

VARNUM

Bridgewater Place | Post Office Box 352
Grand Rapids, Michigan 49501-0352
Telephone 616 / 336-6000 | Fax 616 / 336-7000 | www.varnumlaw.com

Justin K. Ooms

Direct 616 / 336-6374
jkooms@varnumlaw.com

October 23, 2026

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

Re: MPSC Case No. U-22070

Dear Ms. Felice:

Attached for electronic filing in the above-captioned matter please find the Rebuttal Testimony of Dr. Laura S. Sherman on behalf of the Michigan Energy Innovation Business Council, the Institute for Energy Innovation and Advanced Energy United ("MEIU"), along with Proof of Service of same.

Thank you for your assistance in this matter.

Sincerely yours,

VARNUM



Justin K. Ooms

JKO/plf
Attachment(s)

c: All parties of record.

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	)	Case No. U-22070
electricity and for other relief.	)	
	)	
	)	
_____	)	

REBUTTAL TESTIMONY OF DR. LAURA S. SHERMAN

ON BEHALF OF

THE MICHIGAN ENERGY INNOVATION BUSINESS COUNCIL,

INSTITUTE FOR ENERGY INNOVATION,

AND

ADVANCED ENERGY UNITED

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1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. State your name, business name and address.**

3 A. My name is Dr. Laura S. Sherman, and I am the President of the Michigan Energy
4 Innovation Business Council (“Michigan EIBC”) and the Institute for Energy Innovation
5 (“IEI”), located at 115 West Allegan, Suite 710, Lansing, Michigan 48933.

6
7 **Q. On whose behalf are you appearing in this case?**

8 A. I am appearing here as an expert witness on behalf of Michigan EIBC, IEI, and Advanced
9 Energy United (“United”), collectively referred to as “MEIU.”

10
11 **Q. Are you the same Dr. Laura S. Sherman who provided direct testimony in this**
12 **proceeding?**

13 A. Yes, I am.

14
15 **Q. Are you sponsoring any exhibits with your rebuttal testimony?**

16 A. No.

17
18 **Q. What is the purpose of your rebuttal testimony?**

19 A. The purpose of my direct testimony is to respond to certain aspects in the direct testimony
20 of Michigan Public Service Commission (“MPSC” or “Commission”) Staff witness Nathan
21 L. Blizzard related to Consumers Energy Company’s (“Consumers” or “the Company”)
22 proposed Residential Electric Heating (“REH”) rate.

23

1 **II. REBUTTAL OF WITNESS BLIZZARD**

2 **Q. What did the Company propose in this case related to an electric heating rate?**

3 A. In this case, the Company proposes a whole-home electric heating rate, called the REH
4 rate.¹ The REH rate is proposed as a technology-neutral rate with a winter declining block
5 rate structure where the initial block rate is for the first 750 kWh of usage and the second
6 block rate is for any usage above 750 kWh during the billing month.² The Company does
7 not propose to include any time of use (“TOU”) pricing during the winter months. The
8 summer rate structure for the REH rate would remain the same as the Residential Summer
9 On-Peak Basic Rate (“RSP”), which is a time-varying rate.³

10
11 **Q. Does the REH rate, as proposed by the Company, apply only to customers with**
12 **certain technologies?**

13 A. No, the proposed REH is neutral with respect to technology. According to Company
14 witness Michael C. Grondin, the rate is designed to support “heat-pump adoption through
15 favorable winter price signals without imposing technology-specific eligibility. . .”⁴

16

¹ Direct Testimony of Michael C. Grondin on behalf of Consumers Energy (“Grondin Direct”), Case No. U-22070, pp. 9-12.

² *Id.*, p. 10.

³ *Ibid.*

⁴ Grondin Direct, p. 12.

1 **Q. What does Staff witness Blizzard argue regarding technology limitations of the REH**
2 **rate?**

3 A. Staff witness Blizzard argues in direct testimony that the Company should limit the REH
4 rate only to customers with electric heat pumps.⁵

5
6 **Q. Do you agree that the REH rate should be limited only to customers with an electric**
7 **heat pump?**

8 A. No. Instead, I am supportive of the Company's proposal to establish the REH rate as a
9 technology-neutral rate open to all electric heating customers. As I explained in my direct
10 testimony,

11 customers who electrify their space heating often pay rates that are
12 developed for average residential use based on summer peak demand,
13 resulting in an inverse cost shift that overcharges customers who have
14 higher than average winter demand. In general, all winter-peaking
15 customers, regardless of the specific loads that result in a winter-peak, face
16 being charged more than the cost-to-serve under the Company's current rate
17 structure.⁶
18

19 **Q. What impact does this misalignment have on electric heating customers?**

20 A. This misalignment causes all customers with electrified space heating, regardless of the
21 technology, to be overcharged under the Company's existing rate design structure. As
22 described in my direct testimony, an analysis from RMI and 5 Lakes Energy focused on
23 estimating a typical residential customer's contributions to system costs and energy bills
24 across several Midwest utilities found both that customers would see bill increases if they

⁵ Direct Testimony of Nathan L. Blizzard on behalf of Michigan Public Service Commission Staff ("Blizzard Direct"), Case No. U-22070, p. 10.

⁶ Direct Testimony of Dr. Laura S. Sherman on behalf of the Michigan Energy Innovation Business Council, Institute for Energy Innovation, and Advanced Energy United ("Sherman Direct"), Case No. U-22070, p. 21.

1 switched from natural gas to electric heating, but also, that these same now-electric heating
2 customers would be unfairly overcharged by hundreds of dollars every year.⁷

3
4 **Q. Would there be equity issues associated with limiting the REH rate only to customers**
5 **with an electric heat pump?**

6 A. Yes. As detailed in my direct testimony,⁸ multifamily apartments, especially those with
7 low-income tenants, are much more likely to be heated with electric resistance systems
8 than single family homes. Specifically, 30% of multifamily apartments in Michigan and
9 Illinois have electric resistance heat.⁹ It is critical, therefore, that any electric heating rate
10 is not limited only to customers with the means (i.e., cash or credit) and ability (i.e.,
11 homeowners) to install an electric heat pump. Customers without the means or ability to
12 install an electric heat pump, but who are reliant on electric resistance heating, are more
13 likely to be lower-income. As such, these customers stand to benefit the most from
14 switching to an electric heating rate which appropriately aligns their cost-to-serve with
15 their rate. Therefore, developing a rate that is technology-neutral and inclusive of all
16 electric heating customers is critical for ensuring that low-income customers and
17 multifamily housing occupants are able to utilize and benefit from the new rate.

18
19 **Q. Does the REH rate, as proposed by the Company, include verification requirements?**

20 A. No. According to the direct testimony of Company witness Grondin,

⁷ Dammal, J. Henchen, M. and Shah, A., RMI, “Electric Rates Can Help or Hinder Heat Pump Progress,” December 5, 2024, available at <https://rmi.org/resources/electric-rates-can-help-or-hinder-heat-pump-progress/>.

⁸ *Ibid.*

⁹ *Ibid.*

1 [to] encourage participation and limit any potential administrative burden,
2 the Company avoided verification mechanisms and instead relied on rate
3 structure and usage patterns. Regarding delivery considerations, the
4 Company prioritized using clear rate differentiation to RSP and opt-in
5 strategies to support customer understanding, minimizing confusion to
6 enrollment, and preserving customer choice.¹⁰
7
8

9 **Q. What does Staff witness Blizzard argue regarding verification related to the REH**
10 **rate?**

11 A. Staff witness Blizzard argues in direct testimony that the Company should limit the REH
12 rate only to customers who can provide proof that they have purchased and installed an
13 electric heat pump.¹¹
14

15 **Q. Do you have concerns with this proposal?**

16 A. Yes. As I described previously, I do not believe that the REH rate should be limited to
17 customers who switch to an electric heat pump; instead, it should be open to all electric
18 heating customers. Setting that aside, I am concerned that verification requirements
19 extrinsic to customer load/usage data would be burdensome for the Company, for installers,
20 and for customers. In addition to developing verification procedures, the Company would
21 need to then review each application prior to approval. It is likely that such an approval
22 process may involve multiple back-and-forth emails, phone calls, and perhaps even site
23 visits depending on the sophistication of the customer/installer and specifics of the installed
24 system. This would waste significant time on the part of the Company, the installer, and

¹⁰ Grondin Direct, p. 12.

¹¹ Blizzard Direct, p. 10.

1 the customer – creating frustration and coming at a significant cost. In addition, such
2 verification requirements may exclude existing heat pump/electric heating customers from
3 participating if they no longer possess the requisite proof of installation (e.g., a receipt or
4 verification from an installer). Finally, assuming that all electric heating customers are
5 allowed to participate in the REH rate, it would be especially difficult for an electric
6 resistance customer to prove with a simple photo that they use an electric heating system.
7 As previously mentioned, older electric resistance heating systems are more concentrated
8 in multifamily homes. In this scenario, the main components of an electric resistance
9 heating system that a multifamily housing resident would need to take a picture of to prove
10 the building's heating source might not be accessible to them as a tenant, such as if the
11 electric resistance heater is located in a closed off basement or locked utility closet.
12

13 **Q. Do you agree with the concerns expressed by Staff witness Blizzard about the**
14 **Company's proposal to establish the REH rate as a declining block rate?**

15 A. As outlined in my direct testimony,¹² I agree with Staff witness Blizzard that a declining
16 block rate could provide perverse incentives, discouraging energy efficiency and the
17 adoption of distributed energy resources ("DERs") such as rooftop solar and energy storage
18 systems. However, I do not agree with Staff witness Blizzard that the solution to address
19 these concerns is a requirement that participating customers verify adoption of an electric
20 heat pump. Instead, as outlined in my direct testimony,¹³ I believe that the REH rate should
21 be designed to be cost-reflective of distribution system costs with both seasonal and daily

¹² Sherman Direct, p. 25.

¹³ Sherman Direct.

TOU elements, concentrating the recovery of costs to a greater extent during the summer season and during high-demand hours throughout the year. In other words, the rate should be designed to offer lower prices to customers in the winter and during the overnight hours/early hours of the morning when costs on the system are lower, and when electric heating customers experience higher space heating demand. The inclusion of these TOU elements to the REH rate, in addition to the proposed seasonal differentiation, would better align the rate with usage patterns of electric heating customers.

III. CONCLUSIONS AND RECOMMENDATIONS

Q. Please summarize your conclusions and recommendations to the Commission.

A. I recommend that the Commission:

- Approve the REH tariff with modifications as outlined in my direct testimony;¹⁴
- Reject Staff witness Blizzard’s proposal to limit the REH rate only to customers with an electric heat pump; and
- Reject Staff witness Blizzard’s proposal to require verification of adoption of an electric heat pump to access the REH rate.

Q. Does that complete your rebuttal testimony?

A. Yes.

¹⁴ *Id.*, pp. 40-41.

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for authority to increase its rates for	)	
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_____	)	

PROOF OF SERVICE

STATE OF MICHIGAN	)	
	) ss.	
COUNTY OF KENT	)	

Pamela Fox, the undersigned, being first duly sworn, deposes and says that she is a Legal Secretary at Varnum LLP and that on Friday, October 23, 2026, she served the Rebuttal Testimony of Dr. Laura S. Sherman on behalf of the Michigan Energy Innovation Business Council, the Institute for Energy Innovation and Advanced Energy United (“MEIU”), and this Proof of Service upon those individuals listed on the attached Service List via email at their last known addresses.

Pamela
Fox

Pamela Fox

Digitally signed by: Pamela Fox
DN: CN = Pamela Fox email =
plfox@varnumlaw.com C = US O
= Varnum
Date: 2026.10.23 12:24:41 -04'00'

ADMINISTRATIVE LAW JUDGE

Honorable Christopher S. Saunders
Saundersc4@michigan.gov

**ASSOCIATION OF BUSINESSES ADVOCATING
TARIFF EQUITY (ABATE)**

Michael J. Pattwell
Stephen A. Campbell
Lauren Degnan
James Dauphiais
Jessica York
Benjamin J. Holwerda
mpattwell@clarkhill.com
scampbell@clarkhill.com
ldegan@clarkhill.com
jdauphinais@consultbai.com
jyork@consultbai.com
bholwerda@clarkhill.com

ATTORNEY GENERAL

Celeste Gill*
Lucas Wollenzien*
Amanda Churchill*
Michael Deupree*
Anna Griffin*
Gillc1@michigan.gov
wollenzienl@michigan.gov
churchillA1@michigan.gov
michaeldeupree@acadianconsulting.com
annagriffin@acadianconsulting.com

**CITIZENS UTILITY BOARD OF MICHIGAN;
MICHIGAN ENVIRONMENTAL COUNCIL;
NATURAL RESOURCES DEFENSE COUNCIL;
SIERRA CLUB**

Holly L. Hillyer*
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Aiden Glaser Schoff*
Kayla Cherry*
Ben Havumaki
Shannon Fisk*
Helen Li*
Jacob Elkin*
Joshua Denzler*
Carrie La Seur
holly@tropospherelegal.com
chris@tropospherelegal.com
tjandrews@tropospherelegal.com
sean@tropospherelegal.com
natasha@tropospherelegal.com
sue@tropospherelegal.com
jgibbons@5lakesenergy.com
rbunch@5lakesenergy.com
dgard@5lakesenergy.com
sbuchhorn@5lakesenergy.com
gwoolley@5lakesenergy.com
djester@5lakesenergy.com
mmenghaney@5lakesenergy.com
mbandyk@5lakesenergy.com
bjohnson@5lakesenergy.com
tabohrmann@yahoo.com
aglaserschoff@synapse-energy.com
kcherry@synapse-energy.com
bhavumaki@synapse-energy.com
sfisk@earthjustice.org
hli@earthjustice.org
jdenzler@5lakesenergy.com
claseur@laseurlaw.com

CONSUMERS ENERGY COMPANY

Spencer A. Sattler
Gary A. Gensch Jr.
Evan B. Keimach
Bret A. Totoraitis
Anne M. Uitvlugt
Michel C. Rampe
Kelly Hall

*Receives Confidential Materials

spencer.sattler@cmsenergy.com
gary.genschjr@cmsenergy.com
evan.keimach@cmsenergy.com
bret.totoraitis@cmsenergy.com
anne.uitvlugt@cmsenergy.com
michael.rampe@cmsenergy.com
mpsc.filings@cmsenergy.com
kelly.hall@cmsenergy.com
mpsc.filings@cmsenergy.com

**THE ECOLOGY CENTER; ENVIRONMENTAL
LAW & POLICY CENTER; UNION OF
CONCERNED SCIENTISTS; VOTE SOLAR**

Katherine S. Duckworth*
Daniel Abrams*
Alondra Estrada*
Erin Morse
Nicholas N. Wallace
William D. Kenworthy*
Lee Shaver*
Boratha Tan*
James Gignac*
kduckworth@elpc.org
dabrams@elpc.org
aestrada@elpc.org
mpscdocket@elpc.org
emorse@elpc.org
nwallace@elpc.org
will@votesolar.org
lshaver@ucs.org
btan@votesolar.org
jgignac@ucsusa.org

**GREAT LAKES RENEWABLE ENERGY
ASSOCIATION**

Don L. Keskey
Brian W. Coyer
donkeskey@publiclawresourcecenter.com
bwcoyer@publiclawresourcecenter.com

**HEMLOCK SEMICONDUCTOR OPERATIONS
LLC; SOLAR TECHNOLOGY LLC**

Jennifer U. Heston
jheston@potomacclaw.com

**HOME BUILDERS ASSOCIATION OF
MICHIGAN**

Cole V. Lussier*
Sharon S. Sanders*
clussier@dickinsonwright.com
ssanders@dickinsonwright.com

THE KROGER CO.

Michael L. Kurtz
Kurt J. Boehm
Jody Kyler Cohn
kboehm@bkllawfirm.com
mkurtz@bkllawfirm.com
jkylercohn@bkllawfirm.com

MPSC STAFF

Amit T. Singh
Michael J. Orris
Lori Mayabb
Nicholas Q. Taylor
Alena M. Clark
Mike Byrne
Bill Stosik
David Chislea
Bob Nichols
Nick Revere
singha9@michigan.gov
orrism@michigan.gov
mayabbl@michigan.gov
taylorn10@michigan.gov
clarka55@michigan.gov
byrnem@michigan.gov
stosikb@michigan.gov
chislea@michigan.gov
nicholsb1@michigan.gov
reveren@michigan.gov

**MICHIGAN CABLE
TELECOMMUNICATIONS ASSOCIATION**

Sean P. Gallagher
Joann Schofield
sgallagher@fraserlawfirm.com
jschofield@fraserlawfirm.com

MICHIGAN COALITION TO PROTECT PUBLIC RIGHTS OF WAY (PROTEC); MICHIGAN MUNICIPAL ASSOCIATION FOR UTILITY ISSUES (MI-MAUI)

Nathan D. Inks*
Michael J. Watza*
Tonya Voakes*
Reagan Doctor*
nathan@bloomsluggett.com
mike@bloomsluggett.com
tonya@bloomsluggett.com
reagan@bloomsluggett.com

MICHIGAN ENERGY INNOVATION BUSINESS COUNCIL; INSTITUTE FOR ENERGY INNOVATION; ADVANCED ENERGY UNITED ("MEIU"); ENERGY MICHIGAN; FOUNDRY ASSOCIATION OF MICHIGAN

Timothy J. Lundgren*
Laura A. Chappelle*
Justin K. Ooms*
Haylee N. Skank*
Jared Deluccia*
Grace Michienzi*
Sophia Schuster*
Laura Sherman*
tjlundgren@varnumlaw.com
lachappelle@varnumlaw.com
jkooms@varnumlaw.com
hnskank@varnumlaw.com
jared@mieibc.org
grace@mieibc.org
sophia.schuster12@gmail.com
laura@mieibc.org

MICHIGAN STATE UTILITY WORKERS COUNCIL, UTILITY WORKERS UNION OF AMERICA, AFL-CIO

Benjamin L. King
bking@michworkerlaw.com

URBAN CORE COLLECTIVE

Amanda Urban
Mark N. Templeton*
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Emma Young*
Emma Sperry*

*Receives Confidential Materials

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Benjamin Charles*
Gavin Ford*
Isabella Magg*
Noah Robinson*
Ashwin Mahadevan*
Rahul Agrawal Bejarano*
Aurbanlaw@gmail.com
templeton@uchicago.edu
amiskho@uchicago.edu
eyoung28@uchicago.edu
eesperry@chicago.edu
justin@energyequityproject.org
sergio@uccgr.org
brooke24caldwell@lawclinic.uchicago.edu
jwaddles@lawclinic.uchicago.edu
brcharles@lawclinic.uchicago.edu
gpford@lawclinic.uchicago.edu
imagg@lawclinic.uchicago.edu
noahrob@lawclinic.uchicago.edu
amahadevan@lawclinic.uchicago.edu
rahul@energyequityproject.org
aelc_mpsc@lawclinic.uchicago.edu

WALMART, INC.

Melissa M. Horne
mhorne@hcc-law.com