Comments of DTE Electric on the Staff Draft Report
Energy Programs and Technology Pilots Collaborative – August 17, 2020

DTE Electric (DTE or Company) would like to first extend its appreciation for the hard work of the Michigan Public Service Commission Staff (Staff) and all parties involved in the Energy Programs and Technology Pilots collaborative workgroup. The discussions have been robust and brought forth many perspectives in this important area. DTE would like to take the opportunity to provide a set of targeted comments in response to the Staff's draft report published on July 31. The document is organized by the recommendations provided in Section 5 of the draft report.

a. Pilot definition. DTE is supportive of the inclusion of a definition of "pilot" as a means to focus the scope of the recommendations and the report overall. The Company also appreciates the fact that stakeholders have diverse perspectives on how to consider the term, as evidenced by the many suggestions made during the collaborative. DTE suggests a narrowed version of the Staff's proposed definition, which could be based on duration, geography, sector, or technology, for example.

b. Objective criteria. The wide majority of pilots undertaken by DTE today include an element of Commission approval, either as a standalone filing, included within a general rate case, or otherwise addressed in an energy waste reduction or demand response plan or reconciliation. The test of prudence for recoverable utility expenditures, including pilots and their associated costs, is one that is applied today. The objective criteria proposed by Staff in part codify good practice and reflect information and approaches already considered, but they do not reflect the diversity in pilot topics and approaches and are not all applicable to all pilots. **In general, DTE recommends that the necessity and applicability of the objective criteria be evaluated relative to the specific pilot and not applied on a blanket basis**. The potential administrative burden generated by the full set of objective criteria may inadvertently disfavor smaller, more targeted pilots that could produce critical learnings and instead shift the utility to larger, more expansive pilots for which many of these criteria are already met. While larger efforts may have great value, the flexibility and lower cost of smaller pilots makes them a critical piece of the pilot ecosystem. To the extent the objective criteria create an additional approval requirement, there could be adverse consequences to existing and successful programs.

The Company also highlights the comment in the introduction of the Objective Criteria which states "However, utilities must also be held accountable for their investments". As discussed more extensively below, investments made by DTE for pilots, general system improvement, or any other area are reviewed for reasonableness and prudency by the Commission. The Staff notes this context in the next sentence, offering that the Commission "routinely examines the reasonableness and prudency of utility investments in its work to ensure safe, reliable, and accessible energy and telecommunications services at reasonable rates for Michigan residents". DTE cannot recover the costs of any investment in rates without approval from the Commission – to the extent DTE chooses to pursue a pilot or other investment without approval, any risk is borne by the Company and not customers.

- *Clear pilot need and goals.* DTE agrees with the recommendation that pilots have a prudent basis for being pursued, and detailing goals and desired learnings. However, the Company initiates pilots to meet many different needs, and the presence or lack of similar pilots at DTE or elsewhere is not the only criteria considered for determining need. In addition, the

existence of a similar pilot elsewhere does not inherently negate the need for DTE to conduct its own pilot, as system considerations, customer segmentation, and other characteristics do not allow for a simple extrapolation of pilot results from another jurisdiction. There is limited value in outside benchmarking work when DTE is piloting the expansion of an existing program (e.g. Bring-Your-Own-Device) to a different group of customers who are adding new thermostats to their homes in the DTE's service territory. Administratively, a requirement to identify and share information on prior pilots conducted outside of DTE could be burdensome. Extensive research, benchmarking, and associated reporting on similar efforts could be unduly onerous. For some pilots (e.g. Charging Forward), this benchmarking is already clearly articulated due to the nature of the effort. And for the majority of operational technology pilots, the critical question is one of system integration with DTE's assets, which is not a learning an outside pilot would have uncovered. **DTE recommends that pilot need be justified in the context of the proposed intervention and learnings.**

- *Pilot design and evaluation plan designed and presented together.* DTE supports the general pilot principle of designing the pilot and the evaluation plan contemporaneously. With respect to statistical design, DTE highlights two comments. First, with regard to statistically significant sample sizes, this is a moving target based on the specific outcomes being tested. As the sample is increasingly segmented (by usage, by demographics, by location, etc.) larger and larger sample sizes are required to maintain statistical significance. This impact is exacerbated when considering attrition in recruitment. Second, the extensive recruitment efforts required to yield a large enough sample to demonstrate statistical significance can become costly and make all but the largest efforts imprudent to conduct. **DTE recommends that Staff, in Sections 4.2.2 and 4.2.3, articulate the cost and effort considerations of the proposed statistical methodologies upon which these objective criteria are premised.**

- *Pilot project costs detailed.*
  - Costs detailed by source. The Company is presently required to justify the prudence of all costs for which it requests recovery, and the Commission has broad latitude to approve or deny requests for recovery. When requesting recovery in a general rate case, the Company is obligated to explain which costs will be incurred in the bridge period and the test year, as these inform the revenue requirement and rates. To the extent a pilot spans multiple years or rate case periods, the Company endeavors to highlight future spend, but it must still request recovery in the relevant rate case. **DTE recommends continuing with existing cost justification requirements and avoiding unnecessary duplication of information.**
  - Description of available non-utility funding. DTE leverages available funding and support as it is available and will continue to do so going forward. One such example, the SmartCurrents effort in conjunction with the Department of Energy Smart Grid Investment Grant program, was presented by both the Company and Berkeley National Lab during the collaborative.
  - Projected cost effectiveness. Pilots are initiated and designed to learn about how a one or more interventions generates one or more outcomes. One of those outcomes is often comparing the cost of the intervention to the impact of the intervention. That learning will then inform how the intervention compares to other technologies, approaches, or methods on a cost-effectiveness basis and a performance basis. If the underlying motivation for the pilot is to learn about the characteristics of the outcomes generated by the intervention, it is not possible to prospectively know if the intervention is or is not

cost-effective. While a cost-effectiveness test may be prudent for certain full programs, and the DTE EWR program currently utilizes such tests, it is not an appropriate metric to evaluate prospectively for a new technology or intervention when the outcome (the "effectiveness") is unknown. In addition, many desirable outcomes are not measurable on a cost basis (such as safety, reliability, and customer satisfaction) and would thus be lost by a cost-effectiveness test. **DTE recommends that pilots be considered on their broad merits and that a cost-effectiveness test for pilots is not appropriate.**

- *Project timeline detailed.* The Company typically includes projected timelines when proposing pilots, but also notes that pilots do not always follow firmly to those projections. External factors may delay pilot design, implementation, evaluation, or reporting, and while the Company endeavors to both set and maintain realistic timelines, they are not always met. Timelines are also subject to potential changes as learnings become clear and there is a value in extending or reorienting the focus of the effort.

- *Stakeholders engaged.* DTE agrees that engaging stakeholders is appropriate and, as supported by reference by Staff on pages 29 and 30, that the specific pilot scope and intent should be a key driver of the appropriate breadth and depth of stakeholder engagement. DTE also highlights Staff's comment by reference on page 30 that "stakeholder engagement may be more appropriate for some pilots than others", which aligns with current practices. **DTE recommends a continuation of current practice and leveling stakeholder outreach to the scale, scope, and intent of the pilot.**

- *Public interest is clear.*
  - Describe how the pilot supports the transition to clean, distributed energy resources and its expected interest in this regard. The Company has committed to net zero by 2050 and achieving this goal will necessarily require the use of technologies which are emergent today and those which have not yet come to market. Many of these technologies will require piloting in the DTE system context to better understand their impacts and efficacies, and they provide a natural path to continue to focus on a lower carbon future. DTE will continue to explore opportunities to achieve its 2050 carbon goals through pilots and other means.
  - Share any added benefits to ratepayers or the energy delivery system. The Company is not clear what is recommended by the Staff with this criterion. Pilots are implemented specifically to assess and understand the benefits to customers and the system (e.g. cost-effectiveness, reliability, affordability, etc.), not to generate extensive benefits themselves – in fact, some pilots "fail" to achieve the desired outcomes and may be a net cost while providing learnings for future efforts. Full implementations and general business optimizations that generate cost savings are already effectively shared with customers over the long term through reductions in the revenue requirement.
  - Expected impacts of the pilot intervention on reliability, resilience, safety, and ratepayer bills. In designing pilots and requesting approval and recovery, the Company must justify the prudence of the effort and the related costs. The Commission determines prudence through a broad view of the totality of the pilot itself and costs. Reliability, resilience, safety, and affordability are key tenets of the Company's approach to serving customers with excellence, both in pilot environments and in the normal course of business.
  - Description of expected local or Michigan based employment and business opportunities created by the pilot. DTE is committed to investing in Michigan. In 2019, DTE spent $2.1B

with more than 2,300 Michigan business, including more than $750M with Detroit business and more than $600M with certified diverse women and minority owned suppliers. The Company believes that this goal is most effectively pursued on a holistic, company-wide basis and not on a pilot-by-pilot basis. It would also be inappropriate to assess the long-term employment or business opportunity impacts of an intervention before assessing and learning from the intervention – to do so would require broad assumptions and speculation.

c. **Pilot directory.** With minor modification, **DTE supports the proposal for a pilot directory hosted by the Commission and populated with available and existing information**. DTE believes this is an effective approach to compiling and sharing pilot information that does not increase the administrative burden on the Company. The Company also highlights the Staff's acknowledgment that data privacy and security concerns are "significant", and share their caution of a more expansive, open, and granular data provision.

   DTE recommends that the pilot directory be separated from the otherwise distinct idea of providing a mechanism for unsolicited proposals. DTE technology pilots are tests of internally-designed applications or existing, commercialized technology. The goals typically include learning about integration of the technology with the DTE system (such as control interfaces and interoperability), and the impact the technology has on DTE system operations (such as load management). To the extent technology providers have solutions to meet DTE pilot objectives and requirements, the existing RFP process supports the consideration of those solutions.

d. **Foundational goals and vision for future pilots.** The Company recognizes the interest in expanding the reach of utility pilots. DTE is actively designing and implementing a number of pilots and programs to reach many customer groups, including low income customers. When designing or executing any pilot, the key goals include safety, reliability, affordability, and strong customer service, and these are constant – if a pilot cannot advance one of those goals then it is unlikely to be implemented. **DTE encourages the Staff, Commission, Governor, and Legislature to keep these core objectives of utility service at the forefront when considering foundational goals for future pilots.**