to calibrate its spending on transportation electrification programs?

A. According to witness Myrom, the Company proposes to fund its transportation electrification programs ("TEPs") and system upgrades related to transportation electrification "with no rate increases...by tailoring the annual TEP budgets to the rate of electric vehicle adoption (i.e., load growth)."[49] Using conservative estimates for low-end EV adoption, the Company forecasted load growth anticipated from EV charging by 2030 and calculated a $254 million positive net present value associated with transportation electrification that takes into account the additional revenue from EV charging and the cost to serve that EV charging load.

Q. Do you agree with the Company's approach?

[48] Myrom Direct, 18:19-19:5.

[49] Myrom Direct, p. 8-9.

Yes. I have consistently advocated for this approach in rate-cases before this Commission, most recently in testimony submitted in DTE's rate-case (U-21297). Considering marginal revenues from EVs on a service territory and system-wide basis is the most natural basis for determining the gross margin that can be used to fund transportation electrification programs. It is also the most reasonable approach from a policy perspective because the total number of EVs and associated net revenue from EV charging can be reasonably calculated.

Because EV adoption requires that public charging infrastructure be available, it is appropriate to consider that net revenue from all charging, including charging at home, may be invested in supporting adequate public charging infrastructure. This justifies the practices within the Company's transportation electrification programs of providing distribution system upgrades, make-ready investments, and even rebates to create an essential network of charging locations.

XIII. CONSUMERS ENERGY FLEET ELECTRIFICATION

Q. Please summarize the Company's Fleet Electrification Strategy?

A. Consumers Energy's fleet electrification strategy is presented by witness Adam S. Carveth.[50] In essence, the Company would replace about 1700 internal combustion engine ("ICE") vehicles with EVs, through normal fleet turnover. ICE vehicle replacements are being evaluated by the Company for functional fit and expects to avoid both fuel and maintenance costs. It has applied the concierge service that it offers to its customers in its

[50] Direct Testimony of Adam S. Carveth, 26:32-39:8.

analysis of its own fleet. On this basis, it has developed necessary charging infrastructure plans and a "glide path" of vehicle acquisitions.

Q. Do you support this proposal?

A. I do. I note that while the Company requests approval for acquisition expenditures in the present case, they project annual operating cost savings that for 1700 vehicles total $58.4 million.[51] This is generally consistent with studies showing that EVs often have lower total cost of ownership than ICE vehicles.[52] The Commission should ensure that in future rate cases, the Company delivers those savings to customers.

I also note that the Company likely overstates the long-term cost of their proposal. The US Environmental Protection Agency, in support of rule-making, estimates[53] that EV purchase prices will continue to decrease and that most EVs with less than a 150-mile driving range could reach purchase price parity with conventional gasoline-powered vehicles by 2029.

An independent study estimates that found that all BEVs up to a *300-mile* range would have cost parity with gasoline vehicles by 2030 across all vehicle classes and segments.[54] And federal incentives could accelerate the date by which up front savings are achieved,

[51] Carveth Direct, 33:16-18.

[52] http://www.edf.org/sites/default/files/2023-07/WSP%20Total%20Cost%20of%20Ownership%20Analysis%20July%202023.pdf.

[53] https://www.eia.gov/todayinenergy/detail.php?id=56480.

[54] Himanshu Saxena, Vishnu Nair, Sajit Pillai, "Electrification Cost Evaluation of Light-Duty Vehicles for MY 2030,"(2023) Roush for EDF, https://www.edf.org/sites/default/files/2023-05/Electrification_Cost_Evaluation_of_LDVs_for_MY2030_Roush.pdf.

with vehicles in many classes will see savings upfront as soon as 2025, with large SUVs and pickup trucks achieving price parity by MY 2030.[55]

XIV. PROPERTY TAXES

Q. What is your concern about Consumers Energy's treatment of local property tax refunds?

A. From time to time, Consumers appeals its local property tax assessments or negotiates the assessments and obtains a refund on its property taxes. When successful in these challenges, Consumers obtains a reduction in taxable value of the subject property going forward and a refund for a portion of what it paid in prior years. In Consumers witness Brian VanBlarcum's direct testimony, exhibits, and workpapers, he identifies the tax savings resulting from the reduction in taxable value and makes a corresponding adjustment to tax expense for the test year. However, Consumers does not identify the refund amounts or use those amounts to offset or reduce tax expense. Consumers does not credit the refunds to customers even though customers paid those same taxes in rates during the prior years, and customers fund the costs of the tax challenges through rates as well.

Q. What is the source of this information?

A. A main source is Exhibit MEC-3, which is Consumers' response to discovery request MNSC-CE-0691 from Case No. U-21224. This Exhibit shows that Consumers received a total of $82,596,812 in refunds from January 1, 2012 through the date of the response, which was in August of 2022, and several additional cases pending. Of that amount, a

[55] Roush, Saxena, S. Pillai, "Impact of the Inflation Reduction Act of 2022 on Light-Duty Vehicle Electrification Costs for MYs 2025 and 2030" (2023) https://www.edf.org/sites/default/files/2023-05/Impact_IRA_LDV_Electrification_Costs_for_MYs_2025_and_2030_Roush.pdf.

portion consists of refunds on Renewable Energy Program assets which are credited to the ongoing regulatory liability balance. Another portion relates to a State of Michigan use tax case refund that Mr. VanBlarcum indicated in Case No. U-21224 was credited to capital assets.

Q. How does Consumers Energy account for these refunds?

A. In the discovery response shown in Exhibit MEC-3, Consumers responds that "to the extent a tax jurisdiction grants, or a court orders, an adjustment applicable to a prior period, Consumers Energy records the activity as an adjustment to tax expense in the year the final adjustment is granted or ordered."

Q. If Consumers Energy receives a tax refund, how does it benefit customers?

A. In the discovery response shown in Exhibit MEC-3, Consumers Energy explains that "[t]he prospective impacts resulting from prior period adjustments, including those received in the historical test year, are included as a reduction to the Company's revenue requirement in future rate cases" but that "[e]xcept for refunds associated with renewable assets covered under the Renewable Energy Plan, the Company does not record refunds associated with prior period tax payments to a regulatory liability." It thus appears that a change in taxation basis may benefit customers prospectively in rate cases filed after the conclusion of the tax appeal but that neither refunds nor reduced taxes until the conclusion of the next rate case inure to the benefit of customers. It therefore appears that Consumers Energy has gained millions in additional return on equity over the last decade.

Q. Since Case No. U-21224, has Consumers resolved any additional property tax litigation and/or negotiations with local units of government?

A. Yes. On page 4 of his direct testimony, Mr. VanBlarcum states that Consumers obtained a $1.0 million reduction in property taxes associated with the Campbell and Karn plants after successful property tax litigation and negotiations with the local units of government over the taxable value of those plants.

Q. Did Consumers obtain any refunds associated with Campbell and Karn?

A. Mr. VanBlarcum does not say.

Q. Do Mr. VanBlarcum's exhibits or workpapers indicate whether Consumers obtained any refunds associated with Campbell and Karn?

A. No. He notes a $1.0 million reduction in 2025 fossil plant valuation on Exhibit A-161, page 1, line 3 and references WP BJV-5, line 5 as the source. That reference appears to have a typo, but WP BJV-5, line 3 (which is included in Exhibit MEC-3) shows a 2024 fossil plant valuation tax reduction of $1.2 million and references WP BJV-8, line 5 as the source. WP BJV-8, line 5 (which is included in Exhibit MEC-3) shows total annual property tax reductions for these two plants of $1.3 million in 2023, $1.2 million in 2024, and $1.0 million in 2025. It is not apparent in this record when those reductions were obtained or whether there were any refunds associated with them. Exhibit MEC-3, the discovery request MNSC-CE-0691 from Case No. U-21224, did not indicate that any tax litigation was pending with respect to these plants as of August 2022. Discovery is pending on these tax disputes.

Q. Do you recommend that the Commission act on this information?

A. The net effect of Consumers Energy obtaining a tax refund and not crediting those refunds to customers is to unreasonably and unjustly enrich Consumers Energy at the expense of its customers. I recommend that the Commission require that any refunds of local property

taxes be credited to tax expense. I also recommend that the Commission commence proceedings to "claw back" previous tax refunds that were unjustly retained by Consumers without being credited to customers.

XV. SUMMARY AND RECOMMENDATIONS

Q. Please summarize your recommendations to the Commission.

A. I recommend that the Commission:

1. Maintain a focus in this case on improving Consumers Energy's distribution system reliability and limiting the increase in residential rates;
2. Reduce Consumers Energy's authorized return on equity to 8.5%;
3. Prioritize distribution system spending on tree trimming (line clearing), low-voltage distribution line inspection and repairs, and low-voltage distribution primary circuit hardening against weather and tree damage;
4. Require Consumers Energy to submit to the Commission in this docket within 90 days a report providing a formal optimization analysis of line clearing cycles, or alternatively risk-based line clearing using vegetation data, that accounts for the customer cost of customer outage minutes, the Company cost of service restoration, as well as the costs of line clearing;
5. Reject the Company's request for a "Symmetric Performance Incentive Mechanism" regarding service restoration costs;
6. Reject the Company's request for a Defined Benefit/OPEB Volatility Mechanism;
7. Reject the Company's request for an Uncollectible/Deferral Refund Mechanism;

8. Authorize continued use of the New Business, Demand Failure, and Asset Relocation deferral mechanisms previously approved by the Commission;

9. Continue to authorize deferral of EV Charging Program expenditures;

10. Reject the Company's proposal to use an Investment Recovery Mechanism for significant distribution system expenditures;

11. Support the EV Charging programs PowerMiDrive and PowerMIFleet generally as proposed by the Company, but without a "budget" limit on rebates related to new EV adoption.

12. Support the Company's proposal to partially electrify its own vehicle fleet

13. Require that any tax refunds that Consumers Energy receives be credited against tax expense and commence a proceeding to "claw back" tax refunds the Company has previously obtained and used to the benefit of shareholders rather than customers.

Q. Does that complete your testimony?

A. Yes.

Douglas B. Jester

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Professional experience

January 2011 – present 5 Lakes Energy

Managing Partner

Co-owner of a consulting firm working to advance the clean energy economy in Michigan and beyond. Consulting engagements with foundations, startups, and large mature businesses have included work on public policy, business strategy, market development, technology collaboration, project finance, and export development concerning energy efficiency, smart grid, renewable generation, electric vehicle infrastructure, and utility regulation and rate design. Policy director for renewable energy ballot initiative and Michigan energy legislation advocacy. Supported startup of the Energy Innovation Business Council, a trade association of clean energy businesses. Developed integrated resource planning models for use in ten states' compliance with the Clean Power Plan. Expert witness in more than 70 electric utility regulation cases in Michigan and approximately 15 cases in other states.

February 2010 - December 2010 Michigan Department of Energy, Labor and Economic Growth

Senior Energy Policy Advisor

Advisor to the Chief Energy Officer of the State of Michigan with primary focus on institutionalizing energy efficiency and renewable energy strategies and policies and developing clean energy businesses in Michigan. Provided several policy analyses concerning utility regulation, grid-integrated storage, performance contracting, feed-in tariffs, and low-income energy efficiency and assistance. Participated in Pluggable Electric Vehicle Task Force, Smart Grid Collaborative, Michigan Prosperity Initiative, and Green Partnership Team. Managed development of social-media-based community for energy practitioners. Organized conference on Biomass Waste to Energy.

August 2008 - February 2010 Rose International

Business Development Consultant - Smart Grid

- Employed by Verizon Business' exclusive external staffing agency for the purpose of providing business and solution development consultation services to Verizon Business in the areas of Smart Grid services and transportation management services.

December 2007 - March 2010 Efficient Printers Inc

President/Co-Owner

- Co-founder and co-owner with Keith Carlson of a corporation formed for the purpose of acquiring J A Thomas Company, a sole proprietorship owned by Keith Carlson. Recognized as Sacramento County (California) 2008 Supplier of the Year and Washoe County (Nevada) Association for Retarded Citizens 2008 Employer of the Year. Business operations discontinued by asset sale to focus on associated printing software services of IT Services Corporation.

August 2007 - 2015 IT Services Corporation

President/Owner

- Founder, co-owner, and President of a startup business intended to provide advanced IT consulting services and to acquire or develop managed services in selected niches, currently focused on developing e-commerce solutions for commercial printing with software-as-a-service.

2004 – August 2007 Automated License Systems

Chief Technology Officer

- Member of four-person executive team and member of board of directors of a privately-held corporation specializing in automated systems for the sale of hunting and fishing licenses, park campground reservations, and in automated background check systems. Executive responsible for project management, network and data center operations, software and product development. Brought company through mezzanine financing and sold it to Active Networks.

2000 - 2004 WorldCom/MCI

Director, Government Application Solutions

- Executive responsible in various combinations for line of business sales, state and local government product marketing, project management, network and data center operations, software and product development, and contact center operations for specialized government process outsourcing business. Principal lines of business were vehicle emissions testing, firearm background checks, automated hunting and fishing license systems, automated appointment scheduling, and managed application hosting services. Also responsible for managing order entry, tracking, and service support systems for numerous large federal telecommunications contracts such as the US Post Office, Federal Aviation Administration, and Navy-Marine Corps Intranet.
- Increased annual line-of-business revenue from $64 million to $93 million, improved EBITDA from approximately 2% to 27%, and retained all customers, in context of corporate scandal and bankruptcy.
- Repeatedly evaluated in top 10% of company executive management on annual performance evaluations.

1999-2000 Compuware Corporation

Senior Project Manager

- Senior project manager, on customer site with five project managers and team of approximately 80, to migrate a major dental insurer from a mainframe environment to internet-enabled client-server environment.

1995 - 1999 City of East Lansing, Michigan

Mayor and Councilmember

- Elected chief executive of the City of East Lansing, a sophisticated city of 52,000 residents with a council-manager government employing about 350 staff and with an annual budget of about $47 million. Major accomplishments included incorporation of public asset depreciation into budgets with consequent improvements in public facilities and services, complete rewrite and modernization of city charter, greatly intensified cooperation between the City of East Lansing and the East Lansing Public Schools, significant increases in recreational facilities and services, major revisions to housing code, initiation of revision of the City Master Plan, facilitation of the merger of the Capital Area Transportation Authority and Michigan State University bus systems, initiation of a major downtown redevelopment project, City government efficiency improvements, and numerous other policy initiatives. Member of Michigan Municipal League policy committee on Transportation and Environment and principal writer of league policy on these subjects (still substantially unchanged as of 2022).

1995-1999 Michigan Department of Natural Resources

Chief Information Officer

- Executive responsibility for end-user computing, data center operations, wide area network, local area network, telephony, public safety radio, videoconferencing, application development and support, Y2K readiness for Departments of Natural Resources and Environmental Quality. Directed staff of about 110. Member of MERIT Affiliates Board and of the Great Lakes Commission's Great Lakes Information Network (GLIN) Board.

1990-1995 Michigan Department of Natural Resources

Senior Fisheries Manager

- Responsible for coordinating management of Michigan's Great Lakes fisheries worth about $4 billion per year including fish stocking and sport and commercial fishing regulation decisions, fishery monitoring and research programs, information systems development, market and economic analyses, litigation, legislative analysis and negotiation. University relations. Extensive involvement in regulation of steam electric and hydroelectric power plants.
- Served as agency expert on natural resource damage assessment, for all resources and causes.
- Considerable involvement with Great Lakes Fishery Commission, including:

- Co-chair of Strategic Great Lakes Fishery Management Plan working group
- Member of Lake Erie and Lake St. Clair Committees
- Chair, Council of Lake Committees
- Member, Sea Lamprey Control Advisory Committee
- St Clair and Detroit River Areas of Concern Planning Committees

1989-1990 American Fisheries Society

Editor, North American Journal of Fisheries Management

- Full responsibility for publication of one of the premier academic journals in natural resource management.

1984 - 1989 Michigan Department of Natural Resources

Fisheries Administrator

- Assistant to Chief of Fisheries, responsible for strategic planning, budgets, personnel management, public relations, market and economic analysis, and information systems. Department of Natural Resources representative to Governor's Cabinet Council on Economic Development. Extensive involvement in regulation of steam electric and hydroelectric power plants.

1983-present Michigan State University

Adjunct Instructor

- Irregular lecturer in various undergraduate and graduate fisheries and wildlife courses and informal graduate student research advisor in fisheries and wildlife and in parks and recreation marketing.

1977 – 1984 Michigan Department of Natural Resources

Fisheries Research Biologist

- Simulation modeling & policy analysis of Great Lakes ecosystems. Development of problem-oriented management records system and "epidemiological" approaches to managing inland fisheries.
- Modeling and valuation of impacts of power plants on natural resources and recreation.

Education

1991-1995 Michigan State University

PhD Candidate, Environmental Economics

Coursework completed, dissertation not pursued due to decision to pursue different career direction.

1980-1981 University of British Columbia

Non-degree Program, Institute of Animal Resource Ecology

1974-1977 Virginia Polytechnic Institute & State University

MS Fisheries and Wildlife Sciences

MS Statistics and Operations Research

1971-1974 New Mexico State University

BIS Mathematics, Computer Science, Biology, and Fine Arts

Citizenship and Community Involvement

Youth Soccer Coach, East Lansing Soccer League, 1987-89

Co-organizer, East Lansing Community Unity, 1992-1993

Bailey Community Association Board, 1993-1995

East Lansing Commission on the Environment, 1993-1995

East Lansing Street Lighting Advisory Committee, 1994

Councilmember, City of East Lansing, 1995-1999

Mayor, City of East Lansing, 1995-1997

East Lansing Downtown Development Authority Board Member, 1995-1999

East Lansing Transportation Commission, 1999-2004

East Lansing Non-Profit Housing and Neighborhood Services Corporation Board Member, 2001-2004

Lansing – East Lansing Smart Zone Board of Directors, 2007-2017

Council on Labor and Economic Growth, State of Michigan, by appointment of the Governor, May 2009 – May 2012

East Lansing Downtown Development Authority Board Member and Vice-Chair, 2010 – 2018.

East Lansing Brownfield Authority Board Member and Vice-Chair, 2010 – 2018.

East Lansing Downtown Management Board and Chair, 2010 – 2016

East Lansing City Center Condominium Association Board Member, 2015 – present.

City of East Lansing Advisory Commissioner to the Lansing Board of Water and Light, 2017 – present.

State of Michigan UP Energy Task Force, 2019-present, appointed by Governor Whitmer.

State of Michigan Dam Safety Committee, 2020-2021

State of Michigan Council on Climate Solutions, Energy Production, Transmission, Distribution, and Storage Workgroup Co-Chair, 2021-present.

Board and Executive Committee Member, For Love of Water (FLOW), 2019 - present

Percentage of Customer Outage Minutes by Cause and Distribution System Component

Components	Grand Total	Trees	Weather	Equipment Failure	No Specific Cause Found	Car/Pole Accident	Unique Incident	Planned/ Scheduled	Lightning	Forced Outage/ Emergency	Animal
None	32.1%	16.2%	8.9%	1.4%	2.1%	0.4%	0.7%	0.7%	0.5%	0.4%	0.2%
OH Conductor	24.0%	17.6%	4.0%	1.2%	0.3%	0.2%	0.1%	0.1%	0.1%	0.1%	0.0%
Fuse	9.9%	5.5%	2.5%	0.5%	0.7%	0.0%	0.1%	0.1%	0.2%	0.1%	0.2%
Misc OH Hardware	6.7%	4.0%	1.6%	0.7%	0.1%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Wood Pole	6.4%	3.2%	1.2%	0.7%	0.0%	1.1%	0.0%	0.0%	0.0%	0.1%	0.0%
Multiple Parts	4.2%	2.1%	1.4%	0.3%	0.0%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%
Crossarm	3.7%	2.4%	0.7%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other	3.5%	1.4%	1.1%	0.5%	0.1%	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%
Cutout	2.8%	1.3%	0.5%	0.8%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%
Insulator	1.6%	0.4%	0.2%	0.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Recloser	1.1%	0.5%	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Distribution Transformer	0.8%	0.2%	0.2%	0.3%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
Arrestor	0.6%	0.1%	0.0%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
UG Cable	0.6%	0.0%	0.0%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Switch	0.5%	0.2%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Substation Transformer	0.4%	0.0%	0.1%	0.1%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
Misc UG Hardware	0.3%	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Isolator	0.2%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Regulator	0.1%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
UG Equipment	0.1%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Lightning Arrestor	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
UG Cableuminum	0.1%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Capacitor	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Sectionalizer	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Metro UG Equipment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Booster	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Metering Equip	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Down Guy/Anchor	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grand Total	**100.0%**	**55.1%**	**22.7%**	**9.4%**	**3.5%**	**2.1%**	**1.3%**	**1.2%**	**1.2%**	**1.0%**	**0.9%**

Transmission / Generation	Public Damage	Public Tree Trimming	Bird
0.3%	0.1%	0.0%	0.0%
0.0%	0.1%	0.1%	0.0%
0.0%	0.0%	0.0%	0.0%
0.1%	0.0%	0.0%	0.0%
0.0%	0.1%	0.0%	0.0%
0.0%	0.0%	0.0%	0.0%
0.0%	0.0%	0.0%	0.0%
0.1%	0.0%	0.0%	0.0%
0.0%	0.0%	0.0%	0.0%
0.1%	0.0%	0.0%	0.0%
0.0%	0.0%	0.0%	0.0%
0.0%	0.0%	0.0%	0.0%
0.0%	0.0%	0.0%	0.0%
0.0%	0.1%	0.0%	0.0%
0.0%	0.0%	0.0%	0.0%
0.0%	0.0%	0.0%	0.0%
0.0%	0.0%	0.0%	0.0%
0.0%	0.0%	0.0%	0.0%
0.0%	0.0%	0.0%	0.0%
0.0%	0.0%	0.0%	0.0%
0.0%	0.0%	0.0%	0.0%
0.0%	0.0%	0.0%	0.0%
0.0%	0.0%	0.0%	0.0%
0.0%	0.0%	0.0%	0.0%
0.0%	0.0%	0.0%	0.0%
0.0%	0.0%	0.0%	0.0%
0.0%	0.0%	0.0%	0.0%
0.7%	**0.6%**	**0.2%**	**0.2%**

Question:

63. Refer to 5:11-20 and 12:3-11. Consumers Energy plans to trim trees to 10 feet of clearance to primary conductors and is targeting a 7 year cycle. What evidence supports that this combination of clearance and cycle length is optimal?

Response:

The Company has used its 10-foot clearance standard for LVD primary lines since the early 2000s. Outage data from the LVD system cleared to this specification was broken down by voltage and year-since-last-cleared and analyzed to determine the 7-year effective cycle clearing strategy, which optimizes system performance by voltage. Please refer to Company witness Bolden's testimony, page 17, lines 21-23 and page 18, lines 1-12, and Exhibit A-46 (PLB-5) for the strategic cycle lengths determined for each voltage class on the system.

Witness: PAMELA L. BOLDEN
Date: July 17, 2023

Question:

64. Refer to 5:11-20 and 12:3-11. Consumers Energy plans to trim trees that are displacing or rubbing on secondary lines and is targeting a 7-year cycle. What evidence supports that this combination of clearance and cycle length is optimal.

Response:

Secondary conductor clearance was not included in the analysis for cycle length. The decision to trim trees that are displacing or rubbing secondary lines is consistent with standard industry practice. As for the cycle length, please refer to Company witness Bolden's testimony, page 17, lines 21-23 and page 18, lines 1-12, and Exhibit A-46 (PLB-5) for the strategic cycle lengths determined for each primary voltage class on the system.

Witness: PAMELA L. BOLDEN
Date: July 17, 2023

Question:

67. Refer to 7:5-7. Consumers Energy apparently only clears overhanging branches above LVD conductors in First Zones. What evidence supports leaving overhanging branches above other LVD lines.

Response:

Benchmarking analysis indicates that, for the reporting utilities, overhanging branches caused a lower percentage of outages than other vegetation outage types (broken branches, grow-ins, off ROW trees, and whole tree failures).[1]

Because outages in first zones impact all customers on any given circuit, potential removal of overhanging branches is given extra consideration. While the Company's standard is to attain 10 feet of overhang clearance for all primary conductors at the time of clearing, it strategically attains 20 feet of overhang clearance on several weak-wooded species that are more prone to cause outages if damaged by wind, snow, or ice.

Witness: PAMELA L. BOLDEN
Date: July 17, 2023

[1] Hauer, R.J. and Miller, R.H. 2021. Utilities & Vegetation Management in North America: Results from a 2019 Utility Forestry Census of Tree Activities & Operations. Special Publication 21-1. College of Natural Resources. University of Wisconsin Stevens – Point. p.27

https://wearecnuc.com/uvm-survey-21/

Question:

70. Refer to Exhibit A-46.

a. Please provide the customer outages per year and customer-outage-minutes per year corresponding to incidents per year shown in this table.

b. Please explain how customer costs of outages are accounted for in the determination of optimal cycle length in this table, including what cost is attributed to outages to determine the least-cost cycle length.

c. Please explain how avoided service restoration expenses are accounted for in the determination of optimal cycle length in this table.

d. Please explain and provide sources for the incidents per mile per year at each cycle length used in this table.

e. For each system voltage in this table, Line No. 6, for cycle length of 4 years, shows lower "Contractor $ Annual LVD Cycle Cost" that Line No. 7, for cycle length of 5 years. What is the cause of this?

Response:

a. Please refer to attachment U21389-MNSC-CE-0242-Bolden_ATT_1, columns (n) through (s) for the customer outages per year and customer-outage-minutes per year corresponding to incidents per year shown in Exhibit A-46 (PLB-5).

b. Customer costs of outage are not accounted for in the determination of optimal cycle length in this table; however, the Company continues to take cost to its customers into consideration.

c. Avoided service restoration costs are not accounted for in the determination of optimal cycle length in this table.

d. The Company's 2022 Electric Rate Case (MPSC Case No. U-21224) WP-PLB-2 is the source of the trendline equation utilizing historical outage data. The backing data for this workpaper comes from a model developed by the Company to project reliability performance, as referenced in Company witness Kelly's direct testimony on page 21, lines 3-20. Exhibit A-46 (PLB-5) was intentionally not updated with 2022 outage data in this rate case because the justification of the 7-year effective cycle was established in U-20697 using data from that time. The Company, however, updated WP-PLB-2 this year with more recent outage data rates to show that outage performance trends are similar to what was used to justify the 7-year effective cycle.

e. Column (l), line 19 (Years Since Last Cleared unit cost for 4 years) is utilized in calculations for lines 4, 5, and 6 because the Company does not have sufficient clearing unit cost data for clearing less than 4 years old. Line 7 (5 years since last cleared) is the first line that utilizes a different unit cost.

Witness: PAMELA L. BOLDEN
Date: July 17, 2023

Question:

3. Refer to the testimony of Brian J. VanBlarcum.

a. Please identify all Instances since January 1, 2012 in which Consumers Energy has appealed or sought a refund of property tax, state business tax, or other taxation excluding federal income taxes. For each, identify the taxing entity, the case number or other identifier, the amount of the tax appeal or refund request, the tax years involved in the request, the year in which the appeal or refund request was decided or that it is pending, and the amount of tax adjustment or refund made by the taxing authority or that it is pending.

b. Please confirm that when a tax adjustment or refund request is granted to Consumers Energy for a previous tax year, that adjustment or refund is booked as an adjustment to the tax year books and is not booked as a reduction of tax expense in the year the taxing authority makes the decision to grant the tax adjustment or refund request.

c. Please confirm that if Consumers Energy had received a tax refund in the historical test year or expects to receive a tax refund in the projected test year for tax payments 5 years ago, that refund is not included as a reduction in Consumers Energy's revenue requirements in this rate case.

d. Please confirm that if Consumers Energy receives a tax refund, that refund is not booked as a regulatory liability but becomes an addition to Consumers Energy's earnings.

e. Please confirm that state and local taxes are not handled in the fashion of Federal income taxes in which rate revenue intended to recover income tax costs are treated as deferred and as a portion of the Company's capital until paid out as taxes, but instead are treated as estimated expenses in rate making with any deviation accruing to the Company as an increase or decrease in income relative to forecast.

Response:

Objection by Counsel: Consumers Energy Objects to this discovery request because it is overly broad and requests information that is not relevant to the issues in this matter. Further, because the burden or expense of the request outweighs the likely benefit, and the request is not reasonably calculated or necessary to gather information that is important to the issues at stake in the case, the request is not proportional to the needs of the case. Notwithstanding this objection and without waiving the same, the Company provides the following response:

a. Since 2012, the Company appealed or sought a refund in the following cases:

Taxing Entity: City of Muskegon
Case Number: Tax Tribunal # 367336/368102 (BC Cobb Generating Plant)
Amt requested: n/a
Tax Year(s): 2009 – 2012
Date: 6/26/2012
Refund: $4,526,388

Taxing Entity: Saginaw Township
Case Number: Tax Tribunal # 394144 (Saginaw Service Center)
Amt requested: n/a
Tax Year(s): 2010 - 2012
Date: 10/25/2012
Refund: $17,632

Taxing Entity: City of Lansing
Case Number: Tax Tribunal # 394986 (Lansing Service Center)
Amt requested: n/a
Tax Year(s): 2010 - 2012
Date: 11/14/2012
Refund: $20,127

Taxing Entity: City of Wyoming
Case Number: Tax Tribunal # 394985 (Grand Rapids Service Center)
Amt requested: n/a
Tax Year(s): 2010 - 2012
Date: 11/14/2012
Refund: $37,949

Taxing Entity: City of Flint
Case Number: Tax Tribunal # 394984 (Flint Service Center)
Amt requested: n/a
Tax Year(s): 2010 - 2012
Date: 11/14/2012
Refund: $52,764

Taxing Entity: City of Luna Pier
Case Number: Tax Tribunal # 391680 (JR Whiting Generating Plant)
Amt requested: n/a
Tax Year(s): 2010 - 2013
Date: 4/24/2013
Refund: $3,372,462

Taxing Entity:	Thetford Township
Case Number:	Tax Tribunal # 440939 (Thetford Generating Station)
Amt requested:	n/a
Tax Year(s):	2012 - 2013
Date:	3/5/2014
Refund:	$155,636

Taxing Entity:	City of Zeeland
Case Number:	Tax Tribunal # 14-002063 (Zeeland Generating Station)
Amt requested:	n/a
Tax Year(s):	2014 - 2017
Date:	3/3/2017
Refund:	$10,207,349

Taxing Entity:	Port Sheldon Township
Case Number:	Tax Tribunal # 16-001716 (JH Campbell Generating Plant)
Amt requested:	n/a
Tax Year(s):	2016 - 2018
Date:	3/9/2018
Refund:	$8,900,000

Taxing Entity:	Riverton Township and Summit Township
Case Number:	Tax Tribunal # 16-001694 / 18-000958 (Lake Winds Energy Park)
Amt requested:	n/a
Tax Year(s):	2016 - 2019
Date:	11/15/2019
Refund:	$886,505

Taxing Entity:	Akron Township and Columbia Township
Case Number:	Tax Tribunal # 16-001670 (Cross Winds Energy Park)
Amt requested:	n/a
Tax Year(s):	2016 - 2022
Date:	Pending
Refund:	n/a

Taxing Entity:	Akron Township and Columbia Township
Case Number:	Tax Tribunal # 19-001745 (Cross Winds Energy Park II)
Amt requested:	n/a
Tax Year(s):	2019 - 2022
Date:	Pending
Refund:	n/a

Taxing Entity:	Columbia Township
Case Number:	Tax Tribunal # 21-001340 (Cross Winds Energy Park III)
Amt requested:	n/a
Tax Year(s):	2021 - 2022
Date:	Pending
Refund:	n/a

Taxing Entity:	State of Michigan
Case Number:	Michigan Supreme Court # 150520 (Use tax applicable to electric assets)
Amt requested:	n/a
Tax Year(s):	1997 - 2015
Date:	11/3/2015
Refund:	$63,600,000 (2016 – 2018)

b. To the extent a tax jurisdiction grants, or a court orders, an adjustment applicable to a prior period, Consumers Energy records the activity as an adjustment to tax expense in the year the final adjustment is granted or ordered.

c. The prospective impacts resulting from prior period adjustments, including those received in the historical test year, are included as a reduction to the Company's revenue requirement in future rate cases. For instance, property tax savings achieved because of litigation finalized five years ago continue to provide for perpetually lower future property taxes, including those taxes included in this case. Similarly, the State of Michigan's refund of prior period use tax was largely credited back to those electric assets originally charged with higher use tax which results in a lower revenue requirement in this case.

d. Except for refunds associated with renewable assets covered under the Renewable Energy Plan, the Company does not record refunds associated with prior period tax payments to a regulatory liability.

e. The Company's revenue requirement model charges all federal, state, and local income taxes at each statutory rate. Deferred taxes associated with federal, state, and local income taxes are treated as a component of the Company's capital structure until the tax is paid to the respective tax jurisdiction.

Witness: Brian J. VanBlarcum
Date: August 17, 2022

MICHIGAN PUBLIC SERVICE COMMISSION
Consumers Energy Company
Development of the Property Tax Rate for 2024

Case No. U-21389
WP-BJV-5

Line No.	Description	Amount (millions)	Amount (millions)	Amount (millions)	Source
	(a)	(b)	(c)	(d)	(e)
1	Electric Property Taxes Paid - 2023 Estimate			$ 229.8	WP-BJV-1, Line 6
2	Electric Property Taxes on 2023 Plant Investment			15.7	WP-BJV-6, Line 9
3	2024 Fossil Plant Valuation Tax Reduction			(1.2)	WP-BJV-8, Line 5
4	2024 Covert Plant Acquisition			6.4	U-21090, Exhibit A-75 (CK-1)
5	Estimated Property Taxes on Real Property Taxable Value Increases			1.5	WP-BJV-7, Line 4
6	Estimated Electric Property Taxes to be Paid - 2024			$ 252.2	
7	2023 Fiscal Year Property Taxes to 2024			114.9	(Line 1 * 50.0%) [1]
8	2024 Property Taxes to 2025			(126.1)	(Line 5 * 50.0%) [1]
9	Estimated Electric Property Tax Expense - 2024			$ 241.0	
10	Prorated Electric Property Tax Expense (January - February 2024)			39.9	
11	Prorated Electric Property Tax Expense (March - December 2024)			201.1	
12	2023 Year End Plant-in-Service		$ 18,688.6 [2]		
13	2023 Year End Construction Work-in-Progress	$ 667.6 [3]			
14	@ 50%	50.00%			
15	2023 Construction Work-in-Progress		333.8		
16	Taxable Plant			$19,022.4	(Line 12 + Line 15)
17	Property Tax Rate			0.012669274	(Line 9 / Line 16)

Footnotes

[1] The 50.0% factor is from the 2022 CE Property Tax Fiscal Year Study

[2] Plant in Service Balance as of 12-31-2023; Plant Model U-21389; PIS (WP-JCA-23); Cell Y32 + JHC1&2 PIS (WP-JCA-56), Line 3 + JHC3 PIS (WP-JCA-57), Line 3

[3] Construction Work in Progress Balance as of 12-31-2023; Plant Model U-21389; CWIP (WP-JCA-24); Cell X32

[4] Development of Estimated 2024 Prorated Property Tax Expense

2024 Estimated PT Expense	$ 241.0	(WP-BJV-5, line 9)
Jan-Feb Expense Ratio	16.54%	Plant Model U-21389.xlsx; Input, Cells B179-C179
Prorated 2024 PT Expense	$ 39.9	

[5] Development of Estimated 2024 Prorated Property Tax Expense

2024 Estimated PT Expense	$ 241.0	(WP-BJV-5, line 9)
Mar-Dec Expense Ratio	83.46%	Plant Model U-21389.xlsx; Input, Cells D179-M179
Prorated 2024 PT Expense	$ 201.1	

MICHIGAN PUBLIC SERVICE COMMISSION
Consumers Energy Company
Development of the 2023-2025 Fossil Plant Valuation Tax Reduction

Case No. U-21389
WP-BJV-8

Line No.	(a) Plant	(b) 2022 (millions)	(c) 2023 (millions)	(d) 2024 (millions)	(e) 2025 (millions)
1	Karn 1-2	$ 0.8	$ 0.5	$ 0.3	$ 0.2
2	Karn 3-4	$ 1.2	$ 1.1	$ 1.0	$ 0.9
3	Campbell 1-3	$ 3.8	$ 2.9	$ 2.0	$ 1.2
4	Total	$ 5.8	$ 4.5	$ 3.3	$ 2.3
5	Annual Property Tax Reduction		$ (1.3)	$ (1.2)	$ (1.0)

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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-21389

PROOF OF SERVICE

On the date below, an electronic copy of **Direct Testimony and Exhibits of Douglas B. Jester on behalf of Michigan Environmental Council, Natural Resources Defense Council, Sierra Club, and Citizens Utility Board of Michigan (MEC-1 through MEC-5)** was served on the following:

Name/Party	E-mail Address
Administrative Law Judge Hon. Sally Wallace	wallaces2@michigan.gov
Consumers Energy Company Michael C. Rampe Anne M. Uitvlugt Bret A. Totoraitis Gary A. Gensch, Jr. Robert W. Beach Spencer A. Sattler Theresa A.G. Staley	mpscfilings@cmsenergy.com michael.rampe@cmsenergy.com anne.uitvlugt@cmsenergy.com bret.totoraitis@cmsenergy.com gary.genschjr@cmsenergy.com robert.beach@cmsenergy.com spencer.sattler@cmsenergy.com theresa.staley@cmsenergy.com
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[signature page to follow]

The statements above are true to the best of my knowledge, information and belief.

OLSON, BZDOK & HOWARD, P.C.
Counsel for MEC, NRDC, SC & CUB

Date: August 29, 2023

By: 
Digitally signed by Breanna Thomas
DN: cn=Breanna Thomas, o=Olson, Bzdok & Howard, PC, email=breanna@envlaw.com, c=US
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