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May 7, 2024

Ms. Lisa Felice
Executive Secretary
Michigan Public Service Commission
7109 W. Saginaw Hwy.
Lansing, MI 48917

RE: MPSC Docket No. U-21291

Dear Ms. Felice:

Enclosed herewith for filing in the above-referenced matter, please find the ***Direct Testimony and Exhibits of Brian C. Collins*** and its ***Certificate of Service***.

If you have any questions, please feel free to contact my office. Thank you.

Very truly yours,

Fraser Trebilcock Davis & Dunlap, P.C.

Jennifer Utter Heston

Jennifer Utter Heston
Digitally signed by Jennifer Utter Heston
Date: 2024.05.07 10:22:47 -04'00'

JUH/dah
Enclosures
cc: All counsel of record

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of DTE GAS COMPANY for authority to increase its rate schedules and rules governing the distribution and supply of natural gas, and for miscellaneous accounting authority.	)))))))	Case No. U-21291

EXHIBIT LIST OF
MICHIGAN POWER LIMITED PARTNERSHIP

MPL-1 (BCC-1)	Load Factor Calculation for the Projected Test Year Ending 9/30/2025 With and Without Rate XXLT
MPL-2 (BCC-2)	Summary of Projected Test Year Ending 09/30/2025, Proposed Gas Revenue Increase, Peak Day Demand, Distribution Plant-Other Allocated Using Low-Pressure Distribution Usage for XXLT
MPL-3 (BCC-3)	Discovery Responses MPLPDG-1.1, 1.2 & 1.3
MPL-4 (BCC-4)	Summary of Projected Test Year Ending 09/30/2025, Proposed Gas Revenue Increase, 75% Demand and 25% Throughput, Distribution Plant-Other Allocated Using Low-Pressure Distribution Usage for XXLT
MPL-5 (BCC-5)	Summary of Projected Test Year Ending 09/30/2025, Proposed Gas Revenue Increase, Company Study Modified for Distribution Plant-Other Allocated Using Low-Pressure Distribution Usage for XXLT
MPL-6 (BCC-6)	Usage Characteristics by Customer Class for the Projected Test Year Ending 9/30/2025

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Direct Testimony and Exhibits of

Brian C. Collins

On behalf of

Michigan Power LP

May 7, 2024

BRUBAKER & ASSOCIATES, INC.

Project 11606

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of DTE GAS COMPANY for authority to increase its rates, amend its rate schedules and rules governing the distribution and supply of natural gas, and for miscellaneous accounting authority	)	**Case No. U-21291**

Direct Testimony of Brian C. Collins

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Brian C. Collins. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q WHAT IS YOUR OCCUPATION?

A I am a consultant in the field of public utility regulation and a Managing Principal with the firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

Q PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A This information is included in Appendix A to my testimony.

Q ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A I am testifying on behalf of the Michigan Power LP a large gas-fired cogeneration business that purchases substantial gas delivery service from DTE Gas Company

("DTE") on Rate XXLT (Double Extra Large Transportation) and served at the transmission level.

Q WHAT IS THE SUBJECT MATTER OF YOUR TESTIMONY?

A My testimony is directed toward DTE's natural gas cost of service study and the allocation of any allowed gas distribution rate increase. I have examined the testimony and exhibits presented by DTE in this (and previous) proceedings with respect to cost of service and revenue allocation, and I will comment on the propriety of these proposals and make certain comments and recommendations.

Q DOES YOUR TESTIMONY ADDRESS THE NECESSITY OF A RATE INCREASE FOR DTE?

A No. In order to make my presentation consistent with the revenue levels requested by DTE, I have used its numbers at the $265.5 million revenue increase level under its proposed rates. Use of these numbers should not be interpreted as an endorsement of them for purposes of determining the total dollar amount of any rate increase authorized for DTE.

Summary of Conclusions and Recommendations

Q PLEASE BRIEFLY SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS IN THIS PROCEEDING.

A The summary of my conclusions and recommendations is listed below:

1. DTE is proposing a 14.7% increase to Rate XXLT customers while stating that this rate is designed to retain these extremely large customers with competitive alternatives.

2. DTE erroneously allocates a category of cost identified as distribution-other to Rate XXLT based on total class usage while only 4.5% of Rate XXLT throughput is at

the distribution level. Correcting the allocation of distribution-other in the DTE study to only low-pressure distribution usage results in a corrected rate increase to Rate XXLT of 8.2% based on DTE's requested revenue increase.

3. DTE's cost of service study uses a weighted peak demand and throughput allocation method termed the average and peak ("A&P") method to allocate fixed demand-related delivery system costs. The A&P method (which can more accurately be called the throughput and peak method) is at odds with system design and cost causation. It is important to note that, if the system was designed to meet average throughput, it would be impossible for DTE to deliver enough gas to meet customer demands on the coldest days in the winter.

4. I recommend that a peak day demand allocation method be used in place of DTE's proposed demand and throughput. Design day peak demand by class best reflects the actual design of the system and is basically the same as the straight fixed variable method ("SFV") endorsed by the Federal Energy Regulatory Commission. Use of this method would make DTE's large transportation rates much more competitive.

5. The DTE method uses the annual system load factor to determine the percentage of fixed delivery system investment allocated on system throughput. As load factor increases, which is a measure of system efficiency, the percentage of plant allocated on system throughput increases. Large manufacturing customers use gas consistently throughout the year and increase system load factor. Therefore, the DTE method is unreasonable because it allocates even more costs to these customers as the load factor (system efficiency) increases.

6. As a reasonable alternative solution, the "75/25" method is a far superior, stable and more equitable form of cost allocation than DTE's current A&P method. The Commission has adopted this method for electric utilities in Michigan for many years. The 75/25 method allocates 75% of fixed costs on a demand basis and 25% of fixed costs on an average energy basis. Increases in system load factor do not increase the average throughput weighting, thereby removing the bias against the system efficiency increase.

7. Correcting DTE's cost of service to a peak day method shows that Rate XXLT should be significantly decreased. Limiting the throughput allocation to no more than 25% consistent with the electric cost allocation shows that Rate XXLT should be modestly decreased.

8. The Rate XXLT rate class is not adequately homogeneous with respect to the cost of service characteristics. To the extent low-pressure distribution customer(s) are allowed on the rate, those customer(s) should pay an additional charge to recover the cost associated with the low pressure distribution required for service. Certainly customers served at transmission should not pay for distribution service.

9. The alternative cost of service study shown in DTE Exhibit A-24 is problematic and should not be used for revenue distribution in this proceeding. The alternative study is a significant departure from past practice, produces harsh impacts to certain classes and to customers served by transmission service such as Michigan Power,

is not reflective of current rate structures and would take significant time and resources to investigate and correct.

Cost of Service and Rate Design Principles

Q COULD YOU PLEASE EXPLAIN THE RATEMAKING PROCESS AND THE DESIGN OF RATES?

A Yes. The ratemaking process has three steps. First, we must determine the utility's total revenue requirement and whether an increase or decrease in revenues is necessary. Second, we must determine how any increase in the utility's authorized revenues should be distributed among the major customer classes. A determination of how many dollars of revenue should be produced by each class is essential for obtaining the appropriate level of rates. Finally, individual tariffs must be designed to produce the required amount of revenues for each class of service and to reflect the cost of serving customers within that class.

The guiding principle at each step should be cost of service. In the first step – determining revenue requirements – it is universally agreed that the utility is entitled to an increase only to the extent that its actual cost of service has increased. If current rate levels exceed the utility's revenue requirement, a rate reduction is required. In short, overall rate revenues should equal actual cost of service. The same principle should apply in the next two steps. Each major customer class should produce revenues equal to the cost of serving that particular class, no more and no less. This may require a rate increase for some classes and a rate decrease for other classes. The standard tool for making this determination is a class cost of service study which shows the rates of return for each class of service. Rate levels should be modified so that each major class of service provides approximately the same rate of return. Finally, in designing individual tariffs, the goal should also be to relate the rate design

of each class to the cost of service so that each customer's rate tracks, to the extent practicable, the utility's cost of providing service to that customer.

Q WHY IS IT IMPORTANT TO ADHERE TO BASIC COST OF SERVICE PRINCIPLES IN THE RATEMAKING PROCESS?

A The basic reasons for using cost of service as the primary factor in the ratemaking process are equity and stability.

Q HOW IS THE EQUITY PRINCIPLE ACHIEVED BY BASING RATES ON COSTS?

A When rates are based on cost, each customer (to the extent practicable) pays what it costs the utility to serve that customer, no more and no less. If rates are not based on cost of service, then some customers contribute disproportionately to the utility's revenues by subsidizing service provided to other customers. This is inherently inequitable.

Q PLEASE DISCUSS THE STABILITY CONSIDERATION.

A When rates are closely tied to costs, the earnings impact on the utility associated with changes in customer usage patterns will be minimized as a result of rates being designed in the first instance to track changes in the level of costs. Thus, cost-based rates provide an important enhancement to a utility's earnings stability, reducing its need to file for future rate increases.

From the perspective of the customer, cost-based rates provide a more reliable means of determining future levels of costs and also provide more accurate price signals. If rates are based on factors other than costs, it becomes much more difficult for customers to translate expected utility-wide cost changes (i.e., expected increases

in overall revenue requirements) into changes in the rates charged to particular customer classes (and to customers within the class). Again, from the customer's perspective, this situation reduces the attractiveness of expansion, as well as of continued operations, because of the lessened ability to plan.

Q WHEN YOU SAY "COST," TO WHAT TYPE OF COST ARE YOU REFERRING?

A I am referring to the utility's "embedded" or actual accounting costs of rendering service; that is, those costs which are used by the Commission in establishing the utility's overall revenue requirement.

Q WOULD YOU PLEASE COMMENT ON THE BASIC PURPOSE OF A COST OF SERVICE STUDY?

A After determining the overall cost of service or revenue requirement, a cost of service study is used to allocate the cost of service among customer classes. A cost of service study shows how each major customer class contributes to the total system cost. For example, when a class produces the same rate of return as the total system, it is returning to the utility revenues just sufficient to cover the costs incurred in serving it (including a reasonable return on investment). If a class produces a below-average rate of return, then the revenues are insufficient to cover all relevant costs. On the other hand, if a major class produces an above-average rate of return, it is paying revenues beyond sufficient to cover the cost attributable to it. In addition, it is subsidizing part of the cost attributable to other classes which produce a below-average rate of return. The class cost of service study is important because it demonstrates the various class revenue requirements, as well as the rates of return under current and proposed rates.

Q WOULD YOU PLEASE COMMENT ON THE PROPER FUNDAMENTALS OF A COST OF SERVICE STUDY?

A Yes. Cost of service is a basic and fundamental ingredient to proper ratemaking. In all class cost of service studies, certain fundamental concepts must be recognized. Of primary importance among these concepts is the functionalization, classification, and allocation of costs. Functionalization is the determination and arrangement of costs according to major functions, such as transmission, distribution and storage. Classification involves identifying the nature of these costs as to whether they vary with the quantity of gas consumed, the demand placed upon the system or the number of customers being served.

Fixed costs are those costs which tend to remain constant over the short run irrespective of changes in gas deliveries and are generally considered to be demand-related. Fixed costs include those costs which are a function of the size of the investment in utility facilities and those costs necessary to keep the facilities "on-line." Variable costs, on the other hand, are basically those costs which tend to vary with throughput and are generally considered to be commodity-related. Customer-related costs are those which are closely related to the number of customers served, rather than the quantity of gas consumed or the demands placed upon the system. A correct application of these concepts is essential to the proper development of a cost of service study, as well as appropriate rate design within the customer class.

With respect to allocation, fixed cost should be allocated on a peak demand factor, variable cost should be allocated on a throughput factor and customer-related cost should be allocated on a per customer allocation factor.

DTE's Gas Cost of Service Study

Q HAVE YOU REVIEWED THE GAS COST OF SERVICE STUDIES PERFORMED BY DTE IN THIS PROCEEDING?

A Yes. DTE witness T.J. Krysinski submitted a projected test year ending September 30, 2025 gas cost of service study. I will focus on this projected test year study used for revenue allocation of any increase that might be granted in this case and rate design.

Q DO YOU AGREE WITH THE ALLOCATION METHODS UTILIZED BY DTE IN ITS TEST YEAR GAS COST OF SERVICE STUDY?

A While I agree with some of the allocations used by DTE, significant over-allocations to the transportation class continue. The Commission should take this opportunity to stop the over-allocation of cost to the Rate XXLT double-extra large transportation customers. Failing to correct this inequity will result in DTE's rates becoming even less competitive. Specifically, I take issue with the allocation of distribution-other to the Rate XXLT class based on total class usage. I also take issue with the use of the A&P method to allocate fixed costs of the gas delivery system. Elimination of the A&P method would make rates more reflective of cost and would make Michigan more attractive to energy-intensive industries through more competitive gas transportation rates. DTE states that Rate XXLT was designed to retain its very largest customers. Decker Direct, p. 12. A more cost causative allocation method could basically eliminate this customer retention problem and make DTE's rates much more competitive. DTE should be held accountable for proposing a methodology that makes its rates uncompetitive. The allocation of fixed cost on the basis of throughput in the A&P method is directly harmful to energy-intensive industries and in conflict with the goal of making Michigan more attractive to energy-intensive customers with competitive rates.

DTE has taken some steps to incorporate cost-causative principles that more appropriately reflect the lower cost of serving energy-intensive industrial customers. However, the A&P method continues to over-allocate significant costs to energy-intensive (high load factor) customers, making industrial rates in Michigan less competitive and less attractive compared to rates not based on throughput allocations.

Q HOW DOES DTE DETERMINE WHAT PORTION OF FIXED COSTS SHOULD BE ALLOCATED ON THE PEAK BASIS AND WHAT PORTION ON TOTAL ANNUAL THROUGHPUT (AVERAGE) BASIS?

A DTE uses its average system load factor based on projected annual system throughput and a system design peak day requirement. The calculated average system load factor represents the amount that is allocated on total annual throughput (average) and one minus the average system load factor is used to determine the amount to allocate on the peak basis, as shown on DTE Exhibit A-16, Schedule F1.2, p. 3 of 22.

Q WHAT IS THE DTE SYSTEM LOAD FACTOR?

A It is a measure of the efficiency of DTE's system. The load factor used in the A&P formula in this case is 35.8%. The load factor relates the average use of the system to the peak requirements of the system.

Q WHAT ARE THE IMPLICATIONS OF THIS RELATIONSHIP?

A The system must be designed to deliver gas to the load that occurs on the coldest winter day, also known as the design peak day demand. The average throughput is 881,773 Mcf and the design peak day demand is 2,465,544 Mcf. A system designed to serve 881,773 Mcf is clearly inadequate to serve the winter peak day demand of

2,465,544 Mcf. Allocating fixed delivery system cost on average annual throughput over-allocates cost to high load factor customers and under-allocates cost to low load factor customers that require the system deliverability to meet the peak load during the coldest period. Ironically, the over-allocation to high load factor customers increases as system load factor (efficiency) increases.

Q DO CUSTOMERS BENEFIT FROM A MORE EFFICIENT SYSTEM?

A Yes. More throughput without an increase in demand makes the system more efficient and reduces overall costs to all ratepayers. This is because if the system load factor improved (increased throughput without an increase in peak demand), the system would be more efficient and fixed cost per unit would decrease. However, the A&P formula unfairly increases the allocation on throughput and punishes the higher load factor classes that are responsible for increasing the efficiency of the system by increasing their costs. Thereby, the use of A&P penalizes customers that exhibit efficient gas consumption (higher load factors). Under-utilization of the system should not be encouraged since it results in higher per unit prices, but this is what DTE's current rate structure has the effect of doing. Based on DTE data, the residential load factor is approximately 23% while the Rate XXLT load factor is 86% as shown on Exhibit MPL-1 (BCC-1).

Q IS THE A&P APPROACH APPROPRIATE TO ALLOCATE FIXED RELATED DELIVERY SYSTEM COSTS?

A No. In this case and the previous cases, DTE has made it clear that it designs its gas delivery system to meet peak demand. In a previous case, DTE witness J.A. Aud's testimony regarding system design stated:

> "The design peak day reflects a consumption level consistent with the design of the utility's system."
>
> (Aud, Direct p. 21, U-18999)

There is no indication that load factor is significant for system planning of the DTE system.

In addition, the A&P is in direct conflict with efficiency improvement on the system. The system must be sized to meet the peak day demand for DTE to satisfy its gas service obligation throughout the year. As such, average annual throughput is unrelated to cost causation with respect to demand related delivery system costs. There is no logical reason to design and construct the system to meet peak demand and then allocate those costs on average annual throughput.

Q WHAT APPROACH SHOULD DTE USE TO ALLOCATE ITS FIXED RELATED DELIVERY SYSTEM COSTS?

A The peak day demand method is far superior to the A&P approach for allocating based on actual cost causation. The peak day demand is the main driver in the planning activities for system design and hence, the cost of constructing and operating a system that can reliably serve 2,465,544 Mcf on the coldest winter days. A system designed to serve the average daily throughput of 881,773 Mcf could serve only 35.8% of the load during the cold winter peak period.

Q IS THE ALLOCATION OF FIXED DELIVERY COSTS BASED ON PEAK DAY DEMAND DISCUSSED IN THE NATIONAL ASSOCIATION OF REGULATORY COMMISSIONERS ("NARUC") MANUAL?

A Yes. NARUC recognizes that distribution mains should be allocated to customer classes based on: (1) design peak day demands for the demand component; and

(2) the number of customers for the customer component. In that regard, the NARUC Gas Distribution Rate Design Manual states the following:

> Demand or capacity costs vary with the size of plant and equipment. They are related to maximum system requirements which the system is designed to serve during short intervals and **do not directly vary** with the number of customers **or their annual usage**. Included in these costs are: the capital costs associated with production, transmission and storage plant and their related expenses; the demand cost of gas; and most of the capital costs and expenses associated with that part of the distribution plant not allocated to customer costs, such as the costs associated with distribution mains in excess of the minimum size.
>
> (NARUC Manual, Gas Distribution Rate Design, June 1989, pp. 23-24; emphasis added)

Q ARE YOU AWARE OF ANY OTHER AUTHORITATIVE AGENCY'S POSITION ON THE CLASSIFICATION AND ALLOCATION OF GAS DISTRIBUTION MAIN COSTS?

A Yes. In Order 636, the Federal Energy Regulatory Commission ("FERC") endorsed the SFV cost methodology, which allocates fixed pipeline cost 100% on a demand basis. In this regard, FERC states:

> The Commission believes that requiring SFV comports with and promotes Congress' goal of a national gas market as discussed above and goes hand-in-hand with the equity principle.
>
> ********
>
> Moreover, the Commission's adoption of SFV should maximize pipeline throughput over time by allowing gas to compete with alternative fuels on a timely basis as the prices of alternate fuels change. The Commission believes it is beyond doubt that it is in the national interest to promote the use of clean and abundant natural gas over alternate fuels such as foreign oil. SFV is the best method for doing that. (FERC Order 636, Final Rate Issued April 8, 1992, pp. 127-129 (footnote omitted))

The FERC SFV allocation method appropriately treats fixed pipeline costs as demand-related costs. Similarly, distribution main costs not classified as customer-related on

DTE's system should be treated as demand-related costs to achieve the goals and benefits outlined by FERC and in accordance with NARUC guidance. The peak day demand method allows this to be done.

Q HOW DOES PANHANDLE PIPELINE ALLOCATE FIXED COSTS?

A Panhandle's rate filing before FERC, Docket No. RP19-1523-000, included Panhandle witness Lawrence J. Biediger's testimony wherein he states:

> "**Q. What rate design underlies the rates included in the current filing?**
> A. Panhandle continues to use the Straight Fixed Variable ("SFV") cost classification, cost allocation and rate design methodology, as previously approved in its last rate case and its Order No. 636 restructuring proceeding in Docket Nos.RP92-166-000, and RS92-22-000, respectively."
>
> (Panhandle witness Biediger Direct Testimony, pp 5-6)

Panhandle witness Bradly J. Sherbenou states the following:

> "**Q. How does Panhandle use the SFV methodology in its filing?**
> A. Panhandle uses the SFV methodology for cost classification, cost allocation and rate design. Under this method, all of the storage and transmission fixed costs including return on equity are included in the reservation component of transportation rates. Variable costs are included in the commodity component of transportation rates."
>
> (Panhandle witness Sherbenou Direct Testimony, p 9)

It therefore appears that the competitive pipeline to which DTE is worried about losing customers uses a demand-based cost allocation methodology.

Q HAVE YOU PERFORMED A STUDY USING THE PEAK DAY TO ALLOCATE FIXED COSTS TO CLASSES?

A Yes. I have used DTE's model to perform a peak day demand cost of service study and also corrected the allocation of distribution-other to the Rate XXLT class. The results are shown in Exhibit MPL-2 (BCC-2). Peak day demand data by class as

provided by DTE is used to allocate fixed delivery costs in place of the A&P method. The results of this study indicate that transportation customers are providing revenues significantly in excess of their cost of service. It is important to note that this design peak day demand study supports a sizeable revenue decrease of 45.0% to the Rate XXLT class, at proposed rate levels. The design peak day demand study is most reflective of system design and cost causation. Use of the design peak day demand study would also make DTE's Rate XXLT much more competitive which is consistent with the purpose of the rate.

Q WHAT CORRECTION IS REQUIRED IN THE ALLOCATION OF DISTRIBUTION-OTHER TO THE RATE XXLT CLASS?

A Rate XXLT was established to recognize the lower cost to serve a limited number of extremely large customers with competitive alternatives to purchasing transportation service from DTE. The rate was established as a transmission or high pressure service rate. Apparently, a small amount of lower pressure-distribution service has been added to the rate. Exhibit MPL-3 (BCC-3) is a discovery response that shows the annual usage and peak day demand by service level for the Rate XXLT class. Only 4.5% of usage occurs at the low-pressure distribution service level.

Q WHAT COSTS ARE INCLUDED IN DTE'S DISTRIBUTION-OTHER?

A Distribution-other includes:

- Land and Land Rights (FERC Account No. 374);
- Structures and Improvements (FERC Account No. 375);
- Compressor Station Equipment (FERC Account No. 377); and
- Measuring and Regulating Station Equipment (FERC Account Nos. 378, 379).

Similar equipment is already included in DTE's transmission plant accounts (FERC Accounts 365, 366, 368 and 369). These costs are allocated to Rate XXLT at the transmission level.

Q SHOULD THE COSTS INCLUDED IN DTE'S DISTRIBUTION-OTHER BE ALLOCATED TO THE RATE XXLT CLASS BASED ON TOTAL CLASS THROUGHPUT AND TOTAL CLASS DEMAND?

A No. Only 4.5% of Rate XXLT usage occurs at the distribution level. It is not appropriate to allocate distribution costs to Rate XXLT class customers based on total class usage.

Q HAVE YOU PERFORMED AN ALTERNATIVE COST OF SERVICE STUDY?

A Yes. Although I believe the design peak day demand study is the most reflective of cost causation, I have performed a "75/25" study as an alternative method to correct the unfairness of the A&P study, which penalizes customers that increase system efficiency by operating at higher load factors. The results are shown in Exhibit MPL-4 (BCC-4). The 75/25 study adds stability and certainty to the cost allocation method and is consistent with most electric cost of service studies approved by the MPSC, although is not as cost based as the design peak day demand approach. It would be, in that sense, a step in the right direction without requiring as dramatic a shift in costs among classes in the short-term.

In place of using a system load factor to determine the throughput weighting in the allocation methodology, I have used the "75/25" formula. I have also corrected the distribution-other allocation to the Rate XXLT class. The Commission has recognized the merits of the 75/25 weighting for decades. This formula fixes the average or throughput weighting in the allocation factor at 25%. On that basis, increases in system

load factor will not cause increases to the throughput weighting in the allocation formula to the detriment of efficient high load factor customers. Absent these unique Rate XXLT customers, the DTE system load factor would be reduced to 29.6% as shown on Exhibit MPL-1 (BCC-1) which is very close to the 25% in the 75/25 approach.

Q IF A PEAK DAY DEMAND STUDY PRODUCES MORE COST-BASED RESULTS, WHY DID YOU PERFORM A 75/25 STUDY?

A The Commission has previously expressed a preference for some form of average throughput weighting to the allocation of fixed delivery cost, so I have provided an alternative that is not purely demand based. Use of the 75/25 methodology is preferable to the A&P methodology because it significantly reduces the negative incentives on system efficiency. To my knowledge, there is no showing that system load factor under the A&P methodology is the appropriate weighting mechanism and it is detrimental to improvements in system efficiency by allocating more cost to high load factor customers that benefit other users of the DTE system, as discussed above. In addition, the load factor changes and causes illogical and unwarranted changes to the A&P cost allocation. In this case, the load factor is 35.8%. In the previous case, DTE Used 32.5%. The MPSC Staff, based on different sales projections, used a different percentage. These variations impact the cost study with no logical basis or support. The 75/25 method corrects that unsupported and erroneous change in cost allocation to classes.

Q HAVE YOU CORRECTED THE DTE COST OF SERVICE STUDY TO LIMIT THE ALLOCATION OF DISTRIBUTION-OTHER TO ONLY THE USAGE AT LOW-PRESSURE DISTRIBUTION?

A Yes. Exhibit MPL-5 (BCC-5) corrects only the allocation of distribution-other. The resulting rate increase to Rate XXLT is shown as 8.2%, based on DTE's approach and requested increase.

Distribution of Revenue Increase

Q HAVE YOU CALCULATED HOW THE INCREASE WOULD BE ALLOCATED TO CLASSES BASED ON THE 75/25 COST OF SERVICE STUDY?

A Yes. The revenue allocation shown in Exhibit MPL-4 (BCC-4) is based on DTE's test year cost study, using the 75/25 allocation method of demand related costs and also corrects the allocation of distribution-other cost to Rate XXLT. Based on the 75/25 allocation method, Rate XXLT be decreased by 5.8% to be reflective of cost.

Q WHAT IS YOUR RECOMMENDATION CONCERNING THE ALLOCATION OF REVENUES TO THE CUSTOMER CLASSES IN THIS CASE?

A I recommend that any increase to Rate XXLT transportation customers be limited to a maximum of those set forth in the corrected 75/25 study as a first step in moving to a competitive rate for our State's largest employers. I continue to recommend the peak day method as a long-term solution to the competitive issue associated with DTE's gas transportation rates, but if the Commission is not willing to take that step immediately, then the 75/25 allocation is an intermediate step that substantially addresses the anti-competitive and inefficiency biases inherent in DTE's A&P methodology. DTE's proposed 14.7% to Rate XXLT customers should be rejected. As previously stated,

DTE's corrected approach would increase Rate XXLT by 8.2% at the full requested rate increase. However, a rate decrease of 5.8% is warranted based on the 75/25 cost of service study.

Q PLEASE DISCUSS THE RATE XXLT RATE DESIGN.

A First, it is important to recognize that although Rate ST, Rate LT, Rate XLT, and Rate XXLT each are treated separately in the cost of service study, they are all contained in one transportation rate which uses breakeven points based on usage to provide target rate levels.

Exhibit MPL-6 (BCC-6) shows the usage characteristics of the various rate classes. Rate XXLT is unique in that seven customers account for 26.3% of total DTE sales (throughput) and operate at a highly efficient 85.9% load factor.

As explained by Mr. Decker regarding the purpose of Rate XXLT:

> "The XXLT transportation rate schedule provides a gas transportation rate that is designed to retain the very largest EUT customers that would otherwise bypass DTE Gas's system and take service from interstate transmission pipelines, which are not regulated by the Commission. Their size, energy consumption, and location near interstate pipelines afford these customers the opportunity and means to make an investment to bypass DTE Gas's system."

(Decker Direct, p. 12-13)

Adding unwarranted charges in excess of the cost to serve these customers is at odds with the purpose of the XXLT rate schedule and should not be allowed by the Commission. The rate should actually be decreased, and certainly no increase is warranted.

Q PLEASE COMMENT ON AN ENHANCEMENT TO THE RATE XXLT RATE DESIGN.

A Rate XXLT is homogeneous with respect to size and competitive alternatives, but not with respect to service levels. Since certain volumes require low-pressure distribution equipment to provide service, those volumes should incur an additional charge for that service not used by other Rate XXLT customers. This low-pressure distribution service cost is particularly unfair to those customers served at the transmission level, such as Michigan Power.

The revenue requirement allocated to Rate XXLT for distribution-other as corrected for low-pressure distribution usage is $249,000. That amount divided by the low-pressure distribution usage of 3,806,336 Mcf amounts to $0.0654 per Mcf. That amount should be an additional charge for low-pressure distribution service volumes and $249,000 should be removed from the Rate XXLT revenue requirements for the Rate XXLT throughput charge.

Q HAVE YOU REVIEWED THE ALTERNATE COST OF SERVICE STUDY FILED BY DTE?

A Yes. DTE filed an alternate cost of service study in Exhibit A-24. To my knowledge DTE has not endorsed or used this study for revenue distribution or rate design in this case.

Q SHOULD THE ALTERNATE STUDY BE USED FOR REVENUE DISTRIBUTION OR RATE DESIGN IN THIS CASE?

A No. The alternate study is presented but not explained by DTE. The alternate study is a significant departure from past practice and produces an extremely harsh impact on

rates for customers such as those on Rate XXLT. The pressure levels are not contained as requirements for certain rates within the DTE approved tariff.

For a customer such as Michigan Power LP which is served and metered at the transmission service level, the alternative study produces completely erroneous results.

A review and correction to this alternative study would take significant time and resources which are beyond the limits of this procedural schedule. We urge the Commission to reject this study for use in this proceeding.

Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A Yes, it does.

Qualifications of Brian C. Collins

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Brian C. Collins. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?

A I am a consultant in the field of public utility regulation and a Managing Principal with the firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCE.

A I graduated from Southern Illinois University Carbondale with a Bachelor of Science degree in Electrical Engineering. I also graduated from the University of Illinois at Springfield with a Master of Business Administration degree. Prior to joining BAI, I was employed by the Illinois Commerce Commission and City Water Light & Power ("CWLP") in Springfield, Illinois.

My responsibilities at the Illinois Commerce Commission included the review of the prudence of utilities' fuel costs in fuel adjustment reconciliation cases before the Commission as well as the review of utilities' requests for certificates of public convenience and necessity for new electric transmission lines. My responsibilities at CWLP included generation and transmission system planning. While at CWLP, I completed several thermal and voltage studies in support of CWLP's operating and planning decisions. I also performed duties for CWLP's Operations Department, including calculating CWLP's monthly cost of production. I also determined CWLP's

allocation of wholesale purchased power costs to retail and wholesale customers for use in the monthly fuel adjustment.

In June 2001, I joined BAI as a Consultant. Since that time, I have participated in the analysis of various utility rate and other matters in several states and before the Federal Energy Regulatory Commission ("FERC"). I have filed or presented testimony before the Arkansas Public Service Commission, the California Public Utilities Commission, the Colorado Public Utilities Commission, the Delaware Public Service Commission, the Public Service Commission of the District of Columbia, the Florida Public Service Commission, the Georgia Public Service Commission, the Guam Public Utilities Commission, the Idaho Public Utilities Commission, the Illinois Commerce Commission, the Indiana Utility Regulatory Commission, the Kentucky Public Service Commission, the Public Utilities Board of Manitoba, the Minnesota Public Utilities Commission, the Mississippi Public Service Commission, the Missouri Public Service Commission, the Montana Public Service Commission, the North Carolina Utilities Commission, the North Dakota Public Service Commission, the Public Utilities Commission of Ohio, the Oklahoma Corporation Commission, the Oregon Public Utility Commission, the Rhode Island Public Utilities Commission, the Public Service Commission of Utah, the Virginia State Corporation Commission, the Washington Utilities and Transportation Commission, the Public Service Commission of Wisconsin, and the Wyoming Public Service Commission. I have also assisted in the analysis of transmission line routes proposed in certificate of convenience and necessity proceedings before the Public Utility Commission of Texas.

In 2009, I completed the University of Wisconsin – Madison High Voltage Direct Current ("HVDC") Transmission Course for Planners that was sponsored by the Midwest Independent Transmission System Operator, Inc. ("MISO").

BAI was formed in April 1995. BAI and its predecessor firm have participated in more than 1,000 regulatory proceedings in forty states and Canada.

BAI provides consulting services in the economic, technical, accounting, and financial aspects of public utility rates and in the acquisition of utility and energy services through RFPs and negotiations, in both regulated and unregulated markets. Our clients include large industrial and institutional customers, some utilities and, on occasion, state regulatory agencies. We also prepare special studies and reports, forecasts, surveys and siting studies, and present seminars on utility-related issues.

In general, we are engaged in energy and regulatory consulting, economic analysis and contract negotiation. In addition to our main office in St. Louis, the firm also has branch offices in Corpus Christi, Texas; Louisville, Kentucky and Phoenix, Arizona.

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Michigan Public Service Commission
DTE Gas Company
Load Factor Calculation for the Projected Test Year Ending 9/30/2025
With and Without Rate XXLT

	(a)	(b)	(c)	(d)
Line No.	**Description**	**Annual Throughput**	**Peak Day Demand**	**Load Factor**
1	Rate GS-1/GS-2 - General	40,985,028	461,804	24.32%
2	Rate A - Residential	112,464,297	1,315,899	23.42%
3	Rate 2A - Multi-Family	4,027,460	42,192	26.15%
4	Rate S - Schools	1,599,946	18,882	23.21%
5	Rate ST Transportation	17,060,651	101,303	46.14%
6	Rate LT Transportation	19,248,430	88,602	59.52%
7	Rate XLT Transportation	29,772,211	107,783	75.68%
8	Rate XXLT Transportation	84,652,694	269,937	85.92%
9	Exelon	12,036,332	59,141	55.76%
10	Total	321,847,048	2,465,544	35.76%

Line No.	**Description**	**Annual Throughput**	**Peak Day Demand**	**Load Factor**
11	Rate GS-1/GS-2 - General	40,985,028	461,804	24.32%
12	Rate A - Residential	112,464,297	1,315,899	23.42%
13	Rate 2A - Multi-Family	4,027,460	42,192	26.15%
14	Rate S - Schools	1,599,946	18,882	23.21%
15	Rate ST Transportation	17,060,651	101,303	46.14%
16	Rate LT Transportation	19,248,430	88,602	59.52%
17	Rate XLT Transportation	29,772,211	107,783	75.68%
18	Rate XXLT Transportation			
19	Exelon	12,036,332	59,141	55.76%
20	Total	237,194,354	2,195,607	29.60%

Michigan Public Service Commission
DTE Gas Company
Summary of Projected Test Year Ending 09/30/2025
Proposed Gas Revenue Increase
Peak Day Demand
Distribution Plant-Other Allocated using Low-Pressure Distribution Usage for XXLT

	(a)	(b)	(c)	(d)	(e)	(f)
			Annual Operating Revenues ($000)			
Line		Test Year	Test Year		Increase / (Decrease)	
No.	Rate Class	MMcf	Current (1)	Proposed (2)	Revenues ($000)	Percent
	Residential					
1	Rate A	112,464	1,154,404	1,286,652	132,248	11.46%
2	Rate 2A	4,027	36,366	40,153	3,786	10.41%
3	Total Residential Services	116,492	1,190,770	1,326,804	136,034	11.42%
	General Services					
4	GS-1/GS-2	40,985	364,227	402,625	38,398	10.54%
5						
	School					
6	Rate S	1,600	10,898	11,572	674	6.18%
7	Subtotal Gas Sales Revenues	159,077	1,565,896	1,741,002	175,106	11.18%
	Transportation					
8	Rate ST	17,061	46,063	47,298	1,236	2.68%
9	Rate LT	19,248	30,967	27,649	(3,319)	-10.72%
10	Rate XLT	29,772	29,299	26,116	(3,183)	-10.86%
11	Rate XXLT	84,653	31,324	17,229	(14,095)	-45.00%
12	Exelon	12,036	13,145	17,304	4,159	31.64%
13	Total Transportation Services	162,770	150,798	135,597	(15,201)	-10.08%
14	**Total**	321,847	1,716,694	1,876,599	159,905	9.31%
15	Less: GCR Revenues (included above)		618,473	618,473	-	
16	Less: Currently Approved IRM Surcharge Revenue (included above)		126,295	-	(126,295)	
17	Less: 2025 IRM Surcharge Revenue (included above)		-	20,668	20,668	
18	Base Revenues		971,926	1,237,458	265,532	27.32%

(1) Projected test year billing determinants at the current base rates including IRM Revenue using projected test year billing determinants at the IRM rate approved in U-20940 for all rate schedules and GCR revenues using projected test year billing determinants at the projected cost of gas sold of $4.381/Mcf (Exhibit A-13, Schedule C4) for the sales rate schedules.

(2) Projected test year billing determinants at the proposed rates including IRM Revenue using projected test year billing determinants at the 2025 IRM rate proposed on Exhibit A-18, Schedule H4 for all rate schedules and GCR revenues using projected test year billing determinants at the projected cost of gas sold of $4.381/Mcf (Exhibit A-13, Schedule C4) for the sales rate schedules.

Sources: Exhibit A-16 Sch. F3, Exhibit A-18, Sch. H4, & WP TJK-11

Michigan Public Service Commission
DTE Gas Company
Calculation of the Projected Test Year Ending 09/30/2025
Current and Proposed Revenues by Rate Schedule
Transportation Service Rate ST, LT, XLT and XXLT
($000)

Peak Day Demand
Distribution Plant-Other Allocated using
Low-Pressure Distribution Usage for XXLT

Line No.	(a) Description	(b) Customers/ MMcf	(c) Current Rate	(d) Pro Forma Revenue	(e) Proposed Rate	(f) Proposed Revenue	(g) Proposed Revenue Increase/(Decrease) Amount	(h) Percent
	Customer Charge							
1	Rate Schedule ST	433	$ 2,780	$ 14,445	3,300	$ 17,147	$ 2,702	18.71%
2	Rate Schedule LT	85	6,780	6,916	9,100	9,282	2,366	34.22%
3	Rate Schedule XLT	20	17,250	4,140	20,000	4,800	660	15.94%
4	Rate Schedule XXLT	7	169,835	14,266	230,000	19,320	5,054	35.43%
5	Total Customer Charges	545		$ 39,767		$ 50,549	$ 10,782	27.11%
	Distribution Charges							
6	Rate Schedule ST	17,061	$ 1.4906	$ 25,431	$ 1.7179	$ 29,308	$ 3,877	15.25%
7	Rate Schedule LT	19,248	$ 0.9427	18,145	0.9170	17,650	(496)	-2.73%
8	Rate Schedule XLT	29,772	$ 0.7060	21,019	0.6869	20,451	(568)	-2.70%
10	Rate Schedule XXLT	84,653	$ 0.1933	16,363	(0.0263)	(2,228)	(18,592)	-113.62%
12	Total Distribution Charges	150,734		$ 80,959		$ 65,180	$ (15,778)	-19.49%
13	Total ST, LT, XLT and XXLT			$ 120,725		$ 115,729	$ (4,996)	-4.14%

Calculation of Transportation Rates:

	Rate Schedule:	**ST**	**LT**	**XLT**	**XXLT**
14	Revenue Req Per COSS	$ 34,577	$ 25,384	$ 30,979	$ 24,886
15	Discount				
16	Rate Design Adjustment	11,898	1,560	(5,679)	(7,779)
17	Target Revenue	$ 46,475	$ 26,944	$ 25,300	$ 17,107
18	Less Remote Meter Fees	20.3	12.3	49.2	15.6
19	Less Customers Charges	17,147	9,282	4,800	19,320
20	Distribution Revenue	$ 29,308	$ 17,650	$ 20,451	$ (2,228)
21	Divided by Throughput	17,061	19,248	29,772	84,653
22	**Transportation Rate ($/Mcf)**	**$ 1.7179**	**$ 0.9170**	**$ 0.6869**	**$ (0.0263)**
23	Average Cost Per Mcf	$ 2.7241	$ 1.3998	$ 0.8498	$ 0.2021
24	**Proposed Customer Charge:**	**$ 3,300**	**$ 9,100**	**$ 20,000**	**$ 230,000**
25	Year 1 IRM Charge 2025	**$ 162.39**	**$ 702.97**	**$ 3,605.40**	**$ 1,631.37**

Rev Req: EUT	$	115,827
Rounding		
Remote Meter	$	(97)
Rate Design Adjustment		0
Adj Rev Req	$	115,729
Revenues	$	115,729
Difference	$	(0)

	Breakeven Analysis	**ST vs. LT**		**LT vs. XLT**		**XLT vs. XXLT**		**ST vs. GS-1**
26	Annual Fixed Charges - ST	$ 41,549	LT	$ 117,636	XLT	$ 283,265		$ 648
27	Annual Fixed Charges - LT	$ 117,636	XLT	$ 283,265	XXLT	$ 2,779,576		$ 41,549
28	Annual Fixed Cost Differential	$ 76,087		$ 165,629		$ 2,496,312		$ 40,901
29	Variable Rate Differential	$ 0.8009		$ 0.2300		$ 0.7132		$3.2912
30	**Annual Break Even (Mcf)**	**95,000**		**720,000**		**3,500,000**		**12,427**

Source: Exh. A-16, Sch. F1.1 (Rev Req); TJK-1 (Volumes); TJK-2 (Customers); Exh. A-18, Sch. H4 (IRM)

U-20940 / Tariff	**100,000**	**700,000**	**3,500,000**	**14,500**
	(5,000)	20,000	0	(2,073)

	Rate Adjustment
ST	$ 11,898
LT	$ 1,560
XLT	$ (5,679)
XXLT	$ (7,779)
Total (should equal 0)	$ -

MPSC Case No: U-21291

Requester: MPLP

Question No.: MPLPDG-1.1

Respondent: T. J. Krysinski

Page: 1 of 1

Question: Referring to Exhibit A-16, Schedule F1.2, pages 2 and 3 of 22, please provide the peak demand and annual throughput for Rate XXLT as used in the test year cost of service study designated as transmission, high pressure and low pressure. Please reconcile to Exhibit A-16 Schedules.

Answer: Peak demand and annual throughput by service level (transmission, high pressure distribution, low pressure distribution) for Rate XXLT can be found in the revised working Excel model named "U-21291 Alternate COS for Filing_REVISED.xlsx" which was filed by DTE on March 19, 2024. Specifically, the requested information can be obtained using the values found in Excel tab "3T" in which the revised allocation schedule 3T is calculated, and Excel tab "3H" in which the revised allocation schedule 3H is calculated. See the table below for the requested information. The totals in the table match those in the Company's as-filed COSS for the projected test year as shown on page 3 of Exhibit A-16 F1.2 p3.

Service Level	Annual Demand XXLT (Mcf)	Peak Day Demand XXLT (Mcf)	Source
Low-Pressure Distribution	3,806,336	12,137	Tab "3H", Line 8 Col (c) / Line 18 Col (d)
High-Pressure Distribution	59,007,199	188,160	Subtract Transmission and Low-Pressure from Totals
Transmission	21,839,159	69,640	Tab "3T", Lines 8 & 18 Col (b)
XXLT Total	84,652,694	269,937	Tab "3T", Lines 8 & 18 Col (a)

Attachment: None

MPSC Case No: U-21291

Requester: MPLP

Question No.: MPLPDG-1.2

Respondent: T. J. Krysinski

Page: 1 of 1

Question: For Rate XXLT, please provide peak demands and annual throughput designated as transmission, high pressure and distribution for the test year cost of service study. If these quantities differ from the response to MPLP-DTE-1, please explain in detail.

Answer: Please refer to the response for MPLPDG-1.1.

Attachment: None

MPSC Case No: U-21291

Requester: MPLP

Question No.: MPLPDG-1.3

Respondent: T. J. Krysinski

Page: 1 of 1

Question: Please provide a description of the distribution cost allocated to the Rate XXLT class and the basis for the allocation. Include the peak demand and throughput used for the allocation of the distribution cost to the Rate XXLT class in the DTE test year cost of service study.

Answer: DTE Gas objects for the reason that the request is unclear and unduly vague and incapable of answer in its present form since the Company is unclear regarding the meaning of "distribution cost". Subject to this objection, and without waiving this objection, DTE Gas would answer as follows:

Assuming this question refers to distribution gross plant included in the Company's projected test-year revenue requirement, the total costs are shown on lines 4 to 9, col (b) of page 3 on Exhibit A-16 F1.1. Column (l) of this exhibit identifies the allocation schedules applied to each line item. A list of allocators has been provided on page 7 of Exhibit A-16 F1.1 and the calculation of each allocator can be found on Exhibit A-16 F1.2.

For additional detail regarding the allocators utilized in the COSS, please refer to my as-filed direct testimony. A high-level discussion regarding the allocators used in the Company's as-filed COSS is provided in part two of my testimony, "2. COSS Allocation Schedules". An explanation of the average & peak method is provided in part three of my testimony, "3. Discussion of Peak Day Allocation Schedules".

Attachment: None

Co-Respondent(s): Legal

Michigan Public Service Commission
DTE Gas Company
Summary of Projected Test Year Ending 09/30/2025
Proposed Gas Revenue Increase
75% Demand and 25% Throughput
Distribution Plant-Other Allocated using Low-Pressure Distribution Usage for XXLT

	(a)	(b)	(c)	(d)	(e)	(f)
			Annual Operating Revenues ($000)			
Line		Test Year	Test Year		Increase / (Decrease)	
No.	Rate Class	MMcf	Current (1)	Proposed (2)	Revenues ($000)	Percent
	Residential					
1	Rate A	112,464	1,154,404	1,268,773	114,370	9.91%
2	Rate 2A	4,027	36,366	39,521	3,155	8.67%
3	Total Residential Services	116,492	1,190,770	1,308,294	117,524	9.87%
	General Services					
4	GS-1/GS-2	40,985	364,227	397,004	32,777	9.00%
5						
	School					
6	Rate S	1,600	10,898	11,305	407	3.73%
7	Subtotal Gas Sales Revenues	159,077	1,565,896	1,716,603	150,708	9.62%
	Transportation					
8	Rate ST	17,061	46,063	49,073	3,010	6.53%
9	Rate LT	19,248	30,967	30,875	(92)	-0.30%
10	Rate XLT	29,772	29,299	30,638	1,339	4.57%
11	Rate XXLT	84,653	31,324	29,500	(1,824)	-5.82%
12	Exelon	12,036	13,145	19,910	6,765	51.46%
13	Total Transportation Services	162,770	150,798	159,995	9,197	6.10%
14	**Total**	321,847	1,716,694	1,876,599	159,905	9.31%
15	Less: GCR Revenues (included above)		618,473	618,473	-	
16	Less: Currently Approved IRM Surcharge Revenue (included above)		126,295	-	(126,295)	
17	Less: 2025 IRM Surcharge Revenue (included above)		-	20,668	20,668	
18	Base Revenues		971,926	1,237,458	265,532	27.32%

(1) Projected test year billing determinants at the current base rates including IRM Revenue using projected test year billing determinants at the IRM rate approved in U-20940 for all rate schedules and GCR revenues using projected test year billing determinants at the projected cost of gas sold of $4.381/Mcf (Exhibit A-13, Schedule C4) for the sales rate schedules.

(2) Projected test year billing determinants at the proposed rates including IRM Revenue using projected test year billing determinants at the 2025 IRM rate proposed on Exhibit A-18, Schedule H4 for all rate schedules and GCR revenues using projected test year billing determinants at the projected cost of gas sold of $4.381/Mcf (Exhibit A-13, Schedule C4) for the sales rate schedules.

Sources: Exhibit A-16 Sch. F3, Exhibit A-18, Sch. H4, & WP TJK-11

Michigan Public Service Commission
DTE Gas Company
Calculation of the Projected Test Year Ending 09/30/2025
Current and Proposed Revenues by Rate Schedule
Transportation Service Rate ST, LT, XLT and XXLT
($000)

75% Demand and 25% Throughput
Distribution Plant-Other Allocated using
Low-Pressure Distribution Usage for XXLT

Line No.	(a) Description	(b) Customers/ MMcf	(c) Current Rate	(d) Pro Forma Revenue	(e) Proposed Rate	(f) Proposed Revenue	(g) Proposed Revenue Increase/(Decrease) Amount	(h) Percent
	Customer Charge							
1	Rate Schedule ST	433	$ 2,780	$ 14,445	3,300	$ 17,147	$ 2,702	18.71%
2	Rate Schedule LT	85	6,780	6,916	9,100	9,282	2,366	34.22%
3	Rate Schedule XLT	20	17,250	4,140	20,000	4,800	660	15.94%
4	Rate Schedule XXLT	7	169,835	14,266	230,000	19,320	5,054	35.43%
5	Total Customer Charges	545		$ 39,767		$ 50,549	$ 10,782	27.11%
	Distribution Charges							
6	Rate Schedule ST	17,061	$ 1.4906	$ 25,431	$ 1.8163	$ 30,987	$ 5,556	21.85%
7	Rate Schedule LT	19,248	$ 0.9427	18,145	1.0766	20,724	2,578	14.21%
8	Rate Schedule XLT	29,772	$ 0.7060	21,019	0.8291	24,686	3,666	17.44%
10	Rate Schedule XXLT	84,653	$ 0.1933	16,363	0.1181	9,995	(6,368)	-38.92%
12	Total Distribution Charges	150,734		$ 80,959		$ 86,391	$ 5,432	6.71%
13	Total ST, LT, XLT and XXLT			$ 120,725		$ 136,940	$ 16,214	13.43%

Calculation of Transportation Rates:

	Rate Schedule:	ST	LT	XLT	XXLT
14	Revenue Req Per COSS	$ 37,202	$ 29,730	$ 39,279	$ 30,826
15	Discount				
16	Rate Design Adjustment	10,952	288	(9,744)	(1,496)
17	Target Revenue	$ 48,154	$ 30,018	$ 29,535	$ 29,331
18	Less Remote Meter Fees	20.3	12.3	49.2	15.6
19	Less Customers Charges	17,147	9,282	4,800	19,320
20	Distribution Revenue	$ 30,987	$ 20,724	$ 24,686	$ 9,995
21	Divided by Throughput	17,061	19,248	29,772	84,653
22	**Transportation Rate ($/Mcf)**	**$ 1.8163**	**$ 1.0766**	**$ 0.8291**	**$ 0.1181**
23	Average Cost Per Mcf	$ 2.8225	$ 1.5595	$ 0.9920	$ 0.3465
24	**Proposed Customer Charge:**	**$ 3,300**	**$ 9,100**	**$ 20,000**	**$ 230,000**
25	Year 1 IRM Charge 2025	**$ 180.77**	**$ 852.59**	**$ 4,801.99**	**$ 2,199.13**

	Rev Req: EUT	$ 137,037
	Rounding	
	Remote Meter	$ (97)
	Rate Design Adjustment	(0)
	Adj Rev Req	$ 136,940
	Revenues	$ 136,940
	Difference	$ 0

	Breakeven Analysis	**ST vs. LT**		**LT vs. XLT**		**XLT vs. XXLT**	ST vs. GS-1
26	Annual Fixed Charges - ST	$ 41,769	LT	$ 119,431	XLT	$ 297,624	$ 646
27	Annual Fixed Charges - LT	$ 119,431	XLT	$ 297,624	XXLT	$ 2,786,390	$ 41,769
28	Annual Fixed Cost Differential	$ 77,662		$ 178,193		$ 2,488,766	$ 41,123
29	Variable Rate Differential	$ 0.7396		$ 0.2475		$ 0.7111	$3.0593
30	**Annual Break Even (Mcf)**	**105,000**		**720,000**		**3,500,000**	**13,442**

Source: Exh. A-16, Sch. F1.1 (Rev Req); TJK-1 (Volumes); TJK-2 (Customers); Exh. A-18, Sch. H4 (IRM)

U-20940 / Tariff	**100,000**	**700,000**	**3,500,000**	**14,500**
	5,000	20,000	(0)	(1,058)

	Rate Adjustment
ST	$ 10,952
LT	$ 288
XLT	$ (9,744)
XXLT	$ (1,496)
Total (should equal 0)	$ -

Michigan Public Service Commission
DTE Gas Company
Summary of Projected Test Year Ending 09/30/2025
Proposed Gas Revenue Increase
Company Study Modified for
Distribution Plant-Other Allocated using Low-Pressure Distribution Usage for XXLT

	(a)	(b)	(c)	(d)	(e)	(f)
			Annual Operating Revenues ($000)			
Line		Test Year	Test Year		Increase / (Decrease)	
No.	Rate Class	MMcf	Current (1)	Proposed (2)	Revenues ($000)	Percent
	Residential					
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3	Total Residential Services	116,492	1,190,770	1,300,337	109,567	9.20%
	General Services					
4	GS-1/GS-2	40,985	364,227	394,588	30,360	8.34%
5						
	School					
6	Rate S	1,600	10,898	11,190	292	2.68%
7	Subtotal Gas Sales Revenues	159,077	1,565,896	1,706,115	140,219	8.95%
	Transportation					
8	Rate ST	17,061	46,063	51,030	4,967	10.78%
9	Rate LT	19,248	30,967	32,249	1,282	4.14%
10	Rate XLT	29,772	29,299	32,277	2,978	10.16%
11	Rate XXLT	84,653	31,324	33,896	2,572	8.21%
12	Exelon	12,036	13,145	21,031	7,886	60.00%
13	Total Transportation Services	162,770	150,798	170,484	19,686	13.05%
14	**Total**	321,847	1,716,694	1,876,599	159,905	9.31%
15	Less: GCR Revenues (included above)		618,473	618,473	-	
16	Less: Currently Approved IRM Surcharge Revenue (included above)		126,295	-	(126,295)	
17	Less: 2025 IRM Surcharge Revenue (included above)		-	20,668	20,668	
18	Base Revenues		971,926	1,237,458	265,532	27.32%

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Sources: Exhibit A-16 Sch. F3, Exhibit A-18, Sch. H4, & WP TJK-11

Michigan Public Service Commission
DTE Gas Company
Calculation of the Projected Test Year Ending 09/30/2025
Current and Proposed Revenues by Rate Schedule
Transportation Service Rate ST, LT, XLT and XXLT
($000)

Company Study Modified for Distribution Plant-Other Allocated using Low-Pressure Distribution Usage for XXLT

Line No.	(a) Description	(b) Customers/ MMcf	(c) Current Rate	(d) Pro Forma Revenue	(e) Proposed Rate	(f) Proposed Revenue	(g) Proposed Revenue Increase/(Decrease) Amount	(h) Percent
	Customer Charge							
1	Rate Schedule ST	433	$ 2,780	$ 14,445	3,300	$ 17,147	$ 2,702	18.71%
2	Rate Schedule LT	85	6,780	6,916	9,100	9,282	2,366	34.22%
3	Rate Schedule XLT	20	17,250	4,140	20,000	4,800	660	15.94%
4	Rate Schedule XXLT	7	169,835	14,266	230,000	19,320	5,054	35.43%
5	Total Customer Charges	545		$ 39,767		$ 50,549	$ 10,782	27.11%
	Distribution Charges							
6	Rate Schedule ST	17,061	$ 1.4906	$ 25,431	$ 1.9284	$ 32,900	$ 7,470	29.37%
7	Rate Schedule LT	19,248	$ 0.9427	18,145	1.1444	22,028	3,882	21.40%
8	Rate Schedule XLT	29,772	$ 0.7060	21,019	0.8798	26,193	5,174	24.62%
10	Rate Schedule XXLT	84,653	$ 0.1933	16,363	0.1698	14,370	(1,993)	-12.18%
12	Total Distribution Charges	150,734		$ 80,959		$ 95,492	$ 14,533	17.95%
13	Total ST, LT, XLT and XXLT			$ 120,725		$ 146,041	$ 25,316	20.97%

Calculation of Transportation Rates:

	Rate Schedule:	ST	LT	XLT	XXLT
14	Revenue Req Per COSS	$ 38,330	$ 31,597	$ 42,845	$ 33,367
15	Discount				
16	Rate Design Adjustment	11,738	(275)	(11,802)	339
17	Target Revenue	$ 50,067	$ 31,322	$ 31,043	$ 33,706
18	Less Remote Meter Fees	20.3	12.3	49.2	15.6
19	Less Customers Charges	17,147	9,282	4,800	19,320
20	Distribution Revenue	$ 32,900	$ 22,028	$ 26,193	$ 14,370
21	Divided by Throughput	17,061	19,248	29,772	84,653
22	**Transportation Rate ($/Mcf)**	**$ 1.9284**	**$ 1.1444**	**$ 0.8798**	**$ 0.1698**
23	Average Cost Per Mcf	$ 2.9347	$ 1.6273	$ 1.0427	$ 0.3982
24	**Proposed Customer Charge:**	**$ 3,300**	**$ 9,100**	**$ 20,000**	**$ 230,000**
25	Year 1 IRM Charge 2025	**$ 189.18**	**$ 921.04**	**$ 5,349.26**	**$ 2,443.58**

	Rev Req: EUT	$ 146,138
	Rounding	
	Remote Meter	$ (97)
	Rate Design Adjustment	0
	Adj Rev Req	$ 146,041
	Revenues	$ 146,041
	Difference	$ 0

	Breakeven Analysis	**ST vs. LT**		**LT vs. XLT**		**XLT vs. XXLT**	ST vs. GS-1
26	Annual Fixed Charges - ST	$ 41,870	LT	$ 120,253	XLT	$ 304,191	$ 645
27	Annual Fixed Charges - LT	$ 120,253	XLT	$ 304,191	XXLT	$ 2,789,323	$ 41,870
28	Annual Fixed Cost Differential	$ 78,382		$ 183,939		$ 2,485,132	$ 41,225
29	Variable Rate Differential	$ 0.7840		$ 0.2646		$ 0.7100	$2.8899
30	**Annual Break Even (Mcf)**	**99,973**		**695,143**		**3,500,000**	**14,265**

Source: Exh. A-16, Sch. F1.1 (Rev Req); TJK-1 (Volumes); TJK-2 (Customers); Exh. A-18, Sch. H4 (IRM)

U-20940 / Tariff	**100,000**	**700,000**	**3,500,000**	**14,500**
	(27)	(4,857)	0	(235)

	Rate Adjustment
ST	$ 11,738
LT	$ (275)
XLT	$ (11,802)
XXLT	$ 339
Total (should equal 0)	$ -

Michigan Public Service Commission
DTE Gas Company
Usage Characteristics by Customer Class
for the Projected Test Year Ending 9/30/2025

Line No.	(a) Description	(b) Test Year Sales (MMcf)	(c) Percent of Total Company	(d) Number of Customers	(e) Sales (Mcf) per Customer	(f) Load Factor
1	Residential	116,492	36.2%	1,248,580	93	23.50%
2	General Services	40,985	12.7%	91,545	448	24.32%
3	Schools	1,600	0.5%	216	7,413	23.21%
	Transportation:					
4	Rate ST	17,061	5.3%	433	39,401	46.14%
5	Rate LT	19,248	6.0%	85	226,452	59.52%
6	Rate XLT	29,772	9.3%	20	1,488,611	75.68%
7	Rate XXLT	84,653	26.3%	7	12,093,242	85.92%
8	Total Transportation	150,734	46.8%	545	276,576	72.75%
9	Exelon	12,036	3.7%	1	12,036,332	55.76%
10	Total	321,847	100.0%	1,340,887	240	32.51%

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of DTE GAS COMPANY for authority to increase its rate schedules and rules governing the distribution and supply of natural gas, and for miscellaneous accounting authority.	)))))))	Case No. U-21291

CERTIFICATE OF SERVICE

The undersigned certifies that, on the 7th day of May 2024, a copy of the ***Direct Testimony and Exhibits of Brian C. Collins*** and its ***Proof of Service*** in the above docket on the persons identified on the attached service list by electronic mail and filed it electronically with the Michigan Public Service Commission.

/s/Deborah A. Hefka
Deborah A. Hefka

MPSC Case No. U-21291
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