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### **MPSC approves \$368M rate increase for DTE Electric Co. to fund utility's reliability upgrades**

The Michigan Public Service Commission today approved a \$368 million rate increase for customers of DTE Electric Co., a reduction of more than 40% from the \$622 million rate increase the company initially requested to fund its planned infrastructure investments to boost reliability and speed up deployment of clean energy generation ([Case No. U-21297](#)).

With today's approval of a \$368,115,000 rate increase, a typical residential customer who uses 500 kilowatt hours of electricity per month will see an increase of \$6.51, or 6.38%, on their monthly bill. The new rates will take effect Dec. 15.

DTE requested a return on equity of 10.25% and a 50%-50% debt to capital structure. Today's order approves the requested debt to capital ratio and sets a return on common equity of 9.9% and an overall rate of return of 5.56% on a jurisdictional rate base of \$22,150,952,000.

Among the highlights of today's order, the Commission approved a 2-year investment recovery mechanism (IRM) that is designed to help track investments in DTE Electric's distribution system and ensure continued investment in the distribution grid to improve reliability and resilience. These investments totaling more than \$350 million will be made in 2024-2025 toward circuit conversions, sub-transmission redesign and rebuild, breaker replacement, underground residential distribution replacements, and 4.8 kilovolt (kV) circuit automation.

The Commission limited the IRM's timeframe to 2 years so that it can be adjusted to include findings of a [distribution system audit](#) now underway — the first time the Commission has ordered such a broad, top-to-bottom assessment of the distribution systems of Michigan's two largest electric utilities.

A final report is expected by late summer 2024 on the results of the independent, third-party audit, which is comprehensively examining all equipment and operations of the electric distribution systems of DTE Electric and Consumers Energy Co. Partial approval of the IRM maintains the Commission's focus on ensuring funding for needed reliability improvements while allowing room for adjustment. Money spent on these costs must be reconciled in a future case that will assess the reasonableness and

prudence of the utility's expenditures, and the reconciliation will ensure funds approved for these programs are spent on those programs, or else be refunded to customers.

The Commission also approved funding for the company's strategic capital program to improve reliability and modernize the grid. Noting safety issues with abandoned arc wire in Detroit, the Commission approved funding for DTE Electric's efforts to harden the city's 4.8 kV grid. The Commission directed the utility to provide a detailed longer-term plan for this work, with benchmarks for performance and with an analysis of equity impacts, using the Michigan Department of Environment, Great Lakes and Energy's MiEJScreen, an interactive mapping tool that identifies Michigan communities that may be disproportionately impacted by environmental hazards. The Commission also approved some funding for conversion of circuits in the city, noting that significant electric load growth in the area and aging infrastructure have resulted in customers experiencing higher failure rates.

The Commission approved an additional \$2 million in funding for DTE Electric's pilot project to provide \$1,500 rebates for income-eligible households for the purchase of electric vehicles costing \$50,000 or less, promoting greater affordability in EV adoption.

The Commission also approved DTE Electric's request to accelerate the utility's ongoing tree trimming surge to clear trees and branches from around power lines as fallen trees and branches are the leading cause of outages in Michigan. The Commission also directed DTE to work with MPSC Staff to study tree trimming on residential service drops — the electric lines between power poles and homes. Maintaining clearance around these service drops is typically the responsibility of homeowners but can have a major impact on the length of outages. The Commission directed DTE Electric to develop a proposal for residential service-drop tree trimming pilot in its next general rate case.

Addressing the company's planned reliability and resilience investments, the Commission directed DTE Electric to:

- Include annual metrics on inspection and testing of pole and pole-top maintenance and reporting.
- Implement MPSC Staff recommendations for ensuring reliability efforts address the needs of vulnerable communities in the company's distribution plan case.
- Increase transparency in how distribution grid investments are selected and prioritized.

The MPSC ordered DTE Electric to conduct a study examining the impact of its on-peak rate structure on low-income customers before they are transitioned to the new time-of-day rates. With time-of-day rates DTE implemented in March 2023, customers are charged more for electricity weekdays from 3 p.m. to 7 p.m. between June and September. Electricity demand is at its highest during these times, and the additional power is typically at its most expensive to produce.

The Commission also directed DTE Electric to work with MPSC Staff and stakeholders to develop a detailed regression analysis of customer demographics and reliability for vulnerable communities to be used in the company's distribution plan case.

The Commission approved \$9 million requested by DTE Electric for its planned 220-megawatt Trenton Channel Battery project, which the Commission approved in the utility's integrated resource plan in [Case No. U-21193](#).

The Commission disallowed costs in a number of areas, including \$346 million in capital costs and \$133 million in information technology costs that the Commission found were insufficiently justified. The Commission also disallowed \$59.6 million in avoidable capital expenses associated with the company's planned retirement in 2028 of units 3 and 4 at its coal-fired Monroe Power Plant.

DTE Electric's last rate increase was granted in November 2022, when the MPSC approved a \$30,557,000 increase, a 90% reduction from the \$388 million the utility had requested, for a total increase over a two-year period of 7.16%. Over this same two-year period, the US annual inflation rate averaged 6.4%.

DTE Electric serves 2.3 million customers in southeast Michigan.

Intervenors in the case were Michigan Department of Attorney General; Energy Michigan; Michigan Energy Innovation Business Council; Advanced Energy United; Institute for Energy Innovation; ChargePoint Inc.; Bloom Energy Corp.; the Foundry Association of Michigan; Michigan Environmental Council; Natural Resources Defense Council; Sierra Club; Citizens Utility Board of Michigan; Michigan Cable Telecommunications Association; Association of Businesses Advocating Tariff Equity; The Kroger Co.; Gerdau MacSteel Inc.; Utility Workers Union of America, AFL-CIO Local 223; Environmental Law and Policy Center of the Midwest; Ecology Center; Union of Concerned Scientists; Vote Solar; Michigan Municipal Association for Utility Issues; City of Ann Arbor; Walmart Inc.; Great Lakes Renewable Energy Association; Residential Customer Group; Soulardarity; We Want Green, Too; International Transmission Co., and EVgo Services LLC. MPSC Staff also participated.

*To look up cases from today's meeting, access the [MPSC's E-Dockets filing system](#). Watch recordings of the MPSC's meetings on the [MPSC's YouTube channel](#).*

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