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July 16, 2024

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

RE: MPSC Docket No. U-21291

Dear Counsel:

Attached please find Initial Brief of Michigan Power Limited Partnership ("MPLP").

If you have any questions or concerns with the enclosed, please do not hesitate to contact me.

Very truly yours,

Fraser Trebilcock Davis & Dunlap, P.C.

Jennifer Utter Heston

Jennifer Utter Heston

JUH/dah
Attachments
cc: All counsel of record

Jennifer Utter Heston Digitally signed by Jennifer Utter Heston
Date: 2024.07.16 15:03:50 -04'00'

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	)	Case No. U-21291
and rules governing the distribution and	)	
supply of natural gas, and for miscellaneous	)	
accounting authority	)	
	)	

INITIAL BRIEF OF
MICHIGAN POWER LIMITED PARTNERSHIP

Dated: July 16, 2024

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NOW COMES the Michigan Power Limited Partnership ("MPLP"), by and through its attorneys, Fraser Trebilcock Davis & Dunlap, P.C., and pursuant to the schedule adopted by Administrative Law Judge Jonathan F. Thoits ("ALJ"), hereby respectfully submits this Initial Brief on DTE Gas Company's ("DTE's") application for authority to increase its rates for the distribution of natural gas and for other relief.

I. **INTRODUCTION**.

The MPLP is a Michigan limited partnership, which built and is operating a 123 MW gas-fired cogeneration facility near Ludington, Michigan, as a qualifying facility under the Public Utility Regulatory Policies Act of 1978, 92 Stat. 3117, *inter alia*, 15 USC § 3201 *et seq*; 16 USC § 824(a-3) *et seq*; and 16 USC § 2601 *et seq*. MPLP is a gas transportation customer of DTE and is currently served under Transportation Service Rate XXLT ("Rate XXLT"). As a result, MPLP is keenly interested in DTE's rates, terms and conditions of service approved by the Commission in this case.

On January 8, 2024, DTE filed its application, testimony and exhibits in this proceeding requesting authority to increase its natural gas rates by approximately $266 million based on a projected test year ending September 30, 2025, as well as authority to implement a revenue decoupling mechanism and an infrastructure recovery mechanism ("IRM"). DTE also proposes changes to its end use transportation ("EUT") service tariff. As part of its EUT tariff amendments, DTE seeks to substantially increase its monthly Customer Charge and its Transportation Rates, including for Rate XXLT. DTE is proposing a 14.7% overall average increase for Rate XXLT.

In connection with this proceeding, MPLP presented the testimony of its expert witness, Mr. Brian C. Collins. Mr. Collins is employed as a consultant in the field of public utility regulation and is a managing principal with Brubaker & Associates, a firm specializing in energy, economic and regulatory consulting.[1] Mr. Collins holds a Bachelor of Science degree in Electrical Engineering and a Master's in Business Administration degree.[2] Prior to joining Brubaker, Mr. Collins was employed by the Illinois Commerce Commission and the City Water Light and Power in Springfield, Illinois.[3] Mr. Collins has extensive experience in proceedings concerning cost of service and rate design, and has testified in regulatory proceedings in over 30 jurisdictions.[4] Mr. Collins is exceptionally well-qualified to provide his testimony in this case.

Mr. Collins reviewed DTE's filings in this proceeding and made recommendations with respect to DTE's natural gas cost of service study and the allocation of any rate increase. Mr. Collins recommends that a peak day demand allocation method be used in place of DTE's proposed demand and throughput allocation methodology.[5] He notes that the peak day demand allocation methodology best reflects the actual design of DTE's system and is largely the same as the straight-fixed variable ("SFV") method used to allocation pipeline costs at FERC.[6]

Alternatively, Mr. Collins recommends a "75/25" method for allocating pipeline costs wherein 75% of fixed costs are allocated on a demand basis and 25% are allocated on an energy basis.[7] The 75/25 method is similar to the average and peak ("A&P") method supported by DTE and the MPSC Staff in that it allocates a portion of costs on throughput. A key difference between the 75/25 method and the A&P method, however, is that the amount of costs allocated on throughput is fixed at 25% rather than variable, which provides for more rate stability

[1] 4 Tr. 789.
[2] 4 Tr. 809.
[3] *Id.*
[4] 4 Tr. 810.
[5] 4 Tr. 791.
[6] *Id.*
[7] *Id.*

between rate cases. The 75/25 method is frequently used by the Commission to allocate significant electric capital investment costs.

Additionally, Mr. Collins notes that DTE erroneously allocated "Distribution – Other" costs to Rate XXLT based on total class usage while only 4.5% of Rate XXLT usage is at the low-pressure distribution level. The MPSC established Rate XXLT as a transportation/high-pressure rate, yet over time a small amount of Rate XXLT began to be served at low-pressure. Mr. Collins recommends that DTE's distribution – other costs be allocated in DTE's cost of service study to only low-pressure distribution usage.[8] Further, to the extent that low-pressure distribution customers are allowed to remain on Rate XXLT, those customers should pay an additional charge to cover the costs of the low-pressure distribution system required to serve them.

For the reasons stated further below, the Commission should adopt MPLP's recommendations.

II. **COST OF SERVICE: THE COMMISSION SHOULD ADOPT A PEAK DEMAND METHODOLOGY FOR ALLOCATING DTE'S DELIVERY SYSTEM COSTS.**

DTE's cost of service studies filed in this proceeding use a weighted peak demand and throughput allocation method, termed the A&P method, to allocate fixed demand-related delivery system costs. The A&P method is inconsistent with system design and cost causation. If DTE's 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. Instead, DTE's system is designed to meet its peak demand.[9] As a result, MPLP recommends that DTE's

[8] *Id*.
[9] *See*, 4 Tr. 798-99.

delivery system costs be allocated based on peak demand, rather than a combination of peak demand and throughput.

A. Statement of the Record.

The record in this case on DTE's cost of service studies for allocating fixed, demand-related delivery system costs consists of the following testimony and exhibits:

- MPLP witness Brian C. Collins, 4 Tr. 792-805, 814-818, Exhibits MPL-1 (BCC-1) through MPL-10 (BCC-10),
- ABATE witness Jessica York, 4 Tr. 1270-1292, 1300-1305,
- DTE witness T.J. Krysinski, 4 Tr. 2176-2179, Exhibits A-16 and A-24,
- MPSC Staff witness Keven S. Krause, 4 Tr 1720, 1725-1740, Revised Exhibit S-6.0, Schedules F-1, 1.1, 1.2, Revised Exhibit S-15, Schedules F-1, 1.1, 1.2,
- MPSC Staff witness Madison S. Todd, 4 Tr. 1638-1642, Revised Exhibit S-6.0, Schedules F2 and F3, and
- MPSC Staff witness Nicholas M. Revere, 4 Tr. 1662-1664, 1667-1668.

B. DTE's average and peak methodology for allocating delivery system costs should be rejected as inconsistent with ratemaking principles.

In his testimony, MPLP's witness described the rate making process and the importance of adhering to cost-of-service principles.[10] He testified that when rates are based on cost of service, each customer pays what it costs to serve them.[11] In contrast, when rates are not based on cost of service, then some customers subsidize other customers.[12] Rate subsidies are unfair and should be avoided wherever possible.[13]

[10] 4 Tr. 792-95.
[11] 4 Tr. 793.
[12] *Id.*
[13] *Id.*

Apart from cost-of-service principles, Mr. Collins testified about the importance of rate stability.[14] Under the A&P methodology, when there is an increase in throughput relative to demand, more costs are allocated on throughput. When customers use a delivery system more efficiently, the per unit rate should decline. Fixed costs spread over more units results in a lower per unit cost. Using DTE's A&P cost allocation methodology, however, the costs to high load factor customers ***increases*** as the system load factor (efficiency) increases. The A&P method functions counter to cost of service principles for Rate XXLT.[15] This is a deficiency of DTE's A&P methodology.

C. A peak design methodology addresses the deficiencies of DTE's proposed average and peak methodology.

To fix the above noted deficiency in DTE's cost of service study, MPLP's witness recommends that the Commission adopt a peak design demand methodology.[16] In other words, 100% of DTE's fixed delivery system costs should be allocated based on demand. Mr. Collins testified that this is appropriate because DTE designs its system, and makes investments in its delivery system, to meet peak demand.[17] As such, annual throughput is not related to cost causation with respect to demand-related delivery system costs.

Allocating fixed delivery costs based on demand is consistent with generally accepted, national guidance. The National Association of Regulatory Utility Commissioners ("NARUC") recommends that fixed delivery system costs be allocated based on demand.[18] Similarly, the Federal Energy Regulatory Commission ("FERC") endorses the Straight

[14] 4 Tr. 793-94.
[15] 4 Tr. 798
[16] 4 Tr. 799.
[17] 4 Tr. 798
[18] 4 Tr. 800, quoting the NARUC Gas Distribution Rate Design Manual, Gas Distribution Rate Design, June 1989, pp. 23-24 (emphasis added).

Fixed/Variable ("SFV") method which allocates fixed pipeline costs 100% on a demand basis.[19] Both NARUC and FERC recognize that fixed delivery system costs should be allocated based on demand.

Using the peak demand methodology will also improve the competitiveness of DTE's transportation rates. At present, DTE's transportation rates are not competitive. Mr. Collins testified that use of the A&P methodology makes DTE's Rate XXLT less competitive with available alternatives for Michigan's energy intensive customers.[20] High energy costs also contribute to financial distress.

Recognizing the importance of allocating fixed delivery system costs based on demand, MPLP's witness Mr. Collins prepared a cost-of-service study using the peak day to allocate DTE's costs. The results of Mr. Collins' analysis using DTE's data is shown in Exhibit MPL-2 (BCC-2). Mr. Collins' study shows that DTE's transportation customers are paying costs far in excess of DTE's costs to serve them.[21] In fact, a 100% demand allocation methodology for allocating DTE's fixed delivery costs would warrant a rate decrease for Rate XXLT.[22]

D. *Alternatively, in the interest of gradualism, the Commission should adopt a 75/25 cost allocation methodology for DTE's fixed delivery system costs.*

Recognizing that shifting entirely to a 100% demand allocation method may result in significant rate adjustments, in the interest of rate gradualism, MPLP's witness prepared an alternative cost study using a 75/25 cost allocation methodology. The 75/25 methodology allocates 75% of fixed costs on a demand basis and 25% of fixed costs on an average throughput basis. This allocation methodology has been used by the MPSC to allocate significant fixed

[19] 4 Tr. 800-01 quoting FERC Order 636, Final Rate Issued April 8, 1992, pp. 127-129 (footnote omitted).
[20] 4 Tr. 796-97.
[21] 4 Tr. 802.
[22] *Id.*

costs in setting electric rates for many years. The results of this study are shown in Exhibit MPL-4 (BCC-4). This approach would be an improvement in cost causation over DTE's A&P methodology, but it is not as cost based as the 100% demand approach.

Importantly, with the 75/25 method, the amount of fixed costs allocated based on throughput is fixed at 25%. All other things being equal, as DTE's delivery system costs rise, transportation rates will rise. Increases in delivery rates, however, will not also rise even further due to increases in the transportation class's load factor. As discussed above, improvements in load factor should result in lower rates, not higher rates. The A&P method is an inherently unstable method for setting rates. Fixing the portion of delivery system costs allocated based on throughput will address this issue in DTE's cost of service study and result in more rate stability from one rate case to the next.

E. Rebuttal arguments are without merit and should be rejected.

In rebuttal, DTE opposes MPLP's recommendations.[23] Without addressing the merits of MPLP's cost allocation recommendations, DTE's witness Krysinski simply states that he disagrees with MPLP's changes to the cost allocation methodology stating that the Commission has consistently approved the use of the A&P method.[24] Asserting that the A&P method has been approved and used in the past does not address whether the A&P method should continue to be approved and used going forward. MPLP's witness put forth numerous arguments for why the A&P method lacks merit and those arguments were unrebutted by DTE.

The MPSC Staff also take issue with MPLP's cost allocation proposals.[25] The MPSC Staff continue to support the use of the A&P method claiming its is the most appropriate

[23] 4 Tr. 2178.
[24] *Id.*, ln. 24-25.
[25] 4 Tr. 1667-1668, 1725-1726.

allocator of distribution costs.[26] The MPSC Staff claim that while distribution mains are classified as demand-related costs, that does not address how those demand-related costs should be allocated.[27] The MPSC Staff then recite passages from the NARUC manual to support its view that not all distribution costs should be allocated on the basis of demand. The MPSC Staff, however, cite a passage from the NARUC manual indicating that certain distribution costs, such as meters, regulators and service taps, are customer-related while all remaining distribution costs should be classified as demand-related.[28] Importantly, the NARUC manual does not classify distribution costs as throughput-related. The Staff rationalize the use of the A&P method as a "compromise between the interests of high and low load factor customers."[29] Without any evidentiary support, the MPSC Staff then claim that high and low load factor customers use the distribution system differently, without specifying how, and assert that the A&P method is reasonable. The Staff's claims are unsupported by the facts.

The MPSC Staff then take issue with MPLP's statements regarding the FERC order cited by MPLP's witness in support of the SFV method.[30] Staff claim that the FERC order applies to interstate pipelines and not distribution utilities.[31] While the FERC order was a case involving an interstate pipeline, the SFV cost allocation rationale provided by FERC is sound and should be applied to distribution company mains by analogy.

The MPSC Staff then continue to support the A&P method as a reasonable method "for allocating some portion of demand-related costs on the basis of non-peak throughput."[32] The

[26] *Id.*.
[27] 4 Tr. 1733.
[28] 4 Tr. 1735.
[29] 4 Tr.1736, ln. 25-26.
[30] 4 Tr. 1737.
[31] *Id.*
[32] 4 Tr. 1738, ln. 1-2.

MPSC Staff then cite testimony indicating that mains are not built exclusively to service peak-day demand.[33] Instead, mains are used to provide off-peak service as well.

Even if one were to accept the Staff's claim that cost-causation warrants some portion of demand-related costs being allocated on throughput, that does not support the A&P's method of varying the amount of costs allocated on throughput from case to case. Recognizing the MPSC's past preference for allocating some portion of demand-related distribution costs on throughput, MPLP's witness recommended an alternative method of allocated distribution costs using 75% demand and 25% throughput.

The MPSC Staff claim that the 75/25 method used widely by the MPSC in the electric context is not appropriate in this case because this is a natural gas case and the costs at issue are different (production v distribution).[34] The MPSC Staff's differentiation of the use of the 75/25 method is without merit and should be rejected. Allocation methodologies are not limited to certain utility types or cost types. The MPSC has long recognize the value of the 75/25 method and has used it widely to allocate the cost of significant investments for many years. The method allows for some portion of demand-related costs to be allocated on throughput in recognition of the view that some portion of the distribution system is used to serve off-peak needs. Importantly, however, even if one subscribes to the view that some portion of distribution mains should be allocated on throughput, that does not mean that the size of the portion so allocated should vary from case to case. The 75/25 method balances the desire for some costs to be allocated on throughput with the desire for rate stability from case to case. In that regard, the 75/25 method is superior to the A&P method and should be adopted as an alternative to a 100% peak-demand approach in this case.

[33] *Id.*
[34] 4 Tr. 1739.

F. DTE's alternative study must be rejected.

As part of its direct case in this proceeding, DTE prepared and submitted an alternative cost of service study. The alternative cost of service study is shown on DTE Exhibit A-24. DTE's alternative cost of service study also allocates costs on the basis of DTE's A&P methodology to allocate distribution costs, but also makes an attempt to separate the costs of distribution mains between high- and low-pressure mains. The alternative cost of service study has not been endorsed by DTE, nor relied upon by DTE in this proceeding. The alternative cost of service study was required by Commission order in MPSC Case No. U-20940.

MPLP's witness Collins explained that DTE's alternative cost of service study is a significant departure from past practice, produces harsh impacts for customers served by transmission service, is not reflective of current rate structures, and would take significant time and resources to examine and correct.[35] As such, MPLP recommends that the Commission not rely on DTE's alternative cost of service study in this case.

G. Staff's cost of service studies are a dramatic departure from prior studies and should be rejected.

The MPSC Staff prepared two cost of service studies in this case. The first cost of service study, as reflected in Revised Exhibit S-6.0, aligns with DTE's preferred cost of service study. The alternate cost of service study, reflected in Revised Exhibit S-15.0, revises various allocators based on transmission, high-pressure and low-pressure. While Staff does not recommend the use of the alternative cost of service study in this case, Staff is using the study to "inform rate design."

In preparing its cost-of-service studies, the MPSC Staff likewise utilized the A&P cost allocation method. Thus, MPLP's concerns with DTE's use of the A&P methodology likewise

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[35] 4 Tr. 791-92.

apply to Staff's cost of service studies in this case.[36] Staff's cost of service studies must also be corrected to adjust distribution-other costs, as discussed further below.

While not adopting DTE's alternative cost of service study, the Staff relied upon DTE's alternative study to set rates. The result is that Staff's proposed rate increase for Rate XXLT of $9.9 million or 31.5%, is nearly double DTE's proposed rate increase for Rate XXLT.[37] What is particularly egregious about Staff's position in this case is that it allocates significant distribution costs to Rate XXLT and collects them from transmission-only customers. The result is a dramatic rate subsidy. Staff openly admits that the it is dubious to rely upon this alternative study without an accompanying reexamination of the transportation rate design, a task which Staff claims is too large to accomplish in a 10-month rate case.[38] Nevertheless, Staff plows forward with manipulating transportation rates based on the alternative study.

Staff's proposed transportation rates must be rejected. MPLP's witness Mr. Collins explains the numerous reasons why DTE's unsupported and unexamined alternative study should not be a basis for setting rates.[39] ABATE's witness Ms. York likewise provides numerous reasons why the alternative study is not ready for use.[40] The Staff's cost of service studies should be rejected.

III. <u>COST OF SERVICE: THE COST OF SERVICE STUDY MUST BE CORRECTED TO ADJUST DISTRIBUTION COSTS ALLOCATED TO RATE XXLT</u>.

In analyzing DTE's cost-of-service studies in this case, MPLP's expert witness determined that DTE erroneously allocates a category of costs identified as "Distribution-Other" to Rate XXLT. Mr. Collins testified that Rate XXLT was designed by the MPSC to be

[36] 4 Tr. 814-815.
[37] *See*, Exhibit S-6, Schedule F2; *see also* 4 Tr. 814.
[38] 4 Tr. 1663.
[39] 4 Tr. 815-18.
[40] 4 Tr. 1300-1308.

a transmission/high-pressure rate making the allocation of distribution costs inappropriate. A very small amount of Rate XXLT, however, is now being served using DTE's low-pressure distribution system. As a result, DTE is now allocating distribution – other costs to Rate XXLT. DTE, however, is allocating distribution – other costs to Rate XXLT using the total Rate XXLT usage, rather than the amount of usage associated with the low-pressure service. MPLP recommends that the distribution-other costs be allocated to Rate XXLT using the low-pressure usage.

A. Statement of the Record.

The record in this case on the allocation of distribution – other costs to Rate XXLT consists of the following testimony and exhibits:

- MPLP witness Brian C. Collins, 4 Tr. 802-03,
- DTE witness T.J. Krysinski, 4 Tr. 2179, and
- MPSC Staff witness Nicholas M. Revere, 4 Tr. 1666.

B. DTE's distribution costs allocated to Rate XXLT should be allocated based on Rate XXLT's low pressure distribution usage.

Included in the distribution-other cost category are several types of distribution costs. Distribution-other includes land and land rights, structures and improvements, compressor station equipment, and measuring and regulating station equipment.[41] MPLP's witness explains that similar equipment costs are also included in DTE's transmission plant accounts which are allocated to Rate XXLT.[42] These distribution costs are not appropriate for customers served at transmission / high-pressure levels. Mr. Collins prepared an additional cost of service study using DTE's data, but removing the distribution-other costs. The results were admitted into evidence as Exhibit MPL-5 (BCC-5).

[41] 4 Tr. 802-803.
[42] *Id.*

In preparing its cost-of-service studies, the MPSC Staff likewise allocated distribution-other costs to Rate XXLT. The concerns MPLP has with DTE's allocation of distribution-other costs to Rate XXLT likewise apply to Staff's cost of service studies. Exhibit MPL-9 (BCC-9) shows the results of the MPSC Staff's primary cost of service study modified to adjust the distribution-other costs. The associated rate design is provided on Revised Exhibit MPL-10 (BCC-10).

In rebuttal, DTE opposes adjusting the allocation of distribution-other costs. DTE takes issue with MPLP's proposal to recover the distribution-other costs from low-pressure distribution service customers claiming that the costs apply to all distribution and therefore apply to high-pressure distribution service, as well.[43]

In rebuttal, the MPSC Staff expresses some receptivity to MPLP's proposal.[44] MPSC Staff witness Revere, however, recommends that MPLP's proposal be rejected because, as he argues, MPLP did not show that the distribution-other costs are solely associated with low-pressure distribution service.[45] MPSC Staff witness Revere claims that it is Staff's understanding that DTE does not maintain records on which pressure level the distribution-other costs are associated with, so there is no way to determine the proportion of distribution-other costs are associated with which level of service.[46]

The rebuttal positions should be rejected. MPLP has identified costs that are being allocated to all transportation customers that a subset of customers cause. Distribution-other costs were not assigned to Rate XXLT when Rate XXLT was a rate exclusively utilized by

[43] 4 Tr. 2179.
[44] 4 Tr. 1666.
[45] *Id.*.
[46] *Id.*

transportation and high-pressure distribution customers.[47] MPLP proposes a reasonable adjustment to the Rate XXLT distribution-other cost allocation that stems from a new category of costs being allocated to the rate now because Rate XXLT now has some low-pressure distribution service. Even if the underlying costs have not been definitively proven to be exclusively associated with low-pressure distribution service, opposing parties have likewise not shown that the underlying costs are not exclusively associated with low-pressure service. The fact is that the costs are being allocated to Rate XXLT is due to the fact that there is now low-pressure distribution service on the rate. Low-pressure distribution service caused the costs to be allocated to Rate XXLT. The Rate XXLT customers taking low-pressure distribution service should pay those costs.

At a minimum, Rate XXLT's customers taking service at the transportation level should not pay for distribution costs. MPLP is not opposed to including high-pressure distribution service volumes as well as low-pressure distribution service volumes in the allocation of the distribution-other costs. There should not, however, be an allocation of DTE's distribution-other costs to Rate XXLT based on the usage of DTE's transmission service level customers.

IV. RATE DESIGN AND TARIFF REVISIONS: RATE XXLT LOW-PRESSURE DISTRIBUTION CUSTOMERS SHOULD PAY AN ADDITIONAL CHARGE TO RECOVER THE COSTS OF DTE'S LOW PRESSURE DISTRIBUTION SYSTEM USED TO SERVE THEM.

As noted above, DTE allocates a category of costs identified as "distribution-other" to Rate XXLT. This category of costs is due to low-pressure distribution service on Rate XXLT. However, only a very small amount of Rate XXLT service is provided at low-pressure. Consistent with cost causation principles, MPLP's witness Mr. Collins testified that those Rate

[47] In Order Dated June 3, 2010, MPSC Case No. U-15985, pp. 94-95, the MPSC removed distribution plant and operating costs when establishing Rate XXLT. At the time, three customers would take service under Rate XXLT, Dearborn Industrial Generation and two transmission-only customers.

XXLT customers who receive low-pressure distribution service should pay an additional charge to recover the costs associated with their service.[48] MPLP recommends that DTE include an additional charge in Rate XXLT to recover distribution-other costs applicable to Rate XXLT customers using low-pressure service.

A. Statement of the Record.

The record in this case on the design of Rate XXLT for purposes of recovering the distribution-other costs associated with low-pressure service consists of the following testimony and exhibits:

- MPLP witness Brian C. Collins, 4 Tr. 791, 805-807,
- DTE witness T.J. Krysinski, 4 Tr. 2179,
- DTE witness Decker, 2 Tr. 122-123, and
- MPLP Staff witness Nicholas M. Revere, 4 Tr 1668.

B. Rate XXLT customers responsible for the allocation of distribution-other costs to Rate XXLT should pay those costs.

While there are only seven customers on Rate XXLT, the customers are not homogeneous.[49] A subset of Rate XXLT customers take a relatively small amount, approximately 4.5%, of distribution service at low-pressure.[50] The presence of these customers taking low-pressure service on Rate XXLT is the cause of Rate XXLT being allocated distribution-other costs. As proposed in DTE's cost of service study, Rate XXLT is being allocated a disproportionate amount of distribution-other costs because DTE allocates these costs to Rate XXLT based on total usage, rather than the low-pressure usage associated with the low-pressure service. MPLP's witness Mr. Collins determined that the correct amount of

[48] 4 Tr. 807.
[49] 4 Tr. 807.
[50] 4 Tr. 802.

distribution-other costs attributable to the low-pressure volumes is $249,000, and calculates a proposed charge to be added to Rate XXLT customer bills taking service at low-pressure.[51] Consistent with cost causation principles, MPLP recommends that this amount be recovered from the low-pressure Rate XXLT customers via an additional charge and that the distribution-other costs be removed from the Rate XXLT throughput charge applicable to all Rate XXLT customers.

DTE opposes MPLP's recommendation.[52] DTE claims that its transportation rates were designed based on volumes and not delivery service type.[53] DTE claims that implementing a delivery surcharge at this time would be unfair to those customers who connected without regard to delivery service type.[54] DTE also takes issue with MPLP's proposal to recover the distribution-other costs from low-pressure distribution service customers claiming that the costs apply to all distribution and therefore apply to high-pressure distribution service, as well.[55] DTE also claims that its billing system is not equipped to bill MPLP's proposed surcharge.[56]

Further, the MPSC Staff oppose MPLP's proposal.[57] The MPSC Staff posit several bases for its opposition, which ultimately boil down to it being too hard to redesign DTE's large volume transportation rates.[58] Staff notes that DTE's current transportation rates are based on breakeven points, rather than "any consideration of the differential use of the system as they are for, say, electric distribution rates."[59] Staff openly admits that the design of DTE's transportation rates are "effectively arbitrary."[60]

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[51] 4 Tr. 807.
[52] 4 Tr. 2179.
[53] *Id.*
[54] *Id.*
[55] 4 Tr. 2179.
[56] 2 Tr. 123.
[57] 4 Tr. 1668.
[58] *Id*
[59] 4 Tr. 1668, ln. 14-16.
[60] 4 Tr. 1668, ln. 13,

The rebuttal positions in this case are unreasonable. For several DTE gas rate proceedings now, parties advocating on behalf of transportation customers have advocated for transportation rate reform.[61] The response has generally been to place the burden of proof on transportation advocates to propose perfect alternative rates against a backdrop of DTE failing to maintain accurate records and resistance to change in cases that are already over-burdened with too many other issues to contend with. Adherence to arbitrary breakeven points has resulted in millions of dollars being forcibly shifted from transportation rate to transportation rate from case to case. The result is years of inaccurate rates and subsidization for DTE's largest customers.

With respect to DTE's billing system concerns, DTE could manually bill the affected customers. There are no more than four customers involved.[62] DTE could determine whether it is cost-justified to make any necessary IT changes to automate billing the distribution surcharge to Rate XXLT customers.

MPLP has identified costs that are being allocated to all Rate XXLT customers that a subset of customers cause. As noted above, distribution-other costs were not assigned to Rate XXLT when Rate XXLT was exclusively utilized by transportation and high-pressure distribution customers. MPLP proposes a reasonable adjustment to the Rate XXLT rate design that stems from a new category of costs being allocated to the rate now because Rate XXLT has a small amount of low-pressure distribution service. Even if the underlying costs have not been definitively proven to be exclusively associated with low-pressure distribution service, opposing parties have likewise not shown that the underlying costs are not exclusively associated with low-pressure service. The fact is that the costs are being allocated to Rate

[61] See, MPSC Case Nos. U-15985, U-20642 and U-20940.
[62] There are seven customers on Rate XXLT and three are served at transmission level.

XXLT is due to the fact that there is low-pressure distribution service on the rate. Low-pressure distribution service caused the costs to be allocated to Rate XXLT. The Rate XXLT customers taking low-pressure distribution service should pay those costs.

At a minimum, the three Rate XXLT customers taking service at the transportation level should not pay for distribution costs. MPLP is not opposed to including high-pressure distribution service volumes in the allocation of the distribution-other costs and applying distribution surcharge to high-pressure distribution service as well as low-pressure distribution service.

V. CONCLUSION AND PRAYER FOR RELIEF.

For all the reasons explained in the preceding sections of this Initial Brief, MPLP respectfully requests that the Honorable Administrative Law Judge issue a proposal for decision recommending that the Commission: 1) adopt MPLP's cost allocation recommendations, 2) adjust the allocation of "distribution - other" costs for Rate XXLT, and 3) adopt a new distribution surcharge for Rate XXLT customers that are the cause of Rate XXLT being allocated distribution costs.

Respectfully submitted,

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Date: July 16, 2024

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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 16th day of July, 2024, a copy of the ***Initial Brief of Michigan Power LP*** 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.

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