



John A. Janiszewski
(313) 235-7309
john.janiszewski@dteenergy.com

July 1, 2025

Lisa Felice
Executive Secretary
Michigan Public Service Commission
7109 West Saginaw Highway
Lansing, MI 48917

RE: In the matter of the application of **DTE Electric Company** to commence a renewable energy cost reconciliation proceeding for the 12-month period ended December 31, 2024.
MPSC Case No. U-21830

Dear Ms. Felice:

Attached for electronic filing in the above captioned matter are DTE Electric Company's Application for Renewable Energy Cost Reconciliation, Annual Report, Direct Testimony and Exhibits of Witnesses Eric R. Bidlingmaier, Andrea R. Hardy, Patrick D. Kauffman, Karl Lievense, Kirk M. Vangilder, and Sherri L. Wisniewski. Also attached is the Proof of Service.

Very truly yours,

John A. Janiszewski

JAJ/erb
Attachments

cc: Service List

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
DTE Electric Company to commence)
a renewable energy cost reconciliation) Case No. U-21830
proceeding for the 12-month period ended)
December 31, 2024.)

DTE ELECTRIC COMPANY’S RENEWABLE COST
RECONCILIATION APPLICATION

DTE Electric Company (“DTE Electric” or the “Company”) files this Application pursuant to 2008 PA 295, as amended by 2016 PA 342 and 2023 PA 235, MCL 460.1001 *et seq.*, the Rules of Practice and Procedure Before the Michigan Public Service Commission (“MPSC” or the “Commission”), R 460.17101 *et seq.*, the Michigan Administrative Procedures Act, MCL 24.201 *et seq.*, the Commission’s Order in Case No. U-21830, *et al.*, dated January 23, 2025, and all other applicable law. With this Application, DTE Electric requests the Commission’s approval of the Company’s Renewable Cost Reconciliation for 2024 and other related relief. In support of this Application, DTE Electric states as follows:

1. DTE Electric is a corporation organized and existing under and by virtue of the laws of the State of Michigan, with its principal office at One Energy Plaza, Detroit, Michigan 48226. DTE Electric is owned by DTE Electric Holdings, LLC, which is a wholly-owned subsidiary of DTE Energy, providing retail electric service to customers located in Michigan.

2. DTE Electric’s retail electric business is subject to the Commission’s jurisdiction pursuant to Michigan law, including certain provisions of 1939 PA 3, as amended, MCL 460.1 *et seq.*; 1909 PA 106, as amended, MCL 460.551 *et seq.*; 1909 PA 300, as amended, MCL 462.2 *et seq.*; and 2008 PA 295, as amended, MCL 460.1001 *et seq.* Under these statutory provisions, the

Commission has the power and jurisdiction to regulate the Company's retail electric rates. DTE Electric presently serves its jurisdictional metered retail electric customers under the rates and charges contained in the Company's Commission approved tariffs.

3. On October 6, 2008, the "Clean, Renewable, and Efficient Energy Act," 2008 PA 295 ("Act 295"), MCL 460.1001 *et seq.*, was signed into law. Act 295 was amended by 2016 PA 342 ("Act 342") effective April 20, 2017, and was renamed the "Clean and Renewable Energy and Energy Waste Reduction Act."

4. On November 28, 2023, Public Act 235 of 2023 ("Act 235") was signed into law and became effective on February 27, 2024. Among other things, Act 235 further amended Sections 22 through 49 of Act 295. Act 295, as amended by Act 342 and Act 235, requires Electric Providers, such as DTE Electric, to file a Renewable Energy Plan ("REP") with the Commission for review and approval.

5. The Company's Renewable Energy Plan was first approved by Commission orders dated June 2, 2009 and August 25, 2009 in Case No. U-15806-RPS. DTE Electric submitted Amended Renewable Energy Plans on June 2, 2011, June 3, 2013, June 2, 2015, June 30, 2016, March 29, 2018, August 31, 2020, September 30, 2022, March 9, 2023, and July 19, 2024. Each of the REP amendments were approved consistent with 2008 PA 295, as amended.¹ This Application provides a reconciliation to the Company's Amended Renewable Energy Plan approved on May 15, 2025, in Case No. U-21662.

6. DTE Electric's Renewable Energy Plan Annual Report for 2024 is being filed concurrently with this Application.

¹ Case No. U-16582 Order dated December 20, 2011; Case No. U-17302 Order dated December 19, 2013; Case No. U-17793 Order dated November 5, 2015; Case No. U-18111 Order dated September 23, 2016; Case No. U-18232 Order dated July 9, 2020; Case No. U-20851 Order dated June 9, 2021; Case No. U-21285 Order dated December 21, 2022; Case No. U-21361 Order dated May 18, 2023; Case No. U-21662 Order dated May 15, 2025.

7. Pursuant to Act 295, as amended by Act 342 and Act 235, MCL 460.1049 provides for the commencement of an annual proceeding for renewable cost reconciliations. MCL 460.1049(5), sets forth the Commission’s approval process in renewable cost reconciliation proceedings.

8. In this proceeding, the Commission is to reconcile the pertinent revenues recorded and the allowance for the Revenue Recovery Mechanism with the amounts actually expensed and projected according to DTE Electric’s Amended Renewable Energy Plan, including (i) determining DTE Electric’s compliance with the renewable energy standards contained in 2008 PA 295, as amended by 2016 PA 342 and 2023 PA 235; (ii) determining that DTE Electric’s renewable cost reconciliation Revenue Recovery Mechanism is consistent with MCL 460.1045 and permitting recovery of the Incremental Cost of Compliance to implement its Amended Renewable Energy Plan; (iii) adjusting the Company’s Revenue Recovery Mechanism and approved surcharge amounts (if necessary, which is not presently the case for DTE Electric) to ensure DTE Electric’s recovery of its Incremental Cost of Compliance with the renewable energy standards; (iv) establishing the price per megawatt hour (“MWh”) for renewable energy capacity and advanced cleaner energy capacity and for renewable energy and advanced cleaner energy to be recovered through the PSCR clause under MCL 460.6j (a/k/a “Transfer Prices”), as outlined in MCL 460.1047; (v) adjusting (if necessary, which is not presently the case for DTE Electric) the minimum balance of accumulated reserve funds; and (vi) if an Electric Provider, such as DTE Electric, has recorded a regulatory liability in any given month during the Renewable Energy Plan period, ensuring the appropriate accrual of interest during the appropriate period.

9. Act 295, as amended, contains a Renewable Energy Credit Portfolio Standard for Electric Providers such as DTE Electric. MCL 460.1028. The Company met the applicable

statutory requirements for 2024 by retiring a total of 5,862,829 Renewable Energy Credits (“RECs”).

10. As detailed in Company Witness Hardy’s testimony, DTE Electric’s actual renewable energy capacity totaled 2,165.5 MW in 2024.

11. The average Transfer Price for 2024 was approximately \$74.08/MWh. To determine the Transfer Price, the Company calculated the total Transfer Cost and divided the Transfer Cost by the corresponding renewable energy quantity (measured in MWh) obtained in 2024. The Transfer Price is applied to generation from Commission-approved Electric Provider-owned Renewable Energy Systems and purchases of energy, capacity, and RECs through Renewable Energy Contracts. All costs of PURPA/PA2 generation for which recovery in electric rates was approved by the Commission prior to October 6, 2008 (the effective date of 2008 PA 295) are recovered as part of DTE Electric’s Act 304 (MCL 460.6j) PSCR process and general rates. These existing facilities generate RECs for DTE Electric at zero cost.

12. The estimated and actual Amended Renewable Energy Plan surcharge revenue for 2024 was \$0.00 as a result of decreasing the surcharge to \$0.00 across all customer types as of December 2015.

13. In its Amended Renewable Energy Plan in Case No. U-21662, DTE Electric projected an Incremental Cost of Compliance (“ICOC”) of approximately \$(15.3) million. The Company’s actual ICOC in 2024 associated with its Renewable Energy Plan was approximately \$(87.9) million. As explained by Company Witness Hardy, the main driver for the decrease in the projected ICOC is the more favorable investment tax credits, which were partially offset by less favorable production tax credits.

14. In its November 5, 2015 Order in MPSC Case No. U-17793, the Commission approved the Company's Revenue Recovery Mechanism surcharge of \$0.00/meter for residential customers, commercial secondary customers, and commercial primary and industrial customers, and no additional amounts for unmetered service customers. DTE Electric is not requesting any modification of the Renewable Energy Plan surcharge in this reconciliation case.

15. The Company is requesting certain regulatory authority and approvals, including, but not limited to, approval of the Company's request that 291,242 Energy Waste Reduction ("EWR") Energy Credits be substituted for Renewable Energy Credits. These EWR Energy Credits will transfer at zero cost to DTE Electric's REP program and can be used for Act 235 compliance purposes under MCL 460.1028(7). This request is consistent with the treatment of EWR Energy Credits approved by the Commission in DTE Electric's Renewable Energy Reconciliation cases since 2009 in Case No. U-16356.

16. DTE Electric is requesting that the Commission maintain for contracts and projects approved by the Commission: (i) through July 24, 2012, renewable energy and capacity prices (a/k/a Transfer Prices) by renewable energy type for purposes of recovery through its PSCR process as set forth in DTE Electric's Exhibit No. A-8 (JHB-4) in Case No. U-15806-RPS, consistent with the Commission's March 8, 2012 Order in Case No. U-16582; (ii) from July 25, 2012 through the January 27, 2015 Order Date in Case No. U-17322 transfer prices as set forth in Exhibit S-1 in Case No. U-16656; (iii) from January 28, 2015 through the July 23, 2015 Order Date in Case No. U-17632 transfer prices set forth in Exhibit A-4, Schedule A1 of Case No. U-17322; (iv) from July 24, 2015 through April 14, 2016 Order Date in Case No. U-17804 the transfer prices set forth in Exhibit A-4, Schedule A1 of Case No. U-17632; (v) from April 15, 2016 through Order Dated February 28, 2017 in Case No. U-18082 transfer prices as set forth in Exhibit A-4,

Schedule A1 of Case No. U-17804; (vi) from February 28, 2017 through the May 17, 2018 Order Date in Case No. U-18242 transfer prices as set forth in Exhibit A-4, Schedule A1 of Case No. U-18802; (viii) from January 19, 2019 through the February 6, 2020 Order Date in Case No. U-20484 transfer prices set forth in Exhibit A-4, Schedule A1 of Case No. U-20172; (ix) from February 7, 2020 through the April 8, 2021 Order Date in Case No. U-20723 transfer prices set forth in Exhibit A-4, Schedule A1 of Case No. U-20484; (x) from April 8, 2021 through the May 26, 2022 Order Date in Case No. U-21010 transfer prices as set forth in Exhibit A-5, Schedule A1 of Case No. U-20723; and (xi) from May 27, 2022 through the April 24, 2023 Order Date in Case No. U-21198 transfer prices as set forth in Exhibit A-5, Schedule A1 of Case No. U-21010; and (xii) from April 25, 2023 through the July 23, 2024 Order Date in Case No. U-21353 transfer prices set forth in Exhibit A-5, Schedule A1 of Case No. U-21198; and (xiii) from July 24, 2024 through the date of an order in Case No. U-21550 transfer prices set forth in Exhibit A-5, Schedule A1 of Case No. U-21353; and (xiv) as applicable, transfer prices as set forth in Exhibit A-5 Schedule A1 of Case No. U-21550². DTE Electric is also requesting expeditious approval of and authority to use, effective as of the U-21830 Order Date, the new Transfer Price schedule submitted herewith and identified as Exhibit A-5, Schedule A1 for DTE Electric Renewable Energy Contracts and Company-owned Renewable Energy Systems that the Commission approves. In all other respects, DTE Electric requests that these Transfer Prices requested by the Company in this proceeding be applied consistent with the Commission's Order in Case No. U-15806-RPS issued on August 25, 2009, where the Commission adopted the Staff's analysis regarding Transfer Prices:

“...at the time any PPA [Renewable Energy Contract under MCL 460.1033(1)(b)] is approved by the Commission, the schedule of transfer prices most recently approved shall become the floor price for PSCR recovery. For each contract year, if the most recently approved annual transfer price is higher than the schedule of transfer prices for a particular

² On June 6, 2025, a Settlement Agreement was submitted in Case No. U-21550 and is currently pending Commission review and disposition.

contract, then the most recently approved annual transfer price would be recovered via the PSCR process. However, in the event that the contract price [Renewable Energy Contract under MCL 460.1033(1)(b)] is less than the transfer price, the contract price [Renewable Energy Contract under MCL 460.1033(1)(b)] would be the recoverable PSCR cost. This method would be applicable to renewable engineering, procurement, and construction contracts, or contracts for Renewable Energy Systems that have been developed by third parties for transfer of ownership to an Electric Provider, provider owned projects [all under MCL 460.1033(1)(a)], and third party PPAs[Renewable Energy Contracts under MCL 460.1033(1)(b)].” [August 25, 2009 Order in Case No. U-15806-RPS, p 11 (all statutory references added).]

17. In support of this Application, DTE Electric is filing the Direct Testimony and Exhibits of six (6) witnesses (Ms. Andrea R. Hardy, Mr. Patrick D. Kauffman, Mr. Eric R. Bidlingmaier, Mr. Karl Lievense, Mr. Kirk M. Vangilder, and Ms. Sherri L. Wisniewski), the contents of which are incorporated in this Application by reference. DTE Electric’s Direct Testimony and Exhibits evidence reasonable and prudent revenue collection, expenditures and other actions in 2024 consistent with the Company’s Amended Renewable Energy Plan, the appropriateness of continuing DTE Electric’s existing and proposed Transfer Prices for 2008 PA 295 projects approved by the Commission as well as the applicability of those Transfer Prices for Renewable Energy Contracts and Company-owned Renewable Energy Systems approved by the Commission, and the reasonableness of the other relief and proposals requested by the Company.

WHEREFORE, DTE Electric requests that the Commission:

- A. Accept this Application for filing pursuant to 2008 PA 295, as amended by 2016 PA 342 and 2023 PA 235, the Commission’s Order in Case No. U-21830, *et al.*, dated January 23, 2025, and all other applicable law;
- B. Give such Notice to interested parties as may be required by statute or the Commission's rules;
- C. Establish a date, place, and time for a prehearing conference;

D. Take all steps necessary to expedite approval of the Transfer Prices submitted herewith and identified in Exhibit A-5, Schedule A1 for applicable DTE Electric Renewable Energy Contracts and Company-owned Renewable Energy Systems;

E. Determine that DTE Electric's 2024 Renewable Cost Reconciliation and DTE Electric's 2008 PA 295 revenues collected and costs incurred in 2024 are reasonable and prudent and meet all relevant requirements, including under 2008 PA 295, as amended by 2016 PA 342 and 2023 PA 235;

F. Consistent with MCL 460.1049, reconcile the pertinent revenues recorded and the allowance for the Revenue Recovery Mechanism with the amounts actually expensed and projected according to DTE Electric's proposed Amended Renewable Energy Plan, including: (i) determining that DTE Electric is in compliance with the Renewable Energy Standards of 2008 PA 295, as amended by 2016 PA 342 and 2023 PA 235 (ii) determining that DTE Electric's Renewable Cost Reconciliation Revenue Recovery Mechanism is consistent with MCL 460.1045 and permits recovery of the Incremental Cost of Compliance to implement its Amended Renewable Energy Plan; (iii) maintaining DTE Electric's existing Revenue Recovery Mechanism and approved surcharge amounts to ensure DTE Electric's recovery of its Incremental Cost of Compliance with the Renewable Energy Standards; (iv) approving the prices per MWh for renewable energy capacity and advanced cleaner energy capacity and for renewable energy and advanced cleaner energy to be recovered through DTE Electric's PSCR clause under MCL 460.6j; (v) determining that it is not necessary or appropriate at this time to adjust DTE Electric's minimum balance of accumulated reserve funds; and (vi) where DTE Electric has recorded a regulatory liability in any given month, approve DTE Electric's proposed treatment of interest on the regulatory liability balance;

G. Determine that DTE Electric’s actions with respect to its Amended Renewable Energy Plan were and are reasonable and prudent; and approve the Company’s proposed Renewable Energy Plan surcharges as just and reasonable;

H. Enter its Order maintaining existing rates and charges in the manner described in this Application and the Company’s Direct Testimony and Exhibits;

I. Grant DTE Electric regulatory authority and approvals as described and requested in the Direct Testimony and Exhibits of Company witnesses, including but not limited to approval of the Company’s request that 291,242 EWR Energy Credits be transferred at zero cost from the Company’s inventory of EWR Energy Credits to, and used for compliance with its Amended Renewable Energy Plan, in accordance with the Company’s Amended Renewable Energy Plan and MCL 460.1028(7); and

J. Grant DTE Electric such further additional relief, as the Commission may deem suitable and appropriate.

Submitted by:
DTE ELECTRIC COMPANY

Dated: July 1, 2025

By: _____
John A. Janiszewski (P74400)
Attorney for DTE Electric Company
One Energy Plaza, 1635 WCB
Detroit, MI 48226
(313) 235-7309

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
DTE Electric Company to commence)
a renewable energy cost reconciliation)
proceeding for the 12-month period ended)
December 31, 2024)

Case No. U-21830

QUALIFICATIONS
AND
DIRECT TESTIMONY
OF
ERIC R. BIDLINGMAIER

DTE ELECTRIC COMPANY
QUALIFICATIONS OF ERIC R. BIDLINGMAIER

Line
No.

1 **Q1. What is your name, business address and by whom are you employed?**

2 A1. My name is Eric R. Bidlingmaier. My business address is 8001 Haggerty Road
3 Belleville, MI 48111. I am employed by DTE Electric Company (hereafter DTE
4 Electric or Company).

5

6 **Q2. On whose behalf are you testifying?**

7 A2. I am testifying on behalf of DTE Electric.

8

9 **Q3. What is your current position with the Company?**

10 A3. I am currently the Manager of the Power Supply Strategy & Modeling team within
11 the Generation Optimization department.

12

13 **Q4. What is your educational background?**

14 A4. I received a Bachelor of Science Degree in Chemical Engineering from the
15 University of Michigan in 2016.

16

17 **Q5. What is your work experience?**

18 A5. In 2016, I was hired by DTE Electric as an Associate Engineer in the Generation
19 Optimization department. In that role, I supported the economical operation of the
20 DTE Electric generation fleet by running analyses optimizing unit commitment in
21 the MISO market, fuel blending at DTE Electric coal plants, fleet maintenance
22 scheduling, and emissions management. I also worked with power plant experts to
23 validate and update generation unit offer parameters used in the MISO market
24 offers.

25

Line
No.

1 In 2020, I transitioned to a new role in the Generation Optimization department as
2 a Senior Engineer. In this role I was primarily responsible for developing forecasts
3 of Company generation asset performance to support internal Company budget
4 forecasts as well as Power Supply Cost Recovery (PSCR) case proceedings before
5 the Michigan Public Service Commission (hereafter Commission or MPSC).
6 Additionally, I was responsible for the planning and procurement of capacity
7 resources to meet reliability requirements for DTE Electric customers. This role
8 also included advocacy with MISO and MISO stakeholders to promote fair and
9 favorable outcomes for DTE Electric customers.

10

11 In 2021, I was promoted to Supervisor over the Tactical Merchant Analytics team.
12 My responsibilities included supervising a group that is responsible for the
13 acquisition of wholesale electric power to reliably and economically serve the
14 energy requirements of the Company's customers. In addition, my team
15 accomplishes optimization of the Company's generation assets within the
16 wholesale power market, facilitates DTE Electric fleet operations within the MISO
17 market tariff, manages emission allowance procurement, and reviews and
18 advocates for Company positions regarding proposed MISO rules, regulations, and
19 business practices.

20

21 In 2025, I was promoted to my current role as the Manager of the Power Supply
22 Strategy and Modeling team. My responsibilities include managing a group that is
23 responsible for forecasts of Company generation asset performance to support
24 internal Company budget forecasts and PSCR case proceedings; optimizing

Line
No.

1 financial transmission rights; and supporting the MISO resource adequacy process
2 as well as managing the Tactical Merchant Analytics team outlined above.

3

4 **Q6. Have you previously sponsored testimony before the Michigan Public Service**
5 **Commission?**

6 A6. Yes. I sponsored testimony in the following MPSC case:

7 U-21050 DTE Electric's 2022 PSCR Plan

8 U-20827 DTE Electric's 2021 PSCR Reconciliation

9 U-21259 DTE Electric's 2023 PSCR Plan

10 U-21051 DTE Electric's 2022 PSCR Reconciliation

11 U-21425 DTE Electric's 2024 PSCR Plan

12 U-21260 DTE Electric's 2023 PSCR Reconciliation

13 U-21426 DTE Electric's 2024 PSCR Reconciliation

14

DTE ELECTRIC COMPANY
DIRECT TESTIMONY OF ERIC R. BIDLINGMAIER

Line
No.

1 **Q7. What is the purpose of your testimony?**

2 A7. The purpose of my testimony is to support the Company's request that the MPSC
3 establish the 2025 Transfer Price Schedule in Exhibit A-5 Schedule A1 for DTE
4 Electric for renewable energy contracts and Company-owned renewable energy
5 systems submitted to the Commission for approval after the Commission issues an
6 Order in this case.

7

8 **Q8. Are you sponsoring any exhibits in this proceeding?**

9 A8. Yes, I am supporting the following exhibits:

<u>Exhibit</u>	<u>Schedule</u>	<u>Description</u>
A-5	A1	2025 MPSC Staff Transfer Prices
A-5	A2	2025 MPSC Staff Combined Cycle Levelized Cost
A-5	A3	2025 MPSC Staff Combined Cycle Levelized Fuel Price

14

15 **Q9. Were these exhibits prepared by you or under your direction?**

16 A9. The documents were prepared by the MPSC Staff, but were reviewed, adopted, and
17 referenced in my direct testimony.

18

19 **Q10. What is the current status of Transfer Price Schedules for DTE Electric
20 renewable energy contracts and Company-owned renewable energy systems?**

21 A10. Table 1 is an outline of the Company's transfer price schedules and the applicable
22 REP Reconciliation Case where the transfer price schedule was approved. Table 2
23 shows an outline of the Company's renewable energy contracts and Company-owned
24 renewable energy systems and their corresponding transfer price schedule. All future

Line
No.

1 projects will receive the latest approved transfer price schedule at the time of a
2 project’s MPSC approval.

3 **Table 1 DTE Electric’s Transfer Price Schedules**

Transfer Price Schedule Name	Case Where Transfer Prices Proposed	Date Transfer Price Schedule Became Effective
U-15806	U-15806	10/21/2008
2012	U-16656	7/24/2012
2014	U-17632	7/23/2015
2015	U-17804	4/14/2016
2016	U-18082	2/28/2017
2018	U-20172	1/18/2019
2019	U-20484	2/6/2020
2021	U-21010	5/26/2022
2022	U-21198	4/24/2023
2023	U-21353	7/23/2024
2024	U-21550	TBD
2025	This case U-21830	TBD

4

Line
No.

1
2

Table 2 Breakdown of Approved Contracts and Company-owned Projects and Corresponding Transfer Prices Schedules

Transfer Price Schedule Name	Contracts approved to use Schedule	Company-owned projects approved to use Schedule
U-15806	<ul style="list-style-type: none"> • Heritage Stoney Corners Wind Farm I, LLC • L’Anse Warden Electric Company, LLC • WM Renewable Energy, LLC • Gratiot County Wind, LLC • Blue Water Renewables, Inc. • Tuscola Bay Wind, LLC 	<ul style="list-style-type: none"> • Gratiot Wind Park • Thumb Wind Parks (Minden, McKinley, and Sigel Wind Parks) • DTE Electric Owned Solar (~13.75 MW)
2012	<ul style="list-style-type: none"> • Tuscola Wind II, LLC • Pheasant Run Wind, LLC • Big Turtle Wind Farm, LLC 	<ul style="list-style-type: none"> • Echo Wind Park • Brookfield Wind Park • DTE Electric Owned Solar (~1.25 MW)
2014		<ul style="list-style-type: none"> • Pinnebog Wind Park • 2017 DTE Electric Owned Solar (50 MW)
2015		<ul style="list-style-type: none"> • Pine River Wind Park
2016		<ul style="list-style-type: none"> • Polaris Wind Park
2018		<ul style="list-style-type: none"> • Fairbanks Wind Park • Isabella Wind Park 1 • Isabella Wind Park 2
2019	<ul style="list-style-type: none"> • Assembly 3 • Riverfork 2 	<ul style="list-style-type: none"> • Ford Rooftop Solar Pilot • Meridian Wind Park

Line
No.

Transfer Price Schedule Name	Contracts approved to use Schedule	Company-owned projects approved to use Schedule
2021		<ul style="list-style-type: none"> • Gratiot Solar • Pine River Solar • Polaris Solar • Sauk Solar • Big Turtle II
2022	<ul style="list-style-type: none"> • Coldwater River • White Pine Grove 	<ul style="list-style-type: none"> • Fish Creek Solar Park • Little Trout Solar Park • Mission Road Solar Park
2023		<ul style="list-style-type: none"> • Cedar Fields Solar Park • Cold Creek Solar Park • Silver Creek Solar Park • Phase 1 Detroit Solar Park • Phase 2 Detroit Solar Park

1 The Company is requesting that the MPSC establish, in this REP Reconciliation Case,
2 the Transfer Prices in Exhibit A-5 Schedule A1 for DTE Electric for renewable
3 energy contracts and Company-owned renewable energy systems the Commission
4 approves after issuing an Order in this Case.

5

6 **Q11. What is the purpose of Exhibit A-5, Schedules A1 through A3?**

7 A11. The purpose of Exhibit A-5, Schedules A1 through A3 is to present the Company’s
8 2025 proposed transfer prices and supporting data.

9

10 **Q12. What is the basis of the Company’s proposed 2025 MPSC Staff Transfer Prices**
11 **presented in Exhibit A-5?**

Line
No.

1 A12. The 2025 MPSC Staff Transfer Prices presented in Exhibit A-5 were developed by
2 the MPSC Staff and filed in Case No. U-15800 on April 17, 2025. The MPSC Staff
3 developed a projection of the total cost of a natural gas combined cycle gas turbine
4 (CCGT) unit. The basis for these transfer prices is the levelized cost of energy
5 (LCOE) of a CCGT for the base year 2029 shown on Exhibit A-5, Schedule A2 with
6 a levelized natural gas price calculated from the U.S. Energy Information
7 Administration’s projection of natural gas prices at the Henry Hub shown on Exhibit
8 A-5, Schedule A3.

9

10 **Q13. What is your conclusion of the MPSC Staff’s transfer price methodology?**

11 A13. The Company has reviewed the MPSC Staff’s transfer price methodology, including
12 the levelized cost calculation variables, and finds it to be reasonable for the purpose
13 of determining the transfer price schedule. The assumptions and calculations used
14 by the MPSC Staff to develop the LCOE of a generic CCGT plant and the associated
15 transfer price schedule are comparable to those used in previous renewable energy
16 case proceedings that have been approved by the Commission.

17

18 **Q14. How does the Company implement transfer prices?**

19 A14. The transfer price schedules are made up of a series of transfer prices for each year
20 included in the schedule. The transfer price schedules that the Commission
21 approves for each renewable energy contract and Company-owned renewable
22 energy system is established as a floor for the lifecycle of the contract or project to
23 ensure that the economic viability of projects that have been committed to will not
24 be jeopardized by transfer price schedules that change in future years.

25

Line
No.

1 The Company will charge the Power Supply Cost Recovery (PSCR) for energy
2 generated by an approved renewable energy contract or Company-owned renewable
3 energy system at the PSCR Transfer Price. The PSCR Transfer Price for each
4 renewable energy contract will be the lesser of the approved transfer price or
5 renewable energy contract cost. The PSCR Transfer Price for renewable energy
6 generated by Company-owned renewable energy systems will be either the
7 approved transfer price or the LCOE for each project, not to exceed the approved
8 transfer price. This PSCR mechanism aligns with the order issued on July 9, 2020
9 in DTE Electric's Amended REP Plan Case No. U-18232.

10

11 **Q15. Does this complete your direct testimony?**

12 A15. Yes, it does.

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
DTE Electric Company to commence)
a renewable energy cost reconciliation)
proceeding for the 12-month period ended)
December 31, 2024)

Case No. U-21830

QUALIFICATIONS
AND
DIRECT TESTIMONY
OF
ANDREA R. HARDY

DTE ELECTRIC COMPANY
QUALIFICATIONS OF ANDREA R. HARDY

Line
No.

1 **Q1. What is your name, business address and by whom are you employed?**

2 A1. My name is Andrea R. Hardy (she/her/hers). My business address is One Energy
3 Plaza, Detroit, Michigan 48226. I am employed by DTE Electric Company (“DTE
4 Electric” or “Company”).

5

6 **Q2. On whose behalf are you testifying?**

7 A2. I am testifying on behalf of DTE Electric.

8

9 **Q3. What is your educational background?**

10 A3. I received a Bachelor of Science Degree in Chemical Engineering with a double
11 major in Economics from Northwestern University in 2011 and a Master of
12 Business Administration Degree from the University of Chicago in 2015.

13

14 **Q4. What is your work experience?**

15 A4. I began my professional career in 2011 as a balance of plant systems engineer at
16 the D.C. Cook Nuclear Plant. In 2015, I began my employment with DTE Energy.
17 From 2015 to 2021, I performed project financial modeling and provided strategic
18 analysis as an Associate and Senior Associate in DTE Energy’s Power & Industrial
19 group, now known as DTE Vantage. In 2021, I moved to a new role as a Principal
20 Project Manager in the Regulatory Affairs DTE Gas Strategy department. In this
21 role, I supported DTE Gas’s Gas Cost Recovery (GCR) cases as well as other
22 project work largely focused on DTE Gas’s regulatory strategy and operations. I
23 accepted my current position in 2024.

24

25 **Q5. What is your current position with the Company?**

Line
No.

1 A5. My title is Strategy and Project Specialist, Renewable Energy Strategy.

2

3 **Q6. What are your current responsibilities with DTE?**

4 A6. As a member of the Renewable Energy Strategy team, I support activities related
5 to maintaining Renewable Portfolio Standard (RPS) compliance, planning and
6 executing special projects for renewable energy, and filing applications with the
7 Michigan Public Service Commission (“MPSC” or “Commission”).

8

9 **Q7. Have you previously sponsored testimony before the MPSC?**

10 A7. Yes, I have. I have sponsored testimony in the following cases:

11 U-21064 DTE Gas 2022-2023 GCR Plan

12 U-21065 DTE Gas 2022-2023 GCR Reconciliation

13 U-21271 DTE Gas 2023-2024 GCR Plan

DTE ELECTRIC COMPANY
DIRECT TESTIMONY OF ANDREA R. HARDY

Line
No.

1 **Q8. What is the purpose of your direct testimony?**

2 A8. The purpose of my direct testimony is to: (1) provide an overview of the Company's
3 renewable energy activities during 2024, including as they relate to the Company's
4 Amended Renewable Energy Plan (REP) approved by the Commission in Case No.
5 U-21662 in its May 15, 2025 Order; (2) discuss the Company's progress towards
6 addressing the renewable energy standards and renewable energy credit standards
7 of 2008 Public Act 295 (PA 295), as amended by 2016 Public Act 342 (PA 342)
8 and 2023 Public Act 235 (PA 235); and (3) introduce the Company's witnesses who
9 support the reconciliation of the 2024 REP surcharge revenues with the amounts
10 actually expensed versus those projected in the Company's Commission-approved
11 Amended REP in Case No. U-21662.

12

13 **Q9. Are you sponsoring any exhibits in this proceeding?**

14 A9. No, I am not sponsoring any exhibits in this proceeding.

15

16 **Q10. Who will present evidence for the Company in this case?**

17 A10. The Company will present its case through five witnesses, in addition to me:

- 18 • **Mr. Patrick D. Kauffman**, Accounting Expert - Renewable Energy
19 Program, will present evidence supporting DTE Electric's incremental
20 balances and expenses associated with implementing DTE Electric's
21 Amended REP for the year ended December 31, 2024. Witness Kauffman
22 will also support the reconciliation of DTE Electric's 2024 REP surcharge
23 (a/k/a revenue recovery mechanism surcharge) revenue.
- 24 • **Mr. Eric R. Bidlingmaier**, Manager, Generation Optimization – Power
25 Supply Strategy and Modeling, will request the establishment of Transfer

Line
No.

1 Prices for use with renewable energy contracts and Company-owned
2 renewable energy systems submitted to the Commission for approval after the
3 Commission issues an order in this case.

4 • **Mr. Karl Lievense**, Planning and Strategy Analyst, Generation
5 Optimization, will explain and support DTE Electric’s Amended REP
6 expenses transferred for recovery through DTE Electric’s Power Supply Cost
7 Recovery (PSCR) mechanism for 2024 and the Renewable Energy Credit
8 (REC) volumes and associated compliance retirements and expenses for
9 2024.

10 • **Mr. Kirk Vangilder**, Principal Financial Analyst, Regulatory Affairs, will
11 present the calculation of the variance between DTE Electric’s Amended
12 REP’s 2024 projected Incremental Cost of Compliance (ICOC) and the actual
13 2024 ICOC. He will also support the calculation of the pre-tax cost of capital
14 that is used to calculate the return on rate base, and the calculation of interest
15 on regulatory liabilities.

16 • **Ms. Sherri L. Wisniewski**, Director, Taxation, will support the deferred
17 taxes in the Company’s 2024 REP.

18

19 **Q11. How is your testimony organized?**

20 A11. My testimony consists of the following ten parts:

- 21 Part I Statutory Framework
- 22 Part II Overview
- 23 Part III Summary of 2024 Progress and Results
- 24 Part IV Regulatory Liability
- 25 Part V REC-Only Contracts

Line
No.

- 1 Part VI SolarCurrents Program
- 2 Part VII Voluntary Green Pricing Programs
- 3 Part VIII Energy Waste Reduction Credits
- 4 Part IX Address Order Requirements from Case No. U-18232
- 5 Part X Summary and Conclusions

6

7

PART I: STATUTORY FRAMEWORK

8

Q12. Why is DTE Electric submitting this renewable cost reconciliation?

9 A12. DTE Electric is submitting this renewable cost reconciliation in order to reconcile
10 the activities and expenditures for 2024 related to the Company’s Amended REP
11 pursuant to and consistent with MCL 460.1049(1). The Company’s Application is
12 being filed pursuant to PA 295, as amended by PA 342 and PA 235, and the
13 Commission’s Order in Case No. U-21830, *et al.*, dated January 23, 2025.

14

15

Q13. What is the purpose of the annual renewable cost reconciliation process?

16 A13. Pursuant to PA 295, as amended by PA 342 and PA 235, MCL 460.1049(3) states
17 in pertinent part:

18

19

20

21

22

23

24

25

26

27

28

29

30

31

(3) The commission shall reconcile the pertinent revenues recorded and the allowance for the revenue recovery mechanism with the amounts actually expensed and projected according to the electric provider’s amended renewable energy plan. The commission shall consider any issue regarding the reasonableness and prudence of expenses for which customers were charged in the relevant reconciliation period. In its order, the commission shall do all of the following:

- (a) Make a determination of an electric provider’s compliance with the renewable energy standards.
- (b) Adjust the revenue recovery mechanism for the incremental costs of compliance. Any regulatory asset or regulatory liability accrued during the reconciliation period shall be used to adjust the revenue

Line
No.

1 recovery mechanism and reflected in the incremental cost of
2 compliance for the following calendar year.

3 (c) Establish the price per megawatt hour for renewable energy
4 capacity and for renewable energy to be recovered through the
5 power supply cost recovery clause under section 6j of 1939 PA 3,
6 MCL 460.6j, as outlined in section 47(2)(b)(iv).

7

8 **Q14. Does the evidence you and the other Company witnesses provide in this 2024**
9 **renewable cost reconciliation case appropriately address the Commission's**
10 **REP Orders as well as applicable statutory requirements?**

11 A14. Yes, the combination of my testimony as well as that of the other DTE Electric
12 witnesses, along with relevant exhibits, fully address the issues and information
13 necessary for the Commission to make the determinations required within the
14 Company's annual renewable cost reconciliation proceeding:

15 • The testimony and exhibits of DTE Electric's witnesses in this case confirm that the
16 ICOC for which customers have been charged during 2024 was reasonable, prudent,
17 and consistent with DTE Electric's Amended REP.

18 • Renewable energy credit standards have been in effect for thirteen years as of 2024.
19 Based on the information provided in my testimony regarding actual performance
20 in 2024, combined with further details provided by the other DTE Electric
21 witnesses, DTE Electric was in compliance with the renewable energy credit
22 standard in 2024 and its actions and performance have been consistent with the
23 Company's Amended REP to address the renewable energy standards and
24 renewable energy credit standards of PA 235.

25 • My testimony confirms that the currently approved REP surcharge should not be
26 adjusted in this proceeding. DTE Electric reduced surcharge levels for all customer
27 classes to zero in the Company's 2015 Renewable Energy Biennial Plan Review

Line
No.

1 filed on June 2, 2015, (Case No. U-17793). The Commission issued an Order on
2 November 5, 2015, approving the surcharge reduction to zero in that case. There
3 have been no modifications to the surcharge to date.

4 • Witness Bidlingmaier explains and fully supports approval of use of the Company's
5 new proposed transfer price schedule, for use with any contracts or projects filed for
6 approval by the Company after the Commission issues an Order in this Case,
7 consistent with MCL 460.1049(3)(c).

8 • Witness Vangilder supports the calculation of the Company's regulatory liability,
9 the results of which confirm that a regulatory asset did not accrue at year-end.

10

11

PART II: OVERVIEW

12 **Q15. What renewable energy plan does this 2024 renewable cost reconciliation case**
13 **use as a reference case?**

14 A15. Although the 2023 Amended REP (Case No. U-21361) was the approved plan in
15 effect during the entirety of 2024, the Company used the 2024 Amended REP (Case
16 No. U-21662) as the reference case in this reconciliation. The Company's 2024
17 Amended REP was filed on July 19, 2024 and approved on May 15, 2025.

18

19 **Q16. What are the primary differences between the 2024 Amended REP (Case No.**
20 **U-21662) and the Company's previously approved 2023 Amended REP (Case**
21 **No. U-21361)?**

22 A16. The Company's 2024 Amended REP is the first Amended REP with adjustments
23 resulting from PA 235. Most notably, this includes the update in the calculation of
24 RECs required for compliance, which now subtracts Voluntary Green Pricing
25 (VGP) retail sales and Distributed Generation (DG) outflows. The 2024 Amended

Line
No.

1 REP also includes an update to the Company’s renewable build plan, which aligns
2 with the approved build plan in the Company’s most recently approved Integrated
3 Resource Plan (IRP) in Case No. U-21193.

4
5 Additionally, the 2024 Amended REP approved in Case No. U-21662 accounts for
6 the Commission’s October 24, 2023 Order on the Company’s accounting
7 application in Case No. U-21496 to accrue an allowance for funds used during
8 construction (AFUDC) on construction work in progress (CWIP) for renewable
9 energy projects within its REP. AFUDC impacts are therefore included in the ICOC
10 calculation for the 2024 Amended REP, but not in the 2023 Amended REP.

11
12 The 2024 Amended REP approved in Case No. U-21662 also adjusted REC
13 generation forecasts due to COD delays of projects. The 2023 Amended REP had
14 assumed partial year generation from four solar parks. The 2024 Amended REP
15 modified forecasts to account for CODs being delayed, resulting in no REC
16 generation from these projects in 2024.

17

18 **Q17. How did DTE Electric’s actual performance in 2024 compare to planned**
19 **performance in implementing its proposed Amended REP?**

20 A17. DTE Electric’s actual performance through 2024 is consistent with DTE Electric’s
21 approved Amended REP in Case No. U-21662 with limited variances that are not
22 material in the context of the overall plan. These limited variances in 2024 are
23 discussed in Part III of my testimony. DTE Electric’s Amended REP necessitates
24 flexibility in timing, technology selection, and capacity to accommodate the actual
25 outcomes of competitive bidding processes and evolving market conditions, while

Line
No.

1 continuing to align with the core parameters of the Company's Amended REP.
2 Based on my knowledge and the support provided by the other DTE Electric
3 witnesses, I believe that DTE Electric's actions and ICOC in 2024 were reasonable,
4 prudent, and consistent with the Company's Amended REP.

5

6 **Q18. Was DTE Electric in compliance with the renewable energy credit standard in**
7 **2024?**

8 A18. Yes. As supported by further details provided in Part III of my testimony, the
9 Company was in compliance with the renewable energy credit standard in 2024.

10

11 **Q19. Based on DTE Electric's actual performance in 2024, does the Company**
12 **propose any modifications of the REP surcharge to ensure recovery of its**
13 **ICOC?**

14 A19. DTE Electric is not requesting any modification of the REP surcharge in this
15 reconciliation case.

16

17 **Q20. What are DTE Electric's assumptions regarding transfer prices within the**
18 **Company's REP?**

19 A20. MCL 460.1047 requires the MPSC to annually establish transfer prices that an
20 electric provider will use for planning its renewable energy procurement. DTE
21 Electric requests that the schedule of transfer prices set forth in the Company's
22 2023 REP Reconciliation Case No. U-21550, the settlement of which is pending
23 approval by the Commission as of July 1, 2025, apply to any future renewable
24 energy contracts and Company-owned renewable energy systems approved by the
25 Commission to be used until a new transfer price schedule is approved. The

Line
No.

1 Company anticipates that the transfer prices set forth by Witness Bidlingmaier in
2 Exhibit A-5, Schedule A1 will become effective when the Commission issues its
3 order approving this reconciliation for renewable energy contracts and Company-
4 owned renewable energy systems subsequently approved by the Commission.

5

6

PART III: SUMMARY OF 2024 PROGRESS AND RESULTS

7

**Q21. Within DTE Electric's Commission-approved Amended REP in Case No. U-
8 21662, how many RECs were forecasted to be booked in DTE Electric's REC
9 portfolio in 2024?**

10 A21. The Company forecasted it would obtain or generate 5,452,889 RECs in 2024 (See
11 Exhibit A-7, page 1, column (p), sum of lines 5, 7, 9, 11, 13, and 15).

12

13

**Q22. How many RECs were actually booked in DTE Electric's renewable energy
14 credit portfolio in 2024?**

15

A22. DTE Electric booked 5,084,147 RECs in 2024. (See Exhibit A-7, page 1, column
16 (o), sum of lines 5, 7, 9, 11, 13, and 15 supported by Witness Lievens in this
17 proceeding).

18

19

**Q23. What are the primary reasons for the difference between the actual REC
20 balance booked in 2024 compared to what was projected in DTE Electric's
21 Amended REP in Case No. U-21662?**

22

A23. The primary difference between the actual REC balance booked in 2024 versus
23 what was projected in the Amended REP in Case No. U-21662 is due to
24 underperformance of PPA-contracted and PURPA assets and fewer REC-only
25 contract purchases than forecasted.

Line
No.

1

2

As supported by Witness Lievens, the average cost per REC in inventory at the end of 2024 was \$0.25 per REC higher than the projected amount in DTE Electric's Amended REP in Case No. U-21662 (See Exhibit A-7, column (q), line 44). Please see Witness Lievens's testimony for additional information.

3

4

5

6

7

I believe that DTE Electric's activities and costs associated with the acquisition of RECs and renewable energy capacity in 2024 were reasonable, prudent, and in compliance with PA 235 renewable energy standards to the extent required in 2024.

8

9

10

Q24. What was the renewable energy credit standard applicable to the Company in 2024?

12

13

A24. In accordance with MCL 460.1028(1)(a) and based on the Company's election to use 2023 weather-normalized retail megawatt hours sold with subtractions made for DG outflows and VGP retail sales, the compliance requirement for 2024 was 5,858,100 RECs (Exhibit A-8, column (c), line 11). This amount is less than the 5,869,524 REC compliance requirement projected in the Company's Amended REP (Case No. U-21662, Bilyeu Exhibit A-2, page 1, column (e), line 16). The discrepancy is due to the fact that the Amended REP in Case No. U-21662 did not have finalized DG outflows or VGP sales numbers.

14

15

16

17

18

19

20

21

Q25. How did the Company achieve compliance with the renewable energy credit standard in 2024?

23

24

A25. As supported by Witness Lievens, the Company used a total of 5,858,100 RECs to meet the Company's PA 235 compliance requirement. These RECs were retired

25

Line
No.

1 into the Company’s Michigan Renewable Energy Certification System (MIRECS)
2 compliance account to demonstrate compliance for 2024.

3

4 **Q26. How much renewable energy capacity was in DTE Electric’s Renewable**
5 **Energy Capacity Portfolio by the end of 2024?**

6 A26. DTE Electric’s renewable energy capacity portfolio totaled 2,165.5 MW of
7 operating renewable generation capacity between Company-owned and third-party
8 renewable energy systems at the end of 2024. This capacity is composed of the
9 following generating facilities:

Generating Facility	Renewable Resource	2024 In-Service Nameplate Capacity (MW)
Stoney Corners Wind Farm	Wind	32.4
L'Anse Warden Electric Company	Biomass	17.0
WM Renewable Energy	Landfill Gas	3.2
Blue Water Renewables	Landfill Gas	3.2
Gratiot Wind Parks	Wind	212.8
Thumb Wind Parks	Wind	110.4
Tuscola Bay Wind	Wind	120.0
Tuscola Wind II	Wind	100.3
Pheasant Run I	Wind	74.8
Brookfield Wind Park	Wind	74.8
Echo Wind Park	Wind	112.0
Big Turtle Wind Park	Wind	20.0
Pinnebog	Wind	51.0
Pine River	Wind	161.3
Polaris	Wind	168.6
¹ Isabella Wind Parks	Wind	383.5
¹ Fairbanks Wind Park	Wind	72.5
Utility Solar (Demille, Turrill, O'Shea)	Solar	50.3
¹ Assembly Solar	Solar	79.0
SolarCurrents Projects (Various)	Solar	14.3
Ford Rooftop Solar	Solar	0.8

¹ MIGreenPower Program Assets

Line
No.

Meridian Wind Park	Wind	224.9
¹ Big Turtle II Wind Park	Wind	29.4
River Fork	Solar	49.0
		<hr/>
		2,165.5

1

2 **Q27. Within DTE Electric’s Amended REP, what was the forecasted 2024 average**
3 **balance of net plant associated with PA 235 renewable energy systems?**

4 A27. DTE Electric’s Amended REP in Case No. U-21662 forecasted \$3,492.7 million
5 for its 2024 average balance of net plant associated with PA 235 renewable energy
6 systems (see Exhibit A-10, page 2, line 6, column (p), supported by Witness
7 Vangilder).

8

9 **Q28. What actual average balance for net plant associated with renewable energy**
10 **systems did the Company record as of December 31, 2024?**

11 A28. The Company had a total net plant average balance of \$3,390.8 million in 2024 (see
12 Exhibit A-10, page 2, line 6, column (o), supported by Witness Vangilder).

13

14 **Q29. Within DTE Electric’s Amended REP, what were the operating and**
15 **maintenance (O&M) expenses forecasted for 2024 associated with**
16 **implementing the Company’s Amended REP?**

17 A29. DTE Electric’s Amended REP in Case No. U-21662 forecasted \$48.0 million of
18 O&M expense for 2024 (See Kauffman Exhibit A-6, lines 2, 3, and 6, column (e),
19 from DTE Electric’s Amended REP in Case No. U-21662).

20

Line
No.

1 **Q30. What actual O&M expenses associated with implementing the Company's**
2 **Amended REP in Case No. U-21662 were booked to the Company's records in**
3 **2024?**

4 A30. DTE Electric incurred \$48.7 million of O&M expense during 2024 in implementing
5 its Amended REP (See Exhibit A-1, line 1, column (n), supported by Witness
6 Kauffman), which is \$0.7 million more than the \$48.0 million of O&M forecasted
7 in Case No. U-21662 (See Exhibit A-6, lines 2, 3, and 6, column (e) supported by
8 Witness Kauffman).

9

10 **Q31. Can you explain the reason for the difference between forecasted and actual**
11 **O&M expenses in 2024?**

12 A31. The main driver for the increase in O&M expenses was expense related to the
13 General Electric Digital Tools Subscription.

14

15 **Q32. Within DTE Electric's Amended REP, what was the ICOC forecasted for**
16 **2024?**

17 A32. The ICOC in DTE Electric's Amended REP was forecasted to be \$(15.3) million
18 for 2024 (See Exhibit A-9, page 2, line 36, column (p), supported by Witness
19 Vangilder).

20

21 **Q33. How much was the actual ICOC for 2024?**

22 A33. The actual ICOC for 2024 was \$(87.9) million, as described by Witness Vangilder
23 in his testimony and shown on page 2, line 36, column (o), of Exhibit A-9. The
24 forecasted amount in Case No. U-21662 was \$(15.3) million, resulting in a \$(72.6)
25 million variance. The main driver for the decrease in the expected ICOC is the

Line
No.

1 favorable investment tax credits (See Exhibit A-9, line 12, column (q) supported by
2 Witness Vangilder), which was partially offset by an unfavorable production tax
3 credits (See Exhibit A-9, line 10, column (q) supported by Witness Vangilder).

4

5

PART IV: REGULATORY LIABILITY

6 **Q34. What is the ending regulatory liability or asset balance as of December 31,**
7 **2024?**

8 A34. As of December 31, 2024, the Company has a regulatory liability balance of \$95.2
9 million, inclusive of interest.

10

11 **Q35. What was the forecasted regulatory liability in the Company's Amended**
12 **REP?**

13 A35. The forecasted regulatory liability balance was \$21.7 million.

14

15 **Q36. What causes contributed to the variance between the forecasted and actual**
16 **regulatory liability balance?**

17 A36. The variation is primarily driven by investment tax credits being larger than
18 forecasted by \$88.5 million, which is partially offset by production tax credits being
19 smaller than forecasted by \$11.9 million (See Exhibit A-9, lines 10 and 12, column
20 (q) supported by Witness Vangilder).

21

22 **Q37. What is the purpose of maintaining a regulatory liability?**

23 A37. The establishment of a regulatory liability under 2008 Public Act 295 (PA 295), as
24 amended by PA 235, creates a reserve fund in anticipation of future expenditures.

25 These funds accrue interest at a utility's average short-term borrowing rate during

Line
No.

1 the relevant period. Maintaining such a reserve fund is crucial for a levelized
2 revenue recovery system based on the Power Supply Cost Recovery (PSCR)
3 transfer price approach. PA 235, grants electric providers the ability to recover
4 renewable energy costs through the PSCR transfer price mechanism. Electric
5 providers utilizing the PSCR transfer price mechanism for renewable energy assets
6 should have the option to maintain a reasonable and prudent regulatory liability
7 balance for each forecast year. DTE Electric's use of this strategy is consistent with
8 legislation, helps ensure the economic viability of Commission-approved and
9 committed projects, and minimizes the need for a separate surcharge mechanism.

10

11 **Q38. Does the Company have a preference for maintaining a regulatory liability**
12 **rather than a regulatory asset?**

13 A38. Yes. The Company has a preference for a regulatory liability in order to recover
14 revenue in a timely manner. If the Company were to find itself in a regulatory asset
15 position at some point in the future, the Company would implement a surcharge to
16 avoid flipping to a regulatory asset position.

17

18 **Q39. Does PA 235 allow for adding a surcharge in an REP Reconciliation**
19 **proceeding?**

20 A39. Yes, according to PA 235 Section 49 (2), "At the renewable cost reconciliation, an
21 electric provider may propose any necessary modifications of the revenue recovery
22 mechanism to ensure the electric provider's recovery of its incremental cost of
23 compliance with the renewable energy standards."

24

25 **Q40. Are you proposing the addition of a surcharge in this proceeding?**

Line
No.

1 A40. No. A surcharge is not necessary to avoid a regulatory asset at this time.

2

3 **Q41. Is the regulatory liability balance in this proceeding reasonable and prudent?**

4 A41. Yes, the regulatory liability balance averaged \$43.9 million for the year and reached
5 \$95.2 million at year-end, including interest. This level is reasonable and prudent,
6 as it enables the Company to maintain relatively stable rates and defer the
7 implementation of a surcharge.

8

9

PART V: REC-ONLY CONTRACTS

10 **Q42. Does PA 235 allow for the use of REC-only contracts?**

11 A42. Yes. Section 28(5)(c) allows for the purchase of RECs through REC-only contracts
12 through 2035, so long as the purchases do not exceed 5% of the electric provider's
13 RECs annually used to comply with the renewable energy standard.

14

15 **Q43. Did the Company incur any costs related to REC-only contracts in 2024?**

16 A43. Yes, the Company incurred \$225,000 of costs related to REC-only contracts in
17 2024 (See Exhibit A-7, page 2, line 28, column (o), supported by Witness
18 Lievense).

19

20 **Q44. What was the average cost per REC of these purchases?**

21 A44. The average cost was \$1 per REC.

22

23 **Q45. How do actual purchases of REC-only contracts compare to what was**
24 **projected?**

Line
No.

1 A45. The Company had projected the purchase of 293,476 RECs at a cost of \$880,000,
2 or \$3 per REC. The Company's actual purchases were 225,000 RECs at a cost of
3 \$225,000 which was lower than forecasted.

4

5 **Q46. How will these REC-only purchases be used toward meeting the RPS?**

6 A46. The total balance of RECs remaining at the end of 2024 is less than half of the
7 projected 5,784,437 RECs needed for compliance in 2025, so all of these remaining
8 RECs will be retired in 2025 before coming close to the risk of expiration after five
9 years. The carryover of RECs into 2025 will provide DTE Electric with flexibility
10 to meet the RPS should any unplanned delays or obstacles occur with permitting,
11 the MISO queue, tariffs, or other risk factors. Until DTE Electric has achieved the
12 full 60% RPS target needed in 2035, there will be a benefit to REC-only purchases
13 when made at a reasonable price.

14

15

PART VI: SOLARCURRENTS PROGRAM

16 **Q47. Did the Company incur any costs related to the customer-owned portion of the**
17 **SolarCurrents pilot program in 2024?**

18 A47. Yes. In 2024, DTE Electric made \$570,000 of REC purchases through the
19 customer-owned portion of the SolarCurrents pilot program (See Exhibit A-7, Page
20 2, Line 32, Column (o), supported by Witness Lievens. More specific details, such
21 as the number of RECs and associated expenses with this pilot program, are
22 discussed in the testimony of Witness Lievens.

23

24

PART VII: VOLUNTARY GREEN PRICING PROGRAMS

25 **Q48. Did DTE Electric have an active voluntary green pricing program in 2024?**

Line
No.

1 A48. Yes, the Company had MIGreenPower (Rider 17) in place in 2024.

2

3 **Q49. Are any assets allocated to the MIGreenPower program?**

4 A49. Yes. All of Isabella Wind Park, Fairbanks Wind Park, Big Turtle II Wind Park, and
5 Assembly PPA were available to the programs in 2024. Subscribed portions are
6 allocated to subscribing customers and are not used for compliance. Unsubscribed
7 portions of these plants are first carried over for use in future years and would be
8 allocated to the REP if the subscribers did not have adequate demand.

9

10 **Q50. Does the revenue from the MIGreenPower program impact the ICOC?**

11 A50. Yes. The ICOC is reduced by the MIGreenPower program revenue.

12

13 **PART VIII: ENERGY WASTE REDUCTION CREDITS**

14 **Q51. What is the Company's proposal regarding Energy Waste Reduction (EWR)**
15 **credits in this proceeding?**

16 A51. DTE Electric is requesting that 291,242 EWR credits from 2024 be substituted for
17 RECs, as supported by Witness Lievens in his Exhibit A-7, page 1, column (o),
18 line 3. This proposal is consistent with the treatment of EWR credits first approved
19 by the Commission in DTE Electric's 2009 Renewable Energy Cost Reconciliation
20 (Case No. U-16356) and utilized in all subsequent renewable energy cost
21 reconciliation cases. These EWR credits would transfer at zero cost to DTE
22 Electric's REP program and can be used for PA 235 compliance purposes.

23

24 **PART IX: ADDRESS ORDER REQUIREMENTS FROM CASE NO. U-18232**

Line
No.

1 **Q52. As per the Commission’s Order issued in July 2019 in Case No. U-18232, DTE**
2 **Electric shall file an annual report in its next renewable energy reconciliation**
3 **proceeding and each annual renewable energy reconciliation proceeding**
4 **thereafter until construction on the solar pilot projects is complete describing**
5 **the costs incurred, current planning and development status, updates on**
6 **lessons learned, and how it plans to use the information learned for future**
7 **solar development. Were there any solar pilot projects under construction in**
8 **2024?**

9 A52. No, therefore an exhibit was not provided.

10

11 **PART X: SUMMARY AND CONCLUSIONS**

12 **Q53. Were DTE Electric’s actions and incremental costs in 2024 consistent with its**
13 **Commission-approved Amended REP?**

14 A53. Yes. While some minor timing and cost variances occurred, the key elements of
15 DTE Electric’s PA 235 REP for 2024 were accomplished and the Company’s
16 Amended REP in Case No. U-21662 is on track.

17

18 In addition, DTE Electric is on course to continue to address PA 235’s renewable
19 energy credit standards. Based on my knowledge and the support provided by the
20 other DTE Electric witnesses, I believe that DTE Electric’s actions and ICOC in
21 2024 were reasonable, prudent, and consistent with the Company’s Commission-
22 approved Amended REP.

23

24 **Q54. Does this conclude your direct testimony?**

25 A54. Yes, it does.

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
DTE Electric Company to commence)
a renewable energy cost reconciliation)
proceeding for the 12-month period ended)
December 31, 2024)

Case No. U-21830

QUALIFICATIONS
AND
DIRECT TESTIMONY
OF
PATRICK D. KAUFFMAN

DTE ELECTRIC COMPANY
QUALIFICATIONS OF PATRICK D. KAUFFMAN

Line
No.

1 **Q1. What is your name, business address and by whom are you employed?**

2 A1. My name is Patrick D. Kauffman. My business address is One Energy Plaza, Detroit,
3 MI 48226. I am employed by DTE Energy Corporate Services, LLC, a subsidiary of
4 DTE Energy Company (DTE Energy).

5

6 **Q2. On whose behalf are you testifying?**

7 A2. I am testifying on behalf of DTE Electric Company (DTE Electric or Company),
8 formerly known as The Detroit Edison Company (Detroit Edison).

9

10 **Q3. What is your current position with the Company?**

11 A3. My title is Accounting Expert - Renewable Energy Program, within the Controllers'
12 department.

13

14 **Q4. What is your educational background?**

15 A4. In 1989, I received a Bachelor of Arts degree in Economics from The University of
16 Notre Dame. In 1991, I received a Master of Business Administration degree in
17 Finance from Michigan State University.

18

19 **Q5. What is your work experience?**

20 A5. After obtaining my Master's Degree from Michigan State University in the spring of
21 1991, I was employed by General Motors Corporation and held several positions
22 there until 1999. My responsibilities included financial analysis and reporting,
23 budgeting and forecasting, business case development and cost accounting.

24

Line
No.

1 I started my employment with Detroit Edison in November 1999, as Supervisor of
2 Forecasting, Budgeting and Corporate Reporting in the Controller’s Organization. I
3 held several positions of increasing responsibilities within the Controller’s
4 Organization including Gross Margin Analysis, Detroit Edison Financial Planning
5 and Analysis, Budgeting, Forecasting and Reporting and Corporate Support. In
6 2008, I transferred to Regulatory Affairs and was a Case Manager for Gas Cost
7 Recovery and Power Supply Cost Recovery cases. In 2010, I transferred back to the
8 Controller’s Organization and was responsible for benefits forecasting and reporting.
9 In 2013, I obtained the position of Principal Financial Analyst responsible for
10 forecasting and reporting for the Nuclear Generation organization. In August 2016,
11 I was appointed to my current position.

12

13 **Q6. What are your duties and responsibilities in your current position?**

14 A6. My current position is Accounting Expert for the Renewable Energy group which
15 includes the 2008 PA 295, 2016 PA 342, and 2023 PA 235 Renewable Energy
16 activities of the Company. My group is responsible for providing budgeting,
17 forecasting, planning, regulatory case support, and reporting expenses and
18 capitalized cost for the Renewable Energy group.

19

20 **Q7. Have you previously sponsored testimony before the Michigan Public Service**
21 **Commission?**

22 A7. Yes, I have. I have sponsored testimony in the following cases:

23 U-15417-R 2008 Power Supply Cost Recovery Reconciliation

24 U-18242 DTE Electric’s 2016 Renewable Energy Plan Reconciliation

25 U-18232 DTE Electric Amended Renewable Energy Plan

Line
No.

1	U-20172	DTE Electric's 2017 Renewable Energy Plan Reconciliation
2	U-20484	DTE Electric's 2018 Renewable Energy Plan Reconciliation
3	U-20723	DTE Electric's 2019 Renewable Energy Plan Reconciliation
4	U-20851	August 2020 Amended Renewable Energy Plan
5	U-20713	Section 61 Voluntary Green Pricing Program
6	U-21010	DTE Electric's 2020 Renewable Energy Plan Reconciliation
7	U-21198	DTE Electric's 2021 Renewable Energy Plan Reconciliation
8	U-21285	2022 Amended Renewable Energy Plan
9	U-21361	2023 Amended Renewable Energy Plan
10	U-21353	DTE Electric's 2022 Renewable Energy Plan Reconciliation
11	U-21550	DTE Electric's 2023 Renewable Energy Plan Reconciliation
12	U-21662	2024 Amended Renewable Energy Plan

13

DTE ELECTRIC COMPANY
DIRECT TESTIMONY OF PATRICK D. KAUFFMAN

Line
No.

1 **Q8. What is the purpose of your testimony?**

2 A8. The purpose of my testimony and supporting exhibits is to provide DTE Electric's
3 incremental balances and expenses associated with implementing DTE Electric's
4 amended Renewable Energy Plan (REP) as approved in Case No. U-21662 (the
5 Amended Renewable Energy Plan or REP) through the year ending December 31,
6 2024, and I will also support the reconciliation of DTE Electric's 2024 Renewable
7 Energy Plan Surcharge (REPS a/k/a Revenue Recovery Mechanism surcharge)
8 revenue.

9

10 **Q9. Are you sponsoring any exhibits in this proceeding?**

11 A9. Yes, I am supporting the following exhibits:

<u>Exhibit</u>	<u>Description</u>
A-1	2024 Renewable Cost Reconciliation Expenses and Credits
A-2	2024 Renewable Cost Reconciliation Balance Sheet Accounts
A-3	2024 Renewable Cost Reconciliation Surcharge Revenue by Class
A-4	2024 Renewable Cost Reconciliation Return on Equity Calculation
A-15	2024 Capital Expenditures by Project

18

19 **Q10. Were these exhibits prepared by you or under your direction?**

20 A10. Yes, they were.

21

22 **Q11. Can you describe the costs that are portrayed on Exhibits A-1 and A-2?**

23 A11. Yes. In general, these are the incremental costs incurred by DTE Electric to plan,
24 develop, and implement DTE Electric's Commission approved REP.

25

Line
No.

1 **Q12. How have you defined “incremental costs”?**

2 A12. I have used the applicable definition of MCL 460.1047(2)(a) under 2008 PA 295, as
3 amended by 2016 PA 342 and 2023 PA 235, that states:

4
5 (2) Incremental costs of compliance shall be calculated as follows:

6
7 (a) Determine the sum of the following costs to the extent those costs
8 are reasonable and prudent and not already approved for recovery in
9 electric rates as of October 6, 2008:

10
11 (i) Capital, operating, and maintenance costs of renewable energy
12 systems, including property taxes, insurance, and return on equity
13 associated with an electric provider’s renewable energy systems or
14 advanced cleaner energy systems, including the electric provider’s
15 renewable energy portfolio established to achieve compliance with the
16 renewable energy standards and any additional renewable energy
17 systems that are built or acquired by the electric provider to maintain
18 compliance with the renewable energy standards.

19
20 (ii) Financing costs attributable to capital, operating, and maintenance
21 costs of capital facilities associated with renewable energy systems
22 used to meet the renewable energy standard.

23
24 (iii) Costs that are not otherwise recoverable in rates approved by the
25 Federal Energy Regulatory Commission and that are related to the
26 infrastructure required to bring renewable energy systems used to
27 achieve compliance with the renewable energy standards on to the
28 transmission system, including interconnection and substation costs for
29 renewable energy systems used to meet the renewable energy standard.

30
31 (iv) Ancillary service costs determined by the commission to be
32 necessarily incurred to ensure the quality and reliability of renewable
33 energy used to meet the renewable energy standards, regardless of the
34 ownership of a renewable energy system.

35
36 (v) Except to the extent the costs are allocated under a different
37 subparagraph, all of the following:
38 (A) The costs of renewable energy credits purchased under this act.
39 (B) The costs of contracts described in former section 33(1).
40 (C) The financial compensation mechanism for all renewable energy
41 contracts established under section 28(8).
42

Line
No.

1 (vi) Expenses incurred as a result of state or federal governmental actions
2 related to renewable energy systems attributable to the renewable energy
3 standards, including changes in tax or other law.

4
5 (vii) Any additional electric provider costs determined by the
6 commission to be necessarily incurred to ensure the quality and
7 reliability of renewable energy used to meet the renewable energy
8 standards.

9

10 **Q13. What has DTE Electric done to ensure that only incremental costs are included**
11 **in DTE Electric's Renewable Cost Reconciliation filing?**

12 A13. First, the Company reviewed all the costs anticipated with DTE Electric's
13 Commission approved REP program and determined which items are already
14 recovered through DTE Electric's base rates. The costs not already recovered in
15 DTE Electric's base rates were deemed incremental, and this information was
16 communicated to the affected areas. Second, new accounting codes were established
17 to track REP incremental costs separately from other DTE Electric expenses.
18 Finally, I have performed a review of the costs charged to the REP and ensured that
19 only proper incremental costs were included in this renewable cost reconciliation
20 case.

21

22 **Q14. Can you describe the REP expenses as shown on Exhibit A-1?**

23 A14. Yes. Exhibit A-1 shows the 2024 Renewable Cost Reconciliation Expenses by
24 month for the following MPSC Uniform System of Accounts (USofA) accounts:

25 • Line 1 – O&M Expenses - MPSC Account 920, 921, 923, and 553 are the ongoing
26 incremental program administrative expenses associated with the Renewable
27 Energy Program and operating costs associated with the Company-Owned Solar
28 facilities and our Wind Parks, which were placed in service.

29 • Line 2 – Royalty Payments - MPSC Account 549 are the ongoing contractual

Line
No.

- 1 payments to land grantors in areas where wind farms or solar arrays have been
2 completed.
- 3 • Line 3 - Depreciation - MPSC Account 403 represents the depreciation recorded
4 on the books of DTE Electric associated with Plant in Service Assets. The
5 September 26, 2014 order in MPSC Case No. U-16991 revised depreciation rates
6 for the wind and solar REP plant, effective upon issuance of an order in the
7 Company's next biennial Renewable Energy Plan filing, which was filed on June
8 2, 2015 in Case No. U-17793. Case No. U-17793 was approved by a Commission
9 order dated November 5, 2015. In that order, the Commission made the U-16991
10 depreciation rates effective December 1, 2015. The depreciation rates were
11 updated with respect to the Commission's December 6, 2018, Order in Case No.
12 U-18150. The depreciation rates were again revised in Case No. U-18150 and
13 were made effective in 2019 with the rates of 3.71% for wind and 4.80% for solar.
 - 14 • Line 4 – Property Tax - MPSC Account 408.1 are the property taxes associated
15 with the Solar and Wind Assets either in construction or in service within the
16 calendar year. Property taxes associated with the Company's 2008 PA 295 assets
17 are paid based on local assessments and the governing tax tables.
 - 18 • Line 5 – Insurance - MPSC Account 924 is the calculated expense for protection
19 of property for wind and solar programs.
 - 20 • Line 6 – Removed¹.
 - 21 • Line 7 – Preliminary Surveys - MPSC Account 930.2 are expenses related to the
22 preliminary survey and feasibility studies conducted for Solar and Wind projects
23 that did not materialize.
 - 24 • Line 8 – Renewable Energy Credits (RECs) Consumed represents the expense

¹ ACECs no longer apply as they are excluded from PA342 legislation, thus Exhibit A-1 Line 6 is labeled as "Removed".

Line
No.

1 of the RECs retired to meet the 2008 PA 295 requirements. This expense is
2 recorded in MPSC account 509, "Allowances".

3 • Line 9 – Production Tax Credits (including tax gross-up) represents the
4 Production Tax Credit calculated by first multiplying the renewable energy
5 generation at qualifying facilities by the IRS 2024 production tax credit rate to
6 get the production tax credit amount. The production tax credit amount is then
7 grossed up for taxes.

8 • Line 10 – Interest Receivable from Transmission Upgrade Payments represents
9 interest received on sums advanced to International Transmission Company
10 (ITC) for construction of interconnection facilities and/or network upgrades to
11 the transmission system owned by ITC (which sums will be reimbursed to DTE
12 Electric upon its generation facilities being interconnected to the ITC facilities).
13 The interest received is credited to the incremental cost of compliance to offset
14 the working capital costs associated with carrying a balance receivable from ITC.

15 • Line 11 – Investment Tax Credit (including tax gross up). Note that there was a
16 large investment tax credit generated in September due to the Sauk solar facility
17 being placed in service.

18 • Line 12 – Equity in earnings for Big Turtle Interconnect, LLC.

19 • Line 13 – The equity portion of AFUDC (including tax gross up).

20 • Line 14 – The debt portion of AFUDC (including tax gross up).

21 • Line 15 – The rate of return adjustment for AFUDC.

22 • Line 16 – The tax benefit for the equity portion of AFUDC.

23 • Line 17 – Amortization of the AFUDC Regulatory Asset

24

25 **Q15. Can you describe the REP balances shown on Exhibit A-2?**

Line
No.

1 A15. Yes. Exhibit A-2 shows the 2024 Renewable Cost Reconciliation Balances by month
2 for the following accounts:

3

4 Lines 1 through 3 – Preliminary Surveys and Investigations, Account 183, show the
5 beginning balance, additions, and ending balance for costs incurred as a result of
6 studies on the suitability of land, equipment and technologies for future wind and
7 solar projects plus investigations regarding technical specifications, supply chain,
8 cost, and quality issues and for costs associated with the purchase of land easements
9 for future wind projects, including real estate, title, and legal work for 2024.

10

11 Lines 4 through 7 – Capital Expenditures, show the beginning balance, additions,
12 transfers to Plant in Service and ending balance for Construction Work in Progress
13 (CWIP). This represents the costs related to erecting wind and solar assets. As
14 projects are completed, they are moved from CWIP to plant in-service.

15

16 Lines 8 through 11 – Subtotal of Preliminary Survey and Investigations and Capital
17 Expenditures shows the beginning balance, additions, transfers to plant in service and
18 ending balance for the subtotal of costs related to Accounts 183 and 107.

19

20 Lines 12 through 14 – Plant in Service shows the beginning balance, additions, and
21 ending balance for the subtotal of costs related to Account 101. For 2024, this
22 balance is related to the expenditures for the Company-Owned wind and solar assets.

23

Line
No.

1 Lines 15 through 18 – Inventory Renewable Energy Credits, Account 158, shows the
2 beginning balance, additions, RECs and ACECs² consumed and ending balance for
3 costs incurred for purchase of RECs and ACECs.²

4

5 Lines 19 through 22 – Depreciation Reserve, Account 108, reflects the accumulated
6 depreciation reserve associated with the renewable energy system assets.

7

8 Lines 23 through 25 – Deferred Tax Asset / (Liability), Account 190/254/282/283
9 represents timing differences between book and tax treatment of certain items,
10 impacting when income and expenses are recognized for financial reporting purposes
11 versus tax purposes. These items are discussed in more detail in the testimony of
12 Witness Wisniewski.

13

14 Lines 26 through 28 – Accounts Receivable, Account 143, represents an upfront
15 payment made to ITC in order to start certain construction and procurement of long
16 lead-time items related to the interconnection of a wind generating facility.
17 Reimbursement of this upfront payment is due back to DTE Electric following the
18 start of commercial operation of the generating facility.

19

20 Lines 29 through 31 – Net Equity Investment in Big Turtle Interconnect, LLC,
21 represents the program’s share of expenses related to the shared facility, Big Turtle
22 Interconnect, LLC.

23

24 **Q16. What information is displayed on Exhibit A-3?**

² ACECs no longer apply as they are excluded from PA342 legislation.

Line
No.

1 A16. Exhibit A-3 presents the actual REPS (a/k/a Revenue Recovery Mechanism
2 surcharge) revenue for the period from January 2024 through December 2024.
3 Pursuant to the Commission’s June 2, 2009 Order in MPSC Case No. U-15806-RPS,
4 the Company implemented the REPS on a bills-rendered basis on September 1, 2009.
5 The actual REPS revenue amounts by class reflect only billed revenue; no unbilled
6 revenue has been recorded for the REPS.

7

8 **Q17. How did the actual REPS revenue compare to the projected REPS revenue?**

9 A17. Actual REPS revenue for the months of January through December 2024 was \$0,
10 which was equal to the projected REPS revenue. The REPS revenue amount was
11 zero due to the surcharge being set to zero in December of 2015.

12

13 **Q18. Can you describe the line items shown on Exhibit A-4, Return on Equity (ROE)**
14 **Calculation?**

15 A18. Yes. The line items are described below.

16

17 Line 1 – This is the authorized 11.0% ROE for assets required for compliance for the
18 2008 PA 295 as amended by 2016 PA 342 Renewable Energy program for those
19 assets approved before PA 235.

20

21 Line 2 – In the order dated July 18, 2019 in Case No. U-18232, the Commission noted
22 that the Company shall use the Commission-approved ROE, rather than the REP-
23 approved ROE for any portions of the Fairbanks, Isabella I, or Isabella II projects that
24 are used to supply the Large Customer-Voluntary Green Program (LC-VGP) instead

Line
No.

1 of RPS needs. For 2024 9.90% is used for January to December, as approved in the
2 Commission's order dated December 1, 2023, in Case No. U-21297.

3

4 Line 3 – This is the weighted average ROE for REP compliance assets and voluntary
5 rate assets. The weighted average ROE is calculated by weighting the REP
6 compliance simplified rate base (Line 12) and the voluntary simplified rate base (Line
7 21) with their respective ROEs. The weighted average ROE is utilized by Company
8 Witness Vangilder in Exhibit A-12 to calculate the Pre-Tax Rate of Return.

9

10 Lines 12 and 21 – These lines represent the compliance simplified rate base (Line 12)
11 and the voluntary simplified rate base (Line 21), which are calculated by adding the
12 deferred federal taxes related to plant depreciation (Lines 11 and 20) to net plant
13 (Lines 10 and 19).

14

15 **Q19. What information is displayed on Exhibit A-15?**

16 A19. Exhibit A-15 provides capital expenditures detail by project. This detail supports the
17 capital expenditures additions included on Line No. 5 of Exhibit A-2.

18

19 **Q20. Does this conclude your direct testimony?**

20 A20. Yes, it does.

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
DTE Electric Company to commence)
a renewable energy cost reconciliation)
proceeding for the 12-month period ended)
December 31, 2024)

Case No. U-21830

QUALIFICATIONS
AND
DIRECT TESTIMONY
OF
KARL LIEVENSE

DTE ELECTRIC COMPANY
QUALIFICATIONS OF KARL LIEVENSE

Line
No.

1 **Q1. What is your name, business address and by whom are you employed?**

2 A1. My name is Karl Lievense. My business address is 8001 Haggerty Road, Suite 109,
3 Belleville, MI 48111. I am employed by DTE Electric Company (DTE Electric or
4 Company).

5

6 **Q2. On whose behalf are you testifying?**

7 A2. I am testifying on behalf of DTE Electric.

8

9 **Q3. What is your current position with the Company?**

10 A3. I am currently a Strategist on the Market Strategy & Settlements team within the
11 Generation Optimization department.

12

13 **Q4. What is your educational background?**

14 A4. I received a Bachelor of Business Administration from the University of Michigan,
15 Stephen M. Ross School of Business, in 2011. I also received dual minors in
16 Economics and Program in the Environment from the University of Michigan.

17

18 **Q5. What is your work experience?**

19 A5. Upon receiving my bachelor's degree from the University of Michigan in 2011, I
20 was employed by Citibank. In 2014, I began my employment with DTE Electric
21 within the Generation Optimization department. I have held a myriad of roles with
22 increasing scope and responsibility within the department, including management of
23 Generation Optimization's Generation Management System alarms and calculations,
24 oversight of efforts to tighten controls on the Company's load calculation
25 comparison with ITC, and acting as the business lead to develop an internal Energy

Line
No.

1 Accounting Database. In my current position as a Strategist for the Market Strategy
2 & Settlements group, I oversee the Renewable Energy Credit (REC) Management
3 and Meter Data Management processes for DTE Electric.

4

5 **Q6. What are your duties and responsibilities in your current position?**

6 A6. My current responsibilities include measuring and validating DTE load, certifying
7 RECs, and managing REC inventory for compliance and voluntary programs. Each
8 month, I report the renewables energy bought, sold, and expensed for the previous
9 month.

10

11 **Q7. Have you previously sponsored testimony before the Michigan Public Service**
12 **Commission?**

13 A7. Yes, I sponsored testimony in the following Michigan Public Service Commission
14 (MPSC or Commission) cases:

15 U-21010 DTE Electric's 2020 Renewable Energy Plan Reconciliation

16 U-21198 DTE Electric's 2021 Renewable Energy Plan Reconciliation

17 U-21353 DTE Electric's 2022 Renewable Energy Plan Reconciliation

18 U-21550 DTE Electric's 2023 Renewable Energy Plan Reconciliation

DTE ELECTRIC COMPANY
DIRECT TESTIMONY OF KARL LIEVENSE

Line
No.

1 **Q8. What is the purpose of your testimony?**

2 A8. The purpose of my testimony is to:

- 3 • Present the renewable capacity and energy booked expense for DTE Electric
- 4 for 2024, which has been transferred for recovery through DTE Electric's
- 5 Power Supply Cost Recovery (PSCR) mechanism;
- 6 • Present the Renewable Energy Credits (RECs) and associated booked expense
- 7 for 2024;
- 8 • Present the Renewable Energy Credits used to achieve compliance in 2024
- 9 pursuant to Act 295 of 2008, as amended by Public Act 342 of 2016 and Public
- 10 Act 235 of 2023, MCL 460.1001, *et seq.*
- 11 • Present the Renewable Energy Credits used to serve customer subscriptions for
- 12 2024 MIGreenPower (MIGP) sales.

13

14 **Q9. Which exhibits are you supporting?**

15 A9. I am supporting the following exhibits:

16 <u>Exhibit</u>	<u>Description</u>
17 A-6	Renewable Energy Generation and Expense for the Year 2024
18 A-7	RECs & Associated Cost for the Year 2024
19 A-8	Credits to Meet Compliance for the Year 2024

20

21 **Q10. Were these exhibits prepared by you or under your direction?**

22 A10. Yes, they were.

23

24 **Q11. What is the purpose of Exhibit A-6?**

Line
No.

1 A11. The purpose of Exhibit A-6 is to show the renewable energy generation approved
2 under the Renewable Energy Plan and the associated expense for 2024. These
3 expenses were transferred for recovery through DTE Electric's PSCR mechanism.
4

5 **Q12. What are the sources of renewable energy shown on Exhibit A-6?**

6 A12. The sources of renewable energy shown on Exhibit A-6 are Company-owned wind
7 Renewable Energy Systems, Company-owned solar Renewable Energy Systems,
8 and energy from Renewable Energy Contracts (also known as Purchase Power
9 Agreements or PPA) the Company executed and refer to as "Total PPA."
10

11 **Q13. Can you describe the Company-owned Wind Energy Systems output on Exhibit
12 A-6, lines 1 and 10?**

13 A13. The Company generated 3.88 million MWh of wind renewable energy in 2024 at its
14 Gratiot, Minden, Sigel, McKinley, Echo, Brookfield, Pinnebog, Pine River, Polaris,
15 Fairbanks, Isabella, Meridian, and Big Turtle 2 Wind Parks (including generation
16 attributed to MIGreenPower). This total is less than the 3.94 million MWh projected
17 in the Company's Renewable Energy Plan in Case No. U-21662 (Amended
18 Renewable Energy Plan). This resulted in the transfer of \$300.00 million to the
19 PSCR, which was less than the \$306.30 million projected in the Company's
20 Amended Renewable Energy Plan.
21

22 **Q14. Can you describe the Company-owned Solar Renewable Energy Systems on
23 Exhibit A-6, lines 3 and 12?**

24 A14. The Company generated 110.54 thousand MWh of solar renewable energy in 2024
25 (including generation attributed to MIGreenPower). This total is higher than the

Line
No.

1 85.89 thousand MWh projected in the Company's Amended Renewable Energy
2 Plan. The \$11.22 million transferred to the PSCR was more than the \$9.92 million
3 planned.

4

5 **Q15. Can you describe the lines titled "Total PPA" on Exhibit A-6, lines 7 and 16?**

6 A15. The Company purchased 1.67 million MWh of renewable energy in 2024, which was
7 lower than the 1.74 million MWh projected in the Company's Amended Renewable
8 Energy Plan. The \$107.61 million transferred to the PSCR, was lower than the
9 \$113.20 million planned.

10

11 The Renewable Energy Contracts associated with the lines 7 and 16, "Total PPA,"
12 were approved by the Commission in the cases indicated in the following table:

13

14	<u>Facility</u>	<u>Case #</u>	<u>MPSC Approval Date(s)</u>
15	Stoney Corners Wind Farm I, LLC	U-15806	4/30/09, 12/1/09
16	L'Anse Warden Electric Company, LLC	U-15806	8/10/10
17	WM Renewable Energy, LLC	U-15806	8/10/10
18	Blue Water Renewables, INC	U-15806	1/20/11
19	Gratiot County Wind, LLC	U-15806	9/14/10, 5/10/11
20	Tuscola Bay Wind, LLC	U-15806	8/25/11
21	Tuscola Bay Wind II, LLC	U-16582	10/31/12
22	Pheasant Run Wind, LLC	U-16582	5/17/13
23	Big Turtle Wind Farm, LLC	U-16582	9/10/2013
24	Assembly 3 Solar, LLC	U-18232	7/9/2020
25	River Fork Solar, LLC	U-18232	7/9/2020

Line
No.

1

2 **Q16. Can you describe the lines titled “Average Transfer Price to PSCR” and**
3 **“Subtotal Transfer Amount to PSCR” on Exhibit A-6, lines 18 and 20?**

4 A16. The weighted average transfer price for renewable energy for the Company was
5 \$74.08 per megawatt hour as shown in Exhibit A-6, line 18. The subtotal of
6 renewable energy expense the Company transferred to the PSCR for renewable
7 energy was \$418.84 million, as shown in line 20. This is before the
8 MIGreenPower/Voluntary Green Pricing (VGP) Transfer Revenue Reduction on line
9 22. This is the result of the total 5.65 million MWh (summation of lines 5 and 7,
10 column (o), of Exhibit A-6) acquired by the Company multiplied by the average
11 \$74.08 per megawatt hour transfer price.

12

13 **Q17. Can you describe the line titled “MIGreenPower/VGP Transfer Revenue**
14 **Reduction” on Exhibit A-6, line 22?**

15 A17. MIGreenPower/VGP Transfer Revenue Reduction is included to account for the
16 revenue derived from subscription fees to voluntary renewable energy programs. The
17 costs associated with assets in voluntary programs are paid by subscribers, not PSCR
18 customers, and the renewable energy credits are retired on behalf of subscribers. This
19 value is calculated by multiplying subscribed megawatt hours for each VGP project,
20 by the project’s respective transfer price or product rate. Line 23 of Exhibit A-6 is
21 the total transfer amount to PSCR net MIGP reduction.

22

23 **Q18. What assets are included in MIGreenPower?**

Line
No.

1 A18. In 2024, the DTE Electric-owned wind assets of Isabella 1, Isabella 2, Fairbanks, and
2 Big Turtle 2 were available to be allocated to MIGreenPower. The PPA solar asset
3 Assembly 3, was available to be allocated to MIGreenPower.

4
5 **Q19. Were any RECs retired for MIGreenPower in 2024?**

6 A19. Yes. 1,802,430 RECs and 54,364 Incentive Renewable Energy Credits (IRECs) were
7 retired for MIGreenPower, in 2024. The RECs and IRECs were generated from the
8 following assets: Isabella, Fairbanks, and Big Turtle 2 Wind, Assembly 3 Solar, and
9 unbundled as detailed below;

10

	Isabella	Fairbanks	Big Turtle 2	Assembly 3	Unbundled	Total
RECs	881,278	205,739	101,254	162,035	452,124	1,802,430
IRECs	20,838	0	0	33,526	0	54,364
Total	902,116	205,739	101,254	195,561	452,124	1,856,794

11

12 **Q20. What was the impact of the MIGreenPower Transfer Revenue Reduction in**
13 **2024 compared to the Amended Renewable Energy Plan?**

14 A20. Exhibit A-6, line 22 shows a \$64.79 million reduction to PSCR due to
15 MIGreenPower. This is \$0.91 million more than the \$63.88 million as filed in Case
16 No. U-21662 in the Company's Amended Renewable Energy Plan.

17

18 **Q21. What transfer price was used when booking the assets associated with**
19 **MIGreenPower?**

Line
No.

1 A21. Isabella was booked at \$50.61 per megawatt hour using the LCOE. Fairbanks was
2 booked at \$45.25 per megawatt hour using the LCOE. Big Turtle 2 was booked at
3 \$49.87 using the LCOE. Assembly was booked at \$41.56 using the product rate.

4

5 **Q22. What is the purpose of Exhibit A-7?**

6 A22. The purpose of Exhibit A-7 is to show the RECs that the Company acquired in 2024
7 by self-generating, purchasing through Renewable Energy Contracts, and purchasing
8 through REC-only agreements, along with the associated cost. Exhibit A-7 also
9 includes Energy Waste Reduction Credits that, consistent with MPSC orders in past
10 reconciliation cases, are being substituted for RECs.

11

12 **Q23. What were the sources of the RECs shown on Exhibit A-7?**

13 A23. The RECs shown on Exhibit A-7, are derived from existing agreements with
14 PURPA/PA2 generators, solar generation from residential customers participating in
15 the customer-owned portion of the Company's approved SolarCurrents pilot
16 program, generation from Renewable Energy Contracts, unbundled REC-only
17 contracts, and Company owned wind and solar Renewable Energy Systems and their
18 associated IRECs per MCL 460.1039(2).

19

20 **Q24. How were the quantities of RECs and IRECs associated with existing
21 PURPA/PA2 agreements determined for 2024?**

22 A24. The quantity of RECs associated with the Company's existing PURPA/PA2
23 agreements was determined by multiplying the total power purchased through the
24 Company's PURPA/PA2 agreements by 4/5ths. Generally, the Company has
25 ownership of four out of every five RECs produced under its PURPA/PA2

Line
No.

1 agreements per MCL 460.1035 and obtained 124,208 RECs in 2024. Zero non-
2 jurisdictional RECs were allocated to wholesale customers in 2024 because all the
3 Company's pre-existing wholesale customer contracts terminated by the end of 2011.
4 The RECs obtained in 2024 under PURPA/PA 2 agreements were lower than the
5 180,077 planned in the Company's 2024 Amended Renewable Energy Plan due to
6 less than expected output from these generators that are not owned or controlled by
7 DTE Electric. 11,797 IRECs were obtained from this renewable generation, pursuant
8 to MCL 460.1039(2)(b) and associated with on-peak generation. The IRECs were
9 determined by multiplying the renewable energy purchased through the Company's
10 existing PURPA/PA2 agreements during on-peak hours by 1/5th. That number was
11 then multiplied by 4/5ths to determine the Company's share.

12

13 **Q25. What was the expense associated with the PURPA/PA2 RECs?**

14 A25. The 2008 PA 295, as amended by 2016 PA 342, expense associated with the
15 PURPA/PA2 RECs is zero (\$0) because the entire expense is already recovered
16 through the PSCR per Commission PURPA/PA2 contract approvals that predate
17 2008 PA 295.

18

19 **Q26. What were the sources of REC-only purchases made in Exhibit A-7, lines 7 and**
20 **28?**

21 A26. The Company purchased 225,000 through five REC-Only transactions in 2024.
22 100,000 and 125,000 RECs were purchases made from Clear Energy Brokerage.

23

Line
No.

1 The total expense for RECs from REC-Only agreements was \$225,000 in 2024. The
2 Clear Energy REC purchases had associated costs of 100,000 RECs at \$1.00/REC
3 and 125,000 RECs at \$1.00/REC.

4

5 **Q27. How were the numbers of RECs and IRECs associated with the Company's**
6 **SolarCurrents program determined for 2024?**

7 A27. The customer-owned portion of the Company's approved SolarCurrents program
8 was structured such that, in general, either half or 30% of the estimated REC
9 production of a residential customer's solar Renewable Energy System over twenty
10 years was purchased by the Company at the time of the solar Renewable Energy
11 System installation and either half or 70% of the actual REC production is purchased
12 as it is generated. The "up-front" RECs are determined based on an estimate of the
13 energy output of the solar Renewable Energy System over 20 years. The expected
14 energy generation is a function of the nameplate capacity, the capacity factor, and
15 the degradation factor. The following expression is used to estimate the energy
16 output for a solar system in a given year:

17

18

$$E_t = C_N \times K_{CF} \times (1 - K_D)^{t-1} \times K_H$$

19

Where:

20

E_t = energy output in year t, in kWh

21

C_N = nameplate capacity, in kW

22

K_{CF} = capacity factor, (13% for Southeast Michigan)¹

23

K_D = degradation factor (approximately 0.5% per year)²

24

K_H = number of hours per year (8,760)

25

The up-front REC volume for Phase I of the *SolarCurrents* program consists of half

¹ National Renewable Energy Laboratory's PVWatts Version 1, Performance Calculator for Grid Connected PV systems, <http://rredc.nrel.gov/solar/calculators/PVWATTS/version1/US/Michigan/Detroit.html> accessed 06/26/2020.

² National Renewable Energy Laboratory data

Line
No.

1 of the estimated 20-year energy output of a customer's solar Renewable Energy
2 System plus associated IRECs. The up-front REC volume for Phase II of the
3 *SolarCurrents* program consists of 30% of the estimated 20-year energy output of a
4 customer's solar Renewable Energy System plus associated IRECs. The up-front
5 IRECs consist of two IRECs for each up-front REC per MCL 460.1039(2)(a)
6 associated with solar power, 1/5th IREC for each upfront REC generated during on-
7 peak hours per MCL 460.1039(2)(b), and 1/10th IREC for each upfront REC per
8 MCL 460.1039(2)(e) associated with installation by a Michigan workforce. All up-
9 front costs have been dispersed that are required by the program. The Company does
10 not expect to see any additional upfront costs in the future. The Company obtained
11 1,491 RECs from residential solar Renewable Energy Systems in the *SolarCurrents*
12 program, as represented on Line 11. The Company also obtained 3,189 IRECs from
13 the residential solar Renewable Energy Systems in the *SolarCurrents* program, which
14 are included with other IRECs in Exhibit A-7, line 15, "Michigan Incentive RECs".

15

16 **Q28. What is the basis for the booked DTE Electric Amended Renewable Energy**
17 **Plan expense associated with the RECs from the Company's SolarCurrents**
18 **program in 2024?**

19 A28. The booked DTE Electric Amended Renewable Energy Plan expense for Phase I of
20 the SolarCurrents RECs was based on upfront customer payments of \$2,400/kW of
21 installed nameplate capacity and ongoing payments of \$0.11/kWh of actual
22 generation. The booked expense for Phase II of the SolarCurrents RECs for
23 residential customers was based on up-front customer payments of \$200/kW of
24 installed nameplate capacity and ongoing payments of \$0.03/kWh of actual
25 generation. For non-residential customers, the booked expense for Phase II of the

Line
No.

1 SolarCurrents RECS was based on up-front customer payments of \$130/kW of
2 installed nameplate capacity and ongoing payments of \$0.02/kWh of actual
3 generation. The total expense for RECs from the Company's Phase I and Phase II
4 SolarCurrents program in 2024 was \$569,990 and is included on Exhibit A-7, line
5 32, "Purchase of RECs".

6

7 **Q29. Has there been any change in the energy credit accounting balance since last**
8 **reconciliation?**

9 A29. No.

10

11 **Q30. What is the basis for the 2024 booked DTE Electric Amended Renewable**
12 **Energy Plan expense associated with the RECs from Renewable Energy**
13 **Contracts approved by the Commission pursuant to 2023 PA 235, and shown in**
14 **Exhibit A-7, line 30?**

15 A30. The 2024 booked DTE Electric Amended Renewable Energy Plan expense
16 associated with the Renewable Energy Contract RECs was determined by
17 multiplying purchased power volume by the difference of the product rate (for
18 energy, capacity, and RECs) and the approved Transfer Price for the specific PPA.
19 The total expense for RECs from PPA contracts in 2024 was \$2,300. The REC
20 expense is less than the planned \$1,156,000 in the Company's Amended Renewable
21 Energy Plan.

22

23 The variance is due to the plan projecting the average price of PPA RECs from 2022
24 and 2023 into future years, where in fact, the REC price went to zero for all PPAs in

Line
No.

1 2024. The actual value shown in the reconciliation is due to a 2023 accounting
2 adjustment in January.

3

4 **Q31. How was the number of Michigan IRECs associated with the Company's**
5 **Ludington pumped storage facility determined for 2024?**

6 A31. The Company obtained IRECs in 2024 in accordance with MCL 460.1039(2)(c).
7 The amount of renewable energy that was stored in the off-peak hours using the
8 Ludington pumped storage facility was determined by taking the lesser of the total
9 renewable energy generated during each off-peak hour or the amount of energy used
10 for pumping during the same hour. The IREC rate of 1/5th IREC per REC is applied
11 to the lesser of the stored energy calculated for the month and the amount of pumping
12 that is assumed to be used for on-peak generation. The Company obtained 193,969
13 IRECs in 2024 from the Ludington pumped storage facility. This amount is included
14 with other IRECs on Exhibit A-7, line 15, "Michigan Incentive RECs".

15

16 **Q32. What was the booked DTE Electric Amended Renewable Energy Plan expense**
17 **for the IRECs associated with the Company's Ludington pumped storage**
18 **facility in 2024?**

19 A32. There was no expense booked for the IRECs from the Company's Ludington pumped
20 storage facility in 2024. All IRECs are treated as zero cost (\$0) in inventory, as the
21 REC costs, if any, are associated with the originating RECs.

22

23 **Q33. What is meant by Transferred EWR Energy Credits in Exhibit A-7, line 3?**

24 A33. Exhibit A-7, line 3 reflects the quantity of 291,242. These EWR Energy Credits were
25 transferred and consumed from the approved 2023 Energy Waste Reduction

Line
No.

1 Reconciliation Case No. U-21558 to meet 2024 Renewable Portfolio Standard
2 Compliance. The transfer can be found in the MIRECs tracking system under DTE's
3 2024 Compliance Account.

4

5 **Q34. In Exhibit A-7, can you please explain the difference between the projected**
6 **average REC price (column (p) line 44) compared to the actual average REC**
7 **price (column (o) line 44)?**

8 A34. Yes, the actual average cost per REC in inventory at the end of 2024 was \$0.25 while
9 the projected was \$0.00. The \$0.25 variance was the result of not expensing the entire
10 cost of RECs in the same year, as was entered in the plan.

11

12 The Ending REC Balance of \$579,097 on Exhibit A-7, Line No. 42, is associated
13 with the cost of SolarCurrent RECs not yet retired and in inventory at the end of the
14 year. This cost will be expensed on a rolling basis as these RECs are retired.

15

16 **Q35. Were any of the RECs shown on Exhibit A-7 used by the Company in a**
17 **Commission approved voluntary renewable energy program?**

18 A35. Yes, the Beginning Balance of RECs on Exhibit A-7, Line No. 1 includes 29,592
19 RECs used for a voluntary renewable energy program. These RECs were then
20 transferred out, as shown on Exhibit A-7, Line No. 21. These RECs were 2023 carry
21 over from the MIGP assets Isabella, Fairbanks, and Assembly 3 and were retired for
22 subscribed MIGP sales in 2024.

23

24 **Q36. Can you describe the Credit Substitution Percent on Exhibit A-8, line 21?**

Line
No.

1 A36. Yes, the Credit Substitution Percent on line 21 is shown to validate that the credits
2 being used for compliance do not exceed credit limits established in MCL
3 460.1028(7) which states:

4
5 “(7) An electric provider that has achieved annual incremental energy
6 savings of greater than 2% under an energy waste reduction plan
7 approved under section 73 may substitute energy waste reduction
8 credits for renewable energy credits otherwise required to meet the
9 renewable energy credit standard if the substitution is approved by the
10 commission. Under this subsection, energy waste reduction credits
11 shall not be used by a provider to meet more than 10% of the renewable
12 energy credit standard. One renewable energy credit shall be awarded
13 per 1 energy waste reduction credit.”

14 To ensure that the Credit Substitution Percent is not exceeded, I calculate the
15 percentage of the energy optimization credits used for compliance by taking line 19
16 of Exhibit A-8, and dividing by Exhibit A-8, line 27 to get 5.0%.

17

18 **Q37. Can you describe the Renewable Energy Portfolio Requirement on Exhibit A-**
19 **8, line 11?**

20 A37. The Renewable Energy Portfolio Requirement for Year on Exhibit A-8, line 11
21 represents the total credits necessary to meet the Company’s 2023 PA 235
22 requirement. The requirement of 5,858,100 RECs for 2024 is calculated by taking
23 15% of the 2023 weather-normalized retail sales of 40,314,687 MWh, Exhibit A-8,
24 line 1, less the 2023 Voluntary Green Pricing (VGP) Sales of 1,229,161 MWh,
25 Exhibit A-8, line 3, less Distributed Generation (DG) Outflow for 2023, Exhibit A-
26 8, line 5. The result of 39,053,997, Exhibit A-8, line 7, represents the Adjusted Retail
27 Sales used to apply the 15% renewable energy portfolio requirement for the year.
28 The annual requirement is the summation of Exhibit A-8, lines 17, 19, and 23. The
29 result, 5,858,100 represented on Exhibit A-8, line 25, is the final retired registry
30 amount.

Line
No.

1

2 **Q38. Did the Company make any wholesale renewable energy REC sales in 2024?**

3 A38. No. The Company did not make any wholesale renewable 2024 renewable energy
4 REC sales in 2024.

5

6 **Q39. Was there any variance between the Renewable Energy Portfolio Requirement**
7 **for Year (Exhibit A-8, line 11) and the MIRECs 2024 Portfolio – The Detroit**
8 **Edison Company (Exhibit A-8, line 27)?**

9 A39. No, Exhibit A-8, Line No. 29 shows a variance of 0.

10

11 **Q40. Does this complete your direct testimony?**

12 A40. Yes, it does.

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
DTE Electric Company to commence)
a renewable energy cost reconciliation)
proceeding for the 12-month period ended)
December 31, 2024)

Case No. U-21830

QUALIFICATIONS
AND
DIRECT TESTIMONY
OF
KIRK M. VANGILDER

DTE ELECTRIC COMPANY
QUALIFICATIONS OF KIRK M. VANGILDER

Line
No.

1 **Q1. What is your name, title, business address and by whom are you employed?**

2 A1. My name is Kirk M. Vangilder (he/him/his). My business address is One Energy
3 Plaza, Detroit, Michigan 48226. I am employed by DTE Energy Corporate
4 Services, LLC, a subsidiary of DTE Energy Company (DTE Energy), within the
5 Regulatory Affairs organization as a Principal Financial Analyst for Revenue
6 Requirements.

7

8 **Q2. On whose behalf are you testifying?**

9 A2. I am testifying on behalf of DTE Electric Company (DTE Electric or Company).

10

11 **Q3. What is your educational background?**

12 A3. I received a Bachelor of Arts Degree in Accounting from Michigan State
13 University's Eli Broad College of Business in 2004 and a Master of Science Degree
14 in Accounting from Michigan State University's Eli Broad Graduate School of
15 Management in 2006.

16

17 **Q4. Have you completed any seminars or other training courses?**

18 A4. Yes, I have. I completed a utility finance and ratemaking course taught by Excidian,
19 LLC. Additionally, I attended training hosted by Electric Utility Consultants, Inc,
20 (EUCI) on utility cost of service and ratemaking. I also completed the ratemaking
21 program conducted by the Institute of Public Utilities at Michigan State University.

22

23 **Q5. What is your work experience?**

24 A5. From 2006 to 2011, I practiced public accounting with the international accounting
25 firm Grant Thornton LLP where I had positions of increasing responsibility.

Line
No.

1 During this time, I received my Certified Public Accountant license. In October
2 2011, I joined DTE Energy as a Financial Auditor in the Audit Services department.
3 In March 2013 I was promoted to Senior Financial Auditor, where I performed
4 substantive testing and controls testing to support DTE Energy's financial
5 statement audits and regulatory filings process. In August 2014, I accepted a
6 position within DTE Energy's Controllers organization as a Senior Business
7 Financial Analyst with responsibility for various accounting, budgeting, and
8 reporting activities for DTE Gas, including financial and revenue requirement
9 modeling. In 2018, I transferred to Regulatory Affairs as a Senior Rate Analyst in
10 their Revenue Requirements group, and in 2019 I was promoted to my current
11 position as Principal Financial Analyst.

12

13 **Q6. Do you hold any certifications or are you a member of any professional**
14 **organizations?**

15 A6. I received my Certified Public Accountant license in 2008, and I am currently a
16 registered accountant within the State of Michigan

17

18 **Q7. What are your current duties and responsibilities?**

19 A7. As a Principal Financial Analyst for Revenue Requirements within DTE Energy's
20 Regulatory Affairs organization, I am responsible for revenue requirement studies
21 for regulatory filings, regulatory analysis and research, and for supporting certain
22 Michigan Public Service Commission (MPSC or Commission) filings, such as
23 general rate cases.

24

25 **Q8. Have you previously sponsored testimony in cases before the MPSC?**

Line
No.

- 1 A8. Yes, I have. I have sponsored testimony in the following cases:
- 2 U-20373 DTE Electric 2020-2021 EWR Plan
- 3 U-20373-A DTE Electric 2020-2021 Amended EWR Plan
- 4 U-20429 DTE Gas 2020-2021 EWR Plan
- 5 U-20642 DTE Gas 2019 Main Rate Case
- 6 U-20703 DTE Electric 2019 EWR Reconciliation
- 7 U-20708 DTE Gas 2019 EWR Reconciliation
- 8 U-20711 DTE Electric 2019 PLD/TRM Reconciliation
- 9 U-20836 DTE Electric 2022 General Rate Case
- 10 U-20876 DTE Electric 2022-2023 EWR Plan
- 11 U-20881 DTE Gas 2022-2023 EWR Plan
- 12 U-20940 DTE Gas 2021 General Rate Case
- 13 U-20987 DTE Electric 2020 PLD/TRM Reconciliation
- 14 U-21206 DTE Electric & DTE Gas 2021 EWR Reconciliation
- 15 U-21242 DTE Electric 2021 Demand Response Reconciliation
- 16 U-21291 DTE Gas 2024 General Rate Case
- 17 U-21297 DTE Electric 2023 General Rate Case
- 18 U-21307 DTE Electric 2021 & 2022 PLD/TRM Reconciliations
- 19 U-21313 DTE Electric & DTE Gas 2022 EWR Reconciliation
- 20 U-21403 DTE Electric 2022 Demand Response Reconciliation
- 21 U-21534 DTE Electric 2024 General Rate Case
- 22 U-21658 DTE Electric 2023 Demand Response Reconciliation
- 23 U-21662 DTE Electric 2024 Amended REP Plan
- 24 U-21845 DTE Electric 2024 IRM Reconciliation
- 25 U-21860 DTE Electric 2025 General Rate Case
- 26

DTE ELECTRIC COMPANY
DIRECT TESTIMONY OF KIRK M. VANGILDER

Line
No.

1 **Q9. What is the purpose of your testimony?**

2 A9. The purpose of my testimony is to present the calculation of the variance between
3 the actual Renewable Energy Plan (REP) Incremental Cost of Compliance¹
4 incurred by DTE Electric and those costs included in the amended REP for 2024,
5 Case No. U-21662 (the “2024 Amended REP”) for the 12 months ended December
6 31, 2024 (Reconciliation Year). The calculation is based on the costs and
7 Renewable Energy Plan surcharge (a/k/a Revenue Recovery Mechanism surcharge)
8 revenues associated with the REP that were supplied to me and are supported in
9 this application by Company Witnesses Lievens, Wisniewski, and Kauffman. I
10 am also supporting the calculation of the pre-tax cost of capital that is used to
11 calculate the return on rate base, the calculation of carrying charges for regulatory
12 assets, and the calculation of interest on regulatory liabilities.

13

14 **Q10. Are you sponsoring any exhibits in this proceeding?**

15 A10. Yes, I am supporting the following exhibits:

16	<u>Exhibit</u>	<u>Description</u>
17	A-9	Incremental Cost of Compliance
18	A-10	Revenue Requirement
19	A-11	Interest on Regulatory Asset/Liability
20	A-12	Pre-Tax Rate of Return
21	A-13	Revenue Conversion Factors & Effective Tax Rate

22

23 **Q11. Were these exhibits prepared by you or under your direction?**

¹ Per the Commission’s order in Case No. U-21568 dated May 23, 2024, DTE Electric’s Incremental Cost of Compliance and variance thereof are calculated pursuant to 2008 PA 295, as amended by 2016 PA 342 and 2023 PA 235.

Line
No.

1

2 A11. Yes, they were.

3

4 **Q12. Can you describe the information displayed on Exhibit A-9, Incremental Cost**
5 **of Compliance?**

6 A12. The exhibit is arranged to match the applicable language contained in 2008 Public
7 Act (PA) 295, as amended by 2016 PA 342 and 2023 PA 235, MCL 460.1047, that
8 describes the components of the Incremental Cost of Compliance. Exhibit A-9
9 displays the sum of the costs described in MCL 460.1047(2)(a), the revenues to be
10 subtracted described in MCL 460.1047(2)(b) and carrying costs on regulatory
11 assets described in MCL 460.1047(3). It should be noted that several of these lines,
12 or subcomponents described within a line, have zero values and are included on
13 Exhibit A-9 for completeness and possible future use. Pages 1 and 2 of Exhibit A-
14 9 display the REP monthly actuals and totals for the Reconciliation Year, as well
15 as the annual planned Incremental Cost of Compliance calculation for the
16 respective year, provided in Case No. U-21662, and the associated variance of
17 actuals to plan. Page 3 details the sources of the information that appear on Exhibit
18 A-9. Exhibit A-9, page 2, line 36 shows the actual total Incremental Cost of
19 Compliance is \$(87.9) million compared to \$(15.3) million planned for the
20 Reconciliation Year, resulting in a variance of \$(72.6) million. Company Witness
21 Hardy discusses the reasons for this variance in her direct testimony.

22

23 **Q13. Can you describe in more detail the REP incremental costs defined in MCL**
24 **460.1047(2)(a) included on Exhibit A-9?**

Line
No.

1 A13. The first two pages of Exhibit A-9 detail the calculation of the Incremental Cost of
2 Compliance and page 3 indicates the sources of the information used on the prior
3 two pages. Line 2 of Exhibit A-9 addresses subparts (i, ii, iii, iv) of MCL
4 460.1047(2)(a), and consists of Capital, Operating and Maintenance (O&M),
5 Return on Equity (ROE), Financing, Interconnect, and Ancillary service costs. Line
6 3 addresses subpart (v)(A) of MCL 460.1047(2)(a) and consists of the expense of
7 Renewable Energy Credits (RECs). Line 4 addresses subpart (v)(B) of MCL
8 460.1047(2)(a) and consists of costs of contracts described under former MCL
9 460.1033(1) (i.e., third party power purchase agreements (PPAs)). Line 5 addresses
10 subpart (v)(C) and consists of Voluntary Green Pricing (VGP) subscription revenue
11 Financial Compensation Mechanism (FCM) exclusion (presently zero). Line 6
12 represents total payments to Tax Equity partnerships (presently zero). Line 7 shows
13 the sum of lines 2 through 6, DTE Electric's REP Gross Revenue Requirement for
14 the Reconciliation Year.

15

16 **Q14. Can you describe in more detail the REP revenues defined in MCL**
17 **460.1047(2)(b) on Exhibit A-9 and how those revenues are addressed?**

18 A14. Line 9 addresses subpart (i) of MCL 460.1047(2)(b) and consists of revenue
19 (presently zero) from the sale of environmental attributes (i.e., REC sales). Lines
20 10 to 12, supported by Witness Kauffman, address subpart (iii) of MCL
21 460.1047(2)(b) and consists of tax credits to promote renewable energy (i.e.,
22 production tax credits (PTC), transfer discounts related to Solar PTCs) and
23 amortization of solar investment tax credits (ITC). Line 13 addresses subpart (iv)
24 of MCL 460.1047(2)(b) and consists of costs subject to recovery through the Power
25 Supply Cost Recovery (PSCR). These costs were supplied by Witness Lievens.

Line
No.

1 Lines 15-20 address subpart (vi) and consist of additional revenue as determined
2 by the Commission, which consists of VGP subscription revenue for contracted and
3 non-contracted customers, the associated credits and the PSCR reimbursements of
4 those credits. Lines 15-20 were supplied to me by Witness Lievens. Line 21
5 (which is presently zero) addresses subpart (vi) and consists of additional revenue
6 as determined by the Commission, not reflected on lines 15-20. Line 22 addresses
7 subpart (vii) of MCL 460.1047(2)(b) and consists of revenue recovered in rates for
8 renewable energy costs included in MCL 460.1047(2)(a) (presently zero). Line 23
9 is for the amortization of the Regulatory Liability associated with the Tax Cuts and
10 Jobs Act of 2017 (TCJA) and is supported by Witness Wisniewski. Lines 25
11 through 29 are provided by Witness Kauffman and reflect the activity associated
12 with the Commission Order in Case No. U-21496 which provided approval for the
13 Company to accrue an Allowance for Funds Used During Construction (AFUDC)
14 on Construction Work in Progress (CWIP) for renewable projects within the REP
15 effective October 1, 2023. As shown in lines 25 to 29, the incremental cost of
16 compliance is reduced by the AFUDC credits and related tax impacts. Line 31 is a
17 subtotal of all subtractions (lines 9 through 29). Line 32 is the net of lines 7 and
18 31, and is the Incremental Cost of Compliance prior to considering interest.

19

20 **Q15. Can you describe the remaining lines included on Exhibit A-9?**

21 A15. Line 33 is the interest on regulatory liabilities that I calculate on Exhibit A-11
22 pursuant to MCL 460.1047(2)(b)(ii) using the applicable interest rate (i.e., the
23 average short-term borrowing rate available to the electric provider during the
24 appropriate period) specified in MCL 460.1047(3). Line 34 contains the carrying
25 charges for regulatory assets that I calculate, also using the Company's short-term

Line
No.

1 borrowing rate, on Exhibit A-11 pursuant to MCL 460.1047(3). Line 36 shows the
2 Incremental Cost of Compliance inclusive of interest.

3

4 **Q16. Can you describe the information displayed on Exhibit A-10?**

5 A16. Exhibit A-10, titled "Revenue Requirement", is a two-page exhibit showing the
6 calculation of the actual and planned average net rate base and gross revenue
7 requirement by month and in total, for the Reconciliation Year. Pages 1 and 2 of
8 Exhibit A-10 display the monthly actual and totals, as well as the planned revenue
9 requirement calculation, provided in Case No. U-21662, and the associated
10 variance of actuals to plan. Average net rate base is comprised of the following
11 components: Plant in Service, Construction Work in Progress and Preliminary
12 Surveys, Accumulated Depreciation Reserve, RECs Inventory, International
13 Transmission Company (ITC) Accounts Receivable, an equity investment in the
14 Big Turtle Interconnect, and Accumulated Deferred Income Taxes. Gross revenue
15 requirement is comprised of the following cost components: Return on Rate Base,
16 Power Purchased, RECs consumed, O&M, Royalties, Depreciation, Property
17 Taxes, Insurance, Interest Received from ITC, and equity investment earnings.

18

19 **Q17. What is the source of the information you used to calculate the Gross Revenue**
20 **Requirement?**

21 A17. I relied upon information supplied by Witnesses Kauffman, Wisniewski, and
22 Lievense. Specifically, Witness Kauffman provided the monthly O&M, ROE,
23 royalties, depreciation, property taxes, insurance expenses, interest received from
24 ITC, equity investment earnings, CWIP, depreciation reserve, RECs Inventory, ITC
25 accounts receivable, and the Big Turtle Interconnect equity investment. Witness

Line
No.

1 Wisniewski provided the monthly deferred taxes. Witness Lievens provided the
2 monthly renewable energy contract power supply consumption.

3

4 **Q18. What is the traditional definition of rate base used in general rate case filings?**

5 A18. Rate base is comprised of Plant-In-Service less Depreciation Reserve plus CWIP,
6 Working Capital, and Future Use.

7

8 **Q19. How was rate base determined in this REP reconciliation filing?**

9 A19. DTE Electric's REP rate base in this case follows the traditional definition used in
10 general rate cases but is adjusted to reflect the impacts of accumulated deferred
11 income taxes.

12

13 **Q20. Why is REP rate base adjusted to reflect accumulated deferred income taxes
14 for this REP reconciliation filing?**

15 A20. Consistent with the treatment of accumulated deferred income taxes used in Case
16 No. U-21662 (DTE Electric's Commission-approved 2024 Amended REP),
17 accumulated deferred income taxes are included as part of rate base determination
18 because, unlike traditional practice in Michigan, they have not been included in the
19 development of the 2024 Amended REP's pre-tax Rate of Return. Therefore, these
20 deferred income taxes must be taken into account as part of rate base in order to
21 accurately determine DTE Electric's 2024 Amended REP required pre-tax return.
22 This REP rate base treatment for taxes is required to match the pre-tax weighted
23 average cost of permanent capital that is used to calculate the return on rate base.
24 Absent this tax adjustment to each period's REP rate base, it would be necessary to

Line
No.

1 calculate a rate of return for each year of the 20-year plan to reflect the effects of
2 changes in zero cost capital that result from deferred income taxes.

3

4 **Q21. Are there any other costs that, due to Commission Orders, the Company is**
5 **required to address outside the REP?**

6 A21. Yes. The June 2, 2009 Order in MPSC Case No. U-15806 indicated that
7 uncollectible expense reflected in the original proposed 2008 PA 295 REP would
8 be addressed in the Company's next general rate case. Therefore, uncollectible
9 expense is excluded from the 2024 Amended REP provided in Case No. U-21662.
10 The Commission in its June 2, 2009 Commission Order in Case No. U-15806, page
11 22 indicated that Net Equity Costs Due to Imputed Debt would be considered at the
12 time of PPA approval. In subsequent Commission Orders (September 14, 2010
13 Commission Order in Case No. U-15806, page 6 and October 31, 2012 Commission
14 Order in Case No. U-16582, page 7) approving PPAs the Commission indicated
15 that requests for imputed debt-related cost recovery would be handled in general
16 rate cases.

17

18 **Q22. What information is reflected on Exhibit A-11?**

19 A22. Exhibit A-11 titled "Interest on Regulatory Asset/Liability" is a one-page exhibit
20 that shows the monthly calculation of the average regulatory asset or liability
21 balance and the interest on that balance for the Reconciliation Year. Lines 1 and 9
22 contain the monthly REP surcharge revenue provided by Witness Kauffman
23 (presently zero). Lines 2 and 10 reflect the Incremental Cost of Compliance from
24 Exhibit A-9, line 32. Lines 3 and 11 contain the regulatory liability increase or
25 (decrease) and are the result of subtracting the Incremental Cost of Compliance in

Line
No.

1 lines 2 and 10 from the REP revenues in lines 1 and 9. Lines 4 and 12 represent the
2 monthly ending balance for the regulatory liability or asset and is the sum of the
3 prior ending balance and the current month change from lines 3 and 11. Lines 5 and
4 12 are the average regulatory liability or asset that is used to calculate lines 7, 8, 15
5 and 16, the interest on the average balance. On lines 6 and 13, I use DTE Electric's
6 actual short-term interest rates to calculate the interest on the regulatory asset or
7 liability. In accordance with MCL 460.1047(2)(b)(ii), the interest on the regulatory
8 liability (lines 7 and 15) is subtracted from the Incremental Cost of Compliance on
9 Exhibit A-9, line 33. In accordance with MCL 460.1047(3) the carrying costs on
10 regulatory assets (lines 8 and 16) are included within the Incremental Cost of
11 Compliance on Exhibit A-9, line 34.

12

13 **Q23. Did the Commission provide guidance regarding the weighted average cost of**
14 **capital that should be used to calculate the "Return On" Rate Base?**

15 A23. Yes. In Attachment A to the December 4, 2008 Temporary Order in Case No. U-
16 15800, the Commission stated, "recovery to include the authorized rate of return on
17 equity, which will remain fixed at the rate of return and debt to equity ratio that was
18 in effect in base rates when the renewable plan was approved (MCL 460.1047 (1))."
19 In Exhibit A to the August 23, 2017 Order in Case No. U-18409, the Commission
20 includes the same directive. However, as required by the Commission in its July
21 18, 2019 Order in Case No. U-18232, the Company's then current approved ROE
22 is utilized for certain assets, which results in "blended ROE," as more fully
23 explained by Witness Kauffman.

24

25 **Q24. What information is reflected on Exhibit A-12, "Pre-Tax Rate of Return"?**

Line
No.

1 A24. Exhibit A-12 is a one-page exhibit that shows the monthly calculation of DTE
2 Electric's Pre-Tax Rate of Return on permanent capital. As provided in MCL
3 460.1047(1), the debt-to-equity ratio that was authorized at the time of DTE
4 Electric's original 2008 PA 295 REP was approved in Case No. U-15806 (The
5 December 23, 2008 Order in MPSC Case No. U-15244 at page 21 approves the
6 debt-to-equity ratio is based on information from the table on page 23 of the order.)
7 The monthly ROE is the blended ROE calculated by Witness Kauffman on Exhibit
8 A-4. The monthly long-term debt component has been updated to reflect the actual
9 values for DTE Electric's long-term debt.

10

11 **Q25. What is the equity revenue multiplier on Exhibit A-13?**

12 A25. The overall revenue multiplier derived on Exhibit A-13 is a multiplication factor
13 that I use to convert the after-tax return on equity component to its pre-tax
14 equivalent. Revenue collected to cover a utility's equity return is subject to
15 Michigan Corporate income tax, municipal taxes, and federal income tax. Line 9,
16 column (b) of Exhibit A-13 shows DTE Electric's equity revenue multiplier for the
17 year was 1.3496, which means DTE Electric is required to collect \$1.3496 to
18 produce \$1.00 of after-tax income.

19

20 **Q26. What is the effective tax rate on Exhibit A-13?**

21 A26. The effective tax rate is the combined effect of the Michigan Corporate income tax,
22 Municipal income tax, and Federal Income Tax (FIT) rates. This rate is used by
23 Witness Kauffman to calculate the REP deferred taxes associated with the
24 regulatory liability.

25

Line
No.

1 **Q27. What are you proposing based on your testimony in this proceeding?**

2 A27. I am proposing that the Commission issue findings consistent with the matters
3 presented in my testimony. Specifically:

4 a) As shown on Exhibit A-9, the Company's actual Incremental Cost of
5 Compliance in 2024 associated with its amended Renewable Energy Plan
6 was approximately \$(87.9) million.

7 b) As shown on Exhibit A-11, the Company's ending regulatory liability
8 account balance is \$95,246,784, inclusive of interest, and should be reflected
9 as the Company's beginning balance in its 2025 renewable energy cost
10 reconciliation.

11

12 **Q28. Does this conclude your direct testimony?**

13 A28. Yes, it does.

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
DTE Electric Company to commence)
a renewable energy cost reconciliation)
proceeding for the 12-month period ended)
December 31, 2024)

Case No. U-21830

QUALIFICATIONS
AND
DIRECT TESTIMONY
OF
SHERRI L. WISNIEWSKI

DTE ELECTRIC COMPANY
QUALIFICATIONS OF SHERRI L. WISNIEWSKI

Line
No.

1 **Q1. What is your name, business address and by whom are you employed?**

2 A1. My name is Sherri L. Wisniewski (she/her/hers). My business address is: One
3 Energy Plaza, Detroit, Michigan 48226. I am employed by DTE Energy Corporate
4 Services, LLC, a subsidiary of DTE Energy Company.

5

6 **Q2. On whose behalf are you testifying?**

7 A2. I am testifying on behalf of DTE Electric Company (DTE Electric or Company).

8

9 **Q3. What is your educational background?**

10 A3. I earned a Bachelor of Business Administration from Western Michigan University
11 in 1993 and a Master of Business Administration from The University of Michigan
12 in 1998.

13

14 **Q4. What work experience do you have?**

15 A4. I have been with DTE Energy in the Tax Department since 1996 and became Director
16 of Tax Operations in July 2016. I am currently responsible for tax accounting, tax
17 forecasting, and regulatory tax.

18

19 **Q5. Have you previously sponsored testimony before the Michigan Public Service
20 Commission (MPSC or Commission)?**

21 A5. Yes. I have sponsored testimony in the following cases:

22 U-18232 DTE Electric REP Amended Plan

23 U-18232 DTE Electric 2020 Amended Plan – March 2020

24 U-18255 DTE Electric Rate Case

25 U-18999 DTE Gas Rate Case

Line
No.

1	U-20029	DTE Electric EWR 2017 Reconciliation
2	U-20051	DTE Electric 2017 TRM Reconciliation
3	U-20105	DTE Electric Credit A Rate Case
4	U-20106	DTE Gas Credit A Rate Case
5	U-20162	DTE Electric Rate Case
6	U-20172	DTE Electric REP 2017 Reconciliation
7	U-20298	DTE Gas Calculation C
8	U-20484	DTE Electric REP 2018 Reconciliation
9	U-20561	DTE Electric Rate Case
10	U-20642	DTE Gas Rate Cas
11	U-20723	DTE Electric REP 2019 Reconciliation
12	U-20835	DTE Electric Company for Accounting Approval to
13		Accelerate Amortization of the Tax Cuts and Job Act Regulatory Liability
14		for Non-Plant Related Accumulated Deferred Income Taxes
15	U-20851	DTE Electric 2020 Amended REP
16	U-20940	DTE Gas Rate Case
17	U-20836	DTE Electric Rate Case
18	U-21010	DTE Electric REP 2020 Reconciliation
19	U-21198	DTE Electric REP 2021 Reconciliation
20	U-21285	DTE Electric 2022 Amended REP
21	U-21291	DTE Gas Rate Case
22	U-21297	DTE Electric Rate Case
23	U-21353	DTE Electric REP 2022 Reconciliation
24	U-21361	DTE Electric 2023 Amended REP
25	U-21534	DTE Electric Rate Case

Line
No.

1

2

U-21550 DTE Electric REP 2023 Reconciliation

3

U-21662 DTE Electric 2024 Amended REP

4

U-21860 DTE Electric Rate Case

DTE ELECTRIC COMPANY
DIRECT TESTIONY OF SHERRI L. WISNIEWSKI

Line
No.

1 **Q6. What is the purpose of your testimony?**

2 A6. The purpose of my testimony is to discuss and support the reasonableness of deferred
3 taxes and tax regulatory assets and liabilities in DTE Electric’s 2024 Renewable
4 Energy Plan (REP) Reconciliation.

5

6 **Q7. Are you sponsoring any exhibits in this proceeding?**

7 A7. I am supporting the following exhibit:

<u>Exhibit</u>	<u>Description</u>
A-14	Deferred Income Taxes and Tax Regulatory Assets and Liabilities

10

11 **Q8. Was this exhibit prepared by you or under your direction?**

12 A8. Yes, it was.

13

14 **Q9. How do the deferred income tax assets and liabilities and tax regulatory assets
15 and liabilities shown on Exhibit A-14 impact rate base?**

16 A9. The ending balance of deferred tax assets and liabilities and tax regulatory assets and
17 liabilities shown on Exhibit A-14 line 53 is reflected as a reduction in rate base in
18 Witness Vangilder’s Exhibit A-10, line 10.

19

20 **Q10. Please describe the deferred tax assets and liabilities and tax regulatory assets
21 and liabilities shown on Exhibit A-14, Deferred Income Taxes.**

22 A10. A brief overview of each item on Exhibit A-14 is described below.

23 • Lines 1 through 5: Deferred Tax Asset – Production Tax Credits (PTCs). The
24 deferred tax related to PTCs represents the PTCs that have been generated but
25 not yet either utilized to reduce income taxes payable on DTE Electric’s tax return

Line
No.

- 1 or transferred to a third party. PTCs not used in the year generated or transferred
2 to a third party are carried forward and used in a future year.
- 3 • Lines 7 through 11: Deferred Tax Asset – Investment Tax Credits (ITCs). The
4 Company generated ITCs in 2024 that were transferred to a third party. Because
5 they were transferred to a third party, they are not subject to the normalization
6 requirements of the Internal Revenue Code, which require ITC benefits to be
7 returned to customers over a period no less than the book life of an asset. They
8 were recorded in this account, net of the discount, when they were generated,
9 resulting in a reduction in the incremental cost of compliance. They were
10 removed from this account when they were sold to a third party in exchange for
11 cash.
 - 12 • Lines 13 through 23: Deferred Tax Liability – Plant. The deferred tax related to
13 Plant (both compliance and authorized voluntary) results from the differences
14 between accelerated tax depreciation and book depreciation, as well as
15 differences in depreciable basis for book and tax resulting from AFUDC and
16 Investment Tax Credits (ITCs).
 - 17 ○ Tax depreciation is calculated by utilizing a methodology that generally
18 results in a faster depreciation of the investment as compared to the
19 methodology used to calculate book depreciation resulting in a deferred
20 tax liability.
 - 21 ○ The amount of AFUDC that is capitalized for book purposes is greater
22 than the amount that is capitalized for tax purposes. Therefore, a
23 deferred tax liability is established on this basis difference.
 - 24 ○ When an asset generates an ITC, the tax depreciable basis must be
25 reduced by 50% of that credit, but there is no reduction in the book

Line
No.

1 depreciable basis. Therefore, a deferred tax liability is established on
2 this basis difference.

3 • Lines 25 through 29: Deferred Tax Asset – REP Reg. Liability. The deferred
4 tax related to the regulatory liability results from the revenue DTE Electric
5 previously collected through the REP Surcharge that initially exceeded the
6 incremental costs of compliance. The net is recorded as an increase in the
7 regulatory liability. Taxes were paid on the REP Surcharge revenue when it was
8 received, which created a deferred tax asset. As the incremental costs of
9 compliance exceed the revenue received from the REP Surcharge, both the
10 regulatory liability balance and the deferred tax asset decrease.

11 • Lines 31 through 35: Deferred Tax Asset – Renewable Energy Credits (RECs).
12 The deferred tax related to RECs results from the difference between book
13 expense and tax expense. For book purposes, the RECs are expensed using a
14 weighted-average cost method. For tax purposes, the RECs are expensed using
15 specific identification, expensing each REC at its original cost when acquired
16 or generated.

17 • Lines 37 through 41: AFUDC Equity Tax Regulatory Asset. The tax
18 regulatory asset is established to offset the plant deferred tax liability that is
19 established related to the AFUDC Equity basis difference. The regulatory
20 asset is amortized over the book life of the asset.

21 • Lines 43 through 47: TCJA Tax Regulatory Liability. The tax regulatory
22 liability represents the remeasurement of deferred taxes at 12/31/2017 due to
23 the Tax Cuts and Jobs Act (TCJA), which reduced the federal corporate
24 income tax rate from 35% to 21%. The TJCA tax regulatory liability
25 represents the excess deferred income taxes that are flowed back to the

Line
No.

1 customer as the regulatory liability is amortized. The regulatory liability
2 amortization continues to follow the same overall methodology approved in
3 DTE Electric's Case No. U-20162.
4

5 **Q11. How do the tax regulatory assets and liabilities shown on Exhibit A-14 impact**
6 **the incremental cost of compliance on Witness Vangilder's Exhibit A-9?**

7 A11. The amortization of the AFUDC Equity Tax Regulatory Asset that is included on
8 line 39 of Exhibit A-14 is reflected as an adjustment to the incremental cost of
9 compliance on Witness Vangilder's Exhibit A-9, line 29, when applicable.
10

11 The amortization of the TCJA Tax Regulatory Liability included on line 45 of
12 Exhibit A-14 is reflected as a reduction to the incremental cost of compliance on
13 Witness Vangilder's Exhibit A-9, line 23. Since the amortization of the TCJA
14 regulatory liability is a post-tax adjustment, it must be grossed up (increased) for
15 taxes to include it in the pre-tax incremental cost of compliance. This gross up
16 decreases the revenue requirement included in the REP Surcharge and ensures DTE
17 Electric does not earn above its authorized return for this amortization.
18

19 **Q12. Does this complete your direct testimony?**

20 A12. Yes, it does.

Renewable Energy Annual Report

Revised February 2025

Electric Provider: DTE Electric Company

Reporting Period: Calendar Year 2024

- The purpose of this annual report is to provide information regarding activities that occurred within calendar year 2024.
- Many of the requested figures are available from MIRECS reports; names of which are noted within this template. If your figures agree with those within MIRECS, you may submit the MIRECS report as an attachment to this annual report. If your figures differ from those within MIRECS, please explain any discrepancies. Staff from the MPSC and MIRECS Administrator, APX, Inc., are available to help reconcile.

Section 51(2)(f).

Within this section, list the method and the retail sales in MWh for the reporting period.

List the Method: either average of 2021-2023 retail sales or the 2023 weather normalized retail sales.

2023 weather normalized retail sales

The method chosen should be consistent with the method approved in the initial plan case from 2017. All sales are retail (net of wholesale).

(A) List the sales in MWh based on the method selected above. Please show the calculation of this figure (including listing the sales of each year if the three-year average method is used).

39,053,997

(B) 15% RPS Portfolio: List the energy credits used for the 15% RPS portfolio voluntary retirement in calendar year 2024. This number should agree with the voluntary retirement listed in the 2024 voluntary retirement subaccount in MIRECS. Take into account any energy waste reduction substitutions and limits on their use.

5,858,100

Calculate the renewable energy percentage. Figure above divided by sales in MWh above (B divided by A).

$5,858,100 / 39,053,997 = 15\%$

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
DTE Electric Company to commence)
a renewable energy cost reconciliation)
proceeding for the 12-month period ended)
December 31, 2024.)

Case No. U-21830

PROOF OF SERVICE

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

ESTELLA R. BRANSON states that on July 1, 2025, she served a copy of DTE Electric Company's Application for Renewable Energy Cost Reconciliation, Annual Report, Direct Testimony and Exhibits of Witnesses Eric R. Bidlingmaier, Andrea R. Hardy, Patrick D. Kauffman, Karl Lievense, Kirk M. Vangilder, and Sherri L. Wisniewski in the above captioned matter, via electronic mail, upon the persons listed on the attached service list.

ESTELLA R. BRANSON

MPSC Case No. U-21830
SERVICE LIST

MPSC STAFF

Steven D. Hughey

Assistant Attorney General

Public Service Division

7109 W. Saginaw Highway, Fl 3

Lansing, MI 48917

hugheys@michigan.gov