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June 30, 2023

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

RE: In the matter of the application of **DTE ELECTRIC COMPANY** to commence a renewable energy cost reconciliation proceeding for the 12-month period ended December 31, 2022
MPSC Case No. U-21353

Dear Ms. Felice:

Attached for electronic filing in the above captioned matter are DTE Electric Company's Application for Renewable Cost Reconciliation, Direct Testimony of Witness Vielka M. Hernandez, Direct Testimony and Exhibits of Witnesses Patrick D. Kauffman, Frank M. Kopinski, Thomas W. Lacey, Karl Lievense, and Sherri L. Wisniewski, and Renewable Energy Annual Report. Also attached is the Proof of Service.

Very truly yours,

Paula Johnson-Bacon

PJB/cdm
Attachments

cc: Service List

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
DTE Electric Company to commence)
a renewable energy cost reconciliation)
proceeding for the 12-month period ended)
December 31, 2022)

Case No. U-21353

**DTE ELECTRIC COMPANY’S RENEWABLE COST
RECONCILIATION APPLICATION**

DTE Electric Company (“DTE Electric” or the “Company”) files this Application pursuant to 2008 PA 295, MCL 460.1001 *et seq.*, as amended, the Rules of Practice and Procedure Before the Michigan Public Service Commission (“Commission”) (R 460.17101 *et seq.*), and the Michigan Administrative Procedures Act (MCL 24.201 *et seq.*). With this Application, DTE Electric requests the Commission’s approval of the Company’s Renewable Cost Reconciliation and other related relief. In support of this request, DTE Electric states as follows:

1. DTE Electric is a corporation organized and existing under and by virtue of the laws of the State of Michigan, with its principal office at One Energy Plaza, Detroit, Michigan 48226. DTE Electric is a wholly-owned subsidiary of DTE Energy Company supplying retail electric service to customers located in Southeast Michigan. The Company is a public utility and Electric Provider (as defined under MCL 460.1005(a)(i)) with more than 1,000,000 retail customers in Michigan and is therefore subject to the jurisdiction of the Commission per various provisions of 1919 PA 419, as amended, MCL 460.51 *et seq.*; 1939 PA 3, as amended MCL 460.1 *et seq.*; and 2008 PA 295, MCL 460.1001 *et seq.*, as amended.

2. On October 6, 2008, the “Clean, Renewable, and Efficient Energy Act,” 2008 PA 295, MCL 460.1001 *et seq.* was signed into law. The act was subsequently amended by 2016 PA

342 effective April 20, 2017 and was renamed the “Clean and Renewable Energy and Energy Waste Reduction Act” (referred to hereinafter as “Act 295” or “2008 PA 295”). Act 295 requires Electric Providers¹, such as DTE Electric, to file a Renewable Energy Plan (“REP”) with the Commission for review and approval.

3. The Company’s Renewable Energy Plan was first approved by Commission orders dated June 2, 2009 and August 25, 2009 in Case No. U-15806-RPS. DTE Electric submitted Amended Renewable Energy Plans on June 2, 2011, June 3, 2013, June 2, 2015, June 30, 2016, March 29, 2018, August 31, 2020, and September 30, 2022. Each of the REP amendments were approved consistent with 2008 PA 295.² This Application provides a reconciliation to the Company’s Amended Renewable Energy Plan approved on December 21, 2022 in Case No. U-21285.

4. Consistent with, and as required by MCL 460.1051, DTE Electric has filed, concurrently with the filing of this Application, DTE Electric’s Renewable Energy Plan Annual Report for 2022.

5. MCL 460.1049 provides for the commencement of an annual proceeding for renewable cost reconciliation. In this proceeding, the Commission is to reconcile the pertinent revenues recorded and the allowance for the nonvolumetric revenue recovery mechanism with the amounts actually expensed and projected according to DTE Electric’s Amended Renewable Energy Plan, including (i) determining DTE Electric’s compliance with the renewable energy standards contained in Section 28 (MCL 460.1028); (ii) ensuring that the retail rate impacts under

¹ Capitalized terms that are not specifically defined in this Application are defined under Act 295. MCL 460.1001 *et seq.* as amended.

² Case No. U-16582 Order dated December 20, 2011; Case No. U-17302 Order dated December 19, 2013; Case No. U-17793 Order dated November 5, 2015; Case No. U-18111 Order dated September 23, 2016; Case No. U-18232 Order dated July 9, 2020; Case No. U-20851 Order dated June 9, 2021; Case No. U-21285 Order dated December 21, 2022.

DTE Electric's renewable cost reconciliation revenue recovery mechanism do not exceed the maximum retail rate impacts specified under Section 45 of 2008 PA 295, MCL 460.1045; (iii) ensuring that the Company's revenue recovery mechanism is projected to maintain a minimum balance of accumulated reserve so that a regulatory asset does not accrue; (iv) adjusting the Company's revenue recovery mechanism and approved surcharge amounts (if necessary, which is not presently the case for DTE Electric) to ensure DTE Electric's recovery of its incremental cost of compliance with the renewable energy standards; (v) establishing the price per megawatt hour ("MWh") for renewable energy capacity and advanced cleaner energy capacity and for renewable energy and advanced cleaner energy to be recovered through the PSCR clause under MCL 460.6j (a/k/a "Transfer Prices"), as outlined in section 47(2)(b)(iv); (vi) adjusting (if necessary, which is not presently the case for DTE Electric) the minimum balance of accumulated reserve funds; and (vii) if an Electric Provider, such as DTE Electric, has recorded a regulatory liability in any given month during the 20-year Renewable Energy Plan period, ensuring the appropriate accrual of interest at the average short-term borrowing rate available to the electric provider during the appropriate period, and use of that interest to fund incremental costs of compliance incurred in subsequent periods within the 20-year Renewable Energy Plan period.

6. Act 295 contains a Renewable Energy Credit Portfolio Standard for Electric Providers such as DTE Electric. (See MCL 460.1028(1)(a)). The Company met the statutory requirements of 2008 PA 295 for 2022 by retiring a total of 6,166,087 Renewable Energy Credits ("RECs").

7. As detailed in DTE Electric's Witness Hernandez's testimony, the Company's actual renewable energy capacity totaled 1,862.7 MW in 2022.

8. The average Transfer Price for 2022 was approximately \$70.09/MWh. To determine the Transfer Price, the Company calculated the total Transfer Cost and divided the Transfer Cost by the corresponding renewable energy quantity (measured in MWh) obtained in 2022. The Transfer Price is applied to generation from Commission-approved Electric Provider-owned Renewable Energy Systems and purchases of energy, capacity, and RECs through Renewable Energy Contracts. All costs of PURPA/PA2 generation for which recovery in electric rates was approved by the Commission prior to October 6, 2008 (the effective date of 2008 PA 295) are recovered as part of DTE Electric's Act 304 (MCL 460.6j) PSCR process and general rates. These existing facilities generate RECs for DTE Electric at zero cost.

9. The estimated and actual Amended Renewable Energy Plan surcharge revenue for 2022 was \$0.00 as a result of decreasing the surcharge to \$0.00 across all customer types as of December 2015.

10. In its Amended Renewable Energy Plan, DTE Electric projected an Incremental Cost of Compliance of approximately \$(22.3) million. The Company's actual Incremental Cost of Compliance (ICOC) in 2022 associated with its Renewable Energy Plan was approximately \$(10.8) million. The main drivers for the decrease in the expected incremental cost of compliance is the unfavorable MIGreenPower Subscription Revenue, unfavorable PPA charges, and lower-than-expected PTCs and PSCR cost recovery, which is partially offset by lower-than-expected spend for O&M and depreciation. The unfavorable MIGreenPower subscription revenue is driven by fewer megawatt hours sold than what was forecasted in the plan, as described by Witness Hernandez.

11. In its November 5, 2015 Order in MPSC Case No. U-17793, the Commission approved the Company's Revenue Recovery Mechanism surcharge of \$0.00/meter for residential

customers, commercial secondary customers, and commercial primary and industrial customers, and no additional amounts for unmetered service customers. DTE Electric is not requesting any modification of the Renewable Energy Plan surcharge in this reconciliation case.

12. The Company is also requesting certain regulatory authority and approvals, which includes but is not limited to, approval of the Company's request that 258,168 Energy Credits (ECs) be substituted for Renewable Energy Credits. This request is consistent with the treatment of ECs approved by the Commission in DTE Electric's prior Commission-approved Renewable Energy Reconciliation cases from 2009 through 2022.

13. DTE Electric is requesting that the Commission maintain for contracts and projects approved by the Commission: (i) through July 24, 2012, renewable energy and capacity prices (a/k/a Transfer Prices) by renewable energy type for purposes of recovery through its PSCR process as set forth in DTE Electric's Exhibit No. A-8 (JHB-4) in Case No. U-15806-RPS, consistent with the Commission's March 8, 2012 Order in Case No. U-16582; (ii) from July 25, 2012 through the January 27, 2015 Order Date in Case No. U-17322 transfer prices as set forth in Exhibit S-1 in Case No. U-16656; (iii) from January 28, 2015 through the July 23, 2015 Order Date in Case No. U-17632 transfer prices set forth in Exhibit A-4, Schedule A1 of Case No. U-17322; (iv) from July 24, 2015 through April 14, 2016 Order Date in Case No. U-17804 the transfer prices set forth in Exhibit A-4, Schedule A1 of Case No. U-17632; (v) from April 15, 2016 through Order Dated February 28, 2017 in Case No. U-18082 transfer prices as set forth in Exhibit A-4, Schedule A1 of Case No. U-17804; (vi) from February 28, 2017 through the May 17, 2018 Order Date in Case No. U-18242 transfer prices as set forth in Exhibit A-4, Schedule A1 of Case No. U-18802; (vii) from May 18, 2018, through the January 18, 2019 Order Date in Case No. U-20172 transfer prices set forth in Exhibit A-4, Schedule A1 of Case No. U-18242; (viii) from January 19,

2019 through the February 6, 2020 Order Date in Case No. U-20484 transfer prices set forth in Exhibit A-4, Schedule A1 of Case No. U-20172; (ix) from February 7, 2020 through the April 8, 2021 Order Date in Case No. U-20723 transfer prices set forth in Exhibit A-4, Schedule A1 of Case No. U-20484; and (x) from April 8, 2021 through the May 26, 2022 Order Date in Case No. 21010 transfer prices as set forth in Exhibit A-5, Schedule A1 of Case No. U-20723; and (xi) from May 27, 2022 through the date of an order in this case transfer prices as set forth in Exhibit A-5, Schedule A1 of Case No. 21010; and (xii) from April 24, 2023 through the date of an order in this case transfer prices set forth in Exhibit A-5, Schedule A1 of Case No. U-21198. DTE Electric is also requesting expeditious approval of and authority to use, effective as of the U-21353 Order Date, the new Transfer Price schedule submitted herewith and identified as Exhibit A-5, Schedule A1 for DTE Electric Renewable Energy Contracts and Company-owned Renewable Energy Systems that the Commission approves. In all other respects, DTE Electric requests that these Transfer Prices requested by the Company in this proceeding be applied consistent with the Commission's Order in Case No. U-15806-RPS issued on August 25, 2009, where the Commission adopted the Staff's analysis regarding Transfer Prices:

“...at the time any PPA [Renewable Energy Contract under MCL 460.1033(1)(b)] is approved by the Commission, the schedule of transfer prices most recently approved shall become the floor price for PSCR recovery. For each contract year, if the most recently approved annual transfer price is higher than the schedule of transfer prices for a particular contract, then the most recently approved annual transfer price would be recovered via the PSCR process. However, in the event that the contract price [Renewable Energy Contract under MCL 460.1033(1)(b)] is less than the transfer price, the contract price [Renewable Energy Contract under MCL 460.1033(1)(b)] would be the recoverable PSCR cost. This method would be applicable to renewable engineering, procurement, and construction contracts, or contracts for Renewable Energy Systems that have been developed by third parties for transfer of ownership to an Electric Provider, provider owned projects [all under MCL 460.1033(1)(a)], and third party PPAs[Renewable Energy Contracts under MCL 460.1033(1)(b)].” [August 25, 2009 Order in Case No. U-15806-RPS, p 11 (all statutory references added).]

14. In support of this Application, DTE Electric is filing the Direct Testimony and Exhibits of six (6) witnesses (Ms. Vielka Hernandez, Mr. Patrick D. Kauffman, Mr. Frank M. Kopinski, Mr. Karl Lievense, Mr. Thomas W. Lacey, and Ms. Sherri L. Wisniewski), the contents of which are incorporated in this Application by reference. DTE Electric's Direct Testimony and Exhibits evidence reasonable and prudent revenue collection, expenditures and other actions in 2022 in furtherance of the Company's Commission-approved Amended Renewable Energy Plan, the appropriateness of continuing DTE Electric's existing and proposed Transfer Prices for 2008 PA 295 projects approved by the Commission as well as the applicability of those Transfer Prices for Renewable Energy Contracts and Company-owned Renewable Energy Systems approved by the Commission, as well as the appropriateness of the other relief and proposals requested by the Company.

WHEREFORE, DTE Electric requests that the Commission:

- A. Accept this Application for filing;
- B. Give such Notice to interested parties as may be required by statute or the Commission's rules;
- C. Establish a date, place, and time for a prehearing conference;
- D. Take all steps necessary to expedite approval of the Transfer Prices submitted herewith and identified as Exhibit A-5, Schedule A1 for DTE Electric Renewable Energy Contracts and Company-owned Renewable Energy Systems the Commission approves;
- E. Determine that DTE Electric's 2022 Renewable Cost Reconciliation and DTE Electric's 2008 PA 295 revenues collected and costs incurred in 2022 are reasonable and prudent and meet all relevant requirements under 2008 PA 295, as amended;

F. Consistent with MCL 460.1049, reconcile the pertinent revenues recorded and the allowance for the nonvolumetric Revenue Recovery Mechanism with the amounts actually expensed and projected according to DTE Electric's proposed Amended Renewable Energy Plan, including: (i) determining that DTE Electric is in compliance with the Renewable Energy Standards of 2008 PA 295, (ii) ensuring that the retail rate impacts under DTE Electric's Renewable Cost Reconciliation Revenue Recovery Mechanism do not exceed the maximum retail rate impacts specified under Section 45 of 2008 PA 295 (MCL 460.1045); (iii) ensuring that DTE Electric's Revenue Recovery Mechanism is projected to maintain a minimum balance of accumulated reserve so that a regulatory asset does not accrue; (iv) maintaining DTE Electric's existing Revenue Recovery Mechanism and approved surcharge amounts to ensure DTE Electric's recovery of its Incremental Cost of Compliance with the Renewable Energy Standards; (v) approve the prices per MWh for renewable energy capacity and advanced cleaner energy capacity and for renewable energy and advanced cleaner energy to be recovered through DTE Electric's PSCR clause under MCL 460.6j; (vi) determine that it is not necessary or appropriate at this time to adjust DTE Electric's minimum balance of accumulated reserve funds; (vii) where DTE Electric has recorded a regulatory liability in any given month, approve DTE Electric's proposed treatment of interest on the regulatory liability balance;

G. Determine that DTE Electric's actions with respect to its Amended Renewable Energy Plan were and are reasonable and prudent; and determine that the Company's proposed Renewable Energy Plan surcharges are just, reasonable and should continue;

H. Enter its Order maintaining existing rates and charges in the manner described in this Application and the Company's Direct Testimony and Exhibits;

I. Grant DTE Electric regulatory authority and approvals as described and requested in the Direct Testimony and Exhibits of Company witnesses, including but not limited to approval of the Company's request that 258,168 Energy Credits be transferred at zero cost from the Company's inventory of Energy Credits to, and used for compliance with its Amended Renewable Energy Plan, in accordance with the Company's Amended Renewable Energy Plan, MCL 460.1028(5) (former Section MCL 460.1027), and the Commission's Order in Case No. U-16357; and

J. Grant DTE Electric such further additional relief, as the Commission may deem suitable and appropriate.

Submitted by:

DTE ELECTRIC COMPANY

Dated: June 30, 2023

By: _____
Paula Johnson-Bacon (P55862)
Attorney for DTE Electric Company
One Energy Plaza, 1635 WCB
Detroit, MI 48226

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
DTE Electric Company to commence)
a renewable energy cost reconciliation)
proceeding for the 12-month period ended)
December 31, 2022)

Case No. U-21353

QUALIFICATIONS
AND
DIRECT TESTIMONY
OF
VIELKA M. HERNANDEZ

DTE ELECTRIC COMPANY
QUALIFICATIONS OF VIELKA M. HERNANDEZ

Line
No.

1 **Q1. What is your name, business address and by whom are you employed?**

2 A1. My name is Vielka M. Hernandez. My business address is One Energy Plaza,
3 Detroit, Michigan 48226. I am employed by DTE Electric Company (hereafter DTE
4 Electric or Company).

5

6 **Q2. On whose behalf are you testifying?**

7 A2. I am testifying on behalf of DTE Electric.

8

9 **Q3. What is your current position with the Company?**

10 A3. My title is Manager, Renewable Energy Strategy.

11

12 **Q4. What is your educational background?**

13 A4. I graduated from Georgetown University's Edmund A Walsh School of Foreign
14 Services in 2007 with a Bachelor of Science Degree in International Economics. In
15 2016, I received a Master of Business Administration from the Georgetown
16 University McDonough School of Business.

17

18 **Q5. What is your work experience?**

19 A5. I began my career in 2007 in Fannie Mae's Controllers Associate Rotational
20 Program, where I completed three six-month rotations through the Financial Controls
21 and Systems, Multifamily CFO, and Independent Price Verification teams. After
22 graduating early from the Associate program, I joined the Independent Price
23 Verification team as a Pricing Analyst in 2009 and was promoted to Senior Pricing
24 Analyst in 2011. In 2014, I joined Fannie Mae's Enterprise Risk Management team
25 as a Senior Risk Analyst.

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1 My employment with DTE Energy began in 2016 when I joined the MBA Leadership
2 Development program - a three-year rotational program between the Corporate
3 Strategy and Corporate Finance and Development teams. In this role I developed
4 financial models for potential investments and projects to help inform Senior
5 Management decision. I joined the Renewable Energy team within DTE Electric in
6 2019 as a Marketing Program Manager and was promoted to Manager of Strategy
7 and Special Projects in April 2021.

8

9 **Q6. What are your duties and responsibilities in your current position?**

10 A6. As a member of the Renewable Energy Strategy team, I support activities related to
11 maintaining RPS compliance, executing RFPs for renewable energy projects and
12 filing applications with the MPSC.

13

14 **Q7. Have you previously sponsored testimony before the Michigan Public Service
15 Commission?**

16 A7. Yes, I have. I have sponsored testimony in the following cases:

17 U-20723 2019 REP Reconciliation

18 U-18091 Public Utilities Regulatory Policies Act (PURPA)

19 U-21010 2020 REP Reconciliation

20 U-21285 September 2022 Amended Renewable Energy Plan (Affidavit)

21 U-21193 2022 Integrated Resource Plan

22 U-21361 March 2023 Amended Renewable Energy Plan (Affidavit)

23

DTE ELECTRIC COMPANY
DIRECT TESTIMONY OF VIELKA M. HERNANDEZ

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1 **Q8. What is the purpose of your testimony?**

2 A8. The purpose of my direct testimony is to: (1) provide an overview of the Company's
3 renewable energy activities during 2022 as they relate to the Company's amended
4 Renewable Energy Plan, as approved by the Commission in Case No. U-21285 in its
5 December 21, 2022 order; (2) discuss the Company's progress towards addressing
6 the Renewable Energy Standards and Renewable Energy Credit Standards; and (3)
7 introduce the Company's witnesses who support the reconciliation of the 2022
8 Renewable Energy Plan surcharge revenues with the amounts actually expensed
9 versus those projected in the Company's Commission-approved Amended
10 Renewable Energy Plan.

11

12 **Q9. Are you sponsoring any exhibits in this proceeding?**

13 A9. No. I am not supporting any exhibits in this proceeding.

14

15 **Q10. Who will present evidence for the Company in this case?**

16 A10. The Company will present its case through five witnesses, in addition to me:

17

18 **Mr. Frank M. Kopinski**, Principal Engineer, Generation Optimization – Power
19 Supply Systems and Modeling, will request the establishment of Transfer Prices for
20 use with 2008 PA 295 Renewable Energy Contracts and Company-owned Renewable
21 Energy Systems submitted to the Commission for approval after the Commission
22 issues an order in this case.

23

24 **Mr. Patrick D. Kauffman**, Principal Supervisor, Renewable Energy Program, will
25 present evidence supporting DTE Electric's incremental balances and expenses

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1 associated with implementing DTE Electric’s 2008 PA 295 Amended Renewable
2 Energy Plan for the year ended December 31, 2022. Witness Kauffman will also
3 support the reconciliation of DTE Electric’s 2022 Renewable Energy Plan Surcharge
4 (REPS) (a/k/a Revenue Recovery Mechanism surcharge) revenue.

5

6 **Mr. Thomas W. Lacey**, Principal Financial Analyst, Regulatory Affairs, will present
7 the calculation of the variance between DTE Electric’s Commission-approved, 2008
8 PA 295 Amended Renewable Energy Plan’s 2022 projected Incremental Cost of
9 Compliance and the actual 2022 Incremental Cost of Compliance. He will also
10 support the calculation of the pre-tax cost of capital that is used to calculate the return
11 on rate base, and the calculation of interest on regulatory liabilities.

12

13 **Mr. Karl Lievense**, Planning and Strategy Analyst, Generation Optimization, will
14 explain and support DTE Electric’s 2008 PA 295 Amended Renewable Energy Plan
15 expenses transferred for recovery through DTE Electric’s Power Supply Cost
16 Recovery (PSCR) mechanism for 2022 and the Renewable Energy Credit (REC)
17 volumes and associated compliance retirements and expenses for 2022.

18

19 **Ms. Sherri L. Wisniewski**, Director, Taxation, will support the deferred taxes in the
20 Company’s 2022 Renewable Energy Plan.

21

22 **Q11. How is your testimony organized?**

23 A11. My testimony consists of the following eight parts:

24 Part I Statutory Framework

25 Part II Overview

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- 1 Part III Summary of 2022 Progress and Results
- 2 Part IV SolarCurrents Program
- 3 Part V Voluntary Green Pricing Programs
- 4 Part VI Energy Waste Reduction Credits (EWR)
- 5 Part VII Address order requirements from Case No. U-18232
- 6 Part VIII Summary and Conclusions

7

8

PART I: STATUTORY FRAMEWORK

9

Q12. Why is DTE Electric submitting this renewable cost reconciliation?

10 A12. DTE Electric is submitting this renewable cost reconciliation in order to reconcile
11 the activities and expenditures for 2022 related to the Company’s 2008 PA 295
12 Amended Renewable Energy Plan pursuant to and consistent with MCL
13 460.1049(1).

14

15

Q13. What is the purpose of the annual renewable cost reconciliation process?

16 A13. MCL 460.1049(3) states in pertinent part:

17

18 (3) The commission shall reconcile the pertinent revenues recorded and
19 the allowance for the nonvolumetric revenue recovery mechanism with
20 the amounts actually expensed and projected according to the electric
21 provider’s renewable energy plan. The commission shall consider any
22 issue regarding the reasonableness and prudence of expenses for which
23 customers were charged in the relevant reconciliation period. In its
24 order, the commission shall do all of the following:

25

26 (a) Make a determination of an electric provider’s compliance with
27 the renewable energy standards.

28 (b) Adjust the revenue recovery mechanism for the incremental costs
29 of compliance. The commission shall ensure that the retail rate
30 impacts under this renewable cost reconciliation revenue recovery
31 mechanism do not exceed the maximum retail rate impacts
32 specified under section 45. The commission shall ensure that the

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- 1 recovery mechanism is projected to maintain a minimum balance
2 of accumulated reserve so that a regulatory asset does not accrue.
3 (c) Establish the price per megawatt hour for renewable energy and
4 advanced cleaner energy capacity and for renewable energy and
5 advanced cleaner energy to be recovered through the power supply
6 cost recovery clause under section 6j of 1939 PA 3, MCL 460.6j,
7 as outlined in section 47(2)(b)(iv).
8 (d) Adjust, if needed, the minimum balance of accumulated reserve
9 funds described in subdivision (b).

10

11 **Q14. Does the evidence you and the other Company witnesses provide in this 2022**
12 **renewable cost reconciliation case appropriately address the Commission's**
13 **Renewable Energy Plan Orders as well as the requirements of Act 295?**

14 A14. Yes, the combination of my testimony as well as that of the other DTE Electric
15 witnesses fully addresses the issues and information necessary for the Commission
16 to make the determinations required within the Company's annual renewable cost
17 reconciliation proceeding:

- 18 • The testimony and exhibits of DTE Electric's witnesses in this case confirm that the
19 Incremental Cost of Compliance for which customers have been charged during
20 2022 was reasonable, prudent, and consistent with DTE Electric Company's
21 Amended Renewable Energy Plan.
- 22 • 2022 was the eleventh year that the Renewable Energy Credit Standards were in
23 effect. Based on the information provided in my testimony regarding actual
24 performance in 2022, combined with further details provided by the other DTE
25 Electric witnesses, DTE Electric was in compliance with the Renewable Energy
26 Credit Standard in 2022 and its actions and performance have been consistent with
27 the Company's proposed Amended Renewable Energy Plan to address the
28 Renewable Energy Standards and Renewable Energy Credit Standards of 2008 PA
29 295, as amended.

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- 1 • My testimony confirms that the currently approved REPS should not be adjusted in
2 this case proceeding. DTE Electric reduced surcharge levels for all customer classes
3 to zero in the Company’s 2015 Renewable Energy Biennial Plan Review filed on
4 June 2, 2015, (Case No. U-17793). The Commission issued an Order on November
5 5, 2015, approving the surcharge reduction to zero in that case. There have been no
6 modifications to the surcharge to date.
- 7 • Witness Kopinski explains and fully supports approval of use of the Company’s
8 new proposed transfer price schedule, for use with any contracts or projects filed for
9 approval by the Company after the Commission issues an Order in this Case,
10 consistent with MCL 460.1049(3)(c).
- 11 • Witness Lacey supports the calculation of the Company’s regulatory liability, the
12 results of which confirm that a regulatory asset did not accrue.

13

14

PART II: OVERVIEW

15 **Q15. How did DTE Electric’s actual performance in 2022 compare to planned**
16 **performance in implementing its proposed Amended Renewable Energy Plan?**

17 A15. DTE Electric’s actual performance through 2022 is consistent with DTE Electric’s
18 December 2022 approved Amended Renewable Energy Plan with limited variances
19 that are not material in the context of the overall plan. These limited variances in
20 2022 are discussed in Part III of my testimony. DTE Electric’s approved Amended
21 Renewable Energy Plan included an assumption that flexibility related to timing,
22 sources, and volumes was required in order to accommodate actual results of
23 competitive bidding processes and to respond to marketplace conditions while
24 maintaining the basic parameters of the Company’s Amended Renewable Energy
25 Plan. Based on my knowledge and on the support provided by the other DTE Electric

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1 witnesses, I believe that DTE Electric's actions and Incremental Cost of Compliance
2 in 2022 were reasonable, prudent, and consistent with the Company's Amended
3 Renewable Energy Plan.

4

5 **Q16. Was DTE Electric in compliance with the Renewable Energy Credit Standard**
6 **in 2022?**

7 A16. Yes. As supported by further details provided in Part III of my testimony, the
8 Company was in compliance with the Renewable Energy Credit Standard in 2022.

9

10 **Q17. Based on DTE Electric's actual performance in 2022 in implementing its**
11 **proposed Amended Renewable Energy Plan, does the Company propose any**
12 **modifications of the Renewable Energy Plan surcharge to ensure recovery of its**
13 **Incremental Cost of Compliance?**

14 A17. DTE Electric is not requesting any modification of the Renewable Energy Plan
15 surcharge in this reconciliation case.

16

17 **Q18. What are DTE Electric's assumptions regarding transfer prices within the**
18 **Company's REP?**

19 A18. MCL 460.1047 requires the MPSC to annually establish transfer prices that an
20 electric provider will use for planning its renewable energy procurement. The
21 Company requests that the schedule of transfer prices set forth in the 2021 REP
22 Reconciliation Case No. U-21198 approved by the Commission on April 24, 2023
23 apply to any future Renewable Energy Contracts and Company-owned Renewable
24 Energy Systems approved by the Commission be used until a new transfer price
25 schedule is approved. The Company anticipates that the transfer prices set forth by

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1 Witness Kopinski in Exhibit A-5, Schedule A1 will become effective when the
2 Commission issues its Order approving this reconciliation for Renewable Energy
3 Contracts and Company-owned Renewable Energy Systems subsequently approved
4 by the Commission.

5

6

PART III: SUMMARY OF 2022 PROGRESS AND RESULTS

7

**Q19. Within DTE Electric's Commission-approved Amended Renewable Energy
8 Plan, how many renewable energy credits (RECs) were forecasted to be booked
9 in DTE Electric's Renewable Energy Credit Portfolio in 2022?**

10 A19. The Company forecasted it would obtain or generate 4,975,539 RECs in 2022 (See
11 Hernandez Attachment 4, page 2, sum of lines 5, 7, 9, 11, 13, and 15 from DTE
12 Electric's September 2022 Amended Renewable Energy Plan in Case No. U-21285,
13 reproduced in this reconciliation filing on Exhibit A-7, column (p), sum of lines 5, 9,
14 11, 13, and 15).

15

16

**Q20. How many RECs were actually booked in DTE Electric's Renewable Energy
17 Credit Portfolio in 2022?**

18 A20. DTE Electric booked 4,997,514 RECs and Michigan Incentive RECs in 2022. (See
19 Exhibit A-7, column (o), sum of lines 5, 7, 9, 11, 13, and 15 supported by Witness
20 Lievens in this proceeding).

21

22

**Q21. What are the primary reasons for the difference between the actual REC
23 balance booked in 2022 compared to what was assumed in DTE Electric's
24 proposed Amended Renewable Energy Plan?**

25

A21. There is no material variance (<1%) between DTE Electric's planned addition of

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1 RECs in 2022 and actual booked levels.

2

3 As supported by Witness Lievens, the average cost per REC in inventory at the end
4 of 2022 was \$0.25 per REC higher than the projected amount in DTE Electric's
5 proposed Amended Renewable Energy Plan (See Exhibit A-7, column (q), line 44
6 supported by Witness Lievens in this proceeding). Please see Witness Lievens's
7 testimony for additional information.

8

9 I believe that DTE Electric's activities and costs associated with the acquisition of
10 RECs and renewable energy capacity in 2022 were reasonable, prudent, and in
11 compliance with the 2008 PA 295 Renewable Energy Credit Standards and
12 Renewable Energy Standards to the extent required in 2022.

13

14 **Q22. What was the Renewable Energy Credit Standard applicable to the Company**
15 **in 2022?**

16 A22. In accordance with MCL 460.1028(1)(a) and based on the Company's election to use
17 2021 weather-normalized retail megawatt hours sold, the compliance requirement for
18 2022 was 6,166,087 RECs (Exhibit A-8, column (c), line 30). This amount is the
19 same as the 6,166,087 REC compliance requirement projected in the Company's
20 Amended Renewable Energy Plan (Case No. U-21285, Hernandez Attachment 2,
21 page 1, column (h), line 10).

22

23 **Q23. How did the Company achieve compliance with the Renewable Energy Credit**
24 **Standard in 2022?**

Line
No.

1 A23. As supported by Witness Lievens, the Company used a total of 6,166,087 RECs to
2 meet the Company's 2008 PA 295, 2016 PA 342 2022 compliance requirement.
3 These RECs were retired into the Company's Michigan Renewable Energy
4 Certification System (MIRECS) compliance account to demonstrate compliance for
5 2022.

6

7 **Q24. How much new renewable energy capacity was in DTE Electric's Renewable**
8 **Energy Capacity Portfolio by the end of 2022?**

9 A24. DTE Electric's Renewable Energy Capacity Portfolio totaled 1,862.7 MW of
10 operating renewable generation capacity between Company-owned and 3rd-party
11 Renewable Energy Systems at the end of 2022. This capacity is composed of the
12 following generating facilities:

13

<u>Generating Facility</u>	<u>Renewable Resource</u>	<u>2022 In-Service Nameplate Capacity (MW)</u>
Stoney Corners Wind Farm	Wind	32.4
L'Anse Warden Electric Company	Biomass	17.0
WM Renewable Energy	Landfill Gas	3.2
Blue Water Renewables	Landfill Gas	3.2
Gratiot Wind Parks	Wind	212.8
Thumb Wind Parks	Wind	110.4
Tuscola Bay Wind	Wind	120.0
Tuscola Wind II	Wind	100.8
Pheasant Run I	Wind	74.8
Brookfield Wind Park	Wind	74.8
Echo Wind Park	Wind	112.0
Big Turtle Wind Park	Wind	20.0
Pinnebog	Wind	51.0
Pine River	Wind	161.3
Polaris	Wind	168.6
¹ Isabella Wind Parks	Wind	383.5

¹ MIGP Assets

Line
No.

¹ Fairbanks Wind Park	Wind	72.5
Utility Solar (Demille, Turrill, O'Shea)	Solar	50.3
¹ Assembly Solar	Solar	79.0
SolarCurrents Projects (Various)	Solar	14.3
Ford Rooftop Solar	Solar	0.8
		1,862.7

1

2 **Q25. Within DTE Electric's Amended Renewable Energy Plan, what was the**
3 **forecasted 2022 average balance of net plant associated with 2008 PA 295**
4 **Renewable Energy Systems?**

5 A25. DTE Electric's Amended Renewable Energy Plan forecasted \$2,466.3 million for its
6 2022 average balance of net plant associated with 2008 PA 295 renewable energy
7 assets (see Exhibit A-10, page 2, line 6, column (p), supported by Witness Lacey).

8

9 **Q26. What actual average balance for net plant associated with Renewable Energy**
10 **Systems did the Company record as of December 31, 2022?**

11 A26. The Company had a total net plant average balance of \$2,433.1 million in 2022 (see
12 Exhibit A-10, page 2, line 6, column (o), supported by Witness Lacey).

13

14 **Q27. Within DTE Electric's Amended Renewable Energy Plan, what were the**
15 **operating and maintenance (O&M) expenses forecasted for 2022 associated**
16 **with implementing the Company's Amended Renewable Energy Plan?**

17 A27. DTE Electric's proposed Amended Renewable Energy Plan forecasted \$44.4 million
18 of O&M expense for 2022 (See Kauffman Attachment 1, lines 2, 3, and 6, from DTE
19 Electric's Amended Renewable Energy Plan in Case No. U-21285).

20

Line
No.

1 **Q28. What actual O&M expenses associated with implementing the Company's**
2 **proposed Amended Renewable Energy Plan was booked to the Company's**
3 **records in 2022?**

4 A28. DTE Electric incurred \$34.3 million of O&M expense during 2022 in implementing
5 its proposed Amended Renewable Energy Plan (See Exhibit A-1, line 1, column (n),
6 supported by Witness Kauffman), which is \$10.1 million less than the amount of
7 O&M forecasted in Case No. U-21285.

8

9 **Q29. Can you explain the reason for the difference between forecasted and actual**
10 **O&M expenses in 2022?**

11 A29. The main drivers for the decrease in O&M expenses were lower expenses due to the
12 delayed construction and commercial operation of the Meridian wind park and
13 termination payments for the Ranger, GM Orion, and GM Warren projects.

14

15 **Q30. Within DTE Electric's Amended Renewable Energy Plan, what was the**
16 **Incremental Cost of Compliance forecasted for 2022?**

17 A30. The Incremental Cost of Compliance in DTE Electric's Amended Renewable Energy
18 Plan was forecasted to be \$(22.3) million for 2022 (See Exhibit A-9, page 2, line 27,
19 column (p), supported by Witness Lacey).

20

21 **Q31. How much was the actual Incremental Cost of Compliance for 2022?**

22 A31. The actual Incremental Cost of Compliance for 2022 was \$(10.8) million, as
23 described by Witness Lacey in his testimony and shown on page 2, line 27, column
24 (o), of Exhibit A-9. The forecasted amount in Case No. U-21285 was \$(22.3) million,
25 resulting in a \$11.5 million variance. The main drivers for the decrease in the

Line
No.

1 expected incremental cost of compliance is the unfavorable MIGreenPower
2 Subscription Revenue, unfavorable PPA charges, and lower-than-expected PTCs and
3 PSCR cost recovery, which is partially offset by lower-than-expected spend for O&M
4 and depreciation. The unfavorable MIGreenPower subscription revenue is driven by
5 fewer megawatt hours sold than what was forecasted in the plan. The PPA charges
6 variance is primarily due to an error noted in the plan that accounted for Assembly
7 Solar. Without the error, the variance would have been closer to \$1 million. The
8 unfavorable PTC and PSCR cost recovery expenses are driven by lower-than-
9 expected generation.

10

11

PART IV: SOLARCURRENTS PROGRAM

12 **Q32. Did the Company incur any costs related to the customer-owned portion of the**
13 **SolarCurrents pilot program in 2022?**

14 A32. Yes. In 2022, DTE Electric made \$0.617 million of REC purchases through the
15 customer-owned portion of the SolarCurrents pilot program. More specific details,
16 such as the number of RECs and associated expenses with this pilot program, are
17 discussed in the testimony of Witness Lievense.

18

19

20

PART V: VOLUNTARY GREEN PRICING PROGRAMS

21 **Q33. Did DTE Electric have an active Voluntary Green Pricing Program in 2022?**

22 A33. Yes, the Company had MIGreenPower (Rider 17 & Rider 19) in place in 2022, which
23 were combined into one Rider (Rider 17) in August 2022.

24

25 **Q34. Are any assets allocated to the MIGreenPower program?**

Line
No.

1 A34. Yes. A portion of Pinnebog Wind Park and all of Demille Solar, Turrill Solar, O'Shea
2 Solar, Isabella Wind Park, Fairbanks Wind Park, and Assembly Purchase Power
3 Agreement were available to the programs in 2022. Subscribed portions are allocated
4 to subscribing customers and are not used for compliance. Unsubscribed portions of
5 these plants are allocated to the Renewable Energy Plan.

6

7 **Q35. Does the revenue from the Voluntary Green Pricing Program impact the**
8 **Incremental Cost of Compliance (ICOC)?**

9 A35. Yes. The ICOC is reduced by the MIGreenPower program revenue.

10

11

PART VI: ENERGY WASTE REDUCTION CREDITS (EWR)

12 **Q36. What is the Company's proposal regarding Energy Waste Reduction (EWR)**
13 **Credits in this proceeding?**

14 A36. DTE Electric is requesting that 258,168 EWR Credits from 2022 be substituted for
15 Renewable Energy Credits, as supported by Witness Lievens. This proposal is
16 consistent with the treatment of EWR Credits approved by the Commission in DTE
17 Electric's Commission-approved 2009 Renewable Energy Reconciliation case (Case
18 No. U-16356), 2010 Renewable Energy Reconciliation Case (Case No. U-16357),
19 2011 Renewable Energy Reconciliation case (Case No. U-16656), 2012 Renewable
20 Energy Reconciliation case (Case No. U-17322), 2013 Renewable Energy
21 Reconciliation case (Case No. U-17632), 2014 Renewable Energy Reconciliation
22 case (Case No. U-17804), 2015 Renewable Energy Reconciliation case (Case No. U-
23 18082), 2016 Renewable Energy Reconciliation case (Case No. U-18242), 2017
24 Renewable Energy Reconciliation case (Case No. U-20172), 2018 Renewable
25 Energy Reconciliation case (Case No. U-20484), 2019 Renewable Energy

Line
No.

1 Reconciliation case (Case No U-20723), 2020 Renewable Energy Reconciliation
2 case (Case No. U-21010), and 2021 Renewable Energy Reconciliation case (Case
3 No. U-21198). These EWR credits would transfer at zero cost to DTE Electric’s
4 Renewable Energy Plan program and can be used for Act 295 compliance purposes.
5

6 **PART VII: ADDRESS ORDER REQUIREMENTS FROM CASE U-18232**

7 **Q37. As per the Commission’s order issued in July 2019 in Case No. U-18232, DTE**
8 **Electric shall file an annual report in its next renewable energy reconciliation**
9 **proceeding and each annual renewable energy reconciliation proceeding**
10 **thereafter until construction on the solar pilot projects is complete describing**
11 **the costs incurred, current planning and development status, updates on lessons**
12 **learned, and how it plans to use the information learned for future solar**
13 **development. Were there any solar pilot projects under construction in 2022?**

14 A37. No, therefore an exhibit was not provided.
15

16 **Q38. As per the Commission’s order issued in July 2019 in Case No. U-18232, DTE**
17 **Electric is to report on cost changes associated with the Fairbanks Wind project.**
18 **Was there an increase in cost related to Fairbanks Wind Park in 2022?**

19 A38. No, there was not. The project went COD in January 2022.
20

21 **PART VIII: SUMMARY AND CONCLUSIONS**

22 **Q39. Were DTE Electric’s actions and incremental costs in 2022 consistent with its**
23 **Commission-approved Amended Renewable Energy Plan?**

24 A39. Yes. While some minor timing and cost variances occurred, the key elements of
25 DTE Electric’s 2008 PA 295 Renewable Energy Plan for 2022 were accomplished

Line
No.

1 and the Company's Amended Renewable Energy Plan in Case No. U-21285, is on
2 track.

3

4 In addition, DTE Electric is on course to continue to address Act 295's (as amended
5 by Act 342) Renewable Energy Credit Standards. Based on my knowledge and on
6 the support provided by the other DTE Electric witnesses, I believe that DTE
7 Electric's actions and Incremental Cost of Compliance in 2022 were reasonable,
8 prudent, and consistent with the Company's Commission-approved Amended
9 Renewable Energy Plan.

10

11 **Q40. Does this conclude your direct testimony?**

12 A40. Yes, it does.

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
DTE Electric Company to commence)
a renewable energy cost reconciliation)
proceeding for the 12-month period ended)
December 31, 2022)

Case No. U-21353

QUALIFICATIONS
AND
DIRECT TESTIMONY
OF
PATRICK D. KAUFFMAN

DTE ELECTRIC COMPANY
QUALIFICATIONS OF PATRICK D. KAUFFMAN

Line
No.

1 **Q1. What is your name, business address and by whom are you employed?**

2 A1. My name is Patrick D. Kauffman. My business address is One Energy Plaza, Detroit,
3 MI 48226. I am employed by DTE Energy Corporate Services, LLC (DTE Energy
4 or DTE).

5

6 **Q2. On whose behalf are you testifying?**

7 A2. I am testifying on behalf of DTE Electric, formerly known as The Detroit Edison
8 Company (Detroit Edison).

9

10 **Q3. What is your current position with the Company?**

11 A3. My title is Principal Supervisor - Renewable Energy Program, within the Controllers'
12 department.

13

14 **Q4. What is your educational background?**

15 A4. In 1989, I received a Bachelor of Arts degree in Economics from The University of
16 Notre Dame. In 1991, I received a Master of Business Administration degree in
17 Finance from Michigan State University.

18

19 **Q5. What is your work experience?**

20 A5. After obtaining my Master's Degree from Michigan State University in the spring of
21 1991, I was employed by General Motors Corporation and held several positions
22 there until 1999. My responsibilities included financial analysis and reporting,
23 budgeting and forecasting, business case development and cost accounting.

24

Line
No.

1 I started my employment with Detroit Edison in November 1999, as Supervisor of
2 Forecasting, Budgeting and Corporate Reporting in the Controller's Organization. I
3 held several positions of increasing responsibilities within the Controller's
4 Organization including Gross Margin Analysis, Detroit Edison Financial Planning
5 and Analysis, Budgeting, Forecasting and Reporting and Corporate Support. In
6 2008, I transferred to Regulatory Affairs and was a Case Manager for Gas Cost
7 Recovery and Power Supply Cost Recovery cases. In 2010, I transferred back to the
8 Controller's Organization and was responsible for benefits forecasting and reporting.
9 In 2013, I obtained the position of Principal Financial Analyst responsible for
10 forecasting and reporting for the Nuclear Generation organization. In August 2016,
11 I was appointed to my current position.

12

13 **Q6. What are your duties and responsibilities in your current position?**

14 A6. My current position is Principal Supervisor for the Renewable Energy group which
15 includes the 2008 PA 295 and 2016 PA 342 Renewable Energy activities of the
16 Company. My group is responsible for providing budgeting, forecasting, planning,
17 regulatory case support, and reporting expenses and capitalized cost for the
18 Renewable Energy group.

19

20 **Q7. Have you previously sponsored testimony before the Michigan Public Service**
21 **Commission?**

22 A7. Yes, I have. I have sponsored testimony in the following cases:

23 U-15417-R 2008 Power Supply Cost Recovery Reconciliation

24 U-18242 Reconciliation of the DTE Electric 2016 REP Program

25 U-18232 DTE Electric Amended Renewable Energy Plan

Line
No.

1	U-20172	Reconciliation of the DTE Electric 2017 REP Program
2	U-20484	Reconciliation of the DTE Electric 2018 REP Program
3	U-20723	Reconciliation of the DTE Electric 2019 REP Program
4	U-20851	August 2020 Amended Renewable Energy Plan
5	U-20713	Section 61 Voluntary Green Pricing Program
6	U-21010	Reconciliation of the DTE Electric 2020 REP Program
7	U-21198	Reconciliation of the DTE Electric 2021 REP Program
8	U-21285	2022 Amended Renewable Energy Plan
9	U-21361	2023 Amended Renewable Energy Plan

DTE ELECTRIC COMPANY
DIRECT TESTIMONY OF PATRICK D. KAUFFMAN

Line
No.

1 **Q8. What is the purpose of your testimony?**

2 A8. The purpose of my testimony and supporting exhibits is to provide DTE Electric's
3 incremental balances and expenses associated with implementing DTE Electric's
4 amended Renewable Energy Plan (REP) as approved in Case No. U-21285 (the
5 Amended Renewable Energy Plan or REP) through the year ending December 31,
6 2022, and I will also support the reconciliation of DTE Electric's 2022 Renewable
7 Energy Plan Surcharge (REPS a/k/a Revenue Recovery Mechanism surcharge)
8 revenue.

9

10 **Q9. Are you sponsoring any exhibits in this proceeding?**

11 A9. Yes, I am supporting the following exhibits:

<u>Exhibit</u>	<u>Description</u>
A-1	2022 Renewable Cost Reconciliation Expenses and Credits
A-2	2022 Renewable Cost Reconciliation Balance Sheet Accounts
A-3	2022 Renewable Cost Reconciliation Surcharge Revenue by Class
A-4	2022 Renewable Cost Reconciliation Return on Equity Calculation

17

18 **Q10. Were these exhibits prepared by you or under your direction?**

19 A10. Yes, they were.

20

21 **Q11. Can you describe the costs that are portrayed on Exhibits A-1 and A-2?**

22 A11. Yes. In general, these are the incremental costs incurred by DTE Electric to plan,
23 develop, and implement DTE Electric's Commission approved REP.

24

25 **Q12. How have you defined "incremental costs"?**

Line
No.

- 1 A12. I have used the definition from MCL 460.1047(2)(a) that states:
2 (2) Incremental costs of compliance shall be calculated as follows:
3
4 (a) Determine the sum of the following costs to the extent those costs
5 are reasonable and prudent and not already approved for recovery in
6 electric rates as of October 6, 2008:
7
8 (i) Capital, operating, and maintenance costs of renewable energy
9 systems or advanced cleaner energy systems, including property taxes,
10 insurance, and return on equity associated with an electric provider's
11 renewable energy systems or advanced cleaner energy systems,
12 including the electric provider's renewable energy portfolio established
13 to achieve compliance with the renewable energy standards and any
14 additional renewable energy systems or advanced cleaner energy
15 systems that are built or acquired by the electric provider to maintain
16 compliance with the renewable energy standards during the 20-year
17 period beginning when the electric provider's plan is approved by the
18 commission.
19
20 (ii) Financing costs attributable to capital, operating, and maintenance
21 costs of capital facilities associated with renewable energy systems or
22 advanced cleaner energy systems used to meet the renewable energy
23 standard.
24
25 (iii) Costs that are not otherwise recoverable in rates approved by the
26 Federal Energy Regulatory Commission and that are related to the
27 infrastructure required to bring renewable energy systems or advanced
28 cleaner energy systems used to achieve compliance with the renewable
29 energy standards on to the transmission system, including
30 interconnection and substation costs for renewable energy systems or
31 advanced cleaner energy systems used to meet the renewable energy
32 standard.
33
34 (iv) Ancillary service costs determined by the commission to be
35 necessarily incurred to ensure the quality and reliability of renewable
36 energy or advanced cleaner energy used to meet the renewable energy
37 standards, regardless of the ownership of a renewable energy system or
38 advanced cleaner energy technology.
39
40 (v) Except to the extent the costs are allocated under a different
41 subparagraph, all of the following:
42 (A) The costs of renewable energy credits purchased under this act.
43 (B) The costs of contracts described in former section 33(1).
44

Line
No.

1 (vi) Expenses incurred as a result of state or federal governmental actions
2 related to renewable energy systems or advanced cleaner energy systems
3 attributable to the renewable energy standards, including changes in tax or
4 other law.

5
6 (vii) Any additional electric provider costs determined by the
7 commission to be necessarily incurred to ensure the quality and
8 reliability of renewable energy or advanced cleaner energy used to meet
9 the renewable energy standards.

10

11 **Q13. What has DTE Electric done to ensure that only incremental costs are included**
12 **in DTE Electric’s Renewable Cost Reconciliation filing?**

13 A13. First, the Company reviewed all the costs anticipated with DTE Electric’s
14 Commission approved REP program and determined which items are already
15 recovered through DTE Electric’s base rates. The costs not already recovered in
16 DTE Electric’s base rates were deemed incremental, and this information was
17 communicated to the affected areas. Second, new accounting codes were established
18 to track REP incremental costs separately from other DTE Electric expenses.
19 Finally, I have performed a review of the costs charged to the REP and ensured that
20 only proper incremental costs were included in this renewable cost reconciliation
21 case.

22

23 **Q14. Can you describe the REP expenses as shown on Exhibit A-1?**

24 A14. Yes. Exhibit A-1 shows the 2022 Renewable Cost Reconciliation Expenses by
25 month for the following MPSC Uniform System of Accounts (USofA) accounts:

- 26 • Line 1 – O&M Expenses - MPSC Account 920, 921, 923, and 553 are the ongoing
27 incremental program administrative expenses associated with the Renewable
28 Energy Program and operating costs associated with the Company-Owned Solar
29 facilities and our Wind Parks, which were placed in service.

Line
No.

- 1 • Line 2 – Royalty Payments - MPSC Account 549 are the ongoing contractual
- 2 payments to land grantors in areas where wind farms or solar arrays have been
- 3 completed. For 2022, payments reflected are primarily royalty payments for wind
- 4 farms.
- 5 • Line 3 - Depreciation - MPSC Account 403 represents the depreciation recorded
- 6 on the books of DTE Electric associated with Plant in Service Assets. The
- 7 September 26, 2014 order in MPSC Case No. U-16991 revised depreciation rates
- 8 for the wind and solar REP plant, effective upon issuance of an order in the
- 9 Company’s next biennial Renewable Energy Plan filing, which was filed on June
- 10 2, 2015 in Case No. U-17793. Case No. U-17793 was approved by a Commission
- 11 order dated November 5, 2015. In that order, the Commission made the U-16991
- 12 depreciation rates effective December 1, 2015. Starting in December of 2015,
- 13 the revised rates of 3.71% for wind and 4.93% for solar are applied.
- 14 • Line 4 – Property Tax - MPSC Account 408.1 are the property taxes associated
- 15 with the Solar and Wind Assets either in construction or in service within the
- 16 calendar year. Property taxes associated with the Company’s 2008 PA 295 assets
- 17 are paid based on local assessments and the governing tax tables.
- 18 • Line 5 – Insurance - MPSC Account 924 is the calculated expense for protection
- 19 of property for wind and solar programs.
- 20 • Line 6 – Coke Oven Gas - MPSC Account 549 represents the expense recorded
- 21 related to the purchase of Coke Oven Gas used to create Advanced Cleaner
- 22 Energy Credits (ACECs)¹.
- 23 • Line 7 – Preliminary Surveys - MPSC Account 930.2 are expenses related to the
- 24 preliminary survey and feasibility studies conducted for Solar and Wind projects

¹ ACECs no longer apply as they are excluded from PA342 legislation, thus Exhibit A-1 Line 6 is labeled as “Removed”.

Line
No.

1 that did not materialize.

2 • Line 8 – Renewable Energy Credits (RECs) Consumed represents the expense
3 of the RECs retired to meet the 2008 PA 295 requirements. This expense is
4 recorded in MPSC account 509, “Allowances”.

5 • Line 9 – Production Tax Credits (including tax gross-up) represents the
6 Production Tax Credit calculated by first multiplying the renewable energy
7 generation at qualifying facilities by the IRS 2022 production tax credit rate to
8 get the production tax credit amount. The production tax credit amount is then
9 grossed up for taxes.

10 • Line 10 – Interest Receivable from Transmission Upgrade Payments represents
11 interest received on sums advanced to International Transmission Company
12 (ITC) for construction of interconnection facilities and/or network upgrades to
13 the transmission system owned by ITC (which sums will be reimbursed to DTE
14 Electric upon its generation facilities being interconnected to the ITC facilities).
15 The interest received is credited to the incremental cost of compliance to offset
16 the working capital costs associated with carrying a balance receivable from ITC.

17 • Line 11 – Investment Tax Credit (including tax gross up).

18

19 **Q15. Have any adjustments been made to Line 11 – Investment Tax Credit?**

20 A15. Yes, there is a top-side entry reflected in this reconciliation related to an ITC true-up
21 was included in December 2021 for the 2021 reconciliation and is therefore not
22 included in the 2022 reconciliation. This ITC true-up was reflected in SAP in
23 January 2022.

24

25 **Q16. Can you describe the REP balances shown on Exhibit A-2?**

Line
No.

1 A16. Yes. Exhibit A-2 shows the 2022 Renewable Cost Reconciliation Balances by month
2 for the following accounts:

3

4 Lines 1 through 3 – Preliminary Surveys and Investigations, Account 183, show the
5 beginning balance, additions, and ending balance for costs incurred as a result of
6 studies on the suitability of land, equipment and technologies for future wind and
7 solar projects plus investigations regarding technical specifications, supply chain,
8 cost, and quality issues and for costs associated with the purchase of land easements
9 for future wind projects, including real estate, title, and legal work for 2022.

10

11 Lines 4 through 7 – Capital Expenditures, show the beginning balance, additions,
12 transfers to Plant in Service and ending balance for Construction Work in Progress
13 (CWIP). This represents the costs related to erecting wind and solar assets. As
14 projects are completed, they are moved from CWIP to plant in-service.

15

16 Lines 8 through 11 – Subtotal of Preliminary Survey and Investigations and Capital
17 Expenditures shows the beginning balance, additions, transfers to plant in service and
18 ending balance for the subtotal of costs related to Accounts 183 and 107.

19

20 Lines 12 through 14 – Plant in Service shows the beginning balance, additions, and
21 ending balance for the subtotal of costs related to Account 101. For 2022, this
22 balance is related to the expenditures for the Company-Owned SolarCurrents
23 program, Gratiot Wind Park, Thumb Wind Parks, Brookfield Wind Park, Echo Wind
24 Park, Pinnebog Wind Park, Pine River Wind Park, Polaris Wind Park, O’Shea Solar
25 Park, Lapeer Solar Park, Fairbanks, and Isabella 1 & 2.

Line
No.

1 Lines 15 through 18 – Inventory Renewable Energy Credits, Account 158, shows the
2 beginning balance, additions, RECs and ACECs² consumed and ending balance for
3 costs incurred for purchase of RECs and ACECs.²

4

5 Lines 19 through 22 – Depreciation Reserve, Account 108, reflects the accumulated
6 depreciation reserve associated with the renewable energy system assets.

7

8 Lines 23 through 25 – Plant - Deferred Tax Asset / (Liability), Account
9 190/254/282/283 represent the differences between the actual taxes calculated per the
10 Company books and the tax payments due. These accounts are discussed in more
11 detail in the testimony of Witness Wisniewski.

12

13 Lines 26 through 28 – Accounts Receivable, Account 143, represents an upfront
14 payment made to ITC in order to start certain construction and procurement of long
15 lead-time items related to the interconnection of a wind generating facility.
16 Reimbursement of this upfront payment is due back to DTE Electric following the
17 start of commercial operation of the generating facility.

18

19 **Q17. What information is displayed on Exhibit A-3?**

20 A17. Exhibit A-3 presents the actual REPS (a/k/a Revenue Recovery Mechanism
21 surcharge) revenue for the period from January 2022 through December 2022.
22 Pursuant to the Commission’s June 2, 2009 Order in MPSC Case No. U-15806-RPS,
23 the Company implemented the REPS on a bills-rendered basis on September 1, 2009.

² ACECs no longer apply as they are excluded from PA342 legislation.

Line
No.

1 The actual REPS revenue amounts by class reflect only billed revenue; no unbilled
2 revenue has been recorded for the REPS.

3

4 **Q18. How did the actual REPS revenue compare to the projected REPS revenue?**

5 A18. Actual REPS revenue for the months of January through December 2022 was \$0,
6 which was equal to the projected REPS revenue. The REPS revenue amount was
7 zero due to the surcharge being set to zero in December of 2015.

8

9 **Q19. Can you describe the line items shown on Exhibit A-4, Return on Equity (ROE)**
10 **Calculation?**

11 A19. Yes. The line items are described below.

12

13 Line 1 – This is the authorized 11.0% ROE for assets required for compliance for the
14 2008 PA 295 as amended by 2016 PA 342 Renewable Energy program.

15

16 Line 2 – In the order dated July 18, 2019 in Case No. U-18232, the Commission noted
17 that the Company shall use the Commission-approved ROE, rather than the REP-
18 approved ROE for any portions of the Fairbanks, Isabella I, or Isabella II projects that
19 are used to supply the Large Customer-Voluntary Green Program (LC-VGP) instead
20 of RPS needs. For 2022 9.90% is used for January to December, as approved in
21 Commission’s orders dated May 8, 2020, in Case No. U-20561 and November 18,
22 2022, in Case No. U-20836.

23

24 Line 3 – This is the weighted average ROE for REP compliance assets and LC-VGP
25 rate assets. The weighted average ROE is calculated by weighting the REP

Line
No.

1 compliance simplified rate base (Line 12) and the LC-VGP simplified rate base (Line
2 21) with their respective ROEs. The weighted average ROE is utilized by Company
3 Witness Lacey in Exhibit A-12 to calculate the Pre-Tax Rate of Return.

4

5 Lines 12 and 21 – These lines represent the compliance simplified rate base (Line 12)
6 and the LC-VGP simplified rate base (Line 21), which are calculated by adding the
7 deferred federal taxes related to plant depreciation (Lines 11 and 20) to net plant
8 (Lines 10 and 19).

9

10 **Q20. Does this conclude your direct testimony?**

11 A20. Yes, it does.

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
DTE Electric Company to commence)
a renewable energy cost reconciliation)
proceeding for the 12-month period ended)
December 31, 2022)

Case No. U-21353

EXHIBITS

OF

PATRICK D. KAUFFMAN

Michigan Public Service Commission
DTE Electric Company
2022 Renewable Cost Reconciliation
Expenses and Credits
(\$000)

Case No.: U-21353
Exhibit: A-1
Witness: P.D. Kauffman
Page: 1 of 1

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	
														2021
Line No.	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2022 Total	
1	O&M - MPSC Accounts 920, 921, 923, 553	2,921.4	3,272.7	2,600.6	1,335.7	2,511.0	2,629.4	3,904.1	3,164.0	7,226.8	(635.3)	3,930.2	1,440.0	34,300.7
2	Royalty Payments - MPSC Account 549	1,022.2	2,742.7	1,414.7	1,506.1	1,129.4	1,037.8	1,430.5	838.8	1,181.2	1,100.0	1,368.2	1,584.3	16,356.1
3	Depreciation - MPSC Account 403	7,654.5	7,648.3	7,649.0	7,937.8	7,685.5	7,687.9	7,705.8	7,661.7	7,673.0	7,678.6	7,712.6	7,687.7	92,382.5
4	Property Tax - MPSC Account 408.1	1,357.1	1,357.1	1,354.5	1,354.5	1,354.5	1,354.5	1,354.5	1,354.5	1,354.5	1,354.5	4,647.3	3,436.4	21,633.9
5	Insurance - MPSC Account 924	128.7	128.7	128.6	128.6	128.9	129.6	129.8	129.8	130.8	131.6	134.1	137.1	1,566.3
6	Removed*	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Preliminary Surveys - MPSC Account 930.2	-	-	-	-	-	-	-	-	-	-	-	-	-
8	RECs Consumed - MPSC Account 509	157.9	188.3	175.0	175.7	168.0	169.9	174.3	146.3	148.0	154.0	149.4	148.7	1,955.6
9	Production Tax Credits (including tax gross-up)	(10,684.8)	(10,417.1)	(9,893.9)	(9,912.5)	(12,630.0)	(7,907.6)	(6,884.8)	(5,743.4)	(3,487.4)	(10,674.1)	(12,308.3)	(10,846.4)	(111,390.4)
10	Interest Receivable from Transmission Upgrade Payments	-	-	(1.4)	-	-	-	-	-	-	-	-	-	(1.4)
11	Investment Tax Credit (including tax gross-up)	(182.1)	(182.1)	(182.1)	(182.1)	(182.1)	(182.1)	(182.1)	(182.1)	(182.1)	(182.1)	1,271.9	545.6	(3.6)

Michigan Public Service Commission
DTE Electric Company
2022 Renewable Cost Reconciliation
Balance Sheet Accounts
(\$000)

Case No.: U-21353
Exhibit: A-2
Witness: P.D. Kauffman
Page: 1 of 1

Line No.		2022												2022 Total
		(a) Jan	(b) Feb	(c) Mar	(d) Apr	(e) May	(f) Jun	(g) Jul	(h) Aug	(i) Sep	(j) Oct	(k) Nov	(l) Dec	
<u>Preliminary Survey & Investigations - MPSC Account 183</u>														
1	Beginning Balance	27,255.9	29,043.9	32,751.0	33,522.3	41,128.2	46,387.5	47,745.0	51,708.8	53,463.0	68,260.6	70,534.7	73,286.1	27,255.9
2	Additions	1,787.9	3,707.1	771.3	7,605.9	5,259.3	1,357.6	3,963.8	1,754.1	14,797.7	2,274.1	2,751.4	(8,259.5)	37,770.7
3	Ending Balance	29,043.9	32,751.0	33,522.3	41,128.2	46,387.5	47,745.0	51,708.8	53,463.0	68,260.6	70,534.7	73,286.1	65,026.6	65,026.6
<u>Capital Expenditures - MPSC Account 107</u>														
4	Beginning Balance	338,545.1	339,674.7	341,128.1	341,337.5	341,271.2	340,897.9	341,397.0	339,084.9	357,658.5	359,125.6	364,394.7	394,338.7	338,545.1
5	Additions	6,735.3	1,799.3	2,710.7	1,564.3	1,068.5	2,505.8	(843.2)	19,517.2	3,016.5	7,237.1	32,441.4	36,299.1	114,052.1
6	Transfer to PIt In Svc	5,605.7	345.9	2,501.3	1,630.6	1,441.8	2,006.7	1,468.9	943.7	1,549.4	1,968.0	2,497.3	1,184.9	23,144.3
7	Ending Balance	339,674.7	341,128.1	341,337.5	341,271.2	340,897.9	341,397.0	339,084.9	357,658.5	359,125.6	364,394.7	394,338.7	429,452.9	429,452.9
<u>Subtotal - MPSC Accounts 183 & 107</u>														
8	Beginning Balance	365,801.0	368,718.6	373,879.1	374,859.8	382,399.4	387,285.4	389,142.1	390,793.8	411,121.5	427,386.2	434,929.4	467,624.8	365,801.0
9	Additions	8,523.2	5,506.4	3,482.0	9,170.2	6,327.7	3,863.4	3,120.6	21,271.4	17,814.1	9,511.2	35,192.8	28,039.6	151,822.7
10	Transfer to PIt In Svc	5,605.7	345.9	2,501.3	1,630.6	1,441.8	2,006.7	1,468.9	943.7	1,549.4	1,968.0	2,497.3	1,184.9	23,144.3
11	Ending Balance	368,718.6	373,879.1	374,859.8	382,399.4	387,285.4	389,142.1	390,793.8	411,121.5	427,386.2	434,929.4	467,624.8	494,479.5	494,479.5
<u>Plant In Service - MPSC Account 101</u>														
12	Beginning Balance	2,449,173.0	2,454,408.6	2,454,649.4	2,455,664.2	2,456,095.8	2,456,375.1	2,457,015.9	2,457,868.7	2,456,837.8	2,458,343.6	2,459,408.9	2,459,962.3	2,449,173.0
13	Additions	5,235.6	240.8	1,014.7	431.6	279.3	640.8	852.7	(1,030.8)	1,505.8	1,065.3	553.4	(2,139.3)	8,650.0
14	Ending Balance	2,454,408.6	2,454,649.4	2,455,664.2	2,456,095.8	2,456,375.1	2,457,015.9	2,457,868.7	2,456,837.8	2,458,343.6	2,459,408.9	2,459,962.3	2,457,823.0	2,457,823.0
<u>Inventory Renewable Energy Credits - MPSC Account 158</u>														
15	Beginning Balance	1,969.1	1,894.4	1,805.3	1,766.2	1,719.0	1,682.6	1,635.7	1,574.2	1,539.5	1,505.6	1,481.1	1,471.0	1,969.1
16	Additions	83.2	99.2	135.9	128.5	131.7	123.1	112.8	111.5	114.1	129.5	139.3	104.7	1,413.4
17	RECs/ACECs Consumed	(157.9)	(188.3)	(175.0)	(175.7)	(168.0)	(169.9)	(174.3)	(146.3)	(148.0)	(154.0)	(149.4)	(148.7)	(1,955.6)
18	Ending Balance	1,894.4	1,805.3	1,766.2	1,719.0	1,682.6	1,635.7	1,574.2	1,539.5	1,505.6	1,481.1	1,471.0	1,427.0	1,427.0
<u>Depreciation Reserve - MPSC Account 108</u>														
19	Beginning Balance	388,402.1	395,322.3	402,840.7	409,003.0	415,718.8	422,241.8	428,689.3	435,779.0	441,549.1	449,099.8	455,875.6	461,644.4	388,402.1
20	Additions	7,654.5	7,648.3	7,649.0	7,937.8	7,685.5	7,687.9	7,705.8	7,661.7	7,673.0	7,678.6	7,712.6	7,687.7	92,382.5
21	Retirements	(734.3)	(129.9)	(1,486.6)	(1,222.1)	(1,162.5)	(1,240.5)	(616.1)	(1,891.6)	(122.3)	(902.8)	(1,943.9)	(3,269.5)	(14,722.1)
22	Ending Balance	395,322.3	402,840.7	409,003.0	415,718.8	422,241.8	428,689.3	435,779.0	441,549.1	449,099.8	455,875.6	461,644.4	466,062.6	466,062.6
<u>Deferred Tax Liability - MPSC Accounts 190 / 254 / 283</u>														
23	Beginning Balance	(131,839.7)	(128,462.6)	(125,713.5)	(129,447.3)	(126,757.5)	(121,534.7)	(128,993.4)	(131,936.9)	(136,357.3)	(130,285.6)	(95,810.4)	(80,669.3)	(131,839.7)
24	Current Year Activity/Adjustments	3,377.2	2,749.0	(3,733.7)	2,689.8	5,222.8	(7,458.7)	(2,943.4)	(4,420.4)	6,071.7	34,475.2	15,141.0	14,548.4	65,718.9
25	Ending Balance	(128,462.6)	(125,713.5)	(129,447.3)	(126,757.5)	(121,534.7)	(128,993.4)	(131,936.9)	(136,357.3)	(130,285.6)	(95,810.4)	(80,669.3)	(66,120.9)	(66,120.9)
<u>Accounts Receivable - MPSC Account 143</u>														
26	Beginning Balance	7,520.5	7,520.5	7,493.1	3,493.1	3,493.1	3,493.1	3,493.1	3,493.1	3,493.1	3,493.1	2,892.3	2,892.3	7,520.5
27	Additions	-	(27.4)	(4,000.0)	-	-	-	-	-	-	(600.8)	-	220.3	(4,407.9)
28	Ending Balance	7,520.5	7,493.1	3,493.1	3,493.1	3,493.1	3,493.1	3,493.1	3,493.1	3,493.1	2,892.3	2,892.3	3,112.6	3,112.6

Michigan Public Service Commission
DTE Electric Company
2022 Renewable Cost Reconciliation
Return on Equity Calculation
(\$000)

Case No.: U-21353
Exhibit: A-4
Witness: P.D. Kauffman
Page: 1 of 1

Line No.	Description	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1	REP Compliance Return	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
2	Authorized Voluntary Return	9.90%	9.90%	9.90%	9.90%	9.90%	9.90%	9.90%	9.90%	9.90%	9.90%	9.90%	9.90%
3	Weighted Average Return on Equity	10.63%	10.63%	10.63%	10.64%	10.64%	10.64%	10.64%	10.64%	10.65%	10.65%	10.65%	10.66%
4													
5	<u>Compliance</u>												
6	Plant in Service	1,726,695.6	1,726,997.5	1,727,420.0	1,727,843.3	1,727,857.8	1,727,986.8	1,728,432.1	1,728,131.4	1,728,032.0	1,729,063.5	1,729,745.7	1,728,392.4
7	CWIP	315,025.3	316,278.1	317,066.1	317,078.2	316,779.7	316,793.0	315,869.8	323,946.5	335,699.4	340,833.3	358,419.6	390,764.1
8	Gross Plant	2,041,720.9	2,043,275.6	2,044,486.0	2,044,921.5	2,044,637.5	2,044,779.8	2,044,301.9	2,052,077.8	2,063,731.3	2,069,896.8	2,088,165.3	2,119,156.6
9	Accumulated Depreciation	(377,768.5)	(382,818.2)	(387,488.8)	(391,613.8)	(395,907.1)	(400,198.7)	(404,766.2)	(409,007.7)	(413,498.4)	(418,492.4)	(422,585.8)	(425,483.6)
10	Net Plant	1,663,952.4	1,660,457.4	1,656,997.2	1,653,307.7	1,648,730.4	1,644,581.1	1,639,535.6	1,643,070.1	1,650,232.9	1,651,404.4	1,665,579.6	1,693,672.9
11	Deferred Federal Tax	(268,265.8)	(269,705.7)	(271,146.3)	(272,587.1)	(274,026.1)	(275,463.3)	(276,899.7)	(278,336.3)	(279,772.3)	(281,205.9)	(280,253.6)	(276,545.2)
12	Simplified Rate Base	1,395,686.6	1,390,751.7	1,385,850.9	1,380,720.6	1,374,704.3	1,369,117.8	1,362,635.9	1,364,733.9	1,370,460.7	1,370,198.5	1,385,326.0	1,417,127.7
13													
14	<u>Authorized Large Customer Voluntary</u>												
15	Plant in Service	725,095.2	727,531.5	727,736.8	728,036.7	728,377.6	728,708.7	729,010.2	729,221.9	729,558.8	729,812.7	729,939.9	730,500.2
16	CWIP	24,084.6	24,123.3	24,166.8	24,226.2	24,304.9	24,354.4	24,371.2	24,425.2	22,692.7	20,926.8	20,947.1	21,131.7
17	Gross Plant	749,179.8	751,654.9	751,903.6	752,262.8	752,682.5	753,063.1	753,381.4	753,647.1	752,251.4	750,739.5	750,886.9	751,631.9
18	Accumulated Depreciation	(14,093.7)	(16,263.3)	(18,433.0)	(20,747.1)	(23,073.2)	(25,266.8)	(27,467.9)	(29,656.3)	(31,826.1)	(33,995.3)	(36,174.2)	(38,369.9)
19	Net Plant	735,086.1	735,391.6	733,470.6	731,515.7	729,609.3	727,796.3	725,913.5	723,990.8	720,425.4	716,744.2	714,712.7	713,262.0
20	Deferred Federal Tax	(32,122.2)	(36,897.7)	(41,673.1)	(46,410.9)	(51,145.6)	(56,914.7)	(60,681.8)	(65,452.2)	(70,227.4)	(75,002.8)	(76,881.1)	(75,975.1)
21	Simplified Rate Base	702,963.9	698,493.9	691,797.5	685,104.8	678,463.6	671,881.6	665,231.7	658,538.6	650,198.0	641,741.5	637,831.6	637,286.9

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
DTE Electric Company to commence)
a renewable energy cost reconciliation)
proceeding for the 12-month period ended)
December 31, 2022)

Case No. U-21353

QUALIFICATIONS
AND
DIRECT TESTIMONY
OF
FRANK M. KOPINSKI

DTE ELECTRIC COMPANY
QUALIFICATIONS OF FRANK M. KOPINSKI

Line
No.

1 **Q1. What is your name, business address and by whom are you employed?**

2 A1. My name is Frank M. Kopinski. My business address is 414 S. Main Street, Suite
3 300, Ann Arbor, Michigan 48104. I am employed by DTE Electric Company
4 (hereafter DTE Electric or Company).

5

6 **Q2. On whose behalf are you testifying?**

7 A2. I am testifying on behalf of DTE Electric.

8

9 **Q3. What is your current position with the Company?**

10 A3. I am currently a Principal Engineer in the Power Supply Systems & Modeling team
11 within the Generation Optimization department.

12

13 **Q4. What is your educational background?**

14 A4. I received a Bachelor of Science Degree in Chemical Engineering from Michigan
15 Technological University in 2012.

16

17 **Q5. What is your work experience?**

18 A5. In 2012, I was hired by DTE Energy as an Associate Engineer as part of the
19 Engineering Support Organization – Chemical Engineering Group, stationed at
20 Monroe Power Plant. In that role, I supported the safe and economical operation of
21 the power plant by managing the boiler water treatment equipment and supporting
22 systems. In 2019, I transitioned to the Generation Optimization department and have
23 held various responsibilities in the Power Supply Strategy & Modeling team.

24

25 **Q6. What are your duties and responsibilities in your current position?**

Line
No.

1 A6. My current responsibilities include overseeing and implementing the Company's
2 strategies for Financial Transmission Rights to recoup congestion charges from Mid-
3 continent Independent System Operator (MISO). I also manage the offer strategies
4 for the Company's Renewable Energy Units into the MISO Market to ensure they
5 accurately reflect the operating conditions for each unit. I also coordinate
6 environmental strategies to ensure environmental compliance while minimizing the
7 impacts to the customer.

8

9 **Q7. Have you previously sponsored testimony before the Michigan Public Service**
10 **Commission?**

11 A7. Yes. I sponsored testimony in the following MPSC case:

12 U-21010 DTE Electric's 2020 Renewable Energy Plan Reconciliation

13 U-21198 DTE Electric's 2021 Renewable Energy Plan Reconciliation

14 U-21285 DTE Electric's 2022 Amended Renewable Energy Plan

15 U-21361 DTE Electric's 2023 Amended Renewable Energy Plan

16

DTE ELECTRIC COMPANY
DIRECT TESTIONY OF FRANK M. KOPINSKI

Line
No.

1 **Q8. What is the purpose of your testimony?**

2 A8. The purpose of my testimony is to support the Company's request that the MPSC
3 establish the Transfer Prices in Exhibit A-5 Schedule A1 for DTE Electric for 2008
4 PA 295, as amended by 2016 PA 342, Renewable Energy Contracts, and Company-
5 owned Renewable Energy Systems submitted to the Commission for approval after
6 the Commission issues an Order in this case.

7

8 **Q9. Are you sponsoring any exhibits in this proceeding?**

9 A9. Yes, I am supporting the following exhibits:

<u>Exhibit</u>	<u>Schedule</u>	<u>Description</u>
A-5	A1	2023 MPSC Staff Transfer Prices
A-5	A2	2023 MPSC Staff Combined Cycle Levelized Cost
A-5	A3	2023 MPSC Staff Combined Cycle Levelized Fuel Price

14

15 **Q10. Were these exhibits prepared by you or under your direction?**

16 A10. The documents were prepared by the MPSC Staff, but were reviewed, adopted, and
17 referenced in my direct testimony.

18

19 **Q11. What is the current status of Transfer Prices for DTE Electric for 2008 PA 295**
20 **Renewable Energy Contracts and Company-owned Renewable Energy**
21 **Systems?**

22 A11. The following Transfer Price schedules apply to the respective Company's 2008 PA
23 295, as amended by 2016 PA 342, Renewable Energy Contracts and Company-
24 owned Renewable Energy Systems:

25 ▪ U-15806 Transfer Prices - approved for the following contracts:

Line
No.

- 1 • Heritage Stoney Corners II Wind Farm I, LLC
- 2 • L’Anse Warden Electric Company, LLC
- 3 • WM Renewable Energy, LLC
- 4 • Gratiot County Wind, LLC
- 5 • Blue Water Renewables, Inc.
- 6 • Tuscola Bay Wind, LLC
- 7 and, Company-owned projects:
- 8 • Gratiot Wind Park
- 9 • Thumb Wind Parks (Minden, Sigel, and McKinley)
- 10 • DTE-owned Solar (~13.75 MW)
- 11 ▪ 2012 MPSC Staff Transfer Prices – approved in MPSC Case No. U-16656
- 12 (2011 Renewable Cost Reconciliation) for the following contracts:
- 13 • Tuscola Wind II, LLC
- 14 • Pheasant Run Wind, LLC
- 15 • Big Turtle Wind Farm, LLC
- 16 and, Company-owned projects:
- 17 • Echo Wind Park
- 18 • Brookfield Wind Park
- 19 • DTE Owned Solar (~1.25 MW)
- 20 ▪ 2014 MPSC Staff Transfer Prices – approved in MPSC Case No. U-17632
- 21 (2013 Renewable Cost Reconciliation) for the following Company-owned
- 22 projects:
- 23 • Pinnebog Wind Farm
- 24 • 2017 DTE Owned Solar (50 MW)
- 25 ▪ 2015 MPSC Staff Transfer Prices – approved in MPSC Case No. U-17804

Line
No.

1 (2014 Renewable Cost Reconciliation) for the following Company-owned
2 project:

3 • Pine River Wind Park

4 ■ 2016 MPSC Staff Transfer Prices – approved in MPSC Case No. U-18082
5 (2015 Renewable Cost Reconciliation) for the following Company-owned
6 project:

7 • Polaris Wind Park

8 ■ 2018 MPSC Staff Transfer Prices – approved in MPSC Case No. U-20172
9 (2017 Renewable Cost Reconciliation) for the following Company-owned
10 projects:

11 • Fairbanks Wind Park

12 • Isabella Wind Park I

13 • Isabella Wind Park II

14 ■ 2019 MPSC Staff Transfer Prices – approved in MPSC Case No. U-20484
15 (2018 Renewable Cost Reconciliation) and supported by the Company for the
16 following contracts:

17 • Ranger - Assembly

18 • Range – River Fork

19 and, approved Company-owned projects:

20 • 2020 Solar Plus Storage Pilot (renamed Ford Rooftop Solar)

21 • Meridian Wind Park

22 ■ 2020 MPSC Staff Transfer Prices – approved in MPSC Case No. U-20723
23 (2019 Renewable Cost Reconciliation) and supported by the Company for the
24 following contracts:

25 • Calhoun Solar

Line
No.

- 1 ▪ 2021 MPSC Staff Transfer Prices – approved in MPSC Case No. U-21010
- 2 (2020 Renewable Cost Reconciliation) and supported by the Company for the
- 3 following approved Company-owned projects:
- 4 • Big Turtle II Wind Farm
- 5 ▪ 2022 MPSC Staff Transfer Prices – approved in MPSC Case No. U-21198
- 6 (2021 Renewable Cost Reconciliation) for potential future projects until the
- 7 2023 transfer prices, discussed below, are approved in this case.
- 8 ▪ 2023 MPSC Staff Transfer Prices – presented in this case. These Transfer
- 9 Prices are being supported by the Company for potential future projects.

10

11 The Company is requesting that the MPSC establish, in this renewable cost
12 reconciliation case, the Transfer Prices in Exhibit A-5 Schedule A1 for DTE Electric
13 for 2008 PA 295, as amended by 2016 PA 342, Renewable Energy Contracts and
14 Company-owned Renewable Energy Systems the Commission approves after issuing
15 an Order in this Case.

16

17 **Q12. What is the purpose of Exhibit A-5, Schedules A1 through A3?**

18 A12. The purpose of Exhibit A-5, Schedules A1 through A3 is to present the Company’s
19 2023 proposed transfer prices and supporting data.

20

21 **Q13. What is the basis of the Company’s proposed 2023 MPSC Staff Transfer Prices**
22 **presented in Exhibit A-5?**

23 A13. The 2022 MPSC Staff Transfer Prices presented in Exhibit A-5 were developed by
24 the MPSC Staff and filed in Case No. U-15800 on April 5th, 2023. The MPSC Staff
25 developed a projection of the total cost of a natural gas combined cycle gas turbine

Line
No.

1 (CCGT) unit. The basis for these transfer prices is the levelized cost of energy
2 (LCOE) of a CCGT for the base year 2027 shown on Exhibit A-5, Schedule A2 with
3 a levelized natural gas price calculated from the U.S. Energy Information
4 Administration's projection of natural gas prices at the Henry Hub shown on Exhibit
5 A-5, Schedule A3.

6

7 **Q14. How do the MPSC Staff's CCGT LCOE calculation assumptions differ from**
8 **the Company's projected LCOE that it proposed for its Blue Water Energy**
9 **Center (BWEC) plant?**

10 A14. The hypothetical CCGT plant assumptions used by the MPSC Staff in Case No. U-
11 15800 differ in operating characteristics and projection of natural gas prices from the
12 BWEC plant that was approved in the Company's Certificate of Necessity
13 application (MPSC Case No. U-18419).

14

15 **Q15. What is your conclusion of the MPSC Staff's transfer price methodology?**

16 A15. The Company has reviewed the MPSC Staff's transfer price methodology, including
17 the levelized cost calculation variables, and finds it to be reasonable for the purpose
18 of determining the transfer price schedule. However, the Company does not believe
19 the plant and fuel assumptions used in the MPSC Staff's methodology are
20 representative of the specific plant and fuel characteristics of a CCGT that the
21 Company would actually build, and therefore, would not be representative of the
22 Company's avoided cost of capacity and energy. However, the assumptions and
23 calculations used by the MPSC Staff to develop the LCOE of a generic CCGT plant
24 and the associated transfer price schedule are comparable to those used in previous
25 renewable energy case proceedings that have been approved by the Commission.

Line
No.

1

2 **Q16. How did the Company implement transfer prices in 2022?**

3 A16. The transfer prices that the Commission approves for each Renewable Energy
4 Contract and Company-owned Renewable Energy System is established as a floor
5 for the lifecycle of the contract or project. Doing so ensures that the economic
6 viability of projects that have been committed to will not be jeopardized by transfer
7 prices that change in future years.

8

9 Prior to 2021, the Renewable Energy purchased by the Company under each
10 Renewable Energy Contract was recovered through the PSCR process at the lesser of
11 the approved transfer price or renewable energy contract cost. In the July 9, 2020
12 Order in DTE Electric's Amended REP Plan Case No.-18232, the Commission
13 authorized the Company to transfer to the PSCR up to the approved Transfer Price,
14 not limited by LCOE for Company-owned Renewable Energy Systems, in order to
15 maintain a sufficient regulatory liability account balance. In accordance with that
16 Order, the Renewable Energy generated by Company-owned Renewable Energy
17 Systems was recovered through the PSCR process for 2022 using either the approved
18 transfer price or the LCOE approved for use for the project for each specific
19 Company-owned Renewable Energy System at the time the construction contracts
20 were approved by the Commission, in order to maintain a minimum regulatory
21 liability balance for 2022.

22

23 **Q17. Does this complete your direct testimony?**

24 A17. Yes, it does.

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
DTE Electric Company to commence)
a renewable energy cost reconciliation)
proceeding for the 12-month period ended)
December 31, 2022)

Case No. U-21353

EXHIBITS

OF

FRANK M. KOPINSKI

Michigan Public Service Commission
DTE Electric Company
2022 Renewable Cost Reconciliation
2023 MPSC Staff Transfer Prices

Case No.: U-21353
Exhibit: A-5
Schedule: A1
Witness: F. M. Kopinski
Page: 1 of 1

Line No.	(a) Year	(b)	(c)	(d)
		MPSC Staff 2023 Transfer Price - Fixed Cost (\$/MWh)	MPSC Staff 2023 Transfer Price - Variable Cost (\$/MWh)	DTE Electric Proposed / 2023 MPSC Staff Transfer Price (\$/MWh)
1	2023	36.74	25.89	62.64
2	2024	35.13	26.97	62.11
3	2025	35.07	27.43	62.50
4	2026	35.47	29.97	65.44
5	2027	36.17	31.95	68.12
6	2028	36.98	32.69	69.68
7	2029	37.82	33.00	70.83

Michigan Public Service Commission
DTE Electric Company
2022 Renewable Cost Reconciliation
2023 MPSC Staff Combined Cycle Levelized Cost

Case No.: U-21353
Exhibit: A-5
Schedule: A2
Witness: F. M. Kopinski
Page: 1 of 1

Line No.	(a)	(b)	(c)	(d)	(e)	(f)
1	Levelized Cost Calculation					
2						
3		NGCC	notes			
4	Capacity MW	400	MW			
5	Loading Factor	71.00%	The % of time the unit would be dispatched if available			
6	Equivalent Avail.	87.00%	The % of time the unit would be available for dispatch.			
7	Capacity Factor	61.77%	A combination of FOR and planned outages			
8	Heat Rate Btu/kWh	6719	(Loading Factor)(Equivalent Availability)			
9	Fuel Cost \$/MBtu	\$4.29	BTU/kWh			
10	Total Cost MM no AFUDC	\$549.820	\$ per thousand BTU			
11	AFUDC	\$75.18	MM			
12	Total Cost MM	\$625.000	MM			
13	Fixed Charge Rate	11.59%	% used to calculate fixed cost recovery component			
14	Fixed O&M \$/kW	\$14.62	MM			
15	Annual Lev. Fixed Cost MM	\$72.44	\$/kW			
16	Total Annual Lev. Fixed Cost MM	\$78.29	MM			
17	Fixed Cost \$/kWh	0.0362	MM			
18	Fuel Cost \$/kWh	0.0288	\$/kWh			
19	Var. O&M \$/kWh	0.0031	\$/kWh			
20	Total Var. Cost	0.0320	\$/kWh			
21	Total Cost \$/kWh	0.06812	\$/kWh			

AFUDC		Total Overnight Cost (MM) in 2021 \$	Inflation Rate	Cumulative	Finance Rate	
Year	GCC	\$519.054	2%		6.56%	
27	1	5%	26	26.47	26.47	1.74
28	2	30%	156	162.01	188.48	12.36
29	3	35%	182	192.79	381.27	25.01
30	4	30%	156	168.55	549.82	36.07
31	1		519	549.820		75.18

Michigan Public Service Commission
DTE Electric Company
2022 Renewable Cost Reconciliation
2023 MPSC Staff Combined Cycle Levelized Fuel Price

Case No.: U-21353
Exhibit: A-5
Schedule: A3
Witness: F. M. Kopinski
Page: 1 of 1

Line No.	(a)	(b)	(c)
1	Source: EIA Annual Energy Outlook 2023		
2	http://www.eia.gov/		
3			Henry Hub 2022 Annual Energy Outlook (Nominal)
4	Period (Used for Levelized Calculation)		
5			
6	2023	1	5.48
7	2024	2	4.34
8	2025	3	3.80
9	2026	4	3.41
10	2027	5	3.24
11	2028	6	3.25
12	2029	7	3.35
13	2030	8	3.54
14	2031	9	3.78
15	2032	10	4.07
16	2033	11	4.44
17	2034	12	4.75
18	2035	13	5.02
19	2036	14	5.15
20	2037	15	5.33
21	2038	16	5.63
22	2039	17	5.64
23	2040	18	5.99
24	2041	19	6.26
25			
26			
27	Discount Rate		8.98%
28	Net Present Value Fuel		\$38.48
29	Levelized Fuel Price		\$4.29

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
DTE Electric Company to commence)
a renewable energy cost reconciliation)
proceeding for the 12-month period ended)
December 31, 2022)

Case No. U-21353

QUALIFICATIONS
AND
DIRECT TESTIMONY
OF
THOMAS W. LACEY

DTE ELECTRIC COMPANY
QUALIFICATIONS OF THOMAS W. LACEY

Line
No.

1 **Q1. What is your name, business address and by whom are you employed?**

2 A1. My name is Thomas W. Lacey (he/him/his). My business address is One Energy
3 Plaza, Detroit, Michigan, 48226. I am employed by DTE Energy Corporate Services,
4 LLC (DTE Energy or DTE) as a Principal Financial Analyst in the Revenue
5 Requirements Department of the Regulatory Affairs Organization.

6

7 **Q2. On whose behalf are you testifying?**

8 A2. I am testifying on behalf of DTE Electric Company (DTE Electric or the Company).

9

10 **Q3. What is your educational background and business experience?**

11 A3. I received a Bachelor of Science Degree in Accounting from Michigan State
12 University in 1981 and a Masters in Business Administration from Wayne State
13 University in 1992. From 1982 until 2001, I was employed by ANR Pipeline
14 Company (ANR) in the Rates and Regulatory Affairs department. I had several
15 positions of increasing responsibilities within the Rates area, ultimately rising to the
16 position of Senior Rates Analyst. During my nineteen years with ANR, I worked on
17 numerous rate proceedings and filings before the Federal Energy Regulatory
18 Commission (FERC) including rate cases (FERC Docket Nos. RP82-80, RP83-79,
19 RP86-169, RP89-161, RS92-1 and RP94-43). My work was primarily in the areas
20 of cost-of-service and rate design. In 2002, I joined DTE as a Financial Analyst in
21 the Load Research department of Regulatory Affairs. I worked in Load Research
22 until December 2005. My responsibilities within Load Research included extensive
23 work on the 2003 Michigan Consolidated Gas Company (MichCon) rate case (U-
24 13898) and The Detroit Edison Company (Detroit Edison) rate filings. In December
25 2005, I accepted my current position.

Line
No.

1 **Q4. What are your responsibilities as a Principal Financial Analyst for both DTE**
2 **Electric and DTE Gas?**

3 A4. As a Principal Financial Analyst, my responsibilities include the preparation of
4 revenue requirements, cost of service and rate design, testimony, exhibits and
5 workpapers, in cases for both DTE Gas and DTE Electric.

6

7 **Q5. Have you previously sponsored testimony before the Michigan Public Service**
8 **Commission?**

9 A5. Yes, I have. I have sponsored testimony in the following cases:

10 U-13898 MichCon's 2006 Uncollectible Expense True-up Mechanism and
11 Safety and Training Related Expenditure Report

12 U-15985 MichCon's 2009 General Rate Case Proceeding

13 U-16290 Reconciliation of MichCon's 2010 Energy Optimization (EO)
14 Program

15 U-16730 MichCon's 2011 Updated Energy Optimization Plan

16 U-16751 Reconciliation of the MichCon 2011 EO Program

17 U-16999 MichCon 2011 General Rate Case Proceeding

18 U-17288 Reconciliation of the DTE Gas 2012 EO Program

19 U-17602 Reconciliation of the DTE Electric 2013 EO Program

20 U-17608 Reconciliation of the DTE Gas 2013 EO Program

21 U-17632 Reconciliation of the DTE Electric 2013 REP Program

22 U-17762 DTE Electric 2016/2017 Energy Optimization Plan

23 U-17763 DTE Gas 2016/2017 Energy Optimization Plan

24 U-17804 Reconciliation of the DTE Electric 2014 REP Program

25 U-17832 Reconciliation of the DTE Electric 2014 EO Program

Line
No.

1	U-17841	Reconciliation of the DTE Gas 2014 EO Program
2	U-18014	DTE Electric General Rate Case Proceeding
3	U-18111	DTE Electric REP Plan Proceeding
4	U-18232	DTE Electric REP (2018) Amended Plan Proceeding
5	U-18232	DTE Electric REP (2020) Amended Plan Proceeding
6	U-18248	DTE Electric Capacity Charge
7	U-18255	DTE Electric General Rate Case Proceeding
8	U-20029	Reconciliation of the DTE Electric 2017 EWR Program
9	U-20035	Reconciliation of the DTE Gas 2017 EWR Program
10	U-20105	DTE Electric Tax Credit A Proceeding
11	U-20162	DTE Electric General Rate Case Proceeding
12	U-20172	Reconciliation of the DTE Electric 2017 REP Program
13	U-20366	Reconciliation of the DTE Electric 2018 EWR Program
14	U-20369	Reconciliation of the DTE Gas 2018 EWR Program
15	U-20561	DTE Electric General Rate Case Proceeding
16	U-20723	Reconciliation of the DTE Electric 2019 REP Program
17	U-20836	DTE Electric General Rate Case Proceeding
18	U-20851	DTE Electric REP (August 2020) Amended Plan Proceeding
19	U-20866	Reconciliation of the DTE Electric 2020 EWR Program
20	U-20871	Reconciliation of the DTE Gas 2019 EWR Program
21	U-21010	Reconciliation of the DTE Electric 2020 REP Program
22	U-21225	Reconciliation of the DTE Electric 2021 REP Program
23	U-21285	DTE Electric 2022 Amended REP Plan Proceeding
24	U-21338	DTE Electric 2023 Securitization Proceeding
25	U-21361	DTE Electric 2023 Amended REP Plan Proceeding

Line
No.

1

2 **Q6. Have you previously testified or submitted testimony in any other regulatory**
3 **proceedings?**

4 A6. Yes. I sponsored testimony in ANR's general rate case in FERC Docket No. RP94-
5 43. I testified at a hearing before the FERC in Docket No. RP94-43.

6

DTE ELECTRIC COMPANY
DIRECT TESTIMONY OF THOMAS W. LACEY

Line
No.

1 **Q7. What is the purpose of your testimony?**

2 A7. The purpose of my testimony is to present the calculation of the variance between
3 the actual 2022 Renewable Energy Plan (REP) Incremental Cost of Compliance
4 incurred by DTE Electric and those costs included in the amended REP for 2022,
5 Case No. U-21285 (the “2022 Amended REP”). The calculation is based on the 2022
6 costs and Renewable Energy Plan Surcharge (REPS) (a/k/a Revenue Recovery
7 Mechanism surcharge) revenues associated with the REP that were supplied to me
8 and are supported in this application by Company Witnesses Lievense, Wisniewski,
9 and Kauffman. I am also supporting the calculation of the pre-tax cost of capital that
10 is used to calculate the return on rate base and the calculation of interest on regulatory
11 liabilities.

12

13 **Q8. Are you sponsoring any exhibits in this proceeding?**

14 A8. Yes, I am supporting the following exhibits:

<u>Exhibit</u>	<u>Description</u>
A-9	Incremental Cost of Compliance for the Year 2022 vs. Plan
A-10	Revenue Requirement for the Year 2022 vs. Plan
A-11	Interest on Regulatory Asset/Liability for the Year 2022
A-12	Pre-Tax Rate of Return
A-13	Revenue Conversion Factors & Effective Tax Rate

21

22 **Q9. Were these exhibits prepared by you or under your direction?**

23 A9. Yes, they were.

Line
No.

1 **Q10. Can you describe the information displayed on Exhibit A-9, Incremental Cost**
2 **of Compliance for the Year 2022 vs. Plan?**

3 A10. The exhibit is arranged to match the language contained in MCL 460.1047 that
4 describes the components of the Incremental Cost of Compliance. Exhibit A-9
5 displays the sum of the costs described in MCL 460.1047(2)(a), the revenues to be
6 subtracted described in MCL 460.1047(2)(b), and carrying costs on regulatory assets
7 described in MCL 460.1047(3). It should be noted that several of these lines, or
8 subcomponents described within a line, have zero values and are included on Exhibit
9 A-9 for completeness and possible future use. Pages 1 and 2 of Exhibit A-9 display
10 the REP monthly actual and totals for 2022, as well as the 2022 annual planned
11 Incremental Cost of Compliance calculation, provided in Case No. U-21285, and the
12 associated variance of actuals to plan. Page 3 details the sources of the information
13 that appear on Exhibit A-9. Exhibit A-9, page 2, line 27 shows the actual 2022 total
14 Incremental Cost of Compliance is \$(10.8) million compared to \$(22.3) million
15 planned for 2022, resulting in a variance of \$11.5 million. Company Witness
16 Hernandez discusses the reasons for this variance in her direct testimony.

17

18 **Q11. Can you describe in more detail the REP incremental costs defined in MCL**
19 **460.1047(2)(a) included on Exhibit A-9?**

20 A11. The first two pages of Exhibit A-9 detail the calculation of the Incremental Cost of
21 Compliance and page 3 indicates the sources of the information used on the prior
22 two pages. Line 2 of Exhibit A-9 addresses subparts (i, ii, iii, iv) of MCL
23 460.1047(2)(a), and consists of Capital, Operating and Maintenance (O&M), Return
24 on Equity (ROE), Financing, Interconnect, and Ancillary service costs. Line 3
25 addresses subpart (v) (A) of MCL 460.1047(2)(a) and consists of the expense of

Line
No.

1 Renewable Energy Credits (RECs). Line 4 addresses subpart (v) (B) of MCL
2 460.1047(2)(a) and consists of costs of contracts described under former MCL
3 460.1033(1) (i.e., third party power purchase agreements (PPAs)). Line 5 addresses
4 subpart (vi) of MCL 460.1047(2)(a) and consists of state and federal government
5 actions related to renewable energy (presently zero). Line 6 addresses subpart (vii)
6 of MCL 460.1047(2)(a) and consists of additional costs determined necessary by the
7 Commission (presently zero). Line 7 shows the sum of lines 2 through 6, DTE
8 Electric's REP Gross Revenue Requirement for 2022.

9

10 **Q12. Can you describe in more detail the REP revenues defined in MCL**
11 **460.1047(2)(b) on Exhibit A-9 and how those revenues are addressed?**

12 A12. Line 9 addresses subpart (i) of MCL 460.1047(2)(b) and consists of revenue from
13 the sale of environmental attributes (i.e., REC sales). Line 10 addresses subpart (iii)
14 of MCL 460.1047(2)(b) and consists of tax credits to promote renewable energy (i.e.,
15 production tax credits (PTC)). Line 11 is the tax benefit associated with the solar
16 Investment Tax Credit, supported by Witness Kauffman. Line 12 addresses subpart
17 (iv) of MCL 460.1047(2)(b) and consists of costs subject to recovery through the
18 Power Supply Cost Recovery (PSCR). These costs were supplied by Witness
19 Lievens. Line 13 addresses subpart (v) of MCL 460.1047(2)(b) and consists of
20 revenue from wholesale renewable energy sales (presently zero). Lines 14-19
21 address subpart (vi) and consist of additional revenue as determined by the
22 Commission, and consists of Large Customers (Contracted) (VGP) and Flex
23 Customers (Noncontracted) (MIGreenPower) revenue, credit, and PSCR
24 reimbursement of the credit. Lines 14-19 were supplied to me by Witness Lievens.
25 Line 20 (which is presently zero) addresses subpart (vi) and consists of additional

Line
No.

1 revenue as determined by the Commission, not reflected on lines 14-19. Line 21
2 addresses subpart (vii) of MCL 460.1047(2)(b) and consists of revenue recovered in
3 rates for renewable energy costs included in MCL 460.1047(2)(a) (presently zero).
4 Line 22 is for the amortization of the Regulatory Liability associated the Tax Cuts
5 and Jobs Act of 2017 (TCJA) and is supported by Witness Wisniewski. Line 23 is a
6 subtotal of all subtractions (lines 9 through 22). Line 24 is the net of lines 7 and 23
7 and is the Incremental Cost of Compliance prior to deducting interest.

8

9 **Q13. Can you describe the remaining lines included on Exhibit A-9?**

10 A13. Line 25 is the interest on regulatory liabilities that I calculate on Exhibit A-11
11 pursuant to MCL 460.1047(2)(b)(ii) using the applicable interest rate (i.e., the
12 average short-term borrowing rate available to the electric provider during the
13 appropriate period) specified in MCL 460.1047(3). Line 26 contains the carrying
14 charges for regulatory assets that are described in MCL 460.1047(3) and are
15 presently zero. Line 27 shows the Incremental Cost of Compliance for 2022.

16

17 **Q14. Can you describe the information displayed on Exhibit A-10?**

18 A14. Exhibit A-10, titled "Revenue Requirement for the Year 2022 vs. Plan", is a two-
19 page exhibit showing the calculation of the actual and planned average net rate base
20 and gross revenue requirement by month and in total, for 2022. Pages 1 and 2 of
21 Exhibit A-10 display the monthly actual and totals for 2022, as well as the planned
22 revenue requirement calculation, provided in Case No. U-21285, and the associated
23 variance of actuals to plan. Average net rate base is comprised of the following
24 components: Plant in Service, Construction Work in Progress and Preliminary
25 Surveys, Accumulated Depreciation Reserve, RECs Inventory, International

Line
No.

1 Transmission Company (ITC) Accounts Receivable, and Accumulated Deferred
2 Income Taxes. Gross revenue requirement is comprised of the following cost
3 components: Return on Rate Base, Power Purchased, RECs consumed, O&M,
4 Royalties, Depreciation, Property Taxes, Insurance, and Interest Received from ITC.

5

6 **Q15. What is the source of the information you used to calculate the Gross Revenue**
7 **Requirement?**

8 A15. I relied upon information supplied by Witnesses Kauffman, Wisniewski, and
9 Lievens. Specifically, Witness Kauffman provided the monthly O&M, ROE,
10 royalties, depreciation, property taxes, insurance expenses, interest received from
11 ITC, CWIP, depreciation reserve, RECs Inventory and ITC accounts receivable.
12 Witness Wisniewski provided the monthly deferred taxes. Witness Lievens
13 provided the monthly renewable energy contract power supply consumption.

14

15 **Q16. What is the traditional definition of rate base used in general rate case filings?**

16 A16. Rate base is comprised of Plant-In-Service less Depreciation Reserve plus
17 Construction Work In Progress (CWIP), Working Capital, and Future Use.

18

19 **Q17. How was rate base determined in this REP 2022 reconciliation filing?**

20 A17. DTE Electric's REP rate base in this case follows the traditional definition used in
21 general rate cases but is adjusted to reflect the impacts of accumulated deferred
22 income taxes.

23

24 **Q18. Why is REP rate base adjusted to reflect accumulated deferred income taxes**
25 **for this REP reconciliation filing?**

Line
No.

1 A18. Consistent with the treatment of accumulated deferred income taxes used in Case
2 No. U-21285 (DTE Electric's Commission-approved 2022 Amended REP),
3 accumulated deferred income taxes are included as part of rate base determination
4 because, unlike traditional practice in Michigan, they have not been included in the
5 development of the 2022 Amended REP's pre-tax Rate of Return. Therefore, these
6 deferred income taxes must be taken into account as part of rate base in order to
7 accurately determine DTE Electric's 2022 Amended REP required pre-tax return.
8 This REP rate base treatment for taxes is required to match the pre-tax weighted
9 average cost of permanent capital that is used to calculate the return on rate base.
10 Absent this tax adjustment to each period's REP rate base, it would be necessary to
11 calculate a rate of return for each year of the 20-year plan to reflect the effects of
12 changes in zero cost capital that result from deferred income taxes.

13

14 **Q19. Are there any other costs that, due to Commission Orders, the Company is**
15 **required to address outside the REP?**

16 A19. Yes. The June 2, 2009 Order in MPSC Case No. U-15806 indicated that
17 uncollectible expense reflected in the original proposed 2008 PA 295 REP would be
18 addressed in the Company's next general rate case. Therefore, uncollectible expense
19 is excluded from the 2020 Amended REP provided in Case No. U-18232. The
20 Commission in its June 2, 2009 Commission Order in Case No. U-15806, page 22
21 indicated that Net Equity Costs Due to Imputed Debt would be considered at the time
22 of PPA approval. In subsequent Commission Orders (September 14, 2010
23 Commission Order in Case No. U-15806, page 6 and October 31, 2012 Commission
24 Order in Case No. U-16582, page 7) approving PPAs the Commission indicated that

Line
No.

1 requests for imputed debt-related cost recovery would be handled in general rate
2 cases.

3

4 **Q20. What information is reflected on Exhibit A-11?**

5 A20. Exhibit A-11 titled “Interest on Regulatory Asset/Liability for the Year 2022” is a
6 one-page exhibit that shows the monthly calculation of the average regulatory
7 liability balance and the interest on that balance for 2022. Lines 1 and 8 contain the
8 monthly REPS revenue provided by Witness Kauffman (presently zero). Lines 2 and
9 9 reflect the Incremental Cost of Compliance from Exhibit A-9, line 24. Lines 3 and
10 10 reflect the regulatory liability for each month and is the result of subtracting the
11 Incremental Cost of Compliance in Lines 2 and 9 from the REP revenues in Lines 1
12 and 8. On lines 6 and 13, I use DTE Electric’s actual short-term interest rates to
13 calculate the interest on the regulatory liability. In accordance with MCL
14 460.1047(2)(a)(ii), the interest on the regulatory liability (lines 7 and 14) is
15 subtracted from the Incremental Cost of Compliance on Exhibit A-9, line 24.

16

17 **Q21. Did the Commission provide guidance regarding the weighted average cost of**
18 **capital that should be used to calculate the “Return On” Rate Base?**

19 A21. Yes. In Attachment A to the December 4, 2008 Temporary Order in Case No. U-
20 15800, the Commission stated, “[r]ecover to include the authorized rate of return
21 on equity, which will remain fixed at the rate of return and debt to equity ratio that
22 was in effect in base rates when the renewable plan was approved (MCL 460.1047
23 (1)).” In Exhibit A to the August 23, 2017 Order in Case No. U-18409, the
24 Commission includes the same directive. However, as required by the Commission
25 in its July 18, 2019 Order in Case No. U-18232, the Company’s then current

Line
No.

1 approved ROE is utilized for certain assets, which results in “blended ROE,” as more
2 fully explained by Witness Kauffman.

3

4 **Q22. What information is reflected on Exhibit A-12, “Pre-Tax Rate of Return”?**

5 A22. Exhibit A-12 is a one-page exhibit that shows the monthly calculation of DTE
6 Electric’s Pre-Tax Rate of Return on permanent capital. As provided in MCL
7 460.1047(1), the debt-to-equity ratio that was authorized at the time DTE Electric’s
8 original 2008 PA 295 REP was approved in Case No. U-15806 (The December 23,
9 2008 Order in MPSC Case No. U-15244 at page 21 approves the debt-to-equity ratio
10 is based on information from the table on page 23 of the order.) The monthly ROE
11 is the blended ROE calculated by Witness Kauffman on Exhibit A-4. The monthly
12 long-term debt component has been updated to reflect the actual values for DTE
13 Electric’s long-term debt.

14

15 **Q23. What is the equity revenue multiplier on Exhibit A-13?**

16 A23. The overall revenue multiplier derived on Exhibit A-13 is a multiplication factor that
17 I use to convert the after-tax return on equity component to its pre-tax equivalent.
18 Revenue collected to cover a utility’s equity return is subject to Michigan Corporate
19 income tax, municipal taxes, and federal income tax (in 2022 the federal tax rate was
20 21%). Line 9, column (b) of Exhibit A-13 shows DTE Electric’s 2022 equity revenue
21 multiplier of 1.3496, which means DTE Electric is required to collect \$1.3496 to
22 produce \$1.00 of after-tax income.

23

24 **Q24. What is the effective tax rate on Exhibit A-13?**

Line
No.

1 A24. The effective tax rate is the combined effect of the Michigan Corporate income tax,
2 Municipal income tax, and Federal Income Tax (FIT) rates. This rate is used by
3 Witness Kauffman to calculate the REP deferred taxes associated with the regulatory
4 liability through 2022.

5

6 **Q25. Does this conclude your direct testimony?**

7 A25. Yes, it does.

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
DTE Electric Company to commence)
a renewable energy cost reconciliation)
proceeding for the 12-month period ended)
December 31, 2022)

Case No. U-21353

EXHIBITS

OF

THOMAS W. LACEY

Michigan Public Service Commission
DTE Electric Company
2022 Renewable Cost Reconciliation
Incremental Cost of Compliance For the Year 2022 vs. Plan
(\$ 000)

Case No.: U-21353
Exhibit: A-9
Witness: T. W. Lacey
Page: 1 of 3

Line No.	MCL 460.1047	Description*	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug		
2022 Actual												
1	(2)(a)	Sum of Costs:										
2	(i,ii,iii,iv)	Capital, O&M, ROE, Financing, Interconnect & Ancillary	30,281.0	32,331.6	30,313.1	29,401.7	29,978.8	29,982.0	31,598.1	30,231.2		
3	(v)(A)	RECs Consumed	157.9	188.3	175.0	175.7	168.0	169.9	174.3	146.3		
4	(v)(B)	Costs of Contracts under Sec 33(1) - PPA Charges	8,958.1	10,339.5	9,514.7	10,340.9	9,359.4	7,676.0	6,622.5	6,211.6		
5	(vi)	State & Federal Government Actions Related to Renewable Energy	-	-	-	-	-	-	-	-		
6	(vii)	Additional Costs Determined Necessary by the Commission	-	-	-	-	-	-	-	-		
7		Subtotal of Costs (Gross Revenue Requirement)	39,397.0	42,859.4	40,002.9	39,918.3	39,506.2	37,828.0	38,394.9	36,589.2		
8	(2)(b)	Subtractions from the Sum of Costs:										
9	(i)	Revenue from the Sale of Environmental Attributes - REC Sales	-	-	-	-	-	-	-	-		
10	(iii)	Tax Credits to Promote Renewable Energy - PTC	10,684.8	10,417.1	9,893.9	9,912.5	12,630.0	7,907.6	6,884.8	5,743.4		
11		Tax Benefit of Investment Tax Credit	182.1	182.1	182.1	182.1	182.1	182.1	182.1	182.1		
12	(iv)	Cost Recovered under the PSCR (Transfer Rate)	28,979.8	32,281.2	31,783.6	30,286.6	30,212.8	21,913.4	18,237.5	15,028.4		
13	(v)	Revenue From Wholesale Renewable Energy Sales	-	-	-	-	-	-	-	-		
14	(vi)	VGP Subscription Revenue (Large Customer Contracted)	3,630.6	3,038.4	3,043.8	3,360.9	3,211.2	3,668.1	4,136.7	4,078.4		
15	(vi)	VGP Subscription Credit (Large Customer Contracted)	(3,639.8)	(2,451.0)	(2,588.4)	(4,483.4)	(3,317.4)	(6,228.2)	(7,833.1)	(9,199.3)		
16	(vi)	VGP Subscription Credit (PSCR reimbursement)	3,639.8	2,451.0	2,588.4	4,483.4	3,317.4	6,228.2	7,833.1	9,199.3		
17	(vi)	MiGreenPower Subscription Revenue (Flex Customers NC)	535.3	502.2	566.9	479.0	500.5	674.2	799.1	924.5		
18	(vi)	MiGreenPower Subscription Credit (Flex Customers NC)	(321.8)	(316.2)	(357.0)	(301.7)	(315.3)	(424.9)	(503.5)	(598.1)		
19	(vi)	MiGreenPower Subscription Credit (PSCR reimbursement)	321.8	316.2	357.0	301.7	315.3	424.9	503.5	598.1		
20	(vi)	Additional Revenue as Determined by the Commission	-	-	-	-	-	-	-	-		
21	(vii)	Revenues Recovered in Rates for Renewable Energy Costs Included in (a)	-	-	-	-	-	-	-	-		
22		Tax Cuts and Jobs Act of 2017 - Regulatory Liability Amortization	319.7	319.7	319.7	319.7	319.7	319.7	319.7	319.7		
23		Subtotal of Subtractions	44,332.3	46,740.8	45,790.0	44,540.8	47,056.3	34,665.1	30,559.9	26,276.5		
24		Subtotal - Prior to Interest on Regulatory Liabilities	(4,935.3)	(3,881.5)	(5,787.1)	(4,622.4)	(7,550.1)	3,162.9	7,835.0	10,312.6		
25	(2)(b)(ii)	Interest on Regulatory Liabilities @ Short Term Interest Rate	1.6	2.5	10.1	13.1	27.3	41.2	52.5	44.6		
26	(3)	Carrying Charges for Regulatory Assets @ Pre-tax Cost of Capital	-	-	-	-	-	-	-	-		
27		Total Incremental Cost of Compliance	(4,936.9)	(3,883.9)	(5,797.2)	(4,635.6)	(7,577.3)	3,121.8	7,782.5	10,268.1		

*See page 3 for Sources

Michigan Public Service Commission
DTE Electric Company
2022 Renewable Cost Reconciliation
Incremental Cost of Compliance For the Year 2022 vs. Plan
(\$ 000)

Case No.: U-21353
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							U-21285		
							2022 Actual	Plan	
(a)	(b)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	
Line No.	MCL 460.1047	Description*	Sep	Oct	Nov	Dec	Total	2022	Variance
1	(2)(a)	Sum of Costs:							
2	(i,ii,iii,iv)	Capital, O&M, ROE, Financing, Interconnect & Ancillary	34,748.6	27,009.4	35,446.3	32,236.2	373,558.1	396,111.9	(22,553.8)
3	(v)(A)	RECs Consumed	148.0	154.0	149.4	148.7	1,955.6	3,107.4	(1,151.8)
4	(v)(B)	Costs of Contracts under Sec 33(1) - Estimated PPA Charges	6,433.1	10,830.8	11,881.6	10,197.8	108,366.2	102,940.6	5,425.6
5	(vi)	State & Federal Government Actions Related to Renewable Energy	-	-	-	-	-	-	-
6	(vii)	Additional Costs Determined Necessary by the Commission	-	-	-	-	-	-	-
7		Subtotal of Costs (Gross Revenue Requirement)	41,329.7	37,994.2	47,477.3	42,582.6	483,879.8	502,159.9	(18,280.1)
8	(2)(b)	Subtractions from the Sum of Costs:							
9	(i)	Revenue from the Sale of Environmental Attributes - REC Sales	-	-	-	-	-	-	-
10	(iii)	Tax Credits to Promote Renewable Energy - PTC	3,487.4	10,674.1	12,308.3	10,846.4	111,390.4	120,223.2	(8,832.8)
11		Tax Benefit of Investment Tax Credit	182.1	182.1	(1,271.9)	(545.6)	3.6	729.9	(726.3)
12	(iv)	Cost Recovered under the PSCR (Transfer Rate)	16,573.1	32,781.0	38,514.4	32,097.4	328,689.3	333,767.2	(5,077.9)
13	(v)	Revenue From Wholesale Renewable Energy Sales	-	-	-	-	-	-	-
14	(vi)	VGP Subscription Revenue (Large Customer Contracted)	4,492.9	3,166.4	2,572.2	4,525.0	42,924.6	35,456.8	7,467.8
15	(vi)	VGP Subscription Credit (Large Customer Contracted)	(8,512.5)	(5,470.2)	(1,197.0)	(6,796.0)	(61,716.3)	(42,036.5)	(19,679.8)
16	(vi)	VGP Subscription Credit (PSCR reimbursement)	8,512.5	5,470.2	1,197.0	6,796.0	61,716.3	42,036.5	(19,679.8)
17	(vi)	MiGreenPower Subscription Revenue (Flex Customers NC)	718.7	542.5	564.9	714.3	7,522.2	30,052.3	(22,530.1)
18	(vi)	MiGreenPower Subscription Credit (Flex Customers NC)	(639.3)	(544.5)	(567.2)	(717.0)	(5,606.5)	(30,010.3)	24,403.7
19	(vi)	MiGreenPower Subscription Credit (PSCR reimbursement)	639.3	544.5	567.2	717.0	5,606.5	30,010.3	(24,403.7)
20	(vi)	Additional Revenue as Determined by the Commission	-	-	-	-	-	-	-
21	(vii)	Revenues Recovered in Rates for Renewable Energy Costs Included in (a)	-	-	-	-	-	-	-
22		Tax Cuts and Jobs Act of 2017 - Regulatory Liability Amortization	319.7	319.7	319.7	319.7	3,836.1	3,836.4	(0.3)
23		Subtotal of Subtractions	25,773.8	47,665.7	53,007.6	47,957.3	494,366.1	524,065.7	(29,699.6)
24		Subtotal - Prior to Interest on Regulatory Liabilities	15,555.9	(9,671.5)	(5,530.3)	(5,374.7)	(10,486.3)	(21,905.8)	11,419.5
25	(2)(a)(ii)	Interest on Regulatory Liabilities @ Short Term Interest Rate	18.6	15.5	42.8	67.2	337.1	426.5	(89.4)
26	(3)	Carrying Charges for Regulatory Assets @ Pre-tax Cost of Capital	-	-	-	-	-	-	-
27		Total Incremental Cost of Compliance	15,537.3	(9,687.0)	(5,573.1)	(5,441.9)	(10,823.4)	(22,332.3)	11,508.9

*See page 3 for Sources

Michigan Public Service Commission
DTE Electric Company
2022 Renewable Cost Reconciliation
Incremental Cost of Compliance For the Year 2022 vs. Plan

Case No.: U-21353
Exhibit: A-9
Witness: T. W. Lacey
Page: 3 of 3

Line No.	Sum of Costs:	Source:
2	Capital, O&M, ROE, Financing, Interconnect & Ancillary	Exh A-10, line 24 minus lines 15 & 16
3	RECs Consumed	Exh A-10, line 16
4	Costs of Contracts under Sec 33(1) - Estimated PPA Charges	Exh A-6 line 16
5	State & Federal Government Actions Related to Renewable Energy	none
6	Additional Costs Determined Necessary by the Commission	none
8	Subtractions from the Sum of Costs:	
9	Revenue from the Sale of Environmental Attributes - REC Sales	none
10	Tax Credits to Promote Renewable Energy - PTC	Exh A-1, line 9
11	Tax Benefit of Investment Tax Credit	Exh A-1, line 11
12	Cost Recovered under the PSCR (Transfer Rate)	Exh A-6 line 23
13	Revenue From Wholesale Renewable Energy Sales	none
14-16	VGP Subscription Revenue and Credit	WP-14, lines 80-81
17-19	MiGreenPower Subscription Revenue and Credit	WP-14, lines 75-77
20	Additional Revenue as Determined by the Commission	none
21	Revenues Recovered in Rates for Renewable Energy Costs Included in (a)	none
22	Tax Cuts and Jobs Act of 2017 Regulatory Liability Amortization	WP-12
24	Subtotal - Prior to Interest on Regulatory Liabilities	Sum lines 2 thru 6 minus Sum lines 9 thru 22
25	Interest on Regulatory Liabilities @ Short Term Interest Rate	Exh A-11, lines 7 and 14
26	Carrying Charges for Regulatory Assets @ Pre-tax Cost of Capital	none
27	Total 2022 Incremental Cost of Compliance	line 24 minus line 25 plus line 26

Michigan Public Service Commission
DTE Electric Company
2022 Renewable Cost Reconciliation
Revenue Requirement For the Year 2022 vs. Plan
(\$ 000)

Case No.: U-21353
Exhibit: A-10
Witness: T. W. Lacey
Page: 2 of 2

Line No.	Description	Exhibit	(a)	(b)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	U-21285	
												2022 Actual	Plan
			Sep	Oct	Nov	Dec	Total	2022					
1	Revenue Requirement Development												
2	Average Rate Base												
3	Plant In-Service	Exh A-2, Ins 12, 14	2,458,343.6	2,459,408.9	2,459,962.3	2,457,823.0	2,456,432.8	2,641,942.8	(185,510.0)				
4	Construction Work in Progress	Exh A-2, Ins 8, 11	427,386.2	434,929.4	467,624.8	494,479.5	405,263.1	274,971.8	130,291.3				
5	Accumulated Depreciation Reserve	Exh A-2, Ins 19, 22	(449,099.8)	(455,875.6)	(461,644.4)	(466,062.6)	(428,633.0)	(450,644.3)	22,011.3				
6	Net Plant	Sum lines 3 thru 5	2,436,630.0	2,438,462.6	2,465,942.8	2,486,239.9	2,433,062.9	2,466,270.4	(33,207.4)				
7	RECs Inventory	Exh A-2, Ins 15, 18	1,505.6	1,481.1	1,471.0	1,427.0	1,651.6	1,804.2	(152.6)				
8	ITC A/R	Exh A-2, Ins 26, 28	3,493.1	2,892.3	2,892.3	3,112.6	4,298.7	(36.0)	4,334.7				
9	Accumulated Deferred Income Taxes	Exh A-2, Ins 23, 25	(130,285.6)	(95,810.4)	(80,669.3)	(66,120.9)	(117,994.5)	(116,414.5)	(1,580.1)				
10	Net Rate Base	Sum lines 6 thru 9	2,311,343.1	2,347,025.7	2,389,636.8	2,424,658.6							
11	Average Rate Base		2,303,214.3	2,329,184.4	2,368,331.2	2,407,147.7	2,317,402.4	2,351,624.1	(34,221.7)				
12	Pre-Tax Rate of Return	Exh A-12, ln 10	0.75%	0.75%	0.75%	0.75%	8.95%	9.15%					
13	Revenue Requirements												
14	Pre-Tax Return on Net Rate Base	line 11 X line 12	17,182.3	17,380.0	17,653.9	17,950.6	207,320.0	215,092.9	(7,772.9)				
15	PPA Purchased Power	Exh A-6 ln 16	6,433.1	10,830.8	11,881.6	10,197.8	108,366.2	102,940.6	5,425.6				
16	RECs Consumed	Exh A-7, Pg 2, ln 40	148.0	154.0	149.4	148.7	1,955.6	3,107.4	(1,151.8)				
17	Operation & Maintenance	Exh A-1 ln 1, ln 6, & ln 7	7,226.8	(635.3)	3,930.2	1,440.0	34,300.7	44,440.8	(10,140.1)				
18	Royalty Payments	Exh A-1 ln 2	1,181.2	1,100.0	1,368.2	1,584.3	16,356.1	16,600.0	(243.9)				
19	Depreciation	Exh A-1 ln 3	7,673.0	7,678.6	7,712.6	7,687.7	92,382.5	100,593.1	(8,210.6)				
20	Property Taxes	Exh A-1 ln 4	1,354.5	1,354.5	4,647.3	3,436.4	21,633.9	17,649.8	3,984.1				
21	Insurance	Exh A-1 ln 5	130.8	131.6	134.1	137.1	1,566.3	1,735.4	(169.1)				
22	Interest Received from ITC	Exh A-1 ln 10	-	-	-	-	(1.4)	-	(1.4)				
23	Other	none	-	-	-	-	-	-	-				
24	Gross Revenue Requirements	(Lines 14 thru 23)	41,329.7	37,994.2	47,477.3	42,582.6	483,879.8	502,159.9	(18,280.1)				

Michigan Public Service Commission
DTE Electric Company
2022 Renewable Cost Reconciliation
Interest On Regulatory Asset/Liability for the Year 2022
(\$000)

Case No.: U-21353
Exhibit: A-11
Witness: T. W. Lacey
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	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
2022 Actual											
Line No.	Description	Source	Dec 2021 (U-21010)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
1	Surcharge Revenue	Exh A-3, col (j)		-	-	-	-	-	-	-	-
2	Incremental Cost of Compliance	Exh A-9, p 1 of 3, ln 24		(4,935.3)	(3,881.5)	(5,787.1)	(4,622.4)	(7,550.1)	3,162.9	7,835.0	10,312.6
3	Regulatory Liability	line 1 - line 2		4,935.3	3,881.5	5,787.1	4,622.4	7,550.1	(3,162.9)	(7,835.0)	(10,312.6)
4	Regulatory Liability Ending Balance	Prior Mth End + Cur. Mth Change	10,492.4	15,427.7	19,309.1	25,096.2	29,718.6	37,268.7	34,105.8	26,270.7	15,958.1
5	Average Regulatory Liability	[Prior Mth End + Cur. Mth End]/2		12,960.0	17,368.4	22,202.7	27,407.4	33,493.7	35,687.2	30,188.3	21,114.4
6	Short Term Interest	Treasury		0.15%	0.17%	0.55%	0.58%	0.98%	1.38%	2.09%	2.53%
7	Interest on Reg Liability	line 5 x short term interest / 12		1.64	2.48	10.14	13.14	27.28	41.16	52.54	44.57

	(a)	(b)	(l)	(m)	(n)	(o)	(p)	(q)	(r)	
2022 Actual									U-21285	
2022 Actual									Plan	Variance

Line No.	Description	Source	Sep	Oct	Nov	Dec	Total	2022
8	Surcharge Revenue	Exh A-3, col (j)	-	-	-	-	-	-
9	Incremental Cost of Compliance	Exh A-9, p 2 of 3, ln 24	15,555.9	(9,671.5)	(5,530.3)	(5,374.7)	(10,486.3)	(22,332.3)
10	Regulatory Liability	line 8 - line 9	(15,555.9)	9,671.5	5,530.3	5,374.7	10,486.3	22,332.3
11	Regulatory Liability Ending Balance	Prior Mth End + Cur. Mth Change	402.2	10,073.8	15,604.0	20,978.7	20,978.7	32,491.1
12	Average Regulatory Liability	[Prior Mth End + Cur. Mth End]/2	8,180.2	5,238.0	12,838.9	18,291.4	20,851.1	21,325.0
13	Short Term Interest	Treasury	2.73%	3.54%	4.00%	4.41%		2.00%
14	Interest on Reg Liability	line 12 x short term interest / 12	18.63	15.47	42.83	67.21	337.1	426.5

Michigan Public Service Commission
DTE Electric Company
2022 Renewable Cost Reconciliation
Pre-tax Rate of Return
Based on ROE and Debt to Equity ratios
Authorized in Case No. U-15244
Actual 2022 Debt Cost by Month

Case No.: U-21353
Exhibit: A-12
Witness: T. W. Lacey
Page: 1 of 1

(a) (b) (c) (d) (e) (f) (g) (h) (i) (j) (k) (l) (m)

2022

Line No.	Description	2022												U-21285 2022 Plan (1)
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
1	Debt Ratio	51.22%	51.22%	51.22%	51.22%	51.22%	51.22%	51.22%	51.22%	51.22%	51.22%	51.22%	51.22%	51.22%
2	Debt Cost	3.80%	3.77%	3.79%	3.79%	3.79%	3.79%	3.79%	3.79%	3.79%	3.79%	3.77%	3.77%	4.22%
3	Revenue Conversion	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	100.00%
4	Debt Component	1.95%	1.93%	1.94%	1.94%	1.94%	1.94%	1.94%	1.94%	1.94%	1.94%	1.93%	1.93%	2.16%
5	Equity Ratio	48.78%	48.78%	48.78%	48.78%	48.78%	48.78%	48.78%	48.78%	48.78%	48.78%	48.78%	48.78%	48.78%
6	Equity Cost (2)	10.63%	10.63%	10.63%	10.64%	10.64%	10.64%	10.64%	10.64%	10.65%	10.65%	10.65%	10.66%	10.61%
7	Revenue Conversion	1.34964	1.34964	1.34964	1.34964	1.34964	1.34964	1.34964	1.34964	1.34964	1.34964	1.34964	1.34964	134.96%
8	Equity Component	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.01%	7.01%	7.01%	7.01%	7.02%	6.99%
9	Pre-Tax Cost of Capital	8.95%	8.93%	8.94%	8.94%	8.95%	8.95%	8.95%	8.95%	8.95%	8.95%	8.94%	8.95%	9.15%
10	Pre-Tax Cost of Capital/12	0.75%	0.74%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.76%

(1) Case Number U-21285, Lacey Att. 4

(2) Per Exhibit A-4

Michigan Public Service Commission
DTE Electric Company
2022 Renewable Cost Reconciliation
Revenue Conversion Factors & Effective Tax Rate

Case No.: U-21353
 Exhibit: A-13
 Witness: T. W. Lacey
 Page: 1 of 1

Line No.	Revenue Conversion Factor	(a)	(b)
		Debt Conversion Percent	Equity Conversion Percent
1	Base	100.00%	100.00%
2	MI Income Tax (1)		5.88%
3	Municipal Tax Base (L1 - L2)	100.00%	94.12%
4	Municipal Tax Rate (1)		0.33%
5	FIT Base (L3 - L4)	100.00%	93.79%
6	FIT Rate (1)		21.00%
7	FIT Tax (L5 x L6)	0.00%	19.70%
8	Income (L6 - L8)	100.00%	74.09%
9	Revenue Multiplier (L1 / L8)	1.0000	1.3496
10	Cumulative Effective Tax Rate (1 - line 8, col b)		25.90%

(1) Provided by DTE Tax Department

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
DTE Electric Company to commence)
a renewable energy cost reconciliation)
proceeding for the 12-month period ended)
December 31, 2022)

Case No. U-21353

QUALIFICATIONS
AND
DIRECT TESTIMONY
OF
KARL LIEVENSE

DTE ELECTRIC COMPANY
QUALIFICATIONS OF KARL LIEVENSE

Line
No.

1 **Q1. What is your name, business address and by whom are you employed?**

2 A1. My name is Karl Lievense. My business address is 8001 Haggerty Road, Suite 109,
3 Belleville, MI 48111. I am employed by DTE Electric Company (DTE Electric or
4 Company).

5

6 **Q2. On whose behalf are you testifying?**

7 A2. I am testifying on behalf of DTE Electric.

8

9 **Q3. What is your current position with the Company?**

10 A3. I am currently a Strategist on the Market Strategy & Settlements team within the
11 Generation Optimization department.

12

13 **Q4. What is your educational background?**

14 A4. I received a Bachelor of Business Administration from the University of Michigan,
15 Stephen M. Ross School of Business, in 2011. I also received dual minors in
16 Economics and Program in the Environment from the University of Michigan.

17

18 **Q5. What is your work experience?**

19 A5. Upon receiving my bachelor's degree from the University of Michigan in 2011, I
20 was employed by Citibank. In 2014, I began my employment with DTE Electric
21 within the Generation Optimization department. I have held a myriad of roles with
22 increasing scope and responsibility within the department, including management of
23 Generation Optimization's Generation Management System alarms and calculations,
24 oversight of efforts to tighten controls on the Company's load calculation
25 comparison with ITC, and acting as the business lead to develop an internal Energy

Line
No.

1 Accounting Database. In my current position as a Strategist for the Market Strategy
2 & Settlements group, I oversee the Renewable Energy Credit (REC) Management
3 and Meter Data Management processes for DTE Electric.

4

5 **Q6. What are your duties and responsibilities in your current position?**

6 A6. My current responsibilities include measuring and validating DTE load, certifying
7 RECs, and managing REC inventory for compliance and voluntary programs. Each
8 month, I report the renewables energy bought, sold, and expensed for the previous
9 month.

10

11 **Q7. Have you previously sponsored testimony before the Michigan Public Service**
12 **Commission?**

13 A7. Yes, I sponsored testimony in the following MPSC cases:

14 Case No. U-21010 2020 REP Reconciliation

15 Case No. U-21198 2021 REP Reconciliation

DTE ELECTRIC COMPANY
DIRECT TESTIMONY OF KARL LIEVENSE

Line
No.

1 **Q8. What is the purpose of your testimony?**

2 A8. The purpose of my testimony is to:

- 3 • Present the renewable capacity and energy booked expense for DTE Electric
- 4 for 2022, which has been transferred for recovery through DTE Electric's
- 5 Power Supply Cost Recovery (PSCR) mechanism;
- 6 • Present the Renewable Energy Credits (RECs) and associated booked expense
- 7 for 2022;
- 8 • Present the Renewable Energy Credits used to achieve compliance for 2022
- 9 with Act 295 of 2008, as amended by Act 342 of 2016 (MCL 460.1001 et seq.
- 10 as amended); and
- 11 • Present the Renewables Energy Credits used to serve customer subscriptions
- 12 for 2022 MIGreenPower (MIGP) sales.

13

14 **Q9. Which exhibits are you supporting?**

15 A9. I am supporting the following exhibits:

16 <u>Exhibit</u>	<u>Description</u>
17 A-6	Renewable Energy Generation and Expense for the Year 2022
18 A-7	RECs & Associated Cost for the Year 2022
19 A-8	Credits to Meet Compliance for the Year 2022

20

21 **Q10. Were these exhibits prepared by you or under your direction?**

22 A10. Yes, they were.

23

24 **Q11. What is the purpose of Exhibit A-6?**

Line
No.

1 A11. The purpose of Exhibit A-6 is to show the renewable energy generation approved
2 under the Renewable Energy Plan and the associated expense for 2022. These
3 expenses were transferred for recovery through DTE Electric's PSCR mechanism.
4

5 **Q12. What are the sources of renewable energy shown on Exhibit A-6?**

6 A12. The sources of renewable energy shown on Exhibit A-6 are Company-owned wind
7 Renewable Energy Systems, Company-owned solar Renewable Energy Systems,
8 and energy from Renewable Energy Contracts (also known as Purchase Power
9 Agreements or PPA) the Company executed and refer to as "Total PPA."
10

11 **Q13. Can you describe the Company-owned Wind Energy Systems output on Exhibit**
12 **A-6, lines 1 and 10?**

13 A13. The Company generated 3.68 million MWh of wind renewable energy in 2022 at its
14 Gratiot, Minden, Sigel, McKinley, Echo, Brookfield, Pinnebog, Pine River, Polaris,
15 Fairbanks, Isabella, and Meridian Wind Parks (including generation attributed to
16 MIGreenPower). This total is less than the 3.69 million MWh projected in the
17 Company's Renewable Energy Plan in Case No. U-21285 (Amended Renewable
18 Energy Plan). This resulted in the transferring of \$263.08 million to the PSCR, which
19 was less than \$278.67 million projected in the Company's Amended Renewable
20 Energy Plan.
21

22 **Q14. Can you describe the Company-owned Solar Renewable Energy Systems on**
23 **Exhibit A-6, lines 3 and 12?**

24 A14. The Company generated 83.1 thousand MWh of solar renewable energy in 2022
25 (including generation attributed to MIGreenPower). This total is lower than the 86.6

Line
No.

1 thousand MWh projected in the Company's Amended Renewable Energy Plan. The
2 \$9.26 million transferred to the PSCR was less than the \$9.79 million planned.

3

4 **Q15. Can you describe the lines titled "Total PPA" on Exhibit A-6, lines 7 and 16?**

5 A15. The Company purchased 1.664 million MWh of renewable energy in 2022, which
6 was slightly lower than the 1.668 million MWh projected in the Company's
7 Amended Renewable Energy Plan. The \$108.37 million transferred to the PSCR,
8 was slightly lower than the \$109.59 million planned.

9

10 The Renewable Energy Contracts associated with the lines 7 and 16, "Total PPA,"
11 were approved by the Michigan Public Service Commission (MPSC) in the cases
12 indicated in the following table:

13

14	<u>Facility</u>	<u>Case #</u>	<u>MPSC Approval Date(s)</u>
15	Stoney Corners Wind Farm I, LLC	U-15806	4/30/09, 12/1/09
16	L'Anse Warden Electric Company, LLC	U-15806	8/10/10
17	WM Renewable Energy, LLC	U-15806	8/10/10
18	Blue Water Renewables, INC	U-15806	1/20/11
19	Gratiot County Wind, LLC	U-15806	9/14/10, 5/10/11
20	Tuscola Bay Wind, LLC	U-15806	8/25/11
21	Tuscola Bay Wind II, LLC	U-16582	10/31/12
22	Pheasant Run Wind, LLC	U-16582	5/17/13
23	Big Turtle Wind Farm, LLC	U-16582	9/10/2013
24	Assembly 3 Solar, LLC	U-18232	7/9/2020

25

Line
No.

1 **Q16. Can you describe the lines titled “Average Transfer Price to PSCR” and**
2 **“Subtotal Transfer Amount to PSCR” on Exhibit A-6, lines 18 and 20?**

3 A16. The weighted average transfer price for renewable energy for the Company was
4 \$70.09 per megawatt hour as shown in Exhibit A-6, line 18. The subtotal of
5 renewable energy expense the Company transferred to the PSCR for renewable
6 energy was \$380.71 million, as shown in line 20. This is before the
7 MIGreenPower/Voluntary Green Pricing (VGP) Transfer Revenue Reduction on line
8 22. This is the result of the total 5.43 million MWh (summation of lines 5 and 7 of
9 Exhibit A-6) acquired by the Company multiplied by the average \$70.09 per
10 megawatt hour transfer price.

11

12 **Q17. Can you describe the line titled “MIGreenPower/VGP Transfer Revenue**
13 **Reduction” on Exhibit A-6, line 22?**

14 A17. MIGreenPower/VGP Transfer Revenue Reduction is included to account for the
15 revenue derived from subscription fees to voluntary renewable energy programs. The
16 costs associated with assets in voluntary programs are paid by subscribers, not PSCR
17 customers, and the renewable energy credits are retired on behalf of subscribers. This
18 value is calculated by multiplying subscribed megawatt hours for each VGP project,
19 by the project’s respective transfer price or product rate. Line 23 of Exhibit A-6 is
20 the total transfer amount to PSCR net MIGP reduction.

21

22 **Q18. What assets are included in MIGreenPower?**

23 A18. In 2022, the DTE Electric-owned wind assets of Pinnebog, Isabella 1, Isabella 2, and
24 Fairbanks, were available to be allocated to MIGreenPower. The DTE Electric-

Line
No.

1 owned solar assets Demille, Turrill, O'Shea and PPA solar asset Assembly 3, were
2 available to be allocated to MIGreenPower.

3

4 **Q19. Were any RECs retired for MIGreenPower in 2022?**

5 A19. Yes, 1,065,957 RECs and 91,901 Incentive Renewable Energy Credits (IRECs) from
6 the REP program were used for MIGreenPower, a VGP Program, in 2022. The RECs
7 and IRECs were generated from the following assets: Pinnebog, Isabella, and
8 Fairbanks Wind and Demille, Turrill, O'Shea, and Assembly 3 Solar, as detailed
9 below;

10

	Pinnebog	Demille	Turrill	O'Shea	Isabella	Fairbanks	Assembly 3	Total
RECs	68,014	15,729	1,815	116	657,018	205,633	117,632	1,065,957
IRECs	0	33,680	3,880	249	30,811	0	23,281	91,901
Total	68,014	49,409	5,695	365	687,829	205,633	140,913	1,157,858

11

12 **Q20. What was the impact of the MIGreenPower Transfer Revenue Reduction in**
13 **2022 compared to the Amended Renewable Energy Plan?**

14 A20. Exhibit A-6, line 22 shows a \$52.02 million reduction to PSCR due to
15 MIGreenPower. This is \$12.27 million less than the \$64.28 million as filed in Case
16 No. U-21285 in the Company's Amended Renewable Energy Plan.

17

18 **Q21. What transfer price was used when booking the asset associated with**
19 **MIGreenPower?**

20 A21. The transfer price for Lapeer (Demille and Turrill) & O'Shea solar were booked as
21 \$78.49 per megawatt hour using the 2022 transfer price as approved from the 2014

Line
No.

1 Transfer Price Schedule. Pinnebog was booked as \$54.75 per megawatt hour using
2 the Levelized Cost of Energy (LCOE). Isabella was booked at \$50.61 per megawatt
3 hour using the LCOE. Fairbanks was booked at \$45.25 per megawatt hour using the
4 LCOE. Assembly was booked at \$39.95 using the product rate.

5

6 **Q22. What is the purpose of Exhibit A-7?**

7 A22. The purpose of Exhibit A-7 is to show the RECs that the Company acquired in 2022
8 by self-generating, purchasing through Renewable Energy Contracts, and purchasing
9 through REC-only agreements, along with the associated cost. Exhibit A-7 also
10 includes Energy Credits that, consistent with MPSC orders in past reconciliation
11 cases, are being substituted for RECs.

12

13 **Q23. What were the sources of the RECs shown on Exhibit A-7?**

14 A23. The RECs shown on Exhibit A-7, are derived from existing agreements with
15 PURPA/PA2 generators, solar generation from residential customers participating in
16 the customer-owned portion of the Company's approved SolarCurrents pilot
17 program, generation from Renewable Energy Contracts, unbundled REC-only
18 contracts, and Company owned wind and solar Renewable Energy Systems and their
19 associated IRECs per MCL 460.1039(2).

Line
No.

1 **Q24. How were the quantities of RECs and IRECs associated with existing**
2 **PURPA/PA2 agreements determined for 2022?**

3 A24. The quantity of RECs associated with the Company's existing PURPA/PA2
4 agreements was determined by multiplying the total power purchased through the
5 Company's PURPA/PA2 agreements by 4/5ths. Generally, the Company has
6 ownership of four out of every five RECs produced under its PURPA/PA2
7 agreements per MCL 460.1035 and obtained 194,413 RECs in 2022. Zero non-
8 jurisdictional RECs were allocated to wholesale customers in 2022 because all the
9 Company's pre-existing wholesale customer contracts terminated by the end of 2011.
10 The RECs obtained in 2022 under PURPA/PA 2 agreements was lower than the
11 251,000 planned in the Company's 2022 Amended Renewable Energy Plan due to
12 less than expected output from these generators that are not owned or controlled by
13 DTE Electric. 18,023 IRECs were obtained from this renewable generation, pursuant
14 to MCL 460.1039(2)(b) and associated with on-peak generation. The IRECs were
15 determined by multiplying the renewable energy purchased through the Company's
16 existing PURPA/PA2 agreements during on-peak hours by 1/5th. That number was
17 then multiplied by 4/5ths to determine the Company's share.

18

19 **Q25. What was the expense associated with the PURPA/PA2 RECs?**

20 A25. The 2008 PA 295, as amended by 2016 PA 342, expense associated with the
21 PURPA/PA2 RECs is zero (\$0) because the entire expense is already recovered
22 through the PSCR per MPSC PURPA/PA2 contract approvals that predate 2008 PA
23 295.

24

Line
No.

1 **Q26. What were the sources of REC-only purchases made in Exhibit A-7, lines 7 and**
2 **28?**

3 A26. The Company had no REC-Only transactions in 2022. This is 96,208 RECs different
4 from the plan. The plan included potential REC-swap agreements that did not
5 materialize in 2022. Furthermore, solar current RECs were grouped into this category
6 in the plan. This portion will be broken out in future amended REP filings.

7
8 **Q27. How were the numbers of RECs and IRECs associated with the Company's**
9 **SolarCurrents program determined for 2022?**

10 A27. The customer-owned portion of the Company's approved SolarCurrents program
11 was structured such that, in general, either half or 30% of the estimated REC
12 production of a residential customer's solar Renewable Energy System over twenty
13 years was purchased by the Company at the time of the solar Renewable Energy
14 System installation and either half or 70% of the actual REC production is purchased
15 as it is generated. The "up-front" RECs are determined based on an estimate of the
16 energy output of the solar Renewable Energy System over 20 years. The expected
17 energy generation is a function of the nameplate capacity, the capacity factor, and
18 the degradation factor. The following expression is used to estimate the energy
19 output for a solar system in a given year:

$$E_t = C_N \times K_{CF} \times (1 - K_D)^{t-1} \times K_H$$

22 Where:

23 E_t = energy output in year t, in kWh

24 C_N = nameplate capacity, in kW

25 K_{CF} = capacity factor, (13% for Southeast Michigan)¹

¹ National Renewable Energy Laboratory's PVWatts Version 1, Performance Calculator for Grid Connected PV systems, <http://rredc.nrel.gov/solar/calculators/PVWATTS/version1/US/Michigan/Detroit.html> accessed 06/26/2020.

² National Renewable Energy Laboratory data

Line
No.

1

 $K_D = \text{degradation factor (approximately 0.5\% per year)}^2$

2

 $K_H = \text{number of hours per year (8,760)}$

3

The up-front REC volume for Phase I of the *SolarCurrents* program consists of half

4

of the estimated 20-year energy output of a customer's solar Renewable Energy

5

System plus associated IRECs. The up-front REC volume for Phase II of the

6

SolarCurrents program consists of 30% of the estimated 20-year energy output of a

7

customer's solar Renewable Energy System plus associated IRECs. The up-front

8

IRECs consist of two IRECs for each up-front REC per MCL 460.1039(2)(a)

9

associated with solar power, 1/5th IREC for each upfront REC generated during on-

10

peak hours per MCL 460.1039(2)(b), and 1/10th IREC for each upfront REC per

11

MCL 460.1039(2)(e) associated with installation by a Michigan workforce. All up-

12

front costs have been dispersed that are required by the program. The Company does

13

not expect to see any additional upfront costs in the future. The Company obtained

14

1,564 RECs from residential solar Renewable Energy Systems in the *SolarCurrents*

15

program, as represented on Line 11. The Company also obtained 3,345 IRECs from

16

the residential solar Renewable Energy Systems in the *SolarCurrents* program, which

17

are included with other IRECs in Exhibit A-7, line 15, "Michigan Incentive RECs".

18

19

The 1,564 REC variance, as filed in Case No. U-21285 in the Company's Amended

20

Renewable Energy Plan, is due to the Solar Currents cost incorrectly being omitted.

21

22

Q28. What is the basis for the booked DTE Electric Amended Renewable Energy

23

Plan expense associated with the RECs from the Company's SolarCurrents

24

program in 2022?

Line
No.

1 A28. The booked DTE Electric Amended Renewable Energy Plan expense for Phase I of
2 the SolarCurrents RECs was based on upfront customer payments of \$2,400/kW of
3 installed nameplate capacity and ongoing payments of \$0.11/kWh of actual
4 generation. The booked expense for Phase II of the SolarCurrents RECs for
5 residential customers was based on up-front customer payments of \$200/kW of
6 installed nameplate capacity and ongoing payments of \$0.03/kWh of actual
7 generation. For non-residential customers, the booked expense for Phase II of the
8 SolarCurrents RECS was based on up-front customer payments of \$130/kW of
9 installed nameplate capacity and ongoing payments of \$0.02/kWh of actual
10 generation. The total expense for RECs from the Company's Phase I and Phase II
11 SolarCurrents program in 2022 was \$616,500 and is included on Exhibit A-7, line
12 32, "Purchase of RECs."

13

14 The \$616,500 variance, as filed in Case No. U-21285 in the Company's Amended
15 Renewable Energy Plan, is due to the SolarCurrents cost being incorrectly omitted.

16

17 **Q29. Has there been any change in the energy credit accounting balance since last**
18 **reconciliation?**

19 A29. No.

20

21 **Q30. What is the basis for the 2022 booked DTE Electric Amended Renewable**
22 **Energy Plan expense associated with the RECs from Renewable Energy**
23 **Contracts approved by the Commission pursuant to 2008 PA 295, as amended**
24 **by 2016 PA 342 and shown in Exhibit A-7, line 30?**

Line
No.

1 A30. The 2022 booked DTE Electric Amended Renewable Energy Plan expense
2 associated with the Renewable Energy Contract RECs was determined by
3 multiplying purchased power volume by the difference of the product rate (for
4 energy, capacity, and RECs) and the approved Transfer Price for the specific PPA.
5 In 2022, this booked expense was \$797 thousand for 1,518,158 RECs from Stoney
6 Corners Wind Farm I, L'Anse Warden biomass facility, Blue Water Renewables land
7 fill gas facility, Gratiot County Wind LLC, Tuscola Bay Wind LLC, Tuscola Wind
8 II LLC, Pheasant Run Wind LLC, Big Turtle Wind Farm LLC, and Assembly 3
9 Solar, LLC. The expense of \$797 thousand is more than the planned \$709 thousand
10 in the Company's Amended Renewable Energy Plan.

11

12 **Q31. How was the number of Michigan IRECs associated with the Company's**
13 **Ludington pumped storage facility determined for 2022?**

14 A31. The Company obtained IRECs in 2022 in accordance with MCL 460.1039(2)(c).
15 The amount of renewable energy that was stored in the off-peak hours using the
16 Ludington pumped storage facility was determined by taking the lesser of the total
17 renewable energy generated during each off-peak hour or the amount of energy used
18 for pumping during the same hour. The IREC rate of 1/5th IREC per REC is applied
19 to the lesser of the stored energy calculated for the month and the amount of pumping
20 that is assumed to be used for on-peak generation. The Company obtained 212,349
21 IRECs in 2022 from the Ludington pumped storage facility. This amount is included
22 with other IRECs on Exhibit A-7, line 15, "Michigan Incentive RECs."

23

Line
No.

1 **Q32. What was the booked DTE Electric Amended Renewable Energy Plan expense**
2 **for the IRECs associated with the Company's Ludington pumped storage**
3 **facility in 2022?**

4 A32. There was no expense booked for the IRECs from the Company's Ludington pumped
5 storage facility in 2022. All IRECs are treated as zero cost (\$0) in inventory, as the
6 REC costs, if any, are associated with the originating RECs.

7

8 **Q33. What is meant by Transferred EWR Energy Credits in Exhibit A-7, line 3?**

9 A33. Exhibit A-7, line 3 reflects the quantity of 258,168. These Energy Credits were
10 transferred and consumed from the approved 2021 Energy Waste Reduction
11 Reconciliation Case 2021 U-21206 to meet 2022 RPS Compliance. The transfer can
12 be found in the MIRECs tracking system under DTE's 2022 Compliance Account.

13

14 **Q34. In Exhibit A-7, can you please explain the difference between the projected**
15 **average REC price (column (p) line 44) compared to the actual average REC**
16 **price (column (o) line 44)?**

17 A34. Yes, the actual average cost per REC in inventory at the end of 2022 was \$0.36 while
18 the projected was \$0.12. The \$0.25 variance resulted from expensing only \$1.96
19 million (column (p) line 40) in 2022, versus \$3.23 million (column (o) line 40) in the
20 plan. The plan incorrectly projected the expense from 2021. In 2021, there was a true
21 up that made the total expense much higher than average. This should not have been
22 included in the calculation to estimate the 2022 expense, in the plan.

23

24 **Q35. Can you describe the Credit Substitution Percent on Exhibit A-8, line 12?**

Line
No.

1 A35. Yes, the Credit Substitution Percent on line 12 is shown to validate that the credits
2 being used for compliance do not exceed credit limits established in MCL
3 460.1028(1)(a) and former MCL 460.1027(7) which states:

4
5 “Under subsection (6), energy optimization credits, advanced cleaner
6 energy credits, or a combination thereof shall not be used by a provider
7 to meet more than 10% of the renewable energy credit standards.
8 Advanced cleaner energy from advanced cleaner energy systems in
9 existence on January 1, 2008 shall not be used by a provider to meet
10 more than 70% of this 10% limit. This 10% limit does not apply to
11 advanced cleaner energy credits from plasma arc gasification.”

12 To ensure that the Credit Substitution Percent is not exceeded, I calculate the
13 percentage of the energy optimization credits used for compliance by taking line 10
14 of Exhibit A-8, and dividing by Exhibit A-8, line 24 to get 4.2%.

15

16 **Q36. Can you describe the Annual Requirement on Exhibit A-8, line 24 and Total**
17 **Credits for Compliance on Exhibit A-8, line 30?**

18 A36. The Annual Requirement Less Non-Jurisdictional REC Transfers to Wholesale
19 Customers on Exhibit A-8, line 28 represents the total credits necessary to meet the
20 Company’s 2008 PA 295, as amended by 2016 PA 342, 2022 compliance
21 requirement. The requirement of 6,166,087 RECs for 2022 is calculated by first
22 taking 15% of the 2021 weather-normalized retail sales which is 41,107,247 MWh.
23 See Exhibit A-8, line 14. The result in Exhibit A-8, line 16, represents the number
24 of renewable energy credits the Company would need to reach a 15% renewable
25 energy portfolio in that year. Exhibit A-8, line 16 is reduced by the number of
26 renewable energy credits, which is zero, obtained by the Company through PURPA
27 generators in the one-year period preceding the effective date of 2008 PA 295, as
28 amended by 2016 PA 342, as shown in Exhibit A-8, line 20. This result is then
29 multiplied by 100% for year 2022 in Exhibit A-8, line 18 representing the additional

Line
No.

1 renewable energy credits the Company would need to reach a 15% renewable energy
2 portfolio in that year. This number of credits is shown as Section 27 Incremental
3 Compliance in Exhibit A-8, line 22. The annual requirement, on Exhibit A-8, line
4 24 is the summation of Exhibit A-8, lines 20 and 22. This annual requirement is
5 reduced by zero, which is the non-jurisdictional REC transfers to wholesale
6 customers on Exhibit A-8, line 26. The result, 6,166,087 represented on Exhibit A-
7 8, line 28, is the annual requirement less non-jurisdictional REC transfers to
8 wholesale customers.

9

10 The Company has met its 2008 PA 295, as amended by 2016 PA 342 2022
11 compliance requirement for compliance year 2022. The Total Credits for
12 Compliance (6,166,087) on Exhibit A-8, line 30 reflects the total number of credits
13 being used to meet the Company's 2008 PA 295, as amended by 2016 PA 342 2022
14 compliance requirement. It represents the summation of the Total MIRECS Credits
15 on Exhibit A-8, line 6, and the ECs Consumed on Exhibit A-8, line 10.

16

17 **Q37. Did the Company make any wholesale renewable 2008 PA 295 energy REC sales**
18 **in 2022?**

19 A37. No. As planned, the Company did not make any wholesale renewable 2008 PA 295
20 sales, as amended by 2016 PA 342 2022 renewable energy REC sales in 2022.

21

22 **Q38. Was there any variance between the sum of RECs and Energy Credits**
23 **Consumed (Exhibit A-7, line 19) and the Total Credits for Compliance (Exhibit**
24 **A-8, line 30)?**

25 A38. No.

Line
No.

1

2 **Q39. Were any of the RECs shown on Exhibit A-7 used by the Company in a**
3 **Commission approved voluntary renewable energy program?**

4 A39. No. None of the RECs shown on Exhibit A-7 were used in a voluntary renewable
5 energy program outside of Section 61 programs.

6

7 **Q40. Does this complete your direct testimony?**

8 A40. Yes, it does.

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
DTE Electric Company to commence)
a renewable energy cost reconciliation)
proceeding for the 12-month period ended)
December 31, 2022)

Case No. U-21353

EXHIBITS
OF
KARL LIEVENSE

Michigan Public Service Commission
DTE Electric Company
2022 Renewable Cost Reconciliation
Renewable Energy Generation and Expense For the Year 2022

Case No.: U-21353
Exhibit: A-6
Witness: K. Lievens
Page: 1 of 1

Line No.	(a)	(b)	2022												(o) 2022 Total	(p) U-21285 Plan (2022 Amended)	(q) Variance
			(c) Jan	(d) Feb	(e) Mar	(f) Apr	(g) May	(h) Jun	(i) Jul	(j) Aug	(k) Sep	(l) Oct	(m) Nov	(n) Dec			
1	Wind Build	1,000 MWh	316.7	336.5	342.5	320.1	294.3	259.1	230.6	189.3	209.9	363.0	425.2	397.6	3,684.9	3,690.5	(5.5)
2																	
3	Solar Build	1,000 MWh	2.6	3.6	6.9	7.6	9.4	10.8	10.8	9.5	7.8	7.3	4.8	1.9	83.1	86.6	(3.5)
4																	
5	Total DTE Electric-owned	1,000 MWh	319.3	340.1	349.4	327.6	303.8	269.9	241.4	198.9	217.7	370.3	430.1	399.5	3,768.0	3,777.0	(9.0)
6																	
7	Total PPA (Wind, Biomass, LFG, Solar)	1,000 MWh	140.9	159.4	149.1	155.4	142.3	119.6	105.2	95.4	99.0	164.4	178.4	154.7	1,663.9	1,667.8	(3.8)
8																	
9																	
10	Wind Build	\$000s	24,448.2	26,146.9	25,861.0	23,786.1	20,963.4	17,531.3	15,562.9	12,669.2	14,510.0	25,016.2	29,278.2	27,304.2	263,077.6	278,667.8	(15,590.1)
11																	
12	Solar Build	\$000s	309.7	405.5	799.7	866.5	1,034.6	1,199.3	1,185.6	1,043.8	862.0	809.8	530.8	216.0	9,263.4	9,791.7	(528.4)
13																	
14	Total DTE Electric-owned	\$000s	24,757.9	26,552.5	26,660.7	24,652.6	21,998.0	18,730.6	16,748.5	13,713.0	15,372.0	25,826.0	29,808.9	27,520.2	272,341	288,459.5	(16,118.5)
15																	
16	Total PPA (Wind, Biomass, LFG, Solar)	\$000s	8,958.1	10,339.5	9,514.7	10,340.9	9,359.4	7,676.0	6,622.5	6,211.6	6,433.1	10,830.8	11,881.6	10,197.8	108,366.2	109,591.2	(1,225.0)
17																	
18	Average Transfer Price to PSCR	\$/MWh	73.26	73.85	72.56	72.45	70.30	67.80	67.43	67.70	68.84	68.55	68.52	68.05	70.09	73.11	(3.02)
19																	
20	Subtotal Transfer Amount to PSCR	\$000s	33,716.0	36,892.0	36,175.4	34,993.5	31,357.4	26,406.6	23,371.1	19,924.7	21,805.2	36,656.9	41,690.6	37,717.9	380,707.2	398,050.7	(17,343.5)
21																	
22	MIGreenPower/VGP Transfer Revenue Reduction	\$000s	(4,736.2)	(4,610.7)	(4,391.8)	(4,706.9)	(1,144.6)	(4,493.2)	(5,133.6)	(4,896.3)	(5,232.1)	(3,875.9)	(3,176.1)	(5,620.5)	(52,017.9)	(64,283.5)	12,265.6
23	Total Transfer Amount to PSCR	\$000s	28,979.8	32,281.2	31,783.6	30,286.6	30,212.8	21,913.4	18,237.5	15,028.4	16,573.1	32,781.0	38,514.4	32,097.4	328,689.3	333,767.2	(5,077.9)

Michigan Public Service Commission
DTE Electric Company
2022 Renewable Cost Reconciliation
RECs & Associated Cost For the Year 2022

Case No.: U-21353
Exhibit: A-7
Witness: K. Lievense
Page: 1 of 2

Line No.	(a)	(b)	2022												(o)	(p)	(q)
			(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)			
			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2022	U-21285 Plan (2022 Amended)	Variance
1	Beginning Balance of RECs	RECs	4,838,885	4,742,049	4,664,267	4,592,535	4,491,289	4,373,870	4,205,881	4,009,966	3,760,397	3,553,831	3,518,044	3,596,515	4,838,885	4,952,327	(113,442)
2																	
3	Transferred EWR Energy Credits	ECs/RECs	-	-	-	-	-	-	-	-	-	-	-	258,168	258,168	228,683	29,485
4																	
5	PURPA RECs	RECs	18,519	18,140	20,819	17,171	18,186	15,669	13,131	13,002	15,022	17,090	16,586	11,078	194,413	251,000	(56,587)
6																	
7	Purchase (Sale) of RECs (REC-only Conti	RECs	-	-	-	-	-	-	-	-	-	-	-	-	-	96,208	(96,208)
8																	
9	Purchase of RECs (PPA Contracts)	RECs	138,554	149,235	147,860	139,338	124,401	98,296	88,850	73,946	87,610	150,627	166,902	152,539	1,518,158	1,505,467	12,691
10																	
11	Purchase of RECs (SolarCurrents)	RECs	49	63	113	119	171	207	186	189	159	142	103	63	1,564	-	1,564
12																	
13	Generation of RECs	RECs	230,335	239,281	237,265	220,019	213,749	185,188	170,792	138,138	161,021	273,485	362,976	387,297	2,819,546	2,631,001	188,545
14																	
15	Michigan Incentive RECs	RECs	29,548	29,340	36,052	35,948	39,915	46,492	44,967	38,997	43,463	36,710	45,745	36,656	463,833	491,863	(28,030)
16																	
17	Total Available RECs	RECs	5,255,890	5,178,108	5,106,376	5,005,130	4,887,711	4,719,722	4,523,807	4,274,238	4,067,672	4,031,885	4,110,356	4,442,316	10,094,567	10,156,549	(61,982)
18																	
19	RECs Consumed	RECs	(513,841)	(513,841)	(513,841)	(513,841)	(513,841)	(513,841)	(513,841)	(513,841)	(513,841)	(513,841)	(513,841)	(513,836)	(6,166,087)	(6,166,087)	-
20																	
21	Expired RECs	RECs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22																	
23	Ending REC Balance	RECs	4,742,049	4,664,267	4,592,535	4,491,289	4,373,870	4,205,881	4,009,966	3,760,397	3,553,831	3,518,044	3,596,515	3,928,480	3,928,480	3,990,462	(61,982)

Michigan Public Service Commission
DTE Electric Company
2022 Renewable Cost Reconciliation
RECs & Associated Cost For the Year 2021

Case No.: U-21353
Exhibit: A-7
Witness: K. Lievense
Page: 2 of 2

(a) Line No.	(b)	(c) 2022												(o) 2022 Total	(p) U-21285 Plan (2022 Amended)	(q) Variance	
		(d) Jan	(e) Feb	(f) Mar	(g) Apr	(h) May	(i) Jun	(j) Jul	(k) Aug	(l) Sep	(m) Oct	(n) Nov	(o) Dec				
24	Beginning Balance of RECs	\$000s	1,969.1	1,894.6	1,805.5	1,766.4	1,719.2	1,682.8	1,635.7	1,574.2	1,539.5	1,505.6	1,481.1	1,471.0	1,969.1	3,003	(1,034.3)
25																	
26	PURPA RECs (less non-jurisdictional)	\$000s	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27																	
28	Purchase of RECs (REC-only Contracts)	\$000s	0	0	0	0	0	0	0	0	0	0	0	0	0	-	-
29																	
30	Purchase of RECs (PPA Contracts)	\$000s	64.8	74.6	83.0	84.0	66.1	51.7	36.7	37.4	50.0	78.9	97.1	72.7	797.0	709	88.0
31																	
32	Purchase of RECs (SolarCurrents)	\$000s	18.6	24.6	52.9	44.5	65.5	71.2	76.2	74.2	64.1	50.6	42.2	32.0	616.5	-	616.5
33																	
34	Generation of RECs	\$000s	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
35																	
36	Michigan Incentive RECs	\$000s	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
37																	
38	Total Available RECs	\$000s	2,052.5	1,993.8	1,941.4	1,894.9	1,850.8	1,805.7	1,748.5	1,685.8	1,653.6	1,635.1	1,620.4	1,575.6	3,382.6	3,712	(329.9)
39																	
40	RECs Consumed	\$000s	(157.9)	(188.3)	(175.0)	(175.7)	(168.0)	(169.9)	(174.3)	(146.3)	(148.0)	(154.0)	(149.4)	(148.7)	(1,955.6)	(3,227)	1,271.5
41																	
42	Ending REC Balance	\$000s	1,894.6	1,805.5	1,766.4	1,719.2	1,682.8	1,635.7	1,574.2	1,539.5	1,505.6	1,481.1	1,471.0	1,427.0	1,427.0	485	941.6
43																	
44	Total Average Cost of Available RECs	\$/REC	0.40	0.39	0.38	0.38	0.38	0.39	0.39	0.41	0.42	0.42	0.41	0.36	0.36	0.12	0.25

Michigan Public Service Commission
DTE Electric Company
2022 Renewable Cost Reconciliation
Credits to Meet Compliance for the Year 2022

Case No.: U-21353
Exhibit: A-8
Witness: K. Lievens
Page: 1 of 1

Line No.	(a)	(b)	(c)
			2022
1	MIRECS Credits for Compliance		
2	DTE Owned RECs	Credits	3,543,776
3	Removed*		
4	Third Party Purchased RECs	Credits	2,364,143
5			
6	Total MIRECS Credits	Credits	5,907,919
7			
8	Removed*		
9			
10	Energy Credits (EC's) Consumed	Credits	258,168
11			
12	Credit Substitution Percent	%	4.2%
13			
14	Weather-Normalized Retail Sales for 2021	MWh	41,107,247
15			
16	15 % Renewable Energy Portfolio for Year	Credits	6,166,087
17			
18	Annual Requirement Percent	%	100%
19			
20	Baseline RECs	Credits	0
21			
22	Section 27 Incremental Compliance	Credits	6,166,087
23			
24	Annual Requirement	Credits	6,166,087
25			
26	Non-Jurisdictional REC Transfers to Wholesale Customers	Credits	0
27			
28	Annual Requirement Less Non-Jurisdictional REC Transfers to Wholesale Customers	Credits	6,166,087
29			
30	Total Credits for Compliance	Credits	6,166,087

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
DTE Electric Company to commence)
a renewable energy cost reconciliation)
proceeding for the 12-month period ended)
December 31, 2022)

Case No. U-21353

QUALIFICATIONS
AND
DIRECT TESTIMONY
OF
SHERRI L. WISNIEWSKI

DTE ELECTRIC COMPANY
QUALIFICATIONS OF SHERRI L. WISNIEWSKI

Line
No.

1 **Q1. What is your name, business address and by whom are you employed?**

2 A1. My name is Sherri L. Wisniewski (she/her/hers). My business address is One Energy
3 Plaza, Detroit, Michigan 48226. I am employed by DTE Energy Corporate Services,
4 LLC, a subsidiary of DTE Energy Company (DTE Energy).

5

6 **Q2. On whose behalf are you testifying?**

7 A2. I am testifying on behalf of DTE Electric Company (DTE Electric or Company).

8

9 **Q3. What is your educational background?**

10 A3. I earned a Bachelor of Business Administration from Western Michigan University
11 in 1993 and a Master of Business Administration from The University of Michigan
12 in 1998.

13

14 **Q4. What work experience do you have?**

15 A4. I have been with DTE Energy in the Tax Department since 1996. I became Director
16 of Tax Operations in July 2016 and am currently responsible for tax accounting, tax
17 forecasting, and regulatory tax.

18

19 **Q5. Have you previously sponsored testimony before the Michigan Public Service
20 Commission?**

21 A5. Yes, I have. I have sponsored testimony in the following cases:

22 U-18232 DTE Electric REP Amended Plan

23 U-18232 DTE Electric 2020 Amended Plan – March 2020

24 U-18255 DTE Electric Rate Case

25 U-18999 DTE Gas Rate Case

Line
No.

1	U-20029	DTE Electric EWR 2017 Reconciliation
2	U-20051	DTE Electric 2017 TRM Reconciliation
3	U-20105	DTE Electric Credit A Rate Case
4	U-20106	DTE Gas Credit A Rate Case
5	U-20162	DTE Electric Rate Case
6	U-20172	DTE Electric REP 2017 Reconciliation
7	U-20298	DTE Gas Calculation C
8	U-20484	DTE Electric REP 2018 Reconciliation
9	U-20561	DTE Electric Rate Case
10	U-20642	DTE Gas Rate Cas
11	U-20723	DTE Electric REP 2019 Reconciliation
12	U-20835	DTE Electric Company for Accounting Approval to
13		Accelerate Amortization of the Tax Cuts and Job Act Regulatory Liability
14		for Non-Plant Related Accumulated Deferred Income Taxes
15	U-20851	DTE Electric 2020 Amended REP Plan
16	U-20940	DTE Gas Rate Case
17	U-20836	DTE Electric Rate Case
18	U-21010	DTE Electric REP 2020 Reconciliation
19	U-21198	DTE Electric REP 2021 Reconciliation
20	U-21285	DTE Electric 2022 Amended REP Plan
21	U-21297	DTE Electric Rate Case
22	U-21361	DTE Electric 2023 Amended REP Plan
23		

DTE ELECTRIC COMPANY
DIRECT TESTIMONY OF SHERRI L. WISNIEWSKI

Line
No.

1 **Q6. What is the purpose of your testimony?**

2 A6. The purpose of my testimony is to discuss and support the reasonableness of deferred
3 taxes in DTE Electric's 2022 Renewable Energy Plan (REP) Reconciliation.

4

5 **Q7. Are you sponsoring any exhibits in this proceeding?**

6 A7. I am supporting the following exhibit:

<u>Exhibit</u>	<u>Description</u>
A-14	Deferred Income Taxes

9

10 **Q8. Was this exhibit prepared by you or under your direction?**

11 A8. Yes, it was.

12

13 **Q9. How are deferred taxes reflected in the 2022 REP Reconciliation Case?**

14 A9. Deferred taxes related to fixed assets, regulatory liability, and renewable energy
15 credits (Exhibit A-14, lines 7, 13, 19 and 25) represent financial statement items that
16 are treated differently for book purposes than they are for tax purposes. Deferred
17 taxes are calculated by multiplying the book to tax differences by a composite rate
18 of 25.9%, which represents federal, state, and local income taxes for DTE Electric.
19 The deferred tax asset related to Production Tax Credits (PTCs) (Exhibit A-14, line
20 1) represents the PTCs that have been generated but not yet utilized. The components
21 of deferred taxes are shown on Exhibit A-14 and are described as follows:

22

23 1. Production Tax Credits (PTC)

24 The deferred tax asset related to PTCs on Exhibit A-14, line 5 represents the PTCs
25 that have been generated but not yet utilized to reduce income taxes payable on

Line
No.

1 a tax return. This is referred to as a PTC carryforward. PTCs are not refundable
2 credits, and there are limits to how many credits can be utilized each year based
3 on DTE Electric's Federal income tax liability.

4

5 2. Fixed Asset Differences (Plant)

6 The deferred taxes related to Plant on Exhibit A-14, line 11 (compliance fixed
7 assets) and line 17 (authorized voluntary fixed assets) results primarily from the
8 difference between accelerated tax depreciation and book depreciation. Tax
9 depreciation is calculated by utilizing the Modified Accelerated Cost Recovery
10 System (MACRS). MACRS allows depreciation to be deducted over a five-year
11 period for wind and solar assets and a twenty-year period for distribution assets.
12 MACRS results in a faster depreciation of the investment as compared to the
13 longer lives and straight-line methodology used to calculate book depreciation.

14

15 In addition to deferred taxes for accelerated depreciation, there are deferred taxes
16 for Solar Investment Tax Credit (ITC) basis differences. For tax purposes, plant
17 is reduced by 50% of the Solar ITC. Since the plant balance for tax purposes is
18 lower than the book balance, the future depreciation expense for tax purposes will
19 be lower than the book expense for these assets.

20

Line
No.

1 3. Renewable Energy Plan Regulatory Liability

2 The deferred tax related to the regulatory liability on Exhibit A-14, line 23 results
3 from the taxes that were paid on the REP Surcharge revenue when it was
4 received. For book purposes, the REP Surcharge in excess of the incremental
5 costs of compliance is recorded as a regulatory liability. Taxes were paid on the
6 REP Surcharge revenue when it was received, which created a deferred tax asset.
7 As the incremental costs of compliance reduce the regulatory liability balance,
8 the deferred tax asset also decreases.

9

10 4. Renewable Energy Credits (RECs)

11 The deferred tax asset related to RECs on Exhibit A-14, line 29 results from the
12 difference between REC expense for book purposes and REC expense for tax
13 purposes. The Company acquires RECs by either purchasing them or generating
14 them. The cost of purchased credits equals the amount paid for them and the cost
15 of the Company-generated credits is zero. For book purposes, the RECs are
16 expensed using a weighted-average cost method. For tax purposes, the RECs are
17 expensed using specific identification, expensing each REC at its original cost
18 when acquired or generated.

19

20 **Q10. Is the overall methodology for amortizing the Tax Cut Jobs Act (TCJA)**
21 **regulatory liability for excess deferred taxes consistent with prior Commission**
22 **orders?**

23 A10. Yes. Amortization started in May 2019 and continues to follow the same overall
24 methodology approved in DTE Electric's Case No. U-20162.

25

Line
No.

1 **Q11. How is the TCJA regulatory liability balance and current year amortization**
2 **being reflected in this filing?**

3 A11. The TCJA regulatory liability is a component of total deferred taxes on Exhibit A-
4 14, line 38 through line 41. The TCJA regulatory liability activity is reflected on
5 Exhibit A-14, line 32 through line 35 with current year amortization on line 33.

6

7 **Q12. Is the amortization of the TCJA regulatory liability reflected as a reduction to**
8 **the incremental cost of compliance for this filing?**

9 A12. Yes. The amortization of the TCJA regulatory liability is being reflected as a
10 reduction to the incremental cost of compliance on Company Witness Mr. Lacey's
11 Exhibit A-9, line 22. Since the amortization of the TCJA regulatory liability is post
12 tax adjustments, in order to include it in the pre-tax incremental cost of compliance,
13 it must be grossed up (increased) for taxes.

14

15 **Q13. Does the 2022 Inflation Reduction Act impact this reconciliation case?**

16 A13. No. The 2022 Inflation Reduction Act (IRA) that was signed into law on August 16,
17 2022, is not effective until January 1, 2023 and, therefore, has no impact on this case.

18

19 **Q14. Does this complete your direct testimony?**

20 A14. Yes, it does.

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
DTE Electric Company to commence)
a renewable energy cost reconciliation)
proceeding for the 12-month period ended)
December 31, 2022)

Case No. U-21353

EXHIBITS
OF
SHERRI L. WISNIEWSKI

Michigan Public Service Commission
DTE Electric Company
2022 Renewable Cost Reconciliation
Deferred Income Taxes
(\$ Thousands, except where noted)

Case No.: U-21353
Exhibit: A-14
Witness: S.L. Wisniewski
Page: 1 of 1

Line No.	(a) Description	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
		As Filed 2021	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2022
1	Deferred Tax Asset - PTC														
2	Beginning Balance	171,327.8	241,104.4	249,021.8	256,740.9	257,480.6	264,825.8	274,184.6	273,452.5	278,554.1	282,810.0	298,577.5	336,859.2	345,979.6	241,104.4
3	Current Year Activity	69,776.6	7,917.4	7,719.1	739.7	7,345.2	9,358.8	(732.1)	5,101.7	4,255.8	15,767.5	38,281.7	9,120.4	8,037.2	112,912.4
4	Other Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Ending Balance	241,104.4	249,021.8	256,740.9	257,480.6	264,825.8	274,184.6	273,452.5	278,554.1	282,810.0	298,577.5	336,859.2	345,979.6	354,016.8	354,016.8
6															
7	Deferred Tax Liability - Compliance Fixed Assets (Plant)														
8	Beginning Balance	(248,386.0)	(267,546.2)	(268,985.3)	(270,426.0)	(271,866.6)	(273,307.5)	(274,744.8)	(276,181.7)	(277,617.7)	(279,054.9)	(280,489.7)	(281,922.2)	(278,585.1)	(267,546.2)
9	Current Year Activity	(19,160.2)	(1,439.1)	(1,440.7)	(1,440.6)	(1,440.8)	(1,437.4)	(1,436.9)	(1,436.0)	(1,437.1)	(1,434.8)	(1,432.5)	3,337.1	4,079.7	(6,959.1)
10	Re-measurement Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Ending Balance	(267,546.2)	(268,985.3)	(270,426.0)	(271,866.6)	(273,307.5)	(274,744.8)	(276,181.7)	(277,617.7)	(279,054.9)	(280,489.7)	(281,922.2)	(278,585.1)	(274,505.4)	(274,505.4)
12															
13	Deferred Tax Liability - Authorized Voluntary Fixed Assets (Plant)														
14	Beginning Balance	-	(29,734.5)	(34,509.9)	(39,285.4)	(44,060.7)	(48,761.1)	(53,530.2)	(58,299.2)	(63,064.4)	(67,839.9)	(72,614.9)	(77,390.7)	(76,371.6)	(29,734.5)
15	Current Year Activity	(29,734.5)	(4,775.4)	(4,775.4)	(4,775.3)	(4,700.3)	(4,769.1)	(4,769.0)	(4,765.3)	(4,775.5)	(4,774.9)	(4,775.8)	1,019.1	793.0	(45,844.1)
16	Re-measurement Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Ending Balance	(29,734.5)	(34,509.9)	(39,285.4)	(44,060.7)	(48,761.1)	(53,530.2)	(58,299.2)	(63,064.4)	(67,839.9)	(72,614.9)	(77,390.7)	(76,371.6)	(75,578.6)	(75,578.6)
18															
19	Deferred Tax Asset - Reg. Liability														
20	Beginning Balance	6,040.3	3,225.2	4,647.0	5,663.0	7,163.7	8,430.4	10,259.8	9,491.9	7,473.0	4,770.9	1,049.3	3,215.2	4,631.9	3,225.2
21	Current Year Activity	(2,815.1)	1,421.82	1,016.00	1,500.74	1,266.66	1,829.40	(767.84)	(2,018.95)	(2,702.07)	(3,721.64)	2,165.92	1,416.71	1,398.62	2,805.4
22	Re-measurement Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	Ending Balance	3,225.2	4,647.0	5,663.0	7,163.7	8,430.4	10,259.8	9,491.9	7,473.0	4,770.9	1,049.3	3,215.2	4,631.9	6,030.5	6,030.5
24															
25	Deferred Tax Asset - Renewable Energy Credits														
26	Beginning Balance	(728.6)	(98.2)	(82.6)	(89.4)	(84.5)	(102.3)	(98.1)	(87.9)	(149.7)	(148.1)	(149.4)	(150.4)	(139.5)	(98.2)
27	Current Year Activity	630.4	15.6	(6.8)	5.0	(17.8)	4.2	10.2	(61.8)	1.6	(1.3)	(1.0)	10.8	3.1	(38.3)
28	Re-measurement Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29	Ending Balance	(98.2)	(82.6)	(89.4)	(84.5)	(102.3)	(98.1)	(87.9)	(149.7)	(148.1)	(149.4)	(150.4)	(139.5)	(136.5)	(136.5)
30															
31	TCJA Tax Regulatory Liability														
32	Beginning Balance	(81,040.3)	(78,790.4)	(78,553.5)	(78,316.6)	(78,079.7)	(77,842.9)	(77,606.0)	(77,369.1)	(77,132.2)	(76,895.3)	(76,658.5)	(76,421.6)	(76,184.7)	(78,790.4)
33	Current Year Activity	2,250.0	236.9	236.9	236.9	236.9	236.9	236.9	236.9	236.9	236.9	236.9	236.9	236.9	2,842.6
34	Re-measurement Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
35	Ending Balance	(78,790.4)	(78,553.5)	(78,316.6)	(78,079.7)	(77,842.9)	(77,606.0)	(77,369.1)	(77,132.2)	(76,895.3)	(76,658.5)	(76,421.6)	(76,184.7)	(75,947.8)	(75,947.807)
36															
37	Total Deferred Taxes														
38	Beginning Balance	(152,786.9)	(131,839.7)	(128,462.6)	(125,713.5)	(129,447.3)	(126,757.5)	(121,534.7)	(128,993.4)	(131,936.9)	(136,357.3)	(130,285.6)	(95,810.4)	(80,669.3)	(131,839.7)
39	Current Year Activity	20,947.1	3,377.2	2,749.0	(3,733.7)	2,689.8	5,222.8	(7,458.7)	(2,943.4)	(4,420.4)	6,071.7	34,475.2	15,141.0	14,548.4	65,718.9
40	Re-measurement Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
41	Ending Balance	(131,839.7)	(128,462.6)	(125,713.5)	(129,447.3)	(126,757.5)	(121,534.7)	(128,993.4)	(131,936.9)	(136,357.3)	(130,285.6)	(95,810.4)	(80,669.3)	(66,120.9)	(66,120.9)

Renewable Energy Annual Report

Revised April 2023

Electric Provider:

Reporting Period: Calendar Year 2022

- The purpose of this annual report is to provide information regarding activities that occurred within calendar year 2022.
- Many of the requested figures are available from MIRECS reports; names of which are noted within this template. If your figures agree with those within MIRECS, you may submit the MIRECS report as an attachment to this annual report. If your figures differ from those within MIRECS, please explain any discrepancies. Staff from the MPSC and MIRECS Administrator, APX, Inc., are available to help reconcile.

Section 51(2)(f).

Within this section, list the method and the retail sales in MWh for the reporting period.

List the Method: either average of 2019-2021 retail sales or the 2021 weather normalized retail sales.

2021 weather normalized retail sales

The method chosen should be consistent with the method approved in the initial plan case from 2017. All sales are retail (net of wholesale).

(A) List the sales in MWh based on the method selected above. Please show the calculation of this figure (including listing the sales of each year if the three-year average method is used).

41,107,247

(B) 15% RPS Portfolio: List the energy credits used for the 15% RPS portfolio voluntary retirement in calendar year 2022. This number should agree with the voluntary retirement listed in the 2022 voluntary retirement subaccount in MIRECS. Take into account any energy waste reduction substitutions and limits on their use.

6,166,087

Calculate the renewable energy percentage. Figure above divided by sales in MWh above (B divided by A).

$6,166,087 / 41,107,247 = 15\%$

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
DTE Electric Company to commence)
a renewable energy cost reconciliation)
proceeding for the 12-month period ended)
December 31, 2022)

Case No. U-21353

PROOF OF SERVICE

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

CAITLIN D. MYERS states that on June 30, 2023, she served a copy of DTE Electric Company’s Application for Renewable Cost Reconciliation, Direct Testimony of Witness Vielka M. Hernandez, Direct Testimony and Exhibits of Witnesses Patrick D. Kauffman, Frank M. Kopinski, Thomas W. Lacey, Karl Lievense, and Sherri L. Wisniewski, and Renewable Energy Annual Report in the above captioned matter, via electronic mail, upon the persons listed on the attached service list.

CAITLIN D. MYERS

SERVICE LIST
MPSC Case No. U-21353

**MICHIGAN PUBLIC SERVICE
COMMISSION STAFF**

Steven D. Hughey
Assistant Attorney General
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