STATE OF MICHIGAN

MICHIGAN OFFICE OF ADMINISTRATIVE HEARINGS AND RULES

FOR THE MICHIGAN PUBLIC SERVICE COMMISSION

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| In the matter of the application of DTE Gas Company for approval of a gas cost recovery plan and authorization of gas cost recovery factors for the 12-month period April 2022 to March 2023. | ) ) ) ) ) ) | Case No. U-21064 |

**NOTICE OF PROPOSAL FOR DECISION**

The attached Proposal for Decision is being issued and served on all parties of record in the above matter on July 13, 2023

Exceptions, if any, must be filed with the Michigan Public Service Commission, 7109 West Saginaw, Lansing, Michigan 48917, and served on all other parties of record on or before August 3, 2023, or within such further period as may be authorized for filing exceptions. If exceptions are filed, replies thereto may be filed on or before August 17, 2023.

At the expiration of the period for filing exceptions, an Order of the Commission will be issued in conformity with the attached Proposal for Decision and will become effective unless exceptions are filed seasonably or unless the Proposal for Decision is reviewed by action of the Commission. To be seasonably filed, exceptions must reach the Commission on or before the date they are due.

MICHIGAN OFFICE OF ADMINISTRATIVE HEARINGS AND RULES
For the Michigan Public Service Commission

Katherine E. Talbot

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Katherine E. Talbot
Administrative Law Judge

July 13, 2023
Lansing, Michigan

STATE OF MICHIGAN

MICHIGAN OFFICE OF ADMINISTRATIVE HEARINGS AND RULES

FOR THE MICHIGAN PUBLIC SERVICE COMMISSION

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**PROPOSAL FOR DECISION**

**I.**

**PROCEDURAL HISTORY**

On December 17, 2021, DTE Gas Company (DTE Gas or the Company) filed an application requesting approval of a gas cost recovery (GCR) plan and factors for the 12-month period ending March 31, 2023, and five-year forecast through the plan year 2027. The application included the testimony and exhibits of six witnesses.

A prehearing conference was held on February 8, 2022, at which time DTE Gas and the Commission Staff appeared. Petitions to intervene filed by the Department of the Attorney General, Retail Energy Supply Association (RESA), and the Residential Customer Group (RCG) were granted. A schedule was agreed to by the parties.

On May 31, 2022, the Company filed a Revised Application with revised testimony and exhibits. A second prehearing conference was held on August 2, 2022, after the Revised Application was filed. The parties agreed to a new schedule at that time. A protective order was entered on September 27, 2022. On September 29, 2022, the schedule was extended at the request of the parties.

Consistent with established schedules, Staff filed direct testimony on September 28, 2022, and the Attorney General filed direct testimony with supporting exhibits on October 5, 2022. No testimony was filed on behalf of RESA or RCG. On October 12, 2022, DTE Gas filed a Second Revised Exhibit A-11. On November 2, 2022, DTE Gas filed rebuttal testimony with supporting exhibits.

A hearing was held on November 18, 2022, at which time the prefiled testimony for all witnesses was bound into the record, and exhibits were admitted, without the need for witnesses to appear. The record in this case is comprised of 385 pages of transcript and 80 exhibits admitted into the record. On December 19, 2022, DTE Gas, Staff, and the Attorney General filed Briefs. On January 9, 2023, the same parties filed Reply Briefs.

## II.

## LEGAL FRAMEWORK

Pursuant to 1982 PA 304 (Act 304), the Commission has the authority to "incorporate a gas cost recovery clause in the rates or rate schedule of a gas utility."[1] To implement its GCR clause, a gas utility must annually file a gas cost recovery plan for a 12-month period that includes a proposed gas cost recovery factor and a five-year forecast of its customers' gas requirements and the company's plans to meet those requirements.[2]

[1] MCL 460.6h(2).
[2] MCL 460.6h(3)-(4).

After reviewing the projections and proposals for the plan year under several factors enumerated in MCL 460.6h(6), including the volume, cost, and reliability of supplies, and whether the utility has taken appropriate legal and regulatory steps to minimize the cost of gas, the Commission determines whether the decisions underlying the plan are reasonable and prudent. The Commission then issues a final order that may "approve, disapprove, or amend the gas recovery plan accordingly."[3] In addition, the 5-year forecast is evaluated for a determination of whether future recovery of certain costs, based on present evidence, is unlikely (Section 7 warning).[4]

## III.

## OVERVIEW OF THE RECORD

### A. DTE Gas

DTE Gas presented the testimony of seven witnesses.[5]

George H. Chapel, Manager, Market Forecasting, for DTE Gas[6] presented the Company's market forecast for the five-year forecast period (2022-2027), including expected demand, projected GCR/GCC sales, customer count forecast, GCC projection, the company's peak-day load requirement, and Energy Waste Reduction assumptions.

Sherri M. Moore, Manager of Gas Supply and Planning,[7] presented the Company's natural gas supply plan for the GCR plan year and the 5-year forecast

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[3] MCL 460.6h(6).
[4] MCL 460.6h(7).
[5] Larisa Abayev provided only rebuttal testimony.
[6] Mr. Chapel's Revised Direct testimony is transcribed at 3 Tr 207-228. He sponsored Exhibits A-1-Revised through A-4-Revised, A-5, A-6, and A-36.
[7] Ms. Moore's Revised Direct testimony is transcribed at 3 Tr 30-103 and her Rebuttal testimony is transcribed at 3 Tr 104-121. She sponsored Exhibits A-7, A-8-Revised, A-9-Revised, A-10-Revised,

period, April 1, 2022 through March 31, 2027. She testified the Company's supply pricing strategy includes a mix of fixed price and index price supply, and describes how use of Volume Cost Averaging (VCA) method of purchasing fixed price supply mitigates price uncertainty.[8] Ms. Moore presented DTE Gas's price forecasting method, its approach to gas supply purchasing, and transportation portfolio changes.[9] She testified the Company's total supply requirements for the 2022-2023 GCR plan year are forecasted to be approximately 138 Bcf with an approximate cost of $664 million, "including approximately $68 million in total transportation costs and $250 thousand for the Gas Supply physical call option and $36,808 for Responsibly Sourced Gas (RSG)."[10] She testified DTE Gas's supply strategy for the 5-year forecast and beyond is consistent with the strategy used in the prior GCR plan year, including projected gas purchases and transportation costs. Finally, Ms. Moore discussed the Company's commitment to attain "a net zero carbon future" and future impacts on gas supply, including use of RSG.[11]

Lucian Bratu, Senior Gas Supply & Planning Analyst in Gas Supply and Planning for DTE Gas[12] presented the Company's operational plan for the GCR plan year and the 5-year forecast period. He described DTE Gas's normal weather operating plan and the operating plans for warmer than normal and colder than normal weather, indicating

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A-11-2nd Revised, A-12-Revised, A-25, A-27, A-28, A-29, A-30-Revised, A-34, A-35, A-37, A-41, and A-42-Revised.

[8] 3 Tr 37-39.

[9] 3 Tr 57-59.

[10] 3 Tr 35.

[11] 3 Tr 35 and 92-103.

[12] Mr. Bratu's Corrected Revised Direct testimony is transcribed at 3 Tr 124-156 and his Rebuttal testimony is transcribed at 3 Tr 157-197. He sponsored Exhibits A-13-Revised through A-18-Revised, A-33-Revised, and A-38.

colder than normal supply is projected to increased in the GCR plan year by 1.9 Bcf.[13] Mr. Bratu provided the Company's storage operation plan, GCR/GCC storage allocation, and the design day and minimum storage balance requirements to meet peak day demand.[14] Finally he described other operational changes and the future outlook, indicating the Company did not anticipate significant changes from the GCR plan year to the 5-year forecast.[15]

Timothy J. Krysinski, Principal Project Manager in the Regulatory Affairs Gas Strategy Group for DTE Energy[16] presented an overview of substantive federal regulatory issues that affect the Company's efforts to minimize costs for gas transportation under its interstate pipeline transportation agreements. He addressed DTE Gas's federal regulatory policies related to pipeline transporters and federal proceedings involving transportation costs. Mr. Krysinski provided the transportation cost assumptions used by Ms. Moore to develop the projected gas costs, including the projected volumes and forecast gathering rates for firm transportation services from ANR Pipeline Company, Viking, Great Lakes Gas Transmission Limited, Panhandle Eastern Pipeline Company, NEXUS, Vector Pipeline, and DTM Michigan Gathering Company.[17]

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[13] 3 Tr 150.
[14] 3 Tr 137-139.
[15] 3 Tr 155-156.
[16] Mr. Krysinski's Revised Direct testimony is transcribed at 3 Tr 230-248. He sponsored Exhibit A-19-Revised and A-39.
[17] 3 Tr 243. Exhibit A-19.

Andrea R. Hardy, Principal Project Manager, with DTE Energy Corporate Services, LLC,[18] presented the calculation of the Company's proposed GCR factor for the plan year April 2022 to March 2023, the contingency mechanism and its implementation, and a five-year forecast for the cost of gas. She also addressed DTE Gas's administration of the Company's Supplier of Last Resort (SOLR) reservation charge.[19]

Kenneth A. Sosnick, Managing Director in Global Advisory Practice at Black & Veatch Management Consulting, LLC,[20] provided testimony to present and summarize the FTI Report "NEXUS Pipeline Impacts Analysis."[21] Mr. Sosnick testified that he contributed to and oversaw the preparation of that report, which he asserted demonstrates that NEXUS will decrease natural gas prices in Michigan significantly.[22]

B. Staff

Staff presented the testimony of one witness, Paul R. Ausum, an Economic Analyst in the Resource Adequacy and Forecasting Section of the Energy Resources Division of the MPSC.[23] He presented Staff's position on DTE Gas's Revised GCR plan, requested GCR factor, and SOLR Reservation Charge for the plan year April 2022 to March 2023.[24] He stated Staff reviewed the GCR plan case and found the plan, revised GCR factor, and SOLR charge to be reasonable.[25]

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[18] Ms. Hardy's Revised Direct testimony is transcribed a 3 Tr 250-264. She sponsored Exhibits A-20-Revised to A-24-Revised, A-26-Revised, and A-40.
[19] 3 Tr 252.
[20] Mr. Sosnick's Revised direct testimony is transcribed at 3 Tr 266-289. He sponsored Exhibits A-31-Revised and A-32.
[21] Exhibit A-32.
[22] 3 Tr 269.
[23] Mr. Ausum's Direct testimony is transcribed at 3 Tr 291-300.
[24] 3 Tr 294.
[25] 3 Tr 294-295.

Staff disputes the inclusion of the additional costs related to Responsibly Sourced Gas (RSG) and recommended the Commission issue a Section 7 warning. [26] Citing MCL 460.6h, Mr. Ausum testified in order to be deemed reasonable natural gas must be procured at the lowest available cost and because RSG came with an unsupported premium of $36,808 the cost is not reasonable.[27]

Finally, Mr. Ausum testified that Staff accepts the modification to the calculation used to determine the Maximum Allowable GCR Factor proposed by DTE Gas which reduced the time period used to develop the Plan NYMEX average from 24 months to 21 months. However, Staff asserts the Company should "provide a back-test with the filing of the reconciliation of the 2022-2023 GCR plan year in Case U-21065 that demonstrates what the maximum factor would have been had the full 24 months been used."[28]

C. Attorney General

The Attorney General presented the testimony of one witness, Sebastian Coppola, an independent business consultant.[29] He presented an analysis of DTE Gas's GCR plan and 5-year forecast. He made recommendations on five specific issues.

First, Mr. Coppola concluded that DTE Gas failed to make its case that entering into a Call Option for additional gas supply in the event of a failure of dehydration equipment at Belle River, "was necessary and the best alternative available."[30] He

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[26] 3 Tr 297.
[27] 3 Tr 297.
[28] 3 Tr 300.
[29] Mr. Coppola's Direct testimony is transcribed at 3 Tr 304-360. He sponsored Exhibit AG-1 to AG-19.
[30] 3 Tr 309-310.

recommends the Commission issue a warning pursuant to Section 6h(7) of Act 304 (Section 7 warning) that recovery of the costs is unlikely.[31]

Second, Mr. Coppola argues that DTE Gas made it clear it does not plan to renegotiate the NEXUS contract to lower fixed pipeline transportation costs; he recommends the Commission issue a Section 7 warning that recovery of the full costs of the NEXUS contract is unlikely.[32]

Third, Mr. Coppola recommended the Commission direct the DTE Gas to "specifically make a concerted effort to more thoroughly and adequately evaluate how it can lower the cost of its gas supply through the use of larger volumes of citygate purchases in lieu of firm and costly interstate pipeline transportation capacity."[33] He specifically recommended the Commission direct DTE Gas to provide a thorough analysis, including potential cost savings, for the GLGT alternative to serve the Menominee area and direct the Company to "perform the same thorough analysis when entering into and renewing other pipeline transportation agreements and make this information available to Staff and intervenors upon request."[34]

Fourth, Mr. Coppola asserted that DTE Gas has not adequately disclosed how the price was established for a majority of the supply purchases from its affiliate, DTE Energy Trading Company and therefore has not established that the purchases were reasonable. He recommends the Commission issue a Section 7 warning that recovery of the full costs of purchases from DTE Energy Trading Company is unlikely.[35]

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[31] Id.
[32] 3 Tr 310.
[33] 3 Tr 310.
[34] 3 Tr 311.
[35] 3 Tr 311.

Finally, Mr. Coppola argues that DTE Gas did not make a compelling and convincing case that purchasing RSG is in the best interest of customers and that the premium paid above the base cost of gas should not be recoverable. He asserted a lack industry standards and opined that the Company's proposal is premature given this fact.[36] He recommends the Commission issue a Section 7 warning that recovery of the premium paid for RSG may not be recoverable.

D. Rebuttal

DTE Gas was the only party to present rebuttal testimony. Ms. Moore provided testimony to rebut Mr. Coppola's recommendation for a Section 7 warning related to the Call Option, renegotiation of the NEXUS contract, the gas purchases from the affiliate, DTE Energy Trading Company, and the payment of a premium for purchase of RSG. She also disputed the contention that using higher quantities of citygate purchases will lower cost of gas. [37]

Mr. Bratu testified to rebut Mr. Coppola's assertions regarding the decision to enter into the Gas Supply Physical Call Option, and to dispute the need for the Commission to issue a Section 7 warning.[38]

Larisa Abayev, Manager, Project Planning & Asset Prioritization for DTE Gas,[39] testified to rebut Mr. Coppola's analysis of the decision to enter into the Call Option, including the impact a failure of the dehydration equipment at Belle River storage facility will have on deliverability and the validity of the Company's assumptions concerning loss of deliverability on a peak day. She addresses inclusion of additional supply

[36] 3 Tr 311.
[37] 3 Tr 105.
[38] 3 Tr 158.
[39] Ms. Abayev's Rebuttal testimony is transcribed at 3 Tr 199-205.

available from other storage fields and the accuracy of the calculations resulting in the decision to enter into the Call Option.[40] She also described planned facility operations and assumptions for a winter design day and peak-day design, including risks to DTE Gas System Supply and current contingencies.

## IV.

## DISCUSSION

DTE Gas argues the Commission should approve the GCR Plan for the 2022-2023 plan year as reasonable and prudent and approve DTE Gas 5-year forecast without issuing any Section 7 warnings.[41] In its original Application, DTE Gas requested approval to implement a maximum base GCR factor of $3.29 per thousand cubic feet (Mcf) of gas, which can be increased by a contingency factor based on increases in New York Mercantile Exchange (NYMEX) gas commodity prices, resulting in a new maximum GCR factor. In addition, DTE Gas proposes to implement a supplier of last resort (SOLR) reservation charge in the amount of $0.40 per Mcf that will be billed to GCR customers, and a reservation charge billed to Gas Customer Choice (GCC) customers of $0.27 per Mcf, which reflects the required 30 percent discount from the average rate. In the Revised Application, the Company requests a maximum base GCR factor of $5.07 per thousand cubic feet of gas, a SOLR charge of $0.45 per Mcf for GCR customers and $0.30 Mcf for GCC customers. Staff supports both the revised GCR factor and the revised SOLR charges. The Attorney General does not object to the revisions, however she takes issue with some included costs.

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[40] 3 Tr 201.
[41] See MCL 460.6h(7).

The Attorney General contests five main issues which are each addressed in detail below. She recommends the Commission issue a Section 7 warning for failure to renegotiate the NEXUS contract, purchases from DTE Trading, purchases related to the Call Option, and the premium amount paid for Responsibly Sourced Gas (RSG). The Attorney General also recommends the Commission "direct the Company to specifically make a concerted effort to more thoroughly and adequately evaluate how it can lower the cost of its gas supply through the use of larger volumes of citygate purchases in lieu of firm and costly interstate pipeline transportation capacity."[42] And while not recommending a Section 7 warning, the Attorney General requests the Commission warn DTE Gas that failure to do so could result in disallowances.

Staff generally supports DTE Gas's plan and forecasts except for inclusion of the premium paid for RSG. Like the Attorney General, Staff recommend the Commission issue a Section 7 warning for the premium amount of $36,808 paid for RSG. Staff support the modification to the calculation for determination of the Maximum Allowable GCR Factor proposed by DTE Gas, however, Staff assert the Company should "provide a back-test with the filing of the reconciliation of the 2022-2023 GCR plan year . . . that demonstrates what the maximum factor would have been had the full 24 months been used."[43]

A. <u>GCR Plan Overview</u>

For the April 2022 to March 2023 GCR plan year, DTE Gas projected natural gas sales of approximately 156 Bcf to 1.32 million rate schedule customers and projects the

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[42] Attorney General Initial Brief, p 4.
[43] 3 Tr 300. Staff Initial Brief, p 4-5. See discussion infra.

number of rate customers to increase to 1.37 million through the plan year 2027.[44] The Company utilized a rolling 15-year normal weather pattern, from 2007 to 2021, to project normal demand requirements for the GCR plan year.[45] To forecast customer sales volumes DTE Gas breaks down customers into rate class (residential, commercial, industrial, and gas choice) and forecasts the number of customers. Then DTE Gas analyzes usage per customer per heating degree day (HDD) at varying temperatures and uses a three-step linear equation to project demand and forecast sales.[46]

DTE Gas projects approximately 116,200 gas choice customers, equivalent to approximately 9% of total rate schedule customers, with forecast sales volumes of 20.1 Bcf for the plan year and a decrease to 19.4 Bcf through the operational year 2026-2027.[47] The Company also provided a monthly breakdown of its sales volumes and customers for the plan year, along with its design day demand and historical normalized sales.[48] DTE Gas stated it has seen a cumulative long-term load reduction from 2004 to 2021 with a portion being permanent and attributed to replacement of old equipment with more efficient equipment, and increased use of better building materials.[49]

The Company provided a detailed operating plan that considers normal weather, colder-than-normal protection, and warmer-than-normal operations, and planned storage utilization for the plan year. DTE Gas's projected supply cost for the plan year

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[44] 3 Tr 211-212. See Exhibit A-1-Revised.
[45] 3 Tr 213.
[46] 3 Tr 214-220. See Exhibit A-1-Revised.
[47] 3 Tr 221. See Exhibit A-1-Revised.
[48] See Exhibits A-2-Revised through A-6-Revised.
[49] 3 Tr 226.

is $664 million with a total delivered supply volume of approximately 138 Bcf.[50] The Company's supply will be priced using a mixture of both fixed price supply and market based index price supply, where the price is determined when delivery begins.[51] The Company supply plan utilizes the Volume Cost Averaging (VCA) methodology for purchasing fixed price supply.[52] DTE Gas provided updated analyses and information, including updated Random Price Analysis and additional historical NYMEX prices,[53] and asserts this method is a simple and effective way to manage price uncertainty and risk for GCR customers under a variety of market conditions, which levels volatility in the GCR factor.[54] Using this method, the Company intends to lock-in 75% of the supply requirements at fixed prices over a two year period.[55] The Company proposes to price the remaining gas supplies at market-based settled index prices or with fixed basis pricing, equal to the NYMEX settlement price plus a fixed premium or minus a fixed discount based on the geographic purchase point.[56]

DTE Gas included in this GCR plan costs related to purchase of a Gas Supply Physical Call Option (Call Option) to mitigate the potential storage deliverability shortfalls in the event of a failure of the dehydration equipment at the Belle River storage facility. The Company stated it made the decision in response to the Commission's Statewide Energy Assessment (SEA) report which identified the potential for a delivery shortfall. DTE Gas purchased the Call Option to provide up to 236.5

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[50] 3 Tr 35.
[51] 3 Tr 37.
[52] DTE Gas provided a lengthy list of prior Commission Orders which approved the VCA Method. See DTE Initial Brief, p 10-11.
[53] 3 Tr 38. DTE Gas Initial Brief, p 13.
[54] 3 Tr 37.
[55] 3 Tr 37-38. Exhibit A-7
[56] 3 Tr 56. DTE Gas Initial Brief, p 16.

MMcf/d of gas supply for any 10 days in January and February 2021, January and February of 2022, with a renewal option for 2023.[57]

The Company proposes approximately $66 million reservation charge for firm pipeline capacity during the Plan Year.[58] The Company's current transportation portfolio includes transportation contracts on multiple pipelines from different supply locations, which DTE Gas argues provides increased reliability and greater price stability.[59] Among the transportation contracts are the NEXUS contract and the Teal Amendment which have been the subject of dispute in several prior cases.[60]

DTE Gas agreed to act as the Supplier of Last Resort (SOLR) for the GCC program should an alternative supplier fail to deliver or when a GCC returns as a GCR customer. Based on a previously approved methodology used to calculate the SOLR charge, DTE Gas proposes a GCC reservation charge of $0.45 per Mcf which is billed to GCR customers and a reservation charge of $0.30 per Mcf that will be billed to GCC customers.[61]

Based on it's cost and customer usage forecasts, the Company proposed a maximum GCR factor of $5.07 per Mcf for the plan year in its Revised Application. Ms. Hardy detailed the calculations.[62] DTE Gas requests approval for a contingency factor matrix, permitting monthly adjustments to reflect actual market conditions.[63] In this case DTE Gas proposes a change to the methodology used to calculate the Maximum

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[57] 3 Tr 144. DTE Gas Initial Brief, p30.
[58] 3 Tr 61. Exhibit A-11-2nd Revised.
[59] 3 Tr 67-68. DTE Gas Initial Brief, p 18.
[60] See e.g. MPSC Case Nos. U-20203, U-20221 and U-20527 involving DTE Electric, and MPSC Case Nos. U-20235, U-20816, and U-20543 involving DTE Gas.
[61] 3 Tr 262-263. Exhibit A-26-Revised.
[62] 3 Tr 253.
[63] 3 Tr 258.

Allowable GCR factor. Previously the Company used two full calendar years, however Ms. Hardy explained that "[u]pon further review, an increase in gas costs during January, February, or March preceding the current GCR year will cause a reduction in GCR costs."[64] Ms. Hardy testified that DTE gas proposes to exclude these three months from the matrix calculation, but otherwise the method of calculation remains the same.[65] In this case the Company proposed a Maximum Allowable GCR factor of $8.07 per Mcf per day.[66]

B. Five-year Forecast

The Company presented a 5-year forecast, identifying its anticipated supply sources, projected gas supply costs, and supply contracts entered or anticipated for the period ending in March of 2027. DTE Gas forecast it will add 10,500 to 11,000 customers annually over the period with an expected increase to 1.37 million customers by operational year 2026-2027.[67] However, DTE Gas forecasts a slight reduction to overall GCR/GCC demand.[68]

C. Contested Issues

Based on the testimony of Mr. Coppola, the Attorney General contests five specific issues in the Company's GCR Plan and five-year forecast:

1. The renewal of a gas supply call option (Call Option) to supplement gas storage withdrawals in the event of a failure of the gas dehydration equipment at the Belle River Mills (Belle River) storage field.
2. The failure by DTE Gas to renegotiate the pipeline transportation capacity rate with the NEXUS pipeline.

[64] 3 Tr 259.
[65] 3 Tr 259.
[66] 3 Tr 260.
[67] Attorney General Initial Brief, p 3-5. 3 Tr 212. See Exhibit A-1-Revised.
[68] 3 Tr 212.

3. The failure by DTE Gas to lower the cost of gas for customers by using higher quantities of citygate purchases and reducing interstate pipeline capacity costs.
4. The purchases of gas supply by DTE Gas from its affiliate, DTE Energy Trading Company (DTE Trading).
5. The payment of a premium to purchase Responsibly Sourced Gas (RSG).[69]

As noted above, Staff supports the Attorney General's position concerning recovery of the $36,808 premium paid for RSG. And Staff supports the Company's proposed modification to the calculation for determination of the Maximum Allowable GCR Factor with a back-test to demonstrate what the maximum factor would have been if the full 24 months been used."[70]

1. Purchase of Call Option

DTE Gas identified a potential failure of the dehydration equipment at the Belle River storage field to be a significant threat to supply deliverability after performing a reliability assessment following the issuance of the Statewide Energy Assessment report. The Company determined that a failure of the Belle River dehydration facilities could result in a significant loss of deliverability on a winter design day. Mr. Bratu testified failure of the Belle River equipment was "identified as the potentially critical event that would impact DTE Gas's ability to serve its customers."[71] He testified the Call Option was purchased for a 2-year period to mitigate this problem.[72]

Based on the testimony of Mr. Coppola, the Attorney General asserts that "DTE has failed to make a compelling and convincing case that entering into a Call Option to provide additional deliverability of gas supply in the event of a failure of the Belle River

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[69] Attorney General Initial Brief, p 3.
[70] 3 Tr 300. Staff Initial Brief, p 4-5.
[71] 3 Tr 143.
[72] 3 Tr 144.

dehydration equipment is the best and least costly alternative available to the Company[.]"[73]

The Attorney General maintains that DTE Gas failed to establish that entering into the call option was the best and least costly alternative, however, she acknowledges that the Commission found the decision to purchase the call option was reasonable and prudent in Case No. U-20544, and indicates "the AG will not pursue this issue at this stage of this proceeding."[74]

Accordingly, this PFD recommends the Commission determine that the decision to enter into the Call Option was reasonable and prudent, and therefore no Section 7 warning should be issued.

2. Failure to attempt to renegotiate the NEXUS Agreement

Mr. Krysinski provided the assumptions for the Company's gas transportation costs and fuel rates associated with NEXUS in Exhibit A-19, Revised.[75] Based on these assumptions, Ms. Moore detailed the Company's interstate gas transportation costs using Exhibit A-11, 2nd Revision. She testified DTE Gas's portfolio for the GCR Plan includes costs associated with NEXUS, both at the Kensington and Clarington receipt points.[76] She also testified DTE Gas renewed the TEAL amendment to the original contract for two years, from November 1, 2022 through October 31, 2024, with a projected savings of $5.8 million.[77]

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[73] Attorney General Initial Brief, p 6.
[74] Attorney General Initial Brief, p 6.
[75] 3 Tr 247.
[76] 3 Tr 63. See Table 4. 3 Tr 68.
[77] 3 Tr 87.

DTE Gas asserts its transportation contracts utilize regional diversity to achieve security of supply and increased options for supply sources to guard against potential supply disruptions in any given area.[78] The Company contends that projected benefits have materialized.[79] Ms. Moore testified that MichCon citygate prices are lower over the life of the NEXUS pipeline.[80] And, DTE Gas provided a 2021 study of cost savings associated with the NEXUS pipeline in an impact analysis provided by FTI Consulting and detailed by witness Sosnick.[81] While the FTI analysis does not reflect the recent spike in gas prices, DTE Gas asserts benefits are established.

DTE Gas relies on the testimony of Mr. Sosnick and argues that the recent FTI report confirms that the NEXUS agreement resulted in cost savings to its customers. Mr. Sosnick summarized the FTI report and stated NEXUS will decrease natural gas prices for all Michigan customers and he opined NEXUS will also provide reliability and environmental benefits.[82] He described the NEXUS system, including DTE Gas's obligations, and testified the FTI report analyzes long-run simulations of relevant gas markets.[83] Mr. Sosnick explained the forecast models and testified that the analysis demonstrated that gas transported to Michigan from the Appalachian production region reduced costs in Michigan because the gas flowing on NEXUS from that region displaced more expensive supplies.[84]

> My primary conclusion is that the NEXUS pipeline brings many benefits for DTE Gas and the state of Michigan, and the benefits Michigan's gas

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[78] DTE Gas Initial Brief, p 18-19.
[79] 3 Tr 83.
[80] 3 Tr 82.
[81] Exhibit A-32.
[82] 3 Tr 269-270.
[83] 3 Tr 268.
[84] 3 Tr 273.

> consumers will realize far outweigh its costs. I expect savings totaling $199 million for DTE Gas customers and $1 billion for all Michigan consumers over the period 2022-2038.[85]

Mr. Sosnick also testified the FTI report supported some of the conclusions reached in the 2015 ICF study that DTE Gas originally relied upon in making the decision to enter into the NEXUS agreement. And, while the FTI report shows actual benefits are lower than projected, “the key conclusion from those two studies remains the same: NEXUS creates savings that are greater than its costs.”[86]

Based on the testimony of Mr. Coppola, the Attorney General argues the Commission should issue a Section 7 warning that the utility may not be able to recover the cost of the associated with the NEXUS transportation contract from its customers in gas cost recovery factors established in this proceeding and future gas cost reconciliations.[87] The Attorney General asserts the Commission clearly expressed an expectation that DTE Gas will make a continuing effort to manage transportation costs associated with NEXUS in Case No. U-20543, including renegotiation of the contracts due to supply limitations at the Kensington receipt point.[88] Pointing to Exhibit AG-11, Mr. Coppola testified the Company has not attempted to renegotiate the capacity charges paid to NEXUS and in fact renewed the contract for two years under the same terms.[89] He asserted this warrants a Section 7 warning.

Relying on the testimony from Ms. Moore, DTE Gas disputes Mr. Coppola’s assertions that the Company failed to comply with Commission instructions, and the

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[85] 3 Tr 289. See Table 4 and Table 5.
[86] 3 Tr 285.
[87] Attorney General Initial Brief, p 4.
[88] 3 Tr 336-337. See MPSC Case No. U-20543, April 8, 2021 Order, p 7.
[89] 3 Tr 337-338.

propriety of a Section 7 warning. Ms. Moore testified the FTI report showed benefits to DTE customers of approximately $199 million between 2022 and 2038 and savings of approximately $1billion for all Michigan customers, and asserted, "[t]hese numbers are indicative of the market conditions at the time. There would likely be even greater savings based on today's current gas prices."[90] Ms. Moore testified the Company has complied with the Commission's directive from Case No. U-20543 because it continues to review the NEXUS contracts and provided the FTI analysis which shows benefits would continue to materialize.[91] DTE Gas continues to assert that it complied with the Commission's instructions and therefore a section 7 warning is not appropriate.

Staff did not take a position on this issue and did not dispute costs associated with the NEXUS contract.

The Commission has addressed the reasonableness and prudence of the Company's execution of the NEXUS agreement and TEAL amendments in multiple cases. Recently the Commission reviewed the agreements again, after production of the FTI report in Case No. U-20544.[92] In that order, the Commission specifically referenced three other cases where the Attorney General made similar arguments to those in the underlying matter.[93] In all of these cases the Commission accepted the costs associated with NEXUS presented by the Company and in all of the orders the Commission held the decision to enter into the NEXUS agreement was reasonable and

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[90] 3 Tr 81-82.
[91] 3 Tr 84.
[92] See MPSC Case No. U-20544, December 9, 2022 Order.
[93] See MPSC Case No. U-20528, January 19, 2023 Order; MPSC Case No. U-20816, October 27, 2022 Order; and MPSC Case No. U-20826 October 5, 2022 Order.

prudent at the time it was made, and the Commission's previous decisions should be given "preclusive effect."[94]

In Case No. U-20543, the Commission stated that it expected to see evidence that the company "has taken steps to minimize the cost of gas, including efforts to renegotiate contracts . . . ."[95] The Attorney General argues the Company has not complied with the Commission's order because there has been no real attempt to renegotiate the contracts. However, in Case No. U-20544, the Commission noted DTE Gas hired a consultant and supplied an extensive analysis of the benefits of the NEXUS agreement;[96] based on the same FTI report provided by the Company in this matter.[97] In that case, the Commission stated:

> The Commission finds that the FTI Report provides a credible, independent analytic update to the ICF Resources report and supports the finding that the NEXUS agreement continues to provide benefits to ratepayers. Consistent with extensive Commission precedent, the Commission finds that the decision to enter into the NEXUS contract was reasonable and prudent and the approved transportation rates under the NEXUS and TEAL agreements should not be revisited. DTE Gas provided evidence that its commodity cost associated with the NEXUS pipeline is $2.03/Dth, which makes this long-term contract one of the least cost options in DTE Gas's commodity portfolio. The Commission also finds that DTE Gas provided evidence as to why the NEXUS contract was not renegotiated and the simple fact of no renegotiation during the GCR period does not provide grounds for a disallowance. [citations omitted][98]

This unequivocal finding is consistent with the Commission's prior rulings on the reasonableness and prudence of the NEXUS agreement and as the Commission has frequently held, should be given preclusive effect in this matter.

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[94] See e.g. MPSC Case No. U-20816, October 27, 2022 Order, p 20 and MPSC Case No. U-20528, January 19, 2023 Order, p 24.
[95] MPSC Case No. U-20543, April 8, 2021 Order, p 8.
[96] MPSC Case No. U-20544, December 9, 2022 Order, p 11.
[97] See Exhibit A-32.
[98] MPSC Case No. U-20544, December 9, 2022 Order, p 13.

Accordingly, this PFD recommends the Commission deny the Attorney General's request to issue a Section 7 warning that the utility may not be able to recover the cost of the associated with the NEXUS transportation contract from its customers in future gas cost reconciliations.

3. Failure to Lower the Cost of Gas Supply.

The Attorney General contends the Company will be able to lower the cost of its gas supply through higher quantities of citygate purchases.[99] She argues:

> Gas purchases at the MichCon citygate from multiple producers and marketers, transported by the same pipelines with which the Company has firm capacity commitments, provide the Company with a wider diversity of gas supply without paying for firm pipeline transportation capacity.[100]

Noting that another large utility successfully utilizes citygate purchases, the Attorney General asserts the Commission should "direct the Company to specifically make a concerted effort to more thoroughly and adequately evaluate how it can lower the cost of its gas supply through the use of larger volumes of citygate purchases in lieu of firm and costly interstate pipeline transportation capacity."[101] The Attorney General recommends this analysis be presented in the next GCR plan case, after the order in this matter.[102]

DTE Gas argues that its gas purchasing strategy is reasonable and prudent.[103] The Company argues increased purchases from the citygate would not provide the

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[99] Attorney General Initial Brief, p 13.
[100] Attorney General Initial Brief, p 11.
[101] Attorney General Initial Brief, pp 4 & 13.
[102] Attorney General Initial Brief, p 4.
[103] DTE Gas Initial Brief, p 5.

diversity of supply provided by its current strategy for gas purchases.[104] The Company argues its GCR plan is “a long-term philosophy” regarding the best way to provide reliable supply and reasonable prices.[105] Ms. Moore testified:

> DTE Gas’s customers benefit from regional diversity of supply with increased supply reliability and mitigated price risk. Security of supply and increased options for supply sources are the primary reasons DTE Gas holds regionally diverse interstate transportation capacity. Supply basin diversity helps the Company mitigate adverse effects of major disruptions in the general natural gas industry supply chain.[106]

DTE Gas therefore disputes the need for further analysis.

The Attorney General responds, however, that purchases from multiple suppliers, transported by the same pipelines, actually provide “the Company with a wider diversity of gas supply without paying for firm pipeline transportation capacity.”[107]

This PFD agrees with DTE Gas and finds there is sufficient evidence to establish DTE Gas’s supply purchasing plan is reasonable and prudent. Accordingly, this PFD recommends the Commission deny the Attorney General’s request to direct DTE Gas to more thoroughly and adequately evaluate how it can lower the cost of gas through increased use of larger volumes of citygate purchases.

And, based on the testimony of Mr. Coppola, the Attorney General expressly argues the Company should be required to evaluate an alternative supply to its Menominee service area. He testified that DTE Gas renewed a contract with the ANR Mansfield interconnect with Viking Gas Transmission to supply this area, without considering other bids. The contract increased the transportation rated from

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[104] DTE Gas Initial Brief, p 7.
[105] DTE Gas Initial Brief, p 6.
[106] 3 Tr 68.
[107] Attorney General Initial Brief, p 11.

$5.729/Dth/month to $9.9184/Dth/month. Mr. Coppola opined that the Company should have evaluated service from the Great Lakes Gas Transmission Company (GLGT). Based on Mr. Coppola's testimony the Attorney General recommends the Commission direct the Company to provide a "thorough analysis of the GLGT alternative to serve the Menominee area and any potential cost savings that could be achieved."[108]

DTE Gas asserts that renewal of the ANR contract was the most reasonable and prudent means to ensure reliable transportation services to its customers in the Upper Peninsula. The Company disputes the need for further analysis and contends that bids were not solicited prior to renewal of the ANR contract due to the lack of providers and asserts GLGT would not provide the service required. Ms. Moore testified:

> DTE Gas needs to bring natural gas onto the system from the south side of the Upper Peninsula to adequately serve the captive market of this region. The only pipeline that meets this requirement is ANR. Contracting for any additional transport on GLGT, although less expensive, would not provide the service needed to reliably serve the Upper Peninsula area.[109]

This PDF notes that the costs associated with the renewal of the ANR contract will be reviewed in the GCR reconciliation case. DTE Gas will be required to present evidence to establish the costs associated with renewal are a reasonable and prudent means to provide reliable supply to its customers in the Upper Peninsula. Therefore, this PFD recommends that Commission deny the request to direct DTE Gas to present an analysis in its next GCR plan filing with an analysis of the GLGT alternative to serve the Menominee area.

[108] Attorney General Initial Brief, p 4.
[109] 3 Tr 115

4. Purchases from Affiliate - DTE Energy Trading Company

Ms. Moore testified that DTE Gas will purchase approximately 22.6 Bcf of gas supply, as part of the VCA program, from an affiliate, DTE Energy Trading Company (DTE Trading) during the plan period. She testified the Company followed its standard procedures in Exhibit A-7.[110]

Based on the testimony of Mr. Coppola, the Attorney General argues the Commission should issue a Section 7 warning that the utility may not be able to recover the cost associated with the purchases from the affiliate DTE Energy Trading from its customers in gas cost recovery factors established in this proceeding and future gas cost reconciliations.[111] The Attorney General argues that the transactions with the affiliate, DTE Trading lack transparency, and the Company did not present adequate evidence to establish the price paid for the gas volumes purchased from this affiliate; especially when only one bid was received.[112] In her initial brief the Attorney General notes that all gas purchases from DTE Trading were made at the Kensington and Clarington locations and argues the Company did not appropriately explain why much larger gas suppliers could not supply gas at these locations, and did not provide gas supply bids when requested.[113]

Mr. Coppola reviewed the transactions with DTE Trading for the GCR plan period, noting purchases of 14.4 Bcf are in the plan year 2022-23 and a total of 22.6 for the plan period ending 2027.[114] He asserted this was a significant increase from prior

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[110] 3 Tr 59.
[111] Attorney General Initial Brief, p 5 &14.
[112] Attorney General Initial Brief, p 14.
[113] Attorney General Initial Brief, p 14-15. See Exhibit AG-27 and AG-28.
[114] 3 Tr 349.

years which should prompt greater review of the affiliate transactions.[115] Mr. Coppola testified the Company made seven purchases from DTE Trading which represent multi-month purchases, but the supply purchase bid sheets are significantly redacted preventing meaningful review and comparison.[116]

DTE Gas replies that it made the purchases with DTE Trading to meet its supply requirements and followed its "internal and external oversight, procedures, policies, regulations, codes of conduct, standard work instructions, training compliance and ethical standards . . . ."[117] Ms. Moore provided testimony in rebuttal to support the reasonable and prudence of the purchases from DTE Trading. She detailed some of the controls in place to monitor affiliate transactions and testified the Company followed the practices.[118] She testified the Company cannot control how many suppliers will respond to an RFP. Ms. Moore stated the Company uses a blind bidding process and conducts additional review if the is only a single bidder.[119]

The Attorney General presented many of the same arguments concerning the propriety of the transactions between the Company and DTE Trading in Case No. U-20816. In that case, the Commission held:

> The Commission remains cognizant that the burden of proof of the reasonableness and prudence of the DTE Trading transactions remains with DTE Gas and disagrees that the company has not provided adequate evidence to support the inclusion of these transactions in this plan case, including the instances where there was only a single bidder.[120]

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[115] 3 Tr 350.
[116] 3 Tr 350.
[117] DTE Gas Initial Brief, p. 10, citing 3 Tr 115-117.
[118] 3 Tr 116-117.
[119] 3 Tr 119. Citing testimony from witness Schiffer and MPSC Case No. U-20816, October 27, 2022 Order, p 25.
[120] MPSC Case No. U-20816, October 27, 2022 Order, p 25.

The Commission also found a similar bidding process, and resulting purchases, from DTE Trading were adequately supported by the Company in Case No. U-20544, noting the purchases were approved in prior gas reconciliation cases.[121]

Based on the totality of the evidence in the record, this PFD does not recommend the Commission issue a Section 7 warning for the gas supply purchases with the affiliate DTE Trading. The Company provided sufficient evidence that its bidding process and review result in reasonable and prudent costs, even when there is only a single bidder. Also, the reasonable and prudence of the costs will be reviewed in reconciliation.

5. The payment of a premium to purchase Responsibly Sourced Gas (RSG).

DTE Gas purchased 674,100 Dth of gas categorized as RSG at a cost of $7,858,562; this reflects a commodity cost of $7,821,754 and a premium of $36,808.[122] Ms. Moore testified:

> RSG is a natural gas product which has undergone third party certification and regular monitoring to verify it has been produced in a way that meets the highest standards of responsibility with respect to air, water, land and community. In addition, a critical component of RSG for DTE will be focusing on RSG being a lower methane intensity natural gas product in comparison with other supply alternatives.[123]

The Company seeks to recover both the underlying commodity cost and the cost of the premium paid for certification by a third-party.[124]

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[121] MPSC Case No. U-20544, December 9, 2022 Order, pp 18-19.
[122] 3 Tr 100. This PFD notes that the Attorney General and Staff did not contest the reasonableness and prudence of the underlying commodity cost of $7,821,754 of the RSG.
[123] 3 Tr 93.
[124] DTE Gas Initial Brief, p 22. 3 Tr 101.

The Attorney General and Staff contest the inclusion of the $36,808 premium paid for the RSG and argue the Commission should issue a Section 7 warning that payment of this premium may not be recoverable in GCR reconciliations.[125]

DTE Gas avers it is exploring RSG as part of its net zero commitment on gas supply strategy.[126] Ms. Moore testified the Company met with suppliers and industry participants to gather information on the emergence and use of RSG and concluded that most utilities have determined third party certification is required.[127] Ms. Moore testified that DTE Gas "agrees that certification and auditing would be required for it to purchase RSG."[128] She acknowledged this industry is still developing, and stated the Company identified five certification and one registry, with certifications focusing on a range of characteristics.[129] Ms. Moore testified that DTE Gas is involved industry groups and collaboratives to focus on the reduction of methane emissions.[130] While the Company has not committed to any specific parameters or certification process at this time, DTE Gas will use third party certification when procuring RSG.[131]

In order to gather information and understand market dynamics, the Company issued a Request for Information (RFI), which included a requirement for third-party certification, for the purchase of up to 2 Bcf. Bidders provided proposed volume and price, including the premium.[132] DTE Gas argues the premium paid for RSG is

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[125] Attorney General Initial Brief, p 5 and Staff Initial Brief, p 4.
[126] DTE Gas Initial Brief, p 21. 3 Tr 92-93.
[127] 3 Tr 92-93.
[128] DTE Gas Initial Brief, p 21. 3 Tr 93.
[129] 3 Tr 94-95. See Table 1. Id.
[130] 3 Tr 96-97.
[131] DTE Gas Initial Brief, p 22. 3 Tr 96-99.
[132] DTE Gas Initial Brief, p 22. 3 Tr 101. See Exhibit A-42 Revised.

incremental and is "becoming a new industry standard to lower methane gas."[133] The Company argues it is reasonable and prudent for it to explore RSG as part of its commitment to reduce emissions.[134]

The Attorney General disagrees with the Company's assertion that payment of the premium for RSG was reasonable and prudent. She argues:

> The Company has not made a compelling and convincing case that purchasing RSG is in the best interest of customers or that it will make a significant difference in reducing greenhouse gas emissions. Furthermore, the payment of RSG premiums above the base cost of gas purchases is likely not recoverable under Act 304.[135]

Based on the testimony of Mr. Coppola, the Attorney General first asserts that DTE Gas's goal of net zero should not be imposed on suppliers, or come at the expense of customers, especially in the absence of laws and regulations or uniform industry business practices.[136] She asserts the RSG proposal is unnecessary and unsupported at this time because as it is based on nascent, unproven technology and the Company has not supported that the emission reductions are worth the premiums paid for the third-party certification. The Attorney General recommends that the Commission determine DTE Gas's proposal is incomplete and does not establish what effect RSG will actually have on emissions.[137] And, based on the testimony of Mr. Coppola, the Attorney General argues there are initiatives at the federal level that might render the RSG proposal unnecessary.[138]

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[133] DTE Gas Initial Brief, p 22.
[134] DTE Gas Initial Brief, p 22.
[135] Attorney General Initial Brief, p 5.
[136] Attorney General Initial Brief, p 17.
[137] Attorney General Initial Brief, p 19.
[138] Attorney General Initial Brief, p 18. 3 Tr 356-357.

Next, the Attorney General argues "the ultimate issue is whether Act 304 authorizes recovery of the costs DTE is seeking and then whether those costs are reasonable and prudent to pass on to customers in the context of a GCR proceeding."[139] She argues that the plain language of the Act does not authorize recovery of the premium paid for RSG and the Commission should warn the Company that the premium may not be recoverable in reconciliations.[140]

Staff agrees and recommends the Commission issue a Section 7 warning to DTE Gas that the cost of the $36,808 premium paid for RSG may not be recoverable.[141] Based on the testimony of Mr. Ausum, Staff argues that Act 304, as currently written, does not provide for consideration of environmental attributes in the determination of whether or not a gas supply is reasonable and prudent.[142] Staff contends that "because the RSG requires a premium in order to achieve certification, and is not a more reliable source of supply than gas that is not RSG certified, the RSG premium should not be deemed a reasonable or prudent source of supply under Act 304 as it is currently written."[143]

DTE Gas replies that the commodity cost of the RSG should be recoverable as it was purchased to meet supply requirement, and argued that payment of a premium for RSG is becoming a new industry standard and asserted "premiums paid for RSG attributes are reasonable and prudent – similar to other environmental costs . . . which

[139] Attorney General Initial Brief, p 18-19.
[140] Attorney General Initial Brief, p 19.
[141] Staff Initial Brief, p 4.
[142] Staff Initial Brief, p 4.
[143] Staff Initial Brief, p 4.

are recoverable.[144] And the Company notes it is not imposing standards on producers and characterized the development of RSG as "an evolution of the industry."[145]

This PDF agrees with the arguments put forth by the Attorney General and Staff and recommends the Commission issue a Section 7 warning, based on MCL 460.6h(7), that payment of the RSG premium of $36,808 may not be recoverable in future reconciliations. DTE Gas argues that certification by a third-party is critical to the development of RSG but admits there is not uniformity within the certification process. Ms. Moore confirmed that the Company concluded that certification of RSG is still a developing industry.[146] DTE Gas determined that a focus on methane reduction was most prudent. However, the Company did not establish what if any effect RSG will have on methane emissions and did not establish that the certification it received is based on reliable industry standards. The Attorney General correctly argues that DTE Gas's RSG proposal is "premature given the current state of the issue within the natural gas industry."[147]

But more importantly, this PFD agrees with the argument made by both Staff and the Attorney General that Act 304 does not provide for an increase in the cost of gas due to potential environmental attributes in the determination of whether costs are reasonable and prudent.[148] Section (6) of MCL 460.6h provides:

> In its final order in a gas supply and cost review, the commission shall evaluate the reasonableness and prudence of the decisions underlying the gas cost recovery plan filed by the gas utility pursuant to subsection (3), and shall approve, disapprove, or amend the gas cost recovery plan

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[144] DTE Gas Reply Brief, p 13.
[145] DTE Gas Reply Brief, p 13.
[146] 3 Tr 94.
[147] Attorney General Initial Brief, p 19.
[148] See Staff Initial Brief, p 4.

accordingly. **In evaluating the decisions underlying the gas cost recovery plan, the commission shall consider the volume, cost, and reliability of the major alternative gas supplies available to the utility; the cost of alternative fuels available to some or all of the utility's customers; the availability of gas in storage; the ability of the utility to reduce or to eliminate any sales to out-of-state customers; whether the utility has taken all appropriate legal and regulatory actions to minimize the cost of purchased gas; and other relevant factors.** The commission shall approve, reject, or amend the 12 monthly gas cost recovery factors requested by the utility in its gas cost recovery plan. The factors ordered shall be described in fixed dollar amounts per unit of gas, but may include specific amounts contingent on future events, including proceedings of the federal energy regulatory commission or its successor agency. [emphasis added][149]

The Act specifically requires the Commission evaluate "whether the utility has taken all appropriate legal and regulatory actions to minimize the cost of purchased gas."[150] As noted above RSG certification is a developing industry that currently lacks uniform standards. And, as Mr. Ausum aptly testified, "RSG serves the same function as gas procured without the 'responsibly sourced' designation and does not jeopardize reliability any more or less than gas procured in other ways. "[151] Therefore, payment of a premium for the RSG designation fails to meet the reasonable and prudent standard because it is priced at a premium compared to gas without any such supply certification.

Accordingly, this PFD recommends the Commission issue a Section 7 warning that the utility may not be able to recover the cost of $36,808 for the premium paid for certification of RSG from its customers in future gas cost reconciliations.

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[149] MCL 460.6h(6).
[150] MCL 460,6h(6).
[151] 3 Tr 297.

V.

## CONCLUSION

This PFD recommends that the Commission adopt the following findings of fact and conclusions of law:

1. DTE Gas's GCR Plan for 2022-2023 is reasonable and prudent and should be approved.
2. DTE Gas is authorized to implement a maximum GCR factor of $5.07 per Mcf which may be adjusted to a new maximum rate by the simplified contingent factor mechanism in Exhibit A-23.
3. DTE Gas is authorized to include a SOLR Reservation Charge of $ 0.45 per Mcf for GCR customers and $ 0.30 per Mcf for GCC customers to be reflected in the company's monthly billings.
4. A Section 7 warning, pursuant to MCL 460.6h(7), is not recommended regarding the Call Option.
5. A Section 7 warning, pursuant to MCL 460.6h(7), is not recommended regarding the costs related to the NEXUS transportation contract.
6. A Section 7 warning, pursuant to MCL 460.6h(7), is not recommended regarding purchases from DTE Energy Trading Company.
7. The Commission should deny the Attorney General's request to direct DTE Gas to make a concerted effort to more thoroughly evaluate reduction of costs through the use of increased citygate purchases, rather than pipeline transportation capacity.

8. The Commission should deny the Attorney General's request to direct DTE Gas to evaluate an alternative supply to its Menominee service area.
9. The Commission should approve DTE Gas's proposal to alter the method used for calculation of the Maximum Allowable GCR factor, along with Staff's recommendation to instruct DTE Gas to provide a back-test that demonstrates what the maximum factor would have been had the full 24 months been used.
10. The Commission should issue a Section 7 warning, pursuant to MCL 460.6h(7), to DTE Gas that the premium amount of $36,808 paid for RSG may not be recoverable in future reconciliation cases.

MICHIGAN OFFICE OF ADMINISTRATIVE HEARINGS AND RULES
For the Michigan Public Service Commission

Katherine E. Talbot

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Katherine E. Talbot
Administrative Law Judge

Issued and Served:
July 13, 2023

STATE OF MICHIGAN

MICHIGAN OFFICE OF ADMINSTRATIVE HEARINGS AND RULES

FOR THE MICHIGAN PUBLIC SERVICE COMMISSION

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| STATE OF MICHIGAN | ) | |
| | ) SS. | Case No. U-21064 |
| County of Ingham | ) | |
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PROOF OF SERVICE

Meaghan Dobie being duly sworn, deposes and says that on July 13, 2023, she served a copy of the attached Notice of Proposal for Decision and Proposal for Decision via email and/or first-class mail, to the persons as shown on the attached service list.

Meaghan Dobie

Meaghan Dobie

Subscribed and sworn to before me
this 13th day of July 2023.

Brianna L. Brown

Brianna L. Brown
Notary Public, Gratiot County, Michigan
My Commission Expires July 4, 2028

**Case No. U-21064**
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