



Written Comments: DTE Energy Overview

Jerry Norcia,
President & Chief Executive Officer

March 10, 2021

Good morning, Chairman Bellino, Vice Chair Markkanen, Vice Chair Manoogian, and members of the House Energy Committee. My name is Jerry Norcia. I am the President and CEO of DTE Energy. Thank you for providing me the opportunity to come before you today and discuss our company.

Today, I would like to share with a little bit about who I am, what DTE is doing to serve our customers each and every day, and finally where our company is heading as we move into this decade.

As you know, Michigan's energy industry and infrastructure is experiencing fundamental and positive change that will form the foundation for generations to come. This is a responsibility DTE takes seriously, as we strive to create value for our employees, customers, communities and investors to ensure that Michigan maintains its incredible strengths and builds for the future.

As CEO, my responsibility is to ensure we continue transitioning DTE into a next-generation energy company and do so in a manner that delivers to our customers the clean and reliable energy they want while taking affordability into account. Later in my testimony I will share details with you on how DTE is approaching such key areas as our net-zero climate goals, and building the smarter and more resilient energy grid of the future. However, first, I would like to share my personal story with you.

I'm very fortunate to have experienced the American Dream, as the son of Italian immigrants. My family was hardworking but often lacked resources and opportunities. In my early childhood we lived in Italy and we didn't have heat or running water in our house. At age 8 we moved from Italy to Windsor, Ontario where my father worked as a bricklayer and as an autoworker. At the time, I spoke only Italian, so I had to learn English while trying to keep up with school. I persevered and eventually graduated from university with an engineering degree, becoming the first in my family to do so. I was also very fortunate to work alongside my father in the construction business and learn the value of hard work, honesty and integrity.

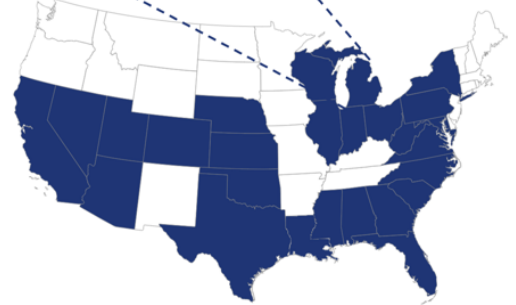
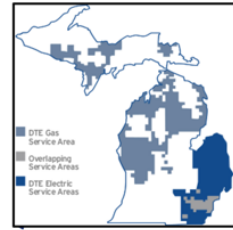
I started my career in the engineering and construction of natural gas pipelines, and joined DTE in 2002 to lead its small pipeline and storage business. I moved to Michigan in 2006 and became an American citizen in 2014.

My upbringing helped me recognize what poverty can do to limit people's access to opportunities. It also stirred a passion in me to focus on what we can do to help create equity within our company and in our communities through the access to opportunity.

Now, let me turn back to talking about DTE; its people, our work today, and our future goals.

DTE has powered Michigan's homes and businesses for more than 170 years, providing electricity and natural gas, while safely operating our network of assets. Today, DTE serves 2.2 million electric customers in Southeast Michigan, and provides heat to 1.3 million homes and businesses across the Upper and Lower Peninsulas through our natural gas utility.

In addition, DTE also operates non-utility businesses, both inside Michigan and in 18 states across the country. DTE Power & Industrial (or P&I) serves both manufacturers and energy providers through three distinct business lines: Industrial Energy Services, Renewable Energy and Environmental Controls. DTE Midstream operates natural gas pipelines, storage and gathering businesses. Late last year, we announced our intention to spin-off DTE Midstream into an independent, publicly traded company. This new company will be headquartered in Detroit and is well positioned for future growth.



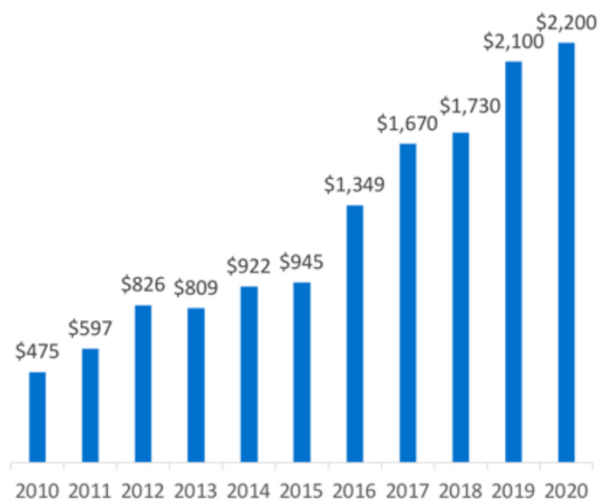
The backbone of DTE is our people. I have the privilege to lead our team of 10,000 employees, who come to work every day with a passion to serve Michigan. DTE’s aspiration is to be the best operated energy company in North America, and a force for growth in the communities where we live and serve. We truly believe that Michigan’s success is our success.

A key indicator of that success is the creation of high-quality, good paying jobs. DTE is heavily invested in developing a diverse, equitable and inclusive workforce through innovative programs and partnerships with key community partners; even for individuals that need a second chance.

In the Summer 2019, DTE launched a first-of-its-kind workforce development program to train people with barriers to employment in a skilled job. We partnered with the Michigan Department of Corrections and IBEW Local 17 to develop a program at Parnall Correctional Facility’s Vocational Village to train returning citizens for a career in tree trimming. And later this month, DTE will launch a tree-trimming academy again in partnership with the IBEW Local 17, plus *Focus: HOPE* and the City of Detroit. This program will specifically address barriers to employment for Detroiters and known causes of failure, such as lack of childcare or transportation.



Michigan-Based Supplier Spend (Millions)



In addition to our employees, DTE is proud of our extended family that now includes over 2,000 Michigan-based suppliers. Starting in 2010, DTE began a journey of identifying in-state businesses that could supply our company with the products and services necessary to serve our customers. Over the last decade, DTE has gone from spending \$450 million with in-state suppliers to \$2.2 billion in 2020, touching 78 of Michigan’s 83 counties. We are also proud that \$744 million of this investment was with certified diverse suppliers. In total, DTE has invested \$13.7 billion with Michigan-based suppliers, helping to create more than 44,000 local jobs.

The positive economic impact our company has across the state is just one outcome in which our 10,000 DTE employees and I take pride in. For the last three

years, DTE has been named to the Civic 50 – the top 50 companies nationwide in corporate citizenship – by Points of Light, which is the world’s largest organization dedicated to volunteer service.

These types of achievements are made possible by the high level of employee engagement DTE has built over the past decade. In fact, Gallup has recognized DTE’s performance in employee engagement by awarding the company their Exceptional Workplace Award for eight straight years running.

DTE’s investors are also integral part of the company’s past and future; and they are very positive on the environment we have here in Michigan. DTE has a long track record of delivering solid returns for our investors, who include retirement funds for state governments and teachers from across the country. Also, over 25% of DTE is owned by retail investors, including employees, retirees and customers. Their confidence and partnership are fundamental in achieving the future we all want for Michigan.

These examples speak to a singular value of DTE, which is a commitment to service excellence. At DTE we know that above all else, service to each other - and to our customers - is fundamental to our goals. This value of service was brought to an intense focus by the COVID-19 pandemic, and our employees have delivered much needed results for our customers and communities, specifically our most vulnerable.

Last year, through close collaboration with our peer utilities, the Michigan Public Service Commission (MPSC) and the Michigan Department of Health and Human Services (DHHS), significant reforms were made to the State Emergency Relief (SER) program which brings financial aid to low-income customers. These reforms included reducing the amount of time it takes to process an application, increasing the amount a single household could receive in assistance, and allowing more people in crisis to qualify for relief funds.

DTE’s collaboration with the MPSC and DHHS also led to the development of the LIHEAP Direct Support program. This program utilized LIHEAP funding from the CARES Act - and an additional 25% in utility bill assistance - to provide direct payments to customers. After three rounds of LIHEAP Direct Support, 21,000 DTE customers received \$13 million in bill assistance. DTE also partnered with the MPSC to hold our electric rates flat through 2021 and provided a one-time \$30 million refund to our electric customers last summer. Today, we continue to provide flexible payment options to businesses and residential customers impacted by the pandemic.

On this issue, I want to thank each of you for helping to advance the \$220 million in rental assistance, which is just another way for our customers to get help with their bill. Continuing to make these federal resources available to our customers is key to the ongoing recovery from the pandemic.

In addition to these actions to address affordability, DTE remains focused on upgrading our electric and gas infrastructure to ensure the delivery of reliable and safe energy to Michigan’s homes and businesses. Last year alone, DTE invested nearly \$1 billion on upgrading equipment and improving overall reliability for our electric customers. These efforts helped deliver a nearly 25% improvement in reliability from 2019, based on the number of minutes the average customer was out of power.

Building a more resilient electric grid includes trimming overgrown trees along power lines. Fallen trees and branches are responsible for two-thirds of the time our customers spend without power. In 2020, the company accelerated tree trim efforts, trimming more than 5,500 miles of trees – more than the distance from Detroit to Seattle and back. That’s nearly 1,000 miles more than in 2019.

These types of investments and results are critical for service today, and prepare DTE's grid to be smarter and more resilient tomorrow.

Later this fall, DTE will submit to the MPSC a detailed distribution investment plan for the next five years, which will represent the building blocks of this future energy grid. Similar to our Integrated Resource Plan for power generation, this plan will also describe a 10-15 year vision for the grid. The longer time frame will reflect the expected pace of technology and increased adoption of distributed energy resources, electric vehicles and energy storage. This plan is also critical to making the grid more resilient to extreme weather.

DTE is similarly focused on renewing its natural gas infrastructure. We recently submitted a 10-year plan to the MPSC, which details our investments for the next decade. The largest portion of this plan is focused on replacing old cast iron and unprotected steel pipe with plastic, which minimizes leaks and reduces operating costs. This work improves the safety and reliability of our service, while providing our customers with the most affordable resource we have to heat homes and run appliances like clothes dryers and cook-tops.

Investing in our gas and electric infrastructure is also fundamental to achieving DTE's goal of net-zero emissions.

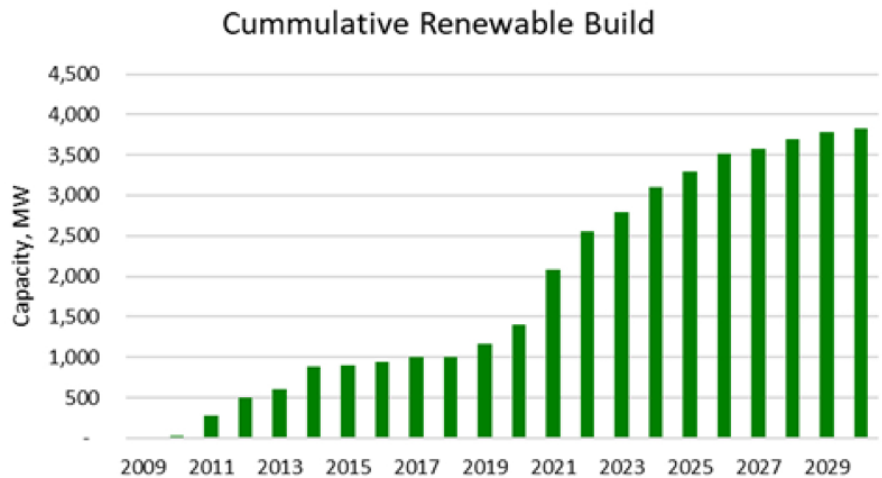
In 2019, DTE was one of the first utilities in the country to announce a goal of reaching net-zero carbon emissions by 2050. Then, in the summer of 2020, we announced a similar goal of reaching net-zero emissions by 2050 from our natural gas supply chain, and our operations. Included in the gas utility's goal is an innovative voluntary program we call Natural Gas Balance. This program allows customers to offset up to 100% of an average home's natural gas emissions through a combination of renewable natural gas and forestry-based carbon offsets.

The Natural Gas Balance program mirrors our voluntary renewable energy program, MIGreenPower, which allows customers to attribute up to 100% of their electricity from wind and solar generation. Launched in 2017, MIGreenPower is committed to providing over 950 megawatts of renewable energy by 2023 for some of Michigan's largest commercial and industries customers – folks like Ford, General Motors, and University of Michigan to name a few. All told the program includes over 25,000 customer commitments, making this one of the largest voluntary renewable programs in the country.

An important question to ask is why has MIGreenPower been so successful so quickly. The answer is two-fold. First, it's simple and convenient for the customer. There's no installation or maintenance necessary on the part of the homeowner. The assets are located in a farm field and not on your roof. MIGreenPower does not require a lease, a 20 to 25-year contract, or a second mortgage. And best of all, it works for renters, families that live in apartment buildings, households that don't have a roof optimally sited for solar and individuals who simply cannot afford a large, up-front investment.

The second reason is the more favorable economics provided by MIGreenPower relative to rooftop solar. Customers can make an investment in renewable energy – either wind, solar or both – and over a similar payback period for a private solar installation, a MIGreenPower enrollment comes out ahead. Based on recent long-term market forecasts for energy and capacity, a MIGreenPower enrollment is more than three times cheaper over a 20-year period as compared to an equally-sized rooftop solar array.

All told, DTE continues to be Michigan’s largest investor in wind and solar energy in Michigan and is on pace to nearly triple our renewable generation by 2030, providing enough energy to power 1.3 million homes. When coupled with our new natural gas powered Blue Water Energy Center, at the end of this decade, our electric utility will have reduced carbon emissions by 50% compared to 2005 levels and remain on track to meet our 80% goal by 2040 and our net-zero goal by 2050. Our gas utility will also have met - and be on track for - similar milestones.



Getting to net-zero by 2050 will require more than renewable energy, and we are encouraged that policymakers are engaged at the federal, state, and local levels of government to increase the pace of technology and innovation. DTE is highly engaged in many of these forums. We are encouraging the federal government to advance research and development funding for technologies such as carbon capture, hydrogen, and even small modular nuclear reactors. These technologies and other innovations will be critical for DTE, the State of Michigan, and the US to achieve net-zero.

We also are pleased that stakeholders here in Michigan are embracing strategies that will move us closer to achieving our shared goals. Nature-based solutions such as the Department of Natural Resource’s carbon-offset credit program, that’s promotes planting of trees and better forestry practices, aligns well with our Natural Gas Balance voluntary program since they both work to lower pollution and slow the effects of climate change.

Similarly, a newly introduced bill in the Senate (Senate Bill 138) initiates a study on the feasibility of Michigan’s renewable natural gas resources. Renewable natural gas offers a prime opportunity – available today – to reduce emissions in an affordable manner while also supporting local economies. This study is critical to understanding the full potential of RNG, and when this bill arrives in the House, I ask for your open consideration.

I would like to close my remarks on the recent events that unfolded in Texas.

In terms of policy and Michigan’s ability to withstand similar events, our state is in a very different place than Texas. Michigan’s policy framework of state-based regulation, coupled with sound processes for in-state generation and reliability planning, plus our partnership with the broader MISO marketplace, appropriately positions the lower peninsula to manage against these types of events.

We actually saw a somewhat similar event first-hand during the polar vortex of 2019 when generation assets in other states became unavailable due to colder than normal temperatures. On that day, DTE had more than enough generation to meet our customers' needs. Overall, DTE's entire generation fleet – 24/7 power plants and renewables – was actually a net-exporter of power into the MISO market to help cover the needs in other states where generation assets were unavailable.

Similarly, just last month when that same storm that impacted Texas came through Michigan, our generation performed just as well, and again was a net-exporter of power. DTE's wind turbines are engineered with specific cold weather adaptive packages and can operate in temperatures as low as negative 22 degrees Fahrenheit. Our 24/7 power plants are also engineered and maintained to withstand low temperatures while maintaining production.

These dynamics did not exist in Texas. In Texas, poor planning and poor regulation were the catalyst for this tragedy. When presented with severe weather that impaired generation resources, the Texas retail energy marketers actually told their customers to switch to another provider. What we also saw was market prices for energy that surged to \$9,000 a megawatt hour, forcing Texas' customers to absorb extreme bills that placed even greater burdens on homeowners and businesses.

We have a high quality regulatory construct for electric and gas utilities in Michigan. This regulatory framework, which has been developed in a bipartisan manner in Michigan, has resulted in \$6-8 billion per year of investment in our electric and gas infrastructure. These investments have provided for reliable, affordable energy in Michigan and have started to pave the way to a cleaner energy future.

Thank you. Open for Q&A.