

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of **DTE Gas Company** for authority to increase its rates, amend its rate schedules and rules governing the distribution and supply of natural gas, and for miscellaneous accounting authority.

Case No. **U-21291**
(e-file paperless)

**MICHIGAN PUBLIC SERVICE COMMISSION STAFF'S
EXCEPTIONS TO THE PROPOSAL FOR DECISION**

**MICHIGAN PUBLIC SERVICE COMMISSION
STAFF**

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DATED: September 25, 2024

I. Introduction

On September 4, 2024, Administrative Law Judge Jonathan F. Thoits (ALJ) published his Proposal for Decision (PFD) in the matter of the application of DTE Gas Company (DTE Gas or the Company) to increase its rates for the distribution and supply of natural gas. In accordance with the outlined schedule, the Michigan Public Service Commission Staff (Staff) files the following exceptions to the PFD.

Given the scope of this case, the PFD is extensive and covers a wide range of topics. Staff finds the PFD to be generally well-reasoned and thorough and takes exception for the limited purposes outlined below. Staff's failure to opine on a specific matter should not be construed as a change in Staff's position. Staff maintains and relies on the positions articulated in Staff's testimony and briefing.

II. Arguments

A. Staff corrects errors in the PFD with respect to the revenue deficiency in the PFD's appendices.

While reviewing the PFD, Staff identified a few inconsistencies between the language in the PFD, the appendices, and the revenue deficiency calculation. Staff updated the PFD appendices and revenue deficiency calculation to correct for these inconsistencies.

The updates made by Staff below capture the PFD language that was not properly reflected in the PFD appendices and revenue deficiency calculation as filed. The PFD as filed recommended a \$97,950,000 revenue deficiency. When updated to reflect the decisions made below, the revenue deficiency is actually \$87,132,000.

Staff recommends the Commission accept the appendices to the Staff Exceptions as proper accounting of the decisions made in the PFD. Staff updates are as follows (See Appendix F):

| <u>Description</u> | <u>PFD Appendices as Filed</u> | <u>PFD Appendices as Corrected by Staff</u> | <u>PFD Page #</u> | <u>Revenue Deficiency Impact</u> |
|--|------------------------------------|---|-------------------|--|
| Revenue - Res & Commercial | - | (8,290,000) | 240 | \$ (8,290,000) |
| Revenue - EUT | - | (503,000) | 248 | (503,000) |
| Revenue - Exchange Gas Services | - | (2,832,000) | 254 | (2,832,000) |
| Revenue - HPP Margin | - | (4,617,000) | 257 | (4,617,000) |
| 2023 O&M Cost Reduction Initiative | (22,431,000) | (17,379,000) | 269 | 5,052,000 |
| Cathodic Protection moved from IRM to Rate Base ¹ | - | 7,400,000 | 87 | 373,509 |
| Total Staff Adjustments to Correct PFD Revenue Deficiency | | | | \$ (10,816,491) |
| | | | | |
| PFD Revenue Deficiency as Filed | | | | \$ 97,950,000 |
| Total Staff Adjustments to Correct PFD Revenue Deficiency | | | | (10,816,491) |
| Rounding | | | | (1,509) |
| PFD Revenue Deficiency as Corrected by Staff | | | | \$ 87,132,000 |
| | | | | |
| | | | | |
| Notes: | | | | |
| 1. See Appendix E, line 21 for individual impacts. | | | | |

While Staff finds the PFD revenue deficiency after corrections is \$87,132,00, Staff notes that it continues to support its direct case as supported by its testimony, exhibits, briefs, and as outlined in these exceptions. Staff’s corrections to the PFD appendices and revenue deficiency calculation should not be taken to be a change in its positions.

B. The PFD’s adoption of the increased low income assistance (LIA) credit is premature.

Staff takes exception to the PFD’s recommendation to increase the LIA credit. The ALJ stated “[t]his PFD agrees with DTE that the LIA credit should be

increased from \$30 to \$40, which change can be implemented in 2024 without incurring costly expenditures.” (PFD, p 393.) The ALJ further stated, “[a]s DTE asserts, the LIA has proven effective, the increase is in the best interests of customers who urgently require bill relief, and this increase does not involve a change to the structure of the eligibility requirements or recovery mechanisms.” (*Id.*)

Staff excepts to the ALJ’s decision as there is no evidence, aside from Company testimony, on the record to support the fact that the LIA credit is effective. Company witness Jason E. Sparks stated in testimony that the credit was effective. (4 TR 2238.) The ALJ seemed to consider that assertion as sufficient supporting evidence to decide the effectiveness of the credit in the PFD. This decision is premature.

Staff witness Elaina M. Braunschweig urges the Commission to first review the recommendations of the Affordability Alignment and Assistance (AAA) subcommittee of the Energy Affordability and Accessibility Collaborative (EAAC.) As stated in Staff’s initial brief, however, “[w]hile Staff replied to the Company’s LIA reform proposal, it noted that it is not responding to witness Sparks’ claimed best use-case of the RIA and LIA credits nor their effectiveness, which does not indicate its agreement with the claims nor Company policies and procedures, since such issues are being addressed elsewhere, as directed by the Commission.” (Staff’s Initial Brief, p 32; 4 TR 1762-1763.) Staff’s position is that it is improper to go against the Commission’s directive to consider the EAAC-AAA evaluation by

determining a program is effective without supporting data and to adopt changes to a program that is currently under analysis. Accepting Company witness Spark's analysis of LIA and RIA programs would contradict the Commission's directives to this subcommittee. For these reasons, as well as what Staff cited in its initial brief, the Commission should adopt Staff's position on the LIA credit and allow the analysis of the use and effectiveness of the credit to be performed in the EAAC-AAA subcommittee prior to a decision.

C. The PFD errs to the extent it applies the same logic to all risk premium models when only the Company's model relies on approved ROEs.

The Staff takes exception to the PFD's finding that Citizens Utility Board of Michigan (CUB) witness Matt Bandyk's and the Federal Energy Regulatory Commission's (FERC's) reasoning in Opinion 569 rejecting the Risk Premium Model is persuasive (See, PFD, p 209) to the extent the ALJ is attempting to apply that reasoning to the entire RPM, as a model. The Staff does not take exception with the idea that in each rate case, the parties put forth their defenses of various models, which the Commission may review on a case-by-case basis.

The PFD in this case does not outright reject the RPM model, but rather asks the Commission to "direct the parties in DTE's next rate cases to address whether [the RPM] remains an appropriate method for determining an ROE." (PFD, p 209.)

The Commission uses the record, on a case-by-case basis, to determine the authorized ROE. To the Staff's knowledge, the Commission has not instructed any party to provide an RPM, nor has the Commission stated, as a matter of policy, that

it does or does not rely on the RPM when considering the record regarding ROE. . No party is required to provide or barred from providing an RPM in formulating an ROE recommendation. As such, if a party chooses to provide an RPM it is based on that party's analysis and support that the RPM is an appropriate method. Any party wishing to rebut said recommendation has the opportunity to demonstrate why the specific methodology of a party, or a model in general, is flawed. The Staff, therefore, sees no reason to require the parties to justify or analyze the RPM more or less than any other model.

In addition, while the PFD states that it finds the reasoning of FERC Opinion 569 rejecting the RPM model persuasive, Staff would note that this issue is in flux before FERC. Opinions 569 and 569-A consider the issue of using an RPM in calculating ROE. In Opinion 569, published in November 2019, FERC said that it will use a discounted cash flow (DCF) methodology and capital asset pricing model (CAPM) to determine if an existing base ROE is unjust and unreasonable. FERC Opinion 569-A revised this opinion to refine the methodology and include RPM as a third financial model to establish a just and reasonable ROE. Opinion 569-A has been remanded, by the DC Circuit, on appeal for further consideration. FERC acts under the Federal Power Act and while its opinions may provide guidance and considerations for appropriate models to use in calculating ROE, these opinions are not dispositive. As such, even if the FERC issue was not in flux, the current status or eventual outcome of this issue at FERC does not bind the Michigan Commission to these outstanding opinions. Michigan has not placed limits on the appropriate

methodologies for the calculation of ROE, and Staff recommends that the Commission consider the range of financial models put forth on the record in this case, including taking into account the diversity of inputs.

On page 209 of the PFD, the ALJ concludes that the RPM may be inappropriate for use in determining a reasonable return on equity (ROE), citing CUB witness Bandyk's testimony and FERC Opinion 569. Staff submits that the PFD may misinterpret the scope of CUB witness Bandyk's position. Staff submits that CUB witness Bandyk did not demonstrate in this case that Staff's RPM analysis was flawed. Rather, that it is the Company's use of approved ROEs as part of its RPM that is flawed. Witness Bandyk directly disputes the specific version of the Risk Premium Model utilized by Dr. Villadsen, a model which includes approved ROE decisions from other state commissions as an input. The Staff as well does not agree with Dr. Villadsen's use of the already approved ROEs. Regarding the Risk Premium Model witness Bandyk states that the analysis ought to "...be based on objective data as much as possible, [not] the reliance on ROEs set by other regulatory commissions." (4 TR 964.)

This critique is not valid, however, when the RPM is traditionally done using market-based data as an input instead, which is the methodology used by Staff, the AG, and ABATE. The ALJ misinterprets witness Bandyk's argument to be a rejection of the RPM as a whole, when witness Bandyk only opposed the use of approved ROEs as an input in the RPM.

Staff, the AG, and ABATE similarly opposed the use of approved ROEs as an input in the RPM while simultaneously supporting their own RPM with market data. (4 TR 1376-1380, 1403-1405, 1507-1508, 1630-1631.) The difference in inputs is fundamental. Examining the difference between an approved ROE and bond rates (as done by the Company and disputed by nearly all parties) results in an output which essentially explains what other commissions might approve as an ROE in a specific interest rate environment. In addition to market data approved ROEs can be influenced by many other factors. Examining the difference between market ROE and bond rates (as done by Staff, and AG, and ABATE) instead results in a market based premium that investors ought to expect in return for bearing the additional risk of holding an equity security instead of a bond security. This is useful in finding a fair market return and thus a fair and reasonable ROE.

Likewise, Staff addressed this issue in its reply brief stating “Because Staff, the AG, and ABATE, base their Risk Premium analysis on earned ROE (the actual, historic, realized ROEs of utilities), and not approved ROE, the critiques laid out by MEC do not apply to these models.” (Staff’s Reply Brief, p 10.) However, the ALJ failed to acknowledge this in the PFD.

While FERC requires ROE witnesses to use specific models which are weighted according to its own guidelines, the MPSC does not and ought not take up this practice. ROE witnesses in Michigan have long used the RPM to develop their ROE recommendations in rate cases and the Commission has often approved ROEs based on record evidence that included this methodology. The Commission has a

history of staying agnostic on what models are presented, and hearing arguments both for and against any model on a case-by-case basis. This not only aligns well with *Bluefield* and *Hope*, which do not endorse a particular model or set of models but is paramount as many witnesses include different inputs and adjustments to their models. This flexibility in utilizing different inputs and adjustments cannot be accounted for in a system where the Commission directly prescribes the use of specific models to analysts. The Staff supports the Commission's historic practice of evaluating cost of equity models on a case-by-case basis and recommends continuing this practice by not dismissing the RPM outright, nor ordering that it is singled out for briefing differently than any other model.

D. Lost and Unaccounted for (LAUF), Company Use (CU) and Gas in Kind (GIK) should be recalculated based on Commission decisions regarding volume and cost of gas.

The ALJ adopted the AG's adjustment on LAUF, CU, and GIK gas expense. (PFD, p 309.) The ALJ also adopted Staff's cost of gas. (PFD, p 245.) However, a portion of the AG's dollar amount adjustment was based on the AG's cost of gas and not on Staff's cost of gas. Staff does not take exception to the ALJ's adoption of the AG's LAUF, CU, and GIK volume adjustment, only to the dollar amount used because it is inconsistent with Staff's cost of gas accepted by the ALJ. Staff's position, as stated in initial and reply brief, remains that LAUF, CU, and GIK should be recalculated based on Commission decisions about volume and cost of gas. (See, Staff's Initial Brief, pp 47, 13.)

E. The PFD did not provide a recommendation regarding appropriate Off-System Storage and Transportation Service (TOS) rate design treatment.

While within the PFD the Company's recommended Off-System Storage and Transportation Service (TOS) rates, rate design, and recommended tariff changes (PFD, p 413), were discussed, there was no recommendation made concerning what TOS rate design is appropriate for approval. The TOS rate should use the calculation based on Staff's methodology found in Staff's Revised Exhibit S-6.0 Schedule F6 and discussed in Staff witness Todd's testimony (4 TR 1640) given that Staff's other rate design methodology was recommended for approval. (*See*, PFD, p 361.) The final TOS rate should be calculated consistent with the Commission's final order as well.

F. The PFD did not provide a recommendation regarding the appropriate treatment of other distribution costs.

While the PFD discussed the record with regard to the appropriate allocation of other distribution costs (*see*, PFD pp 335-336, 344-345, 348, 350), Staff could not locate a recommendation on this issue. For the reasons in Staff's briefing (Staff's Initial Brief, pp 69-70 and Staff's Reply Brief, pp 21-23) and the testimony cited therein, the current treatment of distribution-other costs should be maintained.

III. Conclusion

For the reasons outlined above, Staff recommends the Commission adopt the Staff's exceptions to the PFD on various issues contained herein.

Respectfully submitted,

**MICHIGAN PUBLIC SERVICE
COMMISSION STAFF**

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DATED: September 25, 2024

Michigan Public Service Commission
DTE Gas Company
Projected Revenue Deficiency (Sufficiency)
Projected 12 Month Period Ending September 30, 2025
(\$000)

Appendix A
Staff Exceptions - PFD Corrected
Case. No. U-21291

| Line No. | (a) Description | (b) Source | (c) Applicant Projection | (d) PFD Adjustment | (e) PFD Projection |
|----------|------------------------------------|--------------------|-----------------------------|-----------------------|-----------------------|
| 1 | Rate Base | Exh. A-12, Sch. B1 | \$ 6,939,800 | \$ (134,131) | \$ 6,805,668 |
| 2 | Projected Net Operating Income | Exh.A-13, Sch. C1 | 225,635 | 93,689 | 319,324 |
| 3 | Overall Rate of Return | Line 2 ÷ Line 1 | 3.25% | 1.44% | 4.69% |
| 4 | Required Rate of Return | Exh. A-14, Sch. D1 | 6.04% | -0.41% | 5.64% |
| 5 | Income Required | Line 1 x Line 4 | \$ 419,337 | \$ (35,694) | \$ 383,643 |
| 6 | Income Deficiency / (Sufficiency) | Line 5 - Line 2 | \$ 193,701 | \$ (129,382) | \$ 64,319 |
| 7 | Revenue Conversion Factor | Exh. A-13, Sch. C2 | 1.3547 | 0.0000 | 1.3547 |
| 8 | Revenue Deficiency / (Sufficiency) | Line 6 x Line 7 | <u>\$ 262,407</u> | <u>\$ (175,275)</u> | <u>\$ 87,132</u> |

Michigan Public Service Commission
DTE Gas Company
Projected Rate Base
For the 13-Month Average Period Ending September 30, 2025
(\$000)

Appendix B
Staff Exceptions - PFD Corrected
Case. No. U-21291

| | (a) | (b) | (c) | (d) | (e) |
|-----------------|--------------------------------------|--------------------------|-----------------------------|-------------------------|-------------------------|
| Line No. | Description | Source | Applicant Projection | PFD Adjustment | PFD Projection |
| 1 | Plant in Service | Exh A-12, Sch B2, L6 | 8,493,975 | (97,501) | 8,396,474 |
| 2 | Plant Held for Future Use | Exh A-12, Sch B2, L7 | - | - | - |
| 3 | Construction Work in Progress | Exh A-12, Sch B2, L8 | <u>298,542</u> | <u>(35,983)</u> | <u>262,558</u> |
| 4 | Total Utility Plant | | 8,792,516 | (133,485) | 8,659,032 |
| 5 | Less: Depreciation Reserve | Exh A-12, Sch B3, L7 | <u>2,756,737</u> | <u>(10,314)</u> | <u>2,746,423</u> |
| 6 | Net Utility Plant | | 6,035,780 | (123,170) | 5,912,609 |
| 7 | Net Capital Lease Property | Exh A-12, Sch B4.1, L8 | - | - | - |
| 8 | Gas Stored Underground - non current | Exh A-12, Sch B4.1, L10 | <u>35,303</u> | <u>-</u> | <u>35,303</u> |
| 9 | Total Utility Property and Plant | Line 6 + Line 7 + Line 8 | 6,071,082 | (123,170) | 5,947,912 |
| 10 | Less: Capital Lease Obligations | Exh A-12, Sch B4.1, L69 | <u>-</u> | <u>-</u> | <u>-</u> |
| 11 | Net Plant | Line 9 + Line 10 | 6,071,082 | (123,170) | 5,947,912 |
| 12 | Allowance for Working Capital | Exh A-12, Sch B4 , L71 | <u>868,717</u> | <u>(10,961)</u> | <u>857,757</u> |
| 13 | Total Projected Rate Base | Line 11 + Line 12 | <u><u>6,939,800</u></u> | <u><u>(134,131)</u></u> | <u><u>6,805,668</u></u> |

Michigan Public Service Commission
DTE Gas Company
Development of Projected Net Operating Income
Projected 12 Month Period Ending September 30, 2025
(\$000)

Appendix C
Staff Exceptions - PFD Corrected
Case No. U-21291

| Line No. | (a) Description (Witness) | Revenue | | | | Expenses | | | | | | | | | | NOI | | | | |
|----------------------|--|-----------------------------|--------------------------|--------------------------------|------------------|-------------------------|-------------------------------|----------------|---------------------------|------------------------------|-----------------------|----------------------------|---------------------------------|---------------|-----------------------------------|----------------|----------------|--------------|------------------------|---------------------|
| | | (b) Distribution Revenue | (c) Transport Revenue | (d) Other Operating Revenue | (e) Total | (f) Cost of Gas Sold | (g) Company Use & Lost Gas | (h) O&M | (i) Gas Uncollectibles | (j) Depreciation & Amort. | (k) Property Taxes | (l) Other General Taxes | (m) State & Local Income Tax | (n) FIT | (o) Other - Cust. Dep Interest | (p) Total | (q) NOI | (r) AFUDC | (s) Op. Income Adj. | (t) Adjusted NOI |
| Company Filed | | | | | | | | | | | | | | | | | | | | |
| | Operating Income (Direct) | 973,937 | 111,644 | 143,784 | 1,229,365 | - | 43,209 | 538,251 | 35,149 | 243,219 | 114,068 | 16,870 | 8,889 | 8,948 | 406 | 1,009,009 | 220,356 | 4,680 | (1,350) | 223,685 |
| | Distribution Rev. End User Trar | 75 | | | 75 | | | | | | | | 5 | 15 | | 20 | 55 | | | 55 |
| | Incentive Comp Amortization | | | | - | | | (113) | | | | | 7 | 22 | | (83) | 83 | | | 83 |
| | Shared Asset Deferral/ Amort (Rent) | | | | - | | | (2,517) | | | | | 165 | 494 | | (1,858) | 1,858 | | | 1,858 |
| | Interest Sync | | | | - | | | | | | | | 12 | 35 | | 47 | (47) | | | (47) |
| 1 | Operating Income (Initial Brief) | 974,012 | 111,644 | 143,784 | 1,229,440 | - | 43,209 | 535,621 | 35,149 | 243,219 | 114,068 | 16,870 | 9,078 | 9,513 | 406 | 1,007,134 | 222,306 | 4,680 | (1,350) | 225,635 |
| 2 | PFD Adjustments | | | | | | | | | | | | | | | | | | | |
| 3 | | | | | - | | | | | | | | - | - | | - | - | | | - |
| 4 | Removal of Responsibly Sourced Gas (RSG) Prem. (Royal) | | | | - | | | (180) | | | | | 12 | 35 | | (133) | 133 | | | 133 |
| 5 | | | | | - | | | | | | | | - | - | | - | - | | | - |
| 6 | Revenue & COGS - Offsetting Adj. (Todd) | (39,478) | | | (39,478) | (39,478) | | | | | | | - | - | | (39,478) | - | | | - |
| 7 | Revenue - Res & Commercial | 8,290 | | | 8,290 | | | | | | | | 544 | 1,627 | | 2,171 | 6,119 | | | 6,119 |
| 8 | Revenue - EUT | 503 | | | 503 | | | | | | | | 33 | 99 | | 132 | 371 | | | 371 |
| 9 | Revenue - Exhchange Gas Services | 2,832 | | | 2,832 | | | | | | | | 186 | 556 | | 741 | 2,091 | | | 2,091 |
| 10 | Revenue - HPP Appliance Service Plan | 4,617 | | | 4,617 | | | | | | | | 303 | 906 | | 1,209 | 3,408 | | | 3,408 |
| 11 | | | | | - | | | | | | | | - | - | | - | - | | | - |
| 12 | Incentive Compensation (McMillan-Sepkoski) | | | | - | | | (12,147) | | | | | 797 | 2,384 | | (8,967) | 8,967 | | | 8,967 |
| 13 | Restricted Stock (McMillan-Sepkoski) | | | | - | | | (2,017) | | | | | 132 | 396 | | (1,489) | 1,489 | | | 1,489 |
| 14 | | | | | - | | | | | | | | - | - | | - | - | | | - |
| 15 | Employee Savings Plan (Rueckert) | | | | - | | | (1,683) | | | | | 110 | 330 | | (1,242) | 1,242 | | | 1,242 |
| 16 | Uncollectibles Accounts Expense (Rueckert) | | | | - | | | | (14,470) | | | | 949 | 2,839 | | (10,681) | 10,681 | | | 10,681 |
| 17 | | | | | - | | | | | | | | - | - | | - | - | | | - |
| 18 | IT O&M - 20% disallowance related to 6 capital projects (Rogers) | | | | - | | | (121) | | | | | 8 | 24 | | (89) | 89 | | | 89 |
| 19 | | | | | - | | | | | | | | - | - | | - | - | | | - |
| 20 | Leak Detection and Repair (NPRM) (Creisher) | | | | - | | | (10,276) | | | | | 674 | 2,016 | | (7,585) | 7,585 | | | 7,585 |
| 21 | | | | | - | | | | | | | | - | - | | - | - | | | - |
| 22 | Company Gas Use & Lost Gas (AG) | | | | - | | | (4,932) | | | | | 324 | 968 | | (3,641) | 3,641 | | | 3,641 |
| 23 | Total O&M - Inflation (AG) | | | | - | | | (4,001) | | | | | 262 | 785 | | (2,953) | 2,953 | | | 2,953 |
| 24 | Total O&M - 2023 Cost Reduction | | | | - | | | (17,379) | | | | | 1,140 | 3,410 | | (12,829) | 12,829 | | | 12,829 |
| 25 | Total O&M - Voluntary Separation Savings | | | | - | | | (2,350) | | | | | 154 | 461 | | (1,735) | 1,735 | | | 1,735 |
| 26 | Pipeline Integrity (AG) | | | | - | | | (6,670) | | | | | 438 | 1,309 | | (4,924) | 4,924 | | | 4,924 |
| 27 | Active Health Care (AG) | | | | - | | | (4,884) | | | | | 320 | 958 | | (3,605) | 3,605 | | | 3,605 |
| 28 | | | | | - | | | | | | | | - | - | | - | - | | | - |
| 29 | Incentive Comp. - Operating Measures (AG) | | | | - | | | (2,864) | | | | | 188 | 562 | | (2,114) | 2,114 | | | 2,114 |
| 30 | Deferred OPEB Negative Expense (AG) | | | | - | | | (9,734) | | | | | 639 | 1,910 | | (7,185) | 7,185 | | | 7,185 |
| 31 | Corporate Jet Travel Costs | | | | - | | | (75) | | | | | 5 | 15 | | (55) | 55 | | | 55 |
| 32 | | | | | - | | | | | | | | - | - | | - | - | | | - |
| 33 | Corporate Memberships (FLO) | | | | - | | | (1,779) | | | | | 117 | 349 | | (1,313) | 1,313 | | | 1,313 |
| 34 | | | | | - | | | | | | | | - | - | | - | - | | | - |
| 35 | Impact of Cap Ex Adj on Depr Exp, Prop Tax, & AFUDC | | | | - | | | | | (2,869) | (1,340) | | 276 | 826 | | (3,107) | 3,107 | (2,114) | | 993 |
| 36 | Revert to prev. appr. Depr. Rates (Hecht) | | | | - | | | | | (13,385) | | | 878 | 2,626 | | (9,880) | 9,880 | | | 9,880 |
| 37 | Proforma Interest (Nichols) | | | | - | | | | | | | | (71) | (213) | | (285) | 285 | | | 285 |
| 38 | Interest Synchronization (Nichols) | | | | - | | | | | | | | - | - | | - | - | | | - |
| 39 | Total Adjustments | (23,236) | - | - | (23,236) | (39,478) | (4,932) | (76,160) | (14,470) | (16,254) | (1,340) | - | 8,417 | 25,178 | - | (119,038) | 95,803 | (2,114) | - | 93,689 |
| 40 | PFD NOI - Test Year | 950,776 | 111,644 | 143,784 | 1,206,204 | (39,478) | 38,277 | 459,462 | 20,679 | 226,965 | 112,728 | 16,870 | 17,496 | 34,691 | 406 | 888,096 | 318,109 | 2,566 | (1,350) | 319,324 |

Michigan Public Service Commission
DTE Gas Company
Projected Rate of Return Summary
Projected 12 Month Period Ending September 30, 2025
(\$000)

Appendix D
Staff Exceptions - PFD Corrected
Case. No. U-21291

| Line No. | (a) Description | (b) Cost Rate Source from Exhibit A-14 Schedule | (c) Capital Structure | | (e) % Amount of Total Capital | (f) Cost Rate % | (g) Weighted Cost of Permanent Capital (%) | (h) Weighted Cost of Total Capital (%) | (i) Pre-tax Multiplier | (j) Pre-tax Cost of Capital |
|----------|--------------------------------|--|-------------------------------|--------------------------------------|----------------------------------|--------------------|---|---|---------------------------|--------------------------------|
| | | | (c) 13 Mo. Avg. Amount (1) | (d) % Amount of Permanent Capital | | | | | | |
| 1 | Long-Term Debt - net (2) | D2 | \$ 2,749,081 | 50.00% | 39.59% | 4.44% | 2.22% | 1.76% | 1.000 | 1.76% |
| 2 | Common Equity | D5 | <u>2,749,081</u> | <u>50.00%</u> | 39.59% | 9.40% | <u>4.70%</u> | 3.72% | 1.355 | 5.04% |
| 3 | Sub-Total | | <u>\$ 5,498,161</u> | <u>100.00%</u> | | | <u>6.92%</u> | | | |
| 4 | Short-Term Debt (3) | D3 | \$ 184,380 | | 2.66% | 5.89% | | 0.16% | 1.000 | 0.16% |
| 5 | Other Interest Bearing Credits | | | | | | | | | |
| 6 | Net Deferred Income Tax (4) | | 1,261,422 | | 18.17% | - % | | - % | | - % |
| 7 | Deferred Investment Tax Cr. | | - | | - % | - % | | - % | | - % |
| | JDITC | | | | | | | | | |
| 8 | JDITC - Long-Term Debt | | - | | - % | 4.44% | | - % | 1.000 | - % |
| 9 | JDITC - Common Equity | | - | | - % | 9.40% | | - % | 1.355 | - % |
| 10 | Total JDITC | | <u>\$ -</u> | | | | | | | |
| 11 | Total | | <u>\$ 6,943,963</u> | <u>100.00%</u> | | | <u>5.64%</u> | | | <u>6.96%</u> |

Michigan Public Service Commission
DTE Gas Company
Capital Expenditure and Rate Base Adjustments
Projected 12 Month Period Ending September 30, 2025
(\$000)

Appendix E
Staff Exceptions - PFD Corrected
Case No. U-21291

| Line | Adjustment Description | (a) | (b) | (c) | (d) (e) (f) (g) (h) | | | | |
|------|---|------------------|-----------------|-----------------|---------------------|------------------|-----------------|----------------|----------------|
| | | Total | Plant in Svc | CWIP | Accum Dep. | Rate Base | Depreciation | Property Tax | AFUDC |
| 1 | <u>ROUTINE</u> | | | | | | | | |
| 2 | Staff Distribution Plant - Service Renewals | (529) | (378) | | (8) | (370) | (11) | (2) | |
| 3 | AG Distribution Plant - Main Renewals | (1,392) | (1,392) | | (35) | (1,357) | (40) | (10) | |
| 4 | AG Distribution Plant - System Reliability | (13,592) | (10,306) | | (221) | (10,084) | (293) | (61) | |
| 5 | AG Distribution Plant - Leak Detection Repair | (14,970) | (7,485) | | (106) | (7,379) | (213) | (26) | |
| 6 | MNSC Distribution Plant - New Market Attachments - Mesick-Buckley CEP | (838) | (838) | | (21) | (817) | (24) | (6) | |
| 7 | MNSC Distribution Plant - New Markets Attachments - Peach Ridge CEP | (912) | (912) | | (45) | (867) | (26) | (19) | |
| 8 | AG Storage Plant - Gas Storage Compression | (13,325) | (11,416) | | (226) | (11,189) | (279) | (73) | |
| 9 | | | | | | | | | |
| 10 | <u>LARGE CAPITAL PROJECTS</u> | | | | | | | | |
| 11 | AG Traverse City Alpena Reinforcement Project | (3,000) | (3,000) | | (128) | (2,872) | (47) | (81) | |
| 12 | AG Traverse City Alpena Reinforcement Project | (323) | (323) | | (14) | (309) | (5) | (9) | |
| 13 | AG Fort Street Main Replacement | (32,753) | | (16,377) | | (16,377) | | | (837) |
| 14 | AG Austin-Detroit A&B Lines | (21,007) | | (12,917) | | (12,917) | | | (915) |
| 15 | AG Belle River-Detroit Interconnect and Loop | (8,125) | | (4,436) | | (4,436) | | | (242) |
| 16 | AG Taggart Compressor Replacement | (4,000) | | (2,254) | | (2,254) | | | (120) |
| 17 | | | | | | | | | |
| 18 | <u>INFRASTRUCTURE RECOVERY MECHANISM</u> | | | | | | | | |
| 19 | ABATE Modified Main Replacement Program | (62,126) | (59,486) | | (3,060) | (56,426) | (1,689) | (1,031) | |
| 20 | Staff Pipeline Integrity | (4,800) | (4,250) | | (54) | (4,196) | (66) | (28) | |
| 21 | AG Cathodic Protection | 7,400 | 3,700 | | 53 | 3,647 | 105 | 13 | |
| 22 | | | | | | | | | |
| 23 | <u>GAS INFORMATION TECHNOLOGY</u> | | | | | | | | |
| 24 | AG Gas Scheduling Optimizer | (450) | (225) | | (23) | (203) | (45) | (1) | |
| 25 | Staff Gas Information Technology | (1,756) | (1,191) | | (166) | (1,025) | (238) | (7) | |
| 26 | | | | | | | | | |
| 27 | TOTAL CAPITAL EXPENDITURE ADJUSTMENTS | (176,498) | (97,501) | (35,983) | (4,054) | (129,430) | (2,869) | (1,340) | (2,113) |
| 28 | | | | | | | | | |
| | Staff <u>Adjust Case to Approved Depr. Rates in U-20118</u> | | | | (6,260) | 6,260 | (13,385) | | |
| 29 | | | | | | | | | |
| 30 | <u>WORKING CAPITAL ADJUSTMENTS</u> | | | | | | | | |
| 31 | | | | | | | | | |
| 32 | Other Accounts Receivable | | | | | (301) | | | |
| 33 | Gas In Underground Storage | | | | | (9,133) | | | |
| 34 | Regulatory Assets - Shared Asset Deferral Mechanism | | | | | (1,304) | | | |
| 35 | I/C Accounts Payable | | | | | (223) | | | |
| 36 | | | | | | | | | |
| 37 | TOTAL WORKING CAPITAL ADJUSTMENTS | | | | | (10,961) | | | |
| 38 | | | | | | | | | |
| 39 | TOTAL RATE BASE ADJUSTMENTS | | | | | (134,131) | | | |

**Michigan Public Service Commission
DTE Gas Company
Summary of Staff Updates to PFD Appendices Revenue Deficiency Calculation
Projected 12 Month Period Ending September 30, 2025**

Appendix F
Staff Exceptions - PFD Corrected
Case No. U-21291

| | (a) | (b) | (c) | (d) | (e) |
|------|--|----------------------------|---|------------|---------------------------------|
| Line | Description | PFD Appendices as Filed | PFD Appendices as Corrected by Staff | PFD Page # | Revenue Deficiency Impact |
| 1 | Revenue - Res & Commercial | - | (8,290,000) | 240 | \$ (8,290,000) |
| 2 | Revenue - EUT | - | (503,000) | 248 | (503,000) |
| 3 | Revenue - Exchange Gas Services | - | (2,832,000) | 254 | (2,832,000) |
| 4 | Revenue - HPP Margin | - | (4,617,000) | 257 | (4,617,000) |
| 5 | 2023 O&M Cost Reduction Initiative | (22,431,000) | (17,379,000) | 269 | 5,052,000 |
| 6 | Cathodic Protection moved from IRM to Rate Base ¹ | - | 7,400,000 | 87 | <u>373,509</u> |
| 7 | Total Staff Adjustments to Correct PFD Revenue Deficiency | | | | \$ (10,816,491) |
| 8 | | | | | |
| 9 | PFD Revenue Deficiency as Filed | | | | \$ 97,950,000 |
| 10 | Total Staff Adjustments to Correct PFD Revenue Deficiency | | | | (10,816,491) |
| 11 | Rounding | | | | <u>(1,509)</u> |
| 12 | PFD Revenue Deficiency as Corrected by Staff | | | | <u>\$ 87,132,000</u> |
| 13 | | | | | |
| 14 | | | | | |
| 15 | Notes: | | | | |
| 16 | 1. See Appendix E, line 21 for individual impacts. | | | | |

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De Ann Payne

Subscribed and sworn to before me
this 25th day of **September, 2024**.

Cherie A. R. Shea, Notary Public
State of Michigan, County of Jackson
Acting in the County of Eaton
My Commission Expires: 04-13-31