

**STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION**

_____)
**In the Matter of the Application of)
DTE ELECTRIC COMPANY for)
authority to increase its rates,)
amend its rate schedules and rules) **Case No. U-21534**
governing the distribution and)
supply of electric energy, and for)
miscellaneous accounting authority)
_____)**

Direct Testimony and Exhibits of

Jessica A. York

On behalf of

Association of Businesses Advocating Tariff Equity

July 26, 2024



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Direct Testimony of Jessica A. York

1 I. Introduction

2 Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A Jessica A. York. My business address is 16690 Swingley Ridge Road, Suite 140,
4 Chesterfield, MO 63017.

5 Q WHAT IS YOUR OCCUPATION?

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

8 Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

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

10 Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

11 A I am appearing on behalf of the Association of Businesses Advocating Tariff
12 Equity ("ABATE"). ABATE consists of large usage customers that purchase substantial
13 amounts of electric power and/or delivery service from DTE Electric Company ("DTE")

1 or "Company"). They primarily take service under DTE Rate D8, Rate D11, Rider 3
2 and/or Rider 10.

3 **Q PLEASE BRIEFLY SUMMARIZE ABATE'S WITNESSES IN THIS PROCEEDING**
4 **AND THE ISSUES THEY ARE ADDRESSING IN DIRECT TESTIMONY.**

5 A ABATE is providing direct testimony in this proceeding from three witnesses. They
6 include myself and my colleagues James R. Dauphinais and Christopher C. Walters.

7 Mr. Dauphinais addresses: (i) DTE's use of a projected test year, (ii) DTE's
8 proposed Investment Recovery Mechanism ("IRM") proposals in this proceeding, and
9 (iii) the MISO Locational Marginal Price ("LMP") used for DTE's Rider 10.

10 In addition to summarizing the Direct Testimony of ABATE's witnesses in this
11 proceeding, I address DTE's proposed projected test year Operation and Maintenance
12 ("O&M") expense levels and DTE's proposal to include in its revenue requirement
13 expenses for incentive compensation tied to its financial performance. I also address
14 several of the capital expenditure amounts that DTE has projected it will incur either
15 during its proposed projected test year or during the bridge period between the end of
16 DTE's proposed historic year and beginning of its proposed projected test year.

17 Mr. Walters addresses DTE's proposed Return on Equity ("ROE").

18 Table JAY-1 summarizes ABATE's recommended downward adjustments to
19 DTE's proposed revenue requirement increase. In total, ABATE's adjustments reduce
20 DTE's proposed revenue requirement increase in this proceeding from \$456.4 million
21 down to \$216.2 million. The Capital Expenditure adjustments in Table JAY-1 assume
22 the Michigan Public Service Commission ("Commission") adopts Mr. Walters' rate of
23 return recommendation of an authorized ROE of 9.6% at DTE's requested capital
24 structure. If despite Mr. Walters' recommendation the Commission were to instead

1 adopt an authorized ROE greater than 9.6%, the listed downward revenue requirement
2 adjustment associated with projected capital expenditures would be larger.

| TABLE JAY-1 | |
|--|-----------------------|
| <u>ABATE Revenue Requirement Adjustments</u> | |
| (\$ Millions) | |
| <u>Description</u> | <u>Amount</u> |
| DTE Claimed Revenue Deficiency | \$456.4 |
| <u>Adjustments:</u> | |
| O&M (Inflation & Incentive Compensation) | \$93.9 |
| Projected Capital Expenditures ¹ | \$19.8 |
| Depreciation & Property Taxes | \$21.0 |
| <u>Return on Equity</u> | <u>\$105.5</u> |
| Total of ABATE Revenue Requirement Adjustments | \$240.2 |
| Adjusted Revenue Deficiency | \$216.2 |
| <p>¹This is at ABATE's recommended ROE of 9.6%. At DTE's proposed ROE of 10.50%, this adjustment would be \$21.2 million.</p> | |

3 My silence in this testimony, or that of my colleagues in their own testimonies,
4 with regard to any issue should not be construed as an endorsement of DTE's position
5 on that issue.

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

8 A My conclusions and recommendations are as follows:

- 9 1. DTE in this proceeding is requesting to increase its electric rates by \$456.4 million
10 despite it reporting a revenue sufficiency of \$80.5 million during its historical test
11 year in this proceeding, a revenue sufficiency of \$93.6 million during the historical
12 test year of its most recent previous rate filing (Case No. U-21297) and a revenue

- 1 sufficiency of \$111.7 million during the historical test year of its next most recent
2 previous rate filing (Case No. U-20836).
- 3 2. For the reasons described by ABATE witness Mr. Dauphinais, the Commission
4 should reject the use of a projected test year in this proceeding. It is also important
5 to note that DTE's projected costs are not guaranteed to be incurred. However, if
6 the Commission allows the use of projected costs, then at a minimum, the following
7 adjustments should be made to DTE's projected test year amounts in this
8 proceeding:
- 9 a. DTE projects an inflation adjustment of \$29.869 million for 2023 relative to 2022.
10 However, DTE's actual 2023 O&M expense is known, and was \$26.552 million
11 less than the 2022 O&M expense. As a result, DTE's inflation adjustment of
12 3.2% for 2023 is unnecessary, and overestimates projected O&M for future
13 years. I recommend no inflation adjustment be applied to project O&M for 2023.
- 14 b. In addition, the inflation factors for 2024 and 2025 used to project DTE's future
15 test year labor and non-labor O&M expense should reflect recent data for the
16 Real Gross Domestic Product ("GDP") Chained Price Index, rather than
17 outdated projections of the Consumer Price Index ("CPI") from October 2023.
18 In total, my recommended modifications to DTE's inflation factors reduce DTE's
19 projected test year O&M expense by \$45.150 million.
- 20 c. DTE's projected test year O&M expense includes \$39.232 million of incentive
21 compensation tied to financial performance. This amount should not be
22 recovered from ratepayers, as it has not been shown to benefit customers.
- 23 d. DTE's projected test year O&M expense includes \$20.272 million tied to
24 operational performance measures. Of this amount, \$5.644 million is
25 associated with programs for which the benefits to customers do not outweigh
26 the costs. Thus, I recommend reducing DTE's projected test year O&M
27 expense tied to operational performance by \$5.644 million.
- 28 e. In addition, \$3.895 million of DTE's projected incentive compensation is
29 associated with meeting or achieving target reliability indices (e.g., the System
30 Average Interruption Duration Index ("SAIDI") excluding Major Event Days
31 ("MEDs"), and the Customers Experiencing Multiple Interruptions ("CEMI4")
32 percentage). The Company failed to achieve the target metrics in 2023, and
33 there is a significant amount of uncertainty regarding whether it will do so in the
34 projected test year. Therefore, I recommend reducing the Company's projected
35 test year O&M expense by \$3.895 million. It is unreasonable to recover the
36 cost of this portion of incentive compensation through rates when the Company
37 is not achieving its reliability goals and when it consistently has a revenue
38 sufficiency based on historic test periods.
- 39 f. I recommend that DTE's projected generation capital expenditures for the
40 bridge period and test year be reduced by \$52.969 million for the generation
41 projects listed in Table JAY-3. Details supporting this recommendation are
42 provided in Section III of this testimony.

- 1 g. I recommend that DTE's projected distribution capital expenditures for the
2 bridge period and projected test year be reduced by \$736.738 million, as shown
3 in Table JAY-3. Details supporting this recommendation are provided in
4 Section III of this testimony.
- 5 3. With these adjustments, along with those detailed in the Direct Testimony of ABATE
6 witness Mr. Walters, at least \$240.2 million (approximately 53%) of DTE's proposed
7 \$456.4 million rate increase in this proceeding is unwarranted, unsupported or both.
8 As a minimum, this portion of DTE's proposed rate increase should be denied.
- 9 4. As detailed in the Direct Testimony of ABATE witness Mr. Dauphinais, DTE's
10 proposed large expansion of the projected capital expenditures included in its
11 already approved 2025 IRM should be rejected and its request to add two additional
12 years, rather than one additional year to its IRM should be rejected as well.
- 13 5. As discussed in the Direct Testimony of Mr. Dauphinais, DTE's recent rate
14 increases have been driven by the use of projected test years rather than historical
15 test years for ratemaking and aggressive capital expenditures¹ coupled with the
16 filing of frequent rate cases.
- 17 6. As detailed in the Direct Testimony of Mr. Dauphinais, based on DTE's track record
18 with respect to the use of a projected test year, the Commission should reject DTE's
19 proposed use of one in this proceeding and require DTE to use its proposed
20 historical test year as the basis of its revenue requirement in this proceeding. Given
21 that DTE is reporting a revenue sufficiency of \$80.5 million for its historical test year
22 in this proceeding, this would reject DTE's proposed rate increase in its entirety.
- 23 7. As detailed in the Direct Testimony of Mr. Dauphinais, if despite his
24 recommendation, the Commission allows DTE to use a projected test year in this
25 proceeding, the Commission should be vigilant to ensure the following: (i) that the
26 projected expenses and investments included in DTE's projected test year are truly
27 necessary to provide reliable electric service at lowest reasonable cost; (ii) that DTE
28 is essentially irrevocably committed to incur them or otherwise cannot avoid them;
29 and (iii) they are precisely quantified by DTE with respect to their amount and
30 timing.

¹With respect to capital expenditures, since at least Case No. U-18014, DTE in electric rate case applications has generally cited new investments in infrastructure as one of the largest, if not the largest, contributor to its requested rate relief. For example, in Case No. U-18014, DTE attributed \$173 million of its requested rate relief of \$344 million to investment-related costs (Case No. U-18014 Application at Paragraph 4 and Attachment 1 at Rate Base and Working Capital). Similarly, in Case No. U-20561, DTE attributed \$219 million of its requested rate relief of \$351 million to investment-related costs (Case No. U-20561 Rate Case Summary). In addition, in Case No. U-20836, Case No. U-21297 and the current proceeding (Case No. U-21534), DTE has indicated that the rate increase requests in those proceedings were, or are, being primarily driven by the Company's continued distribution infrastructure and generation investments (Case No. U-20836, January 18, 2022 Rate Case Summary at pages 1-2; Case No. U-21297, February 7, 2023 Rate Case Summary at page 2; and Case No. U-21534, March 25, 2024 Rate Case at page 2).

1 8. As detailed in the Direct Testimony of Mr. Dauphinais, DTE's Rider 10 should
2 provide customers the ability to annually elect to use the MISO day-ahead energy
3 LMP or the MISO real-time energy LMP.

4 **II. O&M Expense**

5 **II.A. Inflation**

6 **Q PLEASE DISCUSS DTE'S HISTORICAL 2021 O&M EXPENSE AND THE AMOUNT**
7 **OF O&M EXPENSE INCLUDED IN THE PROJECTED TEST YEAR ENDING**
8 **NOVEMBER 2024.**

9 A As shown in Exhibit A-13, Schedule C1, the adjusted historical test year level of O&M
10 expense for 2022 is \$1,224 million. DTE projects that O&M expenses will increase to
11 \$1,267 million for the test year ending December 2025. This represents an increase
12 of \$42.512 million, or about 3.5% relative to the 2022 historical level. However, this
13 \$42.512 million increase in O&M is comprised of \$86.549 million of inflation
14 adjustments in calendar year 2023 through December 2025, offset by a credit of
15 \$44.037 million for Other Adjustments.²

16 **Q IS DTE'S PROJECTED TEST YEAR O&M EXPENSE REASONABLE?**

17 A No. DTE's projected test year O&M expense is significantly overstated. First, 2023
18 actual costs are now available, so there is no need to project them based on a
19 composite adjustment reflecting a 3.20% inflation factor and a 3.0% wage adjustment.³
20 In addition, DTE's projected inflation adjustments from 2023 through December 2025
21 result in average annual increases in O&M expense that are significantly greater than
22 the annual change in O&M expense that DTE has experienced over the last five years.

²Exhibit A-13, Schedule C5, line 12, columns (g) through (j).

³Exhibit A-13, Schedule C5.15.

1 **Q PLEASE DISCUSS DTE’S PROJECTED LEVEL OF O&M EXPENSE FOR**
2 **CALENDAR YEAR 2023.**

3 A DTE’s projected inflation adjustment for calendar year 2023 amounts to
4 \$29.869 million, or a 2.4% increase relative to the actual O&M expense incurred
5 in 2022.⁴ This is based on a composite inflation factor reflecting a 3.20% increase
6 based on the CPI, and a 3% wage escalation factor.⁵

7 Adding DTE’s projected adjustment of \$29.869 million to its actual historical
8 2022 O&M expense yields projected O&M expense of \$1.254 billion for calendar
9 year 2023.

10 **Q WHAT AMOUNT OF O&M EXPENSE DID DTE ACTUALLY INCUR IN CALENDAR**
11 **YEAR 2023?**

12 A DTE’s actual O&M expense for calendar year 2023 was \$1.197 billion.⁶ Thus, DTE’s
13 projected 2023 O&M expense is overstated by \$56.420 million (\$1.254 billion -
14 \$1.197 billion). Rather than including an increase of \$29.869 million in the bridge
15 period for 2023 based on projected inflation rates, DTE’s 2023 O&M expense should
16 reflect a reduction of \$26.552 million relative to 2022. However, to be conservative, I
17 recommend resolving the discrepancy between DTE’s actual and projected O&M
18 expense for 2023 by eliminating DTE’s proposed inflation adjustment for 2023.

⁴Exhibit A-13, Schedule C5, line 12, column (g) / line 12, column (f) = 2.4%.

⁵Exhibit A-13, Schedule C5.15.

⁶DTE’s Response to Data Request ABDE-1.6. Attached as Exhibit AB-1, pages 1-2.

1 **Q PLEASE DISCUSS DTE’S PROJECTED LEVEL OF O&M EXPENSE IN CALENDAR**
2 **YEAR 2024 AND 2025.**

3 A DTE’s projected inflation adjustments for 2024 and 2025 are \$27.935 million and
4 \$28.745 million, respectively.⁷ These adjustments reflect composite factors based on
5 a combination of inflation measured by the CPI (2.4% in 2024, and 2.2% for 2025),⁸
6 and a 3.0% annual wage escalation factor.⁹

7 In total, DTE’s projected 2024 O&M expense reflects about a 7.0%¹⁰ increase
8 over the 2023 actual O&M expense. DTE’s projected O&M expense for 2025 reflects
9 about a 2.2%¹¹ increase over the 2024 projected O&M expense. These projected
10 increases significantly exceed the actual average annual increase in O&M expense
11 experienced by DTE over the last several years.

12 **Q PLEASE DISCUSS THE CHANGES IN O&M EXPENSE THAT DTE HAS**
13 **EXPERIENCED OVER THE LAST FIVE YEARS.**

14 A In Response to Discovery Request ABDE-1.6,¹² DTE provided actual O&M expenses
15 from 2017 through 2023. DTE’s actual O&M expenses are shown in Table JAY-2.

⁷Exhibit A-13, Schedule C5, line 12, columns (h) and (i).

⁸Exhibit A-13, Schedule C5.15.

⁹*Ibid.*

¹⁰Exhibit A-13, Schedule C5. $(1,282,243 / 1,197,888) - 1 = 7.0\%$.

¹¹Exhibit A-13, Schedule C5. $(1,310,987) / (1,282,243) - 1 = 2.2\%$.

¹²Attached as Exhibit AB-1, pages 1-2.

TABLE JAY-2

Historical Changes in O&M Expense (\$000)

| <u>Line</u> | <u>Calendar Year</u> | <u>Actual Historical Test Period O&M¹</u> (1) | <u>Annual Change</u> (2) | <u>Adjusted Historical Test Period O&M¹</u> (3) | <u>Annual Change</u> (4) |
|-------------|----------------------|---|-----------------------------|---|-----------------------------|
| 1 | 2017 | \$ 1,426,289 | | \$ 1,234,078 | |
| 2 | 2018 | 1,463,066 | 2.6% | 1,269,157 | 2.8% |
| 3 | 2019 | 1,440,617 | -1.5% | 1,260,934 | -0.6% |
| 4 | 2020 | 1,495,522 | 3.8% | 1,258,887 | -0.2% |
| 5 | 2021 | 1,561,797 | 4.4% | 1,290,029 | 2.5% |
| 6 | 2022 | 1,528,528 | -2.1% | 1,224,440 | -5.1% |
| 7 | 2023 | 1,402,820 | -8.2% | 1,197,888 | -2.2% |
| 8 | CAGR ² | | -0.3% | | -0.5% |

Sources and Notes:

¹ DTE's response to data request ABDE-1.6.

² Compound annual growth rate.

1 As shown in the table, DTE provided actual O&M expenses for each year, along
 2 with adjusted annual O&M expense which reflects ratemaking and normalization
 3 adjustments. The actual annual O&M expense increased by an average rate of 1.4%
 4 per year from 2017 to 2022, while the adjusted O&M expense decreased by an average
 5 rate of 0.2% per year. Including 2023 in the calculation of the compound annual growth
 6 rate shows that O&M expenses have declined slightly year-over-year. Importantly,
 7 both sets of data (actual and adjusted) show that despite inflationary pressures in 2022,
 8 DTE's actual O&M expense decreased by 2.1% relative to 2021, and its adjusted O&M
 9 expense decreased by 5.1%. DTE noted that 2023 was a financially challenging year.¹³
 10 However, DTE successfully managed its costs such that O&M decreased in 2023

¹³*Id.* at page 1.

1 relative to 2022, by deferring certain activities that did not impact the safety or reliability
2 of electric service.¹⁴

3 This data shows that DTE is capable of managing its O&M expenses such that
4 they do not change at the same rate as inflation. In addition, it reinforces the
5 importance of carefully scrutinizing DTE's projections in each rate case.

6 **Q HAS DTE REPRESENTED THAT IT HAS SUCCESSFULLY MANAGED ITS COSTS**
7 **FOR MANY YEARS?**

8 A Yes. DTE indicates that it strives to identify and execute sustainable productivity
9 improvements and leverage new technology to help control the Company's cost
10 structure over the long term, and that it has been able to offset inflation in prior years.¹⁵
11 The Company notes that it is using its process improvement methodologies to hold
12 costs below the inflation rate.¹⁶ In addition, the data in Table JAY-2 supports the notion
13 that the Company is capable of managing its O&M expenses such that they do not
14 change at the same rate as inflation.

15 **Q HAS DTE INCLUDED ANY REDUCTIONS TO ITS PROJECTED REVENUE**
16 **REQUIREMENT IN THIS CASE TO REFLECT AN OFFSET TO WAGE GROWTH**
17 **THAT MAY RESULT FROM PRODUCTIVITY GAINS?**

18 A No. While DTE notes in its Response to ABATE's Discovery Request ABDE-1.9 that
19 it has been able to offset inflation in prior years, it has not included any specifically
20 identifiable offsets in this case.¹⁷ The Company also indicated that it is using its process

¹⁴*Id.*

¹⁵DTE's Response to Data Requests ABDE-1.10, 1.11, and 1.12, attached as Exhibit AB-1, pages 3-5.

¹⁶*Ibid.*

¹⁷DTE's Response to Discovery Request ABDE-1.9. Attached as Exhibit AB-1 page 6.

1 improvement methodologies to hold costs below the inflation rate, but then claims that
2 cost increases above the average inflation rate for base materials and qualified contract
3 labor are expected to put pressure on its efforts.¹⁸

4 **Q IS IT REASONABLE TO EXPECT THAT DTE WILL CONTINUE TO CONTROL OR**
5 **MINIMIZE O&M IN A MANNER SUCH THAT THE TOTAL EXPENSES WILL**
6 **CHANGE AT A RATE SLOWER THAN THE RATE OF INFLATION?**

7 A Yes. As shown above, this has historically been the case. In addition, DTE proactively
8 engages in a number of efforts to improve processes and reduce costs. In discovery
9 responses cited earlier in this testimony, DTE explained that it strives to identify and
10 execute sustainable productivity improvements and leverage new technology to help
11 control the Company's cost structure over the long term. Further, the Company is
12 expecting reductions in O&M expenses as a result of its proposed capital investments
13 in the distribution system over the next five to ten years, and the transition of the
14 generation fleet from coal to other alternatives.¹⁹

15 **Q DO YOU HAVE ANY OTHER CONCERNS WITH RESPECT TO THE INFLATION**
16 **RATES USED BY DTE TO PROJECT ITS TEST YEAR O&M EXPENSES?**

17 A Yes. DTE's \$86.549 million inflation adjustment has been estimated by the Company
18 using a composite inflation rate based on a blend of: (1) the CPI-Urban ("CPI-U")
19 published by S&P/IHS Markit; and (2) a projected wage inflation rate of 3.0% for both

¹⁸DTE's Response to Discovery Request ABDE-1.10. Attached as Exhibit AB-1, page 3.

¹⁹*Ibid.*

1 internal labor and contract labor.²⁰ DTE uses the 3.0% wage escalator for labor costs
2 and the CPI for non-labor costs.²¹

3 DTE's CPI-U inflation rates were projected in October 2023,²² and are now
4 outdated. In addition, DTE's wage escalation assumption does not consider that
5 certain escalations may be managed such that the expense may not increase at the
6 overall cost of inflation.

7 **Q HAVE YOU REVIEWED RECENT INFLATION PROJECTIONS FROM**
8 **INDEPENDENT ECONOMISTS?**

9 A Yes. More recent data indicates that inflation is lower than projected by DTE. For
10 example, the Blue Chip Economic Indicators industry expert consensus Real GDP
11 Chained Price Index shows 2.3% for 2024, and 1.8% for 2025.²³

12 **Q DO YOU AGREE WITH THE COMPANY'S ASSUMED LABOR ESCALATION**
13 **FACTORS?**

14 A No. There are many moving pieces with respect to the Company's labor expense. This
15 includes changes in the number of new employees, which would potentially be brought
16 on at lower wages than the average wage of existing employees, and recognizing that
17 certain employees may retire over time and be replaced by new, less experienced,
18 employees at lower wages. Mr. Cooper neglects to consider how these variables might
19 impact the actual wage escalation.

²⁰Revised Direct Testimony of Theresa Uzenski at Q/A 61.

²¹*Id.*

²²Exhibit A-13, Schedule C5.15.

²³Blue Chip Economic Indicators, June 10, 2024, page 5.

1 Moreover, it is more important to use projections of future escalators from
2 independent economists. This is because independent economists have no interest in
3 the outcome of this rate case.

4 **Q WHAT IS YOUR RECOMMENDATION WITH RESPECT TO THE INFLATION**
5 **FACTORS USED TO PROJECT DTE'S TEST YEAR O&M EXPENSE?**

6 **A**I recommend the projected inflation rates based on the Real GDP Chained Price Index
7 be used to develop projected test year labor and non-labor O&M expense.

8 The Real GDP index uses a "chained" methodology. Each year, the basket of
9 goods and services is updated to reflect what people are actually buying. This is unlike
10 the CPI, which uses a fixed basket for a set period. This makes the Real GDP index
11 more responsive to consumer substitution – if prices of certain goods rise, people might
12 switch to less expensive alternatives, and the index will reflect that change. In addition,
13 the CPI can be heavily weighted by the cost of medical expenses, which is not reflective
14 of the cost of utility expenses.

15 This does not cure the deficiency for changes in the tenure of employees, but
16 at least relies on independent factors to project escalations in labor costs. Further, this
17 also does not consider the impact of productivity enhancements that will likely reduce
18 escalation of actual costs to levels below the rate of inflation.

1 **II.B. Incentive Compensation**

2 **Q PLEASE DISCUSS THE AMOUNT OF INCENTIVE COMPENSATION INCLUDED IN**
3 **THE COMPANY'S REVENUE REQUIREMENT.**

4 A The Company proposes to include \$59.504 million of incentive compensation expense
5 in the revenue requirement adopted by the Commission in this case.²⁴ This represents
6 the portion of incentive compensation related to operating measures associated with
7 the Annual Incentive Plan ("AIP") and Rewarding Employees ("REP"), and the total cost
8 associated with the Long-Term Incentive Plan ("LTIP").²⁵

9 **Q OF THE \$59.504 MILLION INCENTIVE COMPENSATION EXPENSE, WHAT**
10 **PORTION IS ASSOCIATED WITH FINANCIAL PERFORMANCE?**

11 A As shown in Table 3 of Mr. Cooper's Direct Testimony, the amount associated with
12 financial performance is \$39.232 million.²⁶

13 **Q IS IT REASONABLE TO INCLUDE ALL INCENTIVE COMPENSATION COSTS IN A**
14 **COMPANY'S RATEMAKING COST OF SERVICE?**

15 A No. Incentive compensation programs that are designed to align the interests of
16 employees with shareholders should be paid for by shareholders. To the extent
17 incentive compensation reflects customer-directed goals such as service reliability,
18 and/or employee safety, only then is it arguably fair and reasonable to recover the costs
19 of those programs from ratepayers, if the operational performance metrics are actually
20 achieved.

²⁴Direct Testimony of Michael Cooper at Q/A 93.

²⁵*Ibid.* at Q/A 101.

²⁶*Ibid.* at Q/A 120.

1 **Q HAS THE COMMISSION PREVIOUSLY REJECTED THE INCLUSION OF**
2 **INCENTIVE COMPENSATION RELATED TO FINANCIAL PERFORMANCE IN THE**
3 **REVENUE REQUIREMENT?**

4 A Yes. As noted in its May 8, 2020 Final Order in DTE's rate case, Case No. U-20561,
5 for over a decade the Commission has unequivocally and consistently disallowed
6 incentive compensation costs tied to financial measures.²⁷ In addition, the Commission
7 indicated that it, "has been unwaveringly clear that incentive compensation tied to
8 financial performance measures has not been shown to benefit ratepayers."²⁸
9 Similarly, in Case No. U-20836, the Commission found that, "incentive compensation
10 tied to financial performance measures has not been shown to benefit ratepayers and
11 thus should not be recovered through rates."²⁹

12 **Q HAS DTE PROVIDED EVIDENCE SHOWING THAT CUSTOMERS BENEFIT FROM**
13 **INCENTIVE COMPENSATION TIED TO FINANCIAL PERFORMANCE METRICS?**

14 A No. As shown on DTE's Exhibit A-21, Schedule K-6, the costs associated with financial
15 performance outweigh the benefits to customers in six out of seven metrics, and cost
16 \$39.232 million but only provide \$19.946 million in benefits to customers.³⁰

²⁷Case No. U-20561, May 8, 2020 Final Order at page 17.

²⁸*Ibid.* at 19.

²⁹Case No. U-20836, November 18, 2022 Final Order at page 301.

³⁰Exhibit A-21, Schedule K6, line 16, columns (k) and (l).

1 **Q WHAT IS YOUR RECOMMENDATION WITH RESPECT TO THE INCENTIVE**
2 **COMPENSATION RELATED TO FINANCIAL PERFORMANCE?**

3 A I recommend the Commission reject DTE's proposal to include \$39.232 million of
4 incentive compensation in the revenue requirement adopted in this case, consistent
5 with its findings in prior cases.

6 **Q DO YOU HAVE CONCERNS WITH ANY OF THE INCENTIVE COMPENSATION**
7 **TIED TO OPERATIONAL PERFORMANCE MEASURES?**

8 A Yes. Mr. Cooper notes that the Commission has indicated in all its recent Orders
9 addressing incentive compensation programs that inclusion of incentive compensation
10 expense in a company's revenue requirement was dependent on a showing that the
11 incentive compensation programs provided benefits to customers in excess of the
12 expense.³¹ However, as shown on Exhibit A-21, Schedule K-6, there are certain
13 components of the operational performance measures for which the benefits do not
14 exceed the expense. For example, the expense associated with Customer Satisfaction
15 measures is \$5.848 million, but the benefit is only \$2.264 million. Similarly, the benefits
16 do not outweigh the expenses related to certain Safety & Engagement measures
17 (e.g., OSHA Recordable Incident Rate, DTE Energy High Energy Serious Injury or
18 Fatality, Nuclear Total Industrial Safety Accident Events, and Nuclear On-Line
19 Radiation Exposure). In total, the expenses of these programs exceed the benefit by
20 \$5.644 million.

21 Further, the Company's projected incentive compensation levels include
22 \$1.937 million for meeting target values for SAIDI excluding MEDs, and \$1.958 million

³¹Direct Testimony of Mr. Cooper at Q/A 125.

1 for CEMI4.³² The Company did not achieve the target values for these metrics in 2023,
2 and it is not reasonably certain the Company will do so during the future test year.
3 Specifically, the target SAIDI excluding MEDs in 2023 was 150 minutes,³³ but the
4 Company achieved 157 minutes.³⁴ In addition, the target CEMI4 percentage
5 was 7.55%,³⁵ but the Company achieved 13.38%.³⁶ In light of the Company's recent
6 failure to meet its reliability goals, as well as its track record of historic revenue
7 sufficiency amounts, the incentive compensation associated with achieving these
8 distribution reliability metrics should not be recovered from ratepayers.

9 **Q WHAT IS YOUR RECOMMENDATION WITH RESPECT TO THE INCENTIVE**
10 **COMPENSATION RELATED TO OPERATIONAL PERFORMANCE?**

11 A I recommend, that at a minimum, the Company's projected test year incentive
12 compensation expense tied to operational performance measures be reduced by a total
13 of \$9.539 million (i.e., the sum of \$5.644 million, \$1.937 million, and \$1.958 million).

14 **Q PLEASE SUMMARIZE YOUR RECOMMENDATION WITH RESPECT TO DTE'S**
15 **TOTAL PROJECTED TEST YEAR O&M EXPENSES.**

16 A My recommended inflation adjustments reduce DTE's projected O&M expense by
17 \$45.2 million, and my recommended adjustment to DTE's projected incentive
18 compensation expense reduces test year O&M by \$48.8 million. In total, my

³²Exhibit A-21, Schedule K6.

³³Direct Testimony of Mr. Cooper at Q/A 111.

³⁴Case No. U-12270. DTE's 2023 MPSC Service Quality and Reliability Standards Annual Report. PDF at page 4.

³⁵Direct Testimony of Mr. Cooper at Q/A 111.

³⁶Case No. U-12270. DTE's 2023 MPSC Service Quality and Reliability Standards Annual Report. PDF at page 2.

1 recommendations would reduce DTE's projected test year O&M expense by about
2 \$93.9 million.

3 **III. Capital Expenditures and Rate Base**

4 **Q PLEASE SUMMARIZE DTE'S PROPOSED LEVEL OF CAPITAL EXPENDITURES**
5 **ADDED TO RATE BASE.**

6 A As shown on Exhibit A-12, Schedule B-1, DTE proposes a rate base level of
7 \$22.108 billion for the projected test year. This represents an increase of about
8 \$1.991 billion, or 9.9%, relative to the historical 2022 test year level of \$20.117 billion.
9 The increase in rate base is primarily driven by \$7.857 billion³⁷ of new capital
10 expenditures proposed by DTE during the 36-months ending December 2025.

11 **Q HAVE YOU IDENTIFIED SPECIFIC AREAS WHERE CAPITAL EXPENDITURES**
12 **CAN BE REDUCED?**

13 A Yes. I have reviewed DTE's forecasted capital expenditures by major department or
14 functional area and have identified adjustments that would result in expenditure levels
15 that are more reasonable than those proposed by DTE. These adjustments and the
16 overall impact on rate base are summarized in Table JAY-3 and are described below
17 in greater in detail.

³⁷Exhibit A-12, Schedule B5, line 13, sum of columns (e) and (f).

| TABLE JAY-3 | | | | | |
|---|--|---------------------|-----------------------|-------------------------------------|----------------|
| ABATE Proposed | | | | | |
| <u>Capital Expenditure Adjustments (\$000)</u> | | | | | |
| <u>Line</u> | <u>Description</u> | <u>DTE Proposed</u> | <u>ABATE Proposed</u> | <u>ABATE More / (Less) than DTE</u> | |
| | | | | <u>Amount</u> | <u>Percent</u> |
| Generation (Non-Routine) | | | | | |
| 1 | Trenton Channel Sea Wall | \$ 10,934 | \$ - | \$ (10,934) | -100.0% |
| 2 | River Rouge Decommissioning (Major) | 33,956 | 29,548 | (4,408) | -13.0% |
| 3 | Blackstart Project 10570 & 20255 | 12,633 | - | (12,633) | -100.0% |
| 4 | Blackstart Project 17611 | 8,102 | - | (8,102) | -100.0% |
| 5 | Blackstart Project 18320 | 4,445 | - | (4,445) | -100.0% |
| Generation (Routine) | | | | | |
| 6 | Blackstart Peaker Unit 2 Starting System | \$ 2,795 | \$ - | \$ (2,795) | -100.0% |
| 7 | Blackstart Unit Major Overhaul | 6,376 | - | (6,376) | -100.0% |
| | BWEC Conference Room Building | 3,275 | - | (3,275) | -100.0% |
| 8 | | | | | |
| Distribution | | | | | |
| 9 | Base Capital | \$ 2,435,669 | \$ 2,312,787 | \$(122,882) | -5.0% |
| 10 | Strategic Capital | <u>2,337,083</u> | <u>1,723,227</u> | <u>(613,856)</u> | -26.3% |
| 11 | Totals | \$ 4,855,269 | \$ 4,065,562 | \$(789,707) | -16.3% |
| 12 | Projected Test Year Rate Base | \$22,107,989 | \$21,820,727 | \$(287,262) | -1.3% |

1 **Q PLEASE EXPLAIN WHY REDUCING DTE'S PROJECTED CAPITAL**
2 **EXPENDITURES BY \$0.790 BILLION RESULTS IN AN APPROXIMATE**
3 **\$0.287 BILLION REDUCTION TO TOTAL RATE BASE.**

4 **A** Rate base primarily consists of utility plant-in-service, offset by accumulated
5 depreciation. DTE's projected plant-in-service for the test year was calculated as the
6 simple average of utility plant-in-service as of December 2024 and December 2025
7 (i.e., December 2024 plant-in-service plus December 2025 plant-in-service, divided
8 by 2).

1 I have approximated the impact of my recommended capital expenditures
2 based on this averaging approach, including the impact of accumulated depreciation.
3 Note, however, that the exact impact would depend on the timing of when the various
4 projects are placed into service.

5 **III.A. Production Capital Expenditures**

6 **Q WHAT LEVEL OF CAPITAL EXPENDITURES HAS DTE PROPOSED FOR ITS**
7 **PRODUCTION OPERATIONS?**

8 A As shown on DTE's Exhibit A-12, Schedule B-5, DTE forecasts about \$1.507 billion³⁸
9 of capital expenditures for production plant, excluding nuclear. I recommend
10 adjustments to DTE's proposed capital expenditures for several projects, as described
11 throughout the next several sections of this testimony.

12 **III.A.i. Trenton Channel Sea Wall**

13 **Q PLEASE SUMMARIZE DTE'S PROPOSAL WITH RESPECT TO THIS PROJECT.**

14 A The Trenton Channel Sea Wall project entails restoring the integrity of the seawall at
15 the Trenton Channel Power Plant and the installation of a pedestrian greenway path
16 along the Detroit River.³⁹ DTE proposes to include in rate base \$1.427 million in the

³⁸Exhibit A-12, Schedule B5, sum of columns (e) and (f), lines 2 through 5.

³⁹Revised Direct Testimony of Margaret Guillaumin at Q/A 50.

1 bridge period, and \$9.507 million in the projected test year for this project.⁴⁰ The
2 Company has provided an Appropriation Request in support of this project.⁴¹

3 **Q WHAT IS YOUR RECOMMENDATION WITH RESPECT TO THE TRENTON**
4 **CHANNEL SEA WALL PROJECT?**

5 A The Appropriation Request document provided by DTE is for \$1.1 million in 2022
6 and 2023, and does not support the level of expenditures shown in the Company's
7 Exhibit A-12, Schedule B5.1. Thus, the Company's proposed expenditures for this
8 project should not be included in rates at this time.

9 ***III.A.ii. River Rouge Decommissioning (Major)***

10 **Q WHAT LEVEL OF CAPITAL EXPENDITURES HAS DTE INCLUDED IN THE**
11 **BRIDGE PERIOD AND THE PROJECTED TEST YEAR FOR THE RIVER ROUGE**
12 **DECOMMISSIONING PROJECT?**

13 A As shown on Exhibit A-12, Schedule B5.1, page 2 of 8, DTE includes \$33.956 million
14 in the bridge period for this project. This is comprised of \$21.148 million in 2023, and
15 \$12.808 million in 2024.⁴²

16 **Q PLEASE DESCRIBE THIS PROJECT.**

17 A DTE testifies that this project is to fully decommission and remove all plant structures
18 including waste products from the site, to achieve a cold, dark, and dry status by the
19 end of 2024.⁴³ The testimony claims it expects to spend \$12.808 million in 2024 to

⁴⁰Exhibit A-12, Schedule B5.1 page 2 of 9.

⁴¹Attached as Exhibit AB-2 at pages 1-2.

⁴²*Id.*

⁴³Revised Direct Testimony of Margaret Guillaumin at Q/A 47.

1 complete this project. However, in support of this project, the Company has provided
2 an Appropriation Request document, which shows expenditures of \$8.4 million
3 in 2024.⁴⁴

4 **Q WHAT IS YOUR RECOMMENDATION WITH RESPECT TO DTE'S PROJECTED**
5 **CAPITAL EXPENDITURES FOR THIS PROJECT?**

6 A I recommend the projected capital expenditures for this project be reduced to
7 \$8.4 million in 2024, to be consistent with the supporting documents provided by DTE.

8 ***III.A.iii. Blackstart Projects***

9 **Q PLEASE DISCUSS DTE'S PROPOSED BLACKSTART PROJECTS.**

10 A DTE proposes to include in rates the total capital expenditures of \$25.181 million, for
11 four blackstart projects.⁴⁵ DTE indicates that these projects support the North American
12 Reliability Corporation ("NERC") black start plan, but it cannot disclose details, in order
13 to maintain the integrity of these sites.⁴⁶

14 **Q HAS DTE PROVIDED DOCUMENTS SUPPORTING THESE PROJECTS?**

15 A DTE provided several Project Management and Planning ("PMP") documents to
16 support these projects.⁴⁷ However, the information describing the scope of the projects
17 and timelines is redacted in the PMP documents included in DTE's workpapers. It does
18 not appear that unredacted copies were provided, even to parties that executed the
19 Nondisclosure Certificate in this rate case.

⁴⁴Attached as Exhibit AB-2 at pages 3-5.

⁴⁵Exhibit A-12, Schedule B5.1, page 2, lines 37-39, columns (e) and (f).

⁴⁶Revised Direct Testimony of Margaret Guillaumin at Q/A 54.

⁴⁷PMP 10570, 20255, 17611, and 18320. Attached as Exhibit AB-2, pages 6-9.

1 Further, the PMP documents indicate that they have been revised and/or the
2 project schedules have changed. However, due to the redactions, it is unclear what
3 revisions have been made, the reasoning behind such revisions, or whether schedule
4 changes affect the likelihood of these projects being completed as planned during the
5 bridge period or projected test year in this case. In addition, the testimony provides
6 limited information about the status of these projects, and execution of project tasks
7 and timelines in 2023 through 2025.

8 **Q WHAT IS YOUR RECOMMENDATION WITH RESPECT TO THESE PROJECTS?**

9 A DTE has provided minimal information to support the inclusion of these projects in the
10 bridge period and projected test year in this case. Thus, I recommend the Commission
11 disallow all projected capital expenditures associated with these projects from rate
12 base. While the Commission found in DTE's last rate case (Case No. U-21297) that
13 these types of projects were important to maintain grid security,⁴⁸ ratepayers should
14 not be responsible for unsubstantiated costs that have not been demonstrated to be
15 reasonably likely to be incurred by DTE in the bridge period or projected test year.

16 ***III.A.iv. Blackstart Peaker Unit 2 Starting System***

17 **Q WHAT LEVEL OF CAPITAL EXPENDITURES HAS DTE INCLUDED IN THE**
18 **BRIDGE PERIOD AND THE PROJECTED TEST YEAR FOR THIS PROJECT?**

19 A The Company proposes to include in rate base \$2.795 million of projected capital
20 expenditures in 2025 for this project.⁴⁹ The Company indicates that the unit starting

⁴⁸Case No. U-21297, December 1, 2023 Order at page 43.

⁴⁹Exhibit A-12, Schedule B5.1, page 7 of 9.

1 system is obsolete and requires replacement with an up-to-date design.⁵⁰ In support
2 of this project, the Company provided PMP 19737.⁵¹

3 **Q WHAT IS YOUR RECOMMENDATION WITH RESPECT TO THIS PROJECT?**

4 A I recommend the projected capital expenditures for this project be excluded from rates
5 at this time. The supporting document for this project is redacted. This means parties
6 cannot independently review and assess the scope of this project, the project timelines,
7 or any revisions that have occurred. In addition, the supporting document shows that
8 the projected cost has changed from \$50,000 to \$3.245 million without explanation.

9 ***III.A.v. Blackstart Unit Major Overhaul***

10 **Q WHAT LEVEL OF CAPITAL EXPENDITURES HAS DTE INCLUDED IN THE**
11 **BRIDGE PERIOD AND THE PROJECTED TEST YEAR FOR THIS PROJECT?**

12 A The Company proposes to include in rate base \$6.376 million of projected capital
13 expenditures in 2025 for this project.⁵² The Company indicates that a major unit
14 overhaul outage will begin and be completed in 2026, and that the work is required for
15 continued safe and reliable operation.⁵³ In support of this project, the Company
16 provided PMP 18090.⁵⁴

17 **Q WHAT IS YOUR RECOMMENDATION WITH RESPECT TO THIS PROJECT?**

18 A I recommend the projected capital expenditures for this project be excluded from rates
19 at this time. The supporting document for this project is redacted. This means parties

⁵⁰Revised Direct Testimony of Margaret Guillaumin at Q/A 85.

⁵¹Attached as Exhibit AB-2 at page 10.

⁵²Exhibit A-12, Schedule B5.1, page 7 of 9.

⁵³Revised Direct Testimony of Margaret Guillaumin at Q/A 85.

⁵⁴Attached as Exhibit AB-2 at page 11.

1 cannot independently review and assess the scope of this project, the project timelines,
2 or any revisions that have occurred. In addition, the supporting document shows that
3 a schedule change has occurred, but there is no explanation as to what the change
4 was, why it occurred, or whether the project is likely to be complete during the bridge
5 period or projected test year in this case.

6 **III.A.vi. Blue Water Energy Center**
7 **Conference Room Building**

8 **Q WHAT LEVEL OF CAPITAL EXPENDITURES HAS DTE INCLUDED IN THE**
9 **BRIDGE PERIOD AND THE PROJECTED TEST YEAR FOR THIS PROJECT?**

10 A The Company proposes to include in rate base \$3.275 million of projected capital
11 expenditures in 2024 for a conference room building at the Blue Water Energy Center.⁵⁵
12 In support of this proposal, DTE notes that at times, the number of workspaces in the
13 current office space configuration are not sufficient because the site workforce can
14 surge in support of routine and major maintenance activities.⁵⁶ The Company also
15 notes that other DTE power plant sites have repurposed original construction buildings
16 that were converted to functional plant conference rooms when construction was
17 complete.

18 **Q WHAT IS YOUR RECOMMENDATION WITH RESPECT TO THIS PROJECT?**

19 A I recommend the projected capital expenditures for this conference room building be
20 excluded from rate base, as they were in the last rate case.⁵⁷ The Company has not
21 adequately justified the cost or the necessity of the new conference room building. DTE

⁵⁵Revised Direct Testimony of Margaret Guillaumin at Q/A 84.

⁵⁶*Id.*

⁵⁷Case No. U-21297, December 1, 2023 Order at pages 36-38.

1 has not explained why adequate office space was not included in the original design of
2 the Blue Water Energy Center if all of the Company's power plant facilities require such
3 conference facilities.

4 **III.B. Distribution Capital Expenditures**

5 **Q WHAT LEVEL OF CAPITAL EXPENDITURES HAS DTE PROPOSED FOR ITS**
6 **DISTRIBUTION OPERATIONS?**

7 A As shown on DTE's Exhibit A-12, Schedule B-5, DTE forecasts about \$4.773 billion⁵⁸
8 of capital expenditures for distribution plant during the bridge period and projected test
9 year. My recommended adjustments to DTE's proposed distribution capital
10 expenditures are discussed below in greater detail.

11 **Q DO YOU HAVE ANY CONCERNS WITH DTE'S PROJECTED DISTRIBUTION**
12 **CAPITAL EXPENDITURES GENERALLY?**

13 A Yes. As shown on Exhibit A-12, Schedule B-5, distribution investment is becoming an
14 increasingly larger portion of DTE's total capital expenditures. As shown on that exhibit,
15 in 2022, distribution capital expenditures represented about 57.7%⁵⁹ of total capital
16 expenditures. DTE's projections show that this percentage grows to 59.8%⁶⁰ during
17 the bridge period, and increases to 62.7%⁶¹ in the projected test year. Further, the
18 projected capital expenditures DTE proposes to include in rate base in this case include
19 several projects that are not projected to be placed in-service until well beyond the end
20 of the future test year, including as far into the future as December 1, 2035.

⁵⁸Exhibit A-12, Schedule B5, sum of columns (e) and (f), line 7.

⁵⁹Compares distribution capital expenditures from Exhibit A-12, Schedule B5, line 7 to line 13.

⁶⁰*Id.*

⁶¹*Id.*

1 DTE's distribution investment is geared toward improving system reliability and
2 resiliency. However, despite DTE's growing investment in the distribution system,
3 DTE's system reliability metrics have not significantly improved in recent years. This
4 is shown in DTE's Exhibit A-23, Schedule M-8, at pages 40-41 and 207-208. In
5 addition, as noted earlier in this testimony, DTE failed to meet its target SAIDI and
6 CEMI4 metrics in 2023. As a result, the Commission should closely scrutinize the
7 Company's projected distribution capital expenditures to ensure that the interests of
8 DTE and its ratepayers are reasonably balanced.

9 **Q ARE YOU PROPOSING ANY ADJUSTMENTS TO THE LEVEL OF DISTRIBUTION**
10 **CAPITAL EXPENDITURES DTE PROPOSES TO INCLUDE IN RATE BASE?**

11 A Yes. I am recommending adjustments to the level of capital expenditures projected by
12 DTE for emergent replacements and strategic capital programs.

13 ***III.B.i. Emergent Replacements***

14 **Q WHAT IS DTE'S PROPOSED LEVEL OF CAPITAL EXPENDITURES FOR**
15 **EMERGENT REPLACEMENTS?**

16 A DTE requests to include in rate base \$1.531 billion of capital expenditures for emergent
17 replacements.⁶² This category includes storm, non-storm, and substation reactive
18 investments. Storm-related emergent replacements include investments required to
19 perform repairs and replacements of the overhead and underground distribution and
20 subtransmission systems for damage which occurs during storms.⁶³ Non-storm
21 emergent replacements include investments required to return the overhead and

⁶²Exhibit A-12, Schedule B5.4, page 1, line 7, sum of columns (e) and (f).

⁶³Direct Testimony of Brian Hill at Q/A 13.

1 underground distribution systems, and subtransmission electrical system to restore
2 power and/or return to normal operating configuration during non-storm conditions.⁶⁴
3 DTE developed its projections for each of these components based on a five-year
4 average of inflation adjusted emergent replacement capital expenditures from 2018
5 through 2022.⁶⁵ The substation reactive category includes spending required to
6 perform emergency replacement work for substation equipment.⁶⁶

7 **Q DO YOU AGREE WITH DTE’S PROPOSED USE OF A FIVE-YEAR AVERAGE OF**
8 **HISTORICAL EMERGENT CAPITAL SPENDING AS THE BASIS TO PROJECT**
9 **CAPITAL EXPENDITURES DURING THE BRIDGE PERIOD AND PROJECTED**
10 **TEST YEAR?**

11 A No. While the five-year average has historically been approved by the Commission, it
12 is inappropriate to rely on a five-year average in this case. Specifically, 2021 data
13 should not be included in the historical average, as it was an abnormal year in terms of
14 storm activity. DTE’s testimony in its last rate case acknowledged that in 2021 the
15 Company experienced 12 storm events that, when combined, were unprecedented in
16 the Company’s history, in terms of frequency, intensity, and number of outages for
17 customers.⁶⁷ This unprecedented nature of 2021 is also evident from a review of
18 expenditures on storm-related emergent replacements shown on Exhibit A-12,
19 Schedule B5.4, at page 3. In 2021, these expenditures more than doubled relative to
20 DTE’s annual expenditures from 2018 through 2020. In 2022, the number of storm

⁶⁴ *Ibid.* at Q/A 21.

⁶⁵ *Ibid.* at Q/A 15 and Q/A 23.

⁶⁶ *Ibid.* at Q/A 25.

⁶⁷ Case No. U-21297, Direct Testimony of Brian Hill at Q/A 23.

1 days was lower than DTE projected, and there was only one catastrophic storm, which
2 was also lower than the Company's internal forecast.⁶⁸

3 **Q WHAT IS YOUR RECOMMENDATION WITH RESPECT TO DTE'S PROJECTED**
4 **CAPITAL EXPENDITURES FOR EMERGENT REPLACEMENTS?**

5 A I recommend that DTE rely on a four-year average of historical expenditures from
6 2018-2022, excluding 2021 as the basis for its projections of storm-related emergent
7 replacements going forward. As discussed above, 2021 was an unprecedented year
8 for emergent replacements, and relying on 2021 as the basis for future projections only
9 serves to unnecessarily inflate DTE's projected capital expenditures in this case. DTE
10 has not provided evidence suggesting that the bridge period or projected test year will
11 require emergent replacements that significantly exceed the four-year average
12 referenced above. Further, the inflation adjustments used to project emergent
13 replacements (and all base capital expenditures) should be updated to reflect the Real
14 GDP Chained Price Index as discussed earlier in this testimony in the context of O&M
15 expenses.

16 **Q WHAT IS THE IMPACT ON DTE'S PROPOSED CAPITAL EXPENDITURES FOR**
17 **BASE CAPITAL PROGRAMS IF A FOUR-YEAR AVERAGE AND YOUR**
18 **RECOMMENDED INFLATION ADJUSTMENTS ARE USED, RATHER THAN THE**
19 **METHODOLOGY PROPOSED BY DTE?**

20 A If a four-year average (2018-2020 and 2022) of actual historical capital investment is
21 used for storm-related emergent replacements, and my recommended inflation factors

⁶⁸*Ibid.* at Q/A 21.

1 are applied, the total Base Capital expenditure amount would be reduced by
2 \$122.882 million.

3 ***III.B.ii. Strategic Replacements***

4 **Q WHAT LEVEL OF CAPITAL EXPENDITURES HAS DTE PROPOSED FOR ITS**
5 **STRATEGIC CAPITAL PROGRAMS?**

6 A As shown on DTE's Exhibit A-12, Schedule B5.4, page 1, DTE forecasts \$1,036 million
7 of capital expenditures for Infrastructure Resilience and Hardening, \$777.742 million
8 for Infrastructure Redesign and Modernization, and \$523.095 million for Technology
9 and Automation. This represents a total of \$2.337 billion of projected expenditures for
10 this investment category.

11 **Q DO YOU AGREE WITH THIS LEVEL OF CAPITAL EXPENDITURES FOR THE**
12 **STRATEGIC CAPITAL PROGRAMS CATEGORY?**

13 A No. I agree that DTE needs to uphold its commitment to investing in its Strategic
14 Capital Programs to improve system resiliency and reliability. However, as explained
15 above, the system reliability metrics have exhibited minimal improvement in recent
16 years. In addition, DTE has a history of underspending on Strategic Capital Programs
17 relative to its forecasts, as those funds have historically been diverted to emergent
18 replacements.⁶⁹ Further, DTE's proposed spending on these programs includes
19 significant levels of capital expenditures for projects that are not expected to be placed
20 in-service until after the end of the projected test year in this case. Specifically,
21 Exhibit A-12, Schedule B5.4, pages 8 through 12 show that several projects are
22 expected to be in-service at various dates ranging from December 31, 2026 through

⁶⁹Case No. U-20836, Pfeuffer Direct at Q/A 28; Case No. U-20561, 4 Tr. 131-132.

1 December 31, 2035, and therefore, will not become used and useful during the bridge
2 period or projected test year.

3 **Q WHAT IS YOUR RECOMMENDATION WITH RESPECT TO DTE'S PROJECTED**
4 **INVESTMENT IN STRATEGIC CAPITAL PROGRAMS?**

5 A For the reasons described above, including the lackluster improvement to system
6 reliability metrics, I recommend the Commission allow only the projected capital
7 expenditures associated with projects that are expected to be in-service during the
8 bridge period and projected test year. This results in inclusion of \$1.723 billion of
9 capital expenditures for Strategic Capital Programs, which is a reduction of
10 \$613.586 million relative to the amount proposed by the Company, but is still about
11 2.5x the amount reportedly spent in 2022.⁷⁰

12 **Q PLEASE IDENTIFY THE REVENUE REQUIREMENT IMPACT OF YOUR**
13 **PROPOSED ADJUSTMENTS TO DTE'S PROJECTED CAPITAL EXPENDITURES.**

14 A My recommendations reduce DTE's projected generation and distribution capital
15 expenditures by \$0.790 billion. This reduces the total rate base by an estimated
16 \$0.287 billion. Multiplying the reduction in the rate base by DTE's pre-tax rate of return
17 of 7.37%⁷¹ reduces DTE's claimed revenue deficiency by \$21.2 million. Based on the
18 9.6% ROE supported by Mr. Walters, the revenue requirement impact of my
19 adjustments would be \$19.8 million.

⁷⁰Exhibit A-12, Schedule B5.4, page 1, column (b), line 22.

⁷¹DTE's Exhibit A-14, Schedule D1.

1 Q PLEASE IDENTIFY THE TOTAL REVENUE REQUIREMENT IMPACT OF ALL OF
2 YOUR RECOMMENDED ADJUSTMENTS.

3 A As noted above, the revenue requirement impact of my proposed adjustments to DTE's
4 capital expenditures is \$21.2 million, using DTE's proposed ROE of 10.50%. Adding
5 my adjustments for O&M expense, depreciation, and property taxes results in a total
6 revenue requirement reduction of \$136.0 million. However, at Mr. Walters'
7 recommended ROE of 9.6%, my adjustments reduce DTE's claimed revenue
8 deficiency by \$134.7 million. This result is summarized in Table JAY-4.

| <u>Line</u> | <u>Description</u> | <u>DTE ROE</u> | <u>ABATE ROE</u> |
|-------------|---------------------|--------------------|----------------------|
| 1 | Return on Rate Base | \$ 21.2 | \$ 19.8 |
| 2 | Depreciation | 14.9 | 14.9 |
| 3 | Property Taxes | 6.1 | 6.1 |
| 4 | Incentive Comp. | 48.8 | 48.8 |
| 5 | O&M Inflation | <u>45.2</u> | <u>45.2</u> |
| 6 | Total Adjustments | \$ 136.0 | \$ 134.7 |

9 Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

10 A Yes, it does.

Qualifications of Jessica A. York

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A Jessica York. My business address is 16690 Swingley Ridge Road, Suite 140,
3 Chesterfield, MO 63017.

4 **Q PLEASE STATE YOUR OCCUPATION.**

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

7 **Q PLEASE IDENTIFY THE JURISDICTIONS IN WHICH YOU HAVE PREVIOUSLY**
8 **SPONSORED TESTIMONY.**

9 A I have sponsored expert testimony in front of the Idaho Public Utilities Commission, the
10 Illinois Commerce Commission, Indiana Utility Regulatory Commission, the Michigan
11 Public Service Commission, the Minnesota Public Utilities Commission, the Missouri
12 Public Service Commission, the Public Utilities Commission of Nevada, the Oklahoma
13 Corporation Commission, the Virginia State Corporation Commission, and the Public
14 Service Commission of Wisconsin.

15 **Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL**
16 **EMPLOYMENT EXPERIENCE.**

17 A I graduated from Truman State University in 2008 where I received my Bachelor of
18 Science Degree in Mathematics with minors in Statistics and Actuarial Science. I
19 earned my Master of Business Administration Degree with a concentration in Finance
20 from the University of Missouri-St. Louis in 2014.

1 I joined BAI in 2011 as an analyst. Then, in March 2015, I joined the consulting
2 team of BAI.

3 I have worked in various electric, natural gas and water and wastewater
4 regulatory proceedings addressing cost of capital, sales revenue forecasts, revenue
5 requirement assessments, class cost of service studies, rate design, and various policy
6 issues. I have also conducted competitive power and natural gas solicitations on behalf
7 of large electric and natural gas users, have assisted those large power and natural
8 gas users in developing procurement plans and strategies, assisted in competitive
9 contract negotiations, and power and natural gas contract supply administration. In the
10 regulated arena, I have evaluated cost of service studies and rate designs proffered by
11 other parties in cases for various utilities, including in Idaho, Illinois, Indiana, Kansas,
12 Wisconsin and others. I have conducted bill audits, rate forecasts and tariff rate
13 optimization studies.

14 I have also provided support to clients with facilities in deregulated markets,
15 including drafting supply requests for proposals, evaluating supply bids, and auditing
16 competitive supply bills. I have also prepared and presented to clients reports that
17 monitor the electric market and recommend strategic hedging transactions.

18 BAI was formed in April 1995. BAI and its predecessor firm have participated
19 in more than 700 regulatory proceedings in forty states and Canada.

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

1 In general, we are engaged in energy and regulatory consulting, economic
2 analysis and contract negotiation.

3 In addition to our main office in St. Louis, the firm also has branch offices in
4 Corpus Christi, Texas; Louisville, Kentucky and Phoenix, Arizona.

503419

MPSC Case No: U-21534

Requester: ABATE

Question No.: ABDE-1.6

Respondent: T. Uzenski

Page: 1 of 1

Question: In electronic spreadsheet format with all formulas and links intact, please provide a copy of Exhibit A-13, Schedule C5, showing the actual historical Operation and Maintenance (“O&M”) expense (comparable to columns (c) – (f)) for each line item on this exhibit for calendar years 2017–2023.

Answer: 2023 was a financially challenging year for DTE Electric, driven by very elevated storm activity, a much cooler than normal summer, a much warmer than normal winter, and a challenging DTE Electric rate case outcome at the end of 2022. To mitigate these significant headwinds and maintain the financial health of the Company, DTE Electric took a number of temporary measures which resulted in lower 2023 O&M as compared to 2022.

These reductions included (but were not limited to) deferring building/facility maintenance work unless safety related, limiting overtime, postponing annual salary increases, pausing employee promotions and progressions, delaying hiring to replace employees who left the Company, temporarily suspending travel and non-mandatory training, temporarily reducing contractors and other services that did not impact the safety or reliability of electric service, and shifting timing of material and supply purchases. In addition, a reduction of certain shared services, such as customer service operations and information technology support, reduced DTE Electric’s portion of those costs. Other temporary impacts that the Company expects to return to 2022 levels include accounting deferrals and incentive compensation. These temporary reductions are noted in the attached file.

Attachment: *U-21534 ABDE 1.6 O&M 2017-2023.xls*

MPSC Case No: U-21534

Requester: ABATE

Question No.: ABDE-1.6 (S1)

Respondent: T. Uzenski

Page: 1 of 1

Question: In electronic spreadsheet format with all formulas and links intact, please provide a copy of Exhibit A-13, Schedule C5, showing the actual historical Operation and Maintenance (“O&M”) expense (comparable to columns (c) – (f)) for each line item on this exhibit for calendar years 2017–2023.

Answer: See attached updated response for the Nuclear Generation actual O&M expenses for 2018 through 2023; this supplemental response corrects an error in expense allocation to the 2023 PERC O&M base expense (see highlighted Column e on tab A-13 C5.3 p1). The total amount depicted for 2023 adjusted historical actual O&M expenses did not change from the original response.

Similarly, for the Steam Power Generation O&M expenses, the supplemental response corrects the FERC accounts listed with each adjustment under Note 5 (see highlighted accounts on tab A-13 C5.1 under Note 5). The adjustment amounts have not changed.

This supplemental response also corrects an error in adjustments by FERC account for Other Power Generation O&M expenses (see highlighted column on tab A-13 C5.5). This change is also carried forward to the 2023 summary tab: “ABDE 1.6 2023.”

Attachment: *U-21534 ABDE-1.6 O&M 2017-2023 Supplemental Response.xlsx*

MPSC Case No: U-21534

Requester: ABATE

Question No.: ABDE-1.10

Respondent: A. Crozier

Page: 1 of 1

Question: Describe whether or not DTE is capable of managing O&M escalation to reflect a productivity offset to cost increases, in a way that the expenses will change at a rate slower than the rate of inflation. Please provide copies of all management documents, and efforts to achieve this objective.

Answer: DTE Electric objects to this request for the reasons that the request is vague, overly broad, seeks excessive detail, is unduly burdensome and is otherwise not reasonably calculated to lead to the discovery of admissible evidence. Subject to this objection, and without waiving this objection, DTE Electric would answer as follows:

The Company has been able to offset inflation in prior years but has not included any offsets in the instant case because it is becoming more challenging to identify offsets going forward. DTE Electric is applying process improvement methodologies to hold costs below the inflation rate. Cost increases above the average inflation rate for base materials and qualified contractor labor continue to put pressure on the Company's efforts. DTE Electric strives to identify and execute sustainable productivity improvements and leverage new technology to help control the Company's cost structure over the long-term. With respect to electric generation, the changeover of the generation fleet from coal to cleaner resource alternatives will, over the long-term, result in O&M reductions, some which are reflected in the instant case (see Exhibit A-13 Schedule C5.1). For distribution, the proposed continuation of the tree trim surge and the modernization of DTE Electric's distribution system equipment are long-term programs to build efficiencies that we expect to realize in a five to ten-year window, depending on the pace of each of those efforts. Additionally, securing longer term contracts for tree trimming not only provides competitive pricing but also locks in associated equipment costs. Witnesses Guillaumin, Steudle, Hartwick, Hill, Elliott Andahazy, and Deol, describe these long-term programs in their direct testimony and in supporting exhibits.

Attachment: *None*

MPSC Case No: U-21534

Requester: ABATE

Question No.: ABDE-1.11

Respondent: A. Crozier

Page: 1 of 1

Question: Please explain whether or not DTE makes an effort on an ongoing basis to improve processes and reduce costs as much as possible while still providing safe and reliable service to its customers.

Answer: DTE Electric objects to this request for the reasons that the request is vague, overly broad, seeks excessive detail is unduly burdensome and is otherwise not reasonably calculated to lead to the discovery of admissible evidence. Subject to this objection, and without waiving this objection, DTE Electric would answer as follows:

DTE Electric strives to identify and execute sustainable productivity improvements and leverage new technology to help control the Company's cost structure over the long term. With respect to electric generation, the changeover of the generation fleet from coal to cleaner resource alternatives will, over the long-term, result in O&M reductions, some which are reflected in the instant case (see Exhibit A-13 Schedule C5.1). For distribution, the proposed continuation of the tree trim surge and the modernization of DTE Electric's distribution system equipment are long-term programs to build efficiencies that we expect to realize in a five to ten-year window, depending on the pace of each of those efforts. Additionally, securing longer term contracts for tree trimming not only provides competitive pricing but also locks in associated equipment costs. Witnesses Guillaumin, Steudle, Hartwick, Hill, Elliott Andahazy, and Deol, describe these long-term programs in their direct testimony and in supporting exhibits.

Attachment: *None*

MPSC Case No: U-21534

Requester: ABATE

Question No.: ABDE-1.12

Respondent: A. Crozier

Page: 1 of 1

Question: To the extent that DTE takes actions to improve processes and reduce costs as much as possible while still providing safe and reliable service to customers, please provide a detailed explanation of such efforts.

Answer: DTE Electric objects to this request for the reasons that the request is vague, overly broad, seeks excessive detail is unduly burdensome and is otherwise not reasonably calculated to lead to the discovery of admissible evidence. Subject to this objection, and without waiving this objection, DTE Electric would answer as follows:

DTE Electric strives to identify and execute sustainable productivity improvements and leverage new technology to help control the Company's cost structure over the long term. With respect to electric generation, the changeover of the generation fleet from coal to cleaner resource alternatives will, over the long-term, result in O&M reductions, some which are reflected in the instant case (see Exhibit A-13 Schedule C5.1). For distribution, the proposed continuation of the tree trim surge and the modernization of DTE Electric's distribution system equipment are long-term programs to build efficiencies that we expect to realize in a five to ten-year window, depending on the pace of each of those efforts. Additionally, securing longer term contracts for tree trimming not only provides competitive pricing but also locks in associated equipment costs. Witnesses Guillaumin, Steudle, Hartwick, Hill, Elliott Andahazy, and Deol, describe these long-term programs in their direct testimony and in supporting exhibits. DTE Electric's projected revenue requirement does not assume any specifically identifiable efficiencies beyond those described in ABDE-1.8 which result from the Company's voluminous and widely varied process improvement efforts. Any reductions to the revenue requirement in this case related to productivity gains are embedded in each business unit's historical and projected data in an implicit, rather than explicit manner.

Attachment: None

MPSC Case No: U-21534

Requester: ABATE

Question No.: ABDE-1.9

Respondent: A. Crozier

Page: 1 of 1

Question: Has DTE included any reductions to its projected revenue requirement in this case to account for productivity gains that may offset wage growth? If so, please identify the reductions and where they can be found in the Company's workpapers.

Answer: DTE Electric's projected revenue requirement does not assume any specifically identifiable and sustainable productivity gains beyond those described in ABDE-1.8 which result from the Company's voluminous and widely varied process improvement efforts. Any reductions to the revenue requirement in the instant case related to productivity gains are embedded in each business unit's historical and projected data in an implicit, rather than explicit manner.

However, two examples of O&M reductions which have been explicitly identified but that are not related to productivity gains are 1) \$8.8 million of tree trim savings related to fewer outage events occurring as a result of the Company's tree trim program and 2) \$6.4 million in customer service costs reductions related to the Company's Digital Investment Project's success at reducing call volumes. Please see Exhibit A-13 Schedule B5.7 line 5 sponsored by Witness Hatsios for the former and see surge tree trim savings sponsored by Witness Steudle Exh. A-22, Schedule L1, p.1 Line 9 & 10, Col. (g) minus Line 9 & 10 Col. (h) for the latter.

Attachment: *none*



Appropriation Request
 Summary Sheet

| | | | | | | | | |
|---|------------------|---|--------------------------------|------------------------------------|----------------------------------|------|--------|---------|
| Project Name: Trenton Channel Seawall | | Capital Budget / Project #: | | | | | | |
| Utility/Non-Utility: Utility | | Project Type: Construction | | | | | | |
| Business Segment: Electric Utility | | Business unit within budget?: Yes | | | | | | |
| Business Unit: MEP Energy Supply | | Project Start Date: 10/1/2022 | | | | | | |
| Project Sponsor: Renee Tomina - SVP MEP | | In-Service Date: 12/31/2024 | | | | | | |
| | | Post Investment Evaluation Date: TBD | | | | | | |
| Current Approval Request (\$000s): | <u>\$1,100.0</u> | | | | | | | |
| Previous Request(s) (\$000s): | \$0 | | | | | | | |
| Total Project (\$000s): | \$1,100.0 | | | | | | | |
| Financial Summary (\$000s) | | | | | | | | |
| | Prior Years | 2022 | 2023 | 2024 | 2025 | 2026 | Beyond | Total |
| Current Capital Approval Request | \$0 | \$100 | \$1,000 | \$0 | \$0 | \$0 | \$0 | \$1,100 |
| Previous Request(s) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Project Request | 0 | 100 | 1,000 | 0 | 0 | 0 | 0 | 1,100 |
| Operating After-Tax Cash Flow | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Hurdle Rate | IRR | NPV | Payback(years) | First 5 Yrs Avg. Net Income | Customer cost (savings)* | | | |
| 0.00% | 0.0% | \$0.0 | 0.0 | \$ - | \$0 | | | |
| Project Description and Approval | | | | | | | | |
| Design and construct shoreline and seawall upgrades to the Trenton Channel Slocum canal and Detroit riverfronts, to repair present degraded condition and ensure long term viability and permit conformance. Design and construct approximately 2000lf a Greenway non-motorized mixed use path along the Detroit riverfront including road crossings. | | | | | | | | |
| Major Risk and Risk Mitigants | | | | | | | | |
| Approval Level (per FC20) | | | Business Unit President | | Final Approval Signatures | | | |
| | | | Required | | | | | |
| | | | yes no | | | | | |
| Business Unit President | | | yes | | Renee M. Tomina 9/26/2022 | | | |
| Corporate Staff Review | | | | | Project Sponsor Date | | | |
| Corporate Development * | | | Date | | Business Unit President Date | | | |
| DTE Controller Review | | | Date no | | | | | |
| Growth & Value Creation Committee Review | | | no | | | | | |
| Chief Financial Officer | | | no | | | | | |
| Chief Operating Officer | | | no | | | | | |
| Chief Executive Officer | | | no | | | | | |
| Finance Committee | | | no | | | | | |
| Board of Directors | | | no | | | | | |

* Corporate Development indicates that Corporate Staff Review is complete. See page 2 for any comments from Corporate Staff



**Timing Revision Request on Approved Appropriation
 Summary Sheet**

| | | | |
|----------------------|-----------------------------|----------------------------------|-----------------|
| Project Name: | River Rouge Decommissioning | Capital Budget / Project #: | I-000151-0006 |
| Utility/Non-Utility: | Utility | Project Type: | Decommissioning |
| Business Segment: | Electric Utility | Business unit within budget?: | Yes |
| Business Unit: | PMO - Energy Supply | Project Start Date: | 06/01/2021 |
| Project Sponsor: | Renee M. Tomina, Sr. VP MEP | In-Service Date: | June 2026 |
| | | Post Investment Evaluation Date: | 2026 |

| | |
|------------------------------------|----------|
| Current Approval Request: (\$000s) | \$94,900 |
|------------------------------------|----------|

| Financial Summary (\$000s) | | | | | | | | | |
|----------------------------------|-------------|------------|------------|-----------|------------|-------|-------|--------|------------|
| | Prior Years | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | Beyond | Total |
| Current Capital Approval Request | \$4,145.0 | \$12,955.0 | \$21,100.0 | \$8,400.0 | \$48,300.0 | \$0.0 | \$0.0 | \$0.0 | \$94,900.0 |

| Hurdle Rate | IRR | NPV | Payback (years) | First 5 Yrs Avg. Net Income | Customer cost (savings) |
|-------------|-----|-----|-----------------|-----------------------------|-------------------------|
| - | - | N/A | N/A | N/A | N/A |

Project Description and Approval Discussion
 See original CARF

Major Risk and Risk Mitigants

| Approval Level | Business Unit President | Final Approval Signatures | | | | |
|--------------------------------------|---|----------------------------------|--|-----|----|--|
| | <table border="1"> <thead> <tr> <th colspan="2">Required</th> </tr> <tr> <th>yes</th> <th>no</th> </tr> </thead> </table> | Required | | yes | no | |
| Required | | | | | | |
| yes | no | | | | | |
| Business Unit President | yes | Renee M. Tomina /s/ 1/17/2024 | | | | |
| Corporate Staff Review | no | Renee M. Tomina - Sr VP-MEP Date | | | | |
| Corporate Development * | Date | | | | | |
| DTE Controller Review | no | | | | | |
| DTE Treasurer Review | no | | | | | |
| Utility Capital Committee Review | no | | | | | |
| Non-Utility Capital Committee Review | no | | | | | |
| Chief Operating Officer | no | | | | | |
| Chief Financial Officer | no | | | | | |
| Chief Executive Officer | no | | | | | |
| Finance Committee | no | | | | | |
| Board of Directors | no | | | | | |



Appropriation Request
 Summary Sheet

| | | | |
|------------------------------------|-----------------------------|----------------------------------|-----------------|
| Project Name: | River Rouge Decommissioning | Capital Budget / Project #: | I-000151-0006 |
| Utility/Non-Utility: | Utility | Project Type: | Decommissioning |
| Business Segment: | Electric Utility | Business unit within budget?: | Yes |
| Business Unit: | MEP - Energy Supply | Project Start Date: | 6/1/2021 |
| Project Sponsor: | Renee Tomina | In-Service Date: | 6/1/2025 |
| | | Post Investment Evaluation Date: | 2026 |
| Current Approval Request (\$000s): | \$88.3 | | |
| Previous Request(s) (\$000s): | \$19.4 | | |
| Total Project (\$000s): | \$107.7 | | |

| Financial Summary (\$000s) | | | | | | | | |
|----------------------------------|-------------|----------|----------|-------|--------|--------|---------|---------|
| | Prior Years | 2023 | 2024 | 2025 | 2026 | 2027 | Beyond | Total |
| Current Capital Approval Request | (\$2.3) | \$40.7 | \$41.8 | \$8.1 | \$0.0 | \$0.0 | \$0.0 | \$88.3 |
| Previous Request(s) | \$19.4 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$19.4 |
| Total Project Request | \$17.1 | \$40.7 | \$41.8 | \$8.1 | \$0.0 | \$0.0 | \$0.0 | \$107.7 |
| Operating After-Tax Cash Flow | (\$16.6) | (\$38.4) | (\$37.0) | \$2.7 | \$11.7 | \$11.2 | \$143.2 | \$76.7 |
| Net Income | \$0.4 | \$1.9 | \$3.9 | \$5.0 | \$5.0 | \$4.7 | \$41.9 | \$62.8 |

| Hurdle Rate | IRR | NPV | Payback(years) | First 5 Yrs Avg. Net Income | Customer cost (savings)* |
|-------------|------|-----------|----------------|-----------------------------|--------------------------|
| 6.10% | 6.1% | \$1,245.2 | 13.0 | \$ 4,082.00 | \$102,620 |

Project Description and Approval

Decommissioning of the River Rouge Power Plant. This is a partial approval to stay within compliance until BOD presentations in Q4. This request will fund the following:

Site characterization/studies - This includes phase 1 and phase 2 environmental assessments, complete review of asbestos inventory, as well as quantifying site hazardous materials for disposal. This also includes creating the bid documents used for both developers and demolition contractors.

Cold, dark and dry activities - Engineering activities to electrically isolate the plant from the grid, drain fluids from components, remove hazardous materials in order to eliminate fire protection requirements.

Miscellaneous inspections - Manhole, cabling, and miscellaneous other inspections needed to create accurate bid documents.

Major Risk and Risk Mitigants

- Explosive felling goes in the wrong direction during implosion - Explosive plan submitted during bid process by demo contractor that includes robust barriers to protect surrounding equipment, dust curtains for debris, and additional protective measures for equipment within the 500' radius
- Scope Increases resulting from discovery of hazardous materials not included in the hazmat survey - Hired third party to review hazardous materials onsite. Phase I and II environmental survey, and inaccessible areas with hazardous materials have been included in the baseline estimate and assumed to contain asbestos for bidding and planning purposes
- Discovery of previously unknown underground structures - Performed a complete review of plant records and history with Owner's Engineer as part of bid specification development. Physical surveys performed of site structures and areas. Knowledgeable plant personnel retained for preparation of the bid specification and execution of the project.

| Approval Level (per FC20) | Business Unit President | Final Approval Signatures |
|--|-------------------------|--|
| | Required | |
| | yes no | |
| Business Unit President | yes | Renee Tomina Project Sponsor Date: 1/18/2023 |
| Corporate Staff Review | yes | <i>[Signature]</i> Date: 1/26/23 |
| Corporate Development | yes | <i>[Signature]</i> Business Unit President Date: 1/26/23 |
| DTE Controller Review | no | <i>[Signature]</i> Chief Financial Officer Date: 1/26/23 |
| Growth & Value Creation Committee Review | Yes | <i>[Signature]</i> Chief Executive Officer / Chief Operating Officer Date: 1/26/23 |
| Chief Financial Officer | Yes | |
| Chief Operating Officer | Yes | |
| Chief Executive Officer | Yes | |
| Finance Committee | Yes | |
| Board of Directors | Yes | |

| | | |
|-----------------|----------------|---|
| Data statistics | Number of | 5 |
| | Records passed | 5 |
| Calculated | 5 | 5 |

Corporate Development indicates that Corporate Staff Review is complete. See page 2 for any comments from Corporate Staff



Appropriation Request
 Corporate Staff Review

| | | | |
|-----------------------------------|-----------|---|---|
| Project Name: 0 | | Capital Budget / Project #: 0 | |
| Executive Sponsor: Renee Tomina | | | |
| Corporate Staff Review | | Comments and Issues | |
| Chad Detrich | 1/13/2023 | <input checked="" type="checkbox"/> Support | <input type="checkbox"/> Do Not Support |
| Corporate Finance and Development | Date | | |
| Case Lancaster | 1/18/2023 | <input checked="" type="checkbox"/> Support | <input type="checkbox"/> Do Not Support |
| Business Unit Controllers | Date | | |
| Jill Farris | 1/18/2023 | <input checked="" type="checkbox"/> Support | <input type="checkbox"/> Do Not Support |
| Corporate Accounting | Date | | |
| John Miller | 1/13/2023 | <input checked="" type="checkbox"/> Support | <input type="checkbox"/> Do Not Support |
| Corporate Tax | Date | | |
| Todd Baker | | <input checked="" type="checkbox"/> Support | <input type="checkbox"/> Do Not Support |
| Environmental | Date | | |
| Matthew Misiak | 1/13/2023 | <input checked="" type="checkbox"/> Support | <input type="checkbox"/> Do Not Support |
| Legal | Date | | |
| Lori Wallace | 1/18/2023 | <input checked="" type="checkbox"/> Support | <input type="checkbox"/> Do Not Support |
| Purchasing | Date | | |
| Thomas Lacey | 1/13/2023 | <input checked="" type="checkbox"/> Support | <input type="checkbox"/> Do Not Support |
| Regulatory Affairs | Date | | |
| Logan Morgan | 1/17/2023 | <input checked="" type="checkbox"/> Support | <input type="checkbox"/> Do Not Support |
| IT Cybersecurity | Date | | |
| Harry Stansell | 1/12/2023 | <input checked="" type="checkbox"/> Support | <input type="checkbox"/> Do Not Support |
| Risk Management | Date | | |
| Mick Darin | 1/10/2023 | <input checked="" type="checkbox"/> Support | <input type="checkbox"/> Do Not Support |
| Corporate Insurance | Date | | |

Project is included in DTEE's capital plan. A small portion of total project cost (~\$7M) is related to asbestos abatement at unit 1, which is owned by a non-utility affiliate. This expense will be netted out for regulatory/financial purposes once complete.

Of the \$107.7M, \$100.7M is utility spending and \$7M is non-utility spending. Of the \$7M non-utility spending, approximately \$4M is expected to be expensed at the Corp & Other Segment.

We reviewed the model and suggested a few tweaks and changes to the property taxes.

| | | | | |
|---|----------------------------------|-------|------|-------------|
| Most Recent Regulatory Capital Info by Year | *To be completed by project team | | | |
| | 2020 | 2021 | 2022 | 2023 Beyond |
| | 0.751 | 3.375 | 12.5 | 17.925 \$- |

Project team should be prepared to demonstrate prudence of project spend and ready to explain incremental differences between previous rate case projections and the current forecast. If contingency is included in the rate case, there is a risk of delay in recovery until the subsequent case after the amounts are spent and prudence is demonstrated.

*Note if the project is an acquisition, physical security must also approve

Insurance should be notified if any decommissioning surety bonds will be required

| | | |
|--------------------------|-----------|----|
| Data statistics | Number of | 19 |
| Records passed | | |
| Calculated total records | | |



ENERGY SUPPLY PAT REVIEW REQUEST FORM

PAT-AT Agenda Date: [Redacted]
 PMP Project ID: 10570
 PAT LVL/REV: [Redacted]

Scope Change New Revision Cancel
 Schedule Change Realized Risk

Project Site: [Redacted]
 Unit: [Redacted]
 Outage Related?
 Current IRR: [Redacted]
 SAP Profit Center #: [Redacted]
 WBS Element: [Redacted]
 Project Type/Systems: [Redacted]
 Reconciliation Category: [Redacted]

Project Title: [Redacted]
 PMP Problem Description & Project Objective (Project deliverables? Sum benefits-attach extra sheets if required):
 [Redacted]

Brief Project Scope Summary (Summarize products & services provided)
 [Redacted]

Reason for Submittal (State reason for submittal, categorize requested dollar amount changes, and explain any estimate at completion (EAC) benefits or IRR changes):
 [Redacted]

| SAP Budget Approval | Prior Years | 2022 | 2023 | 2024 |
|---------------------------|--------------------|--------------------------|-------------------|-------------|
| Previously Approved PAT: | \$210,781 | \$20,742,740 | -\$17,696,356 | \$1,549,580 |
| PAT Change Request: | \$0 | \$0 | -\$798,289 | \$693,835 |
| Current PAT Request: | \$210,781 | \$20,742,740 | -\$18,494,645 | \$2,243,415 |
| Total PAT Request: | \$4,702,291 | Total PAT Change: | -\$104,454 | |

| Forecast Charge Categories | Current Approved PAT Form | | | | Forecast Changes | | | | Revised PAT Forecast | | | | Project Total (EAC) |
|----------------------------|---------------------------|---------------------|----------------------|--------------------|------------------|------------|-------------------|--------------------|----------------------|---------------------|----------------------|--------------------|---------------------|
| | Prior Years | 2022 | 2023 | 2024 | Prior Years | 2022 | 2023 | 2024 | Prior Years | 2022 | 2023 | 2024 | |
| DTE Labor (Direct) | \$71,576 | \$173,094 | -\$62,670 | \$21,532 | \$0 | \$0 | -\$87,244 | \$2 | \$71,576 | \$173,094 | -\$149,914 | \$21,534 | \$116,290 |
| Contract Labor (Direct) | \$75,290 | \$1,530,954 | \$362,697 | \$45,000 | \$0 | \$0 | -\$458,344 | \$1,930,100 | \$75,290 | \$1,530,954 | -\$95,647 | \$1,975,100 | \$3,485,697 |
| Material (Direct) | \$0 | \$18,125,254 | \$1,776,075 | \$1,271,727 | \$0 | \$0 | -\$199,644 | -\$1,250,000 | \$0 | \$18,125,254 | \$1,576,431 | \$21,727 | \$19,723,412 |
| Other (Direct) | \$171 | \$2,325 | -\$19,927,426 | \$0 | \$0 | \$0 | -\$1,715,781 | -\$456 | \$171 | \$2,325 | -\$21,643,207 | -\$456 | -\$21,641,167 |
| Shared Costs | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Indirects | \$63,744 | \$911,113 | \$154,968 | \$211,321 | \$0 | \$0 | \$1,662,724 | \$14,189 | \$63,744 | \$911,113 | \$1,817,692 | \$225,510 | \$3,018,059 |
| Sub-Total | \$210,781 | \$20,742,740 | -\$17,696,356 | \$1,549,580 | \$0 | \$0 | -\$798,289 | \$693,835 | \$210,781 | \$20,742,740 | -\$18,494,645 | \$2,243,415 | \$4,702,291 |
| Calculated Risk | \$0 | \$0 | \$250,000 | \$500,000 | \$0 | \$0 | \$0 | \$1,250,000 | \$0 | \$0 | \$250,000 | \$1,750,000 | \$2,000,000 |
| TOTAL | \$210,781 | \$20,742,740 | -\$17,446,356 | \$2,049,580 | \$0 | \$0 | -\$798,289 | \$1,943,835 | \$210,781 | \$20,742,740 | -\$18,244,645 | \$3,993,415 | \$6,702,291 |

Change in Total EAC: \$1,145,546

Project Developer: Avani Saraiya
 Project Engineer: Sunith George
 Project Manager: Paul Duran

APPROVAL DISPOSITION:
 Without Risk:
 With Risk: Approved by: *Ryan Panday* Date: 10/24/2023



ENERGY SUPPLY PAT REVIEW REQUEST FORM

PAT-AT Agenda Date: [REDACTED]
 PMP Project ID: 20255
 PAT LVL/REV: [REDACTED]
 Project Site: [REDACTED]
 Unit: [REDACTED]
 Outage Related?: [REDACTED]
 Current IRR: [REDACTED]
 SAP Profit Center #: [REDACTED]
 WBS Element: [REDACTED]
 Project Type/Systems: [REDACTED]
 Reconciliation Category: [REDACTED]

Scope Change Schedule Change New Revision Cancel
 Realized Risk

Project Title: [REDACTED]
 PMP Problem Description & Project Objective (Project deliverables? Sum benefits-attach extra sheets if required):
 [REDACTED]

Brief Project Scope Summary (Summarize products & services provided)
 [REDACTED]

Reason for Submittal (State reason for submittal, categorize requested dollar amount changes, and explain any estimate at completion (EAC) benefits or IRR changes):
 [REDACTED]

| SAP Budget Approval | 2023 | 2024 | 2025 | 2026 |
|--------------------------|--------------|-------------------|------------|------|
| Previously Approved PAT: | \$29,173,678 | \$0 | \$0 | \$0 |
| PAT Change Request: | -\$100,184 | \$0 | \$0 | \$0 |
| Current PAT Request: | \$29,073,494 | \$0 | \$0 | \$0 |
| Total PAT Request: | \$29,073,494 | Total PAT Change: | -\$100,184 | |


| Forecast Charge Categories | Current Approved PAT Form | | | | Forecast Changes | | | | Revised PAT Forecast | | | | Project Total (EAC) |
|----------------------------|---------------------------|------|------|------|------------------|------|------|------|----------------------|------|------|------|---------------------|
| | 2023 | 2024 | 2025 | 2026 | 2023 | 2024 | 2025 | 2026 | 2023 | 2024 | 2025 | 2026 | |
| DTE Labor (Direct) | \$249,599 | \$0 | \$0 | \$0 | \$1 | \$0 | \$0 | \$0 | \$249,600 | \$0 | \$0 | \$0 | \$249,600 |
| Contract Labor (Direct) | \$1,370,729 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,370,729 | \$0 | \$0 | \$0 | \$1,370,729 |
| Material (Direct) | \$178,064 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$178,064 | \$0 | \$0 | \$0 | \$178,064 |
| Other (Direct) | \$27,096,556 | \$0 | \$0 | \$0 | -\$614,551 | \$0 | \$0 | \$0 | \$26,482,005 | \$0 | \$0 | \$0 | \$26,482,005 |
| Shared Costs | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Indirects | \$278,730 | \$0 | \$0 | \$0 | \$514,366 | \$0 | \$0 | \$0 | \$793,096 | \$0 | \$0 | \$0 | \$793,096 |
| Sub-Total | \$29,173,678 | \$0 | \$0 | \$0 | -\$100,184 | \$0 | \$0 | \$0 | \$29,073,494 | \$0 | \$0 | \$0 | \$29,073,494 |
| Calculated Risk | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| TOTAL | \$29,173,678 | \$0 | \$0 | \$0 | -\$100,184 | \$0 | \$0 | \$0 | \$29,073,494 | \$0 | \$0 | \$0 | \$29,073,494 |

Change in Total EAC: -\$100,184

Project Developer: A. Saraiya
 Project Engineer: S. George
 Project Manager: P. Duran

APPROVAL DISPOSITION:
 Without Risk:
 With Risk:

Approved by: Date: 12/27/2023

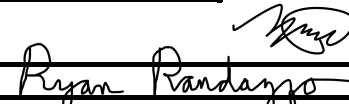
| | | | | |
|--|--|----------------|--|---|
|  | ENERGY SUPPLY PAT REVIEW REQUEST FORM | | | |
| | PAT-AT Agenda Date: | | <input type="checkbox"/> Scope Change | <input checked="" type="checkbox"/> New Revision |
| | PMP Project ID: | 17611 | <input type="checkbox"/> Schedule Change | <input checked="" type="checkbox"/> Realized Risk |
| PAT LVL/REV: | | Project Title: | | |

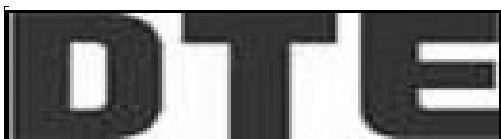
| | | | | |
|--------------------------|--|---------------------|---|--|
| Project Site: | | Project Complexity: | PMP Problem Description & Project Objective <i>(Project deliverables? Sum benefits-attach extra sheets if required):</i> [Redacted] | |
| Unit: | | Project Start Date: | | |
| Outage Related? | | Constr. Start Date: | | |
| Current IRR: | | Project I/S Date: | | |
| SAP Profit Center #: | | Investment Reason: | | |
| WBS Element: | | | | |
| Project Type/Systems: | | | | |
| Reconciliation Category: | | | | |

| | |
|--|--|
| Brief Project Scope Summary <i>(Summarize products & services provided)</i> [Redacted] | Reason for Submittal <i>(State reason for submittal, categorize requested dollar amount changes, and explain any estimate at completion (EAC) benefits or IRR changes):</i> [Redacted] |
|--|--|

| SAP Budget Approval | 2022 | 2023 | 2024 | 2025 |
|---------------------------|--------------------|--------------------------|-------------|------------|
| Previously Approved PAT: | \$52,772 | \$1,417,349 | \$3,900,000 | \$0 |
| PAT Change Request: | \$0 | \$588,165 | -\$588,165 | \$0 |
| Current PAT Request: | \$52,772 | \$2,005,514 | \$3,311,835 | \$0 |
| Total PAT Request: | \$5,370,121 | Total PAT Change: | | \$0 |

| Forecast Charge Categories | Current Approved PAT Form | | | | Forecast Changes | | | | Revised PAT Forecast | | | | Project Total (EAC) |
|-----------------------------|---------------------------|--------------------|--------------------|----------------|------------------|------------------|-------------------|-----------------|----------------------|--------------------|--------------------|------------|---------------------|
| | 2022 | 2023 | 2024 | 2025 | 2022 | 2023 | 2024 | 2025 | 2022 | 2023 | 2024 | 2025 | |
| DTE Labor (Direct) | \$14,850 | \$17,817 | \$498,796 | \$0 | \$0 | \$3,883 | -\$95,130 | \$0 | \$14,850 | \$21,700 | \$403,666 | \$0 | \$440,216 |
| Contract Labor (Direct) | \$24,050 | \$500,000 | \$1,324,000 | \$0 | \$0 | -\$403,806 | \$583,456 | \$0 | \$24,050 | \$96,194 | \$1,907,456 | \$0 | \$2,027,700 |
| Material (Direct) | \$0 | \$736,838 | \$3,455,660 | \$0 | \$0 | \$928,829 | -\$928,829 | \$0 | \$0 | \$1,665,667 | \$2,526,831 | \$0 | \$4,192,498 |
| Other (Direct) | \$0 | \$0 | \$6,178 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$6,178 | \$0 | \$6,178 |
| Shared Costs | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Indirects | \$13,872 | \$162,694 | \$1,368,428 | \$2,739 | \$0 | \$59,259 | -\$116,387 | -\$2,739 | \$13,872 | \$221,953 | \$1,252,041 | \$0 | \$1,487,866 |
| Sub-Total | \$52,772 | \$1,417,349 | \$6,653,062 | \$2,739 | \$0 | \$588,165 | -\$556,890 | -\$2,739 | \$52,772 | \$2,005,514 | \$6,096,172 | \$0 | \$8,154,458 |
| Calculated Risk | \$0 | \$0 | \$1,752,946 | \$0 | \$0 | \$0 | -\$28,536 | \$0 | \$0 | \$0 | \$1,724,410 | \$0 | \$1,724,410 |
| TOTAL | \$52,772 | \$1,417,349 | \$8,406,008 | \$2,739 | \$0 | \$588,165 | -\$585,426 | -\$2,739 | \$52,772 | \$2,005,514 | \$7,820,582 | \$0 | \$9,878,868 |
| Change in Total EAC: | | | | | | | | \$0 | | | | | |

| | | | | | |
|--------------------|------------|-----------------------|-------------------------------------|---|------------------|
| Project Developer: | H. Mueller | APPROVAL DISPOSITION: | | | |
| Project Engineer: | T. Lutze | Without Risk: | <input type="checkbox"/> |  | Date: 11/21/2023 |
| Project Manager: | D. Martino | With Risk: | <input checked="" type="checkbox"/> | | |



ENERGY SUPPLY PAT REVIEW REQUEST FORM

PAT-AT Agenda Date: [REDACTED]
 PMP Project ID: 18320
 PAT LVL/REV: [REDACTED]

Scope Change New Revision Cancel
 Schedule Change Realized Risk

Project Site: [REDACTED] Project Complexity: [REDACTED]
 Unit: [REDACTED] Project Start Date: [REDACTED]
 Outage Related? [REDACTED] Constr. Start Date: [REDACTED]
 Current IRR: [REDACTED] Project I/S Date: [REDACTED]
 SAP Profit Center #: [REDACTED] Investment Reason: [REDACTED]
 WBS Element: [REDACTED]
 Project Type/Systems: [REDACTED]
 Reconciliation Category: [REDACTED]

Project Title: [REDACTED]
 PMP Problem Description & Project Objective (Project deliverables? Sum benefits-attach extra sheets if required):
 [REDACTED]

Brief Project Scope Summary (Summarize products & services provided)
 [REDACTED]

Reason for Submittal (State reason for submittal, categorize requested dollar amount changes, and explain any estimate at completion (EAC) benefits or IRR changes):
 [REDACTED]

| SAP Budget Approval | 2021 | 2022 | 2023 | 2024 |
|---------------------------|--------------------|-------------|--------------------------|---------------------|
| Previously Approved PAT: | \$2,910 | \$1,062,644 | \$6,433,823 | \$0 |
| PAT Change Request: | \$0 | \$0 | -\$2,433,484 | \$445,149 |
| Current PAT Request: | \$2,910 | \$1,062,644 | \$4,000,339 | \$445,149 |
| Total PAT Request: | \$5,511,042 | | Total PAT Change: | -\$1,988,335 |

| Forecast Charge Categories | Current Approved PAT Form | | | | Forecast Changes | | | | Revised PAT Forecast | | | | Project Total (EAC) |
|----------------------------|---------------------------|--------------------|---------------------|----------------------|------------------|------------|----------------------|--------------------|----------------------|--------------------|--------------------|--------------------|---------------------|
| | 2021 | 2022 | 2023 | 2024 | 2021 | 2022 | 2023 | 2024 | 2021 | 2022 | 2023 | 2024 | |
| DTE Labor (Direct) | \$1,270 | \$61,894 | \$55,388 | \$0 | \$0 | \$0 | -\$345 | \$0 | \$1,270 | \$61,894 | \$55,043 | \$0 | \$118,207 |
| Contract Labor (Direct) | \$0 | \$154,248 | \$4,371,808 | \$0 | \$0 | \$0 | -\$1,717,657 | \$153,254 | \$0 | \$154,248 | \$2,654,151 | \$153,254 | \$2,961,653 |
| Material (Direct) | \$0 | \$685,773 | \$1,240,090 | \$0 | \$0 | \$0 | -\$425,075 | \$215,100 | \$0 | \$685,773 | \$815,015 | \$215,100 | \$1,715,888 |
| Other (Direct) | \$0 | \$646 | \$249 | \$0 | \$0 | \$0 | \$447 | \$0 | \$0 | \$646 | \$696 | \$0 | \$1,342 |
| Shared Costs | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Indirects | \$1,640 | \$160,083 | \$766,288 | \$0 | \$0 | \$0 | -\$290,854 | \$76,795 | \$1,640 | \$160,083 | \$475,434 | \$76,795 | \$713,952 |
| Sub-Total | \$2,910 | \$1,062,644 | \$6,433,823 | \$0 | \$0 | \$0 | -\$2,433,484 | \$445,149 | \$2,910 | \$1,062,644 | \$4,000,339 | \$445,149 | \$5,511,042 |
| Calculated Risk | \$0 | \$0 | \$8,368,220 | \$0 | \$0 | \$0 | -\$7,868,220 | \$5,356,555 | \$0 | \$0 | \$500,000 | \$5,356,555 | \$5,856,555 |
| TOTAL | \$2,910 | \$1,062,644 | \$14,802,043 | \$0 | \$0 | \$0 | -\$10,301,704 | \$5,801,704 | \$2,910 | \$1,062,644 | \$4,500,339 | \$5,801,704 | \$11,367,597 |
| | | | | Change in Total EAC: | | | | -\$4,500,000 | | | | | |

Project Developer: A. Saraiya APPROVAL DISPOSITION:
 Project Engineer: T. Lutze Without Risk:
 Project Manager: P. Duran With Risk: Approved by: Ryan Randazzo Date: 11/22/2023



ENERGY SUPPLY PAT REVIEW REQUEST FORM

| | | | | |
|---------------------|-------|--|--|---------------------------------|
| PAT-AT Agenda Date: | | <input type="checkbox"/> Scope Change | <input checked="" type="checkbox"/> New Revision | <input type="checkbox"/> Cancel |
| PMP Project ID: | 19737 | <input type="checkbox"/> Schedule Change | <input type="checkbox"/> Realized Risk | |

| | | | |
|--------------------------|--|---------------------|--|
| Project Site: | | Project Complexity: | |
| Unit: | | Project Start Date: | |
| Outage Related? | | Constr. Start Date: | |
| Current IRR: | | Project I/S Date: | |
| SAP Profit Center #: | | Investment Reason: | |
| WBS Element: | | | |
| Project Type/Systems: | | | |
| Reconciliation Category: | | | |

Project Title: [REDACTED]

PMP Problem Description & Project Objective (Project deliverables? Sum benefits-attach extra sheets if required):
 [REDACTED]

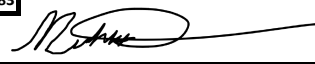
Brief Project Scope Summary (Summarize products & services provided)
 [REDACTED]


Reason for Submittal (State reason for submittal, categorize requested dollar amount changes, and explain any estimate at completion (EAC) benefits or IRR changes):
 [REDACTED]

| SAP Budget Approval | 2024 | 2025 | 2026 | 2027 |
|---------------------------|-----------------|------|--------------------------|-----------------|
| Previously Approved PAT: | \$0 | \$0 | \$0 | \$0 |
| PAT Change Request: | \$50,000 | \$0 | \$0 | \$0 |
| Current PAT Request: | \$50,000 | \$0 | \$0 | \$0 |
| Total PAT Request: | \$50,000 | | Total PAT Change: | \$50,000 |

| Forecast Charge Categories | Current Approved PAT Form | | | | Forecast Changes | | | | Revised PAT Forecast | | | | Project Total (EAC) |
|----------------------------|---------------------------|------------|------------|------------|------------------|--------------------|------------|------------|----------------------|--------------------|------------|------------|---------------------|
| | 2024 | 2025 | 2026 | 2027 | 2024 | 2025 | 2026 | 2027 | 2024 | 2025 | 2026 | 2027 | |
| DTE Labor (Direct) | \$0 | \$0 | \$0 | \$0 | \$25,000 | \$30,000 | \$0 | \$0 | \$25,000 | \$30,000 | \$0 | \$0 | \$55,000 |
| Contract Labor (Direct) | \$0 | \$0 | \$0 | \$0 | \$45,000 | \$845,000 | \$0 | \$0 | \$45,000 | \$845,000 | \$0 | \$0 | \$890,000 |
| Material (Direct) | \$0 | \$0 | \$0 | \$0 | \$100,000 | \$1,550,000 | \$0 | \$0 | \$100,000 | \$1,550,000 | \$0 | \$0 | \$1,650,000 |
| Other (Direct) | \$0 | \$0 | \$0 | \$0 | \$0 | \$2,000 | \$0 | \$0 | \$0 | \$2,000 | \$0 | \$0 | \$2,000 |
| Shared Costs | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Indirects | \$0 | \$0 | \$0 | \$0 | \$38,151 | \$367,791 | \$0 | \$0 | \$38,151 | \$367,791 | \$0 | \$0 | \$405,942 |
| Sub-Total | \$0 | \$0 | \$0 | \$0 | \$208,151 | \$2,794,791 | \$0 | \$0 | \$208,151 | \$2,794,791 | \$0 | \$0 | \$3,002,942 |
| Calculated Risk | \$0 | \$0 | \$0 | \$0 | \$0 | \$450,441 | \$0 | \$0 | \$0 | \$450,441 | \$0 | \$0 | \$450,441 |
| TOTAL | \$0 | \$0 | \$0 | \$0 | \$208,151 | \$3,245,232 | \$0 | \$0 | \$208,151 | \$3,245,232 | \$0 | \$0 | \$3,453,383 |

Change in Total EAC: \$3,453,383

| | | | |
|--------------------|--------------|--|---|
| Project Developer: | A. Saraiya | APPROVAL DISPOSITION: | |
| Project Engineer: | F. Egbedoyin | Without Risk: | <input type="checkbox"/> |
| Project Manager: | D. Garcia | With Risk: | <input type="checkbox"/> |
| | | <input checked="" type="checkbox"/> Approved by: |  |
| | | Date: | 12/27/23 |

| DTE | ENERGY SUPPLY PAT REVIEW REQUEST FORM | | | | | | | | | | | | | | | | | | | |
|---|---------------------------------------|--------------------------------|-------------------|--|--------|--|--|--|-----------|--|----------|----------------------------------|---|--------------|-------------|----------------------|------------|----------|-------------|-------------|
| PAT-AT Agenda Date: [REDACTED] | | PMP Project ID: 18090 | | PAT LVL/REV: [REDACTED] | | Project Title: [REDACTED] | | Scope Change <input type="checkbox"/> | | New Revision <input checked="" type="checkbox"/> | | Cancel <input type="checkbox"/> | | | | | | | | |
| Project Site: [REDACTED] | | Project Complexity: [REDACTED] | | Project Start Date: [REDACTED] | | Constr. Start Date: [REDACTED] | | Project I/S Date: [REDACTED] | | Investment Reason: [REDACTED] | | WBS Element: [REDACTED] | | | | | | | | |
| Unit: [REDACTED] | | Project Start Date: [REDACTED] | | Constr. Start Date: [REDACTED] | | Project I/S Date: [REDACTED] | | Investment Reason: [REDACTED] | | WBS Element: [REDACTED] | | Project Type/Systems: [REDACTED] | | | | | | | | |
| Outage Related? [REDACTED] | | Project Start Date: [REDACTED] | | Constr. Start Date: [REDACTED] | | Project I/S Date: [REDACTED] | | Investment Reason: [REDACTED] | | WBS Element: [REDACTED] | | Project Type/Systems: [REDACTED] | | | | | | | | |
| Current IRR: [REDACTED] | | Project Start Date: [REDACTED] | | Constr. Start Date: [REDACTED] | | Project I/S Date: [REDACTED] | | Investment Reason: [REDACTED] | | WBS Element: [REDACTED] | | Project Type/Systems: [REDACTED] | | | | | | | | |
| SAP Profit Center #: [REDACTED] | | Project Start Date: [REDACTED] | | Constr. Start Date: [REDACTED] | | Project I/S Date: [REDACTED] | | Investment Reason: [REDACTED] | | WBS Element: [REDACTED] | | Project Type/Systems: [REDACTED] | | | | | | | | |
| WBS Element: [REDACTED] | | Project Start Date: [REDACTED] | | Constr. Start Date: [REDACTED] | | Project I/S Date: [REDACTED] | | Investment Reason: [REDACTED] | | WBS Element: [REDACTED] | | Project Type/Systems: [REDACTED] | | | | | | | | |
| Project Type/Systems: [REDACTED] | | Project Start Date: [REDACTED] | | Constr. Start Date: [REDACTED] | | Project I/S Date: [REDACTED] | | Investment Reason: [REDACTED] | | WBS Element: [REDACTED] | | Project Type/Systems: [REDACTED] | | | | | | | | |
| Reconciliation Category: [REDACTED] | | Project Start Date: [REDACTED] | | Constr. Start Date: [REDACTED] | | Project I/S Date: [REDACTED] | | Investment Reason: [REDACTED] | | WBS Element: [REDACTED] | | Project Type/Systems: [REDACTED] | | | | | | | | |
| Brief Project Scope Summary (Summarize products & services provided) | | | | | | Reason for Submittal (State reason for submittal, categorize requested dollar amount changes, and explain any estimate at completion (EAC) benefits or IRR changes): | | | | | | | | | | | | | | |
| [REDACTED] | | | | | | 2025 | | | | | | | | | | | | | | |
| | | | | | | DTE Labor (Direct) - \$116,640 Contract Labor (Direct) - \$1,154,668 Material (Direct) - \$4,182,674 Other - \$3,444 Indirects - \$919,054 Sub-Total - \$6,376,480 Calculated Risk - \$1,224,157 TOTAL - \$7,600,637 | | | | | | | | | | | | | | |
| [REDACTED] | | | | | | 2026 | | | | | | | | | | | | | | |
| | | | | | | DTE Labor (Direct) - \$70,002 Contract Labor (Direct) - \$900,000 Material (Direct) - \$0 Other - \$0 Indirects - \$184,131 Sub-Total - \$1,154,133 Calculated Risk - \$0 TOTAL - \$1,154,133 | | | | | | | | | | | | | | |
| SAP Budget Approval | | 2022 | 2023 | 2024 | Future | Forecast Charge Categories | | Current Approved PAT Form | | | | Forecast Changes | | | | Revised PAT Forecast | | | | |
| Previously Approved PAT: | | \$839,310 | \$150,530 | \$0 | \$0 | DTE Labor (Direct) | | \$0 | \$30,000 | \$168,708 | \$8,120 | \$186 | -\$30,000 | -\$148,708 | \$178,522 | \$186 | \$0 | \$20,000 | \$186,642 | \$206,828 |
| PAT Change Request: | | -\$121,363 | -\$824,695 | \$36,906 | \$0 | Contract Labor (Direct) | | \$75,000 | \$33,000 | \$1,944,000 | \$24,734 | -\$75,000 | -\$10,934 | -\$1,944,000 | \$2,029,934 | \$0 | \$22,066 | \$0 | \$2,054,668 | \$2,076,734 |
| Current PAT Request: | | \$717,947 | -\$674,165 | \$36,906 | \$0 | Material (Direct) | | \$693,948 | \$0 | \$3,488,726 | \$0 | \$0 | -\$693,948 | -\$3,488,726 | \$4,182,674 | \$693,948 | -\$693,948 | \$0 | \$4,182,674 | \$4,182,674 |
| Total PAT Request: | | \$80,688 | Total PAT Change: | -\$909,152 | | Other (Direct) | | \$0 | \$0 | \$3,444 | \$0 | \$0 | \$0 | -\$3,444 | \$3,444 | \$0 | \$0 | \$0 | \$3,444 | \$3,444 |
| | | | | | | Shared Costs | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| | | | | | | Indirects | | \$70,362 | \$112,253 | \$1,002,838 | \$27,874 | -\$46,549 | -\$114,536 | -\$985,932 | \$1,075,311 | \$23,813 | -\$2,283 | \$16,906 | \$1,103,185 | \$1,141,621 |
| | | | | | | Sub-Total | | \$839,310 | \$175,253 | \$6,607,716 | \$60,728 | -\$121,363 | -\$849,418 | -\$6,570,810 | \$7,469,885 | \$717,947 | -\$674,165 | \$36,906 | \$7,530,613 | \$7,611,301 |
| | | | | | | Calculated Risk | | \$0 | \$0 | \$1,152,451 | \$0 | \$0 | \$0 | -\$1,152,451 | \$1,224,157 | \$0 | \$0 | \$0 | \$1,224,157 | \$1,224,157 |
| | | | | | | TOTAL | | \$839,310 | \$175,253 | \$7,760,167 | \$60,728 | -\$121,363 | -\$849,418 | -\$7,723,261 | \$8,694,042 | \$717,947 | -\$674,165 | \$36,906 | \$8,754,770 | \$8,835,458 |
| | | | | | | Change in Total EAC: | | | | | | | | | | | | | | \$0 |
| Project Developer: A. Saraiya | | APPROVAL DISPOSITION: | | Without Risk: <input type="checkbox"/> | | With Risk: <input checked="" type="checkbox"/> | | Approved by:  | | Date: 11/21/2023 | | | | | | | | | | |
| Project Engineer: N. Egbedoyin | | | | | | | | | | | | | | | | | | | | |
| Project Manager: P. Duran | | | | | | | | | | | | | | | | | | | | |
| See SWI (Standard Work Instruction) ALLPP-SWI-03-004-011-0643 for instructions on filling out this form | | | | | | | | | | | | | Form: ALLPP-FM-0013 Rev: 8 Date: 01/25/2022 | | | | | | | |